

Mayor's Response to Budget and Performance Committee's Pre-Budget Report Recommendations

Para Ref.	Recommendation	Mayor's Response
3.2	<p>Given the high profile of the Forensic Audit Panel, and the fact that the GLA spent public money (£50,000) on it, we recommend that the Mayor's consultation draft budget should highlight which of the Mayor's proposals are intended to implement the Panel's recommendations. It should also identify which of the recommendations are not to be implemented and provide an explanation as to why not.</p>	<p>The report of the Forensic Audit Panel was usefully in helping to gauge what magnitude of savings it might be possible to deliver from the GLA budget. However, generally this this work was subsequently overtaken by the review of the GLA structure begun by Tim Parker and subsequently carried forward in the strands of work underpinning the Organising for Delivery programme. The recommendations are therefore not directly relevant to budget consultees and therefore no further information has been included in the Mayor's budget consultation document.</p> <p>However, the Panel's recommendations in respect of the elections were not covered by this subsequent work but this was reported to the Budget and Performance Committee last month. [in brief, 'the Panel considered that "savings of up to £1 million per annum in the form of reduced contributions to reserves are [we believe] a realistic target in this area". This saving was based on the average cost of a large borough election which is not directly comparable to the cost of the GLA Election – the elections are very different.]</p>
3.6	<p>The consultation draft budget must be accompanied by a draft corporate plan showing how the Mayor's priorities will be translated into programmes and projects within the GLA to deliver specific objectives. We recommend that the Mayor urgently issue guidance setting out his proposed business planning objectives for the GLA in order to enable them to develop budget proposals that will deliver those objectives.</p>	<p>The GLA's draft corporate plan was presented along with the budget submission to the Budget & Performance Committee at its meeting on 25 November. It includes a series of deliverables grouped under themed outcomes. Each deliverable is underpinned with actions, milestones and the responsible delivery team or partner. The deliverables are also included in the GLA section of the Mayor's Consultation Budget.</p>

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3.12	<p>We note that there is now an emerging framework for the priorities of the new administration. However, it lacks detail of objectives, new initiatives and programmes aimed at delivering those priorities. The Mayor's draft consultation budget should provide full details of objectives and the related new initiatives and programmes. It should show the total cost of those initiatives in each of the three years covered by the budgets and provide information as to how they will be funded. It should also say what the intended outcomes are of any shifts in policy and how the Mayor proposes that those outcomes should be measured.</p>	<p>The Mayor's consultation budget highlights significant policy changes and new priorities as well as listing the major new initiatives planned for the three year plan period for the GLA and each of the functional bodies. A full listing of outcomes and their measurement is however beyond the scope of the budget document itself, but the full suite of planned performance indicators approved by each organisation is contained within the business plan of each member of the Group.</p>
3.13	<p>The consultation draft budget should make clear what specific measures are to be introduced within the GLA and each functional body in order to deliver the priority relating to climate change, including information as to the cost, objectives and intended outcomes. It should also set out how value for money will be assessed in relation to this work, and provide details of any existing or planned work relating to climate change that will not be taken forward.</p>	<p>Information was requested from functional bodies as part of the Mayor's Budget Guidance on how their business plans should address what measures are being taken that are consistent with the Mayor's commitment to carbon reduction targets of 60 per cent by 2025. It was not considered practicable to include this within the consultation document and more detail will be included in the Mayor's proposals to the Assembly in January.</p>
3.18	<p>We recommend that the draft GLA budget and the draft consultation budget for the GLA group should include a clear definition of value for money and, in relation to each area of expenditure, it should set out how value for money will be achieved and demonstrated. We would expect the definition and measurement of value for money to draw on appropriate benchmarks and good practice, and recommend that the draft budget refer to these as appropriate.</p>	<p>This was addressed on page 8 of the GLA's draft corporate plan. The Mayor's consultation budget sets out separately the savings and efficiencies underpinning the budgets of the GLA and each functional body and how these compare with government efficiency targets.</p>
3.26	<p>We repeat the recommendation of our predecessor committee that the Mayor should consult the Assembly and the public before making any further decisions about fares. This consultation should be integrated so far as possible into the rest of the budget-setting process in order that the Mayor's proposals may be considered in the round.</p>	<p>The timetable for establishing fares, which is statutorily defined, means that they have to be set for the next financial year well before any Budget Submissions from the Functional Bodies are received from the GLA.</p>

