

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2847

Title: Allocation of additional funding to TfL from the tax income guarantee scheme and for vehicle scrappage schemes

Executive Summary:

In May 2021 the Greater London Authority (GLA) received circa £84.5 million as the first instalment of its allocation from the tax income guarantee (TIG) scheme, paid by the Ministry of Housing, Communities and Local Government (MHCLG). The scheme is intended to compensate local authorities for 75 per cent of irrecoverable business rates and council tax income relating to 2020-21. However, the TIG compensation payment made in May 2021 only represents around half of the overall compensation to be paid (i.e. 37.5 per cent of irrecoverable losses). The remainder will be paid by MHCLG later in the 2021-22 financial year.

The business rates element of the compensation grant received so far is £82.8m. It is proposed that the Mayor allocates a share of this element to Transport for London (TfL) in proportion to its share of the overall business rates income allocated in the 2021-22 budget (83.8 per cent). This will provide TfL with an additional £69.346m in income, in line with the assumptions in its current funding agreement with central government. It is also proposed that the GLA allocates a further additional £5m, also from the compensation grant, to TfL to be earmarked in support of the ongoing delivery of its vehicle scrappage schemes.

It is therefore proposed that the GLA provides funding to TfL totalling £74.346m by means of a revenue grant under section 121 of the GLA Act 1999.

Decision:

That the Mayor:

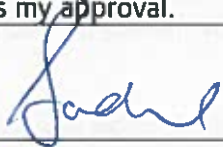
1. approves the receipt of £84.446m grant from MHCLG for the initial advance of TIG funding;
2. approves the allocation of £69.346m to Transport for London in 2021-22, from the TIG compensation grant to compensate for irrecoverable business rates income, noting that TfL will earmark this towards general expenditure in support of its 2021-22 budget;
3. approves the allocation of a further £5m to TfL in 2021-22, also to be funded from the TIG compensation grant, noting this is to be earmarked by TfL to support its emissions-related vehicle scrappage schemes, in accordance with arrangements set out in MD2661; and
4. approves the payment by GLA of a revenue grant to TfL for the sum of £74.346m as a revenue grant under section 121(1) of the GLA Act 1999.

Mayor of London

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

The above request has my approval.

Signature:



Date:

16/7/21

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. This decision confirms the receipt of £84.446m compensation grant from MHCLG for the initial 50 per cent advance of TIG funding ("the compensation grant"). It also proposes to allocate an additional £74.346m in funding to TfL in 2021-22 above the levels outlined in the 2021-22 GLA Group Budget, approved without amendment by the London Assembly on 25 February 2021. As set out below, it is proposed that £69.346m, an amount proportional to TfL's share of the business rates allocated to TfL in the Group Budget is to be used for general expenditure by TfL. A further £5m is to be used to support TfL's emissions related vehicle scrappage schemes. Both amounts will be funded from the initial TIG scheme funding provided by MHCLG. It is proposed that a revenue grant for the combined amount of £74.346m be paid by the GLA to TfL under section 121 of the GLA Act 1999.

