

Response to the Mayor's Draft Consultation Budget 2015-16

January 2015



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1. Introduction

- 1.1. This is the Budget and Performance Committee's response, on behalf of the London Assembly, to the Mayor's Draft Consultation Budget for 2015-16. It draws on the Committee's previous work on the budget, including our review of the Budget Guidance document in July, the core GLA's draft budget in November and the Committee's Pre-Budget Report in December.¹ The Committee also held meetings to discuss the draft consultation budget with the functional bodies (6 & 8 January 2015) and the Mayor (13 January 2015). This response sets out the Committee's views on the key issues arising from the budget and is intended to inform the next stages of the budget-setting process. The Assembly will put questions to the Mayor on his Draft Consolidated Budget and Final Draft Consolidated Budget at its meetings on 28 January and 23 February.

¹ Budget and Performance Committee, [Pre-Budget Report 2014](#) December 2014.

2. Police

Making savings

- 2.1. The Metropolitan Police Service (the Met) is on course to achieve the savings targets set by the Mayor's Office for Policing and Crime (MOPAC). MOPAC's first Police and Crime Plan challenged the Met to reduce costs by 20 per cent between 2013-14 and 2015-16. Deputy Commissioner Craig Mackey told us that, since 2013-14, the Met has saved £370 million out of the £570 million savings required.² The Met's budget for 2015-16 includes a further £206 million of planned savings.³
- 2.2. It will become increasingly challenging for the Met to make the savings expected of it. In previous years, the Met has found additional savings by operating with fewer than budgeted police officers. In 2012-13, for example, it underspent its pay budget by £79 million.⁴ But the Met plans to operate with all 32,000 budgeted officers throughout 2015-16 and 2016-17.⁵ Stephen Greenhalgh, the Deputy Mayor for Policing and Crime, told us that he is confident the Met will be able to close the current budget gap of £189 million in 2016-17. However, he expressed concerns about the impact of further cuts to the Met's budget towards the end of the decade – a problem that would be made even more severe if the cuts expected in the next Spending Review are front-loaded.⁶
- 2.3. By 2020, the Met will have changed significantly as it responds to budget cuts and changes in demand for its services. The trend of falling government funding is set to continue, regardless of the outcome of the general election. The Met expects that it will need to find savings and efficiencies of around £200 million each year between 2016-17 and 2019-20 – a further £800 million in total.⁷ At the same time, the demand for police resources is changing. Police-recorded crime continues to fall: there are fewer traditional crimes, such as burglary, than there used to be. But there are also new pressures that the Met faces, such as child safeguarding, crimes committed using the internet, and counter-terrorism activities.

² Deputy Commissioner Craig Mackey, speaking to the Budget and Performance Committee, 6 January 2015.

³ Mayor's Consultation Budget 2015-16, page 26.

⁴ MOPAC/Met Revenue Monitoring Report - Provisional Outturn 2012/13

⁵ Mayor's Consultation Budget 2015-16, page 26.

⁶ Stephen Greenhalgh, Deputy Mayor for Policing and Crime, speaking to the Budget and Performance Committee, 6 January 2015.

⁷ Sir Bernard Hogan-Howe, Met Commissioner, speaking to the London Assembly Plenary, 9 December 2014.

- 2.4. In this context, the Met must maintain focus on its strategic priorities, such as improving public confidence in the police. In its Police and Crime Plan, MOPAC challenged the Met to increase confidence, but, so far, the Met has struggled to make progress.⁸ To meet the target, the proportion of Londoners who think the Met are doing a “good or excellent job” would need to increase from 62 per cent in March 2012 to 75 per cent in March 2016. So far, however, the Met has been unable to make any significant improvement: the latest figures available, from June 2014, show that public confidence is virtually unchanged, at 63 per cent.⁹ As the Met continues to operate with fewer resources, there remains a risk that public confidence in the police may remain static or even reduce.
- 2.5. We discussed the Met’s medium-term plans to change the organisation – it is currently developing a target operating model for 2020 to guide further reforms. We expect those plans to include a further rationalisation of the Met’s estate, greater use of technology, changes to the ranking structure and the number of police officer ranks, and operational changes, such as giving local officers a bigger role in solving crimes.
- 2.6. A vision of the Met in 2020 will also need to consider how many police officers the Met can afford to fund. The Mayor’s current target of 32,000 police officers means that officer pay – which totals 56 per cent of the Met’s budget – is effectively a fixed cost.¹⁰ When we asked the Mayor about why he wanted to keep officer numbers high, he told us that:

My anxiety about allowing savings to be made by reductions in headcount of frontline officers is that you will thereby take the pressure off the reductions that you should be making elsewhere. That is my thinking. By putting a political accent or emphasis on the need for high police frontline officers, you will help to keep people focused on the need to make savings.¹¹

The need to make savings can certainly act as a powerful stimulus for organisational reform, but protecting officer numbers in this way removes the incentive to fundamentally challenge many aspects of the Met’s operations. The question of officer numbers

⁸ Police and Crime Plan 2013-16, MOPAC, March 2013, page 70.

⁹ Crime Statistics, Year Ending June 2014, Office for National Statistics, Crime Survey for England and Wales Open Data Table 05f – Perceptions Criminal Justice System, 16 October 2014.

¹⁰ Budgeted police officer pay in 2015-16 is £1,859 million, total expenditure is £3,160 million. (Source: MOPAC/Met Budget Submission, 2015-16 to 2016-17, DMPCD 2014-149, November 2014, appendix 1, page 11.)

