

The Mayor's Budget Guidance for 2016-17

28 July 2015

Executive Summary of the Mayor's Budget Guidance for 2016-17

The Budget Guidance for 2016-17 reflects the requirement on the GLA Group to deliver the Mayor's policy priorities against a challenging and uncertain financial situation. Set out below is a summary of the key points in this guidance.

The Mayor's key policy priorities, which are to be reflected in the Group's financial planning, can be summarised, as follows:

- Deliver value for money across the Group to free up resources for services and cut the Council Tax precept by 10 per cent by the end of his second term;
- Promote jobs and growth through programmes and initiatives at the metropolitan and local level;
- Increase the supply of affordable homes, delivering 100,000 over two Mayoral terms and 42,000 in 2015-18. Unlock and accelerate the delivery of at least 50,000 homes through at least 20 Housing Zones across London, a decade-long close partnership with London Boroughs;
- Boost regeneration and the quality of life of Londoners by driving up standards in London's schools, making London greener and cleaner and encourage volunteers to do something great for their city;
- Reduce key neighbourhood crimes by 20 per cent and boost public confidence in the police by 20 per cent, whilst cutting policing costs by 20 per cent;
- Make London a safer city by operating a world class fire and rescue service for Londoners and visitors;
- Reduce Tube delays by 30 per cent by the end of 2015, decrease the number of people killed or seriously injured on our roads in London by 50 per cent by 2020, deliver the £4 billion Roads Modernisation Plan, including implementation of the Mayor's £1bn Vision for Cycling, introduce a new 24 hour Tube service on five lines at weekends from September 2015 and deliver Crossrail 1 and the Northern Line Extension and to take forward Crossrail 2;
- Promote and deliver the Olympicopolis and the regeneration of the Queen Elizabeth Olympic Park and surrounding area, maximising the legacy of the Olympic and Paralympic Games;

- Secure the long term comprehensive regeneration at Old Oak and Park Royal;
- Present London's case to Government and internationally as the world's destination for investment, tourism and talent; and
- Plan for London's future by putting in place policies and strategies to seize the opportunities and address the challenges, securing tomorrow's infrastructure.

There is uncertainty about the level of funding the GLA Group will receive in future years. There were few indications of Government grant allocations made in the Chancellor of the Exchequer's Summer Budget on 8 July 2015 and detailed figures across all the GLA Group will not be received until later this year. There remains a high degree of volatility in rating appeals which affects the GLA's receipt of retained business rates. Against the background the Budget Guidance sets out the process for budget submissions from the functional bodies covering the next three financial years, 2016-17, 2017-18 and 2018-19.

The Mayor's consolidated Budget for 2015-16 agreed in February 2015 set out indicative levels of funding from Government grants, retained business rates and Council Tax precept for each member of the GLA Group for 2016-17. Except where there has been more recent information issued these indicative allocations have been used as the basis for an estimate of the level of support that will be available for 2016-17 and future years. Accordingly, this guidance sets out an overall figure for the general funding the Mayor intends to provide to each functional body from resources directly under his control for 2016-17 together with indicative allocations for the following two financial years. These assumptions will be kept under review as the budget process proceeds and information becomes available.

The Mayor's manifesto commitment is to cut his share of the Council Tax precept by at least 10 per cent phased over his second term and to guarantee a cut every year. Accordingly the Mayor confirms that he intends to reduce the precept by £19 to £276 at Band D in 2016-17.

The GLA's final council tax contribution towards the £625 million cost of the Olympic and Paralympic Games funding by the £20 London council taxpayers will be made in 2016-17. The budget guidance assumes that £12 of this will be withdrawn in 2016-17. The on-going use or withdrawal of the expected residual £8 Band D council tax from 2017-18 would on this basis be for the new Mayor to decide, subject to the London Assembly's the power to amend. Accordingly, set out below is how the Mayor intends to deliver his Council Tax reduction strategy over the last year of his second term.

	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Olympic precept reduction (£)	-	-3.72	-4.00	-4.00	-7.00
Olympic precept reduction (£)	-	-	-	-	-12.00
Band D Council Tax (£)	306.72	303.00	299.00	295.00	276.00
Cumulative change in precept compared to start of second term (%)	-	-1.2	-2.5	-3.8	-10.0

If the Council Tax precept had increased by 2 per cent per annum over the Mayor's second term in line with the maximum permitted, the Band D level in 2016-17 would be £332 – some £56 or 20 per cent higher than the Mayor's plans.