TIG scheme

- 1.2. In July 2020 the Secretary of State for Housing, Communities and Local Government announced the local government sector would receive compensation for irrecoverable council tax and business rates losses incurred in 2020-21 as a result of the COVID-19 pandemic. The Government announced in the Spending Review in November 2020 that £762 million would be allocated to fund the scheme. The Government subsequently confirmed in December 2020 alongside the provisional local government finance settlement that the level of compensation provided to local authorities would be 75 per cent of the losses it deemed as irrecoverable in council tax and business rates income in respect of 2020-21.
- 1.3. However, by 25 February 2021, when the 2021-22 GLA Group Budget was approved, the final details of the scheme (including the methodology and the overall monetary level of compensation) had yet to be announced. Although the Group Budget included reference to the compensation scheme, which became known as the tax income guarantee (TIG) scheme, it did not make allocations of additional funding for the business rates element, as the scheme's methodology had yet to be finalised and therefore estimates would have been speculative.
- 1.4. The final TIG methodology was confirmed in March 2021 and is set out on the MHCLG website at <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government/covid-19-funding-for-local-government-in-2021-22-consultative-policy-paper>. Further revisions were made to the methodology for business rates losses in May 2021 relating mainly to the treatment of provisions for refunds to ratepayers which had the effect of reducing compensation payments by an average of 15 per cent. It should be noted that the scheme does not cover all losses in income, such as changes in provisions relating to previous years for business rates or reduced levels of collection for council tax, and therefore only eligible losses fall within the 75 per cent guarantee.
- 1.5. Subsequently, on 19 May 2021, MHCLG wrote to local authorities, including the GLA, setting out allocations of the grant for TIG compensation payable to local authorities. The allocations were made by comparing the forecast outturn by billing authorities (in London the 32 London boroughs and the City of London) of their council tax and business rates income supplied through the 2021-22 NNDR1 and quarter 3 council tax returns in January and March 2021, compared to their original budgeted 2020-21 income estimates. These were then adjusted to exclude ineligible losses under the agreed methodology. TIG compensation grant payments are made by MHCLG to local authorities under section 31 of the Local Government Act 2003, and by section 32 are required to be paid to the GLA, even if later distributed to a functional body.
- 1.6. The first advance payment of TIG compensation grant is equivalent to 50 per cent of the estimated grant entitlement and was made by MHCLG to authorities, including the GLA, in late May 2021. The Ministry plan to make the second instalment later in the financial year, following the receipt of the audited outturn data for 2020-21 business rates and council tax income. The second payment will

therefore reflect outturn data and will provide the balance of compensation, based on the final outturn figures.

- 1.7. For the GLA, the initial 50 per cent TIG payment made in May 2021 totalled £82.752m for business rates and £1.694m for council tax. These payments total £84.446m, the receipt of which the Mayor is asked to approve. It is proposed to allocate a share of the business rates element of the grant to TfL in proportion to its share of the overall business rates income allocated in the 2021-22 budget. TfL's percentage share was 83.8 per cent, consequently TfL's share of the TIG grant is £69.346m. This amount will be paid to TfL by means of a section 121 revenue grant, subject to approval of this Mayoral Decision.
- 1.8. It is also proposed that a further £5m is allocated from the TIG compensation grant income already paid by MHCLG to provide further funding for vehicle scrappage schemes, as set out below.
- 1.9. The second and final TIG payment is dependent on the final audited council tax and business rates outturn data for 2020-21. This information is unlikely to be finalised until October 2021, as billing authorities are not required to submit their audited business rates outturn data for 2020-21 until 30 September. There is significant potential for the final compensation grant levels to change given that the current estimates for business rates, for example, are based on estimated losses from six months ago. There will be a separate Mayoral Decision, later this financial year, setting out allocations of any additional compensation grant. This will be made following confirmation of the balance of the grant payable by MHCLG, once the audited outturn data has become available.

