

# AGENDA

## Meeting Budget and Performance Committee

**Date** Wednesday 15 October 2014

**Time** 2.00 pm

**Place** Committee Room 4, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the reports and any attachments may be found at [www.london.gov.uk/mayor-assembly/london-assembly/budget-performance](http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance)

Most meetings of the London Assembly and its Committees are webcast live at [www.london.gov.uk/mayor-assembly/london-assembly/webcasts](http://www.london.gov.uk/mayor-assembly/london-assembly/webcasts) where you can also view past meetings.

### Members of the Committee

John Biggs AM (Chairman)  
Stephen Knight AM (Deputy Chair)  
Gareth Bacon AM  
Darren Johnson AM

Joanne McCartney AM  
Valerie Shawcross CBE AM  
Richard Tracey AM

A meeting of the Committee has been called by the Chairman of the Committee to deal with the business listed below.

Mark Roberts, Executive Director of Secretariat  
Tuesday 7 October 2014

### Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Dale Langford, Principal Committee Manager; telephone: 020 7983 4415; email: [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk); minicom: 020 7983 4458.

For media enquiries please contact London Assembly External Relations: telephone: 020 7983 4283. If you have any questions about individual items please contact the author whose details are at the end of the report.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available at [www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf](http://www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf).

There is access for disabled people, and induction loops are available. There is limited underground parking for orange and blue badge holders, which will be allocated on a first-come first-served basis. Please contact Facilities Management on 020 7983 4750 in advance if you require a parking space or further information.

If you, or someone you know, needs a copy of the agenda, minutes or reports in large print or Braille, audio, or in another language, then please call us on 020 7983 4100 or email [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

Si usted, o algùn conocido desea recibir una copia del order del dia, acta o informe en Braille o en su propio idioma, y gratis, no dude en ponerse en contacto con nosotros llamando al teléfano 020 7983 4100 o por correo electrónico: [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

Se você, ou algüem que conheça precisa uma cópia da ordem do dia, anotações ou relatorios em prensa grande ou Braille, ou em outra lingu, então por favour nos telephone em 020 7983 4100 ou e-mail [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

Haddii ama ama qof aad taqaanid, uu ugu baahan yahay koobiga ajendhada, haddaladii ama warbixinta in far waaweyn loogu qoro ama farta qofka indoolaha akhrin karo, amaba luuqad kale, fadlan naga soo wac telefoonkan 020 7983 4100 ama email [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

Ta ba ri enikeni ti o ba ni ife ni eda ewe nla ti igbimo awon asoju tabi papa julo ni ede ti abinibi won, ki o kansiya lori ero ibanisoro. Nomba wa ni 020 7983 4100 tabi ki e kan si wa lori ero [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

જો તમને અથવા તમે જાણતાં હો તેવી કોઈ વ્યક્તિને એજન્ડા (કાર્યસૂચિ), મિનિટ્સ (ટૂંકી નોંધો) અથવા રિપોર્ટ્સ (અહેવાલો)ની નકલ મોટા અક્ષરોમાં છપાયેલી કે બ્રેઈલમાં અથવા બીજી કોઈ ભાષામાં જોઈતી હોય, તો કૃપા કરીને 020 7983 4100 ઉપર ફોન અથવા [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk) ઉપર અમને ઈ-મેઈલ કરો.

আপনি বা আপনার পরিচিত কেউ যদি এজেন্ডা, মিনিট বা রিপোর্টের একটি কপি বড় ছাপা বা ব্রেইল অথবা অন্য কোন ভাষায় পেতে চান তবে দয়া করে আমাদেরকে 020 7983 4100 এ নাম্বারে ফোন করুন বা [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk) এ ই-মেইলে যোগাযোগ করুন।

ਜੇ ਤੁਹਾਨੂੰ ਜਾਂ ਤੁਹਾਡੇ ਵਾਕਫ਼ ਕਿਸੇ ਹੋਰ ਵਿਅਕਤੀ ਨੂੰ, ਏਜੰਡੇ, ਮੀਟਿੰਗ ਦੀ ਕਾਰਵਾਈ ਜਾਂ ਰਿਪੋਰਟਾਂ ਦੀ ਕਾਪੀ, ਵੱਡੇ ਅੱਖਰਾਂ ਵਿੱਚ ਛਪਾਈ ਜਾਂ ਬਰੇਲ ਦੇ ਰੂਪ ਵਿੱਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿੱਚ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਸਾਨੂੰ 020 7983 4100 'ਤੇ ਟੈਲੀਫ਼ੋਨ ਕਰੋ ਜਾਂ ਇਸ ਪਤੇ 'ਤੇ ਈਮੇਲ ਕਰੋ : [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk)

اگر آپ یا آپ کے جاننے والے کسی فرد کو اس ایجنڈا کی کاپی، تفصیل یا رپورٹیں بڑے پرنٹ یا بریل یا کسی دوسری زبان میں درکار ہوں تو براہ کرم ہمیں 020 7983 4100 پر فون کیجئے یا درج ذیل ای میل پر رابطہ کیجئے [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk)



**Agenda  
Budget and Performance Committee  
Wednesday 15 October 2014**

**1 Apologies for Absence and Chairman's Announcements**

To receive any apologies for absence and any announcements from the Chairman.

**2 Declarations of Interests** (Pages 1 - 4)

**The Committee is recommended to:**

- (a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;**
- (b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and**
- (c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).**

**3 Minutes** (Pages 5 - 64)

**The Committee is recommended to confirm the minutes of the meeting of the Budget and Performance Committee held on 11 September 2014 to be signed by the Chairman as a correct record.**

The appendices to the minutes set out on pages 9 to 64 are attached for Members and officers only but are available from the following area of the GLA's website:

<http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance>

**4 Summary List of Actions** (Pages 65 - 74)

Report of the Executive Director of Secretariat

Contact: Dale Langford; [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk); 020 7983 4415

**The Committee is recommended to note the completed and outstanding actions arising from previous meetings of the Committee.**

## **5 London Overground** (Pages 75 - 76)

Report of the Executive Director of Secretariat

Contact: Steve Wright; [steve.wright@london.gov.uk](mailto:steve.wright@london.gov.uk); 020 7983 4390

**The Committee is recommended to note the report, put questions to the guests and note the discussion.**

## **6 Budget and Performance Committee Work Programme** (Pages 77 - 84)

Report of the Executive Director of Secretariat

Contact: Steve Wright; [steve.wright@london.gov.uk](mailto:steve.wright@london.gov.uk); 020 7983 4390

**The Committee is recommended to:**

- (a) Note its work programme for 2014/15; and**
- (b) Agree the terms of reference and scope for the scrutiny of the Mayor's budget for 2015/16, as set out in Appendix 1 to the report.**

## **7 Date of Next Meeting**

The next meeting of the Committee is scheduled for Thursday 20 November 2014 at 10.00am in Committee Room 5.

## **8 Any Other Business the Chairman Considers Urgent**

# Subject: Declarations of Interests

**Report to: Budget and Performance Committee**

**Report of: Executive Director of Secretariat**

**Date: 15 October 2014**

**This report will be considered in public**

## 1. Summary

- 1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

## 2. Recommendations

- 2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests<sup>1</sup>;**
- 2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**
- 2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

## 3. Issues for Consideration

- 3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

---

<sup>1</sup> The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

<b>Member</b>	<b>Interest</b>
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Member, LFEPA; Member, LB Bexley
John Biggs AM	
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Victoria Borwick AM	Member, Royal Borough of Kensington & Chelsea; Deputy Mayor
James Cleverly AM	Chairman of LFEPA; Chairman of the London Local Resilience Forum; substitute member, Local Government Association Fire Services Management Committee
Tom Copley AM	
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Roger Evans AM	Committee of the Regions; Trust for London (Trustee)
Nicky Gavron AM	
Darren Johnson AM	Member, LFEPA
Jenny Jones AM	Member, House of Lords
Stephen Knight AM	Member, LFEPA; Member, LB Richmond
Kit Malthouse AM	Deputy Mayor for Business and Enterprise; Deputy Chair, London Enterprise Panel; Chair, Hydrogen London; Chairman, London & Partners; Board Member, TheCityUK
Joanne McCartney AM	
Steve O'Connell AM	Member, LB Croydon; MOPAC Non-Executive Adviser for Neighbourhoods
Caroline Pidgeon MBE AM	
Murad Qureshi AM	Congress of Local and Regional Authorities (Council of Europe)
Dr Onkar Sahota AM	
Navin Shah AM	
Valerie Shawcross CBE AM	Member, LFEPA
Richard Tracey AM	Chairman of the London Waste and Recycling Board; Mayor's Ambassador for River Transport
Fiona Twycross AM	Member, LFEPA

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority; MOPAC – Mayor's Office for Policing and Crime]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at
  - (i) a meeting of the Assembly and any of its committees or sub-committees; or
  - (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions
- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

#### UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

- 3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.
- 3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.
- 3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.
- 3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.
- 3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here:  
<http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality>.
- 3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.
- 3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

## **4. Legal Implications**

- 4.1 The legal implications are as set out in the body of this report.

## 5. Financial Implications

5.1 There are no financial implications arising directly from this report.

<b>Local Government (Access to Information) Act 1985</b>
--

List of Background Papers: None
---------------------------------

Contact Officer: Dale Langford, Principal Committee Manager
---

Telephone: 020 7983 4415
--------------------------

E-mail: dale.langford@london.gov.uk
-------------------------------------



# MINUTES

**Meeting: Budget and Performance  
Committee**

**Date: Thursday 11 September 2014**

**Time: 10.00 am**

**Place: Committee Room 5, City Hall, The  
Queen's Walk, London, SE1 2AA**

Copies of the minutes may be found at:

<http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance>

**Present:**

John Biggs AM (Chairman)  
Stephen Knight AM (Deputy Chair)  
Gareth Bacon AM  
Darren Johnson AM  
Joanne McCartney AM  
Richard Tracey AM

**1 Apologies for Absence and Chairman's Announcements (Item 1)**

1.1 Apologies for absence were received from Valerie Shawcross CBE AM.

**2 Declarations of Interests (Item 2)**

2.1 The Committee received the report of the Executive Director of Secretariat.

**2.2 Resolved:**

**That the list of offices held by Assembly Members, as set out in the table at  
Agenda Item 2, be noted as disclosable pecuniary interests.**

### **3 Minutes (Item 3)**

#### **3.1 Resolved:**

**That the minutes of the meetings of the Budget and Performance Committee held on 25 June 2014 and 3 July 2014 be signed by the Chairman as correct records.**

### **4 Summary List of Actions (Item 4)**

4.1 The Committee received the report of the Executive Director of Secretariat.

#### **4.2 Resolved:**

**That the completed and outstanding actions arising from previous meetings of the Committee be noted.**

### **5 Action Taken Under Delegated Authority (Item 5)**

5.1 The Committee received the report of the Executive Director of Secretariat.

#### **5.2 Resolved:**

**That the action taken by the Chairman under delegated authority, in consultation with party Group Lead Members, namely to respond to the Home Office consultation on the draft Bill to reform the Riot (Damages) Act, be noted.**

### **6 Policing in Austerity (Item 6)**

6.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on policing in austerity to the following invited guests:

- HMI Stephen Otter, Her Majesty's Inspectorate of Constabulary;
- Deputy Commissioner Craig Mackey, Metropolitan Police Service; and
- Lynda McMullan, Director of Police Resources and Performance, Mayor's Office for Policing and Crime.

6.2 A transcript of the discussion is attached as **Appendix 1**.

6.3 During the course of the discussion, the Committee requested from the Metropolitan Police Service details of break clauses in the Command and Control contract and details of teams where volunteers and special constables are deployed.

6.4 **Resolved:**

**That the report and discussion be noted.**

**7 London Legacy Development Corporation (Item 7)**

7.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions to the following invited guests from the London Legacy Development Corporation (LLDC):

- Neale Coleman, Deputy Chairman;
- Dennis Hone, Chief Executive; and
- Jonathan Dutton, Director of Finance and Corporate Services.

7.2 A transcript of the discussion is attached as **Appendix 2**.

7.3 **Resolved:**

**That the report and discussion be noted.**

**8 Police Technology - Update to Smart Policing Report (Item 8)**

8.1 The Committee received the report of the Executive Director of Secretariat.

8.2 **Resolved:**

**That the updated response to the report, *Smart Policing – How the Metropolitan Police Service can make better use of technology*, be noted.**

**9 Budget and Performance Committee Work Programme (Item 9)**

9.1 The Committee received the report of the Executive Director of Secretariat.

9.2 **Resolved:**

**(a) That the work programme for 2014/15 be noted; and**

**(b) That authority be delegated to the Chairman, in consultation with the party Group Lead Members, to agree comments on the London Infrastructure Plan for submission to the London Assembly's Planning Committee.**

## **10 Date of Next Meeting (Item 10)**

- 10.1 The next meeting of the Committee was scheduled for Wednesday 15 October 2014 at 2.00pm in Committee Room 5.

## **11 Any Other Business the Chairman Considers Urgent (Item 11)**

- 11.1 There were no other items of business.

## **12 Close of Meeting**

- 12.1 The meeting ended at 12.58pm.

---

Chairman

---

Date

**Contact Officer:** Dale Langford, Principal Committee Manager; Telephone: 020 7983 4415;  
Email: dale.langford@london.gov.uk; Minicom: 020 7983 4458.

**Budget and Performance Committee – 11 September 2014****Transcript of Item 6 – Policing in Austerity**

**John Biggs AM (Chairman):** Can I thank our witnesses for coming? We have Stephen Otter, who is a regular here from Her Majesty's Inspectorate of Constabulary (HMIC), who is our main witness; Deputy Commissioner Craig Mackey from the Metropolitan Police Service (MPS); and Lynda McMullan from the Mayor's Office for Policing and Crime (MOPAC).

For anyone who is watching in colour, this is a report from HMIC, responding to austerity. It is an inspection report into the MPS and its preparedness for dealing with the impending doom. Is that right, the impending doom?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**John Biggs AM (Chairman):** We thought we would start with you, Mr Otter. You can give us an introduction to the work you have been doing, because I think you have been inspecting all the forces in the country.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**John Biggs AM (Chairman):** This [police force] is your one. You can tell us how well the MPS did with its reductions last year.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes, I am very pleased to do that. This is the last year of our inspection programme looking at the way in which police forces have responded to austerity. It is quite a narrow examination because it is literally just how they responded. We intend in future years to widen our look at efficiency to look at the broader issue of productivity. Just to get the context, this is very much how the police forces make the savings, how they reorganise themselves and how they maintained some kind of effectiveness of policing.

If I deal with the three questions to begin with, if I may? I will just give the headlines because you have the report in front of you. How well is the MPS dealing with the funding reductions? Our report found that it is responding well. It gets 'good' in all three categories. As a proportion of its overall budget the context is whether it is reducing its operating costs by 22% as a percentage and this is --

**John Biggs AM (Chairman):** Over the timescale?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Over the four-year Spending Review period, and it is the third highest percentage reduction in the country. The average across England and Wales is 17%, remembering, of course, that the MPS is 25% of the overall police budget in England and Wales and over that period the current savings gap is £821 million. The force plans each year have had to use --

**John Biggs AM (Chairman):** By "current spending gap", you mean as against its budget at the beginning of the four-year period?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** It needs to save £821 million from the original budget that it did have.

**John Biggs AM (Chairman):** Right, that is about £3.2 billion, in 2011 [to 2014/15].

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes, that is overall budget. The new budgets it needs to have, based on the 22% it needs to save.

**John Biggs AM (Chairman):** OK. Thank you.

**Stephen Knight AM (Deputy Chair):** Is that per annum or is that --

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** No, the £821 million is over the whole four-year period, so it is a cumulative amount. I can tell you what the year-on-year amounts are for the next two years. Its plans next year are to save £191 million. No, sorry, this is this year 2014/15, and in 2015/16, which is the last year of the four-year Spending Review period, it is £211.8 million.

The MPS is using reserves. The use of reserves accords to the average use of reserves across England and Wales. We are satisfied that that is a reasonable thing to do in a change programme of the size that it is, and we have assured that the reserves have remained stable throughout the Spending Review period so far; between 9% and 11%. That is just below the median across England and Wales in terms of the percentage of the budget that is held on reserves.

In the first two years the force successfully made 47% of its savings. Those are the savings that it is required to make by the end of the Spending Review period, and this was despite the Olympics and other big pressures. What we have seen - and it is a very different picture this year from previous years' inspections, where we were anxious about the lack of plans - is that we see a very comprehensive set of plans now that demonstrate and clearly articulate how the MPS is going to function with a smaller budget after the Spending Review period. That is the MPS change programme and other things that I am sure Craig will speak about in a minute.

Savings against pay budgets equates to 62% of the overall savings that it is making, and that is in the lower quartile of all forces in England and Wales. It is making less savings from its pay budgets than the average, and therefore making higher levels of savings in its non-pay budgets than other forces. That said - and it is important to say - the costs in the non-pay budget are significantly above the England and Wales averages, in particular in the support costs area, and the MPS is an outlier in just about every single non-pay budget area.

**John Biggs AM (Chairman):** We have examined that at the previous meeting with you, I think.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes. One would expect the MPS to be prioritising those areas.

**John Biggs AM (Chairman):** Is it disproportionately higher, even having taken account of the higher support costs?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** It is disproportionately higher, yes. There is something about the rate at which the MPS is making very ambitious plans to reduce its on-costs, if that makes sense. Again, is a higher rate of reduction than other forces are making on its non-staff costs.

**John Biggs AM (Chairman):** In terms of the profile savings, is it frontloaded, so is it an even profile? Is it 63% on pay so far, or over the entire four-year period?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** I do not know the answer to that.

**Craig Mackey (Deputy Commissioner, MPS):** A lot of this, particularly the police staff pay was front loaded, so that is why Steve [Otter] assessed us as halfway through, very roughly, in terms of the 47% or 48% spend. A lot of that work was around police staff pay lines, so the staff ones have come there. Rank mix as well has come at the front end.

**John Biggs AM (Chairman):** OK. A bigger chunk of support costs in the later stages then?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**Craig Mackey (Deputy Commissioner, MPS):** They are, frankly, the more difficult ones to deliver.

**John Biggs AM (Chairman):** Indeed, that is probably why they are delayed then?

**Craig Mackey (Deputy Commissioner, MPS):** Yes, but that is not the ambition, is it?

**John Biggs AM (Chairman):** Anyway, let's carry on.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** That leads me on then to the risks. I think there are some risks still. Any use of reserves has inherent risks, all forces are taking them and you think it is the right risk to take, but it is risky because you do not know what might need to draw on those reserves, so that is something that always needs to be borne in mind.

Looking forward to 2019/20 we are satisfied the MPS is forecasting and creating plans for the four years after the Spending Review. We are looking to see forces are not just going to the end of this period. The current estimate is cost savings needed of £435 million by 2019/20. That might be changed, I do not know.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** I think double that would be closer.

**Craig Mackey (Deputy Commissioner, MPS):** I think it is a bit low in fact.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Close to £800 million.

**Joanne McCartney AM(?):** Can we get some clarity on that?

**John Biggs AM (Chairman):** Yes. £435 million to go but it is £821 million overall.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** I think the next review period we would look at an additional, probably, £700 million to £800 million.

**Joanne McCartney AM:** That is from 2016 to 2020?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** That is right, to 2019/20.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** That is the same again.

**Craig Mackey (Deputy Commissioner, MPS):** Same again, and probably a little bit more if you look at the profile. The next Spending Review is tougher than this one.

**John Biggs AM (Chairman):** We could wander off in various tangents. Can I just park a question, which perhaps we will come to later. There is a lot of stuff in the press about the imperative of merging forces elsewhere, but the MPS is not going to merge with anyone so it could be that there is a special saving

elsewhere that could not be achieved in London, but we can perhaps explore that later on if necessary. You only came up with one risk which is --

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** I have not finished yet. I am going to find out where I got that £435 million from.

**Craig Mackey (Deputy Commissioner, MPS):** You can move that figure by just 0.5% and all of a sudden the projections change dramatically.

**John Biggs AM (Chairman):** OK.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Another risk is that the MPS relies quite heavily on the National and International Capital City and counterterrorism (CT) grants directly from the Government, so it is direct grant funding. They provide together 18.9% of the force's current operating costs. The current forecast is that they would reduce by 6% the end of this Spending Review period. Any greater reduction than that - as you can see - has a very significant effect on the savings that is required to be made.

**John Biggs AM (Chairman):** By 6% you mean a third of that 18.9% or 6% of 18.9%?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** A 6% reduction in the amount, that equates to 18.9% of the budget.

**John Biggs AM (Chairman):** OK, sorry.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Does that make sense?

**John Biggs AM (Chairman):** Yes.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** I do not know the amount. It is £665 million.

**John Biggs AM (Chairman):** That does not work.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** No, that is the operating cost. I am getting confused, my apologies. It is 18.9% of the force's current operating costs of £665 million. It is not the overall budget.

**Craig Mackey (Deputy Commissioner, MPS):** If I may, Chair, if you remember from previous committees there are at least three budget lines that the MPS has no control over. They come through central grant. The big ones: National, International and Capital City, which is supposed to recognise those challenges that are unique to London above and beyond everything else; the work around CT, so what we call the Association of Chief Police Officers (ACPO) Terrorism and Allied Matters (TAM) money. There are actually two pots in there. There is some stuff that is about protection and some stuff that is around CT; and the other big one, at close to £90 million, is the Transport for London (TfL) budget.

What that means to us in terms of officers, is that there are just over 5,000 officers on the MPS strength, which you could argue technically are funded somewhere else.



**John Biggs AM (Chairman):** Right. It is very important - without the meeting getting bogged down - that we understand this because a lazy political environment would say, "Because London is so special and different, you can go on with what everyone else does", and that is not good enough. Do we have any questions on this or should we move on to the other bits of risk?