The Mayor intends to consult the Assembly and functional bodies on his intentions for draft budget proposals in October 2015. However, the Mayor specifically requests that all functional bodies prepare to make a financially balanced budget submission in accordance with this guidance by the end of November 2015. The GLA's budget for the Mayor and Assembly will be considered at the Budget and Performance Committee on 19 November 2015. These deadlines are critical to meet the statutory requirement for draft budget proposals to be issued for consultation in December 2015.

This Budget Guidance 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.

In summary, this Budget Guidance will be challenging for the GLA Group to implement. However, despite uncertainty inherent in the GLA Group's funding position, plans are well advanced across the GLA to meet this challenge.

Boris Johnson

Mayor of London

28 July 2015

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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 members of the GLA Group for the 2016-17 Budget, with specific guidance for functional bodies. Separate more detailed guidance will be issued for the preparation of the component budgets for the Mayor and Assembly.
- 1.2 The 2016-17 budget process in summary requires members of the GLA Group to:
- prepare their 2016-17 budget submissions on the basis set out in this Guidance;
 - await preliminary draft budget proposals being issued by the Mayor for consultation with each of the functional bodies in October 2015 and make a formal response to these proposals;
 - present the Mayor and Assembly component budgets to the Budget and Performance Committee on 19 November 2015;
 - make a full and final budget submission to the Mayor by the end of November with proposals that ensure their budget is within the funding envelope specified;
 - consider and respond to the publication of the Mayor's draft consolidated budget which is to be published in mid-December 2015; following which
 - from then and through to late February 2016 the Assembly will consider the Mayor's budget proposals.
- 1.3 A more detailed Budget Timetable is attached as Appendix A.
- 1.4 In the 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. In particular, as the Government makes clearer its intentions for public expenditure over the next few months, this Guidance 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.

- 2.2 The Executive Summary to this Guidance sets out the Mayor's key policy priorities. Members of the GLA Group are required to reflect these priorities, where relevant, in their business plan and budget proposals.
- 2.3 However, the Mayor's requirement that members of the GLA Group make a budget submission within the overall funding envelope specified does set an important constraint on the level of growth that will be available to finance new policy priorities. Therefore, functional bodies will generally be required to absorb growth proposals from within their overall resources.

3 Budget proposals

- 3.1 The key deadline for each functional body:

By 27 November 2015 in the light of preliminary draft budget proposals issued by the Mayor, to make a full budget submission as specified below and at Appendix B.

- 3.2 It is expected that a functional body's response by the end of November 2015 will be a public document and not be issued as private advice to the Mayor. It is important to emphasise that this submission will not conclude the GLA's budget process. However, it is expected that proposals submitted will be sufficient for each functional body to set a financially balanced budget for 2016-17 within the funding envelope specified and will include all the information required by this Guidance.
- 3.3 Regular officer meetings between the GLA and each functional body will be held to discuss the material to be submitted by the end of November 2015 and to advise of any subsequent developments and resolve any queries that might arise.
- 3.4 Before the full and final submission from functional bodies, the Mayor expects to draw up draft budget proposals by mid-October 2015. He will require comments on these proposals from functional bodies with their full budget submissions at the end of November 2015.

4 Budget and business plans

- 4.1 The business plans to be submitted by 27 November must:

Cover at least the period 2016-17 to 2018-19.

Set out what is planned to be achieved in high-level terms over that period.

Appendix B to this guidance provides further information on the financial information to be provided.

- 4.2 The above information and matters raised in the responses will be taken into account when the Mayor issues his budget proposals, which will be subject to wider consultation, on or around mid-December 2015.
- 4.3 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 and 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 functional bodies to seek to minimise these burdens.

5 Financial planning guidelines

- 5.1 The Mayor firmly believes that value for the national and council taxpayer must drive the development of forward plans for the GLA Group. Subject to any further guidance issued later in the year, budget plans should be prepared on the assumptions as set out below for the GLA and its functional bodies. At this stage no commitments are made about the allocation of any volume growth on retained business rates.
- 5.2 The table below sets out the Mayor's provisional allocation of those revenues over which he has direct control and is free to allocate across the GLA Group to the Functional Bodies. The allocations for the GLA and Transport for London may be revised to take into account any variations in actual and forecast retained business rates income receivable as advised by the 33 London billing authorities. The table also shows expenditure control totals for the GLA and incorporates both the Mayoral and Assembly budget components.