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3.40	If inflation continues at July 2008 rates, it will result in significant pressure on the budgets of the GLA group. We recommend that the Mayor's consultation draft budget should set out clearly what inflation rates and other cost pressures are assumed within budget projections for the GLA and each functional body.	The relevant level of inflation is the rate during 2009-10 and it is forecast to reduce significantly. Functional bodies have taken account of any pressures from inflation during 2008-09 in setting their forward estimates and will also take into account any recent developments since preparation of their budget submissions when they set their final detailed budget before the start of the financial year.
3.41	We recommend that the Mayor's consultation draft budget should include information showing the assumptions underlying projections of income for the GLA and functional bodies.	Income from interest receipts and other sources is outlined for the GLA and other functional bodies in the relevant section of the Mayor's consultation budget. Any savings growth above inflation or reduction in income over the previous year is included in the growth and saving schedules.
3.45	We recommend that the Mayor's consultation draft budget should include a separate statement of the costs and funding of Olympic Games-related activities.	Appendix E of the Mayor's consultation budget shows these details for the GLA and each functional body.
3.46	We recommend that the Mayor's consultation draft budget should include revised projections of the amount and revenue cost of planned prudential borrowing by each functional body. The draft budget should also include, within each component budget, information showing what assumptions have been made in relation to: the costs of prudential borrowing; the contribution of the private sector to major projects; and projected interest and capital receipts.	Section 9 of the Mayor's consultation budget provides an outline of the Draft Capital Spending Plan. It provides a high level summary of proposed expenditure and how it will be funded including from capital receipts, borrowing, capital grant or revenue contribution. It does not itemise private sector contributions to major projects in any detail as this is outside the scope of the budget document as well as being confidential information in some cases. Further information will be provided in the Draft Capital Spending Plan to be published by 15 January.
3.48	The Mayor has asked for budget submissions covering the period at least to 2011/12. We request that the consultation draft budget should identify clearly the amounts of efficiencies and budget reductions that will be required for each component budget, as well as setting out the costs of new initiatives and proposed areas of growth. It should itemise any savings or reductions that have already been identified and describe what the process and timescales will be for identifying further savings. This will enable us to assess the extent to which the required savings will be made by efficiencies and the extent to which reductions will be required beyond those efficiencies. It will also enable us to judge the	The Mayor's consultation budget provides this level of information on efficiencies committed growth and new initiatives. Plans for 2009-10 are fully funded, but some savings are still required in future years. The amounts required in future years are identified with the relevant section of the document and a composite total is indicated at appendix F. The business planning process is on-going and work already underway within the GLA and functional bodies to address future efficiency requirements. It is to be expected that there will be savings gaps at any point in time for future years, but these are closed as greater certainty emerges over the planning period.