**Joanne McCartney AM:** Just for clarity, the CT and National, International and Capital City funding is on a yearly basis so you cannot really plan ahead, can you?

**Craig Mackey (Deputy Commissioner, MPS):** No, and it does depend a lot on the pressures that are on the central Home Office budget. For the first time this year - and Lynda and I are doing that work at the moment - we have had to bid for the National, International and Capital City money. You all know the tension that creates with London, with some of the boroughs over the challenges of policing central London and the costs being borne, so that is a very important budget we get right.

**Stephen Knight AM (Deputy Chair):** I want some clarity about whether the reductions that you anticipate in those income streams are included in the figures that you gave us earlier?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes.

**Craig Mackey (Deputy Commissioner, MPS):** They are.

**Stephen Knight AM (Deputy Chair):** The total, that is what the full --

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** That is the current assumption that has been made.

**Stephen Knight AM (Deputy Chair):** The assumption for the next Spending Review period of £700 million to £800 million includes an assumption around that --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** A continuation of that type of reduction.

**Stephen Knight AM (Deputy Chair):** It is not on top of?

**Craig Mackey (Deputy Commissioner, MPS):** No. It is our best estimate at the moment, and it will firm up clearly as we get the next Office for Budget Responsibility (OBR) in the next spending round we will get --

**Stephen Knight AM (Deputy Chair):** Can I have one other bit of clarity? That was the 62% of the savings was in pay. That was in terms of the MPS savings plan, not what has been delivered to date?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**Stephen Knight AM (Deputy Chair):** Right. Thank you.

**Richard Tracey AM:** I just wanted to ask, particularly Stephen Otter and Craig Mackey, their attitude to what were the historic costs of the MPS? Both of you were senior officers in other areas of the country before you

came to do the jobs you are. Surely, there was a view around – and I have heard it from officers from the rest of the country and, indeed, certainly from politicians – that the MPS previously was over-fat and all of this saving was timely. Is that right?

**John Biggs AM (Chairman):** That is a very good question. When the GLA family was created, the MPS prior to that had been part of a Government department, whereas every other police service was --

**Richard Tracey AM:** Yes, it was Home Office controlled, was it not, prior to 2000, but even since then I think the view persisted --

**John Biggs AM (Chairman):** Among police services, yes. So we were fat and bloated but we are less so now.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** The value for money profiles, which you can look at on the HMIC website, puts the MPS as outliers in terms of more costly in nearly all areas, including the cost of a constable on the beat, a police community support officer (PCSO), and the on-costs of information technology (IT) business support. The bit that has never been properly articulated – or worked out and then articulated – is what should the additional costs of policing London reasonably be? There is an acceptance outside of London that, of course, it is different to police London.

**John Biggs AM (Chairman):** Yes, of course.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** But they do not know what the quantum is and, as a result, that is why the National, International and Capital City funding and CT funding is being examined more carefully, because there is always a tendency just to accept there is an on-cost. But people do not know what it is and if the actual budget is already significantly larger per head of population than the rest of the country, then even without those additional grants then, of course, there needs to be proper questions of that.

**Richard Tracey AM:** Yes, I accept those additional responsibilities and Craig Mackey has outlined them. I do not think we disagree on that. Surely, in general, the rest of the operation of the MPS was over fat. That was a view that I have heard articulated many times.

**Craig Mackey (Deputy Commissioner, MPS):** As Steve [Otter] said, when you look at the benchmarking, the benchmarking would support that the costs were out of kilter without a means of being able to explain that.

**John Biggs AM (Chairman):** I cannot resist saying and I have said it about a thousand times down the years and it has not quite resonated with Government yet, they do not listen to me. Governments spend their lives slugging off local government, whether it is police authorities or local councils being inefficient, but here was a Government department which had never been properly scrutinised or opened up in the way that a local authority would be. That is perhaps a lesson for us on the value of having local accountability. Come on, disagree with me and then we will move on.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** I am not going to disagree but there is just a little point of clarification. While I completely agree with the analysis, some of the comparative data is based on head of population. One of the things we have to keep remembering is the

number of commuters and people visiting London and the policing impact of that. Sometimes we cannot just take some of those comparative figures without thinking it through. It is not quite so straight forward.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes, and every force does that but the MPS has it more --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** The commuting and tourism thing is quite important.

**John Biggs AM (Chairman):** We do compare ourselves to a peer group but none of that is quite comparable or some of it is more comparable --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** It absolutely is but it --

**John Biggs AM (Chairman):** Manchester is more comparable than Cambridgeshire, for example.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes. We need to dig into the figures a little bit deeper.

**John Biggs AM (Chairman):** Cautious, yes, OK.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** It is a comparison --

**Richard Tracey AM:** I started this particular line of questioning, but surely the comparisons between the MPS - the normal operations of the MPS, not the three that Craig Mackey has outlined - the normal operations that are pretty similar to Thames Valley, to Merseyside, to West Midlands, are they not?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Some of the comparisons where it becomes very telling is the proportion of costs between direct costs and frontline policing and some of that back office. That analysis has been really helpful and allows us to get those plans right and where that fat should come out. I think that is absolutely right. Where we need to be more cautious is understanding what that policing requirement is. It is not just per head of population in London because there is such a huge influx, particularly during the day. There is better analysis that we can use and I am sure the analysis will be that there are still things that we can do to be more efficient. I would not argue the point.

**Joanne McCartney AM:** My point was that one. I have written on your report, Steve, under efficiency, but it is per head of population, not crime. Of course, we are a world city and that level of tourism or whatever does not happen in Birmingham.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** No, absolutely right. But it is meant to ask questions. Are you satisfied that the level of costs has been so much higher? Is it the right level? We have not worked that out yet. That has not --

**John Biggs AM (Chairman):** OK. But there has been a worrying trend in which some aspects of funding from Government have been moving towards per capita rather than a crime metric, and I imagine across the whole Assembly - regardless of politics - we would kick against that but we need to do it in a way that is thought through. Back to your risks.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** The next one is looking ahead after the Spending Review period. Although the MPS - like other forces - has done a lot of forecasting and has emerging plans, it does not have detailed plans yet. I would not expect it to. 57% of the force's operating costs are currently spent on police officer pay. That is currently a fixed cost based on officer numbers. That is a mayoral commitment. One of the risks here is, as you know, the significant savings that will be required into next year's review period or the next four years after. Whether they call it a Spending Review period we do not know. But that is probably going to put pressure on that police officer pay budget. It is a risk. To find that resource just from elsewhere in the organisation would be very difficult.

Finally, the successful delivery of plans relating to real estate and information and communications technology (ICT) are crucial. They are in the plan. They are set as an absolutely central part of the savings plan and, therefore, the success in those two areas is required, and therefore any failure is a failure. There is a risk of failure of not providing savings if those savings plans do not work.

**John Biggs AM (Chairman):** Implicit in your risk about some of these savings is a sort of political risk as well. I am not making a party political point, but the fact that the structure here is very different from elsewhere in the country means that the MPS may have expectations placed on it which a police and crime commissioner (PCC) may not, in a different environment, place on their police authority elsewhere.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** I suppose PCCs are placing these sorts of pressures on other forces. They are all political pressures, so I do not think London is any different in that sense.

**John Biggs AM (Chairman):** OK. Good. Do you have the third bit about cultural change then?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** I thought I was going to pause then but --

**John Biggs AM (Chairman):** I think we are accumulating information and then we are going to cross-examine it against the MPS's proposals in the next bit of questioning

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** One other risk where I think London is slightly different is the changing demographics, particularly out to 2019/20, which we need to be thinking about. London is getting bigger. It is getting younger. The shape is changing and what does that mean for demand for services, so that again is something I am thinking carefully about looking ahead.

**Stephen Knight AM (Deputy Chair):** I was just going to ask on this issue of London being very different from the rest of the country, whether there are international comparators between, say, New York and other parts of the United States (US) or in Europe that would demonstrate --

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** There are.

**John Biggs AM (Chairman):** There are but perhaps it is --

**Stephen Knight AM (Deputy Chair):** Nothing is quite the same as London but --

**John Biggs AM (Chairman):** I think you are right to answer that question. There are, I am sure, but --

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** There was a piece of work done by the MPS prior to the -- There are some comparators but they are not easy to use. They are just as difficult as the comparators with other police forces. I found it a refreshing change for the Commissioner to say, "We will use a comparison with the other big forces in Britain because they are our neighbours. We have the data" because it raises questions that I can use in thinking about funding and budgeting. I think that is a refreshing change and it is an intelligent use of that comparison with all the caveats. That is a way to operate rather than to seek an international comparison. In Paris they do not even know how much they spend on policing. It is part of the national budget. They do not define it the same way, so it is impossible to make those comparisons.

**Stephen Knight AM (Deputy Chair):** OK, thank you for that. Right, shall I move on, Chair?

**John Biggs AM (Chairman):** No, because we are going on to the particular challenges.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** This is a difficult question. The first thing is that we found that the commitment in the top team - the Commissioner and management board - is very strong and it is consistent across management board members. I have been in the MPS before and that is quite a different experience, I think, from my previous times when I was in the MPS. There is a real sense of cohesion; engagement with senior staff and junior staff; strong messages. People know about the MPS change but there is a long way to go to get a sense that people are engaging with a new way of working. There are the changes in the Local Policing Model and the changes in intelligence. As there always is with change, there is a big need for officers and staff to work differently. That will need a programme of change. As you will know - I am doing Craig's bit and Craig can tell you about this - Martin Hewitt [Deputy Assistant Commissioner, MPS] is leading that work.

From our point of view, the signs are that the MPS knows there is a problem, it has allocated resources and leadership commitment to it and it is getting on with the job, but it is a big organisation and it is a big challenge. I would leave it at that.

**John Biggs AM (Chairman):** OK. If I can ask one final big question before we move on to the other bits then, which is looking at it from your broader remit. You specialise on London but obviously you know what is happening elsewhere.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**John Biggs AM (Chairman):** The sorts of directions that the MPS are heading in do not set up any big warning lights in terms of achievability of these savings targets?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** No. We might talk about West Midlands later. There are some things in the West Midlands Police, which has been doing it for longer, that are very useful for the MPS to look to, particularly partnership with the private sector and those types of things. I know that is in your minds anyway.

**John Biggs AM (Chairman):** OK. Shall we move on then to the next question.

**Stephen Knight AM (Deputy Chair):** This is around delivery of the plan and in particular how you are getting on with achieving the savings that you have planned. I note that for the year 2013/14 budgeted savings were £240 million and achieved savings were £289 million, so you are above target.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** But within that of course there are very big differences in terms of where the savings have been achieved. You have overachieved on savings on the pay side and perhaps underachieved on some of the other sides. Do you want to talk us through that?

**Craig Mackey (Deputy Commissioner, MPS):** By all means, yes. It is quite deliberate to try to make savings early. It is probably worth going back and just rehearsing the programme so you know where the various bits are. One of the things we know from having the idea and the concept about where you are going to make savings, taking it through a proper governance process, delivering it and getting the money out of the bottom line - which is the real test on this - is 12 to 18 months. You have to do things in the interim to draw the cost out, (1) because it gives you the opportunity to use one-off money to fund the cost of transitions, be that technology or be that exiting people, but (2) also because it allows for any other slippage the programme. We touched on it briefly earlier on. The work around police staff numbers and some of the transformation about that has progressed well. The work around rank mix, the pressure on rank mix this year is about £2 million. That has progressed well when you consider it in terms of the size of the budget.

The two areas that are the most difficult to deliver the savings on, one of them is slightly nuanced. The estates one we are going to be about £10 million adrift this year on what we wanted to save on the running costs around estates. That is about late exit from buildings. Where the estates is making something slightly different is in terms of the capital receipts around estates. They are more than we originally budgeted for. We have been more successful in terms of going to the market around that.

The biggest one, and if there is an area of work that keeps me awake at night it is the one around delivering the technology savings. It is about transforming an organisation, which has very old, very antiquated technology, where there was not a great deal of investment over many years, and trying to bring it up to certainly where the other 42 forces are and probably beyond them. There are some encouraging signs in terms of that, so the technology strategy is absolutely the right thing to do and the right way to go. Transforming how we deliver that technology, bear in mind we started with a benchmark -- offhand I think we were twice the cost of everyone else, were we not?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** I cannot remember the figures but it was quite substantial.

**Craig Mackey (Deputy Commissioner, MPS):** Per head of the organisation we were spending twice as much on technology as everyone else. That has been the hardest part to do. We have a piece of work that will come out very shortly - the work is being done at the moment - which is around transforming what the technology activity looks like. I can go into detail if you want around that, but that is basically, as we transform the MPS technology, what does the residual organisation look like in terms of who provides the technology, how is it done? You will be aware - and those of you who are on the Police Authority will know - we have had, in that area of the business, one large crime contract in the past that is a very large contract with a major supplier. That comes up at the end of next year and this work is about moving us away from that position to potentially a different model in terms of market and market engagement.

**Stephen Knight AM (Deputy Chair):** As you know, this Committee has looked at the MPS ICT spending in some detail in the past.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** Certainly we have concerns - and we have expressed concerns before - about the deliverability. Clearly it is a huge challenge for you --

**Craig Mackey (Deputy Commissioner, MPS):** It is huge.

**Stephen Knight AM (Deputy Chair):** -- to deliver savings in ICT at the same time as trying to catch up.

**Craig Mackey (Deputy Commissioner, MPS):** Yes, but in your premise you highlight the challenge because there is not a standstill option. Some of this technology will literally fall over. We celebrated 30 years of having a command and control system. That is a tremendous achievement for the company who provided that and for those who have worked on it and kept it going for 30 years. Most other police forces have probably done three or four in that period of time and are on a different iteration of technology. That is the challenge for us. Please do not get me wrong, I am not saying in the past they were all wrong. It is incredibly difficult to land it. I know we have a question later on, on the command and control, but that is a colossal contract. It is a global contract.

**Stephen Knight AM (Deputy Chair):** As you say, we will come to that in a second but you achieved some savings in 2013/14 on ICT and hit your target on savings on ICT.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chairman):** The question is: are those savings likely to be sustainable savings? Next year --

**Craig Mackey (Deputy Commissioner, MPS):** Those ones are. Sorry, I have cut across you.

**Stephen Knight AM (Deputy Chair):** The big savings are going to come next year?

**Craig Mackey (Deputy Commissioner, MPS):** Yes. Realistically, yes, 2015/16 - they are not going to deliver in 2014/15 - 2015/16 and on to 2016/17 we opt for the big ones.

**Stephen Knight AM (Deputy Chair):** How confident are you that you will deliver? Can you remind us what your total savings target is on ICT?

**Craig Mackey (Deputy Commissioner, MPS):** It varies. At the moment we are looking at spending about £250 million, of which we are trying to deliver ...

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** It is £68 million.

**Stephen Knight AM (Deputy Chair):** It is £68 million, yes.

**Craig Mackey (Deputy Commissioner, MPS):** That is over the totality. There is about £51 million to £55 million still to do.

**Stephen Knight AM (Deputy Chair):** Do you think that is still realistic or not?

**Craig Mackey (Deputy Commissioner, MPS):** It is realistic as we go into the next Spending Review. I do not think we will deliver all of that by 31 March 2016.

**Stephen Knight AM (Deputy Chair):** OK. How much down do you think you will be? Can you put a figure on it?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** We are re-profiling in terms of the budget that we publish at the end of this year, but it will slip back. Some of the assumptions were that we could go out to market perhaps a lot earlier than --

**Craig Mackey (Deputy Commissioner, MPS):** We think we can.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes. That is where a huge bulk of the cash of the savings is going to come from.

**Stephen Knight AM (Deputy Chair):** You are not going to deliver by the end of the Spending Review period on the ICT savings. You will --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Not the totality.

**Craig Mackey (Deputy Commissioner, MPS):** Not the totality.

**Stephen Knight AM (Deputy Chair):** Not the totality of them. You may deliver them later --

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** -- but not by the end of the period.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Not all of them.

**Stephen Knight AM (Deputy Chair):** The estate savings?

**Craig Mackey (Deputy Commissioner, MPS):** More comfortable.

**Stephen Knight AM (Deputy Chair):** You are more comfortable that you will get there by the end of 2016?

**Craig Mackey (Deputy Commissioner, MPS):** Yes, far more, yes.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** I think we should just about have caught up.

**Stephen Knight AM (Deputy Chair):** You are relatively comfortable about the staffing savings?

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** I suppose that begs the question: in the period up to 2016 what is going to fill that gap of ICT savings, all of that?



**Craig Mackey (Deputy Commissioner, MPS):** There are a range of things there. Inevitably when you start a change programme there are other areas of savings that you identify that people, when they really do work hard, seem to go, "We could do this differently".

**Stephen Knight AM (Deputy Chair):** Could you talk us through some of those?

**Craig Mackey (Deputy Commissioner, MPS):** I can give you some real examples as you get to look. The introduction of the new command and control system, when we started this and when we budgeted this, this was a straight IT replacement programme. It had been running for some time, given the size of the contract, in terms of doing it. Therefore, it is a straight investment of £60 million-plus, in terms of an IT system. We have gone for quite a different approach and it gives us an opportunity to transform how we do that area of work. It is a very labour-intensive piece of the operation at the moment, in terms of what we have in there. We can look at what we do there and there are some very good examples about how we do that. The new technology will allow some release of people.

**Stephen Knight AM (Deputy Chair):** Forgive me. Does this deliver savings before up until 2016?

**Craig Mackey (Deputy Commissioner, MPS):** Yes, it will.

**Stephen Knight AM (Deputy Chair):** OK.

**Craig Mackey (Deputy Commissioner, MPS):** The other big one is our commercial programme. I think we have spoken before about that. Looking at what we have talked about, there are seven areas of activity around whether we compete them and look to see if they are financially sustainable in the way we deliver them at the moment, and whether there are other options in terms of doing that. The commercial programme is running at a pace at the moment. Probably the areas that will first come to be looked at, as to whether they can be competed, are those transactional services that are fairly standard in most organisations: human resources (HR), finance, those sorts of areas. They potentially offer - depending on the options people want to take - some real potential for savings.

**Stephen Knight AM (Deputy Chair):** Do you think you will over-deliver on those back office functions?

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** When you say "commercial activity", are you thinking in terms of outsourcing or just the process of re-engineering within the organisation?

**Craig Mackey (Deputy Commissioner, MPS):** It ranges across that entire spectrum. If you remember, when we started this programme - probably two years ago - I said to you the first stage of this was bringing an internal shared service together, and people were saying, "That is not much of an achievement, is it?" It is in an organisation the size of the MPS. It was 4,000 people when we started an internal shared service. When we talk to the market most people will talk about a shared service provision that they have run of 200 or 300 people. This was a big operation. We have brought that in. That has helped with some of the first stuff. We have always said we would try to get ourselves to the mean and the average of the public sector, and then the strategy has always been to then say, "Should we subject this to some form of competition?" That can range from internal reform all the way through to looking at other ways of delivering those services.

**John Biggs AM (Chairman):** The capital spend is a pretty considerable under-spend and that is essentially on the IT?

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**John Biggs AM (Chairman):** I am concerned about this. The principle was you spent a lot of capital on IT, which achieves big revenue savings. You have said there is a substantial delay in that.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**John Biggs AM (Chairman):** But you are confident you will achieve those savings in the long run, so that provides you with potentially a bit of a cash flow but also a need to achieve short-term savings which you then recover from or speed up other parts of the programme?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Speeding up other parts of the programme.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**John Biggs AM (Chairman):** You are speeding up other parts of the savings programme.

**Craig Mackey (Deputy Commissioner, MPS):** Also, of course, remember the capital is not fully financed by capital, so there is a revenue support to capital, in a strange way, by slowing some bits down you can potentially make a saving in revenue.

**John Biggs AM (Chairman):** But if the revenue was intended to be used for capital investment and you were delaying it, there is an opportunity cost in that.

**Craig Mackey (Deputy Commissioner, MPS):** Yes. I would agree with that.

**Joanne McCartney AM:** Perhaps to Stephen [Otter] first and then perhaps to Craig as well. It is expanding a little bit on this because with regards to page 10 of your report, Steve, you said,

*“The force’s developing digital policing programme is planned to increase productivity and save police officer time, ... and [if] successful provide the foundations for future savings.”*

I am just wondering: do we have any estimates yet either from the MPS or similar forces as to what extent productivity will increase or to what extent police officer time will be saved? It seems to me you need to know that before you can factor in your future planning.

**Stephen Otter (Her Majesty’s Inspector of Constabulary, HMIC):** We do not have sufficient data. We do not have any information about the productivity aspect of police officer time. All we have is the amount of time people spend in roles where they might be productive, so frontline roles. That is why I said right at the beginning that next year - and we are starting to work on this at the moment and we would love to involve yourselves in this - is try to understand what success looks like in terms of a productive officer, because that needs to be the next stage. Frankly, we probably should have done it before this but it is a very difficult subject because different people will give you a different view about what police productivity looks like. In this time of austerity there is an opportunity for us to get into that in some detail. Because there are less officers

available to the public, they need to be more productive in what they do, and that is not all about catching criminals - although a lot of that is - but it is some work that we need to do.

Currently we focus on the percentage. If you are reducing your budget, is the percentage of the workforce on the frontline going down or going up? In the MPS it is going up. That is because in the MPS they are taking more out of their non-frontline areas than their frontline areas. They are taking money out of their frontline but it is going down less quickly than the other areas. We see that as a good sign.

Interestingly in West Midlands Police it is the opposite. In the West Midlands Police their frontline percentage is going down. The reason is that they have one of the lowest on costs in all the police forces prior to the Spending Review period. They started with very little opportunity, unlike the MPS I would say. There is still some opportunity but very little opportunity to get the low hanging fruit from your non-frontline areas. That is why, arguably, the West Midlands is further ahead than other forces - because it had to be - in looking at innovative solutions to recruitment. They have some very good ideas about recruitment and they are working with the private sector. It is in the minds of individuals, like Craig and others, but it is not yet within the strategy of the MPS. It is in the minds of leaders but we have not seen signs it is going to happen yet because the MPS has been able to make savings quite easily.

