

PART 3

Final Draft Consolidated Budget 2022-23: Finance and legal advice

	Page
Advice provided by the Executive Director of Resources	
1. Advice on budget process.....	158
2. Advice on equalities implications	162
3. Advice on 2021-22 financial monitoring.....	172
4. Advice on reserves and balances	178
5. Advice on council tax requirements and referendums	180
6. Advice on future plans.....	180
Legal Advice	183

Advice provided by the Executive Director of Resources

1. Advice on budget process

The Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA’s statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

A summarised version of the statutory budget process for 2022-23 is set out in the following table.

<p>Budget process</p> <p>The Mayor must prepare for each financial year a budget for each of the seven constituent bodies and a consolidated budget for the GLA Group as a whole (this is the GLA consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies.</p> <p>Before arriving at the final version of the budget, a “Draft Component Budget” for each component body will be the subject of consultation with the constituent bodies. Letters from the Mayor fulfilling this requirement were sent to MOPAC, LFC, TfL, LLDC and OPDC in November 2021. The Assembly set out its proposals for the GLA: Assembly budget on 2 November 2021 and was consulted on the Mayor’s draft proposed GLA: Mayor and GLA: Assembly budget which was presented for consideration at the Budget and Performance Committee meeting held on 23 November 2021.</p> <p>After preparation of and consultation on those drafts, the Mayor is required to prepare a draft of his proposed full consolidated budget for consultation with the Assembly and functional bodies. This was issued on 22 December 2021. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation has occurred, and the Committee considered that document on 5 January 2022. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred: on 22 December 2021 the Mayor published a “GLA Group Budget Proposals and Precepts 2022-23 Consultation Document”, which was made available on the GLA website and sent to a range of local government, business and other stakeholder representative organisations.</p>
<p>Draft budget stage</p> <p>Following consideration of responses, the Mayor then determines a “Draft Consolidated Budget” or “Draft Budget” (which contains draft component budgets for the seven bodies), publishes it and presents it to the Assembly at a public meeting (the “Draft Budget Meeting”). The Mayor must do this on or before the first day of February. The Assembly must approve this budget (the statutory calculations) with or without amendment. Amendments at this stage of the process can be made by a simple majority of Assembly Members voting (ignoring abstentions and absentees). If no amendments are passed, then the Draft Budget is deemed by law to have been approved without amendment. The Draft Budget Meeting was held on 26 January 2022; two formal budget amendments were passed, and the Draft Consolidated Budget was deemed by law to have been approved with these amendments.</p>

Final budget stage

The Mayor then prepares and publishes a final draft of his proposed consolidated budget (“Final Draft Budget”) for the next financial year. The Final Draft Budget that has been determined for 2022-23 is included at Part 2 and the statutory calculations required under the GLA Act are set out in Annex A to Part 1. If the published Final Draft Budget does not incorporate any amendments made by the Assembly at the previous stage or is otherwise different to the previous Draft Consolidated Budget, the Mayor must lay a written statement before the Assembly giving reasons. This written statement is provided in Annex B to Part 1 of this report.

The Final Draft Budget must be considered at a public meeting of the Assembly (the “Final Budget Meeting”) and approved with or without amendment before the last day of February. (otherwise the Final Draft Budget is deemed to be approved on that date). **This meeting will take place on 24 February 2022.** Any amendment must at this stage be agreed by at least two thirds of the Assembly Members voting (ignoring abstentions and absentees).

If no amendments are passed, then the Final Draft Budget is deemed by law to have been approved without amendment. The resulting Budget (with or without amendment) will be the approved Consolidated Budget for the financial year 2022-23. Each GLA Group organisation will then proceed to set their own budget based upon the approved Consolidated Budget.

What were the arrangements for developing the budget proposals?

The budget process has itself involved:

- budget guidance issued by the Mayor
- budget development by functional bodies and both parts of the GLA
- budget submissions scrutinised and approved by the functional bodies before formal submission to the Mayor
- Mayor’s Draft Budget Consultation Document proposals considered, prepared and issued for public consultation
- scrutiny by the Assembly’s Budget and Performance Committee throughout the process.

The Mayor issued guidance in July 2021 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought to ensure that the Mayor’s budget proposals were an accurate reflection of his priority aims and objectives within available resources and also covered how equalities and environmental impacts should be considered in the budget proposals.

There have been meetings and other consultation between functional bodies and GLA officers and these provided a vehicle to:

- review delivery of the 2021-22 budget and to judge outcomes
- direct the 2022-23 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor’s priorities
- ensure that as far as practical there would be consistency and integration across the GLA Group on relevant issues
- ensure that each body’s submission was delivered as required

- ensure that the submissions could be readily consolidated into the Mayor’s budget proposals and issued for consultation.

Throughout the process careful consideration has been given to the projected resource provision including responding to and taking into account government consultations and announcements.

How can the estimates of income and expenditure be assessed as representing necessary and reasonable budget provisions?

To explain each component budget, there is a service analysis showing the spending plans for the three-year period 2022-23 to 2024-25 for the GLA and each of its functional bodies. This reflects the planning horizon which it is possible to make reasonable estimates for as the government has only announced one-year funding allocations for local government, police and fire services for the 2022-23 financial year. This is complicated further by the fact that there remains significant uncertainty due to the long term impact of the COVID-19 pandemic on council tax, business rates and fare income particularly as the relief support for the retail, leisure and hospitality sector tails off materially in 2022-23 and reforms to the local government finance system including the fair funding review and resetting of business rates growth linked to the government’s levelling up agenda which may or may not be implemented in 2023-24 or later. At the time of writing there is also no agreed financial settlement for TFL. Despite these uncertainties indicative estimates have been made in relation to government grant, retained business rates and council tax income for the next three financial years to March 2025.

Each service analysis shows:

- the net costs of providing the complete range of services provided by the body
- sources of income
- capital financing costs (including capital expenditure charged to revenue)
- transfers to and from reserves
- any other financial changes and adjustments
- the resultant budget and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2021-22. Explanations have been provided for the changes in terms of:

- inflation
 - savings and efficiencies
 - net changes in service expenditure and income
 - changes in use of reserves
 - net change in government grants and retained business rates funding / resources allocated by the Mayor
 - any other adjustments.
-

More detailed information has also been provided in the public documents relating to the budget proposals considered by the functional bodies and the Assembly’s Budget and Performance Committee.

What internal and external scrutiny have the budget proposals had?

The budget proposals are based on submissions that have been subject to scrutiny and approval within the functional bodies. Developing budget proposals have also been scrutinised by the Assembly’s Budget and Performance Committee and throughout the process further information has been provided in response to the Committee’s questions and recommendations.

The Mayor’s proposals were set out in the Draft Budget Consultation Document that was circulated to London borough councils, the City of London Corporation, London Councils, and a range of business and other representative organisations. The Consultation document and details of how to respond to the consultation were also placed on the Greater London Authority’s website, enabling members of the public to submit their comments. A separate budget engagement process was also undertaken through Talk London. The views expressed in response were considered before finalising the Final Draft Budget proposals and are summarised in Part 2 of this report.

The Budget and Performance Committee’s consolidated response to the Mayor’s Draft Budget Consultation Document was issued on 18 January 2022. The Mayor will be replying ahead of the final budget plenary.

Conclusion

The estimates have been put together by, or with the involvement of, qualified finance staff in the functional bodies and the GLA and reflect the approval and scrutiny process as described above. The estimates represent the best available information held within the GLA about budget pressures and the resources available to meet them while recognising there is significant uncertainty around forecast council tax and business rates income for both 2021-22 and 2022-23.

There are processes within each of the GLA Group’s constituent bodies for proper consideration to be given before expenditure is sanctioned. Budget discipline is supported by a controlled virement system that maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of significant risk and uncertainty in the Final Draft Budget, arising from the continued impact of the COVID-19 pandemic on business rates, council tax and fare revenues and the absence, at the time of writing, of a financial settlement for TfL. Even at this stage the GLA is unable to confirm its final income position for 2020-21 – eleven months after the financial year end as the government has still to confirm the final levy and safety net payment calculations and methodology and some local authorities are still awaiting the sign off of their statutory accounts due to external audit delays.

