

MDA No.: 1449

Title: 2023/24 Budget Guidance and Quarter 1 Financial Performance 2022/23

1. Executive Summary

1.1 At the Budget & Performance meeting on 21 September the Committee resolved that:

Authority be delegated to the Chairman, in consultation with the Deputy Chair and party Group Lead Members, to agree any output arising from the discussion.

1.2 Following consultation with party Group Lead Members, the Chairman agreed the Committee's letter to the Mayor of London on the 2023/24 Budget Guidance and the Quarter 1 financial performance for 2022/23, as attached at **Appendix 1**.

2. Decision

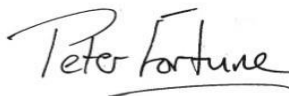
2.1 **That the Chairman, in consultation with the Deputy Chair and party Group Lead Members, agrees the Committee's letter to the Mayor of London on the 2023/24 Budget Guidance and Quarter 1 financial performance, as attached at Appendix 1.**

Assembly Member

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:



Printed Name: **Peter Fortune AM, Chairman of the Budget & Performance Committee**

Date: **22 November 2022**

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

- 3.1 The terms of reference for this investigation were agreed by the Chairman, in consultation with party Lead Group Members and the Deputy Chair, under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the letter and its recommendations fall within these terms of reference.
- 3.2 The exercise of delegated authority approving the letter will be formally noted at the Budget & Performance Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): Paul Goodchild

Printed Name: Paul Goodchild

Date: 10 November 2022

Telephone Number: 07842 600832

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required


Printed Name:

Date:

Telephone Number:

Legal Implications:

The Chairman of the Budget & Performance Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Emma Strain, Monitoring Officer

Date: 10 November 2022

Telephone Number: 07971 101375

Supporting Detail / List of Consultees:

- Len Duvall AM;
- Caroline Russell AM;
- Caroline Pidgeon MBE AM.

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 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.
- 4.3 **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? NO

If yes, until what date:

Part 2 – Sensitive Information:

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

Is there a part 2 form? NO

Lead Officer / Author

Signature: Gino Brand

Printed Name: Gino Brand

Job Title: Senior Policy Adviser

Date: 10 November 2022

Telephone Number: 07511 213765

Countersigned by Executive Director:

Signature:

A handwritten signature in black ink, appearing to read 'Helen Ewen', written in a cursive style.

Printed Name: Helen Ewen

Date: 10 November 2022

Telephone Number: 07729 108986



Appendix 1

Peter Fortune AM
Chairman of the Budget and Performance Committee

Sadiq Khan
Mayor of London
(Sent by email)

21 November 2022

Dear Mr Mayor

I am writing to you on behalf of the Budget and Performance Committee following our Question and Answer session with your Chief of Staff and senior GLA officers on 21 September, on your 2023-24 Budget guidance and the GLA's financial performance for the first quarter of 2022-23.

The timing of the GLA budget process poses challenges for both the production and scrutiny of the budget, with key levels of income not confirmed until late in the process. The GLA has struggled to access accurately the level of income available to the GLA Group from business rates and council tax. This has led to the following late adjustments to the Mayor's Final Draft Consolidated Budget, which you publish in February each year, from earlier published versions of your budget:

- 2022-23 Budget – Additional **£339 million**¹ of new expenditure primarily funded from a £160 million increase in business rates for 2022-23.²
- 2021-22 Budget – Additional **£183 million** of new expenditure funded from: additional business rates 'safety net' income of £106 million, and £77 million in council tax and Council Tax Support Grant.³
- 2020-21 Budget – Additional **£143 million** of new expenditure, primarily funded by a £129 million increase in business rates.⁴
- 2019-20 Budget – Additional **£229 million** of new expenditure, primarily funded by a £227 million increase in business rates.⁵

¹ A further £217 million was transferred to the Transport Services Funding Reserve.

