MAYOR OF LONDON

Peter Fortune AM
Chairman of the London Assembly Budget and Performance Committee

Our ref: MGLA160123-7566

Date: 31 March 2023

Dear Peter,

Response to the Mayor's Draft Consultation Budget 2023-24 – Budget and Performance Committee

I write in response to the Budget and Performance Committee's "Response to the Mayor's Draft Consultation Budget 2023-24", provided to the Mayor on 16 January. The Mayor asked me to review the report and respond on his behalf.

Before responding to each of your recommendations in Appendix 1, I would like to provide some general comments on the report, and on the process that has led to its production.

I think it would be helpful if, for future years, we could work together to clarify the intended audience and purpose of the report, and look for ways in which it can add real value to the budget process. As currently approached, it is significantly repetitive of the budget documents which of course is of no value to the Mayor or the officers who support him in production of the budget. However, the recommendations are rightly directed at the Mayor even if the rest of the report isn't.

Recommendations about the content of the Draft Consolidated Budget were impossible to address between receipt of the committee's report and the publication (in accordance with the statutory timetable) of the Draft Consolidated Budget 48 hours later, and for the same reason, within 48 hours of receipt the committee's report was out of date. Other recommendations are typically things that are already happening or repeated arguments that have been rebutted in previous years.

The report also contains over 40 errors (some that can be put down to simple oversights in the production process, others that are more significant), identified in Appendix 2 to this letter. A material numbers of errors have also been identified in previous years' reports. Given workload, it is not possible for officers to identify these in time for the January plenary meeting, leading to Assembly Members being mis-informed as they consider the Draft Consolidated Budget and questions understandably being raised as to the quality of analysis on which the committee's recommendations stand.

A number of these concerns also apply to your speech to the Budget Plenary on 26 January.

Once again, it needs to be stated clearly that taking a prudent approach to budget setting is not just desirable (taking an optimistic view of funding levels would just lead to items being removed later in the process, with an even worse impact on transparency and scrutiny than the opposite) but it is a professional duty of our finance officers. It is a fact that our income levels are uncertain until late in the budget process – this causes huge challenges for budget production, but it is the simple legal reality.

As you know, the basic timetable of the GLA's budget process is fixed by statute, but we do have some flexibility within that as to how scrutiny is carried out. I believe it is now undeniable that the current approach, established many years ago when the budget was both smaller and more straightforward (with less information being provided than today), is not leading to the standard of scrutiny that any of us want to see, nor that Londoners deserve.

The current approach also leads to undue resourcing pressures being placed both on officers in the GLA Group Finance and Performance team and in the Mayor's team, to an extent that I now believe is unacceptable. This was particularly the case with the additional meeting held in February, though I do understand why you wished to hold it. One way or another, action needs to be taken.

I would like us to work together and explore an alternative approach for scrutinising the setting of the 2024-25 budget. I do believe there is an opportunity, including through using the knowledge and experience of other committees, to reform the scrutiny progress so that it focuses on the key strategic issues and therefore adds real value to the budget setting process and the decisions that the Mayor and Assembly Members take during it. The work now getting underway on the GLA's governance and performance processes may also, once implemented, help in this regard.

In conclusion, I very much hope we can agree and implement the changes needed to deliver a high quality scrutiny process that aides budget setting. I look forward to working with you to do so and would welcome an early discussion.

Yours sincerely,

D. Bellamy

David Bellamy
Chief of Staff

cc: Len Duvall AM – Leader of the Labour Group
Susan Hall AM – Leader of the Conservative Group
Caroline Pidgeon – Leader of the Liberal Democrat Group
Caroline Russell AM – Leader of the Green Group
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David Gallie – Executive Director, Resources
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Gino Brand – Senior Policy Adviser, Scrutiny and Investigation (London Assembly)
Paul Goodchild – Principal Committee Manager, Secretariat (London Assembly)

APPENDIX 1
BUDGET AND COMMITTEE RESPONSE TO THE MAYOR'S DRAFT CONSULTATION BUDGET 2023-24 – RESPONSE TO RECOMMENDATIONS

Recommendation 1
The Mayor should assess his intention to raise council tax to the full extent available to him for 2023-24, once he has confirmation of all expected income levels.

As a matter of course, the Mayor keeps his council tax proposals under review throughout the budget process. That for example is why the Mayor was clear in his foreword to the consultation budget that "no decision has been made yet on council tax levels for 2023-24. This is only possible once I have fully considered the implications of the government's local government and police finance settlements."