It is estimated the GLA will receive over £1.2 billion in council tax revenues and around £3.3 billion in business rates income from London boroughs to fund the GLA Group in 2022-23. These sums include related section 31 grants from DLUHC, for government funded business rates reliefs and the costs of freezing the NNDR multiplier, and are calculated based on the statutory returns and taxbase data London’s billing authorities were required to submit at the end of January 2022. The £3.3 billion business rates income, highlighted above, excludes the combined tariff and levy payments – of £793.6 million – the GLA is estimated to be required to pay to the Department of Levelling-Up, Housing and Communities (DLUHC) from the business rates income it expects to receive in 2022-23.

Irrespective of the immediate impact of the billing authority returns the scale of future savings required across the GLA Group in future years will continue to be substantial given ongoing uncertainties around the impact of the pandemic and inflation on revenues and costs in the medium term and lack of clear direction from the government on funding arrangements beyond 31 March 2023. This will require intensive work to deliver and will place significant strain on officers across the whole Group.

Risks are mitigated by assurance and insurance arrangements across the GLA Group and by the existence of appropriate reserves. Across the GLA Group the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors.

Overall, on the basis of the information that has been provided to explain the Mayor’s 2022-23 budget proposals, the estimates and budgetary provisions set out in the Final Draft Budget documents represent reasonable and necessary financial provisions based, on the information available to him at this stage, consistent with the powers and service obligations of the GLA and the functional bodies, and which are the outcome of a robust budget development process. Advice on equalities implications, 2021-22 monitoring, reserves and balances, council tax referendums, future years’ plans and the Assembly’s powers to amend the Final Draft Budget is also provided in this document.

2. Advice on the equalities implications of the budget proposals

The relevant sections of Part 2 of the Final Draft Budget set out a summary of each member of the GLA Group’s consideration of equality issues in their budget proposals. This equality statement covers the Mayor’s budget proposals for the 2022-23 financial year.

The GLA (Mayor and Assembly) and all five functional bodies must comply with section 149 of the Equality Act 2010, which provides for the “public sector equality duty (PSED)”:

- this duty requires each body to have due regard to three outcomes: (1) the need to eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) to foster good relations between such people

- the protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation, and in certain circumstances civil partnership or marriage
- compliance with the PSED may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding
- in limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person and in some cases a pregnant worker can be treated more favourably. This is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

Fulfilling the duty requires due regard that is appropriate in all relevant circumstances. This includes the budget development, preparation and approval process involving the GLA: Mayor, GLA: Assembly and each functional body and the subsequent expenditure involved in implementing their individual budget proposals.

Inclusive London is the Mayor’s equality, diversity and inclusion strategy and includes relevant evidence and strategic objectives that set out what the GLA Group is aiming to achieve in relation to equality, diversity and inclusion. The strategy was published in May 2018. This goes beyond the nine protected characteristics set out in the Equality Act 2010, and, in particular, considers socio-economic inequality.

Each member of the GLA Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected characteristic groups.

The development and implementation of programmes and projects within the budget framework set by the budget for each body will be subject to a full and detailed assessment of the likely impact on individuals in protected groups by the body concerned in accordance with the PSED and the *Inclusive London* strategy. This is, necessarily, iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. The constituent bodies will continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

Funding allocations

This Final Draft Budget 2022-23 sets out the Mayor’s proposed funding allocations to the constituent bodies. The funding allocations are not specifically aimed at persons who share a protected characteristic. However, it is recognised that changes to funding allocations compared to the previous year could, without mitigating action and depending on the spending decisions made by the bodies themselves, potentially have an adverse impact on persons who share a protected characteristic – including through impacts on discrimination and other conduct prohibited under the Equality Act 2010; equality of opportunity; good relations between persons who share a relevant protected characteristic and those who do not; and the socio-economic status of groups and individuals.

The Mayor’s proposed funding allocations for 2022-23, compared with the previous year, are set out in section 1 of Part 2. In summary, the Mayor’s proposed funding allocations:

- Provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile.
- Provide additional funding to MOPAC through increasing the Band D police element of the GLA precept by £10, in accordance with existing government assumptions, and aligning its ongoing business rates funding to the sum set out for London policing in the local government finance settlement. The Final Draft Budget proposes an additional £23.2 million funding for initiatives to tackle violence
- Provide additional funding to LFC by raising its element of the precept by £1.93 for a typical Band D property and allocating it £242.7 million in retained business rates funding. This level of retained rates funding is £29 million (14 per cent) above the baseline for the fire and rescue element of the GLA’s settlement funding assessment. This latter figure includes the former revenue support grant for fire and rescue services which has been rolled into the GLA’s retained business rates baseline since 2017-18 .
- Increase the element of the council tax precept by £20 at Band D to fund transport services in 2022-23 to be held initially in the Transport Services Funding reserve before being transferred to TfL in 2023-24. This is estimated to raise £61.5 million to contribute towards balancing TfL’s long term funding gap. The Final Draft Budget proposes an additional £48.5 million capital contribution towards the Crossrail funding gap in 2022-23.
- Allocating business rates funding of around £1.9 billion to TfL which partially replaces capital and operating grant which it formerly received through Department for Transport grant and £52.5 million via the precept primarily to help fund the cost of maintaining free travel for under 18s and to fund the 60+ Oystercard.
- Increase the resources originally allocated to OPDC from £6.4 million in 2021-22 to £6.8 million in 2022-23, while increasing level of revenue support provided through retained business rates to the LLDC by £2.0 million to £29.3 million for the LLDC whilst maintaining a Mayoral Development Corporation Reserve.

- Increase the resources available through council tax for the expenditure on services within the GLA: Mayor component budget and the Assembly component budgets in 2022-23 in line with the reported increase in the council taxbase (1.7 per cent) as well as increasing the allocation in each case from retained business rates. This excludes the sum raised from the £20 precept increase for transport services held temporarily within the Transport Services Funding reserve in 2022-23 before being transferred to TfL in 2023-24; repayments required to the 33 billing authorities for business rates and council tax deficits in 2020-21, due to the impact of the COVID-19 pandemic on local taxation revenues in London; and any business rates and council tax deficit repayments forecast for 2021-22.
- The Final Draft Budget also proposes additional funding across the GLA Group for potential pay awards and to fund the employers’ national insurance increase in 2022-23 as set out in part 1.

Other revenues

The funding allocations are not the only source of income for the constituent bodies. They are also supported through locally raised and retained fees and charges including public transport fares and the congestion charge for TfL, as well as through a range of other government grants for specific or general purposes. Any resulting reduction in a constituent body’s income could have an effect on the ability of that body to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it. The impact will depend on the choices made by the constituent body and in making those choices the body is required to comply with the public-sector equality duty and also, as directed by the Mayor, the objectives set out in *Inclusive London* (including the question of how it will affect socio-economic inequality in London).

If the constituent bodies cannot mitigate any shortfall in funding through making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that the constituent bodies provide a wide range of services, targeting or impacting upon persons who share a protected characteristic, there could be an impact upon such persons or groups as a result.

Impact of funding allocations and other revenues

It is not possible to predict how the proposed budget changes for 2022-23 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each constituent body on the allocation of its funding allocation from the Mayor and its other revenues.

The Mayor’s proposed funding allocations do provide some mitigation of the potential impacts on persons who share a protected characteristic. They have been determined following a lengthy budget development process which has included the constituent bodies responding to budget guidance issued by the Mayor with budget submissions scrutinised and approved by them before formal submission to the Mayor. Throughout this process constituent bodies have been encouraged to consider equality and diversity issues and they have taken their own steps to comply with the public sector equality duty and the objectives set out in *Inclusive London*. An initial high-level summary of the equality implications of each constituent body is set out in the Final Draft Budget 2022-23.

