

# **The Mayor's Budget Guidance for 2011/12**

**11 May 2010**

## **Executive Summary of the Mayor's Budget Guidance for 2011/12**

1. There is significant change to the budget guidance for 2011/12 from earlier years. This change has been principally driven by public expenditure restraints. Set out below is a summary of the key points in the guidance, highlighting where there is a change from earlier years.
2. Given that there is uncertainty about the exact scale of restraint required for 2011/12, the budget process seeks to put the GLA Group in the optimum position for when the announcement of grant figures from the Government is made. Accordingly, the budget process is launched earlier and seeks to deliver a 'base budget' in advance of the Grant Settlement. The statutory consultation on the GLA Group budget, which has to start in December, will therefore be able to be focussed on making amendments to this 'base budget' dependent upon the grant announcements to be made.
3. The guidance seeks to ensure a full base budget proposal for the GLA Group is developed by mid-October. This requires GLA officers to make detailed budget proposals for the GLA (excluding the Assembly) by the end of July. Functional bodies and the Assembly will need to have agreed their base budget submissions to the Mayor by late September. These deadlines are critical to achieve if a 'base budget' is to be developed by mid-October.
4. The current forward budget plans for the Mayor, Assembly, MPA and LFEPA for 2011-12 assumed a cash reduction in government grant of 1.5 per cent. It is proposed that the 'base budget' for these component budgets be set at this -1.5 per cent cash level, and that exemplifications be made for additional reductions equal to an overall -3 per cent and -5 per cent cash reduction in Government grant. The LDA budget plans already assume year on year cash reductions in grant of up to 5 per cent and this will be kept under review. TfL's plans are based on its existing long term settlement with Government.
5. The scale of these planning assumptions signals a change in tone for the GLA Group budget preparation. Growth to support Mayoral priorities will be limited and all services must concentrate on delivering savings. Accordingly, at this stage work is requested to exemplify the impact of the cash reductions set out above. More detailed guidance will follow to set out the Mayor's policy priorities.
6. Once outturn information for 2009/10 is available, there will be particular attention paid to whether savings proposals are being developed in areas which have historically under spent.
7. Until the Government announces its public expenditure plans there will remain great uncertainty not only about 2011/12 but also for future year's budgets. Nevertheless, planning needs to minimally take place over at least the three year period of 2011-14.
8. All bodies in the GLA Group are required to address questions concerning their approach to delivering efficiencies from co-operating with others, outsourcing, partnerships and shared services before the summer recess.

9. The Budget Guidance assumes there is no increase in the share of the precept for each of the functional bodies. This assumption will be re-considered once the GLA Group budget is brought together in mid-October and once the grant Settlement for each functional body is announced.
10. The guidance seeks to integrate Capital Spending Plans and the Revenue Budget together into one overall draft Budget by mid-October.
11. This Budget Guidance has two sections: advice to the functional bodies; and then guidance concerning the component budgets for the Mayor and the Assembly. The budget guidance explicitly looks to ensure that all members of the GLA Group prepare their budget under consistent constraints and timescales.
12. In summary, the 2011/12 budget process starts earlier, seeks to settle a base budget before the Government's announcements on grant and aims to have detailed exemplifications of additional savings available for decisions to be made in the New Year. This approach is designed to ensure that the budget process is best positioned to support difficult decisions that will have to be made on the 2011/12 budget.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

