

Response to the Mayor's consultation draft budget 2010/11



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Greater London Authority

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Budget and Performance Committee Members

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Role of the Budget and Performance Committee

The Budget and Performance Committee scrutinises the Mayor's budget proposals and holds the Mayor and his staff to account for financial and general performance. The committee has also looked at other budget issues such as the cost of neighbourhood policing, and bus and Tube fares.

The Budget and Performance Committee is responding to the Mayor's consultation on the 2010/11 draft budget for the GLA group, on behalf of the London Assembly, which must be consulted by the Mayor under the GLA Act 1999 (as amended).

Contacts:

Tim Steer, Scrutiny Manager
020 7983 4250 tim.steer@london.gov.uk

John Barry, Committee Co-ordinator
020 7983 4420 john.barry@london.gov.uk

William Roberts, Budget and Performance Adviser
020 7983 4958 william.roberts@london.gov.uk

Kirk Sutton, Budget and Performance Adviser
020 7983 4681 kirk.sutton@london.gov.uk

Lisa Moore, Media Officer
020 7983 4228 lisa.moore@london.gov.uk

Contents

1. Introduction and overview	6
2. Metropolitan Police Authority	14
3. London Fire and Emergency Planning Authority	22
4. Transport for London	25
5. London Development Agency	29
6. Greater London Authority	36
Appendix 1 Recommendations	39
Appendix 2 Orders and translations	41
Appendix 3 Principles of scrutiny page	42

1. Introduction and overview

The purpose of the report and our approach

This report – supported by a majority of the Budget and Performance Committee¹ – is the formal response on behalf of the Assembly to the Mayor's consultation draft budget for 2010/11. The budget was published in December and confirmed the Mayor's decision to implement a second consecutive freeze to the council tax precept for the GLA. It was published in the context of uncertainty about future levels of funding from the Government and continuing difficult economic conditions.

Our October 2009 Pre-Budget Report focused on the extent to which front line services could be protected. Ensuring the provision of public services is the core function of the Metropolitan Police Authority (MPA), the London Fire and Emergency Planning Authority (LFEPA) and Transport for London (TfL). We also noted that the activities of the London Development Agency (LDA) to support London's businesses and stimulate the economy were also at serious risk as a result of diminishing resources.

In this response to the consultation draft budget, we seek to build on the analysis undertaken for our Pre-Budget Report. We revisit its recommendations and the responses to them from the Mayor and the functional bodies. Our specific recommendations in relation to individual functional bodies are included in the following chapters on each of the organisations. For the chapter on the Mayor and Assembly component of the Greater London Authority (GLA) budget, our December 2009 recommendations in response to the Draft Strategic Plan and budget proposal for the Mayor and Assembly are referred to, although responses have not yet been received. In this response, we also draw on the Mayor's answers at the Budget and Performance Committee meeting on 7 January.

In this first chapter we look to bring out some themes which apply across the GLA Group and the following table presents the first three, more general, recommendations of our Pre-Budget Report with the Mayor's responses.

¹ The Conservative Group on the London Assembly does not support the Committee's response.

Pre-Budget Report recommendations and responses

Recommendation 1	Summary of Response
<p>The Mayor should set out his analysis of the key risks to the future funding of the functional bodies, setting out as far as possible at what level of cuts front-line services would be put at risk.</p>	<p>The grant levels set by the most recent spending review end with the 2010/11 financial year and there had been no formal indication from Whitehall of the likely grant levels for 2011/12 and 2012/13.</p> <p>However, the Mayor asked the MPA, LFEPA and the GLA to explore two options for 2011/12 and 2012/13 – based on a standstill grant and a year-on-year reduction of 1.5% but still prioritising resources for front line services.</p> <p>The Mayor did not request any further analysis of any other hypothetical grant level but focussed on continuing to make the case for London, through, for example, his support for Crossrail, better Overground services in South London and through measures being put in place by the GLA Group to aid London's economic recovery.</p> <p>The Mayor also lobbied the Government in the run-up to the Chancellor's pre-budget report to ensure that London got the best deal possible. Those same messages would also be relayed to the national government after the general election.</p>
<p>Note: See the section "Risks to the budget and making the case for London" below.</p>	

Recommendation 2	Summary of Response
<p>It should be the key priority of the Mayor in the next 12 months to ensure that, whichever party is in government from June 2010, London's services are protected. By highlighting the significant savings achieved and planned by the functional bodies in recent years the Mayor should highlight the risks to services of further cuts in the next Comprehensive Spending Review. The Mayor should work to build a broad public consensus, including London boroughs and the Assembly, to argue for the protection of London's services by ensuring a fair return for London's contribution to the exchequer. The Mayor should report back to the Committee on the steps he is taking to make the case for London by February 2010.</p>	<p>The Mayor has regarded making the case for London as a key priority of his Mayoralty. That is why he launched his 'Investing for Recovery - A New Deal for London' report which sought to protect investment in London's infrastructure and demonstrated that he and his team were actively engaged with London Councils and a range of other key partners in this vitally important activity. The critical period of lobbying would be in the immediate aftermath of a national government being elected in 2010. At that stage decisions about the funding settlement for 2011/12 and beyond would begin to be made. It would therefore seem that February would be a little too early to be able to report back in any meaningful way.</p>
<p>Note: See the section "Funding in future years and making the case for London" below.</p>	

Recommendation 3	Summary of Response
The Mayor must ensure that the functional bodies demonstrate in their business plans how their expenditure relates to his policy themes and priorities as set out in the strategic plan. Expenditure should be linked to these priorities, and related outputs and targets, so that the expected outcomes from this expenditure are clear.	The Mayor asked the functional bodies to follow his budget guidance in the budget submissions they made to the GLA. The budget guidance followed the themes contained in the GLA's strategic plan and given that the functional bodies' business plans underpin their budget submissions, there should be a consistency with the strategic plan.
Note: Please see the section "Delivering the Mayor's priorities" and the Greater London Authority chapter below.	

The size of London Government and the role of the Mayor and the GLA

In the context of a recession and as the general election approaches there is something of a national debate about the appropriate size and role of the public sector. Discussing his role and that of the GLA Group, the Mayor made the following remarks at our Committee meeting on 7 January:

I don't see any particular need to reduce the strategic ambitions for the GLA. Nor do I see that we need to prune back our role and our representation of people in this city. But obviously I'm motivated by a desire to bear down sensibly as far as we can on people's burden of taxation. [...]

I do think that there is scope for bearing down on taxation, reducing the precept, reducing waste, without in any way being philosophically opposed to a very strong, vigorous and dynamic government for London. [...]

In relation to the recent restructure of the core GLA:

We did think there were areas we could do more with less and be more efficient. [...] I'm not going now to claim, boast, that the GLA has achieved the Platonic form of London government. [...] Doubtless there is further scope for improvement and doubtless there are more economies that we could find. There may be some areas where we need to do more and there may be some areas where actually we need to recruit some more. [...]

Regarding the Mayor's role in addressing inequalities:

We are putting additional resources into things that address inequalities and that's a very important part of what you've got to do as Mayor of London. [...] In the course of campaigning for Mayor and becoming Mayor, it has been for me in many ways an education in the vital importance of looking after people who find life tough.

Funding for London government

For the second year running the Mayor has chosen to freeze the council tax precept for the GLA. The consultation draft budget confirms that the GLA part of the council tax will remain at £310 for at band D property in 2010/11.² The level of revenue collected through the precept has implications for the services which Londoners receive, the size and shape of the GLA Group and, ultimately, the role of the Mayor. The Committee notes in this context that the precept represents a relatively small proportion (less than 10 per cent³) of the funding for the functional bodies.