**Joanne McCartney AM:** That is one of the unknown areas going forward as to the --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** There are two points here. One is because of the requirement to keep the numbers of officers, the savings that come through those productivity gains are not cashed as such, so it is not a budget financial risk, but we absolutely need to make the benefits from that; and secondly, we would welcome working with HMIC in terms of defining that productivity because that needs to be the next generation of what we look at for cashable savings.

**Craig Mackey (Deputy Commissioner, MPS):** Just to reassure you as well, you talked about the total technology programme. That is not the whole of the IT programme. You have probably seen the work around pilots with iPads and the work we have done on a particular piece of the court process, and the case file is already out there. We approved the money at the beginning of the year. That is out. That is working with Charing Cross, Hammersmith and Fulham and a number of other places, so those things are coming in.

They offer some real potential. They do offer some real potential. Some of that new technology is quite exciting, for example, the speed you can get it out there by the technology approach we have adopted, but that is a very, very different technology approach to anything we have ever used, so we are all having to learn it.

**John Biggs AM (Chairman):** There have been one or two false starts on technology.

**Craig Mackey (Deputy Commissioner, MPS):** Yes, inevitably. I have never worked anywhere where there was not, sadly, around technology.

**John Biggs AM (Chairman):** I would like to say I have, but anyway.

**Richard Tracey AM:** Again, this is a question on the historic MPS. It is true, is it not, that the IT previously was totally chaotic. We have heard this from witnesses in the past and clearly there has been a lot of catching up to do and there is a lot more to be done. Is that right?

**Craig Mackey (Deputy Commissioner, MPS):** Yes. It was of a time and of a place the IT, so it would be wrong for me to say it did not work. It did work. But it was of a generation where you have to spend an awful lot of money interlinking the two and making interfaces and doing things to make the technology work. It had not developed in its latter years in a strategic way. What we are trying to do is to develop it in a strategic way with a vision and a roadmap of what technology can do as an enabler to the way we work. Probably the drive around reducing costs presented an opportunity that has never been there before, in terms of the ability to almost lift the drains and do this, but it is not an easy piece of work.

**John Biggs AM (Chairman):** We have extensively investigated this IT costing in the past, Richard, and I am sure you remember word-by-word the reports we agreed on that.

**Richard Tracey AM:** I do. I very well remember. The other bit, though, is the estate. I remember the time I was on the Metropolitan Police Authority (MPA), I felt absolutely frustrated that there were constantly arguments why the old, out-of-date, decrepit MPS estate could not be sold to recoup resources. I can recollect excuses, excuses, excuses and, Jo, I think you were on the MPA.

**Joanne McCartney AM:** Yes.

**Richard Tracey AM:** You probably remember the same thing. Surely, that is a real failing in the past.

**Craig Mackey (Deputy Commissioner, MPS):** Again, it is one of those things and Steve [Otter] picked up the point that, when you look at this nationally, the 42 forces in England and Wales all started from very different positions. If I talk about my position three years ago, I had a completely different financial setup compared to the MPS, so you have to use the opportunities where they are. The MPS estate is an opportunity because it is underutilised. As you say, some of it is very old and some of it quite frankly is just not in the right place.

**Richard Tracey AM:** Totally, yes. What I could not understand is why judgments were not made at the time.

**John Biggs AM (Chairman):** I think we can understand that we are on target on that part of the savings. We do not need to spend a lot of time on it now. I think we all recognise in life that some things that are unthinkable, when you do them, they become a bit less unthinkable.

**Stephen Knight AM (Deputy Chair):** This is around the command and control replacement and the contract with Lockheed Martin. I think you said earlier that the current system is now 30 years old and that most forces have had three iterations in that period, and yet I am told the new contract is a 17-year contract.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** Are we in danger of locking us into a 17-year system that may be out of date in 7 or 9 years' time?

**Craig Mackey (Deputy Commissioner, MPS):** No. There are a couple of very big dependencies around command and control that will come in. During the lifetime of this new command and control there will be an upgrade, replacement - whatever language you want to use - for the radio system, Airwave. That is a huge interdependency on command and control because if you cannot link radio communications and voice traffic with your command and control system, there is probably not a great deal of point having a command and control system. We have to phase them in in the right way.

It also offers the opportunity, particularly with this type of technology - and it is similar to technology being used by colleagues elsewhere in the emergency services - of refreshes and upgrades. But there is a balance in terms of how long you go with these sorts of things and 17 years in terms of this contract is all right. I am quite comfortable with that.

**Stephen Knight AM (Deputy Chair):** Are there break points within this?

**Craig Mackey (Deputy Commissioner, MPS):** There will be break points in the contracts at various points, where we can move on both of the contracts; both suppliers and the integrator.

**Stephen Knight AM (Deputy Chair):** How long are the break points?

**Craig Mackey (Deputy Commissioner, MPS):** I do not know off the top of my head.

**Stephen Knight AM (Deputy Chair):** Are we talking every four years or five years or something?

**Craig Mackey (Deputy Commissioner, MPS):** I would be guessing. If you want I will get that back to you.

**John Biggs AM (Chairman):** Would Mr Otter accord that that is consistent with good practice?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**John Biggs AM (Chairman):** The length of contract as well?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes. The work that we have done looking at the way IT has been procured in the past has been the poor contracting, not the length of the contract. It is the contracting into something that then becomes very costly. Getting it right upfront is the critical thing. Now we have a Chief Inspector of Constabulary who is an expert in contracting, Tom Winsor. He worked for White & Case. That is one of the things he is very clear about: the way the public sector has procured has left them with systems that are monolithic and non-moving. Therefore, the key is contract properly at the beginning. It is not the time of the contract.

**Stephen Knight AM (Deputy Chair):** Is there not an inherent issue with length of contract, though, that something that is good value for money now in 17 years' time may look less good value for money.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** That is true. That is why it needs to be contracted properly.

**Stephen Knight AM (Deputy Chair):** The longer the contract period the more likely that is going to be the case, is it not, especially in technology when things are so fast in terms of their evolution?

**Craig Mackey (Deputy Commissioner, MPS):** If I may just come back a bit, I am not sure it is as simple as that because if you make the contracts incredibly short all the market does is price the risk in upfront, so your upfront costs -- If you give no opportunity for return at all --

**Stephen Knight AM (Deputy Chair):** It has to be a balance, does it not?

**Craig Mackey (Deputy Commissioner, MPS):** Getting that right is the point Steve [Otter] made, because if you call that wrong, it is really easy to go to the market and say, "I will have something for four years".

**Stephen Knight AM (Deputy Chair):** On the other hand, you do not want to make it look really good value now and leave all the problems for the latter end when it looks really bad value. You can get the price down now by making it a long contract and, of course, you then end up with it looking really bad value when you are sitting here in 15 years' time.

**Craig Mackey (Deputy Commissioner, MPS):** I assure you, when we come in front of the Deputy Mayor and the replacement for Lynda [McMullan], one of the first things they will look at is whole-life costs.

**Stephen Knight AM (Deputy Chair):** But they are not going to be Deputy Mayor in 15 years' time. They are not going to be worried about it, are they? But the MPS should be as an institution, it is going to be here in 15 years' time.

**Craig Mackey (Deputy Commissioner, MPS):** Absolutely, but it is also worried as well because, of course, we have to start thinking about the replacement costs for this one in the same way it talked about the replacement for the radio system, so we have place markers way out ten years in the capital plan about saying, "Look, whoever is running the capital plan in ten years' time you need to be aware this is due".

**Stephen Knight AM (Deputy Chair):** Given the length of the contract - and you have talked about the reasons for that - can you talk us through the way in which the contract is structured in order to ensure that it is future proofed and that it is going to enable the systems to keep up with changes in technology over that period?

**Craig Mackey (Deputy Commissioner, MPS):** Command and control technology has evolved to various degrees in how terms of how -- the company doing it is a large multinational company and the refreshes are there as part of the contracting, as part of how we work with it. We also have two contracts. We have a contract for the technology and we have a contract for an integrator. The wider experience about procurement is that if you do not put a scenario where you have someone else in there helping you get the thing delivered, making sure you drive out the savings, and managing how you transform the business, the danger is all you see it as is a technology replacement programme. In my simple language as a non-technologist you do a bit of a, "Pull that one out. Put that one in. We have done it". This is far more than that. It has transformation built into it and, as I said earlier on, it has cost reduction built into it as well. That relationship between the two people you are working with, the contractor who is doing your integration and the people who are doing the supply, you write into those contracts specific terms and conditions that talk about how they are going to deliver and how they are incentivised to deliver. You can see from that that it creates a model of integration that benefits the organisation that is doing the contracting.

**Stephen Knight AM (Deputy Chair):** If one is flexible enough that if the model of what you need from command and control evolves over that period then it can be adapted without the costs spiralling?

**Craig Mackey (Deputy Commissioner, MPS):** Yes. It is also where the integrator is working with us. A really good example there, one of the real things is, "How do you want to do command and control in 2021?" Therefore, one of the things we are doing at the moment - and Mr Otter touched on it - in terms of we have done the work and we know what our plans are up to 2016/17. We know the gap going out to 2021. We have some big placeholders, but what is the workaround - in our language - a target operating model. What will the MPS look like in 2021? That is the work we are doing at the moment.

**Stephen Knight AM (Deputy Chair):** When does this contract start?

**Craig Mackey (Deputy Commissioner, MPS):** October next year when the old one finishes. The delivery of the technology is October through to about March. To give you an idea, it is six months to put the technology in and roll that out but the work has started now. We have people working on the contracts now. But when does it go live? When could you say, "Well, there it is"?

**Stephen Knight AM (Deputy Chair):** That would be October 2015, so it is quite soon.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** You said earlier that there were going to be some additional savings from this that were not in the original plan that will offset a couple of the IT savings.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Stephen Knight AM (Deputy Chair):** Can you put a figure on those?

**Craig Mackey (Deputy Commissioner, MPS):** I would be doing it off an estimate at the moment. We have moved to the Treasury Green Book process, in terms of how we work through our outline business cases, proper business cases. At the start they tend to be quite large. Usually when you work through the detail they shrink and when you push it again they move, so I would prefer to get to the point where I have a document that says, "This is what I can deliver. This is how I will deliver it". But it could be quite large. The command and control area has about 2,500 people in it. It is a very labour-intensive process at the moment, where we deliver a very high level of service to Londoners, but some of that is because we are using two or three different systems. This will allow us to bring it together so there will be efficiencies on the back of it.

**John Biggs AM (Chairman):** Are you happy you have your technical client right? It is a cheeky question.

**Craig Mackey (Deputy Commissioner, MPS):** No, it is not. In fact it is something we were talking about yesterday, was it not?

**John Biggs AM (Chairman):** It is a really crucial question.

**Craig Mackey (Deputy Commissioner, MPS):** Yes, I know it is. Yes, but always do more. What we have started to do with technology as well - and we are trying to look at some innovative ways of involving industry and challenging us without getting into one of those very difficult debates about, "I cannot ask you because I am procuring something from you". But we feel we are going to need that as we go forward.

**John Biggs AM (Chairman):** Indeed, we had witnesses at a previous session on IT who talked about the way in which they could help you to help them to help you to help them.

**Craig Mackey (Deputy Commissioner, MPS):** Yes, I know.

**John Biggs AM (Chairman):** Without getting into trouble with the European Union or whatever.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**John Biggs AM (Chairman):** Yes, OK.

**Craig Mackey (Deputy Commissioner, MPS):** We are in conversations with some people at the moment about almost: how could we do this at arm's length so that we can get that feedback back in? We have done a lot with the technology sector at the moment. Both of us spoke recently at a closed event with suppliers to talk about, "What can industry do? This is what we are thinking about?" I think we have to all collectively get more mature in that relationship and get over some of those issues.

**Joanne McCartney AM:** One thing I have found is that the MPS has its pilots and then rolls them out before it has done any evaluation on pilots.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Joanne McCartney AM:** With new technology --

**John Biggs AM (Chairman):** That is what the Government does, I think.

**Joanne McCartney AM:** You said earlier you have been very successful with the iPads or whatever.

**Craig Mackey (Deputy Commissioner, MPS):** The iPads, yes.

**Joanne McCartney AM:** Are you making sure with technology that you actually assess it?

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Joanne McCartney AM:** It is about that client thing, John, about whether officers can use it before you do the rollout.

**Craig Mackey (Deputy Commissioner, MPS):** Absolutely. Perhaps at a future meeting we will show you some of what the new technology looks like. One of the things is that - we have done a lot of work on this over the last six to nine months - the new technology is really simple to use, because it looks like what you have on your internet at home. If you can access an internet page you can now do an e-statement. You can do an online Crime Reporting Information System (CRIS) report. You can fill in what is called an MG3<sup>1</sup>. It will not mean much to people but it is a crucial part of the court process and it is a really, really simple thing to do. The evaluation is quite important about it.

One of the things we are looking at, as the person most of these things ultimately come through, we are talking with the technology team about bringing in groups of officers from outside the MPS to come and evaluate it to say, "What does it look like? How does it work?" They will be used to more proprietary systems and other suppliers. They may give us a bit of feedback to say, "I make it up in system delivered by X company. This works far better than yours". Some of the early feedback from those who have seen it, so the e-statement provision, we have other forces that want to buy that off us. But that is a separate debate.

**Joanne McCartney AM:** I am going to move now to how you manage future funding. I appreciate it is quite an early stage and it does not have as detailed plans as other forces, but perhaps, Steve, I could start with you. Your report says that the MPS has started to develop financial plans and forecasts based on a range of sensible

---

<sup>1</sup> Report to Crown Prosecutor for Charging Decision



assumptions, but then it goes on to say that they are yet to develop any detail really in them. How well prepared do you think the MPS is for that next spending round?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** We would say the MPS is as prepared as other forces. We would not expect them to have detailed plans. Where some forces perhaps have more detail is where they have entered into a long-term development programme with a private sector supplier. For example, you are going to have to have a fairly long-term plan around this new command and control system. We expect to see that as part of the whole change programme. The MPS is in as good a position as other forces. We have found that police forces on the whole, and with very few exceptions, have responded well to austerity. They have had a positive programme of change. Where people have done less well is where they have not seen it as a whole system change. They have picked off pieces, bits and pieces, and there are a few forces where that is the case and you will have seen that in our report.

The MPS is in a good position. It still has significant amounts of money to save if you look at its non-frontline costs. The big challenge is how it works through the legacy, the layering and fragmented arrangements that it has, and quickly is able to deliver something that is coherent and highly efficient. That is easy for me to say. It is a huge organisation. It is the biggest employer in London and all those sorts of things. It is a massive task. But this is the moment. Austerity is the big opportunity for London.

**Joanne McCartney AM:** Craig, do you feel well prepared?

**Craig Mackey (Deputy Commissioner, MPS):** In terms of the size of the challenge, yes. We are learning as we go along. The most difficult bit is the last part of the risks you asked Stephen [Otter], the bit around culture and getting that understanding in the organisation. If we look back and reflect and what you learn from it, is it is how you get that mix between what I would call top down drive around change and budget versus bottom up ideas, and how do you mix the two? It is always a challenge in a programme of this size. I absolutely echo that it has to be the whole organisation. It has to be everyone in terms of doing it.

There are two or three big areas that we have touched on that we are looking at that deliver the best for the next cycle. First of all, it has been getting real clarity about the size of the challenge. As I say, from HMI's figures to our own assessment there is quite a move - double - and we do understand that those figures can move quite dramatically depending on both budget settlements and pressures that come on other budgets. That work we are doing now and the language we use is the 'target operating model' but, if you like, the blueprint or the vision. We have the MPS to a position in 2016 where we are clear about how services are delivered. We have an idea of some of the costs around it. What can we therefore do over the next cycle around those costs? As Stephen says, the pressure will still be on back-office and on pay-function lines because I am not sure, if I am really honest, that we have those yet as tight as we can and there is potential to go further with those. Also, there is the work around commercial, because that will drive a different pattern of behaviour as we look at some of our costs. Steve touched on the work that colleagues in the West Midlands are doing. It is absolutely clear that there is the potential to do things quite differently and some real savings around some of those sorts of areas of businesses.

However, none of those decisions will be easy because we are getting to the stage now in the budget where literally, in the nicest way, for any politician, we can say, "There are the two options. Both of them are pretty horrible". If you say, "I do not want to do X and I am never going to touch this", then you have to touch that. If you look over the totality of the whole thing, if you say we started with £800 million over the first term and £800 million over the second, it is £1.6 billion. I accept there is always some slack in the budget but, gosh, that would be quite some slack. It is going to be quite difficult as we get into that later stage. I think the last

term - so 2018/19 and those sorts of ones - are the ones where I think it will start to get really, really challenging for people.

**Joanne McCartney AM:** In the past with regards to outsourcing, the Mayor has said that anything that requires a warrant card - and you have been very firm on this - will not be outsourced.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Joanne McCartney AM:** Then there are other areas - for example, custody - where it seems to be quite a grey area. I do not know whether you have a view as to whether custody is something that should not be outsourced.

**Craig Mackey (Deputy Commissioner, MPS):** Custody is not at the moment one of those ones that we are considering at all.

**Joanne McCartney AM:** I hope it never becomes one.

**Craig Mackey (Deputy Commissioner, MPS):** No, we are not considering it. We have talked around criminal justice. We are talking about the preparation, so literally from the point that a charge decision is made to something arriving at court, is there a different or better way of doing that? It is the preparation of the file and the admin. There are about 2,500 people involved in that. We are just very careful to look at whether we could do that differently.

**Joanne McCartney AM:** OK, but we are not talking about outsourcing custody provision.

**Darren Johnson AM:** It seems to me now with the budget pressures and reductions as they are, I cannot see any candidates keen to go into the next mayoral election --

**John Biggs AM (Chairman):** You are stealing the next question, Darren.

**Joanne McCartney AM:** It is not your question, yes.

**Darren Johnson AM:** OK.

**John Biggs AM (Chairman):** We will go on to that and then we will come back again.

**Joanne McCartney AM:** Perhaps I can ask, then. Steve, your report talks about the fact that the number of police officers needed to police London beyond 2016 will almost certainly need to be reviewed to meet future savings challenges. I was going to ask MOPAC and the MPS. In your planning at the minute for the future beyond 2016, ie beyond this mayoralty, are your presumptions that 32,000 will still be maintained in police officer numbers?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** The issue of 32,000 is an issue for the next Mayor. That is something to be decided. With what the plans are at the moment, we absolutely need to get the budgets closed for 2015/16, which we think we have done. We are quite some way to closing 2016/17. However, as Craig [Mackey] said, what we need to be doing is working up the revised target operating model for that next period.

This is about options, so, as you have set out, there are a number of strands to this. One is how we actually make the back office as efficient as possible, which should not be contentious. That is largely where a lot of the savings have come from. It is absolutely right that there is still more to come from that and that clearly needs to be driven quite hard.

There is the whole question about productivity of the front line, which is probably the next stage. For 2016/17 onwards, what does that actually look like? How do we get more from individuals on the front line and what does that then mean in terms of that overall target operating model? We may even still then need to think about where some of the priority of services should sit subsequent to that.

Those are the pieces of the jigsaw we need to put together for the future, but that is where a lot of the thinking is. I do not think those decisions can really be taken until probably 2016/17 onwards.

**Joanne McCartney AM:** In terms of forward planning, you are going to have to make some presumptions or assumptions --

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** We are certainly making assumptions about --

**Joanne McCartney AM:** -- particularly as police officer pay is 50% of your budget.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** -- what those options could be and what that looks like. We do not have some of that detail about exactly how much more we can push out in some of these areas. We need to get some of that final planning in place.

**Joanne McCartney AM:** Of course, we also know that 32,000 has not been doable for this term, either, because police officer numbers have been below that for some time and are not going to reach that until next year.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** We have budgeted for 32,000, though.

**Craig Mackey (Deputy Commissioner, MPS):** Sorry, I would not say "not doable". I would say it is eminently doable. It is 31,200 and something.

**Joanne McCartney AM:** Being below that 32,000 has meant that you have been able to save a few million. I think £14 million was the last count.

**Craig Mackey (Deputy Commissioner, MPS):** Yes, but it is another debate that we have had a couple of times already.

**Joanne McCartney AM:** I appreciate that partly it is a political debate, but it seems to me that there must be some better way of doing this than - and I am a politician, so I am as guilty as the next person - that you do not just get the spikes in numbers at election times.

**Craig Mackey (Deputy Commissioner, MPS):** As Lynda [McMullan] said, that is why we are doing the work. We can present the options in terms of how much further we can go. What other bits of the budget is there the ability to move in within the MPS? As both colleagues have said, I am not sure we have got there yet

on what I call indirect costs. Remember where we started on this. I remember at one of my very first appearances before this Committee, we were spending £1 of every £3 on indirect costs. A benchmark ought to be somewhere around 15% or 20%. We have to keep pushing at those sorts of costs because I think that is what you would expect us to do and I am sure that is what the people of London would expect us to do. We are in that stage now of doing that modelling about what the next four to five years could look like and where the flexibility is and, quite frankly, where people will have to make those trade-offs.

**Joanne McCartney AM:** OK. There is another thing I want to ask you and I will start with Steve, if I can. Your report says,

*“The number of police officers needed to police London ... will almost certainly need to be reviewed.”*

It is the use of that word ‘needed’,

*“The number of police officers needed to police London ... will ... need to be reviewed.”*

It seems to me a strange choice of word because, if it is needed, why should it be reviewed downwards? Do you see what I mean? It is the use of that ‘needed’.

**Stephen Otter (Her Majesty’s Inspector of Constabulary, HMIC):** Yes. The future numbers that are needed to police London should be reviewed.

**Joanne McCartney AM:** They might be needed to meet the budget cuts.

**Stephen Otter (Her Majesty’s Inspector of Constabulary, HMIC):** No. I must read the words, then, if you are going to be pedantic about the words.

