

# **The Mayor's Budget Guidance for 2012-13**

**27 May 2011**

## Executive Summary of the Mayor's Budget Guidance for 2012-13

1. There are some important changes to the Budget Guidance for 2012-13 from earlier years. These changes have been driven by public expenditure constraints and the changing nature of the Greater London Authority (GLA) Group. Set out below is a summary of the key points in this guidance.
2. Most of the key public expenditure decisions for the GLA Group have been announced and the scale of reductions required by the functional bodies is clear but difficult. However, there is still uncertainty about the exact scale of Government support for the Homes and Communities Agency (HCA) functions that the GLA are due to take over in 2012-13. Further, the transferring functions are still subject to the Bills being considered by Parliament.
3. The Mayor requires the GLA Group to make savings proposals to balance the budget earlier than in previous years. However, in requiring this work to be completed earlier he recognises the different circumstances of members of the Group. Accordingly, the Mayor requires the GLA (including the Assembly), London Fire and Emergency Planning Authority (LFEPA) and the Metropolitan Police Authority (MPA) to submit detailed savings proposals for 2012-13 equal to the sum specified in the table below by the end of September 2011. The Mayor requires Transport for London (TfL) to submit to him in September progress on the delivery of savings set out in their Business Plan. The Mayor is asking the Olympic Park Legacy Company (OPLC), which is due to become a Mayoral Development Corporation (MDC) at the beginning of 2012-13, to submit a progress report on how it will deliver its Corporate Plan within available resources for 2012-13 by the same deadline of 30 September.

Member of GLA Group*:	Savings 2012-13 (£m)
Mayor**	2.4
Assembly	0.4
LFEPA	20.5
MPA	92.8
TfL	1,017.0
Total	1,133.1

\*The budget process for the MDC is set out in the Guidance.

\*\*The figure for the Mayor excludes savings requirements that may arise from transferring functions from the HCA and London Development Agency (LDA).

4. The purpose of this earlier requirement for savings proposals is to ensure that the substantive issues on the budget for 2012-13 can be fully set out in the consultation to be issued by the Mayor on his draft budget proposals in October 2011. The Mayor has specifically requested that all functional bodies seek to fully comply with these requirements by the deadline of the end of September 2011.

5. Following the savings requirements being met and the Mayor issuing draft budget proposals in October, functional bodies and the Assembly will then need to agree their full and final budget submissions for 2012-13 to the Mayor in November. These deadlines are critical to meet the statutory requirement for a draft budget to be issued in December.
6. The scale of these required savings underlines the fundamental change in tone for the GLA Group budget preparation arising from the Government's expenditure plans. Growth to support Mayoral priorities will be limited and all services must concentrate on delivering savings.
7. Although there is uncertainty about grant levels for the HCA functions the GLA is due to take over and the outcome of the Local Government Resources Review is unknown, planning needs to take place for at least the three year period of 2012-15.
8. This Budget Guidance assumes there is no increase in the share of the precept for each of the functional bodies from that agreed for 2011-12. The MDC is assumed to have a nil precept for 2012-13. These assumptions will be re-considered once the GLA Group budget is brought together in mid-October.
9. This Budget Guidance has two sections: advice to the functional bodies; and then guidance concerning the component budgets for the Mayor and the Assembly. It seeks to ensure that all members of the GLA Group, as far as is possible and practical, prepare their budgets consistently and within the same timescales.
10. In summary, this Budget Guidance aims to ensure that the substantive issues on the savings required to be made in the 2012-13 Budget can be set out in the Mayor's consultation on the budget by October 2011.



**Boris Johnson**  
Mayor of London

27 May 2011

## **Contents**

### **BUDGET GUIDANCE TO THE FUNCTIONAL BODIES**

- 1. Introduction**
- 2. Strategic policy aims and objectives**
- 3. Budget proposals**
- 4. Budget and business plans**
- 5. Financial planning guidelines**
- 6. Managing the budget process**
- 7. Dialogue with budget consultees and contacts**

### **GUIDANCE ON THE COMPONENT BUDGETS FOR THE MAYOR AND THE ASSEMBLY**

- 8. Introduction**
- 9. Strategic policy aims and objectives**
- 10. Budget proposals**
- 11. Budget and business plans**
- 12. Financial planning guidelines**
- 13. Managing the budget process**
- 14. Dialogue with budget consultees and contacts**

#### **Appendices:**

- A Budget Timetable for functional bodies**
- B Delivering the Mayor's priorities – further information**
- C Shared Services and Collaborative Procurement**
- D Financial information required from functional bodies**
- E Savings requirements for the GLA**
- F Budget Timetable for the Mayor and Assembly component budgets**
- G Savings template for the Mayor and Assembly component budgets**