That said, revenue collected through the precept has become more important in the light of a decline in government funding available for the GLA Group – for example, Government core grant funding for the LDA is budgeted to fall by £57 million (15 per cent) in 2010/11⁴ – and income from fares which is forecast to be around £100 million less than budgeted for in 2009/10.⁵

The Mayor announced his intention to maintain the precept at the 2009/10 level on 5 October 2009. In relation to the considerations he made before taking his decision, the Mayor told us that freezing the precept was “a decision that reached itself”. He indicated that by summer 2009 he knew it would be feasible to propose no increase for the second year running.⁶

In contrast, the beginning of 2010 marked the second consecutive above-inflation fares rise. Fares, like the precept, are under the control of the Mayor and the draft consultation budget includes a

² Consultation draft budget, p. 5

³ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 19

⁴ Consultation draft budget, p. 34

⁵ Consultation draft budget, p. 29

⁶ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

contribution from average increases of 12.7 per cent to bus fares and 3.9 per cent to Tube fares.⁷

The cost of running London's transport network is largely shared between national taxpayers – through a government grant – and London fare payers, although balance is projected to shift towards fare payers as the share of grant falls from 84 per cent in 2009/10 to 77 per cent by 2017/18.⁸ The contribution from the council tax precept has in recent years been limited to £12 million – a nominal amount in the context of TfL's budget.

The Mayor has two major decisions to make each year in relation to the GLA Group's income: on the precept and on fares. When asked how he made these decisions for 2010/11, he told us there were "two separate arguments going on".⁹ As both of these decisions have a significant bearing on the total revenue available to the Mayor, it is notable that there is not a discussion in the consultation draft budget of the financial implications of the fares decision – something we call for in the chapter below on TfL.

Savings through efficiencies, protecting front line services

In the consultation draft budget, the Mayor highlights "£0.5 billion of additional savings next year [2010/11] and a total of £2.4 billion over the next three years, recognising the severe public spending constraints facing the country".¹⁰ TfL is due to make savings of £1.9 billion between 2009/10 and the end of 2012/13 and more than £5 billion to 2017/18.¹¹ The consultation draft budget also sets out savings to be made in each of the other functional bodies.

Reductions in staff numbers and other ways of achieving greater efficiency are being looked at across the GLA Group. Of TfL's savings, a 27 per cent reduction in non-operational overheads is anticipated by 2012, compared with 2009/10.¹² The core GLA's Organising for Delivering programme has resulted in a reduction in the permanent staff headcount of 13 per cent and a saving of £3.7 million in

⁷ Mayor of London, news release GLA/2009/518, 15 October 2009

⁸ TfL Business Plan 2009/10 – 2017/18 – data from Table 6, p. 90. The DfT grant as a percentage of total income falls from 84 per cent (£2,887m / £3,443m) in 2009/10 to 77 per cent (£3,791m / £5,533m) in 2017/18.

⁹ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

¹⁰ Consultation draft budget, p. 2

¹¹ Consultation draft budget, p. 23

¹² Consultation draft budget, p. 31

2010/11.¹³ Staffing changes at the LDA have resulted in a reduction in the number of posts of nearly 30 per cent.¹⁴

The Mayor told us that he is determined to protect front line operations while bearing down on costs.¹⁵ He is satisfied that the reduced levels of spending on MPA, LEFPA and TfL set out in the budget can be implemented without the need for cuts to services. However, particularly for the MPA and LEFPA, it is difficult to assess the impacts of changes without a measure of front line service capacity.¹⁶ In this response we repeat our call on the MPA and LEFPA to develop such a measure – only then will it be possible for the Mayor to shift the focus away from the raw numbers to make a convincing case that changes in 2010/11 and beyond are resulting in, for example, more “front line crime fighters”, as the Mayor insists.

In relation to TfL, the Mayor explained that he requested assurances that the maximum possible efficiency savings were being achieved before he was willing to make the decision to put up fares.¹⁷ As we noted above, TfL is being asked to make savings over £5 billion by 2017/18 – double the amount which had been identified in last year’s budget. This suggests that, at TfL at least, the Mayor may be pushing at the limits of the efficiency savings possible before reductions in service become inevitable – a situation the Mayor said he wants to avoid.¹⁸

Risks to the budget

There are risks to the 2010/11 budget. A key risk in the next year is the increasing cost of upgrading the London Underground network. The Public Private Partnership (PPP) Arbiter has recently made a draft determination indicating that Tube Lines is likely to be able to claim £400 million more than TfL has allowed in its Business Plan to maintain and upgrade the Jubilee, Northern and Piccadilly lines.¹⁹

Another organisation in a position of financial uncertainty is the LDA which, as a result of cuts in its government grant and internal financial mismanagement, will experience programme budgets reduced by

¹³ Consultation draft budget, pp. 1, 9 & 52

¹⁴ See, for example, *LDA to slash 173 jobs*, Regen.net, 23 July 2008

¹⁵ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

¹⁶ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 31

¹⁷ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

¹⁸ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

¹⁹ PPP Arbiter, Analytical approach to calculating ISC: Consultation draft, 17 Dec 09

around 30 per cent in 2010/11. Saying, “we will obviously be cutting our clothes to suit our cloth”,²⁰ the Mayor indicated that the LDA would not be able to deliver the whole of its intended work programme. We discuss the future of the LDA in more detail in the chapter below.

Funding in future years and making the case for London

In future years there is a risk that government funding for local and regional government could diminish across the board as public sector finances nationally become more constrained. 2010 will see a Comprehensive Spending Review to determine the Government’s spending for the three years from 2011/12 to 2013/14, including its grants to all parts of the GLA Group except TfL where there is a funding agreement in place to 2017/18. We understand that Treasury figures show departmental spending on public services falling by almost 3 per cent a year in real terms. That figure would rise to nearly 5 per cent if spending on areas such as health and overseas aid is protected.²¹

In his financial guidelines for the functional bodies, the Mayor asked the GLA, MPA and LFEPA to plan for two scenarios from 2011/12: a freeze in government grants and a cut of 1.5 per cent.²² As we said in our Pre-Budget Report, we have no reason to conclude that these scenarios are unreasonable.²³ Nevertheless, there is a high level of uncertainty and it is possible they are optimistic.

The Mayor told us his strategy for future precept decisions is for it to remain as low as possible without jeopardising services.²⁴ As such, if cuts to services are to be avoided, the Mayor may not be able to continue to freeze the precept in the event that there are significant cuts to government grants.

The Mayor assured us he is doing everything possible to persuade the Government to maintain funding levels for the capital.²⁵ However, compared to its contribution to the national economy, London receives less government expenditure than any other region of the

²⁰ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

²¹ Robert Chote, Director of the Institute for Fiscal Studies, Budget and Performance Committee meeting, 13 October 2009

²² Mayor of London, Budget Guidance 2010-11, June 2009

²³ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 29

²⁴ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

²⁵ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

UK.²⁶ In our Pre-Budget Report 2009, we recommended that a key priority of the Mayor should be to “work to build a broad public consensus, including London boroughs and the Assembly, to argue for protection of London’s services by ensuring a fair return for London’s contribution to the exchequer”.²⁷

The Mayor considers that the “critical period of lobbying” will be immediately after this year’s general election,²⁸ although he recently published *Investing for Recovery – A New Deal for London*, making the case jointly with London Councils for more funding from central government for the capital.²⁹ The Committee will continue to monitor how the Mayor is presenting the case for London to the Government, particularly in the wake of the general election this year.