Recommendation 2
The Mayor should develop and implement a change to the budget setting process that ensures that additional income beyond that anticipated in budget guidance is allocated through a process that is robust, transparent and sustainable. This should include an additional Budget and Performance Committee meeting to scrutinise his proposals.

The process for allocating income over and above that assumed in the Mayor's Budget Guidance is already robust, transparent and sustainable. Officers have explained many times the limitations within the timings of the GLA budget process and they have worked hard to share new information as soon as it is practically possible to do so.

Recommendation 3
The Mayor should reassess the GLA Group reserves position and establish a clear and consistent policy for the use of reserves across the GLA Group.

There is a clear and consistent policy for the use of reserves. They are either earmarked for specific purposes or held as a general reserve to provide a contingency against risks that may arise in the period in question, at a level determined as adequate by the statutory Chief Financial Officer of each organisation. Reserves are reviewed through the budget process each year and the level and purpose of each reserve is open to scrutiny by the Assembly.

Recommendation 4
The Mayor should set out the conditions for use of the £500 million facility in his 2023-24 Final Draft Consolidated Budget along with the remaining Transport Services Reserve held by the GLA.

As set out in your response, it is not assumed that TfL will require to use the £500m facility. If and when TfL might need to use the facility, then the conditions required will be agreed at the time. Updated plans for the Transport Services Reserve have been set out in the Draft Budget. The balance is held with regard to the significant financial risks facing TfL and the lack of expected government support to meet them.

Recommendation 5

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The Committee recommends that the Mayor publishes his cost benefit analysis of the restriction on the Older Persons Freedom Pass and 60+ Oyster from the morning peak.

A condition of the February 2022 government funding settlement between TfL and the Government was that TfL would progress options for generating between £0.5bn and £1bn in accordance with decision-making processes, taking into account any need for consultation.

While the Mayor is not required to conduct, nor require TfL to conduct, a consultation in relation to fares prior to making a decision, TfL sought and received feedback and representations from key stakeholders in relation to the proposal to permanently restrict free travel between the hours of 04:30am and 9:00am on weekdays (excluding Bank Holidays) for Older Persons' Freedom Pass and 60+ London Oyster photocard holders on TfL services. A detailed summary of this feedback was included in the Equalities Impact Assessment (EqIA) produced by TfL. The Mayor gave this careful consideration in reaching his decision, balancing it with the need for TfL to achieve financial sustainability and be able to deliver an efficient and effective public transport network in the long-term.

The EqIA and other documents associated with his decision are available online here: MD3014 Proposed permanent changes to free travel arrangements for older Londoners | London City Hall

Recommendation 6
The Committee recommends that the funding for the ULEZ expansion is clearly set out in the Mayor's 2023-24 Draft Consolidated Budget. This should include a breakdown of the costs of expansion and the extra revenue anticipated from it.

Based on current assumptions made, the estimated costs to set up the expanded London-wide ULEZ are in the range of £160m. This includes costs of signage, detection and enforcement infrastructure, marketing, project overheads and risk.

The funding of the GLULEZ expansion is included in the Draft Budget and explained in detail at the Committee's meetings. Pending the 'normalisation' of the bond market, the GLA is financing the £160m capital costs of GLULEZ from its cash flow. Once the bond is issued, the GLA's cash flow will be reimbursed. The costs and income, except the terms of the repayment and servicing of the £160m, have been set out in TfL's budget.

TfL is still working on detailed financial projections for the proposed expansion of the ULEZ scheme to outer London in August 2023. However, TfL is expecting to generate an additional net operating surplus of c£200m with a range +/- c.50 per cent, in the first full year of operation. The operating surplus would quickly reduce over time as compliance is expected to improve. The range on net operating surplus is driven by uncertainty in future compliance growth, both in the run up to expansion and the months afterwards.

It is not practicable to include a breakdown and projection of every income stream in the Draft Consolidated Budget. However, ULEZ charge and enforcement income is regularly reported to the TfL Board through quarterly performance reports, available online here: Quarterly performance reports.

Recommendation 7
The Mayor should clearly set out in his 2023-24 Draft Consolidated Budget what level of fares increases on TfL services he plans to implement in March 2023, and what impact this will have on expected income.

The Draft Consolidated Budget was prepared before the receipt of the committee's response. It included the impact of the intended annual fares increase, with more details being given in the accompanying press release.

Following completion of the Department for Transport's formal processes around the national rail fares increase, the Mayor has taken and published MD3083, which sets out full details of the fares increases that will imply on TfL services.

Recommendation 8
TfL should set out its plans for increasing commercial income to reduce its risk of reliance on fares.

