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Title: Budget and Performance Committee Response to Mayor's Draft Consultation Budget 2020-21 (2)

Executive Summary

The Budget and Performance Committee's key responsibility is its annual scrutiny of the Mayor's budget proposals for the next financial year. Meetings to consider draft budget proposals were held in December 2019 and January 2020. At its final budget review meeting on 7 January 2020, the Committee formally resolved:

That authority be delegated to the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, to agree the Committee's response to the Mayor's Draft Consultation Budget for 2020-21.

Following the meeting, on 9 January 2020, Gareth Bacon MP AM formally resigned as Chairman of the Budget and Performance Committee effective 7 January 2020. Accordingly, the Committee's response to the Mayor's Draft Consultation Budget for 2020/21 was agreed by the Deputy Chair acting as Chair, following consultation with party Group Lead Members and Caroline Pidgeon MBE AM.

A reply from the Mayor to the Committee's submission was sent on 28 January 2020.

Following further consultation with party Group Lead Members and Caroline Pidgeon MBE AM, the newly elected Chairman of the Committee, Susan Hall AM, agreed a further response to the Mayor on the Draft Consultation Budget for 2020-21.

Decision

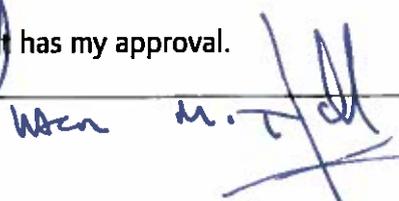
That the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, agree a further response from the Budget and Performance Committee to the Mayor's Draft Consultation Budget for 2020-21.

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature



Date

9/3/20.

Printed Name

Susan Hall AM (Chairman, Budget and Performance Committee)

Decision by an Assembly Member under Delegated Authority

Notes:

1. *The Lead Officer should prepare this form for signature by relevant Members of the Assembly to record any instance where the Member proposes to take action under a specific delegated authority. The purpose of the form is to record the advice received from officers, and the decision made.*
2. **The 'background' section (below) should be used to include an indication as to whether the information contained in / referred to in this Form should be considered as exempt under the Freedom of Information Act 2000 (FOIA), or the Environmental Information Regulations 2004 (EIR). If so, the specimen Annex (attached below) should be used. If this form does deal with exempt information, you must submit both parts of this form for approval together.**

Background and proposed next steps:

The Budget and Performance Committee's key responsibility is its annual scrutiny of the Mayor's budget proposals for the next financial year. This involves detailed examination of the Mayor's plans for spending his budget to help ensure taxpayers' money is spent appropriately and effectively.

Each summer, the Mayor publishes Budget Guidance to the functional bodies on the preparation of their budgets. This contains information about the likely level of funding available for the next financial year as well as the Mayor's priorities for each organisation.

The Committee produces a formal response to the Mayor's draft budget, which informs the full Assembly's debate and vote on the Mayor's proposals in February. The Assembly has the power to amend the total budget requirement for each functional body if a two-thirds majority agree to do so. The Mayor then publishes his Final Budget before the start of the financial year in April.

In December 2019 and January 2020, the Budget and Performance Committee met with Senior GLA officers, representatives from the functional bodies and the Mayor in order to consider the Mayor's Draft Consultation Budget for 2020-21.

At its final budget review meeting on 7 January 2020, the Committee formally resolved:

That authority be delegated to the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, to agree the Committee's response to the Mayor's Draft Consultation Budget for 2020-21.

Following the meeting, on 9 January 2020, Gareth Bacon MP AM formally resigned as Chairman of the Budget and Performance Committee effective 7 January 2020. The position of Chairman therefore remains vacant until a change in membership can be formally considered by a meeting of the full London Assembly.

Noting that the deadline for submissions to the Mayor's Draft Consultation budget is 15 January 2020, the Deputy Chair acting as Chair of the Budget and Performance Committee, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, agreed the Committee's formal response.

The Committee's report was considered at the London Assembly (Plenary) meeting on Wednesday 29 January 2020 which was used to formally consider the Mayor's draft Consultation Budget for 2020-21. It will also be reported back to the Budget and Performance Committee at its next formal meeting, currently scheduled for 10 March 2020.