**Boris Johnson**  
Mayor of London

11 May 2010

## **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 Delivering efficiencies from co-operating with others, outsourcing, partnerships and shared services.**
- D Financial information required from functional bodies by 30 September**
- 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 Set out below is the formal guidance to the functional bodies for the 2011/12 budget.
- 1.2 The budget is a key planning tool. Principally, it ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources.
- 1.3 The 2011/12 budget process has to be substantially different from earlier years and will run to a new timetable. In summary, it consists of:
  - Budget guidance issued on 11 May by the Mayor, revised if necessary in light of emerging issues
  - Budget development by functional bodies from 11 May to 30 September
  - Submission of information on approach to delivering efficiencies as set out at Appendix C by 30 July
  - By no later than 30 September, in accordance with the limits set out at paragraph 5 below, functional bodies to supply to the Mayor:
    - (i) A recommended 2011/12 'base budget' and preliminary 2012/13 and 2013/14 revenue budgets;
    - (ii) exemplifications of additional savings for 2011/12 over and above this 'base budget' for 2011/12, where appropriate; and
    - (iii) A three year Capital Spending Plan for 2011-14.
  - Preliminary draft budget proposals are to be issued by the Mayor for consultation with each of the functional bodies by 22 October.
  - A formal response to the budget proposals before 19 November from each of the functional bodies.
  - Mayor's formal draft budget proposals considered prepared and issued for general consultation from 15 December to mid-January.
  - From 15 December through to 10 February the Assembly considers budget proposals.
- 1.4 A more detailed Budget Timetable is attached as **Appendix A**.
- 1.5 In light of progress against the current year's budget, emerging issues and significant developments, particularly the timing and content of announcements by the Government on grant settlements, this budget guidance will need to be kept under review and the timetable may need to be revised.
- 1.6 The information sought in this 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 set out in the below outlines the high-level outcomes, grouped under six ambitions, which Londoners can expect to see over the coming years.
- 2.2.1 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.

Ambitions	Competitive London	Effective Transport Capability	Renewed London	Fairer London	Safer London	Honest Government
Objectives	Well Promoted Destination	Improved Transport Infrastructure	Best ‘Big Green City’	Increased Volunteering	Met Forward - Police Priorities	Wider Digital Engagement
	Diversified Economy	Improved Information & Assistance	Mayor’s Great Spaces	Equal Life Chances for All	The Way Forward on Violence Against Women	Accessible Public Data
	Pre-eminent Centre for Financial Services	Easier & Safer Cycling	Adapted for Climate Change	Getting Along Together	Time for Action on Serious Youth Violence	Greater Transparency

- 2.3 However, the scale of the reductions required in budgets across the GLA Group signals a 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 the cash reductions specified in this guidance. More detailed guidance will follow to set out the Mayor’s policy priorities.
- 2.4 In light of this change in emphasis, a particular priority is to optimise the efficiencies that are capable of being generated across the GLA Group from co-operating with others, outsourcing, partnerships and shared services. Accordingly, the GLA Group are asked to complete a schedule as specified in Appendix C. This Appendix requires each body to challenge each of its services against a set of criteria so that the Mayor can be clear why opportunities to co-operate, outsource, partner or share with others are either being pursued or the reasons why these approaches have been deemed inappropriate. The purpose of seeking this new and additional information is to develop and implement further initiatives across the GLA Group to deliver efficiencies.

### 3. Budget proposals

3.1 To prepare for future Government grant announcements and to allow formal consultation, budget proposals are required from the functional bodies by no later than **30 September** and must include the following:

- ◆ A detailed 2011/12 'base budget' and preliminary 2012/13 and 2013/14 revenue budgets, within the limits specified at paragraph 5.
- ◆ Exemplifications of the impact of additional savings for 2011/12 at the levels specified at paragraph 5 below, where appropriate.
- ◆ A detailed three year Capital Spending Plan for 2011-14. Details are set out at Appendix D.

3.2 It is recognised that advancing the preparation of the budget as described 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 best position the GLA Group to manage the budget once grant settlements are announced. Although it is understood that the appropriate Board / Authority will need to agree the detailed submission by 30 September, it is requested that this information be supplied in the form of advice to the Mayor.

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 submissions from the functional bodies the Mayor expects to draw up **draft budget proposals** by 22 October and receive comments on these proposals from functional bodies by 19 November.

## 4. Budget and business plans

4.1 Functional bodies' comments on the Mayor's preliminary draft proposals should be received by **19 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 It is recognised that these Business Plans will inevitably be subject to grant settlements that are unlikely to have been announced at this point. Business Plans will need to be revised once these announcements are made. Nevertheless, the business plans to be submitted by 19 November must:

- ◆ Cover at least the period to 2013/14
- ◆ Set out what is planned to be achieved in high-level terms over that period

**Appendix D to this report 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 prepares draft component budgets in accordance with the provisions of schedule 6 of the Greater London Authority Act 1999.