**Joanne McCartney AM:** It is on page 10,

*“The number of police officers needed to police London beyond 2016 will almost certainly need to be reviewed to meet future savings challenges.”*

That, to me, is a requirement.

**Stephen Otter (Her Majesty’s Inspector of Constabulary, HMIC):** Yes. There is a demand and there is a threat that needs to be met in terms of the challenge of policing London.

**Joanne McCartney AM:** Part of the threat is the cuts, yes.

**Stephen Otter (Her Majesty’s Inspector of Constabulary, HMIC):** The numbers of police officers that are needed to achieve an outcome that the public would see as a success, we think, needs to be part of any review of a big operating model for an organisation.

Police officer numbers, we can say because we are independent-minded and not part of the political arguments, tend to be used as a proxy for what people think the public want. It is completely understandable when you do not have another set of information that you can easily use. That is the point we are making about productivity --

**John Biggs AM (Chairman):** That is why this Committee is, ever so helpfully and in a non-partisan fashion, trying to help nudge people towards a different metric because we know which way the wind is blowing.

**Joanne McCartney AM:** Can I ask Craig? Obviously, it is a political 32,000. You are a professional. You must have a view about what is needed and perhaps you would like to tell it to me now. What is the case that the MPS is going to make to the next Mayor as to how you sell what is actually needed and as to the political rhetoric about this.

**Craig Mackey (Deputy Commissioner, MPS):** That is part of the work we are doing now. We are down into the detail now of some of the design principles. There is a debate about whether you build an MPS that can cope with every capability and threat it currently faces or do you build an MPS that is different and that cannot do that? I will make it up: anything about 25% above exceptional, do we say at that point, "The MPS says it needs help from other forces"? There are a whole range of options that you need to look at before you get to that number about where we end up.

The other thing that is important that goes to one of the earlier questions, and is really a debate for this Assembly and others is how much of these national commitments will the MPS continue to have and to do, and how many will we take on, not by default but because we are 25% of England and Wales policing?

**John Biggs AM (Chairman):** This is probably the most interesting question today, but I understand Mr Otter has to leave by 11.30am at the latest. We have a question about West Midlands policing as well to pop up. If we are going to pile in on this, we need to do so very quickly and ruthlessly.

**Darren Johnson AM:** Do you believe we are heading into a more sophisticated discussion on this now in terms of public understanding and political commitments and that it will not simply be a Dutch auction anymore on officer numbers and will be more about effectiveness and getting the right balance between uniformed officers and civilian staff?

**Craig Mackey (Deputy Commissioner, MPS):** I hope, and I think collectively we all hope, that we are. Also - and it is something I have touched on before other Committees here - I hope we have a debate about the whole capabilities of the MPS. We tend to focus on those uniformed people that are on boroughs as if there is some sort of big wall between Greenwich and Southwark or wherever it might be. Actually, we have a huge capability in the MPS that at times never gets looked at. Most people never talk to us about a third of our resources.

**Darren Johnson AM:** If we stick to arbitrary numbers on uniformed officers, it greatly restricts the amount that can be spent on civilian staff and can often result in uniformed officers doing roles for much more money that could actually be done by civilian staff. We would get ourselves into a terrible mess.

**Craig Mackey (Deputy Commissioner, MPS):** You could end up there, yes. The test for us is trying to make sure we do not, at all times. It is getting that balance right. There will always be a number in London that, given the challenges of London, we are going to need of uniformed officers and capability. What we are trying to do is put a real figure to that.

**Darren Johnson AM:** Will that also be a real figure in terms of the overall resources of the MPS in terms of both uniformed officers and civilian staff? They are all part of delivering productivity.

**Craig Mackey (Deputy Commissioner, MPS):** Absolutely, the totality of the MPS. At the moment, we have a range of people who are part of that enterprise delivering for London and it is trying to get the totality of that absolutely right. On your point, we have to get the balance right. This is not about trying to build an organisation that is unbalanced. That is in no one's interests.

**Darren Johnson AM:** That is very welcome. Thank you.

**John Biggs AM (Chairman):** OK. Can I ask a stupid question, just for the record? If there is another £800 million of savings to be achieved, unless there is another source of funding which reduces that, it is fairly inconceivable that at the end of the term of whoever the next Mayor is, you will be able to sustain 31,000 or whatever officers. Is that a fair supposition?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** In writing our report, we think the pressure on those numbers is inevitable with the savings that would have to be made. When we move on to talk about the West Midlands Police, they have had a very different approach to trying to understand demand and how they should go about providing a service to the public. No, I would not say 'very different'. It is not. They have had longer to develop a better understanding of demand and prevention.

Demand management is part of this. It is not just about inputs. What is the MPS currently doing that it could do differently that would stop that demand happening in the first place? There is a very good prevention strategy that the MPS and MOPAC own together. We can see it as a great strength that there is this combined effort to think about prevention. It is not just about the numbers of officers. What can we do to prevent crimes happening in the first place?

If you look at digital crime, there is no doubt that piling in loads of uniformed officers is not the way to deal with online fraud, for example. Trying to solve today's solutions with people who are designed to patrol streets and deal with a different, physical type of crime is not the right way to go about it. There is a need to think about these things differently.

**John Biggs AM (Chairman):** All right. That is very helpful. For the record, we can remind ourselves that one of the strengths of the London model is that a Mayor could find resources from elsewhere to help meet shortfalls in the Government grant, but let us not dwell on that now.

**Richard Tracey AM:** As you have been pre-warned, we want to talk about what you have written about the West Midlands Police. You considered the West Midlands along with several other forces as comparators with the MPS, although actually I think I heard all three of you saying, "No, the MPS is not the same as other forces". Nevertheless, the evidence from your writings is that you do seem to consider some comparisons. Indeed, you rated five comparator forces as 'outstanding' in value-for-money terms but the MPS only 'good'. What does the MPS have to do to get from 'good' to 'outstanding'?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** There was only one force that is in the peer group that we have rated as 'outstanding' and that is the West Midlands Police. We do accept that it is right to compare but wrong to compare in a sense that you can be absolutely sure that one is the same as the other.

I will be brief because I do need to go, I am afraid. There are a few things as headlines that the West Midlands are doing well. Let me be clear. They are doing well in some of these areas when the MPS is actually doing quite well in other areas. Let us be clear about that.

However, in this regard, they are a force that has provided evidence to us of rigorously scrutinising its budget and aligning resources to priorities with priority-based budgeting across all areas of business. It is seeing its whole business as one opportunity to provide a more efficient service, whereas the MPS tends to - and you have heard Craig [Mackey] say - at the moment, see things in silos.

There is a comprehensive approach to demand assessment and demand management. What that is driving is genuinely integrated approaches with partner organisations. There is a real here-and-now sense around opportunities to prevent crime, not everywhere, but it was very impressive where they have got to around reducing demand and preventing crime.

They are in discussion about the introduction of what they call an 'innovation integration partnership' with a private sector partner. The plans for that look very good and we were very impressed by it. That is allowing them to make forecasts of the sort of resourcing they need to 2020. They actually have a much longer view than a lot of forces have and it is a lot to do with the amount of time they are spending on their planning.

There are two things together with the West Midlands. Again, it is not perfect, but it is better than we have seen elsewhere. They are very clear about what is happening today, where the resources are, what they are doing and whether they are doing what they require them to do and at the same time thinking long-term about how they are organising their business and how they are arranging their resources into the future, knowing that they have a 22% target as well to reduce. Bear in mind, as I say, their ability just to take opportunities from the online costs are less than the MPS's. Their actual officer numbers are going down and their proportion on the front line has actually been reduced.

**Craig Mackey (Deputy Commissioner, MPS):** The front line is going down.

**Richard Tracey AM:** Is there any chance whatsoever that the MPS could predict beyond 2020? As you have said, the West Midlands have gone beyond 2020 and the MPS only to 2016.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Not in everything. No organisation can predict what is happening. What they are doing is they are assessing their situation now and forecasting across to 2020. They are in a very difficult political environment, as you know. That does make a difference to the way they are able to plan. If you were to ask me what has driven that perhaps more intensive approach to finding savings across their business, it is that the challenge for them was immediately very great. There is something about being faced with that and having to find very innovative and make very brave decisions early and they have done it very well.

**Richard Tracey AM:** You obviously think that it is a real benchmark at the West Midlands. How do you think the MPS's performance over the spending period has compared to these other similar forces? Is it possible to say?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** It depends what you use as a performance measure. If you use crime reduction, the MPS has performed better than other forces over the Spending Review period. No, over the Spending Review period it has performed less well, but in the last two years it is better. The other forces are showing increases in crime and the MPS is showing reductions.

In terms of crime levels, it depends whether you accept that crime levels should be as high as they are in London compared to the West Midlands, but they are much higher still in London than, say, in Birmingham.

That is a very difficult comparison. There are lots of factors there and we would urge you not to make a direct comparison with that.

In terms of outcomes from criminal investigation, the MPS is not doing as well as other forces in its group. That is just a summary and we would expect the Commissioner - and certainly the commitment from the Commissioner is - to continue to have an ambition to bring crime levels down to what other large cities have. That is a courageous thing to do.

**Richard Tracey AM:** Can I just turn to Craig Mackey and to Lynda McMullan?

**John Biggs AM (Chairman):** Actually, we will let you go, but on the "brave decisions" that they have made, can you point us to those? Do not read them out but can we have some in front of us?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** For West Midlands?

**John Biggs AM (Chairman):** Yes.

**Craig Mackey (Deputy Commissioner, MPS):** Cutting frontline officers.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** The brave decision is that they have decided to look at demand and threat and make a purely, I suppose you would say business decision, to create resources that actually are aligned and designed to deal with that specifically and that are not necessarily what maybe the public or the politicians would say.

Also, some of the work they are doing on recruitment is in the report. We were very impressed about getting community members on panels to recruit - these are police constables (PCs) - and thinking more broadly about the types of people they need to police a modern Birmingham. They have had to think about these things in a way that perhaps the MPS, I know, is starting to think about these things and certainly the relationship with MOPAC is a good thing in challenging the MPS to do more, but they are not doing it yet whereas the West Midlands are.

**John Biggs AM (Chairman):** We can access that report, obviously.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes.

**John Biggs AM (Chairman):** I read that the good people of Solihull are complaining that they were under-policed as a result of these changes. I read also that Warwickshire has essentially been absorbed into West Midlands without anyone noticing.

**Craig Mackey (Deputy Commissioner, MPS):** West Mercia, and I do not think 'absorbed' is the phrase, Chair, that they would use. It is collaboration.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Warwickshire and West Mercia are being run as a single force with two police and crime commissioners and two chief constables, quite successfully, I have to say.

**John Biggs AM (Chairman):** Yes. OK.



**Richard Tracey AM:** Two commissioners and two chief constables?

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Yes, because by law they have to have two. It is the one thing you cannot change unless you change the law.

**Richard Tracey AM:** Is that right?

**John Biggs AM (Chairman):** Mergers, I think.

**Darren Johnson AM: Are they both part-time?**

**Richard Tracey AM:** There was a final question. Thank you. I know you have to go.

**John Biggs AM (Chairman):** Thank you very much.

**Stephen Otter (Her Majesty's Inspector of Constabulary, HMIC):** Thank you.

**Richard Tracey AM:** A question to Craig Mackey and Lynda McMullan: can you give us some examples of how you have learned from other forces in terms of funding reductions?

**Craig Mackey (Deputy Commissioner, MPS):** Gosh. A whole variety of ways. I will talk about forces and other parts of both the public and the private sectors. First of all, in terms of funding reductions, we have had for a number of years, since the work around austerity and responding to the changing financial situation started through the College of Policing, groups of, usually, deputy chief constables and others, who have come together to share good practice. There is an opportunity to say, "You have done this and that". Like many forces, we have been out and looked. We have looked at some of the work colleagues have done in the South West forces. We have looked in the East Midlands. We have also spoken quite a bit to the West Midlands in terms of the work around it. Of the forces in our family, both the West Midlands and Greater Manchester are probably the most comparable with us. West Yorkshire is comparable in terms of the family of forces but, again, was in a different place in its Spending Review.

Steve [Otter] touched on priority-based budgeting. We ran priority-based budgeting this year for the first time. The experience from other colleagues is it takes about two to three years to get that to a point where it really starts to bite and people both understand the concepts behind it and also come equipped to answer the difficult questions. Lynda, you did a few, did you not, this year?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes.

**Craig Mackey (Deputy Commissioner, MPS):** It is fair to say that they were of varying quality as we have learned the process. That is a real example of where you have learned, you pick something up and you say, "Actually, this will work in our scenario. This is how it will look in the MPS. This is how we will roll it out". There are a number of those where we have looked and have learned.

In both the private and other parts of the public sector, clearly, by meeting with both key people and key industries, there is a constant exchange of ideas around this. Also, with our change programme, I think you are aware that we have worked now with two different groups from the big four consultancy firms and, again, that is part of knowledge transfer and saying, "Part of the reason you work with us is we want to equip our own

people to do this themselves". It is getting that knowledge transfer right and we are into the second iteration of that now.

**Richard Tracey AM:** All right. Do you have the same consultants that the West Midlands apparently used?

**Craig Mackey (Deputy Commissioner, MPS):** We do at the moment. Sorry, no.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** They have Accenture.

**Craig Mackey (Deputy Commissioner, MPS):** I think it is public, is it not? It has been awarded, has it not?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Has it? It is in the report.

**Craig Mackey (Deputy Commissioner, MPS):** Accenture is doing their partnership work but PwC did some of the early work with them. We have worked with PwC and Deloitte over the period of this.

**Richard Tracey AM:** Lynda, do you have anything to add?

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** No, that is a really good summary. I would just add that a lot of the public sector is perhaps a couple of years ahead of where police forces generally are and that is a really rich source we can go to.

The other interesting parts are going to places like the Greater Manchester Police, because in Manchester they are thinking about integration across different bits of the public sector as well, which is probably a little bit in the future for us in terms of how we land some absolutely real savings but is stuff that we really need to start thinking about. They have done an awful lot of really good work in Manchester about that.

**Richard Tracey AM:** The Home Secretary has talked about integration fairly recently. Are you ready for the sorts of things she has come up with?

**John Biggs AM (Chairman):** It is the old chestnut of merging all the 'blue light' services.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** That is more for 'blue lights' or emergency services.

**Craig Mackey (Deputy Commissioner, MPS):** That was 'blue lights', yes.

**Richard Tracey AM:** Just one other question that intrigues me. I was at a meeting in my own locality yesterday when the Deputy Mayor suggested that perhaps there may be greater receipts than £250 million from the sale of the Scotland Yard building. Is that your view? Lynda, I suppose, is the person to ask from MOPAC.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** That would be very welcome, I have to say.

**Richard Tracey AM:** I daresay, but he seemed to be pretty confident, I think.

**John Biggs AM (Chairman):** Make an offer, Richard.

**Lynda McMullan (Director of Police Resources and Performance, MOPAC):** Yes. We will see you at the end of the meeting. With all these things, there will be a very small market for something like this and it is how much people are prepared to offer and how much they want it. Absolutely, we are very optimistic about receipts.

**Joanne McCartney AM:** Do we want me to pick up shared services with emergency services? Theresa May [Home Secretary] has only last week said that the next spending round will be difficult and said that it is inevitable that there will have to be some mergers in emergency services. Last time we asked about this, there was talk about what you were doing, particularly with the ambulance service. Is there further scope you are looking at? Did your eyes light up when you saw a turf-grab on your behalf or not?

**Craig Mackey (Deputy Commissioner, MPS):** No, it is not a turf-grab at all. It has actually progressed quite a lot in terms of the work around it. We have been working with both fire and colleagues at ambulance and we started off with four key areas we were looking at.

There is the issue of control rooms, for which there is some history of those previously being done elsewhere. I think the public is quite surprised that if you ring 999, first of all, you get an operator who is not a member of the emergency services, but is actually a supplier who then routes you to one of the three emergency services. I think they think we are actually more joined up than we are in terms of that. There is some real potential around some of those sorts of things. On the back of that, it brings in the whole thing around technology and whether we can do technology together.

There is estates and facilities management. At the moment, we often manage and service buildings in a completely different way, sometimes across the road from each other and certainly within the same borough or same locality. As we have reported before, one of the areas we have made some considerable progress and savings on is how we do our facilities management. The contract has been done in such a way that others can join it across London. We have an integrator there now for facilities management, which has delivered some big savings in terms of the work.

Then there is leadership development. Colleagues in the fire service have done some quite exciting work on how they do leadership development programmes and whether that is something we could piggyback and be part of.

Then there is the work around commercial and procurement. Of course, we are often all going to the market collectively together for a range of things to look at how we can do it in a different way.

We have had some quick wins, everything from how we are training on joint resilience we have done together, through to simple things like safer neighbourhood bases and moving into fire facilities and those sorts of things. There are some real quick wins coming out of that. We are not sitting there discussing a merger and when it would take place but actually we are seeing some opportunities to deliver real savings that will also improve the service to the people of London. That is the focus. The three chiefs will meet about every three months on that and there are working groups driving the particular strands of work underneath it.

**Joanne McCartney AM:** You have not had any guidance coming out of the Home Office at all?

**Craig Mackey (Deputy Commissioner, MPS):** No, not in those formal terms in that way. Having been involved in these elsewhere with two joint emergency service control rooms, my experience is that it is better

when it is driven by the people who are actually doing it and just literally getting together and saying, "What could work? What are the opportunities? How do we make this work?"

**John Biggs AM (Chairman):** That is always a dangerous issue at party conference time because it is an easy thing for Home Secretaries to promise but rather harder to deliver on in reality.

**Joanne McCartney AM:** No doubt we will be coming back to this, though, yes.

**Craig Mackey (Deputy Commissioner, MPS):** I can only speak from personal experience. There are huge business benefits, if you could do it, huge business benefits for the person on the other end of the phone who is in whatever form of distress they might be in. Particularly when you get to areas, probably not so much inside London, but when you get to some more rural areas where you might be really struggling to have reasonable coverage of any one of these services, there are some real opportunities in this.

**Stephen Knight AM (Deputy Chair):** Interestingly, I also sit on the Fire Authority and so this issue --

**John Biggs AM (Chairman):** At the moment.

**Stephen Knight AM (Deputy Chair):** At the moment until it changes, certainly. I was interested because earlier we were talking about the new command and control system. Has the framing of this contract taken into account the possible merger of control systems across emergency services? Clearly, if each of the three emergency services - and I could include four with the Coastguard - have their separate contracts and it is going to be quite difficult to merge.

**Craig Mackey (Deputy Commissioner, MPS):** Certainly, this system does that in other parts of the world, so it could deliver for other emergency services, absolutely.

**Stephen Knight AM (Deputy Chair):** As long as they haven't equally signed 17-year contracts?

**Craig Mackey (Deputy Commissioner, MPS):** No, but there are ways, as you well know, of coalescing and bringing together points where you can work together. A call card, without getting too technical, looks the same whichever one of the services you are. The assets that then get presented in terms of some of the deployment risks, with the exception of colleagues in ambulance who do much more triaging - and, in fairness to them, I would say that requires a higher levels of skills - the actual service and the process looks remarkably similar.

**Joanne McCartney AM:** Coming on to volunteers, then, I have met my borough's volunteers and they are wonderful.

**Craig Mackey (Deputy Commissioner, MPS):** They are good.

**Joanne McCartney AM:** They do a great job. I just wondered whether you could let us know how many volunteers excluding special constables you currently have.

**Craig Mackey (Deputy Commissioner, MPS):** There are 1,400.

**Joanne McCartney AM:** Not now, but perhaps we could write to you and if you could just say in what areas they are used. It would be very helpful.

**Craig Mackey (Deputy Commissioner, MPS):** Yes. In simple terms, everything from front counters, closed-circuit television (CCTV) examination, quality call-backs, all the way to roleplaying in some of our training.

**Joanne McCartney AM:** I have been down to the Antique Squad and you have people from the galleries out as well with antiquities.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Joanne McCartney AM:** There are obviously benefits to using volunteers because it frees up police time and you can get more done, but there are also risks. A couple of them that we have identified are that if they are doing the same duties as police officers, you could be in breach of employment law, potentially, and if you are doing that and staff find that jobs are being lost in the workforce, it could really damage the morale and the goodwill of your existing staff and officers. Have you actually done any assessment of those benefits and risks and what is your take on that?

**Craig Mackey (Deputy Commissioner, MPS):** Yes, we do and we do it for each post because we are very conscious of making sure it is not seen as a creep, so it is usually about providing additional capacity that we would not ordinarily provide. Just a technical point, it cannot be for police officers because police officers are not employees, but absolutely for police staff.

We are alive to the issue when people say that actually we are creating or doing something different here. Having met the volunteers who are doing the work around CCTV the other week after they were recognised in a national award, I think anyone who meets them is just completely overawed by (1) the enthusiasm, (2) the life skills and (3) the commitment they bring to London. As you say, as volunteers, they are doing it for entirely altruistic and proper reasons. A lot of those issues evaporate away when they come into play. However, we are absolutely alive to it and there are no plans to say, "Here is a key bit of the organisation that we need capability and capacity in. I tell you what. We will get rid of the people who are doing it fulltime and are remunerated for it and we will replace them with volunteers". That is not what we see this as. This is about additionality.

**Joanne McCartney AM:** I am glad you have been able to give me the figures because a few years when I asked that, I was told, "They are held by all the boroughs and we do not really know how many we have". Have you actually a system?

**Craig Mackey (Deputy Commissioner, MPS):** We are trying to collate it into the centre so that we have transparency on it. Given the fact that, in the nicest way, you have limited compellability around volunteers, the number will change a bit, but it is at 1,400.

**Joanne McCartney AM:** Given that they are a valuable resource, are you doing anything to ensure that they have proper training in professionalism, as best you can, in that volunteering role?