The 2015 agreement between the government and the then Mayor made TfL over-dependent on fare income, as can be seen by comparison to other world cities. The Mayor has continued to make the case to the government that this is inappropriate and additional funding sources – such as the c. £500m Vehicle Excise Duty paid by Londoners but overwhelmingly spent on roads outside the capital – should be devolved to London to help address this.

Even if the government were to agree to this, increasing commercial income is important. TfL has created TTL Properties Ltd (TTLP) as a standalone company, enabling it to borrow and invest to generate a recurring income stream for TfL to support the transport network. And TfL will continue to pursue other forms of commercial income, such as advertising and sponsorship, as well as maximising funding contributions to capital projects including government funding opportunities (such as the Housing Infrastructure Fund, Levelling Up Fund, Public Sector Decarbonisation Fund), developer contributions (including Section 106 and Section 278) and working with boroughs on shared priorities though Borough CIL income.

TfL is committed to increasing non-fares revenue as a share of total income. However, it is important to be realistic about what is achievable. Forecast fares income for 2023-24 is £5.2 billion. It is not possible for a material share of this income to be generated from additional commercial sources.

This is why the Mayor will continue to make the case for fiscal devolution to London, and for the government to live up to its recognition in successive funding agreements that for major capital enhancements and major renewals TfL is not expected to solely finance these from fares and other operating incomes, as is consistent with other transport authorities.

Recommendation 9
TfL to share its preferred course of action with regards to its pension scheme with the Committee and to reflect any financial implications in the 2023-24 Final Draft Consolidated Budget.

TfL has already committed to updating the Assembly in relation to this matter. Papers published in relation to the Independent Pensions Review are available on TfL's website here:
https://tfl.gov.uk/corporate/publications-and-reports/independent-pensions-review

Should any pension reforms be proposed in the future, they will be fully consulted with affected members and their representatives. As explained to the Committee, as there are currently no proposals for change there were no forecast financial implications for inclusion in the Final Draft Consolidated Budget. Should any proposals be made in the future any financial implications would be dependent on the nature of the reform option chosen.

Recommendation 10
The Committee encourages MOPAC to continue to work with the government to achieve longer-term funding settlements for the MPS and make an effective case for further funding for police officers in London.

The Mayor and MOPAC continue to make the case to government, publicly and privately, for the government to provide longer-term funding settlements and to properly fund the MPS.

Recommendation 11
The Committee recommends that MOPAC reconsiders basing its future year's plans on expected allocations for the funding of additional police officers.

This recommendation is rejected. MOPAC will continue to reflect the view of the Commissioner and Mayor that London needs an additional 6,000 officers compared to the position at the start of the national Police Officer Uplift. The budget documents transparently set out the cost implications of this policy.

Recommendation 12
The MPS should develop an efficiencies programme to address the remaining funding gap in future years, once the element for officer growth has been removed, and share it with the Committee.

As well as trying to secure more resources for the MPS, the Commissioner and MOPAC are clear they have a duty to make the best possible use of the resources currently available. The Commissioner's new turnaround plan contains a clear priority that the MPS will make the most efficient use of resources and reinvest where it matters most. An efficiency programme will be established in 2023-24. The Budget and Performance Committee will be able to consider this programme as part of its regular scrutiny of MOPAC and MPS budgets.

Recommendation 13
The MPS should establish what additional budget is needed for reform costs and include this in the Mayor's 2023-24 Final Draft Consolidated Budget.

The MPS continues to develop the costs of reform through the Commissioner's Turnaround Plan. The Plan sets out the approach to delivering more trust, less crime and high standards and how this work will be supported by refreshed values and the MPS' nine turnaround priorities.

In the Draft and Final Draft Consolidated Budgets, the Mayor has provided additional funding to support the delivery of the Turnaround Plan, both in 2023-24 and an ongoing basis. The MPS and Mayor will continue to lobby for further funding but recognise the need to make choices and prioritise within existing budgets.

Recommendation 14
MOPAC and the Mayor should continue to develop an effective case for an increase in the National and International Capital City (NICC) grant for the policing of the capital city from government.

The National and International Capital Cities (NICC) grant currently underfunds the MPS by £159m per year. The Mayor continues to make the case, both publicly and privately, for the government to properly fund the MPS.

Recommendation 15
The MPS should publish its estates strategy by 31 September 2023.

The strategy will be published in Summer 2023 once a review of the strategy is complete to ensure the police officer uplift programme, the Kerslake report into housing delivery and the plans and priorities of the new Commissioner are reflected.

Recommendation 16
The LFC should identify the extent of any known cost pressures relating to the upcoming legislative change and include them in the final 2023-24 Budget.