4.4 The Mayor's draft component budgets will then be subject to wider consultation expected to commence on or around **15 December**. It is expected that by this date key Government grant announcements for the functional bodies will have been made. However, there is great uncertainty about the timing of these announcements and once they are made the budget process may need to be revised. Nevertheless, it is anticipated that the Mayor's draft component budgets will be able to incorporate the impact of these announcements. Subject to the grant figures, it is likely that some of the savings exemplified earlier in the process, but not incorporated into the October draft budget, will need to be proposed in the Mayor's draft component budgets in December.

4.5 Financial information within 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 change in this budget guidance from earlier years is driven principally by restraints in public expenditure for the foreseeable future. Given the uncertainty about the scale of restraint required for 2011/12, the budget process seeks to put the GLA Group in the optimum position for when the announcements of grant figures from the Government are made. Accordingly, the budget process is launched earlier and seeks to develop a 'base budget' in advance of the Settlement. The statutory consultation on the GLA Group budget, which has to start in December, will therefore be able to be focussed on making amendments to this 'base budget' dependent upon the grant announcements to be made.
- 5.2 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 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 should not include any balancing figures or set out that savings are to be identified. Full and robust savings options need to be set out by the deadline of 30 September.
- 5.3 For 2011/12 the cash limit (i.e. expenditure net of income from fees, charges, fares and *specific* government grants only) for the MPA and LFEPA is based on existing plans of a cash reduction in the government grant settlement (i.e. general police and formula grant) of **-1.5** per cent from 2010/11. These figures are consistent with the figures for 2011-12 set out in the Mayor's final consolidated budget for 2010-11 approved in February 2010. As the cash limits for MPA and LFEPA are net of specific grants any reduction in specific grant funding would be absorbed within these limits. However, the Mayor also requires that the impact of a cash reduction in grants of **-3 per cent** (i.e. a further 1.5 per cent reduction in general grant compared to the baseline assumptions) and **-5 per cent** (i.e. a further 3.5 per cent reduction in general grant compared to the baseline assumptions) be illustrated. The upper range of these target figures is based on the Institute for Fiscal Studies analysis of savings required for 'unprotected' services. For indicative planning purposes the cash limit for 2012/13 is set at the -3% figure (i.e. a 3% reduction in general grant compared to 2010-11) and the limit for 2013/14 is set at the -4.5% figure (i.e. the equivalent of a 4.5% reduction in general grant compared to 2010/11). The LDA budget plans already assume year on year cash reductions in grant of up to 5 per cent and this will be kept under review. TfL's plans are based on its existing long term settlement with Government. Subject to any further guidance issued later in the year, budget plans should be prepared as follows:

<b>MPA</b>	<ul style="list-style-type: none"> <li>◆ Net revenue expenditure (Budget requirement): <ul style="list-style-type: none"> <li>2011/12 Base Budget at 1.5 per cent : £2,645.9 million</li> <li>Savings exemplifications at 3 per cent : £2,615.5 million</li> <li>Savings exemplifications at 5 per cent : £2,574.9 million</li> </ul> </li> <li>2012/13 Base Budget at £2,619.4 million</li> <li>2013/14 Base Budget at £2,589.9 million</li> <li>◆ Capital Spending Plans 2011-14 – Best estimate.</li> </ul>
<b>LFEPA</b>	<ul style="list-style-type: none"> <li>◆ Net revenue expenditure (Budget requirement): <ul style="list-style-type: none"> <li>2011/12 Base Budget at 1.5 per cent : £437.5 million</li> <li>Savings exemplifications at 3 per cent : £433.6 million</li> <li>Savings exemplifications at 5 per cent : £428.4 million</li> </ul> </li> <li>2012/13 Base Budget at £434.7m</li> <li>2013/14 Base Budget at £430.9 million</li> <li>◆ Capital Spending Plans 2011-14 Best estimate</li> </ul>
<b>TfL</b>	<ul style="list-style-type: none"> <li>◆ No change to the published forecast component budget requirements of £12 million in 2011/12, 2012-13 and 2013/14.</li> <li>◆ Additional savings options to be considered, as appropriate</li> <li>◆ Capital Spending Plans 2011-14 Best estimate</li> </ul>
<b>LDA</b>	<ul style="list-style-type: none"> <li>◆ No change to the published forecast component budget requirements of £nil in 2011/12, 2012-13 and 2013/14.</li> <li>◆ Additional savings options to be considered, as appropriate</li> <li>◆ Capital Spending Plans 2011-14 Best estimate</li> </ul>