**Craig Mackey (Deputy Commissioner, MPS):** Yes. Depending on the unit they go into or the team - and, as I say, I will speak for the ones I have most recently seen around CCTV - there is a proper induction programme and parts of the training around it in terms of coming in. The event I was at when I met them was around reward and recognition. They have been put forward for a national award and have actually been

recognised for it. They have won a very prestigious national award in relation to the work they did and that is a key part of it. It is also an opportunity to say thank you.

**Joanne McCartney AM:** It would be useful as well if we could have some details on specials following the meeting.

**Craig Mackey (Deputy Commissioner, MPS):** Yes.

**Joanne McCartney AM:** John, that would be useful.

**John Biggs AM (Chairman):** Very helpful. I think that is about it, then. Are we all happy? We did not say anything about the British Transport Police, did we? It is like a foreign country, is it not? We were looking at efficiencies. Do we ever do anything with them?

**Craig Mackey (Deputy Commissioner, MPS):** Yes, we do a lot with colleagues from the British Transport Police and the City of London [Police]. Operationally, it is an absolutely seamless operation in terms of doing that. We meet together as command teams and we do look at a number of opportunities, everything from the provision of custody services through to how we can do things differently. There is a long, established history of the ability of the three organisations to flex specialist resource.

**John Biggs AM (Chairman):** I am aware of that at a high level, but in terms of your bottom line is there anything that pops out of that?

**Craig Mackey (Deputy Commissioner, MPS):** Not directly. One of the challenges of course with the BTP is that it has a very different funding stream. It is not a Home Office funding stream.

**John Biggs AM (Chairman):** Yes, OK. Thank you very, very much for coming.

**Budget and Performance Committee – 11 September 2014****Transcript of Item 7 – London Legacy Development Corporation**

**John Biggs AM (Chairman):** Item 7, the London Legacy Development Corporation (LLDC). We welcome our guests: Neale Coleman, Deputy Chairman; Dennis Hone, Chief Executive, for the time being; and Jonathan Dutton, Director of Finance and Corporate Services. You are there for the duration?

**Jonathan Dutton (Director of Finance and Corporate Services, LLDC):** No.

**John Biggs AM (Chairman):** I thought you were going, yes.

**Jonathan Dutton (Director of Finance and Corporate Services, LLDC):** Yes, end of October.

**John Biggs AM (Chairman):** I did not want to announce your departure and get it wrong. We have some questions about your future funding requirements and one or two other issues like your ten-year plan.

If I could start the ball rolling, I am aware, Dennis, that this is your final appearance before the Assembly before you disappear to lower things, the corporate world, the private sector. Dodgy stuff. Good stuff. Excellent. Thank you very much for all your work so far.

**Dennis Hone (Chief Executive, LLDC):** Thank you.

**John Biggs AM (Chairman):** That is the nice stuff dealt with. If we talk about your running costs, then, the Greater London Authority (GLA) is proposing to fund you to the tune of £18 million next year. There is a core irreducible sum of £10 million, which the current Mayor has inherited from his predecessor. How will you be affected if that is reduced in 2015/16?

**Jonathan Dutton (Director of Finance and Corporate Services, LLDC):** In that event, we will inevitably have to re-evaluate our budgets and look closely at our income projections and our expenditure plans. We are acutely aware of the need to ensure that all of our spend is spent efficiently and that we continue to do as much as we possibly can with the funding we have available.

I would also add that the ten-year plan that the LLDC has at the moment was approved back in April. We opened the [Queen Elizabeth] Olympic Park (the Park) on 5 April this year and since then have gained considerable experience of what it is to run the Park both from the income point of view and indeed from the expenditure point of view. We will, in the ordinary course of events, update the GLA in terms of the budget planning process for November and we will take into account our experience of what life has actually been like over the last five months or so in putting those proposals together. Our experience is important.

However, were there to be any reduction in the proposed funding from the GLA, we would have to cut our cloth accordingly.

**John Biggs AM (Chairman):** For the record, you have clarified before that the underspend previously was to help your cash flows given the reducing incomes in future years.

**Jonathan Dutton (Director of Finance and Corporate Services, LLDC):** Indeed.

**John Biggs AM (Chairman):** I am sure the Mayor is well aware that this should not be seen as a windfall that will achieve savings for him. What is the risk of there being a cut in your spending and in your grant from the GLA next year?

**Dennis Hone (Chief Executive, LLDC):** Just to answer that, obviously we are planning on the figures that were agreed in the budget for 2015/16 and the £18 million of overall funding. We are not anticipating that that will be cut. If it is, then, as Jonathan said, we would have to look at a number of our expenditures going out. Some of them are obviously committed but there are other things around events and other things and we would have to look at whether we could still support all of the events that we do on the Park and some of our other activities.

**John Biggs AM (Chairman):** Does this mean that, as with the parent company guarantee given last year, the LLDC is less of a separate corporation and more of an operating arm than we would have previously intended?

**Dennis Hone (Chief Executive, LLDC):** I have always thought of the LLDC as almost a wholly-owned subsidiary of the GLA. For all intents and purposes, the GLA is not only our master in terms of that relationship but also our banker. As you know, the arrangement under the account is: are we a going concern? We are a going concern as long as the GLA provides the funding that has been agreed under the various years of the ten-year plan.

**John Biggs AM (Chairman):** Equally, if there was a budget failure, the GLA would be expected to rescue that?

**Dennis Hone (Chief Executive, LLDC):** There are choices, as you say, depending on the scale and nature of any budget issues. The GLA either can work with us - as they do and we have a very constructive working relationship - about what activities we would pare back or change or can put in some money to cure any deficit that arose.

**John Biggs AM (Chairman):** I think we are all aware that uncertainty is a pretty pernicious thing in any organisation and the last thing I wanted to do in asking this question was to pray to uncertainty, although perhaps in the answers we could flesh out something which helps us to give greater certainty into the future. As a Committee, I am sure we have confidence in your business plan. I cannot think of any reason why we do not and we have the Chair of the Regeneration Committee here as well. We would want to emphasise that certainty about your future funding is quite important, without taking our feet off your windpipe of course in terms of getting value for money.

**Dennis Hone (Chief Executive, LLDC):** That is a very fair point. The very reason we have done a ten-year plan is so that you can look across pretty much the length of life of the organisation and lay out what you think is going to happen over time. Clearly, we have more certainty about what is going to happen next year than what is going to happen in ten years' time in that plan, but it is something that we can refresh through the budget process every year and therefore there should be no surprises for the GLA as part of that process. The more certainty we have over funding, the more we can plan effectively around our activities.

**John Biggs AM (Chairman):** Can you highlight, Jonathan, areas where you could achieve revenue savings?



**Jonathan Dutton (Director of Finance and Corporate Services, LLDC):** We want to maintain the quality of the Park and ensure that everything that we do on the Park meets the standards and the objectives we have set ourselves. There is not an easy answer to that question that I could identify today. As I say, we would look across the breadth of our spend and ensure that every item was being spent to best effect and we would not forget the income side of things and make sure we are driving all of our commercial activities as hard as we possibly could to ensure the best return.

**Dennis Hone (Chief Executive, LLDC):** In putting forward our budget submission, we have obviously put forward what we think is required to manage the Park and our activities effectively. We have gone through a challenge process with the GLA and we came out with a base budget for 2015/16 that requires a level of funding of £18 million from the GLA. It is difficult to speculate if they came back and said, "We are not going to give you £18 million. We are going to give you £16 million", where you would cut that £2 million. There are a number of areas of choice, but all of them are going to be fairly unpalatable.

**John Biggs AM (Chairman):** Perhaps we should not dwell on this, but clearly you did make the point explicitly in your reply that there are revenue opportunities as well. We can perhaps come back to that. Shall we move on swiftly, unless anyone has supplementaries on this, to the question of infrastructure costs? There is still a pretty hefty gap in your infrastructure development plan. Can you tell us about your thinking on how you are going to meet that?

**Dennis Hone (Chief Executive, LLDC):** The first thing to do is to try to put this in context. We are in the process of bringing forward a local plan that has been going through the consultation phase and we are making great progress on that and are working with the host boroughs. As part of that, as any other local authority or planning authority would do up and down the country, we have to do an infrastructure development plan. That looks at the infrastructure required to support the local plan and shows a gap between what is required against what is already committed and come forward. That is not an unusual situation, however, and it is not all in the LLDC's remit or dealing with LLDC land. That is just to put it in context. Having a deficit or a gap on that is not an unusual occurrence.

That gap will be closed by things like section 106. It will be closed by some of the activities of the host boroughs themselves in providing infrastructure. There is a whole range of ways those gaps can be applied. The other thing is that some of the developments of the local plan will be conditional upon infrastructure happening; otherwise, they will not go forward. Therefore, even the private sector will fill some of that gap in some of the developments coming forward.

All I am saying to you today is that it is not unusual to have that level of infrastructure gap. It will not all be filled by the public sector. It will not all be filled by the LLDC. It will be filled by section 106 contributions and the activities of the private sector as well.

**John Biggs AM (Chairman):** Predominantly by those sources?

**Dennis Hone (Chief Executive, LLDC):** Yes.

**John Biggs AM (Chairman):** It emphasises the point that the urban development corporation (UDC) or mayoral development corporation (MDC) is the quasi-commercial body and has to live by working with the market and opportunities.

**Dennis Hone (Chief Executive, LLDC):** Absolutely.

**John Biggs AM (Chairman):** Where are you with the community infrastructure levy (CIL)?

**Dennis Hone (Chief Executive, LLDC):** We are in a good position. We are already collecting CIL in terms of the Mayor's CIL for Crossrail. We have been collecting that already. We are going to go live from April 2015. We are on track to start collecting CIL monies from April 2015, so we are not behind. I know that some authorities and others are having some issues with getting ready for that, but we are completely on track for that.

**John Biggs AM (Chairman):** Do you accept that the infrastructure funding gap - I think we shared this with you or it comes out of your report - is roughly £64 million on funding?

**Dennis Hone (Chief Executive, LLDC):** Yes, that is the gap, but, as I say, that is a whole smorgasbord of schemes across the area. It is not just related solely to the Park because our area goes beyond the Park. CIL cannot close the gap. I should add that point. You have to set CIL at a level that --

**John Biggs AM (Chairman):** CIL comes to slightly over 10% of that, on your projections.

**Dennis Hone (Chief Executive, LLDC):** Yes, that is right and you cannot expect CIL to close that gap because you have to set CIL at a level where it is not going to affect the viability of schemes and actually itself become a block to development. You have to set it at a reasonable level. We spent a lot of time looking at what is happening in the neighbouring boroughs and the levels we have set it at. For instance, because we are trying to create jobs in the East End of London, we are charging zero on employment space in terms of CIL, but we are proposing to charge £60 per square metre for residential and £100 per square metre for retail. There are a number of different levels and they are compatible with what is happening in Tower Hamlets, Hackney and Newham and they are not out of the line with the levels that are being charged there.

**John Biggs AM (Chairman):** To what extent is your infrastructure development plan a must-do and to what extent is it a wish-list?

**Dennis Hone (Chief Executive, LLDC):** It is a bit of both, if I am honest. Clearly, there is a defined process that we can go forward with this. Certain things are absolutely essential to promote development and others are there to enhance the developments and the opportunities there. It goes through a defined process of looking at all of the schemes. At the end of the day, as I say, we have a number of those schemes already within our budget and others will come forward either by the host boroughs themselves or by the private sector.

**John Biggs AM (Chairman):** You are being uncharacteristically quiet, Mr Coleman.

**Neale Coleman (Deputy Chairman, LLDC):** It is worth saying that if you look at just the LLDC situation and the Park and the development that we are doing, we are making very big investments in infrastructure. Certainly for the housing scheme, which you may want to ask about later, the East Wick/Sweetwater scheme, there is a big infrastructure bill associated with that which is highway-related and Park-related. Also, we have plans in hand now for the construction of two major new schools in the Park, one in partnership with Hackney and the other in partnership with a free school provider in Newham. In terms of the infrastructure obligations that are directly on us that were imposed via the planning consent that we received, we are actually significantly ahead of where we thought we would be in terms of delivering on that.

Dennis [Hone] is right. The infrastructure development plan is something that everyone needs to go through as part of the CIL charging process and setting the schedule and whatever. It is very broad-ranging. It covers a very wide range of infrastructure, utilities and the like. A lot of this is not directly associated with schemes that are coming forward now. I think we are doing a pretty good job dealing with the requirements that are imposed on us at the moment.

**John Biggs AM (Chairman):** I hope you will be signalling the importance of at least evaluating the opportunity of Crossrail 2 as part of your infrastructure.

**Neale Coleman (Deputy Chairman, LLDC):** I know you raised this with me the other day and certainly we will be doing that. We have a meeting coming up in the next fortnight with TfL, including with Peter Hendy [Commissioner, TfL] and it is one of the things we will talk about there.

**John Biggs AM (Chairman):** OK. That was me being inappropriately opportunistic as the Chair.

**Stephen Knight AM (Deputy Chair):** It was really about closing the infrastructure funding gap through section 106, for instance. In my experience, there is no such thing as a free lunch, particularly when you are dealing with private developers. If you ask for more for infrastructure through section 106, presumably there is going to be a knock-on effect on what they can deliver, let us say, in terms of affordable housing in schemes.

**Dennis Hone (Chief Executive, LLDC):** Yes.

**Stephen Knight AM (Deputy Chair):** What do you think the impact is going to be through asking for this kind of level of extra funding through section 106 for infrastructure on the proportion of affordable housing that is going to be delivered within the Park?

**Dennis Hone (Chief Executive, LLDC):** That is a very difficult question to answer but --

**Stephen Knight AM (Deputy Chair):** It must be right, must it not? There must be a trade-off.

**Neale Coleman (Deputy Chairman, LLDC):** Sorry. When you say "within the Park", that is a different question because I think you are talking about within the area as well.

**Stephen Knight AM (Deputy Chair):** Yes, perhaps within the area, OK.

**Dennis Hone (Chief Executive, LLDC):** What I was going to say is that your premise is right that the private sector will bring forward schemes where they are financially viable and in their interests to do so. If you load it with CIL and section 106, it will get to a point where the scheme will not go forward or you have to make trade-offs. You are absolutely right. If they are going to do more infrastructure, then they will seek to reduce their costs in other areas and one of those areas could be affordable housing. Your premise must be right on that.

However, I cannot say what the trade-offs would be. We would have to look at each scheme on a case-by-case basis as it goes through the planning. We would have to look at what infrastructure is required to support that scheme. There are a number of different variables in there. I wish I could just look into a crystal ball and say, "That is going to be the impact", but I cannot do it.

**Stephen Knight AM (Deputy Chair):** My fear is that section 106 is always seen as a free lunch --

**Dennis Hone (Chief Executive, LLDC):** It is not free.

**Stephen Knight AM (Deputy Chair):** -- for developers and affordable housing always ends up being the thing which usually falls off the bottom --

**Dennis Hone (Chief Executive, LLDC):** I have to say, in terms of the Park, we are very clear on the level of affordable housing that we are bringing forward. We are very clear as a public body on what we are going to deliver in terms of that. The schemes that are going through the system at the moment still have over 30% affordable housing within them. We are still maintaining our objectives in terms of it, but of course --

**Stephen Knight AM (Deputy Chair):** The trade-offs are likely to be in the wider area around the Park?

**Dennis Hone (Chief Executive, LLDC):** It is more likely to be in those areas.

**Neale Coleman (Deputy Chairman, LLDC):** It is also worth saying that there are other objectives which we need to put in the mix as well. They are not easy decisions because they are, as you rightly say, about trade-offs. For example, we are doing a lot of work with Hackney in the Hackney Wick area. One of the things the borough is very concerned with is trying to ensure that the affordable workspace offer in that area, which is very important for the vibrancy of that area and also for local employment, is maintained in a situation where values are going up and there is pressure for more residential development.

Inevitably, there will to an extent be a trade-off between policies that are designed to produce more affordable workspace and other infrastructure demands and the level of affordable housing. We just have to work through these things application by application.

**Dennis Hone (Chief Executive, LLDC):** Indeed.

**Neale Coleman (Deputy Chairman, LLDC):** We are trying to be quite proactive in places like Hackney Wick ourselves by coming forward with a planning application to support the master plan there.

**Dennis Hone (Chief Executive, LLDC):** In that situation, we have been working with the London Borough of Hackney on the viability and what that means in terms of, as you said, keeping workspace affordable. There we have talked about a ratchet. As we go through planning and we go out and get a developer and it comes in, if the viability improves, more money will go into affordable housing because the scheme can support it. We look at all of those things as we move forward.

**Gareth Bacon AM:** I would like to talk to you about the Olympic Stadium, particularly a couple of developments in the media in recent days, which I am sure you are all very familiar with.

The first one is the question of the roof and the projected extra costs of around about £15 million that have been quoted in the media for the roof rebuilding. Is that a figure that you recognise and, if so, who is likely to foot the bill for it?

**Dennis Hone (Chief Executive, LLDC):** First of all, I do not recognise the figure. I do not know where the £15 million number has come from. I recognise it inasmuch as the question has been put to me by the media as well and I know that journalists were ringing around a number of the stakeholders involved in this for

quotes. I had to go on Sky Sports News and talk about this with Paul Kelso [Sports Correspondent, Sky News]. I do not recognise --

**Gareth Bacon AM:** I missed that. What did you say to him?

**Dennis Hone (Chief Executive, LLDC):** I said - and I will say it to you - that it is a very complex and challenging project, I have to say, and it is also about the sequence of works, but where we are at the moment, the compression truss, the white ring that goes around the outside, all of the strengthening works to enable the new roof to go on have been completed. They have all been completed. We finally finished that this week. All of this strengthening on what is called the V columns, where we have actually replaced them all the way round - but you probably would not have noticed because we do it one at a time - and put on stronger columns, that has all been completed as well, and the cables, because you do a stretched cable over the top that is the first part of the structure of the roof, that is going to be hoisted in the next couple of weeks, so we are really pleased with the progress of work.

What we are doing at the moment now is working with Balfour Beatty, our contractor, to look at the sequencing of other works and there are about three or four major areas of work. First, there is all of the steelwork that then has to go on the cables, that is a huge piece of work, and we are starting to run into the winter months when that will be going forward, which produces an uncertainty as to what the weather will do. Secondly, we have to sequence that work with the field of play. We have to get the cranes out of the way, so we have to complete the fabrication and hoist up the materials for the roof. The roof is in two sections, the back section of the oval is a sort of conventional roof structure where it is opaque or whatever, but the front is a polycarbonate that lets light through so that the grass will grow and things like that. It is in two sections; they have to be hoisted up. Then at the same time we are doing work on the hospitality areas and the stands and we have to get our seating contractor in to do the retractable seats.

What we are doing now with Balfour Beatty is going through an intense period of looking at how we sequence those works, what works can be accomplished with certainty before our summer events next year, the Diamond League Athletics and the Rugby World Cup, and then what will be undertaken afterwards. We know we have plenty of time to get the stadium ready for West Ham coming in in 2016, that is not an issue, but it is how we integrate and sequence those works both prior to the summer events and thereafter. Through that process, it is quite possible that challenges - either financial or operational or logistics - will come out that we will have to grapple with, but at this point in time, sitting here, I am not in a position where we think that there is huge additional cost at this point in time. We are just working through that process.

**John Biggs AM (Chairman):** What about less than huge?

**Neale Coleman (Deputy Chairman, LLDC):** It would be wrong to say that there could not be some cost consequences from trying to make sure that we can run these events, and that is what probably lies behind some of the media reporting, but we do not recognise that £15 million figure and we do not know what it will be because the discussions are very much still ongoing.

**Dennis Hone (Chief Executive, LLDC):** Yes. In fact, we have not finalised exactly that sequence of work. Therefore, to say it is going to cost an extra £5 million, £10 million or £15 million is just pure speculation at this point.

**Gareth Bacon AM:** It is, but that is partly why we are asking you the question. The sequencing and the logistics around it is all fine and understood. My understanding is that Balfour Beatty quoted a fixed price for replacing the roof. Is that correct?

**Dennis Hone (Chief Executive, LLDC):** There is a fixed-price contract. Not to get technical about it, but we have contracted under a new engineering contract (NEC) option A contract, which is a fixed-price contract, but of course they do get relief. As you are probably aware, there is no such thing as a fixed price and there are two elements that I bring to your attention. One is they do get relief if there is adverse weather or there are issues outside their control and things like that, and the second thing is that there was a provisional element regarding the truss strengthening - the work they have just finished - because at the time of entering into the contract, the actual loadings for the roof had not been fully determined. In other words, the final bits of design on the roof as a result of loadings had not been determined. They have completed all those works. Their actual costs incurred and everything should soon be to hand and we will be able to assess, as part of that, what the implications are for the overall contract.

**Gareth Bacon AM:** Are you expecting there to be additional costs?

**Dennis Hone (Chief Executive, LLDC):** Am I expecting it? We are under discussion with Balfour Beatty at the moment. There have been some issues in terms of the works. They will no doubt put forward what they think is their entitlement under the contract and we will have to consider it in the light of that. I suppose all I am saying is they are a private sector contractor and no doubt they will come back to us with what they see as any additional monies they are due under the contract.

**Gareth Bacon AM:** That is understood. The problem though for certainly some of my colleagues is that this going to be to a large degree a privately-occupied stadium, I presume, the organisation around it, but it is being substantially funded by the taxpayer. If there is an additional cost, colleagues are going to be very interested to know who will be footing the bill for any additional cost. Can you comment on that?

**Neale Coleman (Deputy Chairman, LLDC):** Shall I do that because it is fairly clear? If there is additional cost here as a result of discussions, it will inevitably fall on LLDC. We will not be able to look to potential occupiers because we have reached agreements and signed agreements with them which do not provide for them to take the risk of cost overruns on the construction. There is no getting away from that.

