

Budget and Performance Committee response to the Draft GLA Budget for 2011-12

This document sets out the Budget and Performance Committee's response on behalf of the Assembly to the Draft Mayor and Assembly budget. We welcome the opportunity to question the Mayor's Chief of Staff and senior GLA staff about this and are grateful for the time spent by officers to support this process.

This response seeks to clarify the Committee's approach to its scrutiny of the GLA budget and highlight areas where we expect to see further information available to inform the Assembly's examination of the final budget proposals. It is structured around three themes: a robust appraisal of the financial risks to which the budget is exposed; the savings identified and the impact of the shared services programme; and prudent establishment control.

1. A robust appraisal of the financial risks to which the budget is exposed

At our Committee meeting on 24 November we acknowledged the uncertainty which will remain in next year's GLA budget until the GLA grant settlement has been announced in mid-December. Potentially a bigger factor is future LDA funding for current GLA activities, such as sports participation and events, and Mayoral priorities currently undertaken at the LDA – international promotion, youth programmes and regeneration (including through climate change programmes) – for which government funding has not been confirmed beyond this year.

Since our meeting we have been provided with additional information in relation to the £18 million of LDA funding for GLA activities which had been anticipated in 2011/12.¹ It shows that over £14 million of it is committed to third parties, which would present problems if the funding is withdrawn. However, because of the remaining uncertainty we have focused to date on appraising the planning processes in place rather than having a predominant expectation of a fully developed set of savings proposals and budgets at this stage.

The Mayor's Chief of Staff stated at the outset of our last Committee meeting that there were "known unknowns".² We understand that to disclose details of possible contingency measures that may not be required could lead to unnecessary distress among those affected. Stopping short of this, however, we would have welcomed in the Draft Budget a statement outlining the principal areas of uncertainty.

Such a statement could have taken the form of a log of relevant risks including planned and ongoing mitigating actions being taken by the Mayor and officers, and approximate timelines for when outstanding issues would be resolved and clarity gained. While not provided in this format, or to this level of detail, LFEPA's base budget submission provides a useful list of risks drawing attention to the reasons why the budget may yet be subject to further pressures outside of their control.³ We hope that this approach will be applied to all areas of the GLA group when developing budgets.

¹ Letter from the Mayor's Chief of Staff to the Chairman of the Budget and Performance Committee, 06/12/10

² Sir Simon Milton, Mayor's Chief of Staff, Budget & Performance Committee, 24/11/10.

³ LFEPA Base Budget 2011/12-2014/15, p6/41

Conventionally there is less detail in the Draft Consultation Budget on the GLA budget than that offered through the previous separate consultation with the Assembly. Given the lack of available information about future funding at this stage of the process this year, it would be helpful for the Committee if the same level of detail could be supplied again in the Draft Consultation Budget once grant settlements are known.

The Committee recommends that the Draft Consultation Budget should include a schedule of outstanding risk and uncertainty to which the GLA budget is exposed, including details of changes made to the budget in response to risks that have materialised following the initial consultation.

The Committee notes the reasons given for not providing indicative budgets for years beyond 2011/12 at this stage, but expects this to be provided in the Draft Consultation Budget once grant allocations are known for the next four years. Furthermore, the Committee requests the same level of report detail as provided in the recently submitted Draft Mayor and Assembly Budget. The presentation should support open comparison between years, so for instance we would like to see the addition of columns for the prior year budgets in all cases, including the sections setting out individual directorate and programme level budgets.

2. The savings identified and the impact of the shared services programme

The Committee notes that 86 per cent of the £3.3 million of savings over £50,000 already identified have come from non-staff areas and programme budgets, and include both efficiencies and cuts to funding such as the support for school visits to London Zoo and the London Wetlands Centre.⁴ The Committee understands the immediate need to find savings, and has heard that to some extent 2011-12 will be a transitional year while plans are developed to deliver year-on-year efficiencies over the remaining 3 years of the CSR period to 2014/15.⁵

In July the Mayor's Budget & Performance Advisor, Nicholas Griffin, described to the Committee his project which aims to deliver around £500 million savings from the £2.2 billion of combined procurement across the GLA.⁶ While we note Mr Griffin's estimate that this could take up to two years to achieve, the Draft Budget did not provide an update on this work or a timeline of when it would in fact realise savings. Mr Griffin cited examples of organisations where savings had been achieved more quickly than two years, and given the financial context it would be worth exploring the barriers to achieving such rapid results at the GLA. At the Committee meeting of 2 November with the functional bodies there were doubts raised over whether shared services was an accepted means of achieving efficiencies. For example, the Managing Director of Finance at TfL, Steve Allen, stating that they "have not predicated