The Mayor sent a formal reply to the Committee's response on 28 January 2020, following which, the newly elected Chairman of the Budget and Performance Committee, Susan Hall AM, agreed a further response to the Mayor on his Budget 2020-21, following consultation with party Group Lead Members and Caroline Pidgeon MBE AM.

The letter will also be reported back to the Committee's March meeting.

Confirmation that appropriate delegated authority exists for this decision

Signed by Committee
Services

Date

Print Name: Laura Pelling

Tel: 5526

Financial implications

NOT REQUIRED

Signed by Finance

N/A

Date

.....

Print Name

N/A

Tel:

.....

Legal implications

The Chairman of the Budget and Performance Committee has the power to make the decision set out in this report.

Signed by Legal

..... 

Date

.....

Print Name

Emma Strain, Monitoring Officer

Tel:

X 4399

Additional information should be provided supported by background papers. These could include for example the business case, a project report or the results of procurement evaluation.

Supporting detail/List of Consultees: Len Duvall AM (Deputy Chair), Siān Berry AM, Caroline Pidgeon MBE AM

Public Access to Information

Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? No

Until what date: (a date is required if deferring)

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - No

Lead Officer/Author

Signed

Gino Brand

Date 5-3-2020

Print Name

Gino Brand

Tel: x5792

Job Title

Countersigned by
Director

Ed Williams

Date 05.03.20

Print Name

Ed Williams

Tel: X4399

Susan Hall AM, Chairman of the Budget and Performance Committee

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9 March 2020

Dear Sadiq,

Re: Budget and Performance Committee report

Thank you for your response to the Budget and Performance Committee's recommendations on your Draft Consultation Budget. I note all the responses and the following are those where I feel strongly the need to highlight the concerns of the Committee.

Recommendations 2 and 4

The Mayor and TfL need to be much clearer about what TfL capital projects are potentially at risk over the next four years. It is important that they signal to the Government, and the public, projects that are of a high priority.

Starting from December 2020, TfL should publish annually in its business plan, a comprehensive list of all its significant projects with its forecast start of works and completion dates with comparison to a fixed baseline.

Your response stated that:

"TfL produces a quarterly investment programme report that is presented to the Programmes and Investment Committee of the TfL Board, and which is publicly available. The report gives a progress update on the major projects and sukbn-programmes that seek authority each year and includes commentary on key achievements and progress made"

The Budget Milestones are a good measure of how programme delivery is going in the short term. They are not, however, a full reflection of how TfL is delivering across the entirety of its capital programme as it spans several years. When TfL sets these milestones, it is only looking 12 months ahead. The degree of uncertainty is therefore relatively limited. TfL has stated that, on this basis, it would expect to achieve 80 per cent to 90 per cent of the milestones on time or early.

There is therefore very little indication in the quarterly reports of the extent to which the key projects in TfL's capital programme have been delayed over the longer term. The Committee is concerned with this, as delayed projects can result in lost benefits and cost escalation.

We ask that, starting from December 2020, TfL should publish annually in its business plan a comprehensive list of all its significant projects, with the forecast start of works and completion dates with comparison to a fixed baseline. This would allow the public to develop confidence in TfL's capital delivery through full and representative performance measures for these publicly funded schemes. Given that TfL is one of the only transport authorities in the world that does not receive a direct central Government operating grant, a clear comprehensive list would signify to Government which projects are of a high priority and would highlight the difficulties in planning major infrastructure projects without funding certainty.

Recommendation 3

TfL should keep its asset maintenance programme for its vital road network under close review and provide road users, especially cyclists, the evidence they need to be confident in using TfL's road network.

Your response stated that:

"TfL would be pleased to hear suggestions as to what evidence the Committee might like to see."

TfL has previously claimed that a State of Good Repair for carriageways of 94 per cent was necessary to facilitate the kind of increase in cycling that it wanted to see. However, the Business Plan sees road conditions falling to 87 per cent, which has an impact on all road users, including cyclists. The Committee would like to know how the planned State of Good Repair for carriageways is consistent with your ambitions for increasing cycling, as included in your Transport Strategy.

