

## Chief Officer's introduction: GLA Q3 2021-22 Performance and Finance Pack

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### **Members of the Budget & Performance Committee,**

I attach the GLA Q3 performance and finance pack.

Members will by now be familiar with the structure of the pack: a series of dashboards organised in line with our budget structure by missions and foundations (appendix 1) and by core activity (appendix 2); and a finance report, organised primarily by directorate, but also summarising the position by budget structure (appendix 3).

This is an approach that is now well-embedded across the organisation. It is how we organise our quarterly performance and finance conversations with the Mayor's team and senior officers, and it is, of course, a structure we have retained for our 2022-23 budget, which we are in the process of finalising.

In my Q2 note to you, I referred to work I had commissioned to renew our focus on setting more accurate spend profiles – and holding senior officers accountable for delivering against these. This work took place as part of our Q3 process, and included challenge sessions led by Corporate Management Team. In summary, our detailed review has had the following impact:

- £19.8m of revenue underspends were declared by directorates
- as the level of expenditure was considered optimistic, we have applied an 'optimism bias' reduction to a number of budget lines (flagged on the dashboards and in the finance report). This has in turn reduced the anticipated spend for the year by £6.1m and increased the overall forecast underspend to £26m.

Of this underspend:

- £13.7m has been approved for carry forward
- £5.0m has been recognised as savings, of which £1.5 is required to balance the budget
- £1.8m are reserve movements
- £5.5m will flow through as a saving, boosting reserves, so that we have cover if the optimism bias of £6.1m proves too great.

The above will be reflected in our final 2022-23 budget, which we will finalise and share with Members next month.

I am very keen that we continue with this disciplined approach. So, at Q4, we will test how expenditure matches the forecasts we set at Q3, again holding a challenge session with relevant senior officers. Indeed, I want us to continue this into the next financial year – maintaining greater accountability for spending to profile, but recognising also that there are a few, exceptional, areas where we should not set profiles because of the inherent challenges involved in projecting spend.

Turning to the overall financial position at Q3 (which unlike the above figures, includes our Corporate items of spending as well), the finance report shows that we anticipate a revenue underspend of £36m, a little under five per cent of our total revenue expenditure budget of £790m. The largest drivers of this underspend are:

- additional interest on balances of £10m over budget due to greater than expected cash balances, increased actual interest rates and the over-performance of the new treasury management investment strategy
- £6.7m of Young Londoner's Fund budget, which will be reprofiled into next year to establish a new collaborative fund to support young Londoners
- £3m set aside to support the New Museum of London project, where payment has not been required in this financial year.

Our capital programme spend is currently projected to be £312m (16 per cent) lower than the £1,931m we budgeted for this year. The underspend is largely out of our control due to lower than anticipated drawdowns by TfL for the Crossrail project in the year. There are also some delays across Housing and Land programmes, with the external economic environment a factor.

Finally, I know that Members are keen that we continue to add to and improve the metrics we use to report our progress. We are doing so on an ongoing basis, introducing new measures while checking that the existing measures are the best available. This quarter, we have added 14 new performance indicators (PIs) and actions across our dashboards. I want to highlight Green New Deal in this respect, where we have added three new PIs to report on the impact of the ULEZ and our building retrofit projects. Members will see further progress in strengthening our reporting over the next quarters – and we are always keen to hear your ideas for new metrics.

**Mary Harpley**  
Chief Officer