	Budgeted Funding from Funding Streams Directly Controlled and Allocated by the Mayor (Council Tax, Council Tax Freeze Grant, Retained Business Rates including associated section 31 grants and Revenue Support Grant)
GLA	£171.3m in 2015-16 (including £7.2m notionally for the London Assembly).
	£167.8m in 2016-17 (including £7.05m notionally for the London Assembly)
	£152.1m in 2017-18 (including £6.9m notionally for the London Assembly)
	£152.9m in 2018-19 (including £6.75m notionally for the London Assembly)
LFEPA	£382.4m in 2015-16, 2016-17, 2017-18 and 2018-19
MOPAC	£566.6m in 2015-16, 2016-17, 2017-18 and 2018-19
TfL	£853.5m in 2015-16
	£862.0m in 2016-17
	£881.7m in 2017-18
	£903.4m in 2018-19

(NB. Figures for the GLA and LFEPA include Revenue Support Grant but figures for MOPAC and TfL exclude general Government grants paid to the Mayor for policing and transport).

GLA

- 5.3 The figures for the GLA show expenditure control totals for the Mayor and Assembly and include sums planned to be drawn from and transferred to the Mayor's Resilience Reserve. The Assembly is asked to make savings at an equivalent level to that of the Mayor.

LLDC

- 5.4 The Mayor is committed to providing long term support for LLDC running costs of £10 million per annum. However, in light of the ending of the three year funding provided by Government to help establish LLDC, the Mayor agreed to provide funding of £17 million in 2015-16, but reducing to £13.8 million in 2016-17. The Mayor confirms his intention that LLDC should prepare plans based on this level of support in 2016-17 and that in 2017-18 and 2018-19 this will reduce to £10 million. LLDC will continue to have a net nil component Council Tax requirement and these sums will be provided from within the Mayor's own component budget.

OPDC

- 5.5 On 1 April 2015 the OPDC was established as a new functional body and so it will have its own component budget and separate legal process for setting its budget. However, for the purposes of budget setting it is proposed to treat the OPDC in a similar way to the LLDC and initially it is to be regarded as being financed from the GLA's capital and revenue resources (i.e. OPDC will have a net nil component Council Tax Requirement and will not receive funding directly from Retained Business Rates or Revenue Support Grant). Accordingly, £3.4 million per annum has been provided to meet the running costs of OPDC in 2015-16 and 2016-17 from within the GLA's budget. However, no budget provision has been made thereafter. Any further GLA funding required will be dependent upon the priorities and requirements identified by the OPDC Board, the levels of external funding secured and whether OPDC is successful in its efforts to achieve section 33 VAT status.

LFEPA

- 5.6 The Mayor has committed to fund LFEPA to avoid any further major frontline re-alignment over the lifetime of the Fifth London Safety Plan by compensating for further cuts in Revenue Support Grant and fire specific grants. Accordingly, the Mayor has set LFEPA's core funding at £382.4 million. However, the Mayor has issued a Direction to LFEPA to not bring the 13 appliances, held back from day-to-day deployment as a contingency, back into use while the different budget options are considered. The Mayor has asked specifically that LFEPA bring those budget options back to him by the end of November.

MOPAC

- 5.7 Despite the additional reductions in Government grants for MOPAC, the Mayor reiterates his commitment to maintain a police officer establishment at around 32,000 for 2016-17. MOPAC are requested to draw up their submission on this basis.

TfL

- 5.8 The Mayor's funding to TfL assumes that their share of the precept remains at £6m pa and that TfL's share of retained business rates increases in 2016-17 by an assumed RPI at September 2015 of 1%. This assumes that the Government will reimburse local authorities fully for any new business rates reliefs granted to ratepayers and the ongoing cost of any below RPI cap applied to the increase in the non-domestic rating multiplier. The retained rates allocations within the funding requirement may be revised before the Mayor's final to take into account any shortfalls in revenues compared to these baseline assumptions reported by the 33 London billing authorities, changes in business rates policy and the actual uplift in the NNDR multiplier for 2016-17 allowing for any compensating government grants. The Mayor specifically requests TfL to present a balanced budget submission which does not affect the overall outcomes and programmes in TfL's approved Business Plan, particularly from their existing approved Capital Programme.
- 5.9 The Mayor's expectation at this stage is that TfL should seek to ensure any reduction in their funding is, met by identifying extra efficiencies so that transport investment in London can be maintained to unlock jobs, homes and growth. In order to achieve the objectives above, TfL will need to deliver on-going reductions and efficiencies, on top of those in their existing Business Plan, to meet pressures in 2016-17 and later years.