5.4 The planning guidelines will be kept under review in light of the 2009/10 outturn and any indication that government grant levels for 2010/11 already announced might change. Each member of the GLA Group must also keep the GLA informed as Spending Review negotiations progress. 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.

5.5 Despite the fact that there are separate statutory deadlines for capital and revenue, it is proposed that one overall Budget document is 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 at the end of September. 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, rather than in earlier years when capital plans were agreed by the statutory deadline of the end of March.

- 5.6 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 March 2010, 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.
- 5.7 For the purposes of making the budget submissions by the end of September, functional bodies should assume no use of reserves in meeting the cash limits / savings exemplifications 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 to September 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 focussed on ensuring that:
- information to be provided in the functional bodies' submissions are in accordance with this guidance and that budget information reflects Mayoral priorities;
  - there is consistency and integration across the GLA Group on relevant issues, particularly the required submission at Appendix C by 30 July on delivering efficiencies from co-operating with others, outsourcing, partnerships and shared services; and
  - Ensuring that the initial responses provide the information necessary to produce the Mayor's draft budget proposals.
- 6.3 Having considered any comments from the functional bodies the Mayor will issue his budget consultation proposals on 15 December. It is anticipated that once the Government announces the grant settlements for all the functional bodies, probably in December, some revisions will be necessary to the Mayor's draft component budgets. In particular, it is likely to be necessary to consider some of the exemplifications of savings at the -3 per cent or -5 per cent grant level that would have been submitted at the end of September.

- 6.4 The Mayor may also decide on final changes following comments by the Assembly in January on his draft consolidated budget.

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

- 7.1 The statutory framework for consultation on the Mayor's budget proposals 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 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 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 then please contact: David Gallie, Assistant Director - Finance on 0207 983 4968, Martin Mitchell, Finance Manger (GLA Group) on 0207 983 4145 or Tom Middleton, Finance Manager (GLA) on 0207 983 4257.

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

### **8. Introduction**

- 8.1 Set out below is the formal guidance to the GLA for the preparation of the Mayor and the Assembly component budgets for 2011/12.
- 8.2 The budget is a key planning tool. Principally, it ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources.
- 8.3 The 2011/12 budget process for GLA has to be substantially different from earlier years and will run to new timetable. In summary, it consists of:
- Budget guidance issued on 11 May by the Mayor, revised if necessary in light of emerging issues
  - Budget development for the Mayor's component budget to 30 July and by the Assembly to 24 September
  - By no later than 30 July, in accordance with the cash limits set out at paragraph 12 GLA officers to supply to Tom Middleton, Finance Manager, savings exemplifications as set out at **Appendix E** for the GLA (excluding the Assembly)
  - Submission of information on approach to delivering efficiencies as set out at Appendix C by 30 July by both the Mayor and Assembly
  - By no later than 24 September, the Assembly submits to the Mayor savings options in accordance with the cash limits set out in paragraph 12.
  - Preliminary draft budget proposals are issued by the Mayor for consultation with the Budget and Performance Committee (on behalf of the Assembly) at its meeting on 14 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 10 February the Assembly considers budget proposals.
- 8.4 A more detailed Budget Timetable is attached at **Appendix F**.
- 8.5 This budget guidance will need to be kept under review in light of progress against the current year's budget, emerging issues and significant developments, particularly the timing and content of announcements by the Government on grant settlements.