**Gareth Bacon AM:** Yes, OK. That is maybe an issue that is going run somewhat in the media.

**John Biggs AM (Chairman):** I was just wondering if you could clarify one thing on the Balfour Beatty thing. You said there could be two circumstances; one was adverse weather or --

**Dennis Hone (Chief Executive, LLDC):** Then the other one is on the cost of the compression truss strengthening, which is the work they have just concluded.

**John Biggs AM (Chairman):** The third one which often happens in public contracts is where the client changes their mind at some stage on their specifications. That is not happening?

**Dennis Hone (Chief Executive, LLDC):** We are not changing our mind about any fundamental issue on there, but what you have to understand is in any job such as this there will be project manager instructions and things that come in the design. For instance, I can tell you that there have been 55 project management instructions on this job to date. That is not changing your mind; that is just as the contractor goes along issues

arise and we have to give an instruction as to how we want those things resolved. To put that in context, we had thousands and thousands of such instructions when we were building the Park for the Olympic Games and things like that. For a job of this complexity, there has actually been a very small number. But I am acutely aware that if we change our mind or we alter any of the specifications, we will pay for that, and the contractor, if they are being fair and generous, will price it fairly and generously, but otherwise they can take that opportunity to maybe leverage their position and it is in our interest not to make changes.

**John Biggs AM (Chairman):** The fact that it has appeared in the media tells me that someone in your team somewhere - probably not yourselves, probably in Balfour Beatty - has spoken to someone in the media in order to help the negotiations.

**Dennis Hone (Chief Executive, LLDC):** We speculated on that and we looked at it, but given Balfour Beatty have appeared in the press quite regularly recently, we could not think that it was necessarily in their interests to talk to them. Certainly when we have talked to them face-to-face they claim - and I have no reason to doubt this - that they have had no discussions with the media around this, given the position and the takeover.

**Neale Coleman (Deputy Chairman, LLDC):** To be honest, some of the things which were contained in some of the suggestions that the journalists made originally were just wildly false and inaccurate and were not reflected in the story that he ran because they were just nonsense, so --

**Dennis Hone (Chief Executive, LLDC):** The first time we talked to Paul Kelso [Sports Correspondent, Sky News], he said that he had heard that the cost of this had doubled and it was a £100 million problem. This suddenly then went down to £15 million and, as I say, the most tricky bit having been finished, we are at a loss to know where these stories come from or in whose interest it would be to leak these stories.

**Gareth Bacon AM:** Would it be fair to say, then, or a fair assessment of what you have just said, that there may be additional costs but there is no value attached to them right now?

**Dennis Hone (Chief Executive, LLDC):** That is correct.

**Gareth Bacon AM:** To take you back to one of the two conditions you said might cause additional cost, you talked about the compression work being done around the top of the roof. Was that work not done or the estimate not based on what they thought that would cost when they came in with their fixed price?

**Dennis Hone (Chief Executive, LLDC):** No, it was the one element within the fixed price, if you like - and I am just doing this simply - that was variable. It was the one element that was variable and that was because the work that that BuroHappold were doing on the actual loadings and therefore how much strengthening you would need were not certain at the point in time the contract was arranged.

**Gareth Bacon AM:** The contract that they signed is going to cost £41 million, subject to there being no significant variation on this work?

**Dennis Hone (Chief Executive, LLDC):** Yes, and in layman's terms there was a provisional sum in there for this and then there will be actual cost attached to that.

**Gareth Bacon AM:** I am tempted to ask you by how much it would be acceptable for that to deviate from what they have bid on, but it is a rather speculative question, I appreciate, so I will not ask you that question.

The second thing is something that came out in the news yesterday which I only found out about this morning, but colleagues were apparently aware of, which is the speculation in the press that Tottenham may seek to use the Olympic Stadium in some kind of ground-share arrangement with West Ham. The media have linked that to the potential judicial review around one small part of their regeneration site behind White Hart Lane. Personally, I do not think they are linked because there was always going to be a delay. Spurs were always going to have to play somewhere else for a year while they rebuilt White Hart Lane anyway, so if that is linked to a judicial review or not, who knows. They were always going to look for somewhere else to play. However, if Spurs were to approach the LLDC, bearing in mind the conversation we have had earlier about lack of funding, etc, would that be something that LLDC would welcome, leaving aside whether West Ham would welcome them?

**Dennis Hone (Chief Executive, LLDC):** OK, I firstly declare my interest; I am a season ticketholder at Spurs.

**Neale Coleman (Deputy Chairman, LLDC):** I am a season ticketholder at Arsenal.

**John Biggs AM (Chairman):** That is very impressive.

**Dennis Hone (Chief Executive, LLDC):** I am sure that Neale will do the Spurs a good deal. Anyway, what was I going to say? You are right, first of all, about this year away or whatever. Tottenham were always going to be at least a year away from White Hart Lane, but it will be interesting to see that scheme mature. Clearly we have a concession agreement with West Ham. Under that concession agreement, their fixtures have priority. As you know, fixtures get moved around for television and other things and sometimes that is fairly late in the day when cup ties come up and things like that. Their fixtures would always have priority, whatever happens in terms of other uses of the stadium.

We are getting into a position now, where we are going to appoint an operator who would manage all of the activities in the stadium, and in some respects we are going to try to incentivise the operator to fill the dark days, in other words, around our obligations to UK Athletics and to West Ham, which are signed agreements, if they can bring in concerts or other activities. Clearly, if Spurs were to approach us about this, then we could talk with the operator and we could progress those discussions. We do not have a clue what sort of arrangements Spurs want, whether it be one season or whether it would be commercially viable or whatever, so, again, I could not speculate as to whether it would be something that we would ultimately do or not. However, the one thing I would say is we would not be running any sort of form of competition or concession agreement or whatever. This would be out with the sort of competitions that we have run before. I suppose, in a nutshell, until we hear a proposal from Tottenham, we have nothing to consider.

**Gareth Bacon AM:** That is fair enough. If Tottenham were to approach the LLDC seeking the possibility of doing this, is there capacity in the stadium to do it? The reason I ask the question is that one of the other grounds that has been mooted as a potential home for Spurs for a year is Wembley Stadium and that apparently has been ruled out because Brent Council have various playing restrictions in place over the amount of times the stadium can be used so that it does not disadvantage local residents. Are there any kinds of conditions attached to the Olympic Stadium?

**Dennis Hone (Chief Executive, LLDC):** In the planning there is, but they are very broad, so in theory it is possible, but the point I suppose I am trying to stress is those are the sorts of considerations we would have to take into account. We do not have a planning restriction that would prevent us having it, but we would have to look at the impact on surrounding areas, we have to look at the impact on the pitch, the wear and tear and things like that. We would also have to look at the commercial offer, if they were to make one, and whether



that is viable. As you would expect, there would be additional costs of running the stadium and there would be additional costs in terms of wear and tear on the pitch and all of the things that go with it. Until something comes forward that we can actually look at, I cannot say whether it would be attractive or unwelcome.

**Gareth Bacon AM:** Have West Ham spoken to you about the media speculation around Tottenham?

**Dennis Hone (Chief Executive, LLDC):** We talked to West Ham obviously about the media speculation and things like that because it is just that and we do not want to, I suppose, build up any false impressions in the media or wild goose stories and give them any credence. We have a good working relationship with West Ham and, yes, we discuss all sorts of stories that run, whether it is £15 million extra on the construction of the stadium or whether it is the --

**Gareth Bacon AM:** But this particular story I understand broke yesterday, so have you spoken to West Ham in the last 24 hours?

**Dennis Hone (Chief Executive, LLDC):** Yes.

**Gareth Bacon AM:** You have? About the speculation about Tottenham?

**Dennis Hone (Chief Executive, LLDC):** Yes.

**Gareth Bacon AM:** What was West Ham's view on it?

**Neale Coleman (Deputy Chairman, LLDC):** It is not the first time we have had to raise it with West Ham.

**Dennis Hone (Chief Executive, LLDC):** It is not the first time that speculation has broken. The initial things are whether there is any new news in this, how it would play with their supporters and what the facts are behind it. As I said to you, if we get an approach from Tottenham, we would consider it, and our press release or our statement we made to the press yesterday was along those lines.

**Gareth Bacon AM:** A fair assessment of your position then is that you would be open-minded to an approach, but there would be all sorts of things that would need to be discussed that could rule it in or out?

**Dennis Hone (Chief Executive, LLDC):** Yes, absolutely. Yes, for the reasons that you highlighted about literally having a football match every weekend at the Olympic Stadium.

**Gareth Bacon AM:** Possibly more than that, of course, because there will be European matches, club matches and maybe midweek live matches, so the pitch will take a terrible battering for the length of time with two full clubs.

**Dennis Hone (Chief Executive, LLDC):** Exactly.

**Neale Coleman (Deputy Chairman, LLDC):** There has been all sorts of coverage. Some of the other coverage has suggested that they might seek to play most of their matches somewhere else - I think Milton Keynes has been quoted pretty often - but they might take half a dozen, the Manchester United, Arsenal and Chelsea sorts of games and want to play them at Wembley or at the Olympic Stadium. Who knows? We have not had any approach yet.

**Dennis Hone (Chief Executive, LLDC):** There is an issue about whether even that is permissible under Premier League rules, so again --

**Gareth Bacon AM:** Apparently under Premier League rules, it would not be. They would have to play 19 at Wembley.

**Darren Johnson AM:** This is getting too much into the football rather than budgeting.

**Gareth Bacon AM:** Personally I think they are all connected.

**Darren Johnson AM:** You are interested in football though, Gareth.

**Neale Coleman (Deputy Chairman, LLDC):** Put it this way. If there was a good, solid commercial deal to be done and we could solve these problems, we are absolutely open to a discussion, I emphasise that. We are not saying we would not be interested, but we just have not had anything.

**Gareth Bacon AM:** I hear Arsenal could do with some extra cash.

**Dennis Hone (Chief Executive, LLDC):** I think the issue would be the damage that might happen at the Emirates.

**John Biggs AM (Chairman):** But it is interesting, though. It would make sense because Spurs and Arsenal never play at home on the same occasion, I think because essentially they are the same team, actually.

**Richard Tracey AM:** Chairman, could I just intervene on one thing? Speaking up for another sport, is the roof going to be ready for the Rugby World Cup in 2015?

**Dennis Hone (Chief Executive, LLDC):** That is our intention. Our intention is the roof will be ready for it, but as I say, we are doing work just to make sure that all of the sequencing is done appropriately. The most important thing for the Rugby World Cup is the pitch, obviously, and to get the pitch in its full glory we have to get the cranes off the playing surface. My hesitation to that question is only purely about the fact that if we had a very adverse winter, if it snowed a lot and that prevented working at height and things like that, then we might have to maybe only complete part of the roof and then concentrate on the seating and the --

**Gareth Bacon AM:** That is a good point though, is it not, because the Premier League has very precise regulations around how much of the seating the roof needs to cover?

**Dennis Hone (Chief Executive, LLDC):** They do.

**Neale Coleman (Deputy Chairman, LLDC):** It would not work for Premier League. It is absolutely a contingency; it is not what we are planning.

**Dennis Hone (Chief Executive, LLDC):** No, we are planning to deliver the roof.

**Neale Coleman (Deputy Chairman, LLDC):** Yes, before the Rugby World Cup games. Given that it is a temporary thing and a one-off, it would be possible to consider contingencies like that, that you could not do if it was for a Premier League football season.

**Gareth Bacon AM:** Have you had conversations with the Rugby World Cup organisers about that? Do they accept that?

**Dennis Hone (Chief Executive, LLDC):** The only thing I would say about the conversation with the Rugby World Cup organisers, we have agreed all of the specifications for what is going to be delivered for the games, which includes the roof, and we meet with them regularly so that they can satisfy themselves that we are making progress to deliver, which we are obliged to do.

**Neale Coleman (Deputy Chairman, LLDC):** We do intend to deliver the roof.

**Dennis Hone (Chief Executive, LLDC):** Yes. I do not want to say that, but I just did not want to give a cast iron, "Yes, the roof will be there" and then --

**John Biggs AM (Chairman):** Is there a risk to the Rugby World Cup if the roof is not there?

**Dennis Hone (Chief Executive, LLDC):** No.

**John Biggs AM (Chairman):** Or putting it another way - I was going to be flippant here - I think rugby supporters are used to getting wet at matches aren't they?

**Richard Tracey AM:** It is going to be played in so many other places anyway, is it not, the Rugby World Cup? It would be a shame if part of it does not happen.

**John Biggs AM (Chairman):** I think that what we have here is that every question is genuine and legitimate, but it does belie an unhealthy interest in football and rugby. We need to focus on the LLDC. By birth I am a Tottenham supporter.

**Gareth Bacon AM:** I know that.

**John Biggs AM (Chairman):** That is why I am interested.

**Gareth Bacon AM:** That must be why you are so disappointed all the time.

**John Biggs AM (Chairman):** Then I look at you and I think, "Well, life could be worse". But going back to the business opportunity from Tottenham Hotspur, you are saying you would not rule it out, but is there not an argument for you being fairly proactive, because going back to our opening question and the gaps in your funding --

**Neale Coleman (Deputy Chairman, LLDC):** No. Let us be clear, Tottenham know perfectly well that if they have got a clear plan and they know exactly when they are moving and they have got a committed plan for their new stadium that they can come and talk to us about this possibility. I talk to colleagues at the club and they know perfectly well that we are open to that discussion. There remains uncertainty about precisely when the Tottenham scheme will start. Obviously there is extra uncertainty now following the judicial review. I agree with what Gareth Bacon said about that though, in terms of the issue about I do not think that raised the issue of the need for the move. It is always there, we are very open to this discussion, but it would not be sensible, frankly, for them to have the discussion until they are absolutely clear about the timing, funding and the precise detail of their scheme. I do not think they are at that stage yet.

**Dennis Hone (Chief Executive, LLDC):** No, you are absolutely right, it is premature. Tottenham do not have planning permission for the current design, they have the compulsory purchase order (CPO) issues and what would they be talking to us about?

**John Biggs AM (Chairman):** We have established that this could happen, that you are receptive to it --

**Dennis Hone (Chief Executive, LLDC):** Yes, we are open-minded.

**John Biggs AM (Chairman):** -- it is not a showstopper in terms of West Ham having any lock-out agreements or anything.

**Neale Coleman (Deputy Chairman, LLDC):** No.

**John Biggs AM (Chairman):** It could, I think, raise a considerable seven-figure sum if it did happen.

**Dennis Hone (Chief Executive, LLDC):** You obviously know something we do not.

**John Biggs AM (Chairman):** My job is to flush out what you don't even know yet.

**Dennis Hone (Chief Executive, LLDC):** Daniel Levy [Chairman, Tottenham Hotspur] is known for his playing.

**John Biggs AM (Chairman):** Yes, for finding the right players.

**Gareth Bacon AM:** That is encouraging.

**John Biggs AM (Chairman):** Shall we move on to Joanne's question?

**Joanne McCartney AM:** Yes, I am going to ask about vision for the area around the Olympic Park to become an Olympicopolis. I hope I pronounced that again but it looks like quite an exciting venture. You have already organisations such as the Victoria and Albert Museum (V&A), University College London (UCL) and Sadler's Wells are on board and there is some international interest as well. I looked at the plan, but there is nothing really in about how you are envisaging funding this in the future and what share, if any, the LLDC would pay in that funding.

**Dennis Hone (Chief Executive, LLDC):** That is true and, just to go through it, you are right. We are in the early stages of trying to bring together, I suppose, what is quite a complicated project around Olympicopolis to create an educational and cultural quarter that would rival, say, the South Bank, but in Stratford. It has two defined elements to it. It has the land south of the Orbit, where the Invictus Games opening ceremony was last night, and that is where we would have a new campus with UCL. UCL is looking at a development over time of something like 1.25 million square feet of new academic space. In terms of that element of the scheme, we have agreed heads of terms now with UCL and so that is progressing very well.

The second element is what we sort of nicknamed the 'culture machine' but that is where we would have a number of institutions cohabiting within quite a large structure and that would include the new Sadler's Wells facility, where they are looking for a 600-seat theatre with a hip-hop academy and other items going forward, and the V&A taking over 20,000 square metres of space for a V&A East. As you rightly say, we have been talking to other institutions. That is slightly less advanced because we are going through the process of talking

to them around heads of terms, some of these institutions, and some of them, in terms of the institutions that we are talking to, are further advanced in their thinking. Sadler's Wells are probably at the forefront, they know exactly what they want; V&A are slightly just behind, but then some of the other discussions we have been having with the University of Arts London and some overseas institutions are slightly less advanced. The issue is they all have to come together, because they are not going to be separate buildings on the site. They all have to come together, so there is a challenge for us in that.

**Joanne McCartney AM:** That is going to be like a master plan framework, is that right?

**Dennis Hone (Chief Executive, LLDC):** Yes, and we announced back in July that we were having an international design competition for that, and we have over 700 expressions of interest from architectural practices within the UK, but also around the globe, and the formal papers for that are going out in the next days to those institutions. We hope that we will be shortlisting a number of them by or before the end of this calendar year. I do not want to speculate how many it is, but if it is five, six or seven practices, they will go forward and we will then come up with a concept design for it by March of next year. Then we will have more certainty and fixity about how it is going to come together.

In parallel with that, we have been in discussions with Government about the level of Government funding that could be brought into the scheme and we are hoping that those discussions will start to come to fruition in this autumn. We are also working hand in glove with the GLA about the consequences on this in terms of any contribution that would be required from LLDC, but from the GLA, looking at the receipts that could be generated from residential components of the scheme, looking at what we could do on philanthropic fund-raising and looking at what the cash flow implications are. Some of the construction will precede some of the contributions that can come into the scheme. We are looking at all of those things and they are relatively fluid at this point in time, but we are hoping that around the turn of the year and through the budget process, we will be bringing forward what the implications are estimated to be.

**Joanne McCartney AM:** That will be interesting. In the plans you say that by 2030, you envisage that this might actually create 20,000 extra jobs in the area. What are you doing to make sure that you are maximising job creation, both during the construction, but also in the long term, and like the Olympics, are you going to be setting workforce targets?

**Dennis Hone (Chief Executive, LLDC):** Yes. The short answer is what happened during the Olympics and what has actually happened in legacy through the construction there, working with the contractors and now in our operators, Greenwich Leisure Ltd (GLL) operating the Aquatic Centre, we do have workforce targets with them to get people into work and we would maintain that all through the construction process. As you know, we work with Job Brokerage and we have worked with all of the host boroughs on how we can get people into work. We helped people even down to the level of helping them write applications. We went through all of that. We also had agreements where local people would get the first opportunity to get into jobs as they came forward.

It has been very successful, as you know, in terms of Westfield, 10,000 jobs, and the vast majority of them went to local people. At the moment, I can tell you that 70% of the people who work in the Copper Box Arena and on the Aquatic Centre are all local people, so we are going to maintain and keep going with the practices that we have put in place right through this and contractualise as many of those with either the contractors or the operators as they come forward. Just to give you some examples, we have already got V&A now working with local schools in anticipation and we have UCL doing research programmes in the health centre up in the

athletes' village. Both of our founding partners for our Olympicopolis scheme are already taking seriously their obligations to work with local community groups and bring the benefits to local people.

**Joanne McCartney AM:** I suppose, if you have people building on a site you own, it is a lot easier to be able to impose targets. If this is to regenerate the entire area, just one for Neale, the Mayor's Office, what influence does it have on other business providers who will be going to benefit from this to do that target-setting or encouraging local workforce renewal?

**Neale Coleman (Deputy Chairman, LLDC):** Yes. We will want to do that and we will want to encourage people to adopt the same practices that we have. I think if you look at the house-builders, we worked with Taylor Wimpey, who we had working on the site at Chobham Manor. They have been very good in actually taking on board the same models that we developed in our construction work there. There are a number of other very big construction schemes that may come forward in the area where we probably need further work with the key landowners and sponsors of those schemes to make sure that they do the same.

I pick out obviously the work that the London and Continental Railways partnership are going to be doing on the international quarter, where they will be in the next two, two and a half years, constructing two very large office buildings, a hotel and a big residential scheme. Certainly we are going to be looking to try and encourage them to take similar approaches there, and probably the other big scheme, which is obviously --

**John Biggs AM (Chairman):** Do you mean you have no control over those sites though?

**Neale Coleman (Deputy Chairman, LLDC):** We have no control over the sites, but obviously there is a public sector partner in the international quarter, London and Continental Railways, and we would expect them to respond positively to us doing that. Similarly, we will --

**John Biggs AM (Chairman):** But they are under no obligation to do so?

**Neale Coleman (Deputy Chairman, LLDC):** They are under no obligation to do so, but I think, as I say, given that there is a public sector partner in there that we will get a good response from them and all the indications in discussion are that they understand that.

**Dennis Hone (Chief Executive, LLDC):** I have to say that when we have discussions with contractors and things, they are very responsive now to this area, whether it is corporate social responsibility, but they actually recognise the good news story about getting local people into those jobs. Maybe times were different in the past, but absolutely now we seem to be pushing at an open door with contractors.

**Neale Coleman (Deputy Chairman, LLDC):** We do have the benefit of the experience with Westfield, who frankly is one of the hardest-nosed outfits you can deal with, but actually went out of its way to put its own investment and money into the job brokerage and training schemes, both for itself but also for its big partners. You look at what employers like Marks & Spencer and John Lewis have done. They have done phenomenal work in recruiting locally, and frankly, their percentage of local employees in their business, their large business in the shopping mall there, are as good as what we, to some extent, boast about with our venue operations.

**Joanne McCartney AM:** Just one final question. The plan also states that the new development has to be seamlessly integrated with the surrounding area so that local people feel it is part of their daily lives as well. How are you going to do that?

**Dennis Hone (Chief Executive, LLDC):** There are two points I would make: we are working very hard at the park itself; the fences are down, it is a borderless park. If you so wish, you can go there at 2.00am or whatever. You know we have had 3 million visitors since the Games now in terms of the Park and the projections this year, just for the calendar year, is that we will get around 3 million just this year as well, so people are using it. They do feel it is their local park. We were over there at dusk, I think, on Monday, I was over the Park and we were showing around some Americans and they said it is phenomenal how many people are out at 7.30pm on a Monday evening.