6 Review process

- 6.1 The planning guidelines will be kept under review in light of the 2014-15 out turn and any indication that government grant levels already announced might change. Further guidance may be issued once the collection of retained business rates in 2014-15 is finalised and audited. Other supplementary guidance will be circulated if necessary during the budget process.

7 Capital

- 7.1 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 Budget Guidance requests that functional bodies integrate their Capital Spending Plans and the Revenue Budget together into one overall budget submission by the end of November 2015. The capital plans should also include proposed borrowing limits for 2016-17 to 2018-19. 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 2016.

- 7.2 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 2015-16, including any change in the level of headroom between their 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.
- 7.3 Under the Group Investment arrangements where the GLA manages the treasury functions for LFEPA, LLDC and MOPAC, it is envisaged that there will be close working across the GLA Group in the financing of the Mayor's Capital Plan.

8 Reserves

- 8.1 For the purposes of making the savings proposals in the full budget submissions by the end of November 2015, functional bodies should assume no new 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 upfront 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.

9 Efficiencies

- 9.1 As in earlier years the Mayor requires members of the GLA Group to split overall savings proposals between efficiencies and savings.

10 Public sector equality duty

- 10.1 As public bodies, the GLA and the functional bodies must comply with section 149 of the Equality Act 2010, which provides for the "public sector equality duty". This duty requires each body to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity, and to foster good relations between people who share a protected characteristic and those who do not. The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation.
- 10.2 The Mayor requires that each functional body ensures that their budget submission fully discharges their public sector equality duty. Accordingly, the Mayor strongly advises that each functional body include a full equality statement in their budget submission. These statements will form the equality statement that the Mayor will publish as part of his Budget proposals for 2016-17.

11 Collaborative Procurement

11.1 Set out below is the initial forecast of cashable savings for 2015-16 and 2016-17 arising from the Collaborative Procurement project. These forecasts were based on historical spending levels and will be revised and refreshed to reflect actual and forward estimates of spending. The delivery of savings is being monitored through the GLA Group Collaborative Procurement Board and if it is considered that a functional body is not making sufficient progress to realise the anticipated savings from Collaborative Procurement the Mayor may reduce his proposed funding levels.

Initial Forecast of Cashable Savings from the Collaborative Procurement Project

Functional Body	2015-16 Third Party Expenditure Savings	(Increase) / Decrease in Annual Operational Costs	2015-16 Cashable Savings	2016-17 Third Party Expenditure Savings ²	(Increase) / Decrease in Annual Operational Costs	2016-17 Cashable Savings
	£'000	£'000	£'000	£'000	£'000	£'000
TfL ¹	1,158	-104	1,054	3,976	-104	3,872
MOPAC	636	-88	548	1,116	-88	1,028
LFEP A	70	16	86	204	16	220
LLDC	21	50	71	284	50	334
Subtotal	1,885	-126	1,759	5,580	-126	5,454
One-Off Implementation Costs						-576
Grand Total						4,878

1. The TfL savings data includes savings for the GLA because TfL delivers the GLA's procurement function.
2. The 2016-17 savings figures are cumulative rather than incremental i.e. the additional savings made in 2016-17 over and above those achieved in 2015-16 are forecast to be £3.695 million (£5.454 million less £1.759 million)

12 Managing the budget process

- 12.1 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.

13 Dialogue with budget consultees and contacts

- 13.1 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 will maintain a dialogue with, and provide information to, key stakeholders.
- 13.2 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 2016-17 Budget process and there will be a requirement for members and officers of each functional body to attend Committee meetings as appropriate.
- 13.3 If any further information or clarification is required on this guidance then please contact: David Gallie, Assistant Director – Group Finance on 020 7983 4968 or e-mail: david.gallie@london.gov.uk.