## GUIDANCE TO THE FUNCTIONAL BODIES

### 1. Introduction

- 1.1 The GLA Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. Set out below is the formal guidance to the functional bodies for the 2012-13 Budget.
- 1.2 The 2012-13 budget process has some important changes from earlier years. In summary, it consists of:
- Budget guidance issued on 27 May, 2011 by the Mayor, revised if necessary in the light of emerging issues.
  - Budget development by functional bodies from 27 May to 30 September.
  - By no later than 30 September:
    - (i) LFEPA setting out detailed savings proposals of £20.5m in 2012-13;
    - (ii) MPA setting out detailed savings proposals of £92.8m in 2012-13;
    - (iii) TfL submitting a progress report on the delivery of £1,107m of savings in 2012-13, as set out in their Business Plan; and
    - (iv) The OPLC, which is due to become a MDC, submitting a progress report on how (as a MDC) it will deliver its Corporate Plan within the available resources for 2012-13.
  - Preliminary draft budget proposals being issued by the Mayor for consultation with each of the functional bodies by 21 October.
  - A formal response to the budget proposals being issued and final budget submissions being made before 18 November from each of the functional bodies.
  - The Mayor's formal draft budget proposals being considered prepared and issued for general consultation from 15 December, 2011 to mid-January, 2012.
  - From 15 December, 2011 through to 10 February, 2012 the Assembly considering budget proposals.
- 1.3 A more detailed Budget Timetable is attached as **Appendix A**.
- 1.4 In light of progress against the current year's budget, emerging issues and significant developments, this Budget Guidance will need to be kept under review and the timetable may need to be revised.
- 1.5 The information sought from functional bodies in this Budget Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999.

## 2. Strategic policy aims and objectives

- 2.1 The budget development process is designed to ensure that the **Mayor's budget proposals** are an accurate reflection of the Mayor's priority aims and objectives within available resources. These balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from national and international events. The Mayor's vision is set out in the wheel below. Five high-level priorities are supported by 15 objectives.



- 2.2 Further information on delivering the Mayor's Vision is attached at **Appendix B** and these priorities are to be reflected in the business plan and budget proposals, where relevant, for the functional bodies.

2.3 However, the continued scale of the reductions required in budgets across the GLA Group reinforces the change in tone for budget preparation. Growth to support Mayoral priorities will be limited and all services must concentrate on delivering savings. Accordingly, at this stage in the budget process the GLA Group are requested to exemplify the impact of savings specified in this guidance.

### 3. Budget proposals

3.1 There are two key deadlines for each functional body:

- ◆ By 30 September, to submit savings proposals as specified, including the information on Shared Services at Appendix C.
- ◆ By 18 November, in the light of preliminary draft budget proposals issued by the Mayor, to make a full budget submission as specified at Appendix D.

3.2 It is recognised that advancing the preparation of budget savings may cause some difficulty and additional earlier work for the functional bodies. However, it is felt that on balance this advancement of the process is beneficial, as it will allow substantive issues on the budget for 2012-13 to be fully set out in the Mayor's draft budget proposals in October. It is expected that a functional body's response by 30 September will be a public document and not be issued as private advice to the Mayor. It is important to emphasise that the submission of savings proposals in September will not conclude the GLA's budget process. However, it is expected that savings submitted in September will be sufficient for each functional body to set a balanced budget for 2012-13 and that there should be no need to make further material savings later in the budget process.

3.3 Regular officer meetings between the GLA and each functional body will be held to discuss the material to be submitted in September, or be advised of any subsequent developments and resolve any queries that might arise.

3.4 Following the savings submissions from the functional bodies the Mayor expects to draw up **draft budget proposals** by 21 October and receive comments on these proposals from functional bodies by 18 November. By the same November deadline functional bodies are expected to make a full and final budget submission of all the specified information required for the 2012-13 Budget.

### 4. Budget and business plans

4.1 Functional bodies' comments on the Mayor's preliminary draft proposals should be received by **18 November**. Completed business plans that are consistent with the Mayor's draft budget proposals, and any significant matters that might be raised in the response must accompany the responses.

4.2 The business plans to be submitted by 18 November must:

- ◆ Cover at least the period to 2012-13 to 2014-15
- ◆ Set out what is planned to be achieved in high-level terms over that period

**Appendix D to this guidance provides further information on the financial information to be provided**

- 4.3 The above information and matters raised in the responses will be taken into account when the Mayor makes his budget proposals, which will be subject to wider consultation, on or around **15 December**.
- 4.5 Financial information in or accompanying the business plans needs to be consistent with the format used in the Mayor's published budget documents. In the interests of efficiency, the need to consolidate into a group format and aid budget consultation, information must be presented in a similar format throughout the budget process. GLA officers will work with the functional bodies to seek to minimise these burdens.

## **5. Financial planning guidelines**

- 5.1 The Mayor firmly believes that tighter funding settlements highlight the continuing need for value for the national and council taxpayer to drive the development of forward plans for the GLA Group. This should come from the rigorous pursuit of efficiency savings, including savings from increased joint working across the GLA Group. It should be emphasised that savings exemplifications for 2012-13 should not include any balancing figures or state that savings remain to be identified. Full and robust savings options for 2012-13 must be set out by the deadline of 30 September. Functional bodies are encouraged to make savings as soon as possible to ensure that they have a full year effect in 2012-13, and if possible there is a part-year effect in 2011-12.
- 5.2 The Localism Bill contains clauses that end the requirement for local authorities to set a 'Budget Requirement', which is generally the sum of Council Tax revenue and general Government grants (currently formula grant received by LFEPA and the MPA, Home Office Police Grant and the GLA general grant). Specific grants are netted off before determining the Budget Requirement. Subject to the Bill passing, the Mayor will now set a 'Council Tax Requirement' (ie. the quantum share of the GLA precept allocated to that functional body) and a not a 'Budget Requirement' for 2012-13 onwards. There are also a number of consequential changes made in the Bill to the statutory calculations for the Mayor's budget although these do not affect the quantum for the Council Tax Requirement. The financial planning guidelines set out below reflect this proposed change.
- 5.3 Subject to any further guidance issued later in the year, budget plans should be prepared as set out below. The figures for LFEPA and MPA are based on assumed Government grant allocations, which for 2013-14 and 2014-15 remain uncertain. The savings target for these years for LFEPA and the MPA are based on the planned national reduction in resources for fire and police authorities already announced for 2013-14 and 2014-15. The figures also take into account the methodology changes



