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Dear John

London Assembly: Use of Section 60 (1) Powers - Recommendations of the Budget and Performance Committee

Thank you for your letter of 27 February.

Please find below my response to the recommendations set out within the Budget and Performance Committee's response to the 2010-11 GLA Group Capital Spending Plan.

Recommendation 1 - Uncertainty in the draft Capital Spending Plan

Recognising that external factors require adjustments to capital programmes throughout the year, and that they are reported to the boards of the functional bodies, we ask that each year the Capital Spending Plan should explain the level of uncertainty over budgets and highlight the areas most likely to change, as well as potential implications. This would assist the Committee in monitoring the effectiveness of the functional bodies' spending against capital plans.

Furthermore, this year, the Mayor should write to the Committee when some of the larger uncertainties in the capital programmes due to external factors have been clarified. He should write initially in May, following the PPP Arbiter's final determination of Tube Lines' costs to 2017, and as soon as negotiations in relation to the transfer of Olympic Park land and the sale of 8 Albert Embankment have been completed. He should explain the effects of any changes from the plans set out in the GLA Budget and Capital Spending Plan – both financial and in relation to service delivery.

Response

The information to be disclosed in the final GLA group capital spending is set out in Part III Paragraph 122 of the GLA Act 1999. The existing presentation of the plan complies with these statutory requirements.

The final capital spending plan for 2010-11 does highlight potential uncertainties including in relation to the tube PPP arbiter's final determination, the sale of 8 Albert Embankment and the Olympic park land transfer.

Where there are any material developments in relation to these issues prior to or during the 2010-11 financial year it has been agreed with each functional body that these – along with their impact on the capital spending plan and agreed revenue budgets - will be reported to the Assembly Budget and Performance Committee on a timely basis.

The Budget monitoring sub committee will continue to receive quarterly performance and financial management information for the GLA and each functional body and this is the appropriate route through which in year changes and variations should be considered. As you know I am working to ensure that the quarterly information presented to the sub-committee is as up to date as it can be.

Recommendation 2 - Quality of the information

For each functional body, the final 2010/11 Capital Spending Plan should include the budget for 2009/10, as set out in last year's Capital Spending Plan, any revisions to original budget and the forecast outturn for 2009/10 (clearly stating the point at which the published forecasts were made). Explanations for revisions to the original budget and variations between revised budgets and forecast outturns would allow an assessment of the success to date of the functional bodies in managing the delivery of capital investment.

For each functional body, the final 2010/11 Capital Spending Plan should also include information on how much of the 2010/11 capital budgets for each functional body are for programmes that have been delayed with spending carried forward from 2009/10.

The Committee requests that the above additional information about capital spending in the previous year and the year to come should be included in the draft Capital Spending Plan as a matter of course in the future.

Response

The GLA finance division is reviewing how the quality and presentation of the capital spending plan and capital monitoring information can be improved to assist the Assembly in performing its scrutiny role. The capital spending plan is intended to be forward-looking. The quarterly capital monitoring information provided to the budget monitoring sub committee provides the mechanism by which in year performance and variations can be measured.

For the 2010-11 financial year the quarterly capital monitoring information received by the Budget monitoring sub committee on a quarterly basis will set out:

(i) The original approved Capital Spending Plan and the revised Capital Programme budget at that time (e.g. allowing for financial year end adjustments) together with an explanation of material variances;

(ii) The actual spend to date against the revised Capital Programme together with an explanation of material variances;

(iii) The forecast outturn for the financial year together with an explanation for the key variances.

The 2011-12 capital spending plan will present the functional body plans in the same five columnar format used for the revenue budget i.e. the budget and forecast outturn for 2010-11 and the proposed plans for 2011-12 to 2013-14.

The final quarterly performance and financing monitoring report for 2009-10 to the Budget monitoring sub committee in the summer will report the original and revised budget and the draft final outturn information.

These refinements seek to improve the quality and consistency of capital reporting to the Assembly for the functional bodies and the GLA.

A copy of the current capital spending plan for 2010-11 agreed by the Mayor is available on the GLA website at: http://www.london.gov.uk/who-runs-london/greater-london-authority/budget-2010-11.

Yours ever,

Boris Johnson
Mayor of London