Also, the funding allocations provide funding protections for the functional bodies by providing them with as much certainty as possible over funding sources that are themselves uncertain and volatile; increasing funding for the police through increases in the precept; providing additional funding to the LFC through the precept and business rates; passing on in full the retained business rates for TfL which has replaced former government operating and investment grants as well as identifying resources to ensure that existing concessionary travel schemes continue to be funded in 2022-23 and incorporating assumptions on government support to manage the impact of reductions in fare revenues; and managing the uncertainties inherent in the retained business rates system through the Mayor’s Business Rates Reserve.

Impact of increasing the council tax precept

For 2022-23, a financially balanced budget is proposed based on various new initiatives and service improvements, savings and efficiencies, assumed government grants, income changes and use of reserves across all the constituent bodies.

The Mayor is proposing an increase in the Band D precept paid by residents of the 32 London Boroughs in the Metropolitan Police District from £363.66 to £395.59 – a rise of £31.93 or 8.8 per cent. This reflects the Mayor’s additional funding allocated to MOPAC for the Metropolitan Police Service through a £10 increase in the police element of the Band D precept – in line with the council tax referendum principles limits approved in the House of Commons on 9 February 2022; a 1.99 per cent increase in the core non-police precept which allocated in full to the London Fire Commissioner for the London Fire Brigade; and a further £20 increase at Band D to fund transport services. The proposed 2022-23 Band D precept for residents covered by the Common Council of the City of London, which is outside the Metropolitan Police District and directly funds the City of London Police instead, is £118.46 – £21.93 greater than in 2021-22 – which is again in line with the council tax referendum principles limits approved in the House of Commons on 9 February 2022.

The additional amount payable for each household will be dependent on the council tax banding of the council tax payer’s relevant property, whether they are eligible for any discounts or exemptions (e.g. the 25% single person discount) and any additional reductions council tax payers are entitled to under each billing authority’s council tax support scheme. A household whose bill falls in Bands A to C or E to H will pay proportionately less or more respectively. The impact of the Mayor’s precept increase by council tax band is set out in the table below.

Adjusted amount of council tax paid by taxpayers in the 32 London boroughs (£)

Band	2022-23	2021-22	Change
Band A	£263.73	£242.44	£21.29
Band B	£307.68	£282.85	£24.83
Band C	£351.64	£323.25	£28.39
Band D	£395.59	£363.66	£31.93
Band E	£483.50	£444.47	£39.03
Band F	£571.41	£525.29	£46.12
Band G	£659.32	£606.10	£53.22
Band H	£791.18	£727.32	£63.86

The GLA’s element of the council tax will increase for all individuals who pay council tax (although this could be compounded by increases in the billing authority element of the council tax, particularly for the additional adult social care precept, but dependent on each individual billing authority’s local council tax proposals).

As shown in the table above council tax is a regressive tax because the size of property does not equate to size of income of the occupier and the occupiers of the most expensive properties only pay twice the level of council tax paid for the average Band D property.

The Mayor has carefully considered these factors in proposing his precept increase and has taken the difficult decision to increase the precept and provide additional funding to the Metropolitan Police Service, London Fire Brigade and for transport services, in the light of his commitments to increase the council tax where it is necessary to keep Londoners safe and to meet the government’s requirement that he increases the funding he provides to Transport for London following the impact of the COVID-19 pandemic. So, the impact of the precept increase must be set against the benefits to some of the most deprived Londoners from investing in policing and continuing to provide public transport services, including free travel to those generally not of working age.

Just under one third of the council tax increase is being implemented to safeguard police funding; crime disproportionately affects those who have lower levels of income. The increase in the fire related element of the precept will help ensure the London Fire Brigade is adequately funded and enable it to implement the recommendations of the Grenfell Tower Inquiry. Londoners in poverty live disproportionately in flats and high-rise blocks.

The sums raised from the £20 Band D increase for transport service will be used to help close TfL’s long term funding gap, arising from the COVID-19 pandemic, from April 2023.

According to the London Poverty Profile 2020 report published by the Trust for London, four in ten children in London (37%) live in households in poverty compared with 25% of working-age adults. The majority (54%) of lone-parent families are in poverty compared to only 13 per cent of households comprising couples without children. Lone parents not living with another eligible adult over 18 will also of course benefit from the 25% single person council tax discount before any council tax benefit is applied. The same study identified that there are over 250,000 pensioners living in poverty in London – or nearly one in four.

The latest London Poverty Profile 2021 notes: *“the last year has seen the scale and complexity of challenges facing Londoners on low incomes deepen further”*; and finds in the six months to September 2020, food banks in London distributed 210,000 food packages to people in the capital, a 128% increase compared to the same period in 2019.

There are also wider social, health and well-being benefits from encouraging older Londoners to be more active and mobile by providing access for them to free public transport. This scheme is likely to result in reduced pressures and costs on other public services including the NHS and social care over time.

The GLA does not have equalities data covering the population spread across the council tax bands of individuals with protected characteristics including socio-economic status. However, it can probably be assumed that individuals with lower incomes are, in general, more likely to live in property that falls in the lower bands, thus reducing the monetary impact on such individuals of the council tax increase.

Council tax support (former council tax benefit)

Households which are exempt from paying council tax or who are eligible for council tax support for 100 per cent of their bill will experience no direct impact from an increase in council tax. This will include households, for example, containing only students or people of pensionable age eligible for 100 per cent council tax support in all 33 local authorities. However, the availability of full council tax support varies depending on the council tax payer’s local authority and place of residence and whether they have reached or are below their pension credit qualifying age.

Since the 2013-14 financial year, decision-making on the award of council tax support for working age households has been localised to individual billing authorities. These policies are determined in London by each of the 32 London boroughs and the Corporation of London. It is a statutory requirement for billing authorities to consult major precepting authorities (in London this is the GLA) on changes to council tax support policies; however, each billing authority is ultimately responsible for the design of its scheme, within the legislative framework set out by government.

Under the localised system, eligible pensioner households continue to receive council tax support as previously under council tax benefit, but billing authorities are free to introduce their own local schemes for working age claimants below pensionable age. Of the 33 London billing authorities, in 2021-22 at least six have protected working age claimants by providing full council tax support on broadly the same basis as prior to 2013-14, subject to applicable uprating for inflation and other parallel changes in national policies for means tested benefits. The remainder have locally-designed schemes which require some or all working age claimants to contribute to the cost of the scheme by paying a share of their council tax liability or through adjustments to other criteria. For example, in some cases any impact is restricted to council tax payers in higher property bands, or who are not members of defined groups deemed more vulnerable.

The government provided a £670 million local council tax support (CTS) fund for 2021-22 to allow local authorities to manage the impact of additional CTS claims arising from the pandemic. Of this around £116 million is payable to London government of which £25 million has been received by the GLA based on its share of each London billing authority’s Band D council tax in 2021-22. This funding has not been extended into 2022-23. On 3 February the Chancellor announced a ‘council tax rebate’ scheme for the occupiers of properties in Bands A-D which in practice is a £150 payment which will be made from 1 April 2022 onwards. This only applies to main residential properties and it is intended that second and empty homes will be ineligible. This is, however, intended to assist residents with meeting their energy costs not their council tax bills and does not in fact reduce their liability in respect of the latter. Around two thirds of London households are expected to benefit from this scheme but this ranges from around one quarter of properties in one billing authority to up to 97 per cent in another. In addition the Chancellor also announced a £144 million discretionary fund and it will be for individual authorities to decide how to allocate their share of this amount – although the government indicated it could be used to provide additional council tax support to households on low incomes living in properties in Bands E to H which do not qualify for the £150 payment. Mindful of the cost of living pressures facing Londoners, the Mayor has decided to allocate a further £3.7m to support organisations providing advice on debt and financial hardship.

Council tax support schemes for 2022-23 are not required to be confirmed until 11 March 2022 and may need to be adjusted to take into account the additional £144 million discretionary fund once it is distributed. The GLA will therefore not have details of all council tax support schemes in London until after the Mayor’s Final Draft Budget has been set.