The Committee also notes that London does not retain any of the £500 million that Londoners pay in Vehicle Excise Duty levied by Government, and even retaining a portion would enable TfL and the boroughs to continue pro-active maintenance and renewals on London's road network. The Committee would like to see details of the ongoing negotiations between the Mayor and the Government on the tax that Londoners pay, being retained to support Londoners roads. We support your endeavours to get a better deal for Londoners from this Government tax.

Recommendation 5

MOPAC needs to make an assumption of additional Government funding and prepare a sustainable plan (revenue and capital) based around this increase, with a clear position on the police estate, before the start of 2020-21. This will allow MOPAC to focus on any underlying funding gap.

Your response stated that:

“The plan for future years sets out transparently the additional funding that is required in order to fund 6,000 additional officers.”

The draft budget for future years shows a funding gap of £1.2 billion for the three years 2021-22 to 2023-24. In last year’s plan there was already a funding gap in the years 2020-21 to 2022-23, of £272 million. The Committee understands the uncertainty that faced MOPAC in setting a budget before the details of the Police Funding Settlement had been announced and the constraints that a lack of a multi-year settlement presents to MOPAC. We remain concerned that MOPAC is presenting a combined funding gap, and that the Government has yet to confirm the full details of the funding for the GLA’s share of the additional 20,000 officers. Indeed, it remains uncertain how many officers London will receive in total. The first tranche provides London with 1,369 police officers and modelling by the Committee - based on proportionality and for following tranches to remain the same as the first - would see London receive almost 5,000 police officers. We note that you have called for 6,000 as the amount of officers that London requires.

In our pre-budget response, we were concerned that assuming an increase of 6,000 officers made MOPAC’s budget submission redundant and could commit MOPAC to a trajectory of recruitment it may soon have to unwind. However, the Assembly does acknowledge the possibility of an increase in officers in future tranches and does not object to the you and Commissioner calling for a total of 6,000 additional police officers to be allocated to London.

The GLA Group has always been required to address uncertainty when compiling its budgets. The omission of the estimated grant funding to support the GLA’s share of the 20,000 additional police officers in future years is a major departure in approach from the rest of the GLA Group, particularly TfL. TfL includes estimates for grant funding in its plan for future years in advance of the funding being agreed. This allows TfL to focus on the actions it needs to take to turn its operating deficit into a surplus. Omitting the funding but including the costs in future years for the additional officers, risks taking much needed focus away from MOPAC’s longer term funding gap.

Whilst we feel MOPAC should have included estimated Government funding for its budgeting process, the Committee welcomes the calls from the Assembly for a sustainable, multi-year funding settlement for the Met. This would provide the certainty that the Met will be able to recruit the officers London needs over the next 3 years and would improve budget submissions going forward.

Recommendation 9

The Mayor should clarify what his core housing targets are, rather than having a wide range. He should also publish targets by tenure.

Your response stated that:

“My core target is 116,000 affordable housing starts by March 2022... The annual delivery ranges reflect the profile of affordable starts delivery agreed with the Ministry of Housing, Communities and Local Government (MHCLG) as part of the negotiations to agree my 2016-22 Affordable Homes Programme.”

Having range forecasts, as set out in your housing strategy, is not unreasonable. However, with your current forecasts and achievements to date, it would be possible to land within the range for housing starts each year and still fail to meet the 116,000 target. Range forecasts hinder performance management by making it unclear whether or not you are on track to meet your core target. Whilst we are able to assess where in the range the you are landing each year and make a judgement as to whether it is reasonable or likely for you to reach the overall target by the end of 2022, the Committee would like to see an annual target that allows us to assess performance in advance of the final year – at the very least, the lowest figures in the annual ranges should add up to 116,000. The housing crisis is one of London’s most significant current challenges, and it is therefore crucial that you provide evidence that these targets will indeed be met.

Recommendation 10

The Mayor should discuss with the Government any flexibility in the terms of the affordable housing funding, for example, to enable a greater share of funding intended for later phases of long-term schemes to be used for social rented homes in earlier phases.

Your response stated that:

“I am clear that the Government must take urgent action to increase the funding available to build the homes that Londoners urgently need.....research published by my team last year shows that £4.9 billion of Government funding is needed each year if we are to truly tackle the capital’s housing crisis.”