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

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

## 10. Budget proposals

- 10.1 To prepare for future Government grant announcements and to allow formal consultation on the Mayor's prospective budget, savings proposals are required from GLA officers for the GLA's services (excluding the Assembly) by 30 July and from the Assembly by 24 September. These savings proposals must be at the level to allow the cash limits set at paragraph 12 to be met, including the exemplifications of savings above the proposed 'base budget'.
- 10.2 It is recognised that advancing the preparation of the budget as described may cause some difficulty and additional earlier work. However, it is felt that on balance this advancement of the process is beneficial, as it will best position the GLA to manage the budget once grant settlements are announced.
- 10.3 Regular meetings will be held between GLA officers and finance staff to discuss the savings to be submitted by the end of July, or be advised of any subsequent developments and resolve any queries that might arise.
- 10.4 Following the submissions from GLA officers and the Assembly the Mayor expects to draw up **draft budget proposals** to be considered at the Budget and Performance Committee on 14 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**.
- 11.2 The Mayor's draft component budgets will then be subject to wider consultation expected to commence on or around **15 December**. It is expected that by this date the key Government grant announcement for the GLA will have been made. Accordingly, it is anticipated that the Mayor's draft component budgets will incorporate the impact of this announcement. Subject to the figure to be announced, it is likely that some of the savings exemplified earlier in the process, but not agreed at that point, will need to be proposed in the Mayor's draft component budgets in December.

## 12. Financial planning guidelines

- 12.1 The change in this budget guidance from earlier years is driven principally by restraints in public expenditure for the foreseeable future. Given the uncertainty about the scale of restraint required for 2011/12, the budget process seeks to put the GLA Group in the optimum position for when the announcements of grant figures from the Government are made. Accordingly, the budget process is launched earlier and seeks to develop a 'base budget' in advance of the Settlement. The statutory consultation on the GLA Group budget, which has to start in December, will therefore be able to be focussed on making amendments to this 'base budget' dependent upon the grant announcements to be made.
- 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 set out that savings are to be identified. Full and robust savings options need to be set out by the deadline of 30 July.
- 12.3 For 2011/12 the cash limit for the Mayor and the Assembly is based on existing plans of a cash reduction in the government grant settlement of **1.5** per cent from 2010/11. However, the Mayor also requires that the impact of a cash reduction in grants of **-3 per cent** (i.e. a further 1.5 per cent reduction in grant) and **-5 per cent** (i.e. a further 2 per cent grant reduction) be illustrated. The upper range of these target figures is based on the Institute for Fiscal Studies analysis of savings required for 'unprotected' services. For indicative planning purposes a cash limit for 2012/13 is assumed at the -3% figure for 2011/12 and the assumed limit for 2013/14 is set at the -5% for 2011/12. Subject to any further guidance issued later in the year, budget plans should be prepared as follows

<b>Mayor</b>	<ul style="list-style-type: none"> <li>◆ Net savings required to be exemplified for 2011/12:               <ul style="list-style-type: none"> <li>-1.5 per cent - £0.985m</li> <li>-3.0 per cent - £1.723m</li> <li>-5.0 per cent - £2.462m</li> </ul> </li> <li>◆ Capital Spending Plans 2011-14 – Best estimate.</li> </ul>
<b>Assembly</b>	<ul style="list-style-type: none"> <li>◆ Net savings required to be exemplified for 2011/12:               <ul style="list-style-type: none"> <li>-1.5 per cent - £0.172m</li> <li>-3.0 per cent - £0.301m</li> <li>-5.0 per cent - £0.430m</li> </ul> </li> </ul>

- 12.4 It is proposed that direct budgets in respect of the Elections and the preparations for the Olympic and Paralympic Games are exempt from these savings requirements. However, both 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 2011/12, and if possible there is a part-year saving in 2010/11.
- 12.6 In the light of the scale of these proposed reductions the Management Team will consider the issue of further centralising and scrutinising decision-making on filling vacancies.
- 12.7 The planning guidelines will be kept under review in light of the 2009/10 outturn and any indication that government grant levels for 2010/11 which have already announced might change. Supplementary guidance will be circulated if necessary during the budget process.
- 12.8 Despite the fact that there are separate statutory deadlines for capital and revenue, it is proposed that one overall Budget document is prepared this year, 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 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 focussed 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, particularly the required submission at Appendix C on delivering efficiencies from co-operating with others, outsourcing, partnerships and shared services; and
  - the initial responses provide the information necessary to produce the Mayor's draft budget proposals.
- 13.3 Having considered comments from the Budget and Performance Committee the Mayor will issue his statutory draft budget proposals on 15 December. It is anticipated that once the Government announces the grant settlements, probably in December, some revisions will be necessary to the Mayor's draft component budgets. In particular, it is likely to be necessary to consider and agree some of the exemplifications of savings at the -3 per cent or -5 per cent level that would have been submitted earlier in the process.