¹¹ Speaking at the Budget and Performance Committee, 13 January 2015.

will need to be revisited to make sure the Met is properly organised to meet London's evolving policing challenge. We encourage MOPAC and the Met to continue developing their target operating model, and use it to help facilitate an informed debate about the future of the Met in the run-up to the 2016 Mayoral election.

Use of technology

- 2.7. The Met's ability to make future savings depends heavily on its technology programme. If done properly, this should cut its technology running costs, drive operational efficiencies and improve performance. This is a sensible approach and we acknowledge that it requires substantial investment in new technology – made possible by the sale of police stations and other properties. But, in light of poor investments in technology that the Met and other police forces have made in the past, the Met needs to improve the way it makes investment decisions. In particular, it is vital that the Met makes robust estimates of financial costs and benefits before those decisions are taken – a weakness flagged up by the Met's auditors.¹²
- 2.8. The Met's technology programme remains a critical risk. The Deputy Mayor for Policing and Crime told us that it is an area that "keeps [him] awake at night".¹³ The bumper receipts from selling buildings can only be spent once, and the Met cannot afford to invest unwisely. It has slowed its investment down to try and ensure that the programme is implemented properly. But the longer it takes the Met to improve its technology, the longer it will take to realise any financial or operational benefits. We will review the Met's progress in implementing its new technology strategy later in the year.

Commercial plan

- 2.9. To help meet future funding reductions, the Met is developing a commercial plan, which could lead to back-office functions being contracted out to private firms. Although it does not yet appear to have an overarching strategy in place, the Met is accelerating its plans: we heard that it has already taken a decision to contract out business support services, including human resources and finance.¹⁴
- 2.10. There are key lessons that the Met should learn from other areas of the public sector before it decides to contract out large areas of its back-office. These include maximising transparency and ensuring

¹² Grant Thornton, The Annual Audit Letter for the Mayor's Office for Policing and Crime and the Metropolitan Police Service, October 2014, recommendation 10, page 11.

¹³ Stephen Greenhalgh, Deputy Mayor for Policing and Crime, speaking to the Budget and Performance Committee, 6 January 2015

¹⁴ Deputy Commissioner Craig Mackey, speaking to the Budget and Performance Committee, 6 January 2015.

that commercial partners have consistently demonstrated the high ethical standards expected in the conduct of public business – for example, by basing themselves in the UK for tax purposes. The Met should consider other important factors when evaluating bids, such as whether contractors intend to pay their employees the London Living Wage or whether they have plans to move jobs outside of London. When we asked the Mayor about the possibility of these changes resulting in jobs being lost in London, he did not rule it out.¹⁵ We recognise the pressure on the Met to make financial savings, but we are concerned about the wider consequences of the Met’s commercial plan.

- 2.11. The Met must ensure that it has the necessary skills and capacity to extract the greatest value from contracts. It told us that, in the past, it has not always managed contracts well.¹⁶ The Met must demonstrate that it has the capability to negotiate contracts skilfully and manage them effectively or else there is a risk that the savings it has earmarked may not materialise.
- 2.12. The Met must also consider the effect that large scale contracting out might have on the organisation itself. In recent years, the Met’s workforce has already been through significant changes. The number of police staff, for example, has reduced from 14,000 in October 2010 to 11,500 in October 2014.¹⁷ The Deputy Commissioner told us that organisational change is already having a negative impact on staff morale.¹⁸ We have previously warned that, while low morale may not translate into an immediate decline in performance, there is a risk that problems are being stored up for future years.¹⁹ Persistently low morale will inevitably damage performance, and could lead to the Met losing experienced and talented officers and staff. MOPAC needs to demonstrate that organisational changes will be handled carefully so performance does not suffer.
- 2.13. One way to measure workforce morale is to use staff surveys. The Met launched a new version of its staff survey in January 2012 and published the results in November 2012; it has not, however,

¹⁵ Boris Johnson, Mayor of London, speaking to the Budget and Performance Committee, 13 January 2015.

¹⁶ Deputy Commissioner Craig Mackey, speaking to the Budget and Performance Committee, 6 January 2015.

¹⁷ Metropolitan Police Service Recorded Crime Figures and Associated Data, London Datastore, November 2014.

¹⁸ Deputy Commissioner Craig Mackey, speaking to the Budget and Performance Committee, 6 January 2015.

¹⁹ Budget and Performance Committee, Pre-Budget Report 2013, para 3.5, December 2013.

published the results of subsequent surveys.²⁰ Making this information available would help the Assembly and others to monitor staff attitudes on a range of issues, including organisational change and their confidence in senior management. The annual civil service survey is published, and provides a wealth of useful information – we can see no reason why the Met’s survey should not be published.²¹

Recommendation 1

The Mayor should direct the Met to publish the results of annual staff surveys since 2012 immediately. He should commit that the Met will publish the results of future surveys on a timely basis (i.e. within three months of conducting the survey).

²⁰ The results of the Met’s 2012 staff survey, undertaken between January and February 2012 is available here:

www.met.police.uk/about/performance/documents/staffsurvey2012.pdf

²¹ Available at www.gov.uk/government/publications/civil-service-people-survey-2014-results

3. Fire

3.1. Since we questioned representatives from the London Fire and Emergency Planning Authority (LFEPA) on 6 January, its Resources Committee has approved proposals to close its budget gap for 2015-16.²² These will now go to a meeting of the full Authority on 29 January. The budget gap for 2015-16 had increased from £3.2 million to £4.8 million (and from £14.0 million to £15.3 million in 2016-17) because of additional budget pressures, mainly the impact of the rent review on its Union Street headquarters.