² [Mayor's Background Statement in support of his Draft Consolidated Budget for 2008-09 \(london.gov.uk\)](http://www.london.gov.uk/sites/default/files/final_draft_budget_-_part_1_mayors_statement_2021-22.pdf)

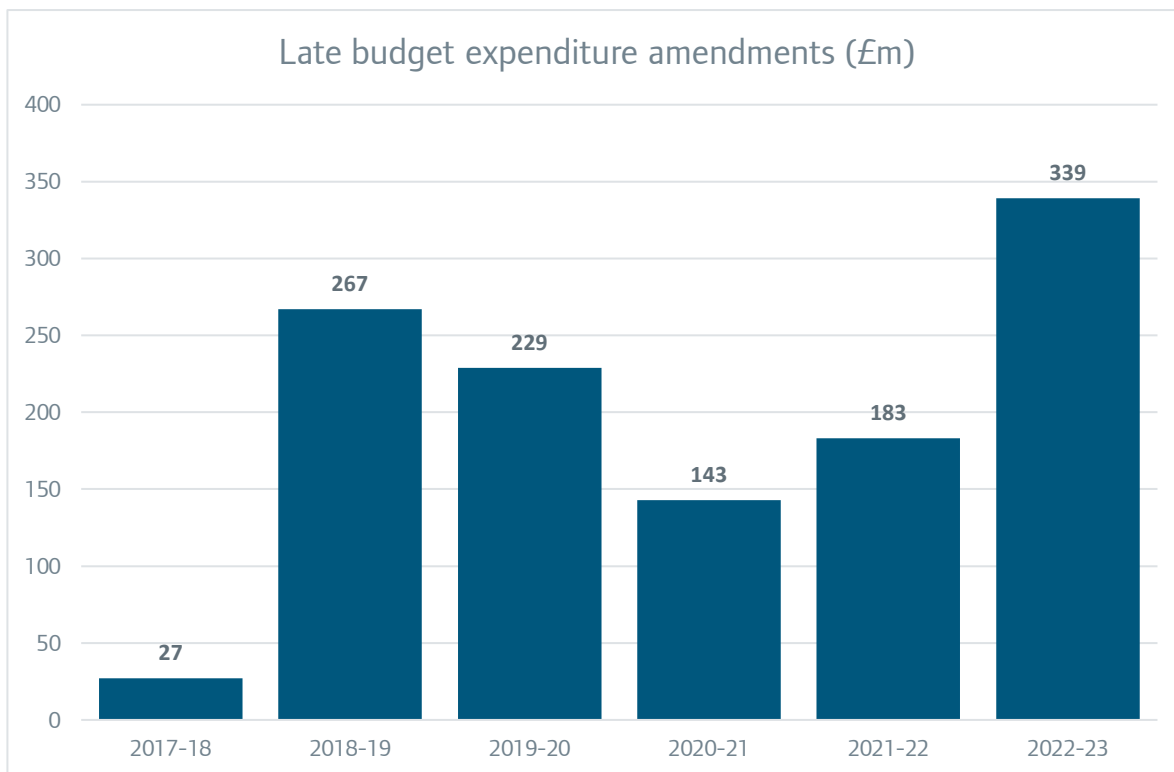
³ https://www.london.gov.uk/sites/default/files/final_draft_budget_-_part_1_mayors_statement_2021-22.pdf

⁴ https://www.london.gov.uk/sites/default/files/final_draft_budget_-_part_1_mayorsstatement_2020-21_final.pdf

⁵ https://www.london.gov.uk/sites/default/files/finaldraftbudget_-_part_1_mayorsstatement_2019-20_final.pdf

- 2018-19 Budget – Additional **£267 million** of new expenditure, primarily funded by a £211 million increase in business rates.⁶
- 2017-18 Budget – Additional **£27 million** of new expenditure, primarily funded by a £16 million increase in council tax income.⁷

This totals £1,188 million over your six budgets to date or an average of £198 million each year.