introduced as part of the 2011-12 settlement and the expectation that the existing damped formula grant allocations for 2012-13 will form the basis of any transition to the new funding system to be introduced from 2013-14. This means that over the whole Comprehensive Spending Review (CSR) period, the MPA is assumed to receive a grant settlement reduced proportionally to the national reductions over 2011-15 for police authorities. In contrast, LFEPA is assumed to see its formula grant reduced by 2014-15, from its allocation in 2012-13, at the same percentage rate as the national average change in funding required in the four year CSR target for fire authorities in England phased equally over the final two years.

<b>MPA</b>	<ul style="list-style-type: none"> <li>◆ Council Tax Requirement 2011-12 - £687.5m</li> <li>◆ Council Tax Requirement 2012-13 - £679.6m</li> <li>Savings Required 2012-13 - £92.8m</li> <li>◆ Council Tax Requirement 2013-14 - £679.6m</li> <li>Savings Required 2013-14 - £81.5m</li> <li>◆ Council Tax Requirement 2014-15 - £679.6m</li> <li>Savings Required 2014-15 - £79.7m</li> </ul>
<b>LFEPA</b>	<ul style="list-style-type: none"> <li>◆ Council Tax Requirement 2011-12 - £157.7m</li> <li>◆ Council Tax Requirement 2012-13 - £157.7m</li> <li>Savings Required 2012-13 - £20.5m</li> <li>◆ Council Tax Requirement 2013-14 - £157.7m</li> <li>Savings Required 2013-14 - £23.2m</li> <li>◆ Council Tax Requirement 2014-15 - £157.7m</li> <li>Savings Required 2014-15 - £23.2m</li> </ul>
<b>TfL</b>	<ul style="list-style-type: none"> <li>◆ No change to the published Council Tax Requirements of £6 million in 2012-13, 2013-14 and 2014-15.</li> <li>◆ Savings options as per Business Plan of £1,017m in 2012-13, £1,038m in 2013-14 and £1,123m in 2014-15.</li> </ul>
<b>MDC</b>	<ul style="list-style-type: none"> <li>◆ As specified directly below.</li> </ul>

5.4 Subject to the passage of the Localism Bill, a new MDC should in 2012-13 take over the assets of the existing OPLC and some of the programmes and assets of other agencies working in the area. The MDC is due to become a functional body of the GLA Group with its budget becoming a separate element within the Mayor's consolidated Budget for the GLA Group. The OPLC's budget plans will therefore be subject to development in accordance with this guidance. The OPLC has received a grant settlement from DCLG to 2014-15 and is developing a Corporate Plan based on this funding. It has been assumed that the MDC will have £5m for 2012-13 and £10m pa thereafter from the Group's resources. The Mayor expects the MDC to seek every opportunity to bring

investment from the private sector into its area, including use of Community Infrastructure Levy (CIL) revenues from within the Olympic Park, and generate returns from the development of its assets. In the period covered by this Guidance the OPLC should develop plans, including where appropriate savings options, on the basis of these existing grant funding commitments. These plans will need to separately identify capital and revenue expenditure and funding.

- 5.5 The OPLC will not be established as an MDC until the Localism Bill receives Royal Assent and an order is issued probably in March 2012. Therefore, the budget documents to be prepared in the autumn will make reference to the plans for the OPLC but the MDC will not be included in any of the formal calculations. As set out above it is intended that the MDC will not make a call on the precept for 2012-13. If there were a need to revise these plans, then any sum could be included in the GLA Mayoral budget component and passed on to the MDC in 2012-13.
- 5.6 The GLA's intention is to continue to achieve savings and efficiencies through Shared Services and collaborative procurement arrangements both within the Group and with other bodies. While all opportunities to share services will be considered, in order to accelerate the pace of change, three areas have been identified for prioritisation in 2012-13: Procurement, IT and Payroll services. Set out at Appendix C is information the Mayor requires by 30 September and on an ongoing basis from all functional bodies in respect of Shared Services.
- 5.7 The planning guidelines will be kept under review in light of the 2010-11 out turn and any indication that government grant levels already announced might change. Further guidance may be issued once details of the outcome of the Local Government Resources Review become known. Supplementary guidance will be circulated if necessary during the budget process. It should be noted that there is no addition to the GLA precept for Olympic preparation and security costs.
- 5.8 Despite the fact that there are separate statutory deadlines for capital and revenue, one overall Budget document is to be prepared this year, with revenue and capital published together. The Budget Guidance requests that functional bodies integrate their Capital Spending Plans and the Revenue Budget together into one overall budget submission in November. The Mayor proposes then to consult others on one integrated capital and revenue budget. This will mean that both revenue and capital proposals should be approved by the end of February.
- 5.9 It is important that proposed capital spending plans demonstrate a rationale/ justification for any increase in borrowing over and above the limits that the Mayor approved in the Budget for 2011-12, including any change in the level of headroom between the operational boundary and borrowing limit. The plans must be affordable and the revenue implications fully built into the revenue budgets prepared in accordance with this guidance.
- 5.10 For the purposes of making the savings proposals by the end of September and full budget submissions in November, functional bodies should assume no use of reserves in

meeting the financial planning guidelines set out above, except where such reserves are required to be applied to meet any redundancy costs or up front investment in 'invest to save' projects etc. The Mayor will make proposals on the use of reserves in light of the overall need for reserves and the impact on the GLA council tax precept at a later stage in the process.