In 2022-23, the GLA understands that the minimum contribution for working age claimants not in protected categories could again be as much as 30 per cent of their council tax liability in the case of at least two billing authorities; although, as stated above, in at least six of the 33 billing authorities working age claimants on the lowest incomes are expected to be eligible to receive up to 100 per cent support. In some authorities, council tax support entitlement is restricted only up to the equivalent Band D rate and therefore working age claimants residing in properties in Bands E to H do not receive additional support for the difference.

As stated above there are often more generous council tax support policies applied to certain defined groups. For example, while some authorities apply their policies consistently to all working age claimants, others offer greater levels of support to certain categories of claimant considered more vulnerable or in need of more targeted support (e.g. people with disabilities, lone parents with young children and individuals in receipt of a war widow’s or war disablement pensions). A majority of boroughs have also removed or scaled back the 25 per cent second adult rebate for two-person adult households where one adult is on a low income. Savings limits, above which council tax support is withdrawn in full for working age households, vary from £6,000 to the default national guideline of £16,000 (which applies to pensioner claimants) in different boroughs.

Those who will feel the greatest impact from the increase in council tax are likely to be those whose circumstances mean that they are only slightly above the level at which they would become eligible for some council tax support. It is not possible to give a threshold of savings or income (or similar) below which an individual would be eligible for council tax support, or above which a person will not be eligible for council tax support because of the way in which benefits are calculated, the number of factors that must be taken into account, and the different schemes in operation in the London boroughs. However, it is likely that those whose financial circumstances place them only just above their local council tax support eligibility threshold will also have low levels of income/savings, relative to the rest of the population.

Eligibility for council tax support will therefore vary across London as it will depend on the local scheme determined by each London billing authority. In designing their schemes these authorities are required to consult with stakeholders when they make changes and are required to have regard to equalities legislation and duties when approving them.

The GLA does not have equalities data in respect of the 33 local council tax support schemes in London at individual property level which could be used to inform an assessment of the likely percentage of people in this group having a particular protected characteristic. Although, there is a general assumption that those with lower income/savings relative to the rest of the population (but nevertheless above their local council tax support eligibility threshold) will include greater proportions of disabled people; black, Asian and minority ethnic groups; lone parents; and families with young children than are present in the Greater London population as a whole. The increase in council tax marginally reduces their disposable income in both cash and real terms. For a working age claimant on a low income paying a minimum liability of 30 per cent (in a borough where that applies) the increase in the Mayor’s precept would equate to only around 15 pence per week assuming they lived in a Band D property and were the sole adult liable to pay council tax in the household.

These variations in the schemes arise because of the government’s decision to localise decision making on the setting of council tax support. This means that working age claimants are subject to significant variations in their entitlements depending on where they live and the resources available to, and choices made by, their billing authority. The resources made available for council tax support schemes through the local government settlement no longer align in practice to the current needs as they are based on claimant numbers immediately prior to 2013-14.

Impact of Transport for London fares proposals for 2022

As part of the June 2021 funding settlement with government, the Mayor committed to implementing an overall increase on fares of Retail Price Index (RPI) +1 per cent for 2022. This requirement was subsequently reduced to RPI by the 17 December 2021 extension to that agreement, but with no additional funding available from the government post March 2023. The July 2021 RPI figures published by the Office for National Statistics determine fare increases nationally for 2022. This came in at an annualised rate of 3.8 per cent. Therefore, an RPI + 1 per cent fare increase would be 4.8 per cent overall.

TfL has been planning on the basis of an RPI+1 per cent increase on fares under the Mayor’s control for budget purposes in 2022. On Friday 17 December the government confirmed that fares on national rail services would rise by a capped percentage of RPI (3.8 per cent) from March 2022. Therefore, Travelcard prices and the associated Pay As You Go (PAYG) caps will increase from 1 March by RPI. These increases reflect national government rail fares policy over which the Mayor has no control. Fares on TfL services for journeys from outside London are subject to guidance from the DfT, with the same fares applying on Train Operating Company (TOC) and TfL services. A Mayoral decision (MD2937) confirming the final fares was published on 14 February 2022.

As part of the decision-making process in regard to the introduction of the fares freeze in place from 2016 to 2021, TfL identified six groups of Londoners who typically face increased barriers to public transport use. These groups were BAME Londoners, women, older Londoners, younger Londoners, Londoners on low incomes (who tend to be women and older, BAME and disabled people, and those not in work), and lesbian, gay, bisexual and transgender (LGBT) Londoners. Londoners with protected characteristics who are likely to be affected by increases in fares, such as those on low incomes or those who rely on public transport, will have especially benefitted from the fares freeze. However, the increases to Travelcard prices mandated by the train operating companies (TOCs) in line with inflation are likely to have had an adverse impact.

Many of those who comprise the six groups above are likely to benefit from free travel concessions or discounted fares. In 2022, almost all current concessionary fare schemes are being maintained in order to keep public transport accessible to people who face barriers to public transport use, and thereby offset or mitigate any detrimental impacts. However, there are some targeted changes to fares structures and ticketing that will need to be made in 2022 and beyond in order to meet the government’s wider demands. TfL has set out a number of modifications to the current fares structure that could raise an additional £60-80m a year.

What are the arrangements for monitoring in the GLA and the functional bodies?

In his 2022-23 Budget Guidance, issued in July 2021, the Mayor set out the requirement that the GLA and its functional bodies continue to provide timely and high-quality information in their quarterly monitoring reports.

These requirements built on the robust systems already in place for regular financial monitoring and reporting within each member of the GLA Group. The reports detail spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. As the requirements of the users of the reports evolve, the format and content are being adjusted. This is an iterative process that is developed as new requirements are identified and the processes required to collate the necessary data are established.

Meetings between the Mayoral team and each functional body are held to consider the quarterly reports. These include discussion of progress with identifying and realising efficiencies and savings as well as potential future variances from budget. Regular officer meetings between the GLA and each functional body are held to discuss the budget process and to advise of any subsequent developments and resolve any queries that might arise. The reports are submitted on a quarterly basis to the Assembly’s Budget and Performance Committee for each GLA Group member and scrutinised by the Committee.

Part 2 sets out the forecast outturn for each functional body for 2021-22 although it should be noted that these figures are likely to change before the end of the financial year.

Conclusion

An assessment of the current year’s financial outturn is an important element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year, up to 31 March 2022, and with crucial transactions taking place beyond that date in finalising the accounts for the GLA and the functional bodies, it is not possible to say that other variations will not arise.

The processes in place throughout the GLA Group and the responsibilities placed on each Chief Finance Officer do however ensure that the outturn position is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2022-23. In particular, each body monitors progress against delivery of their budget and business plans, instigating any necessary remedial action. In turn, this monitoring is reported and reviewed by GLA finance officers and considered by both the Mayor and the Assembly on a regular basis.

Processes are also in place to ensure expenditure is controlled within the resources finally approved for each organisation.

3. Advice on reserves and balances

Section 25(1) (b) of the Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA’s statutory Chief Finance Officer, to report on the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

What are reserves and balances?

When reviewing their medium-term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves.

Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- a contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves
- a means of building up funds to meet known or predicted requirements – this is often referred to as earmarked reserves.

What are the appropriate amounts to be held in reserves?

The existing legislation requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. It is the responsibility of the Chief Finance Officer to advise the authority about the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.

The protocols should set out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve’s management and control
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on local authority reserves and balances. The Institute’s view is that *“a generally applicable minimum level [of reserves] is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice”*.

The Institute confirms that “local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers”, and that “authorities should make their own judgements on such matters taking into account all the relevant local circumstances”. In assessing the adequacy of reserves, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority, as well as the importance of considering medium-term plans and forecasts of resources, in addition to short-term considerations.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves. However, the government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.

An authority's external auditor also has a responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves, taking into account their local knowledge of the authority's financial performance over a period of time. It is not the external auditor's responsibility to prescribe the optimum or minimum level of reserves for an individual authority or authorities in general.

Advice: Below is advice on reserves and balances for the GLA and each of the functional bodies reflecting advice received from their own statutory Chief Finance Officers. Further commentary on reserves is outlined within the GLA and each functional body's section in Part 2, as well as their individual published budget proposals.