²⁶ Mayor of London (previous), *The Case for London*, March 2004, p. 177

²⁷ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 2

²⁸ Mayor of London, Sixteenth Mayor’s Report to the Assembly, 7 December 2009

²⁹ London Councils and Mayor of London, *Investing for Recovery – A New Deal for London*, December 2009

2. Metropolitan Police Authority

Pre-Budget Report recommendations and responses

Recommendation 4	Summary of Response
The Mayor should ask the MPA to publish by the start of the 2010/11 financial year details of its funding sources including those from outside bodies, such as London boroughs, and how these contribute to policing levels.	The Mayor would ask the MPA to publish details of its principal funding sources before April 2010 together with a high-level assessment of the risks to operational performance of losing that income.
Note: The committee will review the information requested by the Mayor when it is made available by the MPA.	

Recommendation 5	Summary of Response
The MPA should produce a measure of frontline service capacity by April 2010 so that the service impact of budget savings can be understood.	The Authority and Service continue to develop their performance management framework and information systems to provide a better analysis of how officers are deployed.
Note: See section "Staff numbers and a measure for front line service capacity" below.	

Recommendation 6	Summary of Response
The Mayor should report MPA progress on bringing forward savings projects in his response to this report. The response should include the section of the MPA's draft budget submission on outstanding issues and uncertainties. This should include a risk assessment of savings projects not being successfully advanced and savings having to be made by reducing front line service capacity in 2011/12 and 2012/13.	Details of MPA savings would be included in the consultation draft budget proposals.
Note: See section "Savings and efficiencies" below.	

Recommendation 7	Summary of Response
<p>The Mayor should report MPA progress on bringing forward savings projects in his response to this report. The response should include the section of the MPA's draft budget submission on outstanding issues and uncertainties. This should include a risk assessment of savings projects not being successfully advanced and savings having to be made by reducing front line service capacity in 2011/12 and 2012/13.</p>	<p>Details of MPA savings would be included in the consultation draft budget proposals.</p>
<p>Note: While the budget proposal contains a breakdown of identified future savings it does not give an explanation of what effect these savings will have on front line service capacity or any assessment of the risk that savings projects will not be successful. See section "Staff numbers and a measure of front line capacity" below.</p>	

Recommendation 8	Summary of Response
<p>The MPA should continue to explore the possibility of increasing borrowing to bring forward capital programmes and makes a decision before the end of the 2010/11 budget setting process. Particular attention should be placed on the possibility of bringing forward capital programmes that will provide revenue savings over the next three years.</p>	<p>In June 2009 the Authority agreed to increase borrowing by £60m over three years (2009-12) to support increased capital spending. The additional £60m was built into the 2010/11 and 2011/12 budgets to support the Authority's capital programme.</p> <p>There are no plans to increase borrowing further because it is believed that there is little room for manoeuvre with regard to increasing project management capacity within the Service. Also, further capital financing costs could only be accommodated if savings elsewhere within the revenue budget were found.</p>
<p>Note: The Committee notes the response and will monitor how effectively the £60 million of additional borrowing for the capital programme is used by the MPA through the Budget Sub-Committee.</p>	

Recommendation 9	Summary of Response
<p>The MPA should provide details of the rationale for increasing its general reserve. It should explain what consideration has been given to using the general reserve to advance capital programmes or to provide a contingency against possible reduced capital receipts.</p>	<p>Revenue funds are being used for capital investment financing purposes. During 2009/10 and 2010/11 £13m and £9m respectively are being made available from an earmarked revenue reserve to boost capital expenditure.</p> <p>Use of the general revenue reserve is reviewed on a regular basis as part of our budget and business planning process. The Authority's policy, however, is to maintain the revenue general reserve of at least 2% of net revenue expenditure. At the start of 2009/10 the figure stood at 1.8% although when combined with the Emergency Contingencies Fund this equates to approximately 2.7%.</p> <p>Realisable estimates for the generation of capital receipts over the period 2010/11 to 2016/17 have been factored into the capital programme. If reduced capital receipts should arise then all opportunities for bridging the funding gap would be explored. However, the MPA is mindful of the need to build resilience into the balance sheet to cope with unforeseen events and growth in reserves should also be seen in this context.</p>
<p>Note: The use of revenue reserves to boost capital expenditure is noted. The Budget Sub-Committee will continue to monitor the MPA's approach to using reserves for capital programmes in light of estimated capital receipts being achieved or not in the period up to 2016/17.</p>	

Staff numbers and a measure for front line service capacity

The Deputy Commissioner told the Committee in September 2009 that he was confident budget savings could be found without reducing officer numbers or significantly reducing front line services.³⁰

However, the consultation draft budget and the 2010-13 Business Plan outline reductions of 455 trained police officers (approximately 1.5 per cent) and 179 officer recruits by 2012/13. For the coming year, nine fewer police officers and 180 fewer officer recruits are anticipated.³¹

The consultation draft budget says the MPA "faces major challenges" in managing police officer numbers with future funding levels. It

³⁰ The Deputy Commissioner of the MPS and Vice Chair of the MPA speaking at the Budget and Performance Committee meeting on 16 September 2009

³¹ Consultation draft budget, p. 17 and Policing London Business Plan, Supporting Financial Information p. 9

describes Operation Herald which is designed to address this issue by recruiting 900 civilians to staff custody suites and allow the redeployment of an expected 550 officers to fill frontline vacancies over the next three years.³²

In the past, we have called for the MPA to produce a measure of front line services so that the service impact of budget savings can be understood.³³ The lack of such a measure inevitably means that the focus will continue to be on officer numbers. We were told in November 2008 that such a measure would be in place for 2009/10.³⁴ However, an analysis of how savings and efficiencies will affect front line services is still unavailable. As a result, it is difficult to assess the service impacts of projects such as Operation Herald.

The Mayor told the Committee that the number of police officers out on the street was the appropriate measure of police capacity. He said it was his intention that there would be as many or more “front line crime fighters” in 2012 than there were in 2008. He did not accept that this would necessarily mean more police officers overall.³⁵

Employee costs account for approximately 78 per cent of net expenditure and the MPS is already operating at a lower staff to officer ratio than most similar forces.³⁶ As pressure increases to find what the Deputy Chair of the MPA described as “big ticket savings”³⁷ from 2011/12, questions remain as to whether the savings required from the MPA will result in further cuts to officer numbers. It will become even more important that there is a measure in place for monitoring the effect savings will have on front line services.

³² Consultation draft budget, p. 17

³³ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 5

³⁴ Chair of the MPA Finance and Resources Committee speaking at the Budget Monitoring Sub-Committee, 5 November 2008

³⁵ Mayor of London, Budget and Performance Committee meeting, 7 Jan 2010

³⁶ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 35

³⁷ Deputy Chair of the MPA speaking at the Budget and Performance Committee meeting, 22 July 2008

Recommendation 1

We reiterate our previous recommendation that a measure of front line service capacity should be in place by April 2010 so that the service impact of budget savings can be understood.³⁸ If the Mayor's intention is to maintain the number of police officers out on the streets at the same time as overall officer numbers diminish, such a measure will be crucial for him to demonstrate that is the case.

Savings and efficiencies

Last year's budget for 2009-10 resulted in the MPA receiving the lowest budget increase of all forces in England and Wales – a 1.75 per cent uplift from the previous year.³⁹ To balance the 2010/11 budget, the MPA has found £101 million of savings. Added to those made during 2009/10, this will bring to £299 million the total level of savings achieved over two years (around 5 per cent of its total spending over the same period).⁴⁰

70 per cent of budget reductions in 2010/11 will come from Operational Services and Support Services, indicating that the budgeting principle of prioritising public facing services is being followed.⁴¹ However, a point may come where cuts to administrative support start to affect how much time officers can give to front line policing.

