

Budget and Performance Committee – 3 July 2014**Transcript of Item 4: GLA's Business Plan and Project Prioritisation Process**

John Biggs AM (Chairman): We can now invite Jeff [Jacobs], Martin [Clarke] and Tom Middleton to come up and talk about the Greater London Authority's (GLA) business plan and project prioritisation.

Darren Johnson AM: What is the project prioritisation process and how does it work?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): First of all, it is probably just worth saying at the start we are talking of a figure of around £60 million in total that we are assessing within the prioritisation process.

Darren Johnson AM: Within the core Greater London Authority (GLA)?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): Yes. The exercise takes place normally – and will again – against the background of the existing business plan. The one that is in existence and which we published post the budget discussions has provisional figures in for the following year for 2015 – 2016 now, which if I remember rightly is £57 million, and consistently what I have just said around the £60 million mark, does identify the individual projects and programmes that we are talking about. It will take place against the background of that and against the background of the budget guidance which we are about to issue and, Martin [Clarke], you can say bit more about that if you want.

The process effectively begins with senior managers across the authority being asked to set out their proposals for the priority projects and the resourcing implications of those proposals and we expect the senior team to do that in conjunction with the relevant mayoral advisors. What we do is build a bottom-up picture, but in association with members of the Mayor's team where possible, from unit to directorate and then across directorates of the projects.

In relation to current activities, projects, programmes, we seek to build that picture with information about outputs achieved, performance and progress achieved, spend – what has been the performance on spend – and future profiling of expenditure and expected performance on current activities. Plus of course, although we have not asked people the last time round – and the previous time round and we will not this time round – for bids, we obviously expect people do come forward either because the Mayor has asked for it or because there are other pressures or priorities, but we do seek to identify at the same time any new aspirations for new proposals. Therefore, in association with any proposals put forward like that, we ask about the potential benefits, value for money, indicators, what degree of commitment has been made by the Mayor or anybody else about the proposal that might be coming forward. I will say in parenthesis that obviously the detailed information on individual processes like that comes later in the process when business cases have to be produced. We are talking about the indications of allocations at this stage. We are not talking about core details.

Darren Johnson AM: Does any prioritisation take place at that stage or at the later stage?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): No, later.

Darren Johnson AM: Everything is still on the table until the detailed business plan stage?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): Yes. It has a financial and employment implication, we pick up staffing implications as best we can; anything that I have said so far, obviously looking at bids for the future. We also expect people to continue to look for savings, not necessarily, but to be decided - we have not got there yet this time round - with a savings target, but we expect teams to operate efficiently and effectively, so there will be an expectation as normal about what can you identify before any pressures get put on from the centre about savings and efficiencies.

Having got that information together between September and December, a series of meetings are held with senior management in the organisation. The core team for running those meetings are Sir Edward Lister [Chief of Staff and Deputy Mayor for Policy and Planning], me and the Finance and Governance team, Tom's [Middleton] team, and we bring the directors in individually with their teams as necessary to discuss the proposals that are on the table.

All of that builds through the period that I have said, building up a picture of what the priorities are, with a view to a discussion with the Mayor on a ranking of project priorities in January. We try to provide a priority list ourselves and he then takes his own view. That final hurdle or discussion takes place against two backgrounds: what are the GLA proposals here looking like against the wider group pressures, because by then we will have built a picture of what else is going on in the group; and secondly, in the hope and expectation that we will by then have been told what contribution we are going to get from Government grant, so that we are clear what is available to us. It is only when we get that that we can then sensibly draw a line between the stuff that is in and the stuff that is out.

Darren Johnson AM: I know that with the current year, issues with the central Government funding settlement did delay things. Is that the only reason that the prioritisation process for 2014/15 concluded at such a late stage in the overall budget process or were there other problems with this approach?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): From memory, the timetable, subject to the New Homes Bonus discussions, which is what I think you are referring to, still has not fully concluded. Subject to that, we ran to pretty much the same timetable as previously and as expected. It does take that period of time to get through the discussions that I have referred to.

Darren Johnson AM: It was not included last year in time to be included in the Draft Consultation Budget, was it, the project prioritisation process?