(a) Greater London Authority: Mayor of London

In the light of the continued uncertainty over the ultimate level of business rates the GLA will receive, described in detail elsewhere in this final budget, reserves will be closely monitored. This will help ensure that volatility in the level of business rates retained by the GLA and in council tax income can be effectively dealt with, as well as ensuring that the Mayor's priorities can be implemented.

General GLA reserves

At 31 March 2022 the GLA's general reserves balance is forecast to total £10.0 million and this balance is assumed, at this stage, to remain constant through to the end of 2022-23. This is in line with the GLA's policy to maintain a minimum general reserve balance of £10.0 million.

Earmarked reserves

Earmarked reserves are forecast to increase from £960.1 million at the end of 2021-22 to £1,097.8 million at 31 March 2023; then decline to £527.3 million at the end of 2024-25.

This sum includes the Group-wide Business Rates Reserve (BRR) and Billing Authority Repayment Reserve (BARR) which is used primarily to manage business rates and council tax income risk and volatility and for repayments required to billing authorities in respect of sums overpaid in prior years or expected to have been overpaid in respect of the current year. A new Transport Services Funding reserve has also been created to manage the phasing of resources to support this policy area. This includes the proceeds raised from the £20 precept increase for transport services in 2022-23 only.

In this Final Draft Budget an assessment has been made of any additional sums which can be made available in 2021-22 and 2022-23 having regard to the billing authority estimates received at the end of January 2022.

Greater London Authority: London Assembly

The Assembly has a resettlement reserve which is held by the GLA and reported in the above totals. The forecast balance in the reserve is £1.0 million at 31 March 2022 and this is expected to reduce to £0.7 million by the end of 2022-23. The main purpose of this reserve is to fund resettlement costs for Assembly Members once they leave office.

GLA conclusion

The Chief Finance Officer of the GLA judges the GLA’s level of reserves to be prudent in the context of known future liabilities, risks and funding uncertainties facing the Mayor and the Assembly and will be reviewed and potentially revised once there is further clarity around the funding available from council tax and business rates in earlier years, 2022-23 and future years.

(b) Mayor’s Office for Policing and Crime (MOPAC)

MOPAC is forecasting general reserves of £46.6 million as at 31 March 2022; this level of reserves is forecast to be maintained at the same level across the budget period to March 2025. MOPAC’s policy is to hold general reserves of at least 1.3 per cent of net revenue expenditure; this level of reserves represents 1.3 per cent of the forecast outturn net revenue expenditure, in line with MOPAC’s policy.

Earmarked reserves are forecast to reduce from £423.0 million at the end of 2021-22 to £299.0 million at the end of 2022-23 and to be reduced further to £98.2 million at the end of 2024-25. Earmarked reserves are being held for specific purposes. The forecast total balance by 2024-25 reflects planned spend on the programmes for which the reserves are held.

MOPAC conclusion

In the opinion of MOPAC’s Chief Finance Officer the proposed approach remains prudent and MOPAC will have in place adequate earmarked reserves and general reserves.

(c) London Fire Commissioner (LFC)

LFC’s general reserves at 31 March 2022 are forecast to be £16.6 million. They are assumed to remain at the same level across the period to the end of 2024-25 when they are forecast to be £17.0 million. These reserves are based on a level equivalent to 3.5 per cent of budget, in line with LFC’s policy.

It is forecast that LFC will hold £64.0 million of earmarked reserves at 31 March 2022; these reserves will reduce to £57.8 million by the end of March 2023 and then decrease in each of the following years to £50.8 million by the end of March 2025 as the reserves are used for the planned purposes for which they are held.

The level of reserves will be kept under review and will reflect any updated assessments of financial risks.

LFC conclusion

The level of reserves is judged prudent by the Chief Finance Officer of the LFC in the context of known future liabilities, risks and funding uncertainties facing the organisation and will be kept under review.

(d) Transport for London (TfL)

At 31 March 2022 TfL forecasts general reserves of £500.0 million which are budgeted to remain at the same level throughout the period to 31 March 2023 but increase to £712.0 million by the end of 2024-25. TfL maintains a general fund to preserve adequate liquidity and protect from short term fluctuations in cash requirements.

It is forecast that TfL will hold £26.0 million of earmarked reserves at the close of 2021-22 with the balance forecast to rise to £152.0 million by the end of 2022-23 and decline again to £26.0 by 31 March 2025. Earmarked reserves have been established to finance future projects.

TfL conclusion

The TfL Budget submission into the consolidated GLA Group Budget has been prepared on the basis of TfL’s statutory Chief Finance Officer’s current understanding and estimates. This includes a critical assumption on the ongoing provision of government financial support in response to the pandemic which is underpinned by the written assurances government have provided. Based on these assurances, it is his professional judgement that the TfL Budget submission is balanced.

The government has provided a series of funding settlements since May 2020, which have included extraordinary grant TfL and a revenue top-up mechanism that together offset the income lost due to the pandemic.

The TfL Budget submission includes the assumption that government funding support is extended to March 2023, in line with the government’s stated objective that TfL is free of emergency support by April 2023. The assumptions are that extraordinary grant of £1.2bn is provided, along with maintaining the revenue-top up mechanism to provide downside risk mitigation on passenger demand.

The current funding letter from government only covers the period to 18 February 2022, although discussions with government on further funding are ongoing. Therefore, the funding assumptions in the TfL Budget submission are based on government assurances on their continued provision of financial support to TfL. Without providing details of the quantum of future funding, the latest funding letter contained assurances of the government’s continued support beyond 18 February 2022. This includes the government’s commitment to “now and in the future mitigating loss of fare revenue as a result of the pandemic”. TfL’s estimate is that at least £1.5bn pa of recurring income has been lost as a result of the pandemic, against which an assumption of £1.2bn extraordinary grant funding appears reasonable.

However, there is a potential incongruence with these assurances and the level of funding support that has been indicated in the funding discussions to date. Whilst discussions are ongoing, this indicates there is a risk to the assumption of £1.2bn extraordinary grant funding in the TfL Budget submission. In the event that an extension of Government funding is not provided in-line with the level assumed, a material change to the TfL Budget submission would be required.

There is very limited scope for further cost savings within TfL. The TfL Budget submission is based on a 'managed decline' scenario of service reductions and declining asset condition. As compared to the TfL Budget published in July 2021, costs in 2022-23 have already been reduced by over £1bn to offset the impacts of increasing inflation, lower passenger demand and higher compliance with the expanded Ultra Low Emission Zone.

Therefore, any shortfall against the assumed £1.2bn extraordinary grant in 2022-23 would need to be met through a combination of:

- any marginal further cost reduction opportunities that can be identified
- utilising TfL's reserves, which would need to be replenished in future years
- additional funding from the GLA reserves.

If there was a significant shortfall in extraordinary grant that could not be offset through these measures, TfL would not have sufficient resources to meet our expected costs in the financial year 2022-23 or beyond. In this event, TfL's statutory Chief Financial Officer would need to consider the need to issue a report under section 114 of the Local Government Finance Act 1988 and other financial reporting legislation.

(e) London Legacy Development Corporation (LLDC)

As at 31 March 2021 LLDC will not hold any reserves. The LLDC's historic reserves are held within the Mayoral Development Corporation (MDC) and LLDC Capital Funding Reserves, part of the GLA's reserves. LLDC's revenue expenditure and a significant proportion of its capital programme are funded by the GLA, the latter through direct grant contributions and a rolling loan facility. The loan is anticipated to be repaid over the long term. The LLDC and GLA carefully manage upside and downside risks associated with LLDC's expenditure and the impact of any such risks can be managed within the GLA budget generally and specifically through the use of contingency sums held within the budget and where necessary through the usage of the MDC Reserve.

The LLDC's historic reserves (held by the GLA on behalf of LLDC) phase out over time.

LLDC conclusion

The Chief Finance Officer of the LLDC, taking into account the management of any upside and downside risk through LLDC's own budget and noting the support of the GLA as set out above, considers that the level of reserves held within the MDC Reserve is prudent in the context of current known liabilities, but this will need to be kept under review in the light of future funding needs.