In the Mayor's request to the MPA to prepare a draft budget he asked for "any impact and implications for front line services" as a result of proposed savings and efficiencies to be made clear.⁴² It is unclear whether the Mayor has been given more detailed information on the likely effects of these reductions. However, as we noted in relation to the 2009/10 budget, without further publicly available analysis, it is difficult to assess whether these budget reductions are the result of genuine efficiencies – where front line services are not affected – or if they will result in service reductions.⁴³

³⁸ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 5

³⁹ MPA, Resources and Productivity Sub Committee, Agenda item 5, 3 December

⁴⁰ Consultation draft budget, p. 17

⁴¹ Draft Policing London Business Plan 2010-13, Supporting Financial Information, section 6.5

⁴² Mayor's letter to Catherine Crawford, Acting Treasurer of the MPA, 6 Nov 2009

⁴³ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 33

Savings to balance the 2010/11 budget have been identified, but further savings of £111 million and £145 million are required to make the 2011/12 and 2012/13 budgets balance. The 2010-13 Business Plan states that ‘the level of potential reductions in 2011/12 and 2012/13 represent significant challenges to the Service and are likely to impact on front line services’.⁴⁴

Recommendation 2

The Mayor should publish the information he has received from the MPA about the implications for front line services of proposed savings and efficiencies.

Reductions in the precept contribution

Despite the total GLA precept income increasing by £7 million to £922 million (due to a 0.75 per cent increase in the council tax base), the contribution given to the MPA has fallen by £16.4 million in 2010/11. As an indication of the scale of this reduction, £16.4 million is equivalent to the cost of paying for approximately 270 police officers (around 1 per cent of the total number) for the year.⁴⁵

Previous increases in the precept contribution to the MPA have been made on the basis of increases to officer numbers, particularly for safer neighbourhood teams.⁴⁶ The table below shows the annual changes in precept contribution to the MPA:

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	10/11
	Total	Annual increase							Total
£m	444	+77	+39	+47	+41	+16	-4	-16	645

As we noted in our Pre-Budget Report, Kit Malthouse, Deputy Chair of the MPA, said the following to the Committee in September:

“It is always open to the Mayor to supplement the money that the police gets through the precept. He says policing is important to him and we will be having discussions with him about what his precept strategy is.”⁴⁷

⁴⁴ Draft Policing London Business Plan 2010-13, Supporting Financial Information, section 5.8

⁴⁵ Approximate average cost of a police officer is £61,000 a year.

⁴⁶ Mayor of London Council tax leaflets, particularly 2004/05 and 2006/07

⁴⁷ Kit Malthouse, Budget and Performance Committee meeting, 16 September 2009

Overtime and the budget pressures reserve

A total overspend of some £16.6 million is forecast for 2009/10.⁴⁸ The majority of the overspend results from unanticipated demand for policing at events, such as the G20 summit and Tamil and Climate Camp demonstrations. Discussions are ongoing with the Government over the possibility of receiving extra funding for costs associated with the G20 summit, however, no additional funding is expected for policing the demonstrations.⁴⁹

The MPA forecasts it will overspend on its overtime budget by £24 million (16 per cent above the budget of £153 million) in 2009/10.⁵⁰ There has been an overspend on overtime every year for nearly a decade.⁵¹ Despite this historic overspend, the budget for overtime costs in 2010/11 is £147 million – a 17 per cent reduction on the forecast spend in 2009/10.⁵²

Previous experience would suggest that this budget is unlikely to be achieved unless there are plans to reduce the reliance on overtime to cover unanticipated calls on resources. The consultation draft budget and draft Business Plan do not provide an explanation of how the MPA believes such savings on overtime in 2010/11 can be made.

Recommendation 3

In the context of consistent overspends on overtime, the budget should include an explanation of how the MPA anticipates staying within the reduced budget for overtime during 2010/11.

The MPS holds a reserve specifically for dealing with fluctuations in the budget due to unanticipated costs. The 'budget pressures reserve' currently holds £19.6 million.⁵³ However, with a forecast overspend for 2009/10 of £16.6 million, it seems likely that part of the budget pressures reserve will be used this year, and there are no plans to build up the budget pressures reserve during 2010/11.

⁴⁸ Consultation draft budget, p. 17

⁴⁹ Policing London Business Plan 2010-13, Draft Supporting Financial information, section 4.7

⁵⁰ Policing London Business Plan 2010-13, Draft Supporting Financial information, section 5.1

⁵¹ MPA Finance Committee reports since 2001/02 all show an overspend compared to original budget for overtime costs.

⁵² Draft Policing London Business Plan 2010-13, page 41

⁵³ Draft Policing London Business Plan 2010-13, Supporting Financial Information, section 14.9

The purpose of the budget pressures reserve is to ensure that one-off, unanticipated events, such as the Tamil demonstration, can be funded without having to make a call on other areas of the police budget. However, the combination of a depleted budget pressures reserve and a reduced overtime budget increases the risk that the costs of unanticipated events in 2010/11 could adversely affect everyday policing.

Recommendation 4

The Mayor's response to these recommendations should explain how unanticipated calls on resources in 2010/11 would be met if the budget pressures reserve has been run down by the end of 2009/10.

3. London Fire and Emergency Planning Authority

Pre-Budget Report recommendations and responses

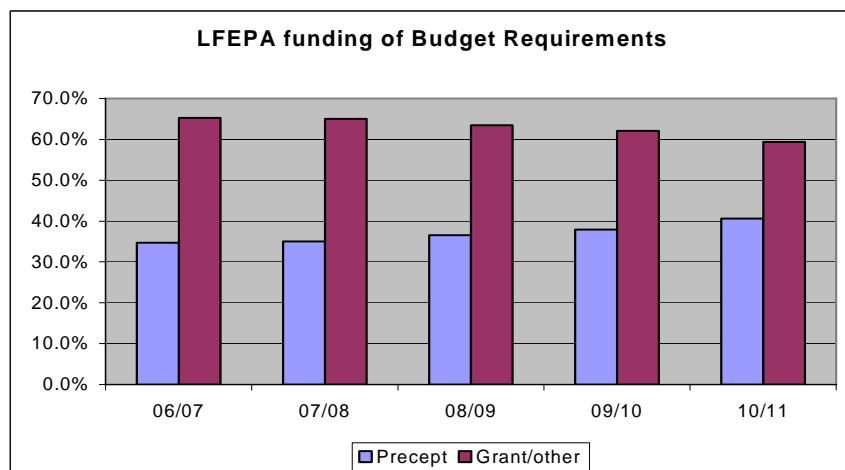
Recommendation 10	Summary of Response
The Mayor should clearly differentiate between the front line services LFEPA is maintaining and services undertaken by operational fire and rescue staff that are not considered front line services, and in particular in which category fire prevention falls.	<p>The Mayor said in his budget guidance that his priority was to “maintain front-line services by continuing to modernise service delivery arrangements and maximising benefits from a risk-based approach to fire safety issues”.</p> <p>LFEPA’s draft London Safety Plan for the next three years confirmed the commitment to maintain front line services to the public. It was designed to carry forward LFEPA’s continuing commitment to modernisation; to achieve a professionally focused and supported fire and rescue service in London; and to deliver value for money in everything that it does. It included a range of efficiencies which would be reflected in the budget. These would enhance front line services delivered to the public.</p> <p>Fire prevention remains an absolute priority and is counted as part of LFEPA’s front line services.</p>
Note: See section “Savings, changes to the establishment and the effect on front line services” below.	