Tom Middleton (Head of Governance and Resilience): That is right. No, it was not.

Darren Johnson AM: Why was that?

Martin Clarke (Executive Director of Resources): It will never be concluded in time for the draft consultation budget because you are talking about, as Jeff said, one of the smaller elements of the GLA budget. You can only finalise it when you know the level of discretionary resources that you have. The bulk of the budget is fixed by the prioritisation process, and it might be worth saying that the GLA's own gross expenditure is over £700 million. Of that, £119 million this year is directorate expenditure. If you take off the staffing, take off the fixed elements that have been agreed, you have funding that has been agreed in advance for London & Partners last year, the Waste and Recycling Board, the Museum of London. That leaves you a range of £60 million to £70 million, which can only be finalised when you get the final numbers. The bulk of the budget plans are set but the final decisions cannot be made and you cannot agree the final lists until January.

Darren Johnson AM: With hindsight, then, there is no way the process could have been completed earlier?

Martin Clarke (Executive Director of Resources): Not last year because you also had the spending round last year.

Darren Johnson AM: We can expect a speedier process this year because we are less reliant from lack of information.

Martin Clarke (Executive Director of Resources): Exactly. Last autumn/winter we received indicative figures for 2015/16 and they are reflected in the Business Plan. This year's Business Plan also has what funding we know we get already allocated, but it is subject to the review and re-prioritisation process, as Jeff has outlined, so it will be much more developed.

Darren Johnson AM: That is clearer. For the record, it would be useful to ask why it took six weeks between the Chancellor's Autumn Statement and the GLA sharing the results of the prioritisation process with the Assembly.

Martin Clarke (Executive Director of Resources): Part of the six weeks is taken waiting for the Local Government Finance Settlement, which was just in the week before Christmas. You then have the final options for the Mayor to agree early in the New Year. Six weeks might have elapsed but you still have a funding decision.

Darren Johnson AM: Therefore, it is the local government settlement and you were waiting then for the Mayor to make a decision.

Martin Clarke (Executive Director of Resources): Yes, because last year the local government settlement was in the third week of December.

Darren Johnson AM: As soon as the Mayor made his decision you shared that information with the Assembly?

Martin Clarke (Executive Director of Resources): Almost instantaneously, yes.

Darren Johnson AM: OK. All right.

John Biggs AM (Chairman): That is very good. We were frustrated by the delay. It is not the most important thing in the whole world but our job is to hold you guys to account, and regardless of whether the financial settlement from the Government was late, you would still have had to have some priorities in mind. You could have said, "If we had £60 million we could spend it on this. If we had £80 million we could have spent it on that", so nevertheless you should have an idea in your minds of what the priorities are and you should be able to share those and justify those.

Tom Middleton (Head of Governance and Resilience): Chairman, within the current business plan - which I think you have - in a sense you have our first cut there for 2015/16. Obviously, it is going to change and I am more than happy to talk to the scrutiny officers about what assumptions we have made to put stuff in; but essentially that is our starting point. You do a list of projects there and you can compare them with the current year --

John Biggs AM (Chairman): Did we have that last year?

Tom Middleton (Head of Governance and Resilience): I do not think you did at this stage. We are living and learning, Chair.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): Do not forget the complications that we had on the New Homes Bonus, which as I said are still continuing. We have entered in the business plan a £70 million figure for next year with income equalling the £70 million figure. As a matter of fact, the Government decided just before the local elections that we were not going to be given the money directly, it was going to go to the boroughs and that we were going to have to negotiate borough by borough for the £70 million against the background of the LEP priorities. Therefore, we are still in some difficulty about how we go forward about those and, for the record, I have complained quite seriously to the Department for Communities and Local Government (DCLG) about this manner of trying to do forward planning on proposed expenditure.

John Biggs AM (Chairman): That is useful on the record. I had not seen the correspondence on that. It would be quite useful to be able to share it with us so we know why DCLG have changed their minds again.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): It followed a consultation exercise and they concluded that just before the election.

John Biggs AM (Chairman): I knew about the consultation exercise. We assumed it was a slam dunk and they were going to take it off the boroughs.