(f) Old Oak and Park Royal Development Corporation (OPDC)

OPDC has no reserves. A contingency is held within the earmarked Mayoral Development Corporation (MDC) Reserve held by the GLA, as outlined above, to meet unexpected operational pressures.

OPDC conclusion

The Chief Finance Officer of OPDC, having taken into account that it has potential access to the Mayor's MDC Reserve, considers that the reserves position is prudent, but will need to be kept under review in the light of future funding needs.

General conclusion

The above advice reflects the differing nature of the services provided by each organisation. Each body operates independently with its own statutory responsibilities for the proper administration of its financial affairs. The GLA’s Executive Director of Resources relies on the individual advice from each of the Chief Finance Officers of the functional bodies in discharging his responsibilities; and on the basis of the advice he has received he judges the estimates and proposed financial reserves to be robust and adequate.

The forecast use of reserves to March 2025 is summarised in the table below.

	GLA	MOPAC	LFC	TfL	LLDC	OPDC	Total
	£m	£m	£m	£m	£m	£m	
Opening balances 1 April 2021	2,346.3	563.2	93.3	886.9	0.0	0.0	3,889.7
Movement on Earmarked reserves	-1376.2	-93.6	-13.3	-360.9	0.0	0.0	-1,844.1
Movement on General reserves	0.0	0.0	0.6	0.0	0.0	0.0	0.6
Balances 31 March 2022	970.1	469.6	80.6	526.0	0.0	0.0	2,046.2
Movement on Earmarked reserves	137.8	-124.0	-6.2	126.0	0.0	0.0	133.5
Movement on General reserves	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Balances 31 March 2023	1107.8	345.6	74.5	652.0	0.0	0.0	2,179.8
Movement on Earmarked reserves	-582.3	-119.4	-6.1	-126.0	0.0	0.0	-833.8
Movement on General reserves	0.0	0.0	0.0	257.0	0.0	0.0	257.0
Balances 31 March 2024	525.5	226.2	68.4	783.0	0.0	0.0	1,603.0
Movement on Earmarked reserves	11.8	-81.4	-0.9	0.0	0.0	0.0	-70.5
Movement on General reserves	0.0	0.0	0.3	-45.0	0.0	0.0	-44.7
Balances 31 March 2025	537.3	144.8	67.8	738.0	0.0	0.0	1,487.8

There are forecast reductions in the reserves of the GLA, MOPAC, TfL and LFC – all the entities which hold reserves – between 1 April 2021 and 31 March 2023 and this continues in each case to 31 March 2025 with the exception of TfL.

In conclusion, the Mayor’s budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will continue to be kept under close review during 2022-23 and in future years.

4. Advice on council tax requirements and referendums

Component and consolidated council tax requirements

The Mayor must calculate component budgets and resulting council tax requirements for the Mayor, the Assembly, and the five functional bodies (the constituent bodies). These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA Group’s consolidated council tax requirement i.e. its precept (section 85 and Schedule 6 (“Schedule 6”), paragraph 1, Greater London Authority Act 1999 (GLA Act)).

Procedure for determining the council tax requirements

The determination of the proposed component budgets and consolidated council tax requirements set out in this Final Draft Budget has taken place following the approval by the House of Commons of the government’s local government finance settlement 2022-23 on 9 February 2022.

The council tax requirement for each body is calculated by determining the difference between projected expenditure, and projected income excluding income from any precept. Insofar as expenditure will exceed income, that amount is the body’s component council tax requirement for the year (section 85 (6) GLA Act). The Mayor must consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the draft component budgets for the Assembly and functional bodies (section 87 and paragraph 2 of Schedule 6 GLA Act and section 65 Local Government Finance Act 1992).

What are the rules on council tax referendums?

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the GLA Act and Chapter 4ZA of the Local Government Finance Act 1992, as amended. The effect is that there is a requirement for a council tax referendum where the proposed increase in the GLA precept is considered excessive because it exceeds the thresholds relating to council tax increases laid by the Secretary of State and approved by the House of Commons for the same financial year as the Final Draft Budget.

As a result of the way the Metropolitan and City of London police forces are funded, the GLA is required to calculate two different “relevant basic amounts of council tax” (on the basis of the council tax Band D) for the City of London (the unadjusted basic amount of council tax or non-police precept) and the 32 London boroughs (the adjusted basic amount of council tax). Both these amounts must be in compliance with the government’s referendum principles if a council tax referendum is to be avoided.

If either or both council tax calculations exceed the threshold under the approved principles (e.g. even if only the calculation applying to taxpayers in the City of London exceeds it), a referendum of local electors across the 32 London boroughs must be held. If the adjusted basic amount of council tax only is excessive under these principles electors in the area covered by the City of London Corporation do not participate in the referendum but if the unadjusted amount is excessive, they do alongside electors in the rest of London. The Mayor is under a duty under section 52ZB of the 1992 Act to determine whether either or both of the two council tax figures are excessive under the approved principles applying to the GLA for the financial year of the Final Draft Budget. This determination must be made as soon as reasonably practicable after the principles for that year have been approved by the House of Commons and is set out below.

On 7 February 2022 the government published the Referendums Relating to Council Tax Increases (Principles) (England) Report 2022/23¹ setting out the final referendum principles for 2022-23. These were approved by the House of Commons on 9 February 2022.

On the basis of the final approved principles for the GLA, a referendum would only be required if the unadjusted amount of council tax (i.e. the non-police precept payable in the City of London) were increased by more than £21.93 (i.e. £1.93 plus the £20 for transport services). A referendum would also only be required if the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £31.93 (i.e. adding the permitted £10 increase in the policing element). Therefore, no referendum in London would be triggered by the Mayor’s final council tax proposals as set out in this Final Draft Budget.

The GLA is not required to make levy payments to levying bodies – as for example applies for all London boroughs in respect of the Environment Agency, Lee Valley Park Authority and the London Pensions Fund Authority – and therefore the baseline against which the principles are measured is the actual unadjusted and adjusted council tax figure for 2022-23.

Position regarding the City of London

The unadjusted basic amount of council tax proposed by the Mayor for 2022-23 in his Final Draft Budget is £118.46 for a Band D property – which is the sum payable by council tax payers in the City of London. This is £21.93 higher than in 2021-22.

Position regarding the 32 London boroughs

The adjusted basic amount of council tax proposed by the Mayor for 2022-23 in his Final Draft Budget is £395.59 for a Band D property (i.e. £277.13 for the Metropolitan Police plus £118.46 for non-police services) – this is the sum payable by taxpayers in the 32 London boroughs. This is £31.93 or 8.8 per cent higher than the corresponding figure for 2021-22 of £363.66.

The adjusted and unadjusted amounts of council tax are therefore both lower than the GLA’s estimate of the council tax levels at or above which a referendum would be required, based on the published excessiveness principles for 2022-23 (i.e. £395.60 and £118.47).

Substitute Budget

The Mayor must include in his Final Draft Budget a statement setting out his formal determination as to whether the Final Draft Budget proposals would result in a council tax increase(s) above or below the approved council tax referendum principles applicable to the GLA for 2022-23, and therefore whether they would trigger a referendum.

In the event that the Final Draft Budget did not comply with the approved principles, the Mayor would be required to present, additionally, a “Substitute Budget” that did comply. This, subject to any amendments agreed by the required two thirds majority in the Final Draft Budget, would become the default budget if the referendum seeking approval for an increase above the threshold was lost.

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1053066/CT_Ref_Principles_2022-23.pdf

The Mayor’s Final Draft Budget in this scenario would then be subject to a London-wide referendum (even if the “excessive” increase only applied to the precept payable by taxpayers in the area of the City of London). This would most likely take place on the same date as the London borough elections currently scheduled for 5 May 2022. If the Final Draft Budget was rejected in that referendum, then the alternative substitute Final Budget would become the Final Budget for the year. No such Substitute Budget has been prepared as the Mayor is proposing a precept level in this Final Draft Consolidated Budget which, under the government’s approved excessiveness principles for 2022-23, would not trigger a referendum.