Emissions-related vehicle scrappage schemes

- 1.10. The Ultra Low Emission Zone (ULEZ), introduced in central London on 8 April 2019, aims to improve air quality by encouraging a change to less polluting vehicles by imposing charges on all vehicles (other than taxis) not meeting strict emission standards (ULEZ standards). From 25 October 2021, the existing central London Ultra Low Emission Zone (ULEZ) will be expanded to create a single larger zone up to, but not including, the North Circular Road (A406) and South Circular Road (A205). In addition, since March 2021 stricter Low Emission Zone (LEZ) emissions standards for heavy vehicles have been in operation across all of Greater London.
- 1.11. In order to help owners of vehicles that do not comply with the ULEZ and LEZ standards (including the strengthened LEZ standards introduced in March 2021), including by retrofit where applicable, a number of vehicle scrappage schemes were established. These schemes aimed to mitigate the impacts of the ULEZ (including its expansion) on certain groups and support the overall objectives of the ULEZ and the LEZ to improve London's air quality, protect public health and provide greater confidence that legal limit values for nitrogen dioxide will be achieved by or before 2025, in line with the UK Air Quality Plan (2017).
- 1.12. Since February 2019, two vehicle scrappage schemes have been operated by TfL under the authority of two Mayoral delegations and directions: one for vans and minibuses (for third-sector organisations and small and medium-sized businesses) and one for motorcycles and cars (for people on low incomes and/or in receipt of disability benefits). The schemes were implemented to help those with older polluting vehicles replace them with newer less-polluting ones, which would meet the ULEZ emission standards, or use the funds provided by the scrappage payment to pay for sustainable forms of travel. TfL was delegated the Mayor's general and subsidiary powers under sections 30 and 34 of the GLA Act 1999 and was directed to prepare, fund and implement the schemes.
- 1.13. In September 2020 a new overarching and more flexible Mayoral delegation and direction (as above) was put in place (set out in MD2661 and replacing the earlier arrangements). This enabled TfL to better operate and manage the set of vehicle scrappage schemes, and included the introduction of a third scheme to fund the replacement or retrofit of heavy vehicles. In total, the GLA has provided TfL with £56m funding for the three schemes.
- 1.14. Due to the popularity of the schemes nearly 10,000 vehicles have been scrapped. The Mayor is keen to continue the scrappage scheme for those on low incomes and/or in receipt of disability benefits,

and to have the flexibility to support other vehicles to be scrapped as considered appropriate by TfL. As a result, it is proposed that the GLA make a further section 121 revenue grant of £5m to TfL, which will be funded from the TIG compensation grant income received by the GLA in May 2021. The additional grant funding will be administered by TfL in accordance with the existing arrangements set out in MD2661. MD2661 contains further commentary on objectives, equality comments, risks and other considerations in relation to the scrappage schemes.

2. Objectives and expected outcomes

TIG scheme

- 2.1. The £69.346m funding will be allocated to TfL to provide income that is additional to the level of business rates and council tax allocated by the Mayor in the 2021-22 budget. This is to be earmarked by TfL for general expenditure, in support of TfL's 2021-22 budget, whilst TfL's passenger income remains at lower levels following the COVID-19 pandemic, in line with TfL's current funding agreement with the Department for Transport.

Emissions-related vehicle scrappage schemes

- 2.2. The further additional £5m funding is provided to be earmarked by TfL for use in support of its emissions-related vehicle scrappage schemes as set out in paragraphs 1.11 and 1.12 above.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not¹.

TIG scheme

- 3.2. There are no direct public sector equality duty implications arising from the proposal to allocate the income from the TIG scheme to TfL. TfL is also subject to the public sector equality duty and has well-developed systems and processes to ensure that it complies with its legal duties regarding its expenditure.

Emissions-related vehicle scrappage schemes

- 3.3. As detailed in MD2661, the ULEZ car and motorcycle scrappage scheme is aimed at those on low incomes and/or in receipt of disability benefits. It was considered likely to be beneficial for groups with certain protected characteristics, as it will contribute towards improving air quality by facilitating the successful delivery of the ULEZ across Greater London, reducing health and social inequality; reducing the financial impact of ULEZ; and reducing the impact on their ability to travel across Greater London. The scheme will also ensure that some of those with protected characteristics specifically impacted by the scheme are helped to comply with the ULEZ.
- 3.4. The scrappage scheme for vans and minibuses has directly removed polluting vehicles from London's roads. The ULEZ car and motorcycle scrappage scheme has directly helped those on low incomes and/or in receipt of disability benefits to switch their vehicle or switch to cleaner modes of transport. The proposed new funding will allow the current schemes to be continued and developed to remove more polluting vehicles, enable a switch to cleaner vehicles and thus mitigate the ongoing financial impacts of the ULEZ charge. This is likely to benefit groups with protected characteristics. TfL has well-developed systems and processes to ensure that it complies with its own legal duties under

¹ Protected characteristics under section 4 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sex orientation, and marriage or civil partnership status

section 149 of the Equality Act 2010 regarding its expenditure, including regarding its vehicle scrappage schemes.

