

Draft Strategic Plan and budget proposal for the Mayor and Assembly

This document sets out the Budget and Performance Committee's response on behalf of the Assembly to the draft Mayor and Assembly budget and draft Strategic Plan. The response is structured around three themes: reporting against the Strategic Plan and assessing the impact of Organising for Delivery; the allocation of programme budgets; and risks to income. The recommendations are reproduced at the end of the document.

1. Reporting against the Strategic Plan and assessing the impact of Organising for Delivery

As we noted in our Pre-Budget Report published last month, the Organising for Delivery programme is scheduled to produce the required savings of £3.7 million in 2010/11. These savings are being created from the deletion of 99 full-time equivalent posts across the organisation. At our meeting on 24 November with the Mayor's Chief of Staff and senior GLA officers we sought to understand the potential impact of the reduction in staff resulting from Organising for Delivery in two ways: first on the ability of the Authority to deliver the Mayor's priorities; and secondly to establish what outputs and outcomes are expected from the newly structured GLA and how these compare with those produced under the previous structure.

The Strategic Plan 2009-12 sets out the Mayor's priorities and how these are translated into programmes, plans and projects. The Budget Monitoring Sub-Committee considered Quarter 1 reports against the new structures in the Strategic Plan for the first time at its meeting on 3 November 2009.

The Committee welcomes the Strategic Plan and the way progress against it is reported. It has long been an argument of this Committee that reporting on spending by the GLA and functional bodies should be linked to Mayoral priorities.¹ Similarly, the Committee has argued that performance should be linked to spending to enable those trying to assess the performance of the Authority to see clearly how money is being spent in pursuit of Mayoral priorities and what outputs are achieved from that spending. Appendix 1 to the Strategic Plan links the deliverables to Mayoral priorities. We look to the proposed on-line reporting system which will link from the Strategic Plan to show the relevant programme budgets and report progress against delivery. **The Committee recommends that examples of the web-based reports on deliverables in the Strategic Plan are available during Quarter 4 and that the system of reporting against the Strategic Plan is fully available from the start of 2010/11.**

The Committee recognises the difficulties faced by functional bodies in reporting in this way given, for example, the external sources of funding received by bodies like the MPA and the associated requirements for reporting to central government against that spending. Nevertheless, the Committee believes the GLA Strategic Plan and the method of reporting against it should be a template on which the functional bodies should base their budget and performance reporting. We look to the Mayor to spread best practice in this area to enable him and others to see how the functional bodies are delivering against his priorities.

We anticipate that there will soon be systems in place which will be able to demonstrate the extent to which the Authority is delivering on Mayoral priorities. Members will monitor these

¹ See, for example, Pre-Budget Report 2008

carefully to ensure that parts of the GLA which have faced the greatest cuts, such as the environment team, retain the capacity to deliver the requirements of the Strategic Plan. We expect reporting to include details of how programme budgets are spent and where and why consultants have been engaged from these budgets to support particular programmes.

The second potential impact of Organising for Delivery which the Committee is seeking to evaluate is the effect on outputs and outcomes under the newly structured GLA compared with those delivered under the previous structure. The Committee's aim in trying to evaluate this is to assess the extent to which the smaller GLA created by Organising for Delivery is delivering more, the same or less than its larger predecessor. It will be in answering this question that the Committee and others can make a reasonable assessment of whether the Mayor is achieving value for money. As we noted in our 2008 Pre-Budget Report and last year's draft corporate plan reiterated, value for money can be defined as 'delivering more for less' and 'the relationship between economy, efficiency and effectiveness'.² Efficiencies might also legitimately be claimed where it can be demonstrated that more has been achieved for the same amount of money.

There are mechanisms in place to measure delivery against the Mayor's priorities. However, this will simply demonstrate that the GLA is spending less to deliver different outcomes; it does not, in itself, demonstrate value for money or increased efficiency. This is why in our response to last year's draft GLA budget we asked for benchmarks of performance against which progress can be measured.³ The need for such benchmarks remains if the Mayor is to claim that he is achieving value for money from the restructure.

Our questions to this end provoked a strong response from some elements within the Mayor's Office. The Director of External Affairs argued to the Committee "You should be measuring the impact of the homes retrofit programme not the workload or the structures or the procedures".⁴ We are certainly keen to measure the impact of the homes retrofit programme but it is, as the draft Strategic Plan makes clear, an LDA-funded programme. The key point about the GLA is that it is not primarily a deliverer of services; it is a strategic authority with a remit to set the strategies by which others deliver services so as to ensure they are delivered for the maximum benefit of the whole of London.

Therefore, the deliverables in the Strategic Plan are not, by and large, outcomes related to services delivered to Londoners. This makes it difficult to establish meaningful measures by which success might be judged. But the GLA will spend £135 million of public money in 2010/11 and we therefore think it is incumbent on those responsible for spending that money that the large amount of it which does not deliver services directly is spent in a way which will ultimately have a positive effect on the lives of Londoners and can provide value for money compared with what was done before.

The Committee is not seeking to tie up large amounts of officers' time in generating information and papers. We do recognise the difficulties described by the Chief Executive in comparing different structures.⁵ Nevertheless it does not seem to be a huge amount of work to set out what at a high level the various teams within the GLA used to deliver and what the new teams are proposing to deliver now. The value and merit of work that might no longer be carried out is a matter of political debate; but that debate can only take place in a

² Pre-Budget Report 2008, p 16 and draft corporate plan 2009-12, p 8

³ <http://www.london.gov.uk/assembly/budgmtgs/2008/nov25/item05b.pdf>

⁴ http://www.london.gov.uk/assembly/reports/budget/budgetresponse_dec08.pdf

⁵ Meeting of the Budget and Performance Committee 24 November 2009

⁵ Ibid

meaningful way when it is based on all the facts. For example, the Budget Monitoring Sub-Committee asked for a comparison of the work programme of the environment team before and after Organising for Delivery. The Committee will look at the response to this request with a view to establishing what might be a reasonable and proportionate way, in terms of officer time, of seeking to understand whether the new structure of the GLA has delivered efficiencies and value for money.