Disposal of former fire stations

3.2. A key part of LFEPA's savings plans over the coming years will be the revenue savings associated with the sale of former fire stations – i.e. using the capital receipts to avoid further borrowing, thereby reducing interest costs. The 2015-16 budget assumes that the disposal of nine former fire stations will be completed by 1 April, but this process is still ongoing. The Mayor has recently agreed to the disposal of six sites to the highest bidders, which LFEPA is confident of completing before then. But, because the Mayor wants LFEPA to dispose of three sites (Bow, Silvertown and Southwark) to free schools, the risk that those disposals could be delayed increases.

3.3. The disposal of those three former fire stations for free schools will mean that LFEPA will receive lower capital receipts than if they were sold to the highest bidder. This is particularly true for the Southwark station, which is much larger and sits on a prime site. A paper to the LFEPA Appointments and Urgency Committee notes the "large disparity between the developer / new school provider bid and the highest bids offered".²³ The Mayor has written to LFEPA, explaining that "My provisional view is that this social need [for an additional secondary school in the area] outweighs the financial loss to LFEPA".²⁴ This is a contentious issue, and may not be resolved quickly. Ultimately, the decision about priorities is for the Mayor to take. He told us that he will try to increase the value of the bid from the Education Funding Authority, and that he wouldn't allow LFEPA to have a "massive shortfall" in receipts. We

²² Paper to the LFEPA Resources Committee FEP 2377, Budget Update, 16 January 2015.

²³ Paper to the LFEPA Appointments and Urgency Committee FEP 2375, Disposal of former fire stations, 12 January 2015, paragraph 10.

²⁴ Letter from Boris Johnson, Mayor of London, to James Cleverly AM, Chairman of LFEPA, 22 December 2014, page 2.

note, however, that LFEPA's finances will be affected for many years to come should it fail to receive market value.

- 3.4. This is the first instance in which the Mayor has shown a willingness to accept a shortfall in disposal proceeds in order to further wider objectives. The Met has gone through a much larger disposals programme, which could have released sites for schools or other facilities, yet the Mayor did not require it to accept lower offers for its properties. As the Deputy Mayor for Policing and Crime told us last year:

Our priority is to maximise our capital receipt and it is not to subsidise house-building or schools. Where there is genuine interest and people can pay a fair price for something, we will obviously look for the social value, but at the moment the instruction that we have is to get best consideration and reinvest this into core policing, which is under tremendous budgetary pressure.²⁵

We know that MOPAC will generate far greater capital receipts from its disposals programme than LFEPA. The sale of New Scotland Yard alone will bring in £370 million – some £120 million more than MOPAC expected.²⁶ And, while LFEPA should also receive more than it originally expected from selling its nine former fire stations, the Mayor is asking it to accept less than it could otherwise achieve. This could damage LFEPA's ability to invest in its capital programme that would help it cut costs and improve performance over the longer term.

- 3.5. We expect that further asset disposals will be needed in the GLA Group over the coming years. Each of the functional bodies will have their own strategies to reflect their own needs and priorities: MOPAC and LFEPA need to maximise receipts to invest in their capital programmes, while TfL is keen to retain and make use of its assets to develop long-term revenue streams. There has been no overall strategy for asset disposals at the GLA Group level, and there is a lack of clarity over when and how assets can be sold at below market price. There should be a clear set of guidelines in place to support that process, setting out how the tension between maximising receipts and meeting wider Mayoral objectives will be managed.
- 3.6. The Mayor is considering offering financial compensation to the highest bidders of the three sites to cover their bidding costs – presumably to protect LFEPA against any legal challenge to the

²⁵ Stephen Greenhalgh, Deputy Mayor for Policing and Crime, speaking to the Budget and Performance Committee, 7 January 2014.

²⁶ Press release, Mayor secures major cash boost for frontline policing in historic Scotland Yard sale deal, 9 December 2014.

decisions.²⁷ We are not aware of any precedent for such a move, and we question whether this is an appropriate use of taxpayers' money. If compensation is required, we would argue that the Mayor should fund this from the budget of the core GLA, rather than expect LFEPA to pay it.

Challenges ahead

- 3.7. There are signs that it is becoming harder for LFEPA to find savings, and that the 2016-17 budget will be a real challenge. There are fewer options for making back office savings, meaning that there will be a greater need to find operational savings. Sue Budden, LFEPA's Director of Finance and Contractual Services, told us that:

It is fair to say, on the headquarters department side, it is becoming harder to find savings and there is no form of buffer left. However, [there are] some options for savings that could be deemed operational savings, but they would not fit with this idea of there being any major frontline realignment, which is the stipulation that we have received from the Mayor for this budget. Therefore, we have savings around the way in which we use operational support units and also the command units.²⁸

- 3.8. Some savings could be possible from investing in capital improvements, for example refurbishing fire stations to improve their energy efficiency and reduce running costs. But it is likely that some cuts will be needed on the operational side – that is, LFEPA's fire prevention and response activities – and we note that the 2015-16 budget includes some cuts to the Fire Safety Regulation department. The Commissioner told us that operational staff could take on more preventive work to mitigate the impact of any cuts:

Fire stations could be contributing more to the prevention work and maybe could be doing a bit more than they are doing now. They are doing more than they ever did before, but they could certainly be doing more in the future.²⁹

- 3.9. It is important that LFEPA reaches the right balance between preventive and responsive work, and this will be a key element of the Sixth London Safety Plan (LSP6), which LFEPA will be working on this year. James Cleverly AM, the Chairman of LFEPA, told us that LSP6 could involve fundamental changes to the service, made possible by the receipts from former fire station disposals:

²⁷ Paper to LFEPA Appointments and Urgency Committee FEP 2375, Disposal of former fire stations, 12 January 2015.