Recommendation 11	Summary of Response
<p><i>Recommendation 11</i></p> <p>The Mayor should provide an updated statement on the sale of 8 Embankment Place and the level of risk to LFEPA of that sale not being completed or for a lower price than previously assumed.</p>	<p>The developer had prepared a scheme which was ready to be submitted for planning permission. LFEPA’s Finance, Procurement and Property Committee in January will give further consideration to the scheme. The Authority’s capital programme has been reviewed and will be manageable for 2010/11 if the scheme should be delayed or not go ahead (as will be set out in the draft Capital Spending Plan which will be considered by the Assembly’s Budget and Performance Committee in January). Any changes for future years will be reviewed in the light of the outcome of current discussions.</p>
Note: The Committee will look at this in more detail when we carries out our review of the draft Capital spending Plan.	

LEFPA funding

The government grant for LFEPA has risen by 4.8 per cent over five years, with an increase of 0.5 per cent in 2010/11. The contribution of the council tax precept has increased more quickly to meet cost increases associated with inflation and an increasing requirement for resources – the precept contribution to LFEPA has increased by 35 per cent in the past three years, including a proposed 12.5 per cent annual increase in 2010/11. The proportion of LFEPA’s funding met from

government grant has fallen from 64 per cent to 59 per cent over the past five years.⁵⁴



LFEPA reserves have been allocated to cover operational spending in last few years. However, from 2010/11, now that LFEPA's reserves have been reduced to the planned level of 2.5 per cent of the total budget requirement, operations will be entirely funded by grant and precept contributions.

In order to maintain the freeze in the council tax, the increase in resources for LFEPA means a reduction of £16.4 million in the precept contribution to the MPA, although it is a relatively small proportion of total MPA expenditure (0.5 per cent).⁵⁵

Savings, changes to the establishment and the effect on front line services

The target for efficiency savings at LFEPA is £19 million by the end of the three year period to 2010-11, including £5.7 million in 2010-11 (1.3 per cent of expenditure).⁵⁶ The consultation draft budget proposes £1.9 million of efficiency savings to the establishment, including the removal of 16 fire-fighter posts by the end of 2010/11. The removal of these posts will be enabled by the creation of four strategically located "bulk extinguishing materials centres".⁵⁷

⁵⁴ Sourced from GLA Group budgets from Dec 2005-09.

⁵⁵ Confirmed by Sue Budden, Head of Finance, LFEPA, Budget and Performance Committee meeting, 16 September 2009.

⁵⁶ Consultation draft budget, p. 21

⁵⁷ Consultation draft budget, pp. 19 & 21

The three-year forecast requires additional efficiency savings in the establishment of £6.4 million.⁵⁸ The budget says, “The impact of other proposed initiatives is currently under discussion and may lead to further changes to the establishment in future years.” Changes are designed to carry forward LFEPA’s “commitment to modernisation” and “deliver value for money”.⁵⁹

In our October 2009 Pre-Budget Report we recommended that the Mayor clarify which activities undertaken by operational fire and rescue staff are considered front line services and which are not, and into which category fire prevention falls.⁶⁰ The Mayor’s response confirmed that fire prevention “remains an absolute priority and is counted as part of LFEPA’s front line services”. However, it did not indicate the activities undertaken by operational fire and rescue staff which are not considered core front line services and therefore available for cost reductions.⁶¹

As the Mayor’s consultation draft budget notes, further efficiency savings “may lead to further changes to the establishment in future years”. It is incumbent on the Mayor to demonstrate that in driving down costs he is protecting front line services.

Without a working definition of front line services it remains unclear which operations of the London Fire Brigade the Mayor is prepared to cut. Without cuts, further increases to the LFEPA share of the council tax precept will be needed, which are likely to have consequences either for the MPA’s precept contribution or the total paid by Londoners.

Recommendation 5

Any further proposals to reduce the London Fire Brigade establishment should be accompanied by an analysis of the implications for front line services.

⁵⁸ Consultation draft budget, p. 61

⁵⁹ Consultation draft budget, p. 21

⁶⁰ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 10

⁶¹ Mayor’s Report, 2 December 2009, section 60 response to the Pre-Budget Report

4. Transport for London

Pre-Budget Report recommendations and responses

Recommendation 12	Summary of Response
The Mayor should provide a detailed description of the efficiency savings identified by TfL to date and progress towards identifying the £5 billion target he recently announced.	Details of TfL's planned efficiency savings will be included in my budget proposals being released on 10 December.
Note: See section "Savings and efficiencies", below.	

Savings and efficiencies

TfL is due to make savings of £1.9 billion between 2009/10 and the end of 2012/13 and more than £5 billion to 2017/18. The consultation draft budget indicates that £446 million of savings will be achieved in 2010/11, which is nearly 5 per cent of TfL's budgeted gross expenditure.⁶²

TfL's savings plans should be seen in the context of an increase in expected savings between last year's budget and this from £2.4 billion to over £5 billion by 2017/18. The three-year savings required by the individual modes have been increased from those set out in last year's budget:

Savings targets for 2010/11 – 2012/13			
£m	2010/11	2011/12	2012/13
LU	171	233	257
Surface Transport	136	178	175
Corporate and Group	130	184	188
London Rail	8	11	10
Total gross savings	446	606	629

In our Pre-Budget Report we noted that it was, at that stage, unclear both where these would be found and their potential effect on key services.⁶³ The consultation draft budget says the savings programme includes "hundreds of initiatives, ranging from small scale local savings projects to high value contract negotiation and organisational change programmes". It also lists a number of examples of areas in which

⁶² Consultation draft budget, pp. 23 & 31

⁶³ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 57

savings are anticipated.⁶⁴ However, there is no information about the scale of savings from each area or the potential impacts of changes.

The bus subsidy is an example of an area where savings are due to be made. TfL's Business Plan outlines a reduction in the level of bus subsidy from a peak of over £700 million on 2008/9 to £450 million by 2017/18. The level of bus service provision will reduce by eight million kilometres (1.5 per cent) over the same period, although GLA Economics forecasts that population and employment in the capital will continue to rise.⁶⁵

To realise short-term savings in the bus subsidy, a TfL Board paper outlines plans to make reductions to bus services, discontinue the Quality Incentive Contracts 2 scheme (designed to improve bus quality) and remove bus service development budgets. These proposals are not detailed in the consolidation draft budget and we have no further information about their potential implications for passengers.

Recommendation 6

The draft budget sets out the Mayor's expectation that TfL should make savings of around 5 per cent of its total spending. We remain concerned that TfL's plan to achieve this requirement remains unclear. The final budget should set out in more detail, with timescales, the contribution of savings in specific areas to the total target. It should also highlight the implications for services, as well as jobs at TfL.

The budget draws attention to the fact that large spending areas for TfL are bound up in long-term contracts such as the PPP, PFI and bus operating contracts, meaning short term savings are more difficult to achieve as only a proportion of expenditure is "reducible". Nonetheless, the 2010/11 consultation draft budget quotes reducible costs of nearly £5 billion (just over half of TfL's gross annual expenditure), compared with just under £2 billion last year.⁶⁶

⁶⁴ Consultation draft budget, p. 64

⁶⁵ TfL, Business Plan 2009/10 – 2017/18, November 2009 and GLA Economics population projections to 2016, October 2009

⁶⁶ Consultation draft budget 2010/11, Appendix D, p. 65; compared with Consultation draft budget 2009/10, Appendix D, p. 63 (details of reducible costs were not included in the agreed 2009/10 budget document).

Recommendation 7

The final consolidated budget should set out where the extra £3 billion of reducible costs since the prior year have been found.