We recommend that the Chief Executive 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.

2. The allocation of programme budgets

In 2010/11 approximately £1 million of the £6.4 million programme budget will be allocated to the Examination in Public (EiP) of the London Plan.⁶ A further £1.2 million has already been allocated for spending on rape crisis centres, the Violence against Women Strategy and the Time for Action programme. The remaining approximately £4.2 million will be held centrally and directorates will review their programmes and decisions will be made in due course about the allocation of funding between directorates.

With the expenditure on the EiP, there is the potential that the GLA's ability to carry out other programmes will be significantly reduced in 2010/11. We note, however, the comments of the Director of Resources that there may be underspends available from 2009/10 at the end of the year and if unfunded priorities remain after the directorates' proposals have been looked at in more detail it may be possible to transfer additional funds from reserves to fund them.⁷ Clearly, therefore, the final total available for programme budgets and how expenditure will be broken down remains, as we would expect at this point in the budget process, uncertain.

As the Chief Executive pointed out, it is the programme budget which is the most flexible part of the Mayor's Budget and the part which changes from year to year and administration to administration as priorities change.⁸ It is therefore in the final allocation of these funds that we will see how the GLA is apportioning its funds between Mayoral priorities. In advance of these decisions the Committee is not therefore in a position to comment substantially on the programme budget. **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.**

3. Risks to income

The economic situation and the state of government finances present real challenges to all public bodies. The commentary on the draft GLA budget highlights the three main risks and areas of uncertainty going forward: inflation, interest rates and government grants. It notes

⁶ Ibid

⁷ Ibid

⁸ Ibid

that “further detailed advice on these matters will be presented to the Mayor and Assembly before decisions are required in the 2010-11 budget”.⁹

The same and additional pressures are faced by the functional bodies and private sector partners. This in turn carries risks for GLA activity, such as events, which relies on income from these sources. For example, in 2008/09 the total event budget was £6.2 million of which £3 million came from the LDA and £1.5 million from external sponsorship.¹⁰ Events also have cost implications for other functional bodies such as TfL and the MPA.

The TfL Business Plan 2009/10 to 2017/18, published in October, requires it to make £5 billion of savings by 2017/18. Similarly, the LDA Investment Strategy suggests it is expecting a 30 per cent cut in available resources in the coming years. It seems reasonable therefore that these bodies will look to limit their funding on projects which are not part of their core functions and this may have implications for GLA events and other initiatives which rely on this funding.

An example of the potential for tension between the ambitions of the Mayor and the funding constraints faced by the other functional bodies is the proposed SportAccord convention in 2011. The Mayoral Decision Form on the convention showed that the GLA and LDA could have to meet some of the costs of the event if sufficient other funding is not found.¹¹ The Director of Marketing noted in a recent letter to the Committee that the sponsorship market was particularly weak at the moment.¹² Previous GLA supported events have resulted in the GLA being required to provide greater funds than originally intended.¹³ The Director of Marketing also indicated in his comments to the Committee that the Mayor was willing to direct the LDA to provide additional funding in these circumstances if the LDA Board rejects the proposal as its Investment Committee did when the SportAccord business case was examined at its July meeting.

The Committee requests that once the events programme for 2010/11 is finalised, it is 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.

We also note the GLA’s proposals to rent out office space within City Hall potentially to a partner organisation. The Committee was told that the market rent for the likely space available was £1.9 million but that it was unlikely to charge this amount as the tenant would probably be from another body within the GLA group or related to it.¹⁴ The accommodation costs of the functional body which rents the space compared with the amount it would pay elsewhere will determine the amount of savings across the group and how they are split between the GLA and the functional body. **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**

⁹ Commentary on GLA budget and draft strategic plan 2010-11 to 2012, para. 5.4

¹⁰ Letter from the Director of Marketing to the Chair of the Committee reported to the Committee on 16 September 2009 <http://www.london.gov.uk/assembly/budgmtgs/2009/sep16/item04a.pdf>

¹¹ Request for Mayoral Decision – MD 429

¹² Letter from the Director of Marketing to the Chair of the Committee reported to the Committee on 16 September 2009 <http://www.london.gov.uk/assembly/budgmtgs/2009/sep16/item04a.pdf>

¹³ See, for example, the 2004 European Social Forum <http://www.london.gov.uk/assembly/budgmtgs/2004/budoct21/budoct211item06ESF.pdf>

¹⁴ Meeting of the Budget and Performance Committee 24 November 2009

and/or the wider GLA group. We request that this also includes details of any additional expenditure, including IT and reconfiguring accommodation in other parts of the building, to free up the required space.

Conclusion

The Mayor is required by statute to consult the Assembly on a draft GLA budget at this stage of the budget process before he develops his draft consolidated 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 given up by officers to support this process. In responding we recognise that budgets are inevitably at an early stage of development: decisions are still to be made and further information will become available over the next few months which will influence those decisions. 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.

Summary of recommendations:

- 1. The Committee recommends that examples of the web-based reports on deliverables in the Strategic Plan are available during quarter four and that the system of reporting against the Strategic Plan is fully available from the start of 2010/11.**
- 2. We recommend that the Chief Executive 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.**
- 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.**
- 4. The Committee requests that once the events programme for 2010/11 is finalised, it is 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.**
- 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. We request that this also includes details of any additional expenditure on IT or accommodation in other parts of the building to free up the required space.**