²⁸ Sue Budden, LFEPA's Director of Finance and Contractual Services, speaking at the Budget and Performance Committee meeting, 6 January 2015.

²⁹ Ron Dobson, Commissioner for Fire and Emergency Planning, speaking at the Budget and Performance Committee meeting, 6 January 2015.

We are looking at a situation over the next year or so where we will have an opportunity to have a real root-and-branch assessment of how we deliver preventative and responsive fire safety for London and have a pool of money which could enable LFEPA and LFB [London Fire Brigade] to make the changes to match that assessment. That is the circumstance that none of my predecessors have had that opportunity and possibility because there really was not the capital receipt in one place at one time to be able to do that.³⁰

LSP6 could therefore bring about greater changes to London's fire service than we are currently seeing with LSP5. It is vital that LFEPA makes the best use of its capital receipts as it reshapes the service for the future.

Recommendation 2

The Mayor should publish a set of guidelines regarding the disposal of land and property at below market price, applicable across the GLA Group. This should set out his priorities for how surplus assets should be used (such as affordable housing or education), how functional bodies will be compensated for the financial loss, and how bidding costs will be handled.

³⁰ James Cleverly AM, Chairman of LFEPA, speaking at the Budget and Performance Committee meeting, 6 January 2015.

4. Transport

The Pay As You Go daily cap

- 4.1. We welcome the introduction of the lower daily Pay As You Go (PAYG) cap for peak time travel, which is designed to make travel cheaper for part-time workers. Transport for London (TfL) estimates that the cap will benefit 600,000 part-time workers every week, who are statistically more likely to be women and less well-paid than full-time workers.³¹ Before this, passengers travelling a few days a week had paid more, per day, than passengers with weekly Travelcards. We are pleased that the Mayor and TfL have listened to calls from the Assembly to help part-time workers, who are becoming an increasingly important part of London's economy.³²
- 4.2. We are also pleased that TfL has agreed to review the impact of the new cap after six months.³³ We are particularly concerned about the impact the changes might have on off-peak passengers outside zone 3 – some of these could face significant increases in their travel costs as the off-peak discount is eliminated.

PAYG daily caps have increased for off-peak passengers outside zone 3			
	2014	2015	Change
Zone 1-4 PAYG	£7.70	£9.20	19%
Zone 1-5 PAYG	£8.50	£10.90	28%
Zone 1-6 PAYG	£8.50	£11.70	38%
Zone 1-6 Travelcard	£8.90	£12.00	35%

Source: TfL, [Briefing note for Mayor – proposal for 2015 fares](#), tables 3a and 3b

Removing the pricing incentive to travel during the off-peak may encourage more people to travel during peak hours, increasing demand on services that are already busy. It could put people off

³¹ TfL, Briefing note for Mayor – proposal for 2015 fares, paragraph 5.8, MD 1418, January 2015 fare changes, paragraph 3.7.

³² The Budget and Performance Committee's 2013 Pre-Budget Report asked the Mayor and TfL to examine ticketing options to reduce travel costs for part-time workers.

³³ Letter from the Mayor to John Biggs AM, Chairman of the Budget and Performance Committee, 12 January 2015.

travelling altogether, or may encourage some to switch to their cars, particularly at a time of falling petrol prices. So, while we welcome the introduction of the lower PAYG cap, we do have concerns about some of its possible consequences.

Devolution of rail services

- 4.3. In May, TfL's Overground network will expand to take in the Inner West Anglia routes between Liverpool Street and Enfield Town, Cheshunt and Chingford. This presents TfL with opportunities and risks. TfL hopes to make a profit on the services, but this is not guaranteed. And the strong Overground brand may be threatened if TfL cannot quickly improve passenger satisfaction – the current trains will not be replaced until 2017, and TfL told us that its £25 million capital budget for the stations is not enough for major improvements.³⁴
- 4.4. In running the new routes, TfL must demonstrate to passengers outside London that it will treat them fairly, and not prioritise services within Zones 1-6. One of the reasons the Government decided not to grant TfL control over the Southeastern rail franchise was a concern that passengers outside London would be disadvantaged. In our discussion on the introduction of the new PAYG daily cap, we were therefore surprised by Sir Peter Hendy's comments regarding passengers outside London, who will see their off-peak travel costs increase considerably:

We have had to find a way of funding that within the total package somehow and we have chosen those fares for a number of reasons, one of which is some of those people can do better on a mixture of pay-as-you-go and contactless than by those Travelcards, and indeed some of the people who buy those are people from outside London.

All parts of City Hall need to do whatever they can to reassure Government and passengers that this will not happen – the expansion of the Overground network in May is an opportunity to do just that.