Cost increases

Increases in the costs of upgrading the Underground network as a result of the collapse of Metronet previously led to a scaling back of the stations refurbishment and step-free access programmes. TfL has recently acknowledged that there have also been “pragmatic scope reductions” to the Tube Lines contract to bring down the price of the work.⁶⁷ Nonetheless, the Arbiter published a draft direction on 17 December 2009 indicating that the cost will be £4.4 billion – £400m more over the next 7½ years than TfL’s Business Plan allows for.⁶⁸

The Assembly has on several occasions expressed concern that the costs anticipated in TfL’s Business Plan for the PPP agreement with Tube Lines might be exceeded.⁶⁹ The Business Plan and the consultation draft budget are based on London Underground’s assessment of the appropriate future costs of the PPP agreement with Tube Lines, even though the PPP Arbiter has indicated that actual costs will be higher.

The Mayor told the Committee that his approach to mitigating the risk of increases in the cost of the PPP contract was first for London Underground to continue negotiating with the Arbiter in an attempt to bring down the price in his final determination, and second to appeal to the Government for additional funding.⁷⁰

Impact of the fares decision

Average increases of 12.7 per cent to bus fares and 3.9 per cent to Tube fares came into effect on Monday 4 January 2010.⁷¹

The TfL Business Plan takes account of the Mayor’s 2010 fares decision and assumes future fares increases of RPI plus two per cent. Despite assuming higher fares increases, the Plan incorporates a downward revision to fares income of almost £700 million to 2017/18. The main reason for the decrease to the expected fares revenue is the

⁶⁷ TfL Board Paper, *PPP Update*, 10 December 2009, para 2.1

⁶⁸ PPP Arbiter, Press Notice 02/09, 17 December 2009

⁶⁹ See, for example, Transport Committee, *Delays possible*, March 2009, Rec 1

⁷⁰ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

⁷¹ Mayor of London, news release GLA/2009/518, 15 October 2009

projected reduction in demand for travel compared with the previous version of the Plan. Reduction in demand is principally driven by two factors: the economic downturn – which is most noticeable on the Underground – and fares increases, which have more of an effect on bus ridership.

Income collected by the GLA from fares is considerably larger than that raised through the council tax precept – £3.4 billion compared to £915 million in 2009/10⁷² – so the Mayor’s annual decision on the level of fares has a substantial effect on the GLA budget for the following year. Nevertheless, the consultation draft budget does not include the same kind of information about the financial implications of the fares decision as is provided in relation to the council tax precept.

Recommendation 8

The final consolidated budget should include a commentary on the financial implications of the Mayor’s fares decision and the contribution of fares to the GLA Group’s available revenue.

⁷² Consolidated budget, 2009/10

5. London Development Agency

Pre-Budget Report recommendations and responses

Recommendation 13	Summary of Response
The LDA should provide an explanation of work carried out to ensure that other budget shortfalls do not exist and the budget is based on accurate and up-to-date information. It should include assurance from senior management that they are satisfied with controls and systems in place at the LDA and that they believe the budgets are based upon a true and fair representation of the LDA's financial position.	The LDA has undertaken a detailed project scrutiny exercise that has analysed projects to determine the adequacy of their budget. This has been based on accurate and up to date information signed off by Group Directors. There have been a number of reviews of controls and systems in place at the LDA, and the actions arising from them will largely be completed by the end of this financial year. These improvements will reduce errors, improve controls and seek to highlight errors and instances of non-compliance.
Note: See section "Confidence in the LDA's management financial management" below.	

Recommendation 14	Summary of Response
The Committee is unconvinced that current LDA targets are a useful tool for assessing the Agency's effectiveness. Targets should be benchmarked against previous performance and other regional development agencies. The LDA should provide an updated list of programme targets for 2009-2012 that takes into account the reduction in programme budgets due to the Olympic budget shortfall.	Current LDA targets are benchmarked against previous performance and those of the other RDAs. The targets for 2009/10 were not changed in response to the adjustment of programme budgets following the Olympic budget shortfall because the Agency's overall budget remained the same. The Agency accepts that the metrics currently used can be improved. The new Investment Strategy contains a new set of performance indicators that will provide a more robust assessment of the Agency's impact. The LDA would welcome comments on these indicators from the Assembly and will publish challenging targets alongside the final draft of the Investment Strategy.
Note: The Committee will be reviewing the Performance of the LDA against its 2009/10 targets through the Budget Sub-Committee. It will look to see how reductions in programmes budgets have affected performance, if targets set by the LDA have been challenging enough and if they provide a useful tool for assessing its performance.	

Recommendation 15	Summary of Response
<p>The outcome of negotiations over the transfer of Olympic Legacy responsibility will have a significant effect on the LDA's future resources and budgets going forward. The consultation draft budget should explain the impact that the transfer of Olympic Legacy responsibility to the Olympic Park Legacy Company will have or is likely to have on the LDA budgets going forward. Explanations should include details of all the potential risks and rewards relating to the Olympics that the LDA will still face after the transfer.</p>	<p>The LDA section of the Mayor's budget proposals would set out the assumptions made in relation to the transfer of Olympic legacy resources.</p>
<p>Note: We note that the consultation draft budget acknowledges continuing uncertainty around the transfer of Olympic legacy resources (p. 70). See section "Budget reductions" below.</p>	

Recommendation 16	Summary of Response
<p>The investment strategy should include a detailed explanation of how the LDA investment methodology works, allowing all stakeholders to gain a clear understanding of how and why the LDA has chosen to prioritise its resources as it has. It should provide a clear understanding of how the LDA is choosing to prioritise and allocate its funding which can then be seen in action in the 2010/11 draft budget.</p>	<p>The LDA needs to be sure it is making the right decisions and will build flexible tools that allow it to respond to a changing environment and deliver value for Londoners. The LDA's methodology to guide investment decisions already gives some measure of whether it is making the right choices and concentrate resources where they are most needed and have the greatest impact.</p> <p>The agency has developed an economic modelling method based on cost benefit analysis. It estimates the optimal balance of funding using evidence on the effectiveness of public spending across all of the Agency's investment areas alongside information on total public spending across London for each policy area.</p> <p>The LDA has put all of its projects under intense scrutiny over the last six months. The focus has been on reducing unit costs and increasing overall value for money. Staff have developed a set of benchmark unit costs for the outcomes the Agency wants to achieve and a set of clear corporate targets for reducing overall average unit costs.</p>
<p>Note: See section "A new approach for the LDA" below.</p>	

Confidence in the LDA's financial management

In our Pre-Budget Report we called into question the ability of the LDA to manage its finances – in particular, to produce and monitor budgets accurately.⁷³

A budget shortfall of £159 million within the Agency's Olympic Directorate budget came to light in the summer of 2009. The shortfall came about because the LDA underestimated the cost of acquiring land in support of the 2012 Olympics. As well as bringing into question the LDA's ability to forecast and budget accurately, the shortfall and the time it took to be identified, raised questions about the quality of internal controls, management oversight and assurance processes.