Gareth Bacon AM: Could you refresh what you were just saying? The assumption in the boroughs is that 35% of New Homes Bonus will automatically be going to the GLA. Is that now not the case?

Martin Clarke (Executive Director of Resources): What has been agreed, ie what has been stated by the Government in what was a second consultation exercise that they ran on this, is that unlike the rest of the country, there will be pooling of the New Homes Bonus in London. The pooling will amount to £70 million, which is the percentage that you are quoting. They have said, however, that in keeping - I am almost quoting the words of the consultation and the response there - with the principles of the New Homes Bonus, that money raised in a borough should be spent in the borough. The expectation will be to follow that model and that the GLA, as the accountable body for the New Homes Bonus money that is going to be pooled, will need to agree with each borough what it is spent on, albeit against the background that it will need to be spent on LEP priorities.

Gareth Bacon AM: Therefore in borough X, the total New Homes Bonus is whatever it is; 35% of it was originally planned to be handed over to the GLA to be spent as the GLA sees fit, now is not going to happen. Now it will be spent in borough X but borough X will have to get the approval of the GLA before they can spend it?

Martin Clarke (Executive Director of Resources): The starting point is those rather bald facts. However, what we are seeking to do to ameliorate this not very efficient way of managing public expenditure business, is to agree a programme basis, which we did agree some time ago as part of our growth deal arrangements with London councils who in turn had consulted boroughs on a basis of running the LEP programme, ie LEP priorities agreed upfront. What we are hoping and expecting is that we will be able to manage the programme in the same way so that boroughs, in agreement with us, will come forward with proposals that meet those priorities, so that the LEP can agree.

Gareth Bacon AM: In some ways then it is going to be very similar to the local implementation plans funding that comes from TfL, in the sense that in this case it has to take forward the LEP agenda, whereas obviously the LIP is just the Mayor's transport.

Martin Clarke (Executive Director of Resources): That is our aspiration. The slight axe that is being held over our head, which we are fighting still about, is that they floated in the consultation response that if there was no agreement between the borough and the GLA the money would be taken back to the Government.

Gareth Bacon AM: Effectively, the GLA have the power to stop boroughs from spending money in the way the boroughs want to. What right of appeal do the boroughs have? For example, if a borough says, "This clearly is in accordance with LEP priorities and we want to spend the money on this" and the GLA for whatever reason says, "No, we do not agree with that" and then you have a bit of an impasse, who arbitrates?

Martin Clarke (Executive Director of Resources): I would like to think that the LEP would, since it has both borough and other business and GLA representatives on it. That they would sort it out behind the scenes there and get the LEP to approve it, but I do not know yet is the answer.

Gareth Bacon AM: OK, that is fine. When was this announcement made by the Government?

Martin Clarke (Executive Director of Resources): It was the week before the election that they put out the consultation response. I am very happy to send it through.

John Biggs AM (Chairman): Yes, we were all a bit busy doing other stuff then I suppose.

Gareth Bacon AM: I am not sure the boroughs are aware of what you have just said.

Martin Clarke (Executive Director of Resources): No, they are not.

Tom Middleton (Head of Governance and Resilience): It is on the DCLG website in detail. It is not a secret.

Martin Clarke (Executive Director of Resources): Some understandably are very happy with it.

Gareth Bacon AM: I bet they are. I think the boroughs are likely to be overjoyed frankly.

Martin Clarke (Executive Director of Resources): For obvious reasons, it is a very far cry from an Autumn Statement announcement by the Chancellor which said, "We are going to give £70 million to the Mayor to work on". It is just not the same thing at all. It does clearly follow a pretty effective campaign by at least some of the boroughs to say, "We do not agree with pooling and we will think about a legal challenge", which they then came away from in the end, so it is a bit of a muddle, I would say.

John Biggs AM (Chairman): There is an underlying question, though, which is that the reason this was dreamt up was because the LEPs were clearly under-endowed. It is another of these LDA legacy issues that we recognise, that there are strategic issues where we need funding through capital or whatever. Therefore, the Government, having made this decision, you would hope would - even though it is a world of tight resources - come back and say, "However, there is the prospect of another pot of money coming forward which will help the LEPs do the job they are there to do. Is there any?"