Savings

- 4.5. The draft budget requires TfL to make an additional £209 million of efficiency savings in 2015-16, but we question whether this target is stretching enough.³⁵ According to Isabel Dedring, TfL has been able to meet its savings targets to date by “salami slicing” costs. It has not been forced to undergo significant organisational reform since it carried out Project Horizon in 2011-12 – particularly when compared against London's police and fire services. The Met is

³⁴ Jon Fox, TfL Director of Rail, speaking to the Budget and Performance Committee, 15 October 2014.

³⁵ Mayor's Consultation Budget 2015-16, page 37.

about to embark on a major programme of contracting out its back office functions to make the challenging savings required over the coming years. We agree with the Mayor's comment that the need to make savings can stimulate organisational change – this can be a positive driver for reform. There is no sign of TfL being at that stage yet. As Isabel Dedring, Deputy Mayor for Transport, told us:

The complexity here is that we have this 3% year on year [savings] programme. One of the problems with that programme is that you can end up just salami-slicing all the little things and you miss the big things, because there might be a single programme that could deliver you 3%, but you tend to kind of just slice off, 'Here is a team of ten people. Let's make it a team of nine people.'

- 4.6. We have not yet been assured that TfL's savings target is sufficiently demanding. In view of the extremely challenging targets for London's police and fire services – and recognising that TfL's services continue to expand as demand grows – we expect greater clarity on how the targets are set, and what TfL is doing to drive out efficiencies.
- 4.7. Unlike in previous years, the draft budget notes that TfL will not have a revenue surplus to support its capital programme, but will instead see £154 million moving from its capital to its revenue budget.³⁶ When we questioned guests from TfL on this movement, they were unable to explain how this transfer was possible, or what it meant to TfL's capital programme. We ask TfL to provide a clear explanation in advance of the Assembly's meeting on 28 January to discuss the draft consultation budget.

Transparency

- 4.8. TfL has just launched a consultation to help it develop a new transparency strategy.³⁷ We welcome any move towards greater transparency, and will respond formally in due course. But we are disappointed that the Mayor and/or TfL have again refused to improve the transparency around the Independent Investment Programme Advisory Group (IIPAG). As we noted in the Pre-Budget Report, we share the Transport Committee's concerns about IIPAG's ability to provide enough assurance over TfL's capital programme, and there is some evidence that IIPAG is too close to TfL to be truly independent.³⁸ These concerns are unlikely to be dispelled while IIPAG's work remains cloaked in such secrecy.
- 4.9. In his response our Pre-Budget Report, the Mayor states that:

³⁶ Mayor's Consultation Budget 2015-16, page 36.

³⁷ Available at <https://consultations.tfl.gov.uk/policy/transparency>

³⁸ Budget and Performance Committee, [Pre-Budget Report 2014](#) December 2014, page 23.

*The interests of transparency have to be balanced against IIPAG's ability to examine and comment frankly on issues, including commercially confidential matters. I would not wish the effectiveness of IIPAG's advice to TfL and the TfL Board to be compromised by a prior agreement to publish their conclusions.*³⁹

Similar arguments were previously put forward by TfL when refusing to publish major contracts and its annual fares advice to the Mayor. With some persuasion from the Assembly, TfL now publishes this information, and is, in many ways, a more transparent organisation than even a few years ago. It is therefore disappointing that the Mayor and/or TfL are not yet willing to open up IIPAG in the same way.

- 4.10. As the Mayor has recently demonstrated with his commitment to open up organisations such as London & Partners, he can force the GLA Group to become more transparent when he chooses. We think this is another case where the Mayor needs to step in and force a change.

Recommendation 3

Prior to the Assembly's plenary meeting on 28 January, TfL must provide a clear explanation of the £154 million transfer from its capital to revenue budget in 2015-16.

³⁹ Letter from the Mayor to John Biggs AM, Chairman of the Budget and Performance Committee, 12 January 2015.

5. Economy

- 5.1. With the abolition of the London Development Agency (LDA) and reductions in direct government funding for economic development, the Mayor has increasingly looked to TfL to fund economic development projects. For example, if the Thames Cable Car or Garden Bridge had been proposed a few years earlier, one might have expected the LDA to fund them, rather than TfL. Without the LDA, TfL was the only option for the Mayor. Looking ahead, we expect TfL will be asked to provide funding to kick-start the Old Oak Common redevelopment, in view of the scale of enabling infrastructure work needed.
- 5.2. As the Mayor's draft budget highlighted, the London Enterprise Panel (LEP) is facing a highly uncertain future. Agreement has been reached regarding how the £70 million from the New Homes Bonus (NHB) will be allocated to boroughs, but the NHB does not extend beyond 2015-16. As Sir Edward Lister, Chief of Staff and Deputy Mayor for Policy and Planning, told the Committee in November, "if we do not get [further NHB funding], then we have to ask the question: where is the LEP going to get any money?".⁴⁰ This would obviously threaten the effectiveness of the LEP. And, with the Outer London Fund finishing in 2014-15, and the Mayor's Regeneration Fund ending in 2015-16, it would appear that TfL will become an increasingly important tool for promoting economic growth and regeneration.
- 5.3. We are therefore concerned about the lack of funding streams specifically targeted at economic growth, particularly from 2016-17.⁴¹ While TfL's resources and budget make it an obvious target for any Mayor to make use of, it cannot (and should not) be used to fund every initiative a Mayor wants to promote.