## **6. Managing the budget process**

- 6.1 During the budget process the Mayor and his advisers will, whenever appropriate, use meetings with functional body members and chief officers to discuss the main strategic issues to be addressed in the Budget. The intention is that there will be regular officer-level meetings throughout the budget development period, with specific meetings with the Mayor and/or his advisers as required.
- 6.2 During the period to the end of September the officer-level meetings will be focused on ensuring that:
- Information to be provided in functional bodies' submissions is in accordance with this guidance and that budget information reflects Mayoral priorities;
  - There is consistency and integration across the GLA Group on relevant issues; and
  - The initial responses provide the information necessary to produce the Mayor's draft budget proposals, in particular that savings proposals are concluded during September.
- 6.3 Having considered any comments from the functional bodies the Mayor intends to issue his draft consolidated Budget on or around 15 December.

## **7. Dialogue with budget consultees and contacts**

- 7.1 The statutory framework for consultation on the Mayor's draft consolidated Budget is restricted by the time available (mid December to mid January). To complement and prepare for this part of the budget process, the GLA Group should maintain a dialogue with, and provide information to, key stakeholders.
- 7.2 This guidance does not cover the Assembly's Budget and Performance Committee's normal scrutiny process in relation to the functional bodies. This is a different process to the Committee's scrutiny of the GLA's budget. The Budget and Performance Committee will be requesting information at key stages of the 2012-13 Budget process and there will be a requirement for members and officers of each functional body to attend Committee meetings as appropriate.
- 7.4 If any further information or clarification is required on this guidance then please contact: David Gallie, Assistant Director - Finance on 020 7983 4968.

## **GUIDANCE ON THE COMPONENT BUDGETS FOR THE MAYOR AND THE ASSEMBLY (SECTIONS 8-14 DO NOT APPLY TO FUNCTIONAL BODIES)**

### **8. Introduction**

- 8.1 The Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. Set out below is the formal guidance to the GLA for the preparation of the Mayor and the Assembly component budgets for 2012-13. This guidance is also relevant for other parts of the GLA family, for example the London Pensions Fund Authority (LPFA).
- 8.2 The 2012-13 Budget process for the Mayor and the Assembly has to be substantially different from earlier years. This arises from the devolved functions that are to come to the Mayor and the uncertainty about the exact scale of Government support for HCA functions due to transfer. Accordingly, there are two elements of this year's GLA process: one for the Mayor and Assembly, including the devolved functions where funding is known, the other for the HCA functions where funding is unlikely to be known until the autumn.
- 8.3 For the GLA and Assembly, including devolved functions where funding is known, the timetable is, as follows:
- Budget Guidance issued on 27 May by the Mayor, revised if necessary in light of emerging issues.
  - Budget development for the Mayor's component budget to 29 July and for the Assembly to 23 September.
  - By no later than 29 July, in accordance with section 12, GLA officers to supply to Tom Middleton, Finance Manager, savings exemplifications as set out at **Appendix E** for the GLA (excluding the Assembly). This to include savings options, as appropriate, that arise from the funding announced for functions to be devolved to the GLA.
  - By no later than 23 September, the Assembly submits to the Mayor savings options in accordance with section 12.
  - The Mayor issues preliminary draft budget proposals for the GLA and Assembly to Budget and Performance Committee on 13 October.
  - The Mayor considers the formal response of the Budget & Performance Committee to his draft budget proposals for the Mayor and the Assembly component budget and the Mayor issues formal draft budget proposals for the whole of the GLA Group for consultation by 15 December.
  - From 15 December through to 9 February the Assembly considers budget proposals.
- 8.4 A more detailed Budget Timetable is attached at Appendix F.
- 8.5 For the functions planned to devolve to the GLA from the HCA and the LDA, and any consequential changes arising from the establishment of the MDC and the Mayoral

Office for Policing and Crime (MOPC) as functional bodies, the budget process is as follows. The starting presumption is that these new functions, and any consequential changes arising from them, will have no adverse impact on the precept. Accordingly, the impact of all of the above changes will need to be contained within the assumed level of resources currently estimated to become available. Therefore, there is to be no net growth across the Mayor, Assembly and others in the GLA Group arising from the devolution of functions to the GLA.

- 8.6 As grant funding is largely known for transferring functions, excluding the HCA, savings options may need to be developed to ensure that the costs of these services can be contained within funding available for 2012-13 and future years. These options are to be developed by the 29 July deadline and submitted as described above for existing GLA functions. Grant funding for the transferring HCA functions is likely to become known in the autumn. Once this is received assumptions being made on the level of funding available for HCA London functions can be tested and service levels can be finalised, with savings options as appropriate. Subject to the above, a Mayor and Assembly budget for 2012-13, including the impact of these devolved functions, will be set out to the Budget and Performance Committee on 13 October.
- 8.7 This Budget Guidance will need to be kept under review in light of progress against the emerging issues and significant developments, particularly the timing and content of announcements by the Government on funding for HCA London's functions and the progress of the Government's legislative programme.

## **9. Strategic policy aims and objectives**

- 9.1 Please refer to section 2 of the guidance to functional bodies.