The LFC's budget for 2023-24 will include an assessment of the known cost pressures, government funding and uncertainties associated with relevant legislative changes (Fire Safety (England) Regulations 2022 and the implementation of the Building Safety Regulator).

Recommendation 17
By March 2023, the London Fire Commissioner should publish a clear action plan to reduce overtime.

The Commissioner's action plan to reduce pre-arranged overtime will be submitted to the Deputy Mayor's Fire and Resilience Board on 28 March 2023.

Recommendation 18
The London Fire Commissioner should develop a costed plan of the budget impacts of the LFB's Independent Culture Review and if necessary a broad estimate should be included in the final 2023-24 budget submission.

A programme director has been appointed for the Culture Review recommendations. It is anticipated that a broad estimate of financial costs will be included in the final 2023-24 budget report for the LFC, which will be published in March 2023. This estimate will include what is being funded from within existing resources and what additional funding (if any) may be required, as well as the Commissioner's response for dealing with that resource requirement.

Recommendation 19
The London Fire Commissioner should publish the Terms of Reference of the new processes implemented to scrutinise its capital programme and incorporate any new findings in the quarterly performance reports.

The new processes being implemented by the LFC to scrutinise its capital programme will be included in the final 2023-24 budget report for the LFC, which will be published in March 2023.

Recommendation 20
The London Fire Commissioner sets out how the LFC is responding to and mitigating risks to its capital programme in future Quarterly Performance reports.

The Commissioner is aware of, and accepts, this recommendation and will include an update on work to mitigate LFC's risks to its capital programme in future quarterly performance reports.

Recommendation 21
This Committee recommends that future years' GLA:Mayor submissions return 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 will make it easier for Londoners to access information about how their money is spent.

We believe there is greater transparency now on our budget proposals than ever before. The Missions, Foundations and Core set out the information specified and in addition directorate and unit budgets are set out. As explained at the committee's meetings, officers are always willing to discuss formally, or informally, with the committee and its officers how the presentation of the Budget can be improved.

Recommendation 22
The Mayor should set out his costed plans for the renovation of the Crystal Palace National Sports Centre and include the cost in his final 2023-24 Budget.

The costed plan for the Crystal Palace National Sports Centre will be set out as soon as possible.

Recommendation 23
The London Assembly should be appropriately funded to effectively discharge its scrutiny function.

The Mayor believes the Assembly is appropriately funded to effectively discharge its scrutiny function. He has agreed to increase the Assembly's budget for 2023-24 as requested by £150,000 to allow two additional scrutiny officers to be employed.

Recommendation 24
LLDC to publish the report of the Deputy Mayor for Planning, Regeneration and Skills into the Fixed Estate Charge.

Deputy Mayor for Planning, Regeneration and Skills, Jules Pipe, is close to finalising his review of the Fixed Estate Charge (FEC) which is due to be published by the GLA (not LLDC) shortly.

Recommendation 25
LLDC should explore the alternative operating models for the London Stadium.

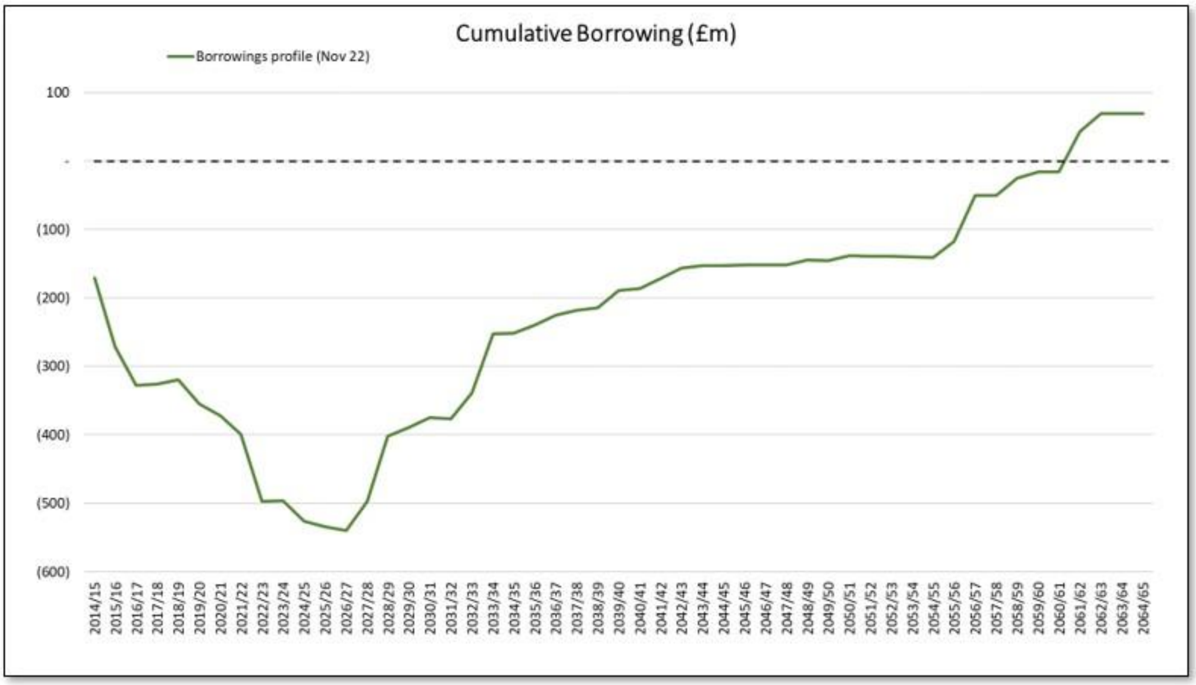
There are legally binding agreements in place with third parties, entered into under the previous Mayor, that contain onerous provisions which restrict LLDC's operational flexibility and ability to act unilaterally. LLDC remains committed to getting the best outcome for the London taxpayer and, without inflationary pressure, would be on track with its plans following the decision to bring LS185, the operator, in-house as well as the implementation of subsequent invest-to-save initiatives. Nevertheless, and as previously stated to the Committee, LLDC remains open to exploring alternative operating models for London Stadium.