Apprenticeships

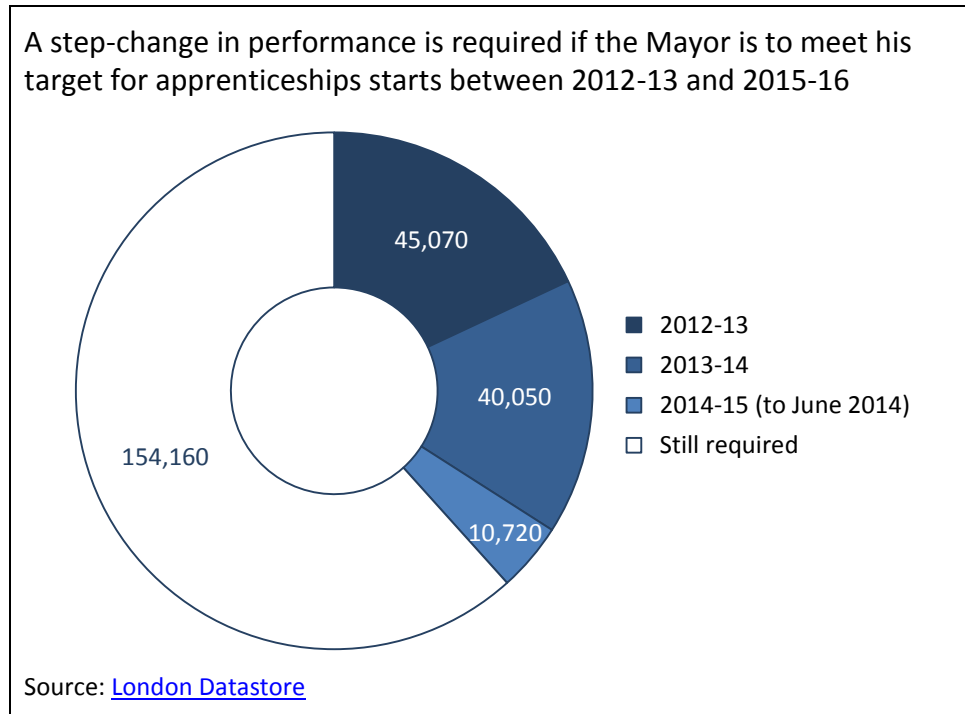
- 5.4. As we noted in the Pre-Budget Report, the GLA is not on course to meet the Mayor's target to create 250,000 apprenticeship opportunities in the four years of this Mayoral term.⁴² After more

⁴⁰ Sir Edward Lister, Mayor's Chief of Staff, speaking to the Budget and Performance Committee, 20 November 2014.

⁴¹ Next year's budget, which will be made after the announcement of the next Comprehensive Spending Review, will provide greater clarity.

⁴² Budget and Performance Committee, Pre-Budget Report 2014, December 2014, page 18.

than two years, approximately 95,000 have so far been created, and the GLA rates the target as amber.⁴³



- 5.5. The consultation budget states that the GLA will itself provide almost £2 million in 2015-16 for apprenticeships: a £1.8 million employer-led apprenticeships programme to create 4,000 new apprentice opportunities, and £0.1 million for the Apprenticeship Information Ambassadors Network to create another 500.⁴⁴
- 5.6. In addition to these, financial support of up to £3,000 will be offered to small and medium-sized businesses to help them take on an apprentice in 2015. The £14 million Apprenticeship Grant for Employers, running between 1 January and 30 June 2015, is made up of £7 million from the Greater London Authority European Social Fund and £7 million match funding from the Skills Funding Agency.⁴⁵ This fund will be used to increase the grant available to SMEs to take on apprentices from the £1,500 already offered by the Government. It is not clear how many apprenticeships will be created with this funding, but assuming all employers received the

⁴³ GLA Investment and Performance Board paper, Finance and Performance Update – Quarter 2, 2014-15, appendix 4, page 2.

⁴⁴ Mayor's Consultation Budget 2015-16, page 17. Apprenticeship numbers from MD1405 Employer-led apprenticeship programme, 11 November 2014, page 1, and DD1266 Apprenticeships Information Ambassadors Network, 17 October 2014, page 4.

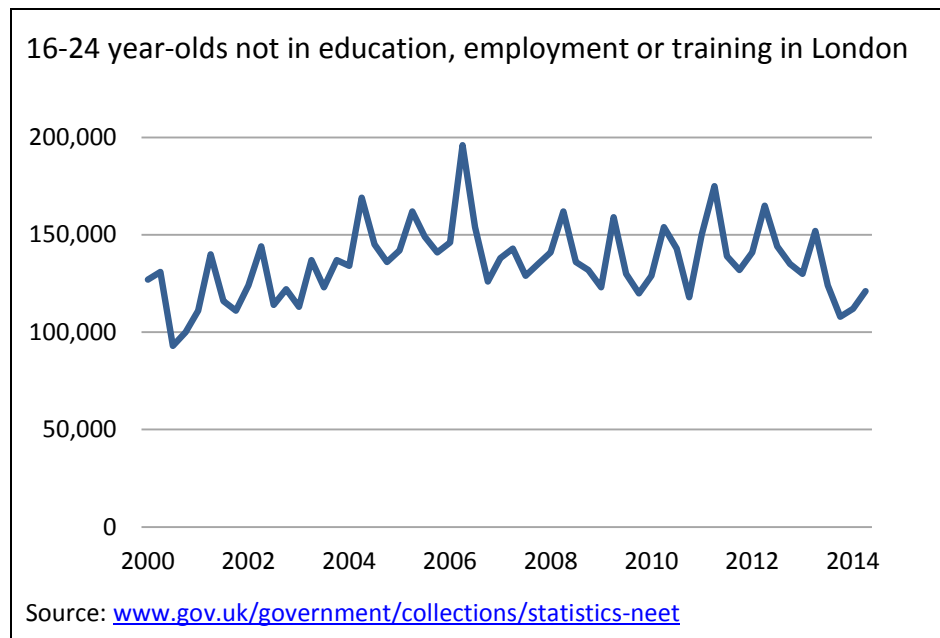
⁴⁵ Press release, Mayor delivers New Year boost to apprenticeships drive with £14m fund for small and medium sized businesses, 29 December 2014.