Martin Clarke (Executive Director of Resources): There is a bit of light in the tunnel that will become a bit clearer within the next couple of weeks. I have already referred to the growth deal discussions that we had. We have been working with London Councils on that for months and months because we had to put in stuff when we had to put it in. The Government is about to say what the results are of the growth deal discussions and our expectation is that there will be some resources coming out of that. Whether they match up to our and London Councils' original aspirations, what we were seeking, is another question.

Gareth Bacon AM: I want to talk about the GLA Business Plan. We welcomed the Business Plan last year. How well was it implemented it last year?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): I would not want to claim too much for this. I am very pleased with it personally because we introduced this new style plan in 2013/14. We have just published the second one. For the first time it does do the things that we keep on saying it has done, which is to try to set out what the priorities are, try to identify a bunch of key performance indicators, try to set some milestones for people. It is more like something we should have, especially given the fact that our budget has moved dramatically from the previous GLA we were to the one that we are now.

We are monitoring it regularly. We are providing information to the Assembly regularly on this, as you know. In the interstices of the organisation there is a look through my senior management team regularly at milestones, how we are getting on. We look at key performance indicators. You have the opportunity to look at them. The Investment and Performance Board under Sir Edward Lister's chairmanship looks at the key performance indicators. We look at the Mayor's manifesto commitments. We check on those as well. There is a higher degree – but in my view with less bureaucracy than has gone on in the past – of scrutiny, which we are imposing ourselves to and a higher degree of transparency than previously. Whether we have all the key performance indicators quite right, we keep on looking at them. We have looked at them again. We have added one this time round. That is a bit of a learning process. Clearly, there will be differences of view about whether there is stretch enough, whether they are measuring the right sort of stuff, and I think that will be iterative. It is pretty well integrated inside the organisation I would say now.

Tom Middleton (Head of Governance and Resilience): Could I just add one more thing into the jigsaw – and I know that the Assembly looks at this quite closely – which is the project monitoring? The final piece in the jigsaw that Jeff described is the list of major projects, which you see on the web in the Investment & Performance Board (IPB) papers, and the red-amber-green (RAG) ratings for those projects. Just like the key performance indicators (KPIs), you can see where we are doing well and not so well, so that is all up there.

Gareth Bacon AM: I was going to ask you about that in high-level terms without getting into the detail. Where do you feel the thing falls as being at its strongest?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): In simple numerical terms, on a RAG rating, the vast majority of our projects – and I will not try to go through them – are on a green rating. They are achieving their objectives.

Where is it strongest? I guess the things that people would be concerned with most are: what are we doing on affordable housing, what are we doing on jobs. Those are the big indicators. Allowing for the fact that there is a debate, on affordable housing the target has been exceeded, but there is a wider debate about the Mayor's affordable housing targeting and what is being achieved and what is not. As a simple matter of fact, last year the target was exceeded on jobs allowing for the debate that Stephen Knight [AM] is leading. On definitions, the out-turn target based on forecast is exceeded, so pretty good on those main things.

We are also doing pretty well on a bunch of other things, whether it is on volunteers, whether it is on help for youth or whether it is on the workplace energy carbon dioxide (CO₂) savings or whether it is on how quickly we pay invoices to small and medium-sized enterprises (SMEs), so across a bunch of activities and we are doing very varied stuff here. You are bound to ask me what we are not doing so well on.

John Biggs AM (Chairman): Everything else, presumably.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): The biggest red flag is on the home energy programme and CO₂, but there are reasons, some internal but some substantially external, for that in the way the Environment and Conservation Organisation (ECO) discussions have gone and changed during the year. We need to up the game on apprenticeships. We are trying to do that. We have done well on the numbers of new apprenticeships started but it is off-target at the moment and we are trying through a marketing campaign, which has started, and all being well through putting some more

money into this to up our game on that. On other things, the pocket parks have not gone as fast as we want them to but we are confident that we will catch up, so against the 20 we are doing pretty well based on last year's performance.