Since then a further incident has been reported which, although on a smaller scale, does little to inspire confidence. In December 2008, £4 million was allocated to the Mayor's Economic Recovery Action Plan on the basis that £5.1 million of funding had become available due to an historic underspend on the 'SME Access to Finance' project. It later became clear that £4.5 million of the apparent underspend was not actually an underspend and would still need to be paid. Details of how the error occurred are reported in the Mayoral decision form signed in November 2009 which increases the lifetime budget of the 'SME Access to Finance' project by £4.5 million.⁷⁴

In October 2009, we asked the LDA to provide an explanation of work carried out to ensure that other budget shortfalls do not exist and that the budget is based on accurate and up-to-date information. We also requested assurance in relation to controls and systems in place at the LDA and that budgets are based upon a true and fair representation of the LDA's financial position.⁷⁵ The LDA said the following in response:

"The LDA has undertaken a detailed project scrutiny exercise that has analysed projects to determine the adequacy of their budget. This has been based on accurate and up to date information signed off by Group Directors. There have been a number of reviews of controls and

⁷³ See, for example, Budget and Performance Committee, Pre-Budget Report 2009, October 2009, p. 60

⁷⁴ Mayoral Decision MD489, Budget increase to the LDA's 'SME Access to Finance' project

⁷⁵ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 13

systems in place at the LDA, and the actions arising from them will largely be completed by the end of this financial year. These improvements will reduce errors, improve controls and seek to highlight errors and instances of non-compliance.”⁷⁶

Peter Rogers, Chief Executive of the LDA, told the EDCST Committee on 2 December 2009 that he intended to improve the organisation’s financial function and structure.⁷⁷ Just before Christmas it was reported that the Strategy Resources and Performance directorate will be slimmed down and given a purely financial focus, and that a Group Director of Finance post will be created early in 2010.⁷⁸

Budget reductions

The future of the LDA is uncertain. Government core grant funding for the LDA is budgeted to fall by £57 million (15 per cent) in 2010/11.⁷⁹ Furthermore, the longer-term future of regional development agencies more widely is likely to be a subject in the forthcoming General Election.⁸⁰

The Mayor told the Committee that there were ongoing discussions about how to reform and improve the LDA. He said, “it is important to have a strategic body that can give financial clout to the GLA and get things done for London.” However, although no final decisions have yet been made, he explained that consideration was being given to what role the LDA should play and if it should be a separate functional body or a mayoral body in the future.⁸¹

The problems described above – with financial management at the LDA – will also result in available resources being less than anticipated. Peter Rogers told the EDCST Committee that the LDA’s 2010/11 budget next year would “be 30 per cent less as a result of the Olympics overrun than it would be without the overrun”.⁸² It is difficult to identify this change in the draft consolidated budget due

⁷⁶ Mayor’s response the Budget and Performance Committee, Pre-Budget Report 2009, 21 December 2009

⁷⁷ Economic Development, Culture, Sport and Transport Committee meeting 2 December 2009 minutes

⁷⁸ Regen.net, *LDA confirms restructure with greater focus on finances*, 22 December 2009

⁷⁹ Consultation draft budget, p. 34

⁸⁰ See, for example, Conservative Party, *Control Shift – Returning Power to Local Communities*, February 2009

⁸¹ The Mayor speaking at the Budget and Performance Committee meeting on 7 January 2010

⁸² Economic Development, Culture, Sport and Transport Committee meeting 2 December 2009 minutes

to changes to the format, borrowing levels changing as a result of the Olympic shortfall and underspends from 2010/11 being carried forward.

Nonetheless, it is clear that the LDA's resources are significantly reduced compared to what was anticipated in the 2009/10 budget, and that further reductions are expected over the next few years. Year-on-year reductions will mean the LDA's programme budget for 2012/13 is around 65 per cent of the 2009/10 budget agreed in March last year. The tables below compare the 2009/10 budget, agreed in March 2009, with the latest forecast for the year and future years in the 2010/11 consultation draft budget:⁸³

£m	Budget 2009/10	<i>Change</i>	Forecast 2009/10	<i>Change</i>	Budget 2010/11	<i>Change</i>	Budget 2011/12	<i>Change</i>	Budget 2012/13
Revenue Programme costs	158.1	-24.2	133.9	-0.2	133.7	-20.5	113.2	-13.3	99.9
Capital programme costs	89.4	-31.8	57.6	5.9	63.5	-11	52.5	8.4	60.9
	247.5	-56	191.5	5.7	197.2	-31.5	165.7	-4.9	160.8

Note: Figures are based on net budgets

Additionally, the Committee previously highlighted concerns around the outcome of negotiations over the transfer of Olympic Legacy responsibility which, we said, "will have a significant effect on the LDA's future resources and budgets going forward".⁸⁴ The consultation draft budget acknowledges continuing uncertainty and discussions between the LDA and the Government, the outcome of which "may impact [...] the LDA budget overall".⁸⁵

A new approach for the LDA

The LDA is in the process of producing a new Investment Strategy and is currently consulting on a draft. It sets out a greater emphasis for the organisation on taking a strategic approach, generating an economic return and looking to work in partnership with other organisations. Specifically, the new approach will:

- Move to fewer, larger projects and clear prioritisation of locations, including large-scale multidisciplinary regeneration projects
- Recognise where others can intervene more effectively

⁸³ Consultation draft budget, p. 38

⁸⁴ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 15

⁸⁵ Consultation draft budget, p. 70

- Use payment on performance where possible
- Put economic analysis and value for money at the heart of investment planning
- Explore new partnership options and innovative purchasing models⁸⁶

In order to ensure it is concentrating resources where they can be most effective, the LDA reports that it has developed an “economic modelling method based on cost benefit analysis” which “estimates the optimal balance of funding using evidence on the effectiveness of public spending across all of the Agency’s investment areas alongside information on total public spending across London for each policy area”.⁸⁷ However, LDA Board Members have expressed concerns in relation to the effectiveness of the model in allocating funds appropriately.⁸⁸

As we have said previously, we believe the Investment Strategy should include a detailed explanation of how the LDA investment model works, allowing all stakeholders to gain a clear understanding of how and why the LDA has chosen to prioritise its resources as it has.⁸⁹

Recommendation 9

The final Investment Strategy, which will include the LDA’s budget, should clearly show how the cost-benefit analysis of investment options led to the allocation of funding. It should be clear where the results of the model were used and where the LDA Board chose to override it.

Mayoral directions

The LDA Board uses the Investment Strategy as a basis for deciding how to invest the organisation’s funds, in light of an examination of the options and recommendations by the Board’s Investment Committee. However, on occasion, the Mayor has used his power to direct the Board where he wants funding to be given to specific programmes.

⁸⁶ LDA Investment Strategy 2010-13, LDA Board Meeting paper, 18 November 2009, public item 2.2 Appendix 1

⁸⁷ From the LDA’s response to Recommendation 16 of the Budget and Performance Committee’s Pre-Budget Report, December 2009 (see table above).

⁸⁸ Minutes, London Development Agency Board, 16 September 2009

⁸⁹ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, Rec 16

An example is the Mayoral Direction to instruct the LDA to provide funding for Mayor's Academies.⁹⁰ A Direction to create a new Academies Programme Unit and invest up to £8 million in the project was necessary because the Board were concerned that the academy model proposed "did not deliver value for money".⁹¹

Because the LDA's new Investment Strategy is based upon the Mayor's new Economic Development Strategy, there should be less of a need for Mayoral Directions in future as the Mayor's and the LDA Board's strategies will be better aligned.

⁹⁰ Mayoral Decision 379, 22 July 2009

⁹¹ Minutes, London Development Agency Board, 20 May 2009

6. Greater London Authority

GLA Draft Strategic Plan recommendations

Note: responses have not yet been received.

Recommendation 1

Examples of the web-based reports on deliverables in the Strategic Plan should be available during Quarter 4 and that the system of reporting against the Strategic Plan should be fully available from the start of 2010/11.

Recommendation 2

The Chief Executive should consider what information could be made available to the Committee to enable meaningful comparisons between the deliverables of the Authority before and after Organising for Delivery. We request that he write to the Committee on this matter by the end of January 2010.

Note: See section “Delivering the Mayor’s priorities”, below.