The Committee remains concerned that the rightly prudent approach set out in your 2023-24 Budget Guidance will result in large additional amounts being added to your spending plans at the start of February 2023 (as they were this year). The Committee is concerned that this last minute approach to adding expenditure results in sub-optimal planning. **The Committee recommends that you keep your budget assumptions under review throughout this year’s budget process and that details of how additional funding from business rates might be used is included as part of the budget process.**

The point was made during the 21 September meeting that the 2023-24 Budget will be a budget like no other. As your budget guidance asserts: “Soaring inflation, the economic impact of the pandemic and the fallout from Brexit are combining to create huge pressures on our communities and businesses.” In this context, addressing this Committee’s concerns about transparency is paramount and we will be keen to understand the areas of growth in this year’s budget that we have not been able to see in the GLA:Mayor budget submissions over the last two years. Encouragingly, the Executive Director of Resources welcomed the opportunity to hear the Committee’s views.

⁶ [Mayor's Background Statement in support of his Draft Consolidated Budget for 2008-09 \(london.gov.uk\)](https://www.london.gov.uk/press-releases/mayor/mayors-background-statement-in-support-of-his-draft-consolidated-budget-for-2008-09)

⁷ [Microsoft Word - Part 1 MayorsBackgroundStatement 2017.02.10 - FINAL.docx \(london.gov.uk\)](#)

The Budget and Performance Committee has been disappointed with the level of detail included in the GLA:Mayor submission in recent years. This issue was covered at length in the 19 March 2021 Budget and Performance Committee meeting. However there was little change seen in the 2022-23 GLA:Mayor budget submission. **This Committee recommends that this year’s GLA:Mayor submission returns to the level of transparency last seen in the 2020-21 GLA:Mayor budget submission, which separately identified the ongoing base budget for each unit, along with spend associated with one-off programmes and spend reprofiled from previous years, and the value of the external funding that the GLA will receive to support the delivery.** This can be on a Missions or Directorate basis, as long as it is supported by a summary of budget in the alternative format.

The Committee understands that the funding allocations set out in your 2023-24 Budget Guidance have been rolled forward from the 2022-23 Budget process, with an additional £10 million funding for TfL. We are concerned that this may represent a missed opportunity to set a more effective distribution of funding given the unprecedented nature of the pressures on this budget. **This Committee recommends that you reconsider the funding allocations and demonstrate during this year’s budget process what the optimum allocation is and why.**

This Committee was encouraged by your Chief of Staff stating at the 21 September Budget and Performance Committee meeting that he expects all organisations in the GLA Group to abide fully by what is in the budget guidance. The guidance sets out requirements for the quarterly monitoring reports of the GLA Group. However, none of the Q1 2022-23 monitoring reports complied with these requirements. The table below highlights the areas where the Q1 2022-23 reports complied with your guidance. **This Committee recommends that all quarterly monitoring reports should comply with your guidance.**

Basis of quarterly reporting: Q1 2022-23 reports⁸ compliance with budget guidance

Unit	Changes to Budget	YTD Income v YTD Budget	YTD Expenditure v YTD Budget	FY Forecast v FY Budget	Explanation of the main variances
GLA Core	✓			✓	✓
TfL		✓	✓		✓
MPS/MOPAC	✓	MPS only	MPS only	✓	✓
LFB	✓			✓	✓
LLDC				✓	✓
OPDC	n/a ⁹			✓	✓

The Committee understands that the GLA’s own reporting is undergoing a development process. The Committee also understands that the GLA’s quarterly reporting is being driven from a new process using TfL’s systems and that it should be considered a work in progress. We recognise that there are issues that need to be ironed out. **The Committee would like to understand when it**

⁸ [Quarter 1 202223 GLA Group Monitoring Reports.pdf \(london.gov.uk\)](#)

⁹ No budget changes

can expect quarterly reports to be published that are compliant with your budget guidance.