full £3,000 per apprentice, the £14 million would create just over 9,000 additional apprenticeships.⁴⁶

- 5.7. We are concerned that, even with these initiatives, the Mayor’s target will not be reached. The Mayor appears to share these concerns, pointing to a fall in young adults not in education, employment or training (NEETs) as a key factor behind difficulties in increasing the number of new apprentices. He told us:

I must be very candid with you. To get to 250,000 is going to be a stretch but we are still fighting for it. The reason though that it is going to be a stretch is a good one or a positive one in the sense that it is because the number of people in work has so greatly increased and the number of people not in education, employment or training (NEETs), the people we’re particularly trying to reach with the apprenticeship scheme, has fallen so low.

There has been a fall in the number of NEETs in London in the last year, but we are not yet convinced that this is the reason that performance against the apprenticeships target has been below expectations – we suggest that the GLA carries out and publishes further work to understand why more people are not taking up apprenticeships.



- 5.8. The Mayor has recently agreed, in response to a report from the Economy Committee, to publish an Apprenticeships Action Plan by

⁴⁶ The GLA contribution would be £1,500 per apprentice, so its £14 million would create 9,333 apprenticeships.

Spring 2015.⁴⁷ This should set out the identified barriers to performance and how the various Mayoral initiatives will address them. It should also include all the relevant funding streams and apprenticeship targets for each element of the plan on an annual basis. We suggest the Mayor reports progress against the plan to the Assembly each year.

Recommendation 4

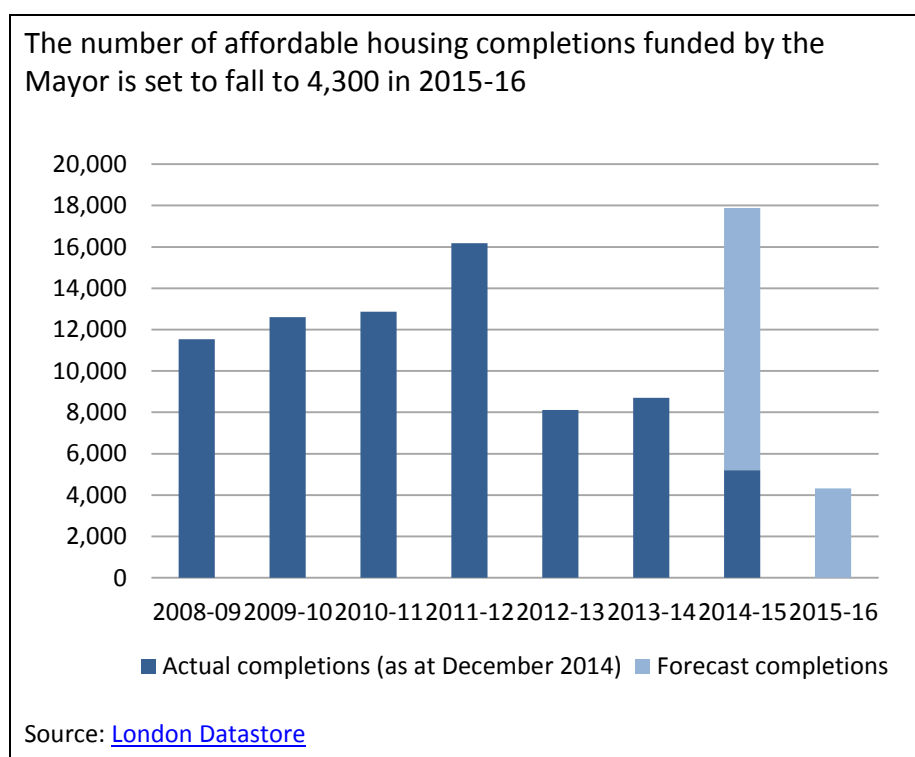
The Mayor's Apprenticeships Action Plan, due to be published in spring 2015, must include evidence to explain the below-forecast performance to date, and details of funding and outcomes for each element of the plan.

⁴⁷ London Assembly Economy Committee, Trained in London, October 2014.

6. Housing

Affordable housing

- 6.1. One of the Mayor's overarching priorities in this year's budget is to help Londoners to access affordable housing. But, while the Mayor is forecasting to fund 17,890 housing completions in 2014-15, this is scheduled to fall to 4,300 in 2015-16.⁴⁸



- 6.2. The Mayor told us that the peaks and troughs of house-building are connected to the absence of devolved taxation in London:

It is ridiculous for us endlessly to be going to the Government for packets of funding for London when we should be having a stream of revenue against which we can borrow from London's tax receipts.⁴⁹

In addition, homes funded in the 2015-18 housing programme are back-loaded towards the end of the programme, so completions should increase in 2016-17 and 2017-18.

⁴⁸ GLA Housing Investment Group, Quarterly Affordable Housing Update, para. 3.6, 13 January 2015

⁴⁹ Boris Johnson, Mayor of London, speaking to the Budget and Performance Committee, 13 January 2015.