Recommendation 26
This Committee would like to see demonstrable progress towards securing a naming rights deal for the London Stadium that reflects good market value and would encourage the Mayor to get involved in discussions to ensure renewed energy and urgency around this objective.

Any discussion with potential sponsors is subject to confidentiality. However, as soon as LLDC is able to provide updates to the Committee it is happy to do so. LLDC's focus remains on getting the best long-term deal for London and the taxpayer and partners, and the Mayor will be brought in to discussions when it is considered appropriate to do so.

Recommendation 27
The LLDC should submit its capital receipts modelling and loan repayment plans to the Budget and Performance Committee.

The graph below shows LLDC's borrowings repayment profile as at the date of the November 2022 budget submission:



As set out in its capital strategy, LLDC's capital programme is funded from a variety of sources, including:

- capital receipts from the sale of land and property – for example, Chobham Manor and East Wick and Sweetwater

- gross returns from joint ventures – Stratford Waterfront and Bridgewater and Pudding Mill Lane
- East Bank Partner capital contributions towards the cost of their buildings
- section 106 contributions and Community Infrastructure Levy
- GLA capital grant.

Forecasts for each of the above are informed by a range of assumptions including from scheme developers (e.g. for East Wick and Sweetwater), current market knowledge and third-party cost plans.

Such forecasts, some of which are many years into the future, are highly dependent upon macro-economic factors such as house price inflation and tender price inflation, particularly where they are being delivered via a joint venture approach. This means that forecasts are subject to volatility and continued change.

LLDC regularly reviews its capital funding assumptions and 'stress-tests' these in particular circumstances. LLDC regularly shares the outputs of such exercises with the GLA to ensure the sensitivity and risks associated with LLDC's capital funding assumptions are clearly understood, particularly in circumstances where these receipts are subject to third party and/or market performance. When and where appropriate, LLDC also considers exit plans for key contractors.

The repayment profile of LLDC's borrowings is also influenced by the timing of capital grant from the GLA; again, this is reviewed with the GLA each year during the budget setting process.

Recommendation 28
The Mayor to address the low level of affordable housing being delivered by the LLDC.

Once all LLDC-owned schemes have completed, there will be over 5,800 homes delivered, c40% of which will be affordable. As part of this, levels of affordable housing in the first three neighbourhoods (Chobham Manor, East Wick and Sweetwater) will be c35% in line with Mayoral policies at the time of consent (pre-2016).

In line with the Mayor's affordable housing policies, 50% affordable housing will be delivered across the LLDC's three remaining legacy sites – Stratford Waterfront, Pudding Mill and Rick Roberts Way – as well as on the three small sites LLDC owns in Hackney Wick.

Recommendation 29
LLDC to develop and publish key performance indicators with targets for its Inclusive Economy programme.

LLDC and the four local boroughs (Newham, Hackney, Tower Hamlets and Waltham Forest) are jointly working to establish an Inclusive Economy programme. This work is ongoing and a key deliverable will be a suite of Inclusive Economy measures. LLDC hopes to be in a position to publish these in the new financial year following consultation with key partners.

Recommendation 30
The LLDC should develop and publish a financial sustainability plan.