The Committee agrees with you that we need urgent action to tackle the housing crisis. In your letter dated the 28 January 2020, you provided us with a breakdown of allocated funds from the £4.8 billion budget and noted that your team is working on a detailed breakdown of allocations by partner based on schemes. I would be grateful if you could share that with the Committee once completed.

The Committee understands that this expenditure is based on your agreement with Government and that the allocations for the later years is due to multi-phased developments. Can you confirm to the Committee that you are discussing with the Government, any flexibility in the terms of the affordable housing funding so that a greater share of the funding intended for later phases of long-term schemes can be used for social rented homes in earlier phases, and that you will work with recipients of affordable housing funding in London to accelerate the delivery of these much needed homes?

Recommendations 14, 15 and 16

The OPDC has seen a setback to its ambitious plans for its 30-year project. The OPDC needs to publish a timetable to develop a new credible and sustainable plan with a clearer focus in the short to medium term on Park Royal. The plan should set out what it can realistically achieve and when.

In June 2016 the Mayor of London commissioned the GLA to undertake a review of the strategic direction and work programme of the OPDC. Given recent events, the Mayor should commission a follow up review examining if the OPDC should continue in its current form.

The Mayor should review the processes and governance of the OPDC senior management team and Board representatives.

Your response stated that:

“The OPDC is working on finalising a programme for its new approach..... This recommendation would be appropriate were the Government to decide to cancel HS2.....Good governance is as important in a small organisation like the OPDC as it is in larger.”

Following the publication of the OPDC’s Housing Infrastructure Fund bid I can be more explicit than I could be at the time the Committee’s budget response was published. The HIF Bid for £250 million was submitted on 10 September 2018, at which stage it would have been clear to the OPDC that Car Giant would not be developing their land. Therefore, the HIF Bid might reasonably be considered to be based on an unrealistic proposition and therefore viewed as a disingenuous attempt to secure £250 million of public money.

Making a submission of this scale where Car Giant was so integral to the plans, without its support, is a fundamental omission and a failure of strategic leadership from the top of the organisation down. However, the OPDC went further by including in the bid reference to a letter of support from Car Giant that did not exist. We also recognise that the bid would have been approved by the OPDC Board which includes members of your own Housing and Land team.

The HIF conditions have now also been published. This letter was dated 9 April 2019. It should have been clear that on receipt of this letter that the HIF money was unlikely to be achieved, particularly Condition 9 about securing the site. It would appear that the OPDC continued pursuing an unrealistic plan at taxpayers’ expense, up to the point where the Budget and Performance Committee felt compelled to intervene by summoning the HIF bid documents.

We strongly urge you to commission a review of the OPDC, the circumstances around its HIF bid and the governance and controls that allowed it to happen. The London Assembly would be happy to provide full assistance with this review.

Recommendation 17

The Mayor should initiate a review into the level of cash and reserves held in the GLA Group. The review should consider the creation of a central general reserve for more efficient risk management, appropriate use of earmarked reserves and options for excess cash holdings. This review should start before the end of 2019-20 and the results should be implemented in the 2021-22 Budget process.

Your response stated that:

“The committee will appreciate that the GLA’s cash holdings are either earmarked for specific projects or held to manage cashflow and the risk profile facing each organisation.”

The Committee remains concerned over recent changes to TfL’s treasury management policy. Previously this had been to hold the equivalent of 30 days of operational costs as a minimum cash reserve. In December 2019, this doubled to holding 60 days of operational costs as a minimum cash reserve. Based on the latest 2019-20 forecast operating costs of £6.4 billion, this would mean TfL holding a minimum cash reserve of £1.1 billion, or around as much as the cost of the Northern line extension to Battersea. The Committee fails to understand why TfL should hold a cash reserve that is sufficient to cover more than three years of the cost of operations at the 2019-20 level. The Committee recognises that this cost of operations figure already includes capital renewals, which further underlines why we see this figure as unusually large.

A prompt response would be appreciated so that I can circulate a reply to the Committee in advance of the pre-election period.

Yours sincerely

A handwritten signature in black ink that reads "Susan Hall". The signature is written in a cursive style with a large initial 'S' and a distinct 'H'.

Susan Hall AM
Chairman of the Budget and Performance Committee