## **10. Budget proposals**

- 10.1 To allow formal consultation on the Mayor's prospective budget, savings proposals are required from GLA officers for the GLA's existing services (including devolved functions where funding is known but excluding the Assembly) by 29 July and from the Assembly by 23 September. Savings options, as appropriate, for transferring HCA functions will be made once this funding is confirmed in the autumn. These savings proposals must be at a level to allow the savings targets set at section 12 to be met and exemplified.
- 10.2 Regular meetings will be held between GLA officers and finance staff to discuss the savings to be submitted by the end of July, advise of any subsequent developments and resolve any queries that might arise.
- 10.3 Following the submissions from GLA officers and the Assembly the Mayor expects to draw up **draft budget proposals** for the GLA's budget to be considered at the Budget and Performance Committee on 13 October. Once comments have been made the Mayor will then draw up proposals to be included in the statutory consultation to start on 15 December.

## 11. Budget and business plans

- 11.1 Once comments from the Budget and Performance Committee have been received and considered on the savings options, GLA finance officers will conclude the preparation of the GLA's budget. This will include the GLA's Capital Spending Plans and borrowing limits and will be in accordance with the detail set out in **Appendix D**. The Mayor's draft component budgets will then be subject to wider consultation expected to commence on or around **15 December**.

## 12. Financial planning guidelines

- 12.1 The change in this Budget Guidance from earlier years is driven by the changes to the functions of the GLA and the absence of a grant settlement for transferring HCA functions for 2012-13 and future years.
- 12.2 The Mayor firmly believes that tighter funding settlements highlight the continuing need for value for the national and council taxpayer to drive the development of forward plans for the GLA. This should come from the rigorous pursuit of efficiency savings, including savings from increased joint working across the GLA Group. It should be emphasised that savings exemplifications should not include any balancing figures or that savings remain to be identified. Full and robust savings options need to be set out by the deadlines set. The template at Appendix G must be used to exemplify savings options.
- 12.3 Savings for 2012-13 and future years for the existing functions of the Mayor and the Assembly are based on assumed reductions in general Government grants. Subject to any further guidance issued later in the year, particularly once funding for HCA London is received, budget plans should be prepared as follows:

<b>Mayor and Assembly:</b>	◆ Council Tax Requirement 2011-12, 2012-13 and thereafter - £91.6m
<b>Mayor:</b>	◆ Savings Requirement 2012-13 - £2.4m, 2013-14 and 2014-15 - £3.7m each year
<b>Assembly:</b>	◆ Savings Requirement 2012-13 - £0.4m, 2013-14 and 2014-15 - £0.6m each year

- 12.4 It is proposed that direct budgets in respect of the Elections, the preparations for the Olympic and Paralympic Games and a number of other non-controllable items are exempt from these savings requirements. However, all these services need to maintain their costs and contain any growth within existing approved budgets.
- 12.5 Services are encouraged to make savings as soon as possible to ensure a full year effect in 2012-13, and if possible that there is a part-year saving in 2011-12. In the light of the scale of these proposed reductions the Corporate Management Team will consider the issue of further centralising and scrutinising decision-making on filling vacancies.

- 12.6 The planning guidelines will be kept under review in light of the 2010-11 outturn and the actual HCA London grant settlement for 2012-13 and future years. Supplementary guidance will be circulated if necessary during the budget process.
- 12.7 Despite the fact that there are separate statutory deadlines for capital and revenue, one overall Budget document is to be prepared, with revenue and capital published together. The GLA's Capital Spending Plans and borrowing limits will be incorporated into the statutory budget consultation to start on 15 December.

### **13. Managing the budget process**

- 13.1 During the budget process the Mayor and his advisers will, whenever appropriate, use meetings with GLA officers and representatives of functions transferring to discuss the main strategic issues to be addressed in the budget. The intention is that there will be regular officer-level meetings throughout the budget development period to the end of July with specific meetings with the Mayor and/or his advisers as required.
- 13.2 During the period to the end of July the officer-level meetings will be focused on ensuring that:
- Information to be provided in the submissions is in accordance with this guidance and that budget information reflects Mayoral priorities;
  - There is consistency and integration across the GLA on relevant issues; and
  - The initial responses provide the information necessary to produce the Mayor's draft budget proposals, in particular that savings proposals are concluded during September.
- 13.3 Having considered comments from the Budget and Performance Committee in October the Mayor will issue his statutory draft budget proposals on 15 December. It is anticipated that once the Government announces the GLA grant settlement some revisions may be necessary to this guidance. The Mayor may also decide on final changes following comments by the Assembly in January on his draft consolidated Budget.

### **14. Dialogue with budget consultees and contacts**

Please refer to section 7.

## Budget Timetable for Functional Bodies

<b>27 May 2011</b>	Mayor's Budget Guidance issued.
<b>27 May to 30 September</b>	Budget preparation underway in each of the functional bodies, including developing savings proposals for 2012-13 of £92.8m for MPA, £20.5m for LFEPA and developing savings submissions from OPLC (MDC) and TfL.
<b>By 30 September</b>	Deadline for functional bodies to have agreed savings proposals for 2012-13, including the MPA submitting savings proposals of £92.8m, LFEPA £20.5m and submissions from OPLC (MDC) and TfL.
<b>By 21 October</b>	Preliminary draft budget proposals prepared and issued for consultation with FBs and Assembly.
<b>18 November</b>	Assembly/FBs responses received to draft budget proposals issued, including full and final budget submissions from the FBs on all other aspects of 2012-13 Budget as specified in Appendix D.
<b>15 Dec</b>	Publication of draft consolidated budget, including Capital Spending Plans and borrowing limits. Statutory scrutiny of Mayor's budget proposals starts.
<b>25 Jan</b>	Assembly to consider draft consolidated budget.
<b>9 Feb</b>	Assembly final consideration of consolidated budget, including Capital Spending Plans and borrowing limits.
<b>28 Feb</b>	Last date to set GLA precept and issue the Mayor's Statutory Capital Spending Plan.