4. Other considerations

TIG scheme

- 4.1. The compensation grant income from the TIG scheme allocated in this decision has already been received by the GLA from MHCLG by means of a grant under section 31 of the Local Government Act 2003.

Scrappage schemes

- 4.2. Further information on the other considerations relevant to the provision of additional funding for scrappage are set out in MD2661. In terms of the Mayoral objectives, the Mayor's Transport Strategy, published in March 2018, refers to taking action to reduce emissions from vehicles on London's streets. Policy 6 states:

"The Mayor, through TfL and the boroughs, and working with stakeholders, will take action to reduce emissions – in particular diesel emissions – from vehicles on London's streets to improve air quality and support London reaching compliance with UK and EU legal limits as soon as possible. Measures may include promoting electrification and responsible procurement."

- 4.3. Proposal 28 states:

"The Mayor proposes that Government amends fiscal incentives, including vehicle excise duty, so that only the cleanest vehicles are incentivised for purchase; and implements a national diesel vehicle scrappage fund to enable cities to take the most polluting vehicles off their streets."

Conflicts of interest

- 4.4. There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1. This decision proposes that a single revenue grant for £74.346m be paid by the GLA to TfL under section 121 of the GLA Act 1999.

- 5.2. TfL has confirmed that the funding will be earmarked as follows:

- £69.346m towards general expenditure in support of the 2021-22 budget
- £5m towards expenditure in connection with the vehicle scrappage schemes.

- 5.3. As outlined above, the £69.346m for general expenditure and the £5m to be allocated for vehicle scrappage schemes will be funded by income from the TIG scheme compensation grant, paid to the GLA in May 2021.

- 5.4. Expenditure by TfL on vehicle scrappage schemes is to be allocated to revenue expenditure in accordance with section 121(4) of the GLA Act 1999 which prevents grants paid under section 121 from being used for capital expenditure.

6. Legal comments

- 6.1. Under section 31 of the Local Government Act 2003 a Minister of the Crown may pay grant to a local authority in England towards expenditure incurred or to be incurred by it. Under section 32 grants within the GLA Group must be paid to the GLA and then distributed, if appropriate, by the GLA through further grants to the functional bodies.
- 6.2. Under section 121(1) of the GLA Act 1999 the GLA may pay TfL grants towards meeting revenue expenditure (that is, expenditure other than capital expenditure) incurred or to be incurred by it for the purposes of, or in connection with, the discharge of TfL's functions.
- Under subsection (4) a revenue grant under section 121 must be applied by the recipient body solely towards meeting revenue expenditure incurred or to be incurred by that body for the purposes of, or in connection with, the discharge of its functions.
 - Under subsection (3) the grant must not be made subject to any limitation in respect of the expenditure to which it may be applied (other than that the expenditure must not be capital expenditure).
- 6.3. The approval of the making of such a section 121 revenue grant is reserved to the Mayor under the 'Mayoral Decision-Making in the GLA Framework'.

7. Planned delivery approach and next steps

Activity	Timeline
Receipt of TIG grant payment on account for 2020-21 from MHCLG	May 2021
Allocation of additional funding to TfL (proposed)	July 2021
Confirmation expected from MHCLG of balance of TIG scheme grant	Autumn 2021
Further Mayoral Decision on allocation of balance of funding to GLA Group bodies	Autumn 2021

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

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

Part 1 – Deferral Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: To follow announcement of the additional funding for the scrappage scheme.

Until what date: 16 July 2021

Part 2 – Sensitive information

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

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Enver Enver has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

David Gallie has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 12 July 2021.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

D. Gene

14 July 2021

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

D. Bellamy

14 July 2021