The GLA’s two relevant basic amounts of council tax (adjusted and non-adjusted) for 2022-23 are not excessive under the approved council tax referendum principles applicable to the GLA for 2022-23.

Therefore no Substitute Budget has been prepared as the Mayor is proposing a precept level in this Final Draft Budget which, under the approved principles for 2022-23, would not trigger a referendum.

5. Advice on future plans

What are the medium-term planning arrangements?

The overall aim of the GLA’s medium-term planning arrangements is to have financial plans and business plans that are based on Mayoral objectives and priorities. This means ensuring that there are sound medium-term financial plans within which all priorities and objectives are adequately funded. The Mayor issues guidance each year to ensure this objective is fully implemented across the GLA Group.

Appendix I of Part 2 of the Final Draft Budget sets out the prospects for the GLA and GLA Group in 2022-23 and future years. It emphasises that even after billing authorities returns are received, there remains much uncertainty about the prospects over the next few years. Therefore, although there remain great uncertainties, in setting council tax requirement levels for 2022-23 the Mayor and the Assembly should have regard not just to the in-year funding position for 2022-23 but the expectation that overall resources to the GLA Group will be likely to remain under pressure due to government funding not fully compensating need and the future implementation of the government’s Fair Funding Reviews and its reforms to the business rates retention system, including a re-set of business rates.

6. Advice on the limit on the Assembly’s power to amend the Mayor’s council tax requirement for the Assembly

What is the council tax requirement for the Assembly?

The GLA is required to determine a separate council tax requirement for both the Mayor and the Assembly as they are separate constituent bodies for the purposes of the GLA’s budget setting.

What is the restriction on the Assembly changing its own council tax requirement?

The Mayor proposes a council tax requirement for the Assembly as part of his Draft Consolidated and Final Draft Budgets. The Assembly may amend this by means of a formal budget amendment, but does not have to. However, the GLA Act places limits on the extent to which the Assembly can amend its own component budget (GLA: Assembly) and therefore council tax requirement at either the Draft consolidated or Final Draft Budget stages by reference to changes – up or down (if any) – in the budget for the Mayor’s component (GLA: Mayor) council tax requirement figure, compared to the previous financial year:

- if the Mayoral council tax requirement figure increases, then the Assembly cannot amend the budget to increase its own component council tax requirement figure by a greater percentage
- if the Mayoral council tax requirement figure decreases, then the Assembly’s amendment to its own council tax requirement (if any) can result in an increase to the Mayor’s proposal provided the resulting change in percentage terms compared to the previous year is not less than the percentage decrease made by the Mayor to his own council tax requirement.

The GLA Act uses the terms OM and NM in defining how this works in practice i.e. ‘Old’ Mayor and ‘New’ Mayor:

- ‘Old’ Mayor will be the notional council tax requirement for the Mayor for 2021-22
- ‘New’ Mayor will be the Mayor’s proposed council tax requirement for the Mayor for 2022-23 after any adjustments made
- the percentage change in the Mayor’s council tax requirement from 2021-22 is calculated using these amounts.

The Assembly’s council tax requirement from 2021-22 is then adjusted by the same percentage. This figure then becomes the ‘adjusted previous component council tax requirement for the Assembly.’

How is a like for like comparison ensured?

To facilitate a like for like comparison the Chief Finance Officer may direct amounts to be included or excluded from the comparison of the Mayor’s council tax requirement for the Mayor with the notional council tax requirement for the Mayor for the preceding year. The Chief Finance Officer must have regard to any Secretary of State guidance on the direction (GLA Act Schedule 6, paragraph 5A).

Chief Finance Officer’s direction

The Secretary of State has not issued any guidance on the direction and the Executive Director of Resources has made a direction as follows.

As the £61.5 million sum raised by the £20 additional precept for transport is not being applied to fund GLA: Mayoral expenditure in 2022-23, but temporarily held in a group-wide reserve until it is paid to TfL in 2023-24, the Chief Finance Officer considers that an adjustment should be made to the calculation to exclude this item to facilitate a like for like comparison. This reflects the fact that at no stage is the revenue raised intended to be or expected to be applied within the GLA: Mayor component budget.

Can the Assembly amend the Mayor’s council tax requirement for the Assembly?

The Mayor is proposing an adjusted Mayoral council tax requirement in 2022-23 which is £1.134 million or 1.73 per cent higher than in 2021-22. The council tax requirement which would result from an equivalent 1.73 per cent increase compared to the Assembly’s 2021-22 allocation is £2.674 million. The Mayor’s proposed council tax requirement for the Assembly is £2.674 million which is identical to this. This reflects the fact that the proposed council tax requirement applied for actual expenditure within the GLA:Mayor and GLA: Assembly component budgets has been increased by 1.73 per cent in line with the reported uplift in the London wide council tax base.

Using the GLA Act’s methodology and applying it to the draft council tax requirement figures, the Assembly could not increase their own component council tax requirement as the Mayor has already proposed a level which is identical to the calculations made under the rules set out above.

This is explained in the table below:

Mayor’s Budget: Calculation of NM and OM	£m
Proposed council tax requirement for the Mayor for 2022-23	128.168
Deduct: Element held in group reserves to fund future transport spending by TfL	-61.471
Add: Nil	
NM (Mayor’s adjusted council tax requirement for 2022-23)	66.697
OM (notional Mayor’s council tax requirement for 2021-22)	65.563
Add: Nil	
Deduct: Nil	
OM (notional Mayor’s council tax requirement for 2021-22)	65.563
Amount NM is higher than OM council tax requirement	+1.134
Percentage increase	1.73%
Assembly Budget: adjusted previous component Council Tax Requirement	
	£m
Notional component Council Tax requirement for the Assembly for 2021-22	2.629
Add: Percentage change in NM compared with OM	+0.045
Adjusted previous component Council Tax requirement	2.674

Legal Advice

1. Overview

This section of Part 3 sets out legal advice on the scope of the Assembly’s amendment powers and other issues not covered elsewhere in Parts 1 and 2.

Details about council tax referendums and the limit on the Assembly’s power to amend the Mayor’s council tax requirement for the Assembly can be found in sections 5 and 7 of this document, alongside the advice provided by the Executive Director of Resources.

Duty to prepare and approve budgets

Section 85(2) of the GLA Act 1999 states: *“In relation to each financial year, the Authority shall make the calculations required by this section.”* Subsection (3) says that the Authority, *“must in relation to each constituent body ... calculate the aggregates required by virtue of subsections (4) and (5) below”*.

Paragraph 1 of Schedule 6 of the GLA Act imposes a duty on the Mayor and the Assembly, in accordance with that Schedule, to prepare and approve for each financial year—
(a) a budget for each of the constituent bodies as such (a “component budget”); and
(b) a consolidated budget for the Authority (a “consolidated budget”).

Statutory definitions

“Component budget” is defined as statements of—

- (a) the amount of the component council tax requirement for each of the seven constituent bodies; and
- (b) the calculations under section 85(4) to (7) of the GLA Act which give rise to that amount for each.

“Consolidated budget” is defined as statements of—

- (a) the amount of the Authority’s consolidated council tax requirement;
 - (b) the amount of the component council tax requirement for each constituent body; and
 - (c) the calculations under section 85(4) to (8) of the GLA Act which give rise to each of the amounts mentioned in paragraphs (a) and (b) above.
-

Draft budget stage

Under paragraph 3(1) of Schedule 6 the Mayor “shall prepare a draft of his proposed consolidated budget for the financial year (the “draft consolidated budget”)” and then must present it to a public meeting of the Assembly, and publish it. Paragraph 3(4) states “It shall be the duty of the Mayor to comply with paragraph 2 and sub-paragraphs (1) to (3) above on or before 1st February² in the financial year preceding that to which the draft consolidated budget relates.” Under paragraph 6(1) “the Assembly must approve the draft consolidated budget, together with the draft component budgets comprised in it, with or without amendment.” Amendments at this stage may be made by a simple majority of the members of the Assembly present and voting. Under sub-paragraph 5(5) “If no amendments are made on consideration of the draft consolidated budget (whether to that budget or to any of the draft component budgets comprised in it) the draft consolidated budget shall be deemed to be approved without amendment.”