## Delivering the Mayor's priorities – further information

The Mayor's vision, 'to make London the best big city in the world', will be delivered by focusing on five priority themes. An explanation of each of these is below.

### Standing up for London

The Mayor wants London to excel among global cities, expanding opportunities for all its people and enterprises. This means creating the right environment – economic and social – and making the case for London at home and abroad. And it means promoting volunteering and making sure London's government is honest, effective and efficient.

#### Promoting and supporting London's competitiveness

- Deliver the Economic Development Strategy
- Establish the new London Enterprise Partnership
- Establish London & Partners

#### Opportunity and equal life chances for all Londoners

- Extend opportunity to all Londoners
- Promote and support volunteering

#### Honest, efficient and fit for purpose London government

- Increase data accessibility and transparency, and widen digital engagement
- Manage the devolution of functions and responsibilities to the GLA
- Realise efficiencies by sharing and/or jointly procuring services across the GLA group and beyond

## Making the most of London 2012

The GLA will play a leading role in making London 2012 a spectacular and enduring success, getting the most out of London's time in the spotlight and leaving a legacy for future Londoners.

#### Delivering a safe and spectacular games

- Deliver a programme of events that promotes London as the World's leading capital of culture
- Ensure a unified and consistent approach to the visitor welcome
- Create a series of temporary Festival Live Sites and dress key areas of London
- Carry out testing and readiness

#### Capturing the best possible legacy and benefits for London

- Reform the Olympic Park Legacy Company as a Mayoral Development Corporation, with enhanced powers and a wider boundary
- Secure a sustained increase in participation in sport

## **Making London safer**

The Mayor wants London to be the safest big city in the world. This means reducing the number of Londoners who live in fear of or fall victim to crime or antisocial behaviour. It also means helping those who are vulnerable: making sure young Londoners grow up confident and safe and addressing violence against women and girls.

### **Protecting those particularly vulnerable to crime**

- Implement 'The Way Forward on Violence Against Women and Girls'
- Bear down on youth violence

### **Making our public spaces safer**

- Tackle dangerous dogs, encourage safer parks and address public drunkenness
- Deliver pan-London, multi-agency resilience arrangements

### **Improving safety on London's public transport**

- Implement 'The Right Direction', the Mayor's strategy for further improving safety on public transport

## **Improving Londoners' quality of life**

The GLA makes a difference to Londoners' quality of life, both now and in the future, by working in partnership across a spectrum of issues: helping London to tackle environmental issues; improving open spaces so they delight and bring people together; making it easier to get about London; and enhancing access to good quality housing.

### **Making London the Greenest Big City in the World**

- Mitigate the impacts of climate change and prepare for the consequences of a changing climate
- Improve London's air quality
- Sustainable food and water
- Manage London's waste more effectively

### **Leaving a legacy of wonderful public spaces**

- Improve London's Great Outdoors
- Finalise and implement the London Plan

### **Increasing capacity and comfort on London's transport network**

- Green London's transport, including delivering the Cycling Revolution work programme
- Progress the Tube upgrade and Crossrail works
- Smooth traffic flow

### **Improving the supply of and access to housing**

- Revise and deliver the London Housing Strategy
- Deliver 50,000 affordable homes

## **Investing in young Londoners**

The Mayor's vision for young Londoners is to create the best big city on earth where economic opportunity and talent can thrive and children can grow up safely. This means listening to and involving young people, promoting aspiration and supporting achievement, and bearing down on violence against and perpetrated by young people.

### **Preventing and bearing down on youth violence (Time for Action)**

- Robust but fair policing
- Reduce reoffending through a smarter approach to custody
- Understand and share what works
- Build character and self respect

### **Enhancing opportunity for all young Londoners**

- Improve educational outcomes and the skills of young people
- Improve outcomes for children in care
- Implement a children and young people's engagement programme

### **Targeting those families in most need to give young people the best possible start in life**

- Implement the Child Poverty Action Plan
- Implement an early intervention and family support programme

**More information on the deliverables that support the Mayor's vision can be found in the Greater London Authority's Strategic Plan, which will be published here: <http://www.london.gov.uk/who-runs-london/greater-london-authority>.**

## Shared Services and Collaborative Procurement

- 1 This Appendix sets out a requirement for all the GLA Group to prepare a schedule which shows the progress and potential for delivering efficiencies across the GLA Group from Shared Services and Collaborative Procurement.
- 2 By the deadline of 30 September each body in the GLA Group is asked to answer the following question:

**Have you (since 30 July 2010) co-operated, outsourced, partnered or shared with others in your service provision, or are you planning to do so before 31 March 2013?**

If the answer is **yes**, the service is asked to describe the nature of the co-operation, outsourcing, partnering or shared service and the level of efficiency delivered and / or to be delivered.