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	<p>extent to which the planned levels of savings are achievable, as opposed to unidentified savings being included in the budget as a balancing figure.</p>	
4.7	<p>We recommend that the Mayor's consultation draft budget should identify projected numbers of police officer numbers, as well as the amount of time expected to be spent by police officers on front line service delivery. If there is to be a halt in the growth in police officer numbers in London, this must be fully debated and discussed, and convincing and effective measures must be put in place to ensure that the capacity of the Metropolitan Police Service continues to increase even if their total numbers do not.</p>	<p>The projected number of police officers over the next three years arising from current budget and planning assumptions is shown at para 4.9 of the MPA section of the Mayor's consultation budget.</p>
4.13	<p>We recommend that the Mayor's consultation draft budget should set out his policy on the reserves of each of the component parts of the GLA group, the principles underpinning his policy, and his assessment as to appropriate levels of reserves over the three-year planning period.</p>	<p>Information on reserves is included within the relevant section of the Mayor's consultation budget. Each functional body has a separate reserve policy tailored to its own particular needs. Further information will be included in the advice section of the Mayor's report to the Assembly in January.</p>
4.19	<p>A costed plan for the security elements of the Olympic and Paralympic Games is due by the end of 2008. We recommend that the Mayor's consultation draft budget should, so far as possible, include details of the anticipated costs to the MPA and how these will be met in each of the three years from 2009/10 to 2011/12.</p>	<p>A split between revenue and capital expenditure is included in Appendix E of the Mayor's consultation budget for each year up to and including 2012-13. Expenditure is included on the basis that it is funded by government.</p>
4.24	<p>The MPA will need to identify significant savings in order to comply with the Mayor's financial planning guidelines over the next three years. There is a large provision for unidentified savings, and the MPA will face pressures from inflation and other financial and economic factors. We recommend that the Mayor's consultation draft budget should include details of proposed savings or budget reductions for 2009/10 and, so far as possible for 2010/11. The document should also explain what other potential savings or reductions are under consideration and what their scale and impact would be.</p>	<p>A complete list of MPA savings within the Mayor's consultation budget for 2009-10 is shown at appendix B. This also shows the amount of savings to be identified in 2010-11 and 2011-12, but the business planning process is on-going to address future efficiency requirements. It is to be expected that there will be savings gaps at any point in time for future years, but these are closed as greater certainty emerges over the planning period.</p>

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5.9	We recommend that the draft budget for the GLA, due to be released to us for consultation in November 2008, should illustrate the changes to existing plans in order to deliver the new Mayor's priorities. This should include clear indications as to how new initiatives will be funded, and which areas of work are planned to be reduced or stopped.	Detailed information on new Mayoral priorities and the savings required to fund them and meet the Mayor's financial guideline were included in the draft corporate plan and accompanying commentary which have been presented to Budget & Performance Committee.
5.10	We recommend that such an explanation should also be provided in relation to each functional body in order to provide clarity as to how the new Mayor's spending plans will differ from previously published plans.	Additional savings were required from the GLA and each functional body to meet the financial planning guidelines compared to forward spending plans produced last year. These will have been taken into account alongside other changes to forward plans, including amendments to inflation or new commitments in producing a balanced plan to meet the guideline. Therefore it is not possible to highlight separately how the plans differ other than through the lower budget requirements. However, the Mayor's consultation budget does provide break downs of budget movements
6.8	The Mayor's consultation draft budget must clearly show the impact of any budget reductions on fire safety checks and other fire prevention measures. We shall also examine closely the Mayor's consultation draft budget for LFEPA in order to assess the impact of his financial planning guidance on the numbers of firefighters and appliances. We recommend that the consultation draft budget should clearly illustrate the 2008-09 numbers and the projected numbers of firefighters and appliances over the three years covered by the consultation draft budget.	LFEPA proposed budget savings are summarised in Appendix C of the Mayor's consultation budget. Consideration is still being given by LFEPA to the final proposed list of savings to balance the budget and further detail will be included in the Mayor's report to the Assembly in January. LFEPA officers have assessed the proposed community fire safety savings proposals as having a low service impact. There is an estimated increase in frontline firefighting capacity of 29 uniformed officers as a result of the opening of the new additional fire station in Havering.
6.33	For the purposes of transparency and clarity, we recommend that the consultation draft budget should include a statement of planned and anticipated transfers of funds within the GLA group.	The GLA is the receiving authority for government grants and these are paid over to the functional bodies as part of the treasury management arrangements agreed between the GLA and functional bodies. Details of government grants are included within the budget document, but it is beyond its scope to list all of these movements or any transfers for other joint projects.