Final draft budget stage

Under paragraph 6(1) of Schedule 6 the Mayor shall “prepare a final draft of his proposed consolidated budget for the financial year (the “final draft budget”)” after the draft consolidated budget has been approved (with or without amendment). Under sub-paragraphs 6(4) and (6) it is “the duty of the Mayor to present the final draft budget to the Assembly before the last day of February in the financial year preceding that to which the final draft budget relates”, having regard to the Assembly’s own duty under paragraph 8(7) “To approve the final draft budget with or without amendment before the last day of February”. Under paragraph 8(3) “after considering the final draft budget, the Assembly must approve it with or without amendment.”, subject to the limits on amending its own component budget (as set out in Section 7 above). Under sub-paragraphs (4) and (5) “the only amendments which are to be made are those agreed to by at least two-thirds of the Assembly members voting” and “If no amendments are made on consideration of the final draft budget, the final draft budget shall be deemed to be approved without amendment”. Under paragraph 8(6) “The final draft budget as approved by the Assembly with or without amendment shall be the Authority’s consolidated budget for the financial year.”

Statutory calculations

The GLA’s Chief Finance Officer (acting for the Mayor exercising the functions of the Authority) is required to make estimates of the various items required by sections 85(4) [*expenditure*] and 85(5) [*income*], producing a component council tax requirement for TfL under s 85(6). Relevant statutory extracts are set out below:

² This date can be changed by statutory instrument. It was changed to 15th February for the 2022-23 financial year by the Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2021/ 1278 and applied to the financial year beginning on 1st April 2022 only. Unless changed the date is 1 February in the financial year preceding that to which the draft consolidated budget relates.

Expenditure: section 85(5)(4)

The aggregate required by virtue of subsection (4) in the case of a constituent body “is the aggregate of—

- (a) the expenditure the Authority [i.e. GLA] estimates will be incurred by the body in the year in performing its functions and will be charged to a revenue account for the year in accordance with proper practices (but, in the case of the Mayor or the Assembly, see also subsections (10) to (13));*
- (b) such allowance as the Authority [i.e. GLA] estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;*
- (c) the financial reserves which the Authority [i.e. GLA] estimates it will be appropriate to be raised by or in respect of the body in the year for meeting the body’s estimated future expenditure; and*
- (d) such of the financial reserves of, or in respect of, the body as are sufficient to meet so much of the amount estimated by the Authority [i.e. GLA] to be a revenue account deficit of or in respect of the body for any earlier financial year as has not already been provided for.”*

Income: section 85(5)(5)

The aggregate required by virtue of subsection (5) in the case of a constituent body “is the aggregate of—

- (a) the income which the Authority [i.e. GLA] estimates will accrue to or for the body in the year and which will be credited to a revenue account for the year in accordance with proper practices, other than income which the Authority [i.e. GLA] estimates will accrue in respect of any precept issued by it; and*
- (b) the amount of the body’s financial reserves which the Authority estimates will be used by or in respect of the body in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (4)” [i.e. for expenditure and contingencies].*

Under subsection (6) the difference between the aggregate amounts calculated under subsections (5) [income] and (4) [expenditure], where the former is greater than the latter, is to be the body’s component budget council tax requirement for the forthcoming financial year. (Where the position is reversed the body’s component budget council tax requirement must be nil.)

In making the calculations of the estimates of the various items required by section 85(4) and (5) the GLA’s CFO must do so within the bounds of professional judgement and proper accounting practices and is entitled to have regard to the views of the functional bodies’ CFO as to their robustness and adequacy. The GLA’s CFO’s judgement as to the appropriate estimate calculations will rely on his own and their confidence in the strength or likelihood of those item’s estimates being fulfilled in the relevant financial year.

Formal Budget Amendments

Any amendments proposed by Groups or individual Assembly members intended to formally amend (change or alter) the relevant Budget – either the Draft Consolidated Budget or the Final Draft Budget – must involve one or more amendments to the statutory calculations (as set out above) of one or more constituent body’s component budget, moved as a “Formal Budget Amendment” in accordance with Standing Order 6.

2. Scope of Assembly’s amendment powers

What is the Assembly’s power of amendment?

The Assembly’s power to amend the Final Draft Budget is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act (“the statutory calculations”) in respect of each of the component bodies’ component budget, which in turn produce the component council tax requirements and the Authority’s resulting Consolidated Budget and consolidated council tax requirement. This is because the GLA Act defines the component budgets and their resulting council tax requirement solely in terms of the statutory calculations, which are then aggregated to become the Authority’s consolidated budget and consolidated council tax requirement (i.e. the GLA precept).

In the event that at the Final Draft Budget stage any successful amendment to that Budget would give rise to an increase in the Authority’s consolidated council tax requirement that is excessive (determined by reference to the adjusted and/or unadjusted relevant basic amount of council tax) under the approved council tax referendum principles for the corresponding financial year, then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined). While the Assembly has the power to amend the statutory calculations and state its reasons for doing so, only changes to the component and consolidated council tax requirements are binding on the Mayor, who does not have to change individual expenditure decisions in accordance with what may be proposed by the Assembly. This area is covered in Section 5 above.

Assembly’s own component budget

As discussed above, the Assembly’s power of amendment in respect of its own budget is again limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor (which in any event is subject to the rules on excessiveness and council tax referendums – see section 5 above); where the GLA: Mayor’s component council tax requirement has reduced, the GLA: Assembly’s component council tax can be amended upwards provided that the consequential reduction in percentage terms compared to the previous year is not lower than that for the Mayor’s requirement (Schedule 6, paragraphs 5A and 8A).

Amendments to the retained business rates allocation

The Assembly cannot amend the retained business rate allocation put forward by the Mayor in the Final Draft Budget, although the Assembly could legally approve an amendment to that Budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of a component budget under the GLA Act 1999.

Amendment of underlying budget lines

In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8), i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves. This is because a component budget is defined solely in terms of those calculations because they produce the component budget and in turn the component council tax requirement.

Enforceability of successful budget amendments to the Draft Consolidated Budget

Amendments to one or more of the statutory calculations in the Draft Consolidated Budget, tabled as Formal Budget Amendments, that are passed by a simple majority of those present and voting will amend that budget. However, these amendments are not binding on the Mayor as the final draft budget may be different. If that is the case the Mayor must present a statement with the Final Draft Budget that shows and explains the changes.

The Assembly passed two formal budget amendments to the Draft Consolidated Budget at its meeting on 26 January 2022. The Mayor has provided his reasons for not accepting the Assembly’s amendments into his Final Draft Budget in the statement at Annex B in Part 1 of this report.

Mayor’s failure to present a Final Draft Budget

If the Mayor fails to present a Final Draft Budget before the end of February, the Assembly must meet and agree by a simple majority the component council tax requirements of each of the constituent bodies. The resulting consolidated budget and consolidated council tax requirement and the budget for that financial year are deemed to have been agreed accordingly (Schedule 6, paragraph 7). The budget approval process ends at that point. This does not apply as the Mayor is presenting the Final Draft Budget to the Assembly on 24 February 2022.

Enforceability of successful budget amendments to the Final Draft Budget

Amendments to one or more of the statutory calculations in the Final Draft Budget, tabled as Formal Budget Amendments, that are passed by at least a two-thirds majority of Assembly members present and voting, will formally amend that budget.

As noted above, only the formally approved amendments to the statutory calculations that give rise to the component and (resulting) consolidated council tax requirements are binding on the Mayor.

Assembly failure to approve a Final Draft Budget by end of February

The Final Draft Budget approved by the Assembly (with or without amendment) is the GLA’s consolidated budget for the financial year (Schedule 6, paragraph 8(6)). If the Assembly fails to approve the Budget before the last day of February, the Final Draft Budget presented to the Assembly by the Mayor will be the GLA’s consolidated budget for the year (Schedule 6, paragraph 9).