- 3 The Mayor's Advisor for Budgets & Performance has set a target to deliver £150m of savings in 2012-13 and a further £150m in 2013-14 from the sharing of services and collaborative procurement across the group. While it remains his intention to share services wherever the opportunity arises, a more focused approach is required in order to deliver the magnitude of savings required. Accordingly, an integral part of the budget process will be consultation with the functional bodies on proposals to share Procurement, IT and Payroll services across the group in 2012-13.
- 4 In order to ensure that opportunities to achieve savings and efficiencies are maximised, the Mayor's Advisor for Budgets and Performance should be notified of any senior management vacancies arising, prior to any action being taken to fill these vacancies. 'Senior management vacancies' are defined for this purpose as a Head of Service or above.
- 5 Please contact Doug Wilson in GLA Finance on 0207 983 4038, if further information is required on this Appendix.

## Financial information required by 30 September from Functional Bodies

1. Functional bodies are required to make savings as set out at section 5 of this guidance for 2012-13 and submit this information to: David Gallie, Assistant Director – Finance by no later than 30 September. The requirements upon each functional body are differentiated. However, each functional body is required by the Mayor to fully supply the information on savings specified.
2. There is no specified format for these savings to be exemplified but functional bodies might wish to have regard to the GLA's savings template at Appendix G. The critical requirement is that the impact of the savings proposals is set out so that the Mayor's duties to consult on his budget can be discharged.
3. There is additional information that is required to be submitted on savings proposals by 18 November so that the Mayor's draft consolidated budget may be issued which is specified below.
4. Please contact: David Gallie, Assistant Director – Finance if there are any queries on these savings requirements ([david.gallie@london.gov.uk](mailto:david.gallie@london.gov.uk) or 0207 983 4968).

## Financial information required by 18 November from Functional Bodies

### Component budgets

#### Service Analysis

5. The main financial element of the final budget submissions will be an analysis of budget proposals by service division/objective for the three years 2012-13 to 2014-15 with comparative figures for 2011-12 Budget and forecast outturn and actual 2010-11 outturn showing:
  - ◆ Income to be raised and expenditure to be incurred in providing the complete range of services provided by the body
  - ◆ Capital financing costs (including capital expenditure charged to revenue)
  - ◆ External interest receipts
  - ◆ All estimated general Government grants (formula grant, Home Office Police Grant and GLA General Grant) and specific Government Grants
  - ◆ Transfers to and from reserves
  - ◆ Any other financial charges and adjustments
  - ◆ The resultant Council Tax requirements.
6. If the service division/objective analysis is revised from that used for 2011-12, then the figures for the previous year should be re-stated on a comparable basis.

7. The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2011-12, separately identifying changes in each of the three years due to:

- ◆ Inflation
- ◆ Changes in service levels (making a distinction between those which are committed and those which are new initiatives)
- ◆ Savings and efficiencies
- ◆ General and specific government grants
- ◆ Use of reserves
- ◆ Any other significant reasons.

### Subjective analysis

8. A subjective analysis must also be submitted covering the three-year plan period 2012-13 to 2014-15, including a comparison with 2011-12 figures.

### New initiatives and service improvements

9. A clear distinction must be made between full year effects of new activities approved in 2011-12 or earlier years – these are committed service increases – and proposed new initiatives. However, for clarity, the definition of new initiatives is restricted to new provision of services and service improvements, including those to be funded by a redeployment or more effective use of existing resources.
10. Given the requirement to make significant budget savings, it is anticipated that there would be few new initiatives. However, if there are a few, each new initiative / service improvement should have a brief description of the proposal including the expected service improvement or deliverable, and the cost in each of the three years 2012-13 to 2014-15. Costs of new initiatives should be reflected in each of the three years in which they will be incurred i.e. unless the initiative is of a short-term nature, costs will be repeated in all years.

### Savings and efficiencies

11. To supplement the information on savings required to be supplied by 30 September the following information is required by the later deadline of 18 November:

- ◆ The assumptions made on elements of the budget that are and are not reducible in the short term, with savings required expressed as a percentage of that reducible amount (NB. Each functional body is to define 'reducible' itself. The GLA will report the savings percentages calculated separately, and will not seek to

aggregate them across the Group, as this would be misleading).

- ◆ A brief description of the expected savings to be achieved, separately identifying cashable savings to be achieved by:
  - Procurement efficiencies
  - Reducing staff input/headcount reduction
  - Cost avoidance
  - Other means
- ◆ The saving in each of the three years 2012-13 to 2014-15, should be shown in the analysis on a cumulative basis i.e. ongoing savings should be reflected in all years
- ◆ A further analysis should be provided to identify separately the amounts of savings to be achieved through: shared services and collaborative procurement.
- ◆ A comparison/reconciliation of the amount of savings with any government targets

12. In addition to providing an analysis of savings, functional bodies must also outline:

- ◆ Progress in achieving efficiencies and savings agreed as part of the 2011-12 Budget, including the latest available estimate of projected financial performance in 2011-12 and a comparison to 2010-11 outturn.

### Reserves and general balances

13. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA in June 2003, but mindful of the guidance on reserves and balances in this document, the GLA and the functional bodies must provide:

- ◆ A statement of reserve policy
- ◆ Details of all reserves and general balances
- ◆ An analysis and explanation of the expected movements between the start and end of each year from 1 April 2011 to 31 March 2015
- ◆ In the case of earmarked reserves held for purposes beyond 31 March 2015, an indication should be given as to when they are likely to be applied
- ◆ Proposed allowances for contingencies separately identified and justified. (NB. Contingencies are defined here as in statutory budget calculations).