Recommendation 3

We note Sir Simon Milton’s commitment to make programme budgets available to the Committee in advance of the Assembly votes on the draft consolidated budget in the new year. We expect this information to provide at least an indicative breakdown of the final total for programme budgets including the programmes that have been identified within individual directorates as priorities and their likely costs.

Note: See section “Savings and efficiencies”, below.

Recommendation 4

Once the events programme for 2010/11 is finalised, the Committee should be sent a list of events and the extent to which each event relies on funding from external sources, such as functional bodies. This will enable the Committee to monitor both the risks to those events and the level of funding being required of the other functional bodies.

Recommendation 5

The amount charged for renting out space in City Hall and the basis on which it is ultimately calculated is a matter of public interest and therefore the Committee requests that the Chief Executive report back to it with details of the final decision and the savings gained for both the GLA and/or the wider GLA group. This should also include details of any additional expenditure, including IT and reconfiguring accommodation in other parts of the building, to free up the required space.

Savings and efficiencies

In his foreword to the GLA Strategic Plan, the Mayor says, “In a recession, one of my key priorities is to deliver taxpayer value by making sure that the GLA is the right size for its job. This translates directly to more money in Londoners’ pockets, since the council tax precept will not be raised this year. I am determined to deliver more for less. This means a smaller organisation with a simpler, more

transparent structure, which will be fully in place by the end of 2009.”⁹²

The core GLA’s “Organising for Delivering” programme to restructure the organisation has resulted in a reduction in the permanent staff headcount of 13 per cent and a saving of £3.7 million in 2010/11. £3.7 million is approximately 9 per cent of the forecast 2009/10 staffing costs of £41.9 million and around 3 per cent of the core GLA’s total budget requirement.⁹³ Organising for Delivery is also expected to result in savings of £4 million in 2011/12.⁹⁴

We note that the GLA is forecast to overspend by £3.8 million (net revenue) in 2009/10, principally in External Affairs, Communities & Intelligence and Development & Environment – all of which are having their budgets cut by between 30 and 40 per cent in 2010/11, in comparison to forecast spend in 2009/10.⁹⁵

In line with Sir Simon’s Milton’s commitment to the Committee to make available programme budgets to the Committee in advance of the Assembly votes on the draft consolidated budget, we anticipate this information in advance of the meeting on 27 January 2010.

Delivering the Mayor’s priorities

We have previously raised questions about the potential consequences of the staffing restructure. In our June 2009 report into environment spend by the GLA group, we concluded that “Staff reductions within the GLA environment team may affect its ability to provide central leadership to the functional bodies and ensure the group’s programmes are integrated, well managed and running at full capacity.”⁹⁶ We have since noted that the environment team has been reduced from 41 to 24 posts and raised questions about how its work will be delivered during the transition and beyond, and the extent to which temporary agency staff and consultants are being used.⁹⁷ We

⁹² Mayor of London, GLA Strategic Plan 2009 – 2012

⁹³ Consultation draft budget, pp. 1&9

⁹⁴ Business Management and Administration Committee, 21 July 2009

⁹⁵ Consultation draft budget, p. 9

⁹⁶ A report by the Budget and Performance Committee on the GLA Group environment spend 2009/10, June 2009, p.9

⁹⁷ Budget and Performance Committee, Pre-Budget Report 2009, Oct 2009, p. 49

note the Mayor's statement that it is his intention that the GLA does not continue to make use of consultants in the future.⁹⁸

In our December 2009 response to the draft Strategic Plan and budget proposal for the Mayor and the Assembly, we welcomed the link between reporting of spending and Mayoral priorities – an arrangement we had previously called for. We anticipate new on-line reporting systems making it easier for the Assembly to monitor spending and delivery, particularly by the parts of the GLA – such as the environment team – which have experienced the greatest reductions. However, we raised concerns about the difficulty of measuring the effectiveness of Organising for Delivery in improving value for money at the GLA because of concurrent changes to priorities and programmes.⁹⁹

On request, the Mayor provided the Committee with a comparison of the work carried out by the environment team before and after Organising for Delivery. It compared activities included in the previous Corporate Plan 2008-11 and the new Strategic Plan 2009-12. As the Mayor's response noted, due to some of the work carried out in the Corporate Plan 2008-11 now being complete or changing in focus, the comparisons are not necessarily like with like.¹⁰⁰

The Chief Executive of the GLA, Leo Boland, explained to the Committee in December that he had been thinking about ways of assessing delivery, "how you compare one with the other". He emphasised that it would be much easier when the Strategic Plan had been in place for a year to provide a baseline.¹⁰¹ We asked the Chief Executive to consider what information could be made available to enable meaningful comparisons between the deliverables of the Authority before and after Organising for Delivery. We asked for a response by the end of January 2010 and look forward to considering it.¹⁰²

⁹⁸ Mayor of London, Budget and Performance Committee meeting, 7 January 2010

⁹⁹ Budget and Performance Committee, Response to the Draft Strategic Plan and budget proposal for the Mayor and Assembly, December 2009, pp. 1-3

¹⁰⁰ Letter from the Mayor to John Biggs,

¹⁰¹ Budget and Performance Committee, 24 Nov 2009, meeting transcript, p. 15

¹⁰² Budget and Performance Committee, Draft Strategic Plan and budget proposal for the Mayor and Assembly, December 2009, p. 3

Appendix 1 Recommendations

Recommendation 1

We reiterate our previous recommendation that a measure of front line service capacity should be in place by April 2010 so that the service impact of budget savings can be understood. If the Mayor's intention is to maintain the number of police officers out on the streets at the same time as overall officer numbers diminish, such a measure will be crucial for him to demonstrate that is the case.

Recommendation 2

The Mayor should publish the information he has received from the MPA about the implications for front line services of proposed savings and efficiencies.

Recommendation 3

In the context of consistent overspends on overtime, the budget should include an explanation of how the MPA anticipates staying within the reduced budget for overtime during 2010/11.

Recommendation 4

The Mayor's response to these recommendations should explain how unanticipated calls on resources in 2010/11 would be met if the budget pressures reserve has been run down by the end of 2009/10.

Recommendation 5

Any further proposals to reduce the London Fire Brigade establishment should be accompanied by an analysis of the implications for front line services.

Recommendation 6

The draft budget sets out the Mayor's expectation that TfL should make savings of around 5 per cent of its total spending. We remain concerned that TfL's plan to achieve this requirement remains unclear. The final budget should set out in more detail, with timescales, the contribution of savings in specific areas to the total target. It should also highlight the implications for services, as well as jobs at TfL.

Recommendation 7

The final consolidated budget should set out where the extra £3 billion of reducible costs since the prior year have been found.

Recommendation 8

The final consolidated budget should include a commentary on the financial implications of the Mayor's fares decision and the contribution of fares to the GLA Group's available revenue.

Recommendation 9

The final Investment Strategy, which will include the LDA's budget, should clearly show how the cost-benefit analysis of investment options led to the allocation of funding. It should be clear where the results of the model were used and where the LDA Board chose to override it.

Appendix 2 Orders and translations

How to order

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Chinese

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请电话联系我们或按上面所提供的邮寄地址或
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Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Turkish

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Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

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

Bengali

আপনি যদি এই দলিলের একটি সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে যোগাযোগ করুন অথবা উল্লিখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করুন।

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

Arabic

الحصول على ملخص لهذا المستند بلغة،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોડતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઇ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

Appendix 3 Principles of scrutiny page

An aim for action

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

Independence

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

Holding the Mayor to account

The Assembly rigorously examines all aspects of the Mayor's strategies.

Inclusiveness

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

Constructiveness

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

Value for money

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

Greater London Authority

City Hall

The Queen's Walk

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