LLDC is committed to achieving increased financial sustainability, as demonstrated through its budget submission and long-term modelling. As highlighted in their 2023-24 budget submission, for the long-term financial sustainability of LLDC, its objective is that, when developments on the Park have built out and the Fixed Estate Charge reaches its peak (from the mid-2030s), the requirement for grant funding, excluding the London Stadium, will be eliminated. This is necessarily a long-term goal, but progress updates will be provided as appropriate over time.

Recommendation 31
The OPDC should respond to the three stakeholder submissions made to the Budget and Performance Committee about its communication with local groups by the end of January 2023.

OPDC has already met this recommendation.

Recommendation 32
The Climate Change Budget process would benefit from increased sharing of best practice and an alignment of standards across the GLA Group, including ongoing regular reporting on progress.

GLA Group members will report their quarterly progress on the agreed and funded climate budgeting commitments to the GLA Group Finance and Performance team. The Climate Budgeting Working Group (made up of members from across the GLA Group) will continue to meet and collaborate to improve the climate budget process and share best practice.

That data will be used by GLA officers to review progress on decarbonisation and share best practice among the GLA Group. We will also consider how to support the functional bodies' environment leads to push the envelope more widely and fill the £1.4bn funding gap to achieve net zero 2030. Officers will review how this translates into future revised actions and reporting when the climate budget process is updated for 2024-25.

Finally, GLA Group members will report annual performance on total energy usage (kWh), carbon emissions (t CO_2e), and onsite renewable energy generated (kWh). Officers are still considering where best this information should be reported. It is likely to be incorporated, at least in functional bodies' own annual sustainability reporting and the GLA's annual report on progress against the London Environment Strategy.

Recommendation 33
The Mayor should review the unfunded functional body climate budget projects and explore options to increase the pace of rollout of the Green Bond Programme.

That is the process that officers started on receipt of the climate budgets and forms an important part of the on-going climate budget programme. To help accelerate the delivery of these unfunded projects, the Mayor will make approximately £15m (from the £90m that was allocated for green finance activities, in February 2022) available to support the development of London's Net Zero project pipeline. It is likely that approximately half of that funding will be available to the GLA Group for supporting the unfunded projects, identified in Table B of their climate budgets, to bring them to a position where they are finance and delivery-ready.

The GLA will also make finance available, from its green finance fund ("Fund"), to the functional bodies to support the capital investments needed for these projects, as and when they have been developed to the point of being finance-ready. The finance for this Fund will initially come from GLA cash balances and will be subsequently refinanced with the proceeds from a green bond that will be issued subject to favourable market conditions.

The remainder of the £90m will be used to support the financing costs for those projects supported by the Fund where, following capital investments, insufficient financial saving or income is generated to cover the borrowing costs.

Recommendation 34
The GLA to make demonstrable progress in addressing the findings from the climate budget work, by developing a pipeline of climate projects for future funding including via the Green Bond Programme and ensuring quarterly performance monitoring across the GLA group.

The GLA is currently working with the functional bodies to determine the level of support required to develop the unfunded projects submitted as part of the climate budget process to a position where they are finance-ready. As mentioned above, approximately £15m will be made available to support project development work, with finance then provided to support the capital investments required for the delivery of the projects.

Monitoring of performance will be carried out as outlined in response to Recommendation 32.

APPENDIX 2

BUDGET AND COMMITTEE RESPONSE TO THE MAYOR'S DRAFT CONSULTATION BUDGET 2023-24 – POINTS OF CLARIFICATION AND ACCURACY

Foreword

- Regarding additional income budgeted during the budget process, the report says "over the last six years the final figure has been an average of £198". This is an Assembly figure, but we suspect you meant "£198 million".

- "We highlight the potential from his increasing level of reserves." In fact, the draft budget shows that reserves are forecast to decrease, from £2.114 billion at 31 March 2023 to £1.734 billion a year later.

- The report states that reserves could be "considered as a factor when setting the level of council tax next year." This confuses one-off and recurring income. The government's excessiveness principles means that council tax increases cannot be deferred to future years (as you acknowledge on page 18 of the response). Therefore any use of reserves to reduce council tax increases creates a funding gap in every subsequent year. The committee makes no suggestions about how this can be bridged.

- "The level of affordable housing being delivered by the London Legacy Development Corporation (LLDC) remains low at 29 per cent and has fallen each year since this Mayor took control of the LLDC." This is not accurate, as demonstrated through your own Table 6.