Annex A

Budget Timetable

28 July 2015	Mayor's Budget Guidance issued.
28 July to 27 November 2015	Budget preparation in each of the functional bodies (FBs).
Mid-October 2015	Preliminary draft budget proposals prepared and issued for consultation with FBs and Assembly.
19 November 2015	Budget and Performance Committee considers the component budget for the Mayor and Assembly.
27 November 2015	Assembly/FBs responses received to draft budget proposals issued, including full and final budget submissions from the FBs on all aspects of the 2016-17 Budget as specified in this Guidance and at Appendix B.
Mid- December 2015	Following the publication of the provisional Local Government, Fire and Police Settlements, issue the draft consolidated budget, including Capital Spending Plans and borrowing limits. Statutory scrutiny of Mayor's budget proposals starts.
27 January 2016	Assembly to consider draft consolidated budget.
22 February 2016	Assembly consideration of final draft consolidated budget.
29 February 2016	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.

Annex B

Financial information

Required by 27 November 2015 from Functional Bodies

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 2016-17 to 2018-19 with comparative figures for the 2015-16 Budget and forecast outturn and actual 2014-15 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 income from general Government grants and specific Government Grants issued by relevant Government Departments.
- ◆ Transfers to and from earmarked and general reserves
- ◆ Any other financial charges and adjustments
- ◆ The resultant Council Tax requirement.

2. If the service division/objective analysis is revised from that used for 2015-16, 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 2015-16, separately identifying changes 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 (including any funding to be provided from retained business rates)
- ◆ Use of reserves
- ◆ Any other significant factors.

TfL are specifically requested to analyse changes in fares, charges and other income and to isolate the effects of inflation.

Subjective analysis

4. A subjective analysis must also be submitted covering the three-year plan period 2016-17 to 2018-19, including a comparison with 2015-16 figures.

New initiatives and service improvements

5. A clear distinction must be made between the full year effects of new activities approved in 2015-16 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.
6. 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 2016-17 to 2018-19. 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 should be repeated in all years.

Savings and efficiencies

7. Functional bodies will be required to make savings to set a financially balanced budget for 2016-17 within the funding envelope and format specified in this Guidance.
8. The impact of savings proposals for 2016-17 needs to be set out so that the Mayor's duties to consult on his budget can be discharged. The Mayor requires functional bodies to split overall savings proposals as specified in the Guidance between cashable efficiencies and savings. It is for each functional body to split savings between these categories however non-cashable efficiencies are to be excluded.
9. The following information on savings is to be supplied by 27 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 and efficiencies to be achieved in 2016-17.
- ◆ As described above the achievement of savings targets must be split between cashable efficiencies and savings.
- ◆ The savings should be shown in the analysis on a cumulative basis (i.e. ongoing savings should be reflected in all years) but also savings should be shown on an incremental basis (i.e. the additional net new savings to be made in each year) to transparently show the scale of new savings.

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

Progress in achieving efficiencies and savings agreed as part of the 2015-16 Budget including the latest available estimate of projected financial performance in 2015-16 and a comparison to the 2014-15 outturn.

Reserves and general balances

11. 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, but mindful of the guidance on reserves and balances in this document, the GLA and the functional bodies must provide:

- ◆ A statement of policy on reserves and contingencies. Proposed allowances for contingencies should be separately identified and justified. (NB. Contingencies are defined as in the statutory budget calculations). If no contingency is proposed, then a description and explanation as to where within their overall budget appropriate provision for contingencies has been made.
- ◆ 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 2015 to 31 March 2018.
- ◆ In the case of earmarked reserves held for purposes beyond 31 March 2018, an indication should be given as to when they are likely to be applied.

Inflation factors

12. 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 limits and any nationally or locally agreed pay deals. 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. Again TfL are specifically requested to isolate the effects of inflation in their submission.

Robustness of estimates and adequacy of reserves

13. 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.

Public sector equality duty

14. Functional bodies are asked to address their public sector equality duty in their budget submissions as set out in the Guidance above.

Borrowing Limits

15. 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:

Capital spending

16. 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 the revenue budget to the capital spending plan.

Capital expenditure

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

project / directorate as appropriate:

- The name / title / category / directorate / service.
 - 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 outturn and revised budget for 2015-16 and projected costs for 2016-17 to 2018-19.
- ◆ Proposed spending on common themes across the GLA group.
 - ◆ Justification for any increase in capital expenditure over the relevant 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 / financing 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 its impact on service delivery.

Format of the submission

17. Functional Bodies should ensure that their budget submission is made as one cohesive document which covers all the points in this Appendix and that there are no omissions. Budget submissions should be presented in a format that readily allows public scrutiny. The Mayor expects all Functional Bodies to fully comply with the requirements set out in this guidance.