- 6.3. The types of homes being funded are not those that London needs most. The 2015-18 housing programme is currently struggling to fund homes with three bedrooms or more. The Mayor's housing strategy states that 36 per cent of discounted rent homes will have three or more bedrooms.⁵⁰ But, based on initial allocations, only 25 per cent of homes will meet this requirement.⁵¹
- 6.4. We understand that there is a trade-off between maximising the number of affordable housing units built and funding larger, family-sized homes that are more expensive to build. But the Mayor should be as clear as possible about the type of housing that his programmes are supporting. We are therefore glad that the Mayor is considering our recommendation to introduce additional targets for the number of family-sized homes built.⁵²

Public land

- 6.5. The London Housing Strategy states that the Mayor "is committed to accelerating the disposal of surplus public sector landholdings to boost the development of homes."⁵³ We pressed the Mayor on the progress he has made in the last year about gaining strategic control of surplus public land owned by central government departments. He said that: "The big win is really going to be on NHS land... We are trying to get as much public land away as we can in London."⁵⁴ The Mayor also said that he has been instrumental in setting up a surplus public land programme board, which includes representatives from the GLA, the Treasury, the Department for Communities and Local Government, and the Cabinet Office.
- 6.6. We support the principle of the Mayor having a role in helping other public bodies to dispose of surplus land to help meet London's housing shortage. But, if the Mayor does secure control of this land, we expect him to use these sites to build the kind of affordable homes needed in London.

⁵⁰ London Housing Strategy 2014, GLA, April 2014, page 19.

⁵¹ David Lunts, Executive Director for Housing and Land, GLA, speaking to the Budget and Performance Committee, 20 November 2014.

⁵² Budget and Performance Committee, Pre-Budget Report 2014, December 2014, page 28.

⁵³ London Housing Strategy 2014, GLA, April 2014, page 53.

⁵⁴ Boris Johnson, Mayor of London, speaking to the Budget and Performance Committee, 13 January 2015.

7. The London Legacy Development Corporation

Relationship with the GLA

7.1. The GLA's relationship with the London Legacy Development Corporation (LLDC) is evolving as the LLDC's role and operations change. Increasingly, it appears that the Mayor is managing the LLDC's risks through the core GLA. We received some assurances about the LLDC's risks: the LLDC told us it had "covered off" the risk to further calls on taxpayers to fund the costs of converting the Olympic Stadium roof.⁵⁵ But there are other risks as well – particularly the Olympicopolis project. This presents an opportunity to boost the Olympic legacy by supporting jobs and growth. But the GLA is exposed to the risks of the project: it will underwrite the overall funding requirements of the project as well as any necessary cashflow funding.

Transparency

7.2. In some areas, the LLDC could improve its transparency. This year, it did not publish a budget submission before the Mayor published his consultation budget. This meant that there was less information – such as detailed plans for savings and efficiencies – compared to other functional bodies, which has restricted the Assembly's ability to scrutinise the LLDC's plans. The LLDC is close to signing a contract with an operator to run the Olympic Stadium. We expect the LLDC to publish this contract so that the Assembly can assess whether Londoners are getting a good deal. There is a strong precedent for the LLDC to co-operate: in his response to the Assembly's review of the GLA Group's transparency, the Mayor stated that he expected all GLA Group functional bodies to publish as much contractual information as possible.⁵⁶ TfL, for example, now publishes all contracts over £5,000 on a searchable website.⁵⁷

⁵⁵ David Goldstone CBE, Chief Executive, London Legacy Development Corporation, speaking to the Budget and Performance Committee, 8 January 2015.

⁵⁶ GLA Group transparency – Mayoral response, September 2013.

⁵⁷ www.tfl.gov.uk/corporate/publications-and-reports/contracts-greater-than-5000

Recommendation 5

Prior to the Assembly's plenary meeting on 28 January, the LLDC should publish a detailed breakdown explaining how it intends to make savings and efficiencies of £15 million in 2015 16.

Recommendation 6

The LLDC should commit to publishing the contract with the Olympic Stadium operator, making limited redactions where necessary for commercial sensitivities.

Appendix 1 Recommendations

Recommendation 1

The Mayor should direct the Met to publish the results of annual staff surveys since 2012 immediately. He should commit that the Met will publish the results of future surveys on a timely basis (i.e. within three months of conducting the survey).

Recommendation 2

The Mayor should publish a set of guidelines regarding the disposal of land and property at below market price, applicable across the GLA Group. This should set out his priorities for how surplus assets should be used (such as affordable housing or education), how functional bodies will be compensated for the financial loss, and how bidding costs will be handled.

Recommendation 3

Prior to the Assembly's plenary meeting on 28 January, TfL must provide a clear explanation of the £154 million transfer from its capital to revenue budget in 2015-16.

Recommendation 4

The Mayor's Apprenticeships Action Plan, due to be published in spring 2015, must include evidence to explain the below-forecast performance to date, and details of funding and outcomes for each element of the plan.

Recommendation 5

Prior to the Assembly's plenary meeting on 28 January, the LLDC should publish a detailed breakdown explaining how it intends to make savings and efficiencies of £15 million in 2015 16.

Recommendation 6

The LLDC should commit to publishing the contract with the Olympic Stadium operator, making limited redactions where necessary for commercial sensitivities.

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Vietnamese

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Greek

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Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

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Arabic

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Gujarati

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