During the Budget and Performance Committee meeting on 21 September the Executive Director for Resources explained that: “The thing to emphasise on the capital programme is that you need to look at it over the whole duration of the programme or the individual project to really get a sense of whether there is really an underspend or an overspend as against there happening to be a slippage, an advancement of grant or whatever that is driving that variance”.¹⁰ This Committee agrees with this assessment and highlights the reporting of the financial performance of the East Bank development by the London Legacy Development Corporation as a good example of how this can be done well. **This Committee recommends that financial performance covering the full duration of multi-year projects and programmes is included in the quarterly performance reports for the GLA Group going forward. This Committee would welcome a timeframe for achieving this recommendation.**

The Committee was concerned to find expenditure items in the Q1 2022-23 report for the GLA that had not been approved in the 2022-23 Budget, and were being funded directly from business rate reserves. The full year forecast includes £5 million of expenditure for income maximisation that the Q1 2022-23 report shows was not included in the original budget. The Committee understands that in previous years the practice was to exclude these items from the quarterly reports. **This Committee asks for you to confirm which financial transactions have been excluded from the GLA’s quarterly reports, and that going forward, in the interest of transparency, that these items are budgeted for, and reported in all quarterly performance reports.**


The Committee was concerned to hear from your Chief of Staff that the failure to bring the quality of financial reporting at the GLA Group up to an acceptable standard was attributed to ‘organisational capacity to focus on this when so much else is happening’. We thank your Chief of Staff for his honesty, but we urge you to prioritise effective and transparent financial reporting to reassure the public that the GLA’s £19 billion budget funded from tax and transport fares is appropriately and transparently spent. **This Committee recommends that you put in place a programme to improve the quality and consistency of financial reporting across the GLA Group, and ensure that quarterly reports are transparent, consistent and accessible. The timescales and deliverables for this plan should be published.**

There are important lessons to be learned from the Q1 2022-23 financial reports to improve both the effectiveness and the transparency of the delivery of your 2022-23 budget. The recommendations in this letter cover both budget variances and reporting issues. These are numbered and reproduced at the end to facilitate your response. In terms of potential lessons for the future, this is particularly relevant as the 2023-24 Budget is currently in development.

We appreciate the GLA officers’ attendance and engagement with the Budget and Performance Committee, and we look forward to assessing the 2023-24 Budget in the coming months with the above reflections in mind. I look forward to your response to this letter by **12 December 2022.**

¹⁰ David Gallie, 21 September Budget and Performance Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Peter Fortune". The signature is written in a cursive style with a horizontal line underneath the name.

Peter Fortune AM

Chairman of the Budget and Performance Committee

Recommendations

1. The Committee recommends that you keep your budget assumptions under review throughout this year's budget process and that details of how additional funding from business rates might be used is included as part of the budget process.
2. This Committee recommends that this year's GLA:Mayor submission returns to the level of transparency last seen in the 2020-21 GLA:Mayor budget submission, which separately identified the ongoing base budget for each unit, along with spend associated with one-off programmes and spend reprofiled from previous years, and the value of the external funding that the GLA will receive to support the delivery.
3. This Committee recommends that you reconsider the funding allocations and demonstrate during this year's budget process what the optimum allocation is and why.
4. This Committee recommends that all quarterly monitoring reports should comply with your guidance. The Committee would like to understand when it can expect quarterly reports to be published that are compliant with your budget guidance.
5. This Committee recommends that financial performance covering the full duration of multi-year projects and programmes is included in the quarterly performance reports for the GLA Group going forward. This Committee would welcome a timeframe for achieving this recommendation.
6. This Committee asks for you to confirm which financial transactions have been excluded from the GLA's quarterly reports, and that going forward, in the interest of transparency, that these items are budgeted for and reported in all quarterly performance reports.
7. This Committee recommends that you put in place a programme to improve the quality and consistency of financial reporting across the GLA Group, and ensure that quarterly reports are transparent, consistent and accessible. The timescales and deliverables for this plan should be published.