⁴ Based on Draft GLA Budget for 2011-12, Annex A: GLA savings and growth for 2011-12

⁵ Sir Simon Milton, Mayor's Chief of Staff, "Next year is about keeping things going in order to have enough time to evaluate what the most sensible long term planning would be". Budget & Performance Committee, 24/11/2010

⁶ Nicholas Griffin, Mayoral Advisor for Budgets & Performance, Budget & Performance Committee, 13/07/10

anything in [their] savings plans on savings from delivery of working with the other functional bodies".⁷

The Committee has since received information on the progress of fifteen shared services work streams, including audit, human resources and ICT.⁸ It shows that only the sharing of democratic services between the GLA and LFEPA so far has an implementation date and that the scope of seven of the fifteen potential initiatives has not been determined. Among the work streams yet to be scoped up is procurement which, we were led to understand, has the greatest potential to offer savings. This limited progress raises questions about the basis for the total savings estimate provided in July and the level of priority given to this programme.

By making savings against back-office and procurement spend substantial relief could be given to areas where cuts would be more likely to directly affect the services Londoners receive. For the GLA budget this is likely to become more crucial as City Hall takes on more front line activity under devolution plans. We do also acknowledge, though, the fact that approximately 6,000 people in the GLA group work in the areas potentially affected by the shared services programme.⁹

The Committee would welcome further information on the fifteen shared services initiatives listed by the Mayor's Chief of Staff. This should include the following where it is available:

- **An explanation of the deliverables of each initiative, including the areas affected**
- **Implementation costs to date and total forecast**
- **Total anticipated net saving, including a breakdown of the contribution of each initiative to the total anticipated savings from shared services (£500 million)**
- **Barriers to implementation and actions to overcome them**
- **Number of staff potentially affected**
- **Future plans showing how and when each initiative will deliver savings**

We would also like this information for the seven initiatives that are due to scoped up between January and March 2011 as soon as it is available.

3. Prudent establishment control

It is significant that savings from staffing budgets constitute only a small proportion of the overall savings identified to balance the budget for 2011/12 with the seven per cent grant cut scenario used. With the exception of the necessary growth to the pay budget to fund the increase in employer national insurance contributions, and the posts for Resilience, staffing savings amount to just 14 per cent of the total when looking at savings over £50,000. Given the large annual savings requirement over the CSR period, it is likely that staffing budgets will

⁷ Steve Allen, Managing Director of Finance TfL, Budget & Performance Committee, 02/11/2010

⁸ Letter from the Mayor's Chief of Staff to the Chairman of the Budget and Performance Committee, 06/12/10

⁹ Nicholas Griffin, Mayoral Advisor for Budgets & Performance, Budget & Performance Committee, 13/07/10.

need to contribute a more substantial contribution to future savings. Excluding key commitments, staff costs account for 50 per cent of City Hall's total budgeted expenditure.¹⁰ The Mayor's Chief of Staff, Sir Simon Milton, stated in the Committee meeting on 24 November that due to the "dramatically different funding scenario there will be, again, the need for some more fundamental re-evaluation".¹¹

Given an inevitable change to the Mayor's strategic objectives that may result from reduced funding, and the new functions moving into City Hall as a result of devolution, the organisation will need to establish the skills it needs to deliver its future priorities. With this in mind it seems sensible to keep a close control over the growth to the current structure, particularly with regard to the numbers employed in managerial roles, at least until the outcome of the next round of restructuring has been completed. Failing to do this could make it more difficult and costly to implement the new structure.

We have learnt that from September 2009 to September 2010, since Organising for Delivery, the number of staff in post has increased by 42 to 623.¹² Over the same time period the number of staff in post with salaries of £40-60,000 has increased by 59 (30 per cent) to 257. Employees in this salary range now make up 41 per cent of the total number of staff employed.

While we recognise the net savings available from post deletions submitted to BMAC, there are questions around whether the creation of new posts going forward is wise given the likely imminent need to review the entire organisational structure.¹³ As such the Committee would welcome information on corporate policy for the creation of new posts in advance of more fundamental organisational change.

¹⁰ Draft GLA Budget for 2011-12, GLA Subjective Budget Analysis 2011-12, p10. Staff costs as a percentage of Total expenditure less: Museum of London, Crossrail, Elections, capital financed from reserves, and the Olympic Funding Agreement.

¹¹ Sir Simon Milton, Budget & Performance Committee Meeting 24/11/10

¹² 581 staff in post 30 September 2009, GLA workforce report, Year ending 30 September 2009, Issue 12. 623 staff in post 30 September 2010, GLA workforce report, Six months ending 30 September 2010, Issue 14.

¹³ BMAC, 24/11/10, Agenda item 6 Creation and Deletion of Posts