- It is not accurate to say that the Mayor and MPS "anticipate an extra 6,000 police offices in their future year's plans". This is the level of service that we believe should be provided to Londoners. The budget transparently shows this, and the income that would be needed from the government to realise it. The Mayor will continue to make the case to the government of the day (noting that a general election will take place during the planning period).

Executive summary

- "The Mayor's Consultation Budget was issued shortly after publication of the provisional local government and police financial settlement for 2023-24." This is not correct: the consultation budget was published on 16 December, and the local government settlement on 19 December (as you acknowledge on page 19 of your response).

- "The Mayor is responsible for a £20 billion budget for 2023-24". As shown at para 1.22 of the Consultation Budget (page 13) this double counts money transferred between GLA Group organisations. The correct figure at that stage of the process was £19.4 billion.

- "MOPAC has abandoned its budget target for 2023-24 to recruit 6,000 additional police officers due to recruitment challenges, but has retained it for future years". MOPAC have not abandoned its budget target, they have updated the budget to reflect the reality on recruitment and the latest projections for 2023-24. This is made clear by the quote from the Deputy Mayor on page 45.

- “The LFC is proposing to address its cost pressures through the use of reserves.” This is misleading: £27.4m of efficiencies are planned to be delivered, with just £4m from reserves.

- “The LFC .. has reinstated a vacancy rate.” This is not accurate: the budget proposes the reduction of the vacancy rate from 296 operational staff in 2022-23 to 100 in 2023-24 (and its elimination in 2024-25).

- “Despite calls from this Committee, the GLA Core budget submission continues to be less transparent than the approach taken for the 2020-21 Budget.” This is a subjective opinion stated as fact.

- “OPDC revenue expenditure in 2024-25 and 2025-26 is broadly in line with previous years. This shows little evidence of ramping up delivery following the adoption of its Local Plan in June 2022.” In fact, total expenditure is forecast to increase from £7.5 million in the 2022-23 budget, to £12.2 million in 2024-25 and 2025-26 – a 62% increase.

- “There is variability in engagement with the [climate budgeting and net zero] process between the functional bodies.” This description is not accurate. All functional bodies engaged with and embraced the process and submitted complete climate budgets.

Chapter one – GLA Group

- There are inconsistencies thorought the response about whether the additional government funding of £91.3m was included in the consultation budget. It wasn’t. An estimated range of £45m to £175m with a midpoint of £110m was provided in the commentary, but not included in the budget tables or allocated because of the uncertainty as to the outturn. The £91.3m only became apparent once the provisional police and local government settlements were issued on 14 and 19 December respectively.

- Page 16 states: “The 2023-24 Mayor’s Consultation Budget totals £20.2 billion; this consists of revenue expenditure of £15.8 billion, and capital expenditure of £4.4 billion. The total budget has increased by more than a quarter since this Mayor’s first budget, from £15.9 million in 2017-18 to his proposed budget for 2023-24 of £20.2 billion.” As clearly set out in para 1.22 of the consultation budget, the £20.2 billion is based on statutory calculations and result in the true group-wide gross expenditure over which the Mayor has control being nominally overstated. The generally accepted to be correct gross expenditure figure for 2022-23 is £19.4bn (table in para.1.23). Also, the 2017-18 budget was £15.9 billion, not £15.9 million.

- Page 17 states: “The level of the precept is determined by the Mayor’s budget, which is set by the Mayor and agreed (or rejected) by the London Assembly.” This is not correct: the Assembly cannot reject the budget. Its powers are limited to the ability to amend the total GLA council tax precept, or the amounts allocated from the precept to each organisation.

- Page 19 states: "On 17 November 2022, the Chancellor of the Exchequer announced as part of his Autumn Statement that the government will give local authorities in England additional flexibility in setting council tax, by increasing the referendum limit for increases in council tax from 1.99 per cent to 3 per cent per year from April 2023." The previous referendum limit was 2 per cent.

- Page 22 states: "Multipliers usually rise with the September CPI rate." The government's policy to raise the multiplier by CPI was only introduced in 2018-19. However, since then, it has frozen the multiplier in 2021-22, 2022-23 and 2023-24; and the compensation it provided local authorities for its decision to freeze the multiplier in 2022-23 was based on RPI.

- Page 23 states: "This is far from a new concern for this Committee, which as part of the 2022-23 budget process recommended that the Mayor shared indicative allocations with the Committee along with his budget proposals. The Mayor did not accept this recommendation." This is disingenuous. The Mayor said it was not appropriate to set out indicative allocations against funding he could not be certain to receive.