13.4 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 paragraph 7.

## Budget Timetable for Functional Bodies

<b>11 May</b>	Mayor's Budget Guidance issued
<b>11 May to 30 September</b>	<ul style="list-style-type: none"> <li>◆ Budget preparation underway in each of the functional bodies</li> <li>◆ Mayoral advisors and GLA officers oversee FBs budget development, particularly progress on Appendix C of this guidance</li> </ul>
<b>30 September</b>	<ul style="list-style-type: none"> <li>◆ Deadline for FBs to submit a 'base budget' for 2011/12, together with savings exemplifications of -3 per cent and -5 per cent for 2011/12 where appropriate, 2012/14 indicative revenue budgets and Capital Spending Plans 2011-14</li> </ul>
<b>By 22 October</b>	<p>Finance to identify and resolve issues with policy lead officers, and report to the Mayor's Office on:</p> <ul style="list-style-type: none"> <li>◆ How Mayoral priorities are reflected in updated budget submissions</li> <li>◆ Possible budget options</li> <li>◆ Preliminary draft budget proposals, including draft Capital Spending Plans and borrowing limits, prepared and issued for consultation with FBs</li> <li>◆ Comments invited and response to include completed draft business plans that are consistent with draft budget proposals and response to consultation</li> </ul>
<b>19 November</b>	Assembly/FBs responses received
<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>26 Jan</b>	Assembly to consider draft consolidated budget.
<b>10 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.

## 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 focussing on six ambitions. An explanation of each of these ambitions is below.

**Competitive London** this means building a dynamic and diverse London economy that is both a world leader in financial services, and strong contender in many others; delivering a successful Olympic and Paralympic Games and legacy; and promoting a vibrant cultural London.

### Sustained Economic Growth & Competitiveness

- Deliver Economic Development Strategy
- Rationalise and improve the effectiveness of London's external promotion activities
- Advocate for London's financial services industry
- Focus GLA and LDA resources on tackling unemployment among priority groups
- Improve the effectiveness and impact on business support services in London

### Successful Delivery and legacy of 2012

- Adopt a Legacy Masterplan
- Ensure City operations programme is in place and funded
- Influence LOCOG ticketing strategy and deliver a volunteering strategy that maximises opportunities for Londoners

### Improvements in Quality of Life

- Deliver public realm strategy including Mayor's Great Spaces programme
- Deliver Mayor's Cultural Strategy

**Effective transport capability** - this means providing a modern, efficient accessible and sustainable transport network for London, with a preference against, but suitable provision for private car use, as set out in the Mayor's Transport Strategy.

### Modern, efficient, reliable transport network

- Continue to deliver tube upgrades and Crossrail
- Deliver the bike hire scheme, the first cycle super-highways and improved cycle safety
- Agree the way forward on new river crossings
- Reduce traffic congestion and delays caused by roadworks

**Renewed London** – this means developing a cleaner, greener, sustainable London with good quality affordable housing and great public spaces.

### Green London

- Continue with the planting of new trees across London and the delivery of the Priority Parks programme
- Move LWARB from strategy to delivery mode
- Develop and launch new anti-litter strategy in partnership with the boroughs

### Reducing CO2

- Drive forward homes retrofit programme
- Support the electric vehicle revolution through delivery of necessary infrastructure
- Support the growth of CHP and district heating schemes in London

### Improved housing availability and quality

- Drive forward towards 50,000 affordable homes target
- Launch new London Housing Company
- Enable delivery of institutional-backed new private rented products
- Implement Housing Strategy
- Maximise opportunities for housing and regeneration in London arising out of institutional changes following a possible change of government

**Fairer London** – this means closing the gap between rich and poor Londoners in terms of health housing, education, skills and opportunity; with a focus on improving and encouraging healthier lifestyles in the most disadvantaged groups.