### Inflation factors

14. There is no specific guidance for pay and inflation rates to be used but all functional bodies will need to take account of the Government's public sector pay freeze.

However, the functional bodies must be able to explain their inflation assumptions (for both pay and non pay costs) and all figures must be at outturn prices.

### **Robustness of estimates and adequacy of reserves**

15. To help the GLA meet the statutory requirements of the Local Government Act 2003, functional bodies must provide a report by their Chief Finance Officer on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves.

### **Borrowing limits**

16. Under the Local Government Act 2003, the Mayor has the duty of determining authorised limits for each of the functional bodies in respect of external debt after consulting the London Assembly and the functional bodies in respect of their own limits. The functional bodies must therefore provide:

- ◆ Estimates of proposed authorised limits over the capital spending plan period 2011-12 to 2014-2015. These must be justified by reference to the requirements of the Prudential Code, including providing calculations of the prudential indicators, and supported by a draft capital spending plan (see below)
- ◆ A rationale/justification for any increase in borrowing over and above the limits that the Mayor approved in 2011-12 Budget, including any change in the level of headroom between the operational boundary and borrowing limit
- ◆ The level of borrowing required to support the draft capital spending plan
- ◆ The sources of this borrowing.

### **Capital spending**

17. The draft capital spending plan should be supported by:

#### **Strategy/policy**

- ◆ A statement linking capital expenditure to the delivery of the organisation's objectives/priorities
- ◆ A statement outlining how projects have been prioritised

#### **Links to revenue budget**

- ◆ The revenue/operational expenditure consequences of the overall draft plan, including debt management costs, which must be identified and fully reflected in the revenue budget proposals
- ◆ Cross referencing of capital financing costs (including capital expenditure charged to revenue) in revenue budget to capital spending plan

#### **Capital expenditure**

- ◆ A summary of all the proposed projects providing for each programme / project,



as appropriate\*:

- The name/title.
- A brief description in non- technical jargon free language without the use of abbreviations
- For any new programmes / projects proposed, the purpose and anticipated impact
- Total cost
- Previous years' expenditure (in total)
- Projected costs for 2012-13 to 2014-15
- ◆ Proposed spending on common themes across the GLA group
- ◆ Justification for increase in capital expenditure over the years

### **Funding**

- ◆ Funding of the capital programme by government grants, specific grants, capital receipts, borrowing, revenue contribution
- ◆ Funding of PFI/PPP Schemes and the financial implications of such funding

### **Risks**

- ◆ Impact of changes in forecast interest costs on the revenue budget
- ◆ Risks associated with funding from capital receipts and what is proposed if funding is not realised (e.g. where in year capital receipts are not as much as anticipated).

### **Monitoring**

- ◆ A statement outlining how performance is to be monitored and evaluated
- ◆ How slippage for previous years will be managed and impact on service delivery.

\*Capital spend should be aggregated up at the level used in the Mayor's final consolidated budget for 2011-12 published in February 2011.

## Appendix E – Savings Requirements for the GLA

The table below sets out the savings options to be worked up by each GLA directorate. It excludes:

- (i) 2012: the entire unit
- (ii) Elections: the entire unit
- (iii) Resources: fixed premises costs for City Hall – lease, service charges and rates.
- (iv) External Affairs: fixed premises costs for the Brussels Office – lease, service charges and rates.
- (v) Capital financing costs
- (vi) Reserves
- (vii) Ring fenced grants

Directorate	Savings Target 2012-13 (£m)
Assembly	0.4
Resources	0.6
Communities & Intelligence	0.5
Development & Environment	0.4
External Affairs	0.4
Museum of London	0.4
Private Office	0.1
<b>Total</b>	<b>2.8</b>

## Budget Timetable for the Mayor and Assembly component budgets

<b>27 May</b>	Mayor's Budget Guidance issued
<b>27 May to 29 July</b>	<ul style="list-style-type: none"> <li>◆ Budget preparation underway in each GLA directorate</li> <li>◆ Finance to meet each GLA Executive Director and head of unit to go through the savings options</li> <li>◆ GLA Corporate Management Team to meet to discuss emerging savings options and to ensure consistency of approach</li> </ul>
<b>29 July</b>	◆ Deadline for all GLA directorates (with the exception of the Assembly Secretariat) to submit savings proposals for 2012-13 as set out at Appendix E. This to include any savings required from transferring functions where funding is known.
<b>September</b>	◆ Challenge process led by the Chief of Staff involving all Mayoral Advisers (does not apply to the Assembly Secretariat)
<b>22 September</b>	◆ BMAC meeting to consider Assembly Secretariat savings options
<b>23 September</b>	◆ Deadline for the Assembly Secretariat to submit its savings proposals
<b>13 October</b>	◆ Initial GLA budget proposals (including Assembly Secretariat) to be considered by the Assembly's Budget and Performance Committee

*Remainder of timetable as for the GLA Group at Appendix A*

### Savings template for the GLA (Mayor and Assembly component budgets)

Name of directorate:			
Description of saving	Type of saving*	Amount (£'000)**	Impact of saving
1.			
2.			
3.			
4.			
5.			
6.			
<b>Total</b>			

\* Choose one from:

- (i) Staffing
- (ii) Programme
- (iii) Corporate

\*\* The figures to be included should be for 2011-12 (if any), 2012-13 and if different the full year impact in 2013-14.