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6.34	<p>LFEPA will need to deliver significant savings in 2009/10 and 2010/11 in order to balance its budget within the Mayor's financial planning guidelines. There has been a clear commitment from LFEPA not to reduce its operational capacity, and the Chairman of LFEPA has also indicated that he does not intend to make use of LFEPA's reserves other than to fund 'front line services'. We recommend that the consultation draft budget should include details of proposed savings and budget reductions in each of the three years from 2009/10 to 2010/11, indicating what the operational impact will be in each case. The consultation draft budget should also include projected numbers of firefighters and appliances in each year compared to the 2008/09 baseline figures.</p>	<p>LFEPA proposed budget savings are summarised in Appendix C of the Mayor's consultation budget. Consideration is still being given by LFEPA to the final proposed list of savings to balance the budget and further detail will be included in the Mayor's report to the Assembly in January. LFEPA officers have assessed all of the savings proposals required to balance the Mayor's budget as having a low service impact. There is an estimated increase in frontline firefighting capacity of 29 uniformed officers as a result of the opening of the new additional fire station in Havering.</p>
7.29	<p>In announcing the above-inflation fares increase for 2009/10, the Mayor referred to a shortfall of £80 million in TfL's budget, and a 'black hole' of £2 billion over ten years, which the fares increase was intended to address. However, we have not been provided with any detailed figures to support these assertions. The consultation draft budget should include a detailed account of how this deficit has emerged.</p>	<p>This was addressed in the letter dated 20 October from the Executive Director of Finance & Performance to the Chair of the Budget & Performance Committee.</p>
7.32	<p>We recommend that as soon as Transport for London has calculated the financial implications of withdrawing the western extension, those figures should be provided to the Committee in order for us to consider them as part of the budget-setting process.</p>	<p>The decision to withdraw the western extension was taken after the business plan submission had been finalised, but would take effect from 2010-11. Any financial implications will be assessed and included when the TfL business plan is updated again as part of next year's budgetary cycle.</p>
7.35	<p>Overall, the new Mayor's policies should not be expected to result in significant changes in TfL's revenue expenditure profile, nor in its investment programme in relation to the Underground. We recommend that the consultation draft budget should clearly address the following key issues.</p> <ul style="list-style-type: none"> a. Paying for and delivering investment in the Underground; b. Paying for Crossrail; c. TfL's commitment or otherwise to major new projects such as the Cross River Tram; 	<p>These issues are covered in the TfL section of the Mayor's consultation budget and are covered in more detail in TfL's business plan which was published on 6 November.</p>

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	d. The anticipated financial implications of the Mayor's commitments to phase out articulated buses and introduce a replacement for the Routemaster.	
8.9	The Mayor has made at least two announcements suggesting that the London Development Agency will have an ongoing role in supporting smaller projects, such as those aimed at providing sports facilities and the Mayor's tree-planting scheme. It will be interesting and important to see how these commitments fit in with the new emphasis of the LDA on fewer, larger projects as recommended by the Forensic Audit Panel and espoused by the Chief Executive and the new board. This will be a crucial element of any assessment as to the extent to which the reforms of the LDA result in changes in the nature and effectiveness of its programmes.	The LDA is currently consulting on its draft investment strategy, which will then need to be considered by its Board, and it would therefore be premature to determine the detailed allocation of resources between different types of project. However, the LDA's commitment to reduce radically the number of programmes it sponsors and focus on more strategic outcomes has been very clearly set out by its new management and in the draft investment strategy. This new approach has been widely welcomed.
8.10	We recommend that the Mayor's consultation draft budget should include a clear statement about the proposed extent of the LDA's support for smaller scale projects. It should also set out clearly what proportion of the LDA's budget is proposed to be used to commission projects and how funds used in this way will be safeguarded; set out the budgetary implications of the London 2012 Olympic and Paralympic Games; and provide details of anticipated grants and other payments from the LDA to the GLA and functional bodies.	Delivery of many of the LDA's priorities is at the local level, so often the LDA will fund programmes of activities that are delivered through other partners or agencies - particularly London boroughs - managing the work carried out at local level, rather than the LDA itself directly overseeing delivery of outcomes. Local delivery of a range of smaller projects across London is therefore perfectly compatible with these projects being managed strategically, as programmes run by agencies which are funded by the LDA. The LDA's Olympic funding strategy is reflected in the LDA section of the Mayor's consultation budget and appendix E of the document.