### Improving Opportunities for Young People

- Expand opportunities to join uniformed groups of all kind through YouLondon
- Provide more mentoring for young people at greatest risk
- Expand opportunities through apprenticeships
- Increase participation in sport
- Encourage the expansion of the Mayor's Fund

### Improved health outcomes for Londoners

- Implement the Health Inequalities Strategy working with partners within and outside the GLA family
- Increase participation in sports and physical activity

**Safer London** – this means reducing crime and the fear of crime; with a focus on tackling violent youth crime so that young people feel safe growing up in London.

### Reducing crime and fear of crime

- Renewed focus on violent crime, particularly knife crime, gangs and hate crime
- Continued emphasis on public transport and town centre safety
- Maximising front-line visible policing by redeploying officers from back office roles
- Recruit more special constables

**Honest government** – this means leading a government for London that delivers value for money, is open transparent and responsive to the needs of Londoners.

### Improved access and openness to information

- Provide greater transparency of process and performance
- Enable wider access to public data
- Encourage a wider digital engagement

The Greater London Authority Strategic Plan 2010-12 details all the work that the GLA will be undertaking to make the Mayor's vision a reality. The Strategic Plan can be downloaded from the GLA's website: <http://www.london.gov.uk/who-runs-london/greater-london-authority>

## **Delivering efficiencies from co-operating with others, outsourcing, partnerships and shared services.**

- 1 This Appendix sets out a requirement on all the GLA Group to prepare a schedule which shows the progress and potential for delivering efficiencies across the GLA Group from co-operating with others, outsourcing, partnerships and shared services.
- 2 By the deadline of 30 July each body in the GLA Group is asked to answer the following question for each of its services:

### **Have you, or are you planning to, co-operate, outsource, partner or share with others in your service provision?**

- 3 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.
- 4 If the answer is **no**, the service is asked to explain why none of these approaches to delivering efficiencies is considered appropriate.
- 5 Each body in the GLA Group must use its own working definition of 'services' which is appropriate to the nature of its organisation. However, it is expected that the term will be applied so that common generic services across the Group, such as IT, HR, Finance, FM, Property, Press and Marketing can be reviewed collectively. It is important that potential opportunities across the Group are not lost by services being defined at both too high or too low a level. Further discussion will be held across the GLA Group on this definition and further guidance will be issued as necessary
- 6 Additionally, where a service considers itself to be a centre of excellence and feels that it has both the capacity and willingness to potentially run services on behalf of other parts of the GLA Group this should also be set out.
- 7 Please contact David Gallie, Assistant Director – Finance, if further information is required on this Appendix,

## Financial information required by 30 September from Functional Bodies

### Component budgets

#### Service Analysis

1. The main financial element of the final budget submissions will be an analysis of budget proposals by service division/objective for the three years 2011/12 to 2013/14 with comparative figures for 2010/11 budget and 2009/10 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 specific grants
- ◆ Transfers to and from reserves
- ◆ Any other financial charges and adjustments
- ◆ The resultant budget requirements.

2. If service division/objective analysis is revised from that used for 2010/11, then the figures for the previous year should be re-stated on a comparable basis.
3. The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2010/11, 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
- ◆ Specific government grants
- ◆ Use of reserves
- ◆ Any other significant reasons.

#### Subjective analysis

4. A subjective analysis must also be submitted covering the three-year plan period 2011/14, including a comparison with 2010/11 figures.