The point I would say is that the Park, in terms of the programme of the Park, the community activities we have had there and the events we are having there, we have set off on the right foot. The V&A and UCL are also acutely aware that if those developments come forward, they do not want to be seen as spaceships that land in the area and have no interaction with people, and that is why we are working with UCL partners and we are working with V&A. In Sadler's Wells, for instance, they are talking to the London dance groups. They are talking absolutely now to local organisations that they can partner with and they want to have an offer that is attractive to the people who live in the vicinity of the Park. We are acting almost like a marriage broker at the moment. We have a list of organisations. We still keep up our community activities and engagements and we are introducing UCL and V&A now to those local groups, so we want to make sure this absolutely is integrating with the local community.

**John Biggs AM (Chairman):** Two little tidying-up questions on this. One is about skills and employment more generally. You said a lot about the Olympicopolis and other developments, but I was a bit worried about some of the words you used, Dennis. You said it was about encouraging partners to adopt standards similar to the ones you would have within the Park yourselves and everyone has an idea of what an urban development corporation should be or a Mayoral development corporation should be. My idea, and it is concordant with the vision for the Olympic legacy, was that it would be more proactive than simply encouraging. It would be expecting partners to be actively moving as far as they could to ensure local people benefited and skills were raised in the area to benefit from that, so I was a bit worried about your language there.

**Dennis Hone (Chief Executive, LLDC):** Where we can, where we are the direct contracting authority, we will contractualise that, and I said earlier, where we are one removed, say the international quarter and all that, we will work with and put pressure on - if that is a better way of putting it - on those partners. I also believe there is a recognition, as I said earlier, I do believe we are pushing at sort of an open door now on this, because I think there has been a sort of sea change in attitudes. Major large companies - whether it is Marks & Spencer or whether it is Balfour Beatty or whatever - understand the benefit to their organisation as well as to Stratford and that wider area of having local people employed. If another better way of putting it is that we will put pressure on those organisations, then that is what we are doing.

**John Biggs AM (Chairman):** if you are disposing of a site to V&A, for example, I just want to go a stage further than that and actually have them as part of the agreement to have local people in both training and outreach.

**Dennis Hone (Chief Executive, LLDC):** Absolutely, absolutely. We will contractualise.

**Neale Coleman (Deputy Chairman, LLDC):** We do not have a problem with that.

**John Biggs AM (Chairman):** You are saying yes, but nodding no.

**Neale Coleman (Deputy Chairman, LLDC):** No, I am saying yes. I mean, yes, absolutely, but certainly talking about whether it is the V&A or UCL or Sadler's Wells or any of the occupiers we are talking with, I think they will not need too much pressure. They will come forward themselves. If you look at the people who are running Here East, they are incredibly proactive in doing this. They are really breaking new ground in the way they are getting local people in to run the retail opportunities there and so on. Again, basically, Delancey are a pretty hard-nosed commercial outfit, but they are doing a terrific job.

**John Biggs AM (Chairman):** My other tidying-up question was about the memorandum on capital receipts. It was reported at your Board meeting in May, that you were in discussions with the Department for Culture, Media & Sport (DCMS) about whether they might be able to retain a higher proportion of receipts than in the memorandum. Have you got anywhere with that?

**Dennis Hone (Chief Executive, LLDC):** No. The market has moved substantially in the Stratford area and we are looking at the level of receipts that can be generated. One of the discussion points we are having with Government around Olympicopolis, because that is a change in use from residential to cultural and education quarter, is what impact that will have on overall receipts, because then there is the issue about whether that will impact on the returns to the Lottery and to the GLA. We are sharing our projections on receipts going forward with both Government and the GLA and it is part of the business planning that we are doing for the Olympicopolis scheme. That is a precursor to the budget submission to the GLA later this year.

**Neale Coleman (Deputy Chairman, LLDC):** But we do not envisage any - or we currently do not - changes to the agreements we have.

**Dennis Hone (Chief Executive, LLDC):** No, that is true. We are not seeking to renegotiate or change any part of those agreements.

**John Biggs AM (Chairman):** But you might get a change in the way you can use the cash from the receipt on the Olympicopolis site.

**Dennis Hone (Chief Executive, LLDC):** I think the way I look at this is, under the agreement, cash raised from disposals gets split to the GLA and then once it gets to a threshold of £223 million, then it is split between the Lottery and the GLA. What the GLA does with its share of receipts is a matter for the GLA to determine, so they could invest in things that happen on the Park, and you know we have infrastructure requirements and others, but that is a matter for the GLA to determine, but we are not seeking to renegotiate or change the agreement between DCMS and the GLA.

**Stephen Knight AM (Deputy Chair):** This is about the East Wick and Sweetwater development and your decision to bring forward those developments by six years. I wonder if you could start by telling us why you took the decision to bring forward these schemes.

**Dennis Hone (Chief Executive, LLDC):** Can I just first, before we answer the question, declare an interest in this? As you know, I am going off to be Group Finance Director for Mace, one of the three shortlisted bidders for the scheme. In terms of our working relationships in the office, I am completely excluded from all items to do with East Wick and Sweetwater to the extent that the team that are actually dealing with this are now stationed with our solicitors and they are not present in the office, and I have said it myself --

**John Biggs AM (Chairman):** Do you have to leave the room at this point?



**Dennis Hone (Chief Executive, LLDC):** It depends where this goes, but Neale is going to obviously take the questions on it because of my conflict of interest.

**Neale Coleman (Deputy Chairman, LLDC):** I suspect we probably will not get into commercial areas, where Dennis should definitely leave if we do. I am sure he would judge that. Essentially the decision to bring it forward was really I think a simple one. Simply looked at, we wanted to respond the overall agenda that there is about meeting the huge demand for new housing. It seemed to me, certainly when I got more closely involved following the Games, that there was a real opportunity to do the housing development on the Park more quickly. If one looked for more of the market housing to be private rented, some of the constraints which sometimes slow up schemes as people are trying to maintain values or deliver rather more slowly could be overcome.

We have a terrific example, I think, in the Olympic Village now of a very successful market private rented product, which is going very, very well there and I think there will be significant demand, and I think that has been reflected really in the quality of bids that we have. We are down to three now, but we had a number of other very strong submissions. I just think it makes a huge amount of sense for us from the point of animating the Park and place-making and so on to try to do these early developments as quickly as we can. If you look at our first scheme, the Chobham Manor scheme that we brought forward with Taylor Wimpey there and with L&Q, I think we are, quite rightly, extremely pleased with the quality of design that we have achieved there through a lot of hard work. I think it is going to be a really high-quality scheme. That is a scheme that is primarily a mix of affordable and housing for sale, but I am sure that we will be able, with the quality of people we have on the shortlist for these projects, to get very high-quality development here as well.

**Stephen Knight AM (Deputy Chair):** Have you identified any risks associated with bringing the schemes forward?

**Neale Coleman (Deputy Chair, LLDC):** Obviously, as I say, we would not want to be in a position where we compromised on quality and we need to be careful about that.

**Dennis Hone (Chief Executive, LLDC):** The only real risk which I will put up and knock down is the issue whether you have too much residential for sale in the area and somehow that has an impact between them. But you have demand and you have different forms of housing in terms of the affordable housing, private rented sector and for sale housing, you have got Chobham Manor, which is largely for families, with a predominance of three and four-bedroom properties, and we think this gives a different and complementary offer in the market going forward. There is always a market risk when you are bringing forward large numbers of houses to market.

**Stephen Knight AM (Deputy Chair):** Can I follow up by asking whether there are any other schemes that you are considering bringing forward?

**Neale Coleman (Deputy Chairman, LLDC):** Obviously the Olympicopolis scheme itself is in a sense a fast-tracking of the development plans we had for those sites. Under the original plans we had, which were for exclusively residential development on those sites, a lot of those would not have happened on that track until well into the 2020s. Assuming that we are successful with the Olympicopolis, both the culture and higher education elements, but also the residential elements that there will be, will come forward more quickly.

Just taking it a bit more broadly, we are very keen and we do see it as a fundamental part of our job also to try to bring forward and accelerate good-quality development both for residential and for housing on land that we

do not own. We have been very active, in particular trying to encourage the development of the international quarter, which we think is fundamental to achieving the real regeneration ambitions in Stratford. We have now got 4 million square feet of commercial workspace, 5,000 new jobs due to be delivered by 2017 and the Financial Conduct Authority and TfL taking major new buildings there. Frankly, that is almost the best news that we have had, in many ways, because it offers the prospect of that whole development I think being completed in relatively short time and perhaps as many as 30,000 new jobs in that part of town.

We are also working very closely with LandProp, who are an IKEA subsidiary, about trying to get their pretty exciting scheme at Sugar House Lane underway. They are on site now with demolition. We have a good section 106 package there. It is a very exciting scheme and we will press them on that as well.

**Stephen Knight AM (Deputy Chair):** How about Marshgate Wharf and Pudding Mill Lane?

**Neale Coleman (Deputy Chairman, LLDC):** That is our land down there.

**Stephen Knight AM (Deputy Chair):** Are you going to bring them forward?

**Neale Coleman (Deputy Chairman, LLDC):** We have to be a bit careful about this. There is a point which Dennis has already made about competing product and the need to make sure that --

**Stephen Knight AM (Deputy Chair):** You are not flooding the market.

**Neale Coleman (Deputy Chairman, LLDC):** -- you do not flood the market. I also think that we need to think a bit carefully about or be open-minded about the nature of development on those sites there to the south of the Park. We have got residential consents there. There are some arguments that in some ways they are not as good; they are perfectly good residential sites, they are not quite as good as some of the ones that we have in the Park, because, for example, in one of them there is a great big electricity substation in the middle of it, which would be a challenge from a design point of view. It could be done and we have got a consent that recognises that. One of the things we will want to think carefully about is if we are successful with Olympicopolis proposals, and particularly this relates to the UCL element in it, there may well be some further exciting opportunities for us to look at other employment-related uses there.

For example, we have done some preliminary work and had some discussions about science park-type, innovation-type developments that could take place on the sites there. It is likely that one of the UCL components will be biomed, biotech research space. Obviously we have the links in this area both to the plans that Queen Mary have at Whitechapel but also to the Crick [Francis Crick Institute] and I would certainly want to really hold on and be able perhaps to keep this in reserve a bit.

**Dennis Hone (Chief Executive, LLDC):** I think that is absolutely right. I have to say that my recommendation - I know I am departing - would be to hold those sites, not in a speculative way to try to make more money, but just simply that if we do bring off an Olympicopolis, including UCL and V&A, we need to see what benefits will spin off from that. If we give all the land away, we will not have the opportunity to capitalise on that.

**Stephen Knight AM (Deputy Chair):** Thank you for that answer. The final thing I really wanted to follow up on is the issue of community land trusts (CLTs). There has been a lot of talk about whether or not CLTs will be part of the East Wick and Sweetwater developments and the Mayor has talked about there being pilots there to see whether they could be successful elsewhere. How likely is it that there will be a CLT?

**Neale Coleman (Deputy Chairman, LLDC):** The Mayor has made a pretty clear commitment to it, so the position is that all the bidders who we still have in the frame here are obliged by the terms of our procurement to come and discuss with us how a CLT will be delivered, and when we have appointed a final preferred bidder, which I think we would hope to do November, early December, we will work with whoever is appointed to procure a CLT delivery partner. I think that will probably be the right way to do it. I do not think we would look at the partner themselves, I think we would want to work with a delivery partner, and there are a number of potential possibilities, people who I am sure would be interested in that, and we will work to integrate it into the scheme and deliver it from the outset.

Frankly, we switched, after a number of discussions with particularly people who have campaigned for CLTs, from trying to do this on our Chobham Manor scheme, where, because we were already in contract there and there were commercial and other limitations on us about how we could actually deliver a CLT within that scheme. Now I think what we are trying to do here is actually we have been right up front with the bidders, we want this built in from the start, we want there to be no misunderstanding. It is there, it needs to be delivered and that is what we will be aiming to do.

**John Biggs AM (Chairman):** Thank you very much.

**Darren Johnson AM:** It is at this point we have to thank you, Dennis, for everything that you have done and wish you well for the future. During your time at the LLDC, what would you say you are most proud of and what has been your biggest frustration?

**Dennis Hone (Chief Executive, LLDC):** That is a difficult question. I have been working on the Olympic project I suppose for eight years now and I have thoroughly enjoyed my time, even my appearances before the Assembly. I have to say, I am not sure what I am most proud of. I think it is the impact that all the development and investment in Stratford and the Olympic Park is having on the surrounding communities. I have worked in urban regeneration for 25 years and it is one of the best examples of urban regeneration I think you would find anywhere probably in the world. I suppose I am very proud to have played a small part in that and worked with some fantastic people, all with a single focus to make it a success, so that is good.

Frustrations: there are always frustrations, whether it is frustrations with contractors or frustrations with officials or whatever, there are always those things, but one of the things I think is excellent in the UK is our government systems. I know that might sound peculiar because you are dealing with civil servants - I am trying to get money out of them for this - but we actually do governance in this country probably better than anywhere else in the world. My frustrations are with the system, but only inasmuch as we are trying to achieve things and we would like to go faster.

**Darren Johnson AM:** There was nothing particularly unique about the frustrations you faced here compared to other regeneration projects?

**Dennis Hone (Chief Executive, LLDC):** Not at all. In fact, I would say that in terms of certainly the last eight years and including the two years at LLDC, everybody from sort of master, servant have all been pulling in the same direction, so less frustrations or fewer frustrations in the eight years than probably previously.

**Darren Johnson AM:** Looking ahead in ten years' time, say, what will the LLDC look like, do you think, and what will be the biggest challenge along the way?

**Dennis Hone (Chief Executive, LLDC):** I suppose the biggest challenge at the moment is that there is a danger that, whether be in central government or in local government, somehow they will think that the East End of London has already had its fair share of investment and that the job is done. If you think about it two years post-Games, it might seem a long period of time, but actually we are in early stages of some of our activities. We have a ten-year plan at the LLDC. It has exciting schemes like Olympicopolis and things and that really still needs commitment and the resources to bring those to fruition, so my plea to everybody in this is do not turn off now, capitalise on the investment that has been made, continue to make the investment, because I think the prize in terms of convergence of the East End of London with others and creating almost a sort of capital city down there or a heart for the East End of London is a huge prize if we can get that right.

**Darren Johnson AM:** So your argument is it would be a false economy to begin scaling back on that now, given the money that has already gone into it?

**Dennis Hone (Chief Executive, LLDC):** I think so. You could snatch defeat from the jaws of victory. I am acutely aware there are huge pressures and every public authority has to cut their cloth accordingly, so I am not asking for wanton millions or something to be invested now. I am just saying keep the pressure on, keep the investment there, sensible reasonable investment, but keep it going at this stage.

**Darren Johnson AM:** I will sure we will come back to those thoughts in future meetings, so thank you very much, Dennis.

**Dennis Hone (Chief Executive, LLDC):** Thank you very much.

**Subject: Summary List of Actions****Report to: Budget and Performance Committee****Report of: Executive Director of Secretariat****Date: 15 October 2014****This report will be considered in public****1. Summary**

- 1.1 This report sets out details of actions arising from previous meetings of the Budget and Performance Committee.

**2. Recommendation**

- 2.1 **That the Committee notes the completed and outstanding actions arising from previous meetings of the Committee, as listed below.**

**Actions Arising from the Meeting of 11 September 2014**

<b>Agenda Item</b>	<b>Topic</b>	<b>Status</b>	<b>For action by</b>
<b>6.</b>	<b>Policing in Austerity</b> During the course of the discussion, the Committee requested from the Metropolitan Police Service (MPS) details of break clauses in the Command and Control contract and details of teams where volunteers and special constables are deployed.	The Chairman has written to the relevant guest to request the additional information.	Deputy Commissioner, MPS
<b>7.</b>	<b>London Legacy Development Corporation (LLDC)</b> During the course of the discussion, the Committee sought further clarity about the potential for Tottenham Hotspur Football Club (Spurs) to use the Olympic Stadium during redevelopment of the Club's own stadium.	The Chairman has written to the new Chief Executive of the LLDC to clarify the position about Spurs and the Olympic Stadium. The letter is attached at <b>Appendix 1.</b>	Chief Executive, London Legacy Development Corporation

## Actions Arising from the Meeting of 3 July 2014

Agenda Item	Topic	Status	For action by
4.	<p><b>GLA's Business Plan and Project Prioritisation Process</b></p> <p>The Committee requested the following additional information:</p> <ul style="list-style-type: none"> <li>• Details of the Government's announcement on New Homes Bonus funding in London and any correspondence with the Government about the decision; and</li> <li>• Details of performance against any key performance indicators (KPIs) against the previous criteria where the KPIs have been updated.</li> </ul>	The Chairman has written to the relevant guests to request the additional information.	Head of Governance and Resilience

## Actions Arising from the Meeting of 25 June 2014

Agenda Item	Topic	Status	For action by
10.	<p><b>Viability of Transport for London's Sponsored Transport Schemes</b></p> <p>The Committee noted the commitments to provide the following additional information:</p> <ul style="list-style-type: none"> <li>• The report analysing Emirates Air Line passenger usage year on year;</li> <li>• The percentage of operating costs for the Barclays Cycle Hire Scheme covered by the sponsorship;</li> <li>• How much capital costs for the Barclays Cycle Hire Scheme differed from the original estimates; and</li> <li>• Details of any agreements with private property owners to fund the installation of cycle docking stations.</li> </ul> <p>The Committee also noted the commitment from the Deputy Mayor for Transport to look into how Transport for London could incorporate into its sponsorship policy a provision for commercial agreements with companies the tax arrangements for which did not reflect the size of their operations in the UK.</p>	The Chairman has written to the relevant guests to request the additional information.	Transport for London

## Actions Arising from the Meeting of 4 March 2014

Agenda Item	Topic	Status	For action by
6.	<p><b>GLA Land and Property Assets</b></p> <p>The Committee requested the following additional information:</p> <ul style="list-style-type: none"> <li>• Details of the 75 sites Transport for London (TfL) intended to take forward for development over the course of the next ten years;</li> <li>• The reasons for the Single Property Unit list of GLA group assets not yet including all TfL assets; and</li> <li>• A definition from the Deputy Mayor for what the GLA means by property savings across the GLA group.</li> </ul>	The Chairman has written to the relevant guests to request the additional information.	<p>Director of Commercial Development, TfL</p> <p>Deputy Mayor for Housing, Land and Property</p>

## Actions Arising from the Meeting of 9 January 2014

Agenda Item	Topic	Status	For action by
3.	<p><b>GLA Group Budget</b></p> <p>During the course of the discussion the Committee put questions to the Commissioner of Transport for London and Managing Director, Finance, TfL, on the failure of the sub-surface signalling contract. The Chairman indicated that he would contact the House of Commons Public Accounts Committee to seek additional information about the contract.</p>	The Chairman wrote to Rt Hon Margaret Hodge MP, Chair of the Public Accounts Committee. The Chairman's letter is attached at <b>Appendix 2</b> ; the response from Margaret Hodge is attached at <b>Appendix 3</b> .	Chairman

### 3. Legal Implications

3.1 The Committee has the power to do what is recommended in this report.

### 4. Financial Implications

4.1 There are no financial implications to the GLA arising from this report.

---

**List of appendices to this report:**

Appendix 1: Letter to David Goldstone, Chief Executive of LLDC

Appendix 2: Letter to Chair of House of Commons Public Accounts Committee

Appendix 3: Response from Chair of House of Commons Public Accounts Committee

**Local Government (Access to Information) Act 1985**

List of Background Papers: None

Contact Officer: Dale Langford, Principal Committee Manager

Telephone: 020 7983 4415

E-mail: [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk)



John Biggs AM, Chairman of the Budget and Performance Committee

**David Goldstone**

Chief Executive  
London Legacy Development Corporation  
Level 10, 1 Stratford Place  
Montfichet Road  
London, E20 1EJ

City Hall  
The Queen's Walk  
London SE1 2AA  
Switchboard: 020 7983 4000  
Minicom: 020 7983 4458  
Web: [www.london.gov.uk](http://www.london.gov.uk)

Ref: 2014/384

1 October 2014

Dear Mr Goldstone,

**Use of the Olympic Stadium**

Firstly, congratulations on your recent appointment. I hope that the constructive relationship between the LLDC and the Committee, built up over recent years, will continue.

I am writing to request clarification on the use of the Olympic Stadium, and comments made at the Committee meeting on 11 September. At that meeting, Members discussed the viability of Tottenham Hotspur FC (Spurs) using the stadium during the redevelopment of White Hart Lane. According to Dennis Hone, Spurs had not yet raised the issue with the LLDC, but that "if we get an approach from Tottenham, we would consider it".

Dennis Hone also confirmed there was no lock-out agreement with West Ham FC that would prevent Spurs from using the stadium. Since the meeting, recent media reports have appeared to contradict this, with the Guardian quoting Karen Brady as stating that "No one has asked us for our permission and, if they did, we would probably say no."<sup>1</sup>

In terms of achieving value for money for the taxpayer, allowing Spurs to use the Olympic Stadium would bring in much-needed revenue for the LLDC. I would be grateful if you would therefore provide clarification on the following issues:

- The terms of the agreement between the LLDC and West Ham FC regarding other football teams using the Olympic Stadium – specifically, whether the LLDC is free to enter into agreements with other clubs to use the stadium.
- For how many years would Spurs (or any other club) be able to use the stadium?
- Have the LLDC and Spurs discussed the possibility of using the stadium? If so, what has been the outcome of any discussions so far?
- Has the LLDC done an estimate of the financial impact of allowing Spurs to ground share for a season?