Gareth Bacon AM: When you do KPIs, business planning and things like this, definitions matter. You touched on definitions earlier. It is not always just a straight numerical score against a target and sometimes how you define achievement or not is important. Without going into any specifics on this - because I am in danger of straying into a question that the Chairman will be asking in a moment - is there any definition of redefining going on since the business plan was first put in and, if so, why?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): A little bit but we try not to tamper with it too much. Tom can correct me if I am wrong on that. The biggest thing that we are looking at, not least because Stephen [Knight, AM], amongst others, has --

Gareth Bacon AM: Yes, that is a good example.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): Are we properly defining the job stuff in relation to job supported ability and jobs created? We are looking more closely at that. We have the economists looking closely at that. We have committed to doing that and we will, and we will try to make it better. I do not think there are any other things.

Tom Middleton (Head of Governance and Resilience): The only thing that might be worth adding is - because it is absolutely valid point - that we have asked audit to go through them all and your audit panel will see the results of that. There are some areas as you would expect that they are raising questions and points on. That will be a matter of public record and we will try to address those as best we can. There are some that they have raised issues about and that will be published in due course.

Gareth Bacon AM: What would the rationale be for redefining targets?

Tom Middleton (Head of Governance and Resilience): The ones we have redefined so far - and we can provide the audit trail to you - are simply where there needs to be a tighter definition and some of the issues have been raised by yourselves at your Sub-Committee. It is a clarity thing; it is nothing more than that.

Gareth Bacon AM: Yes. I accept that. That is sensible. You can, however, see where the cynical interpretation of that may come in. You redefine a target by making it look like it has been achieved when it has not. I am not suggesting that is what is happening but others might.

Tom Middleton (Head of Governance and Resilience): One of our commitments is - if Members want one - we will give you the information you would have had under the previous KPI. We have committed to that, so if anyone thinks we are doing that I am more than happy to in writing give you what it would have been under the old definition. There genuinely is no attempt to work back from a certain answer. If you want the old KPI we will give you that information as best we can.

Gareth Bacon AM: Thank you.

John Biggs AM (Chairman): Why have the changes to this year's business plan been made? We take it as read that there have been three or four of them. One is on job targets; another is on housing completion; another is on carbon emissions; and the London Living Wage monitoring has been a bit of an anxiety as well. If we take those one at a time, therefore, on supporting jobs the mayoral target remains 200,000, although the business plan now forecasts 250,000. Can you justify why you did not decide to stretch the target as recommended?

Tom Middleton (Head of Governance and Resilience): When that target was first set, which from memory was around the time the current Mayor was re-elected two years ago, 200,000 was regarded as quite stretching. In the light of the information that has come through since, you could quite easily argue that it was not stretching enough. We do not want to get too hung up about the targets. It is important that we set out what is being achieved with the caveat that --

John Biggs AM (Chairman): Who would decide what that target is, though?

Tom Middleton (Head of Governance and Resilience): We did.

John Biggs AM (Chairman): What is "we"? Was it a Mayoral veto or a Middleton veto?

Tom Middleton (Head of Governance and Resilience): No, it is with the Mayoral Advisors. It reflects the manifesto commitments. There is no particular science around it. The target itself is not the issue; it is more the tracking of the numbers that go to the target. As Jeff [Jacobs] mentioned earlier on the jobs one, Stephen Knight [AM] has raised some very pertinent questions because they are not all the same. You are not counting 200,000 apples or something; there are oranges and bananas in there as well. We have never hidden that. It is the same for national Government figures as well. There is a mix of different things in there: part-time, temporary, etc. We will provide a note that we will publish - and obviously you will see it first - of exactly how that is put together and people can see the 250,000 in the light of how it is compiled. If people are not convinced by that, it is their right.

John Biggs AM (Chairman): Talking about affordable homes targets, a KPI of 55,000 between 2011 and 2015 has now changed to 100,000 between 2008 and 2016. Why did you change that?