### New initiatives and service improvements

5. A clear distinction must be made between full year effects of new activities approved in 2010/11 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 new services and service improvements, including those to be funded by a redeployment or more effective use of existing resources.
6. Given the changed tone of this budget guidance from earlier years, 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 2011/12 to 2013/14. 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

7. The functional bodies are required to make savings to deliver the cash limited budget set for 2011/12 and, where appropriate, exemplify further savings at the cash limits specified (both are set out at paragraph 5 of the main text of the guidance). This requires a thorough examination of the existing cost base to identify both possible savings (including maximising income) and any effect on service levels should the savings be implemented. Therefore an analysis should be provided, which includes:

- ◆ 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, & 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 2011/12 to 2013/14, should be shown in the analysis on a cumulative basis i.e. ongoing savings should be reflected in all years
- ◆ The savings that will be achieved through collaborative working with other members of the GLA Group (NB. This should be reconciled to the efficiencies to be reported at Appendix C).
- ◆ A comparison/reconciliation of the amount of savings with any government targets

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



- ◆ Progress in achieving efficiencies and savings agreed as part of the 2010/11 budget, including the latest available estimate of projected financial performance in 2010/11 and a comparison to 2009/10 outturn.

### **Reserves and general balances**

9. 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, 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 2010 to 31 March 2014
- ◆ In the case of earmarked reserves held for purposes beyond 31 March 2014, an indication should be given as to when they are likely to be applied
- ◆ Proposed allowances for contingencies separately identified and justified.

### **Inflation factors**

10. There is no specific guidance for pay and inflation rates to be used. 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. It should be noted that the GLA is assuming for its own budget no pay award in 2011/12 and is making no provision for non-pay inflation (i.e. it is moving to a cash budget for 2011/12 to assist the delivery of its own savings targets).

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

11. To help meet 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

12. 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 2010/11 to 2013/2014. 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 March 2010, 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

13. 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 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 2011/12 to 2013/14
  - ◆ 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 changing forecast interest costs on 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.

## Appendix E

### GLA savings by directorate for 2011/12

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 – of £7,625k
- (iv) External Affairs: fixed premises costs for the Brussels Office – lease, service charges and rates – of £64k
- (v) Resources: capital financing costs of £2,731k
- (vi) Resources: net contribution to reserves of £9,381k.

Directorate / type	2010/11 GLA budget	1.5% grant reduction	3% grant reduction	5% grant reduction
External Affairs: staff + other	£4,832k	£97k	£169k	£242k
External Affairs: programme	£1,803k	£36k	£63k	£90k
Comms. + Int.: staff + other	£5,642k	£113k	£197k	£282k
Comms. + Int.: programme	£3,053k	£61k	£107k	£153k
Chief Exec. & Resources	£14,143k	£283k	£495k	£707k
Museum of London	£8,125k	£163k	£284k	£406k
Dev. + Env.: staff + other	£6,274k	£125k	£220k	£314k
Dev. + Env.: programme	£1,907k	£38k	£67k	£95k
Private Office	£3,464k	£69k	£121k	£173k
<b>Total</b>	<b>£49,243k</b>	<b>£985k</b>	<b>£1,723k</b>	<b>£2,462k</b>

## Budget Timetable for the Mayor and Assembly component budgets

<b>11 May</b>	Mayor's Budget Guidance issued
<b>11 May to 28 May</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> </ul>
<b>1 June to 25 June</b>	<ul style="list-style-type: none"> <li>◆ GLA Management Team to meet to discuss emerging savings options and to ensure consistency of approach</li> </ul>
<b>30 July</b>	<ul style="list-style-type: none"> <li>◆ Deadline for all GLA directorates (with the exception of the Assembly Secretariat) to submit savings proposals for 2011/12 based on the three options available (losses of grant of:-1.5 per cent, -3 per cent and -5 per cent)</li> </ul>
<b>6 September – 24 September</b>	<ul style="list-style-type: none"> <li>◆ Challenge process led by the Mayor's Budget Advisor and involving all Mayoral Advisers (does not apply to the Assembly Secretariat)</li> </ul>
<b>23 September</b>	<ul style="list-style-type: none"> <li>◆ BMAC meeting to consider Assembly Secretariat savings options</li> </ul>
<b>24 September</b>	<ul style="list-style-type: none"> <li>◆ Deadline for the Assembly Secretariat to submit its savings proposals</li> </ul>
<b>14 October</b>	<ul style="list-style-type: none"> <li>◆ Initial GLA budget proposals (including Assembly Secretariat) to be considered by the Assembly's Budget and Performance Committee</li> </ul>

*Remainder of timetable as for the GLA Group*

### 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