<sup>1</sup> <http://www.theguardian.com/football/2014/sep/23/karren-brady-olympic-stadium-west-ham-united-tottenham-hotspur>

I would be grateful if you would arrange for a response to be sent to me by 29 October (copied to the Project Officer, as per the details below).

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Biggs', with a large, stylized initial 'J' and a long, sweeping underline.

**John Biggs AM**  
**Chairman of the Budget and Performance Committee**

John Biggs AM, Chairman of the Budget and Performance Committee

Rt Hon Margaret Hodge MP  
House of Commons  
London  
SW1A 0AA

City Hall  
The Queen's Walk  
London SE1 2AA  
Switchboard: 020 7983 4000  
Minicom: 020 7983 4458  
Web: [www.london.gov.uk](http://www.london.gov.uk)

Ref: 352

6 March 2014

Dear Margaret,

### **Transport for London: termination of signalling contract with Bombardier**

Last week we discussed Transport for London's decision to terminate its contract with Bombardier for work to replace the signalling equipment on the sub-surface lines of the London Underground. I am writing today to confirm that, as Chair of the London Assembly's Budget and Performance Committee, I am happy for the Public Accounts Committee to examine this issue.

As I know you are aware, it is the role of the London Assembly to hold the Mayor to account, and this includes the scrutiny of bodies such as Transport for London (TfL), which forms part of the Greater London Authority Group. In this case, however, the Public Accounts Committee has greater resources at its disposal, and stronger powers to obtain information, compared with the Assembly. Therefore, we feel that the interests of taxpayers and farepayers would be best served if your Committee were to examine this issue in detail. Below, I set out some relevant background information and the key questions that our initial work on this has identified.

### **Background**

In June 2011, TfL entered into a contract with Bombardier to upgrade the signalling on the sub-surface Circle, District, Hammersmith & City and Metropolitan lines. The work should have resulted in the modernisation of signalling on 40 per cent of the Underground network, enabling more trains to run, more often and with fewer delays. The contract was worth £350 million and was due to complete in 2018. Despite concerns over Bombardier missing certain project milestones (particularly test track demonstrations scheduled for August 2013), the Independent Investment Programme Advisory Group – set up by the Mayor and the Secretary of State for Transport in 2010 to monitor and report on TfL's investment programme – gave no public indication that the project was in trouble.

On 31 December 2013, TfL announced that it was terminating this contract, and issued a new tender notice in the Official Journal of the European Union (OJEU) for a supplier to carry out the work. This notice quoted an estimated cost of £450 million to £600 million, and for the work to be completed to the original 2018 deadline.

When my Committee questioned Sir Peter Hendy, Commissioner of TfL, and Steve Allen, TfL's Managing Director of Finance, on this issue at a meeting on 9 January 2014, they confirmed that TfL had paid approximately £80 million to Bombardier for work carried out so far under the original contract. They also confirmed that they expected the upgrade work to be

completed by the end of 2018, despite the delay to the work caused by the need to retender. They denied that the new contract would necessarily cost TfL over £450 million, despite this being the lower figure quoted in the OJEU notice. Enclosed with this letter is a transcript of that meeting for your information; the discussion regarding Bombardier is on pages 28-33.

### **Key issues**

From our initial work, I would suggest that the following lines of investigation may be of particular interest, should you have the opportunity to take this further:

- In awarding the contract to Bombardier in 2011, did TfL choose an inappropriate signalling system because it was the lowest bid?
- How much has TfL paid Bombardier for the work already carried out, and how much of this will be of lasting value to TfL?
- How effectively did TfL manage its contract with Bombardier, and how did it handle the process to terminate the contract?
- How much extra will TfL have to pay for the work to be completed, compared with the original contract with Bombardier?
- What would any delay to this project mean, in terms of the impact on services for passengers and the potential loss to TfL's fare revenue?
- How will any additional costs be funded and how will this affect TfL's investment plans for the rest of its transport network?
- Why did the Independent Investment Programme Advisory Group (IIPAG) fail to detect and/or report the problems and delays with the Bombardier contract? Is IIPAG fit for purpose?

I hope that we can remain in touch on this issue over the coming months, and that our staff can work together to understand what went wrong with this contract, and what TfL and IIPAG need to learn for the future.

Yours sincerely



**John Biggs AM**  
**Chairman of the Budget and Performance Committee**

cc Valerie Shawcross AM, Chair of the London Assembly Transport Committee



## Committee of Public Accounts

House of Commons 7 Millbank London SW1P 3JA

Tel 020 7219 3273 Email [petits@parliament.uk](mailto:petits@parliament.uk) Website [www.parliament.uk/pac](http://www.parliament.uk/pac)

John Biggs AM  
Chairman of the Budget and Performance Committee  
City Hall  
The Queen's Walk  
London SE1 2AA

30 July 2014

Dear John

### **Transport for London: termination of signalling contract with Bombardier**

You wrote to me earlier this year to indicate that your Committee would be happy for the Public Accounts Committee to examine the termination of Transport for London's signalling contract with Bombardier, given the greater resources and stronger powers we have at our disposal. Thank you again for your willingness to engage with us on this issue.

As you may be aware, we posed relevant questions to the Commissioner of TfL during our evidence session on *Crossrail*, the report of which we published last week. I also discussed with the Comptroller and Auditor General and the Commissioner the potential for the Public Accounts Committee to scrutinise the termination of the signalling contract in more detail, with the assistance of the National Audit Office. Transport for London is not prepared to grant audit access to the National Audit Office as the organisation is already audited by the Audit Commission, who contract the work to KPMG, who have already done relevant work on this issue. Unfortunately this makes it very difficult for my Committee to undertake any meaningful scrutiny of the contract.

The Public Accounts Committee does however plan to hold two inquiries relating to train procurement and major rail infrastructure projects in the autumn. I hope we will be able to draw out relevant lessons via this work that will assist TfL as well as the Department for Transport in the future.

We should catch up soon

Best wishes

RT HON MARGARET HODGE MP  
Chair of the Committee of Public Accounts

This page is intentionally left blank

<b>Subject: London Overground</b>	
<b>Report to: Budget and Performance Committee</b>	
<b>Report of: Executive Director of Secretariat</b>	<b>Date: 15 October 2014</b>
<b>This report will be considered in public</b>	

## 1. Summary

- 1.1 This report provides information on the London Overground as background to the Committee meeting.

## 2. Recommendation

- 2.1 **That the Committee notes the report, puts questions to invited guests and notes the discussion.**

## 3. Background

- 3.1 By many measures, the London Overground is one of the best performing railways in the country. Over the past three years, it has consistently been one of the top performing railway operations in terms of punctuality and in the top three in the southeast in terms of customer satisfaction. Its success may be due to a number of factors including the unique way it is managed and operated as a 'concession'; and the significant capital investment it has seen since it was set up in 2007.
- 3.2 In 2006, the Department for Transport handed over franchising responsibility for the North London Railway (NLR) to the Mayor. Transport for London (TfL) chose to operate the NLR as a concession, rather than as a franchise, and appointed London Overground Rail Operations (LOROL) – a consortium of Laing Rail and MTR (the operators of Hong Kong's metro). Its current contract runs until November 2016.
- 3.3 The concession model means that, instead of handing over full responsibility for the network to a franchisee, TfL continues to play a very active role in its management. TfL is responsible for setting fares, deciding service levels and procuring and managing rolling stock. In doing so, TfL takes on the majority of the financial risk and, in return for a set fee and a small share of any operating profit, is able to set tight working restrictions and stipulate how the operator should run the service.
- 3.4 The London Overground has seen significant investment since it was established in 2007 – both through Network Rail in the form of line upgrades and extensions, and through TfL in the form of new, longer rolling stock, upgraded infrastructure, station refurbishments and improved accessibility.

Demand on the London Overground tripled between 2008 and 2013, and TfL expects demand across the London Overground network to grow by 40 per cent between 2012 and 2021. Committed improvement schemes will increase capacity by 25 per cent during this period.

- 3.5 TfL will take control of the Inner West Anglia franchise from 2015, covering routes from Liverpool Street station to Enfield Town, Cheshunt (via Seven Sisters) and Chingford. TfL has a broader aspiration to take control of all the inner-suburban parts of National Rail franchises serving London. The Mayor and TfL argue that the success of the London Overground demonstrates that Londoners would benefit from devolving more train franchises to TfL. Opponents argue that further devolution could damage services to destinations outside London.

## **4. Issues for Consideration**

- 4.1 The Committee meeting provides an opportunity to discuss the reasons for the success of the London Overground, the role of the concession model, plans to improve the current network, and TfL's longer-term ambitions to improve rail services in London.
- 4.2 The Committee has invited the following guests to attend the meeting:
- Jon Fox, Director of Rail, TfL;
  - Peter Austin, Managing Director, LOROL;
  - Janet Cooke, Chief Executive, London TravelWatch; and
  - Jonathan Roberts, Managing Director, Jonathan Roberts Consulting.

## **5. Legal Implications**

- 5.1 The Committee has the power to do what is recommended in this report.

## **6. Financial Implications**

- 6.1 There are no direct financial implications arising from this report.

---

**List of appendices to this report: None**

<b>Local Government (Access to Information) Act 1985</b>
List of Background Papers: None
Contact Officer: Steve Wright, Scrutiny Manager
Telephone: 020 7983 4390
E-mail: <a href="mailto:steve.wright@london.gov.uk">steve.wright@london.gov.uk</a>



# Subject: Budget and Performance Committee Work Programme

**Report to: Budget and Performance Committee**

**Report of: Executive Director of Secretariat**

**Date: 15 October 2014**

**This report will be considered in public**

## 1. Summary

- 1.1 This report sets out proposals for the Budget and Performance Committee work programme for 2014/15.

## 2. Recommendations

- 2.1 **That the Committee notes its work programme for 2014/15.**
- 2.2 **That the Committee agrees the terms of reference and scope for the scrutiny of the Mayor's budget for 2015/16, as set out in Appendix 1.**

## 3. Background

- 3.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

## 4 Issues for Consideration

- 4.1 During 2014/15 the Committee will scrutinise the Mayor's 2015/16 budget proposals for the Greater London Authority (GLA) Group on behalf of the London Assembly, as well as examine specific budget and performance issues across the GLA Group. The Committee is asked to note the following areas for investigation over the coming months:
- **London Overground.** Measures of performance and passenger satisfaction levels are consistently high on this part of the TfL network. The Committee could examine the reasons for this success – particularly how it is funded and structured – and what lessons can be learned before TfL take over some rail services from West Anglia in 2015, and as it bids for the devolution of other franchises in the coming years.
  - **New Homes Bonus.** From 2015/16, the London Enterprise Panel (LEP) will receive £70 million per year, top-sliced from the New Homes Bonus funding for London boroughs. Negotiations

around how this will operate are ongoing. The Committee could explore how the LEP intends to use this money and what constraints it will face.

- **Budget-setting process.** The Committee will carry out its scrutiny of the Mayor’s budget for 2015/16 proposals over the coming months. A scoping paper, setting out the draft terms of reference and scope for this work is set out at **Appendix 1**. At its meeting in November the Committee will consider the initial core GLA Budget proposal with senior management from the GLA. In early December the Committee will publish its Pre-Budget Report before the Mayor publishes his draft consultation Budget before the end of the year. The Committee will examine this Budget in three meetings in early January, first with the heads of the functional bodies of the GLA Group, and then with the Mayor. The Mayor will publish a draft consolidated Budget in February which the Assembly will consider later that month.

*Proposed meeting timetable*

4.2 The table below sets out scheduled future meetings of the Committee in 2014/15. The Committee can agree further topics as the year progresses. Items are subject to change to enable the Committee to respond to matters at short notice.

<b>Meeting date</b>	<b>Proposed topic(s)</b>
Thursday 20 November 2014	GLA initial budget proposals
	New Homes Bonus
Tuesday 6 January 2015	2015/16 budget: GLA functional bodies
Thursday 8 January 2015	2015/16 budget: GLA functional bodies
Tuesday 13 January 2015	2015/16 budget: the Mayor
Thursday 19 March 2015	Topic to be confirmed

**Budget Monitoring Sub-Committee**

4.3 The Budget Monitoring Sub-Committee monitors GLA Group spending and performance, and informs the work of the Budget and Performance Committee. It will meet four times during 2014/15, the remaining meetings being:

- Tuesday 21 October 2014;
- Wednesday 17 December 2014; and
- Tuesday 24 March 2015.

4.4 Ideas under consideration for 2014/15 include:

- **Delivery of the Mayor’s cycling vision.** The Mayor’s manifesto made commitments for cycling, and TfL’s latest Business Plan includes £913 million for cycling between 2012/13 and 2021/22 to help meet those commitments. Spending to date, however, has been slower than planned and the Committee could examine the reasons for this, and how TfL intends to meet the Mayor’s cycling commitments.
- **Business rates.** By summer 2014, there will be data available showing the outcome of the first full year of business rate retention. The Committee could consider the GLA’s business rates income and its effect on GLA activities.

- **London & Partners.** Members may wish to examine how London & Partners uses its £11 million budget and how its performance can be measured.
- **New Year's Eve.** The Sub-Committee examined the sponsorship of the New Year's Eve event in July 2013. This is an opportunity to follow up that work, and investigate the ticketing arrangements for this year's event.

4.5 As well as examining the GLA Group quarterly monitoring reports, the Sub-Committee will explore topical issues or specific areas contributing to the full Committee's investigations or reports, where appropriate, and examine Mayoral Decisions.

**Proposed meeting timetable**

4.6 The table below sets out scheduled future meetings of the Sub-Committee in 2014/15. The Sub-Committee can agree further topics as the year progresses. Items are subject to change to enable the Sub-Committee to respond to matters at short notice. The Sub-Committee will examine the GLA Group quarterly monitoring reports and invite functional bodies to appear as necessary.

Meeting date	Proposed topic(s)
Tuesday 21 October 2014	Delivery of the Mayor's cycling vision
Wednesday 17 December 2014	London & Partners
	New Year's Eve
Tuesday 24 March 2015	Topic to be confirmed

## 5 Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

## 6 Financial Implications

6.1 There are no direct financial implications to the GLA arising from this report.

**List of appendices to this report:**

Appendix 1: Scoping paper - Scrutinising the Mayor's Budget for 2015-16

<b>Local Government (Access to Information) Act 1985</b>	
List of Background Papers: None	
Contact Officer:	Steve Wright, Scrutiny Manager
Telephone:	020 7983 4390
Email:	<a href="mailto:steve.wright@london.gov.uk">steve.wright@london.gov.uk</a>

This page is intentionally left blank

# Scrutinising the Mayor's budget for 2015-16

Budget and Performance Committee – project scoping paper

---

## Introduction

The Mayor's budget totals over £17 billion across the GLA Group, and the Mayor's budget decisions affect everyone in London in some way.<sup>1</sup> It covers London's police and fire services, Transport for London, the London Legacy Development Corporation, and the various functions carried out by the GLA itself, including its housing, regeneration and environmental programmes.

The Mayor's budget will be finalised in February 2015. Over the coming months the Budget and Performance Committee will scrutinise the Mayor's spending plans to help ensure taxpayers' and farepayers' money is spent appropriately and effectively. It will do this in a number of ways:

- Committee meetings throughout the year, particularly those in the autumn that focus more specifically on budget-related issues.
- The publication of a Pre-Budget Report in December.
- Committee meetings in January with the heads of the functional bodies and the Mayor.
- A formal response in January, on behalf of the Assembly, to the Mayor's draft consultation budget.

## Objectives

The Committee's budget scrutiny work formally and publicly holds the Mayor to account for his budget proposals. It provides a forum for Members to challenge the Mayor and the heads of the functional bodies over their spending (and savings) plans and how these will affect the services they provide to Londoners. The process informs Members and others about some of the key issues to consider during the budget-setting process and helps direct the budget debate.

The Pre-Budget Report contains recommendations for the Mayor, often asking him to provide specific information in his draft budget that will encourage a more informed level of debate. It also includes the Committee's response to the initial budget proposals for the core GLA. The main outputs will be:

- The Pre-Budget Report (December).
- The response to the Mayor's consultation budget (January).
- A briefing paper for all Assembly Members in advance of the Plenary session on the draft consolidated budget (February).

---

<sup>1</sup> 2014-15 budget figures (revenue of £11.0 billion) and capital spending plan (£6.3 billion).

## Scrutinising the Mayor's budget for 2015-16

Budget and Performance Committee – project scoping paper

---

### Background

The Committee's work will feed into the Pre-Budget Report in December and its response to the Mayor's draft consultation in January, with the intention of informing the budget debate and highlighting key issues for the Mayor to consider as he finalises his budget. The Committee will examine the progress of the functional bodies in meeting their savings targets, and consider their plans to deal with likely future cuts to their budgets – particularly how these may impact services to Londoners over the coming years. Some of the specific issues the Committee has identified are set out below:

#### Greater London Authority (GLA)

The Committee will use its meeting in November to examine how the GLA is managing the main uncertainties and risks around its budget for 2015-16 and beyond. At the same meeting the Committee will discuss the significant uncertainties around the collection of business rates and the Government's New Homes Bonus, and the implications these may have for the GLA and the London Enterprise Panel. In July the Committee discussed the GLA's project prioritisation process (covering approximately £60 million of expenditure), which had not been completed by January for last year's budget-setting process. This should be completed more quickly this year, so the Committee should be able to discuss it with the Mayor at the meeting on 13 January. The

Committee will also consider the planned cuts in the Council Tax precept (including the reduction in the Olympic precept in 2016-17).

#### Transport for London (TfL)

In June, following prolonged pressure from the Committee, the Mayor finally agreed to publish the advice he receives from TfL on his annual fares decision. The Committee will be able to analyse this information when it is published in November or December, and use this to put questions to TfL representatives on 8 January and the Mayor on 13 January. The Committee will also consider the cost and performance implications of the collapse of TfL's signalling contract with Bombardier. The Budget Monitoring Sub-Committee (BMS) will examine TfL's expenditure on cycling at its meeting on 21 October, in view of concerns that capital programmes to improve cycling are not being implemented quickly enough.

#### Mayor's Office for Police and Crime (MOPAC)

The Committee used part of its meeting in September to discuss the Met's progress in implementing its savings plans, based around a recent report from Her Majesty's Inspectorate of Constabulary (HMIC). The Committee heard that the Met does not have detailed plans about how it will make further savings if, as expected, Government funding continues to fall from 2016-17. HMIC also told the Committee that the Met will struggle to make those savings

## Scrutinising the Mayor's budget for 2015-16

Budget and Performance Committee – project scoping paper

---

with 32,000 police officers in post. In January the Committee can explore some of the key areas for savings – estates, technology and workforce – in more detail, and examine the Met's plans to achieve the performance targets that MOPAC has set for it.

### London Fire and Emergency Planning Authority (LFEPA)

LFEPA is now implementing the Fifth London Safety Plan, and is on track to deliver the planned savings. The Mayor has also committed to maintaining his funding to LFEPA at 2014-15 levels for the following two years in view of further planned cuts in Government funding, and has also stated that he is willing to consider one-off funding to help LFEPA implement its savings plans. The Committee can assess progress against these plans, the need for further funding, and the implications for the GLA's resilience reserves, at the meeting on 6 January. It will also be able to examine how performance (particularly response times) has been affected by the need to make savings.

### London Legacy Development Corporation (LLDC)

The Committee used part of its meeting in September to examine the LLDC's financial position and its new ten-year plan. The LLDC will no longer receive Government funding from 2015-16, and the Mayor has offered some additional funding to help the LLDC over the next two years. This funding (£8 million in 2015-16 and £4 million in 2016-17),

however, comes out of the core GLA budget, and has not yet been fully committed to the LLDC. If the Mayor decides to reallocate some, or all, of this funding, the LLDC would need to cut its budget further or generate additional income. Over the longer term, the LLDC faces a significant shortfall in the capital funding needed to implement its Infrastructure Development Plan; this is a key risk to the success of the Olympic Park site.

### About the Committee

The Budget and Performance Committee scrutinises the Mayor's annual budget proposals, and holds the Mayor and his staff to account for financial decisions and performance at the GLA. The Committee also looks at spending and performance across the GLA group, undertaking investigations into issues such as the viability of [TfL's sponsored transport schemes](#), and the [Met's use of technology](#).

### Further information

For further information about this work, please contact Steve Wright, Scrutiny Manager at [steve.wright@london.gov.uk](mailto:steve.wright@london.gov.uk) or visit [www.london.gov.uk/who-runs-london/assembly](http://www.london.gov.uk/who-runs-london/assembly)

## Scrutinising the Mayor's budget for 2015-16

Budget and Performance Committee – project scoping paper

Key dates in the Budget and Performance Committee's scrutiny of the Mayor's budget for 2015-16	
2 July	<i>Mayor's Budget Guidance published</i>
16 July	BMS Committee meeting – Mayor's Budget Guidance
11 September	B&P Committee meeting – Policing in austerity; LLDC
<i>Mid-October</i>	<i>Mayor to set out draft budget proposals</i>
15 October	B&P Committee meeting – London Overground
21 October	BMS Committee meeting – Delivery of the Mayor's cycling vision; LFEPA
20 November	B&P Committee meeting – core GLA budget proposal; New Homes Bonus
<i>28 November</i>	<i>Functional Bodies to publish final budget submissions</i>
<b>Early December</b>	<b>Publish Pre-Budget Report</b>
17 December	BMS Committee meeting – London & Partners
<i>Mid-December</i>	<i>Mayor to publish draft consultation budget</i>
6 January	B&P Committee meeting – consultation budget (MOPAC & LFEPA)
8 January	B&P Committee meeting – consultation budget (TfL & LLDC)
13 January	B&P Committee meeting – consultation budget (Mayor & GLA)
<b>Mid-January</b>	<b>Publish response to the Mayor's consultation budget</b>
<i>28 January</i>	<i>Assembly to consider Mayor's draft consolidated budget</i>
<i>23 February</i>	<i>Assembly to consider Mayor's final draft consolidated budget</i>