Tom Middleton (Head of Governance and Resilience): On affordable homes, as we have already touched on, it probably is the most important target we have. All these numbers will be published: the 36,000 that we have under our settlement agreement with DCLG, the 55,000 that is, broadly speaking in this mayoral term, 100,000 which is the two mayoral terms. It is a stylistic thing. All those numbers will be published, so in a sense the target is just a stylistic choice of whether you want to go for 36,000, 55,000 or 100,000. It is purely what people want to do.

John Biggs AM (Chairman): OK and you have already undertaken that if people want to look at the original targets you are happy to publish and --

Tom Middleton (Head of Governance and Resilience): The housing target will be published everywhere and scrutinised accordingly.

John Biggs AM (Chairman): On the ten-year target for carbon emissions, you have mentioned this was an area of under-achievement so you have reduced the targets. There are some roundabouts and swings here which are on the jobs. It looks like you might be able to overachieve on the target here. You are not stretching.

Tom Middleton (Head of Governance and Resilience): Yes.

John Biggs AM (Chairman): On the carbon emissions you are going to underachieve, so you are squashing the target.

Tom Middleton (Head of Governance and Resilience): Yes.

John Biggs AM (Chairman): You are admitting to that?

Tom Middleton (Head of Governance and Resilience): No, I am acknowledging – I mean acknowledging as targets. The challenge with the carbon reduction, as you will know, Chairman, is what is under our control and what is not under our control and that is a very, very challenging thing to measure. I do not think we have ever hidden the fact that that one is difficult and, as you know, it stretches back some time.

John Biggs AM (Chairman): Therefore, on jobs you are very clear that every single one of those 200,000 jobs will be under the GLA's control?

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): Sorry, this is work in progress.

John Biggs AM (Chairman): Yes, OK.

Tom Middleton (Head of Governance and Resilience): It depends what you mean by 'control'.

John Biggs AM (Chairman): OK.

Tom Middleton (Head of Governance and Resilience): Influence.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): The figures will move around a bit.

John Biggs AM (Chairman): On the monitoring of employees who benefit from the London Living Wage, have you found a way of monitoring that or do you have proxy measures?

Tom Middleton (Head of Governance and Resilience): As I understand it, there is a contract with Queen Mary University. The contract specifies an annual update and having a more frequent update than an annual one would not be possible.

John Biggs AM (Chairman): I should declare I am an Honorary Fellow of Queen Mary. Is there anything else that you would like to measure but you do not have available data for?

Tom Middleton (Head of Governance and Resilience): I am not aware of anything.

John Biggs AM (Chairman): Nothing? Is there something you say, "I hope the Assembly does not ask me about this because we have no way of knowing"?

Tom Middleton (Head of Governance and Resilience): We have tried to cover off all the main areas but we are always happy to listen to other areas that we have not covered.

John Biggs AM (Chairman): We have spoken at great length with Gareth [Bacon] about KPIs. How do you feel they have culturally changed the organisation? Of course there can be perverse incentives here as well.

Jeff Jacobs (Head of Paid Service and Executive Director Communities and Intelligence): It is what I said before: this has not happened in the organisation before. There has always been monitoring of one sort or another and there have always been measures of one sort or another, but we have never had a budget of this scale until comparatively recently. It is important that we do try to measure against the key priorities. This is largely an official's document. I do not think anybody should be under any illusion about that because I thought and the senior management team have thought that it is right – to pick up your cultural point – that we working here, both in our ability to report to the Mayor and the Assembly and in terms of what we expect teams to do, are clear about the expectations being placed on them. Therefore, from a cultural point of view, it is important to have done that.

At a slightly more detailed level, I have kept on asking - and the evidence is what I am seeing before my eyes - that in staff's individual performance reports it is not possible, clearly, for everybody but if you go back to the National Aeronautics and Space Administration (NASA) story about the chap sweeping and understanding when he is asked what he is doing he is there to put the man on the moon, it is important that people across the organisation understand how what they are doing contributes to the overall aspirations of the organisation. Therefore, we are getting people in their staff reports to identify what their activities are in relation to the business plan, its priorities, its performance indicators and its milestones. If I can make people feel more in tune with that then that is a cultural move on as well. Whether we are being ambitious enough in terms of stretch, I do not know but you have to start somewhere.