- In the discussion of reserves on page 25, there is no acknowledgement that (as noted in para 2.34 of the consultation budet), "the use of reserves will be adjusted as expenditure plans are further developed." For example, it is known that the New Museum of London reserve will be spent on this project, but the timing of its transfer is currently unconfirmed and cannot be shown in the budget documents. Your presentation ignores that there is a firm intent to use this funding (indeed, the project is well under way).

Chapter two – TfL

- Page 31: Figure 15: TfL budgeted funding sources: The chart, and subsequent commentary "The TfL funding chart above highlights the role that government grants have played in TfL's budgets following the reduction in fares income through the pandemic". However, the 2020-21 column does not reflect the £2.5bn extraordinary grant received from government in that year arising from the COVID-19 pandemic.

- On page 33, regarding the TfL finance facility established by the GLA, money will only "be withheld from future funding from the GLA to TfL" where it is advanced to TfL under this facility. It may not be necessary for this facility to be used.

- On page 39, the change in timing of the annual fares increase is not because of the TfL funding deal. It was a government decision, owing to delays in their decision-making during the COVID-19 pandemic. For the reasons the response sets out, the TfL and national rail increases need to occur on the same date.

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- On page 41, the report states: "The Mayor subsequently established an independent review by Sir Brendan Barber of the TfL Pension Scheme… The review stated that the scheme is generous to employees when benchmarked against the Network Rail and Civil Service schemes." This is not correct – Sir Brendan Barber's review did not state this. We believe this to be a reference to the TfL Independent Review. Subsequent work has shown that replicating TfL pension benefits in the Civil Service scheme would lead to an increase in costs.

Chapter three – MOPAC

- On page 43, the report states "MOPAC has removed its budget target for 2023-24 to recruit 6,000 additional police officers due to recruitment issues". MOPAC has not removed its budget target, it has updated the budget to reflect the reality on recruitment and the latest projections for 2023-24. This is made clear by the quote from the Deputy Mayor on page 45.

- On page 43, the report states "The Mayor's Office for Policing and Crime (MOPAC) and the Metropolitan Police Service (MPS) has set a net revenue budget of approximately £4.14 billion with an initial funding gap of £5.9 million. This is a significant improvement as last year's budget proposals included a £249 million budget gap in 2022-23 and a £296 million proposed budget gap in 2023-24." This paragraph is not comparing like with like. The £5.9m was a non-structural gap. The gaps of £249m and £296m were the total gaps (structural and non-structural).

- On page 44, it states that there has been a "47 per cent increase in MOPAC's share of the GLA's council tax". This is incorrect – it is the quantum of funding that has increased, not the share of the council tax – and the actual figure (as of the consultation budget) was 48 per cent.

- On page 45, it states that "At the Committee's 8 December 2022 meeting, the Deputy Mayor confirmed that the 6,000 target had been removed from the budget submission due to the challenge of recruiting the required additional police officers." The target has not been removed from the budget submission. MOPAC has reprofiled the budget to reflect the reality of the recruitment challenges. This means that there are no additional costs for 2023-24 but the costs are there for future years.

- On page 46, it states that "MOPAC is reliant on new efficiencies to eliminate future budget deficits, and, to date, it has not developed an efficiencies programme". This overlooks the Met's highly significant transformation programme, of which the delivery of efficiencies form an important part.

Chapter four – LFC

- On page 50, the report states "The LFC is proposing to address its cost pressures through the use of reserves." This is misleading – only £4m of the £27.4m cost savings is proposed to be addressed using reserves (recognising the exceptional inflation impacts). £23.4m of savings are planned.

- On page 50, the report states that LFC "has reinstated a vacancy rate. This is also creating pressures on overtime pay". It is untrue to say a vacancy rate has been reinstanted; in fact, the budget reduces it from 296 to 100 staff. The use of a vacancy rate is only one factor in the use of overtime, which also include sickness, training and skill-related factors.

- On page 52, the report reports "LFC's decision to maintain a vacancy margin". As noted above, the vacancy margin is significantly reduced in this budget (and is planned for elimination in the 2024-25 budget, contradicting the claim on the same page that it "raises questions about the future financial sustainability of the LFC when the vacancy margin is eliminated").

Chapter six – LLDC

- Page 63 states "The LLDC expects that by the mid-2030s the organisation will be generating an annual return of around £225 million in business rates and council tax". This return will be generated by the area, not the LLDC directly itself.

- Page 65 states "The LLDC's net revenue budget for 2022-23 of £54 million.." – this should be 2023-24.

- On page 69, the report states "The stadium is the home to UK Athletics, as well as West Ham United Football Club, which signed a 99-year lease on the venue". Both UK Athletics and West Ham United have agreements, not leases, which gives them rights to hold events at the stadium (although WHU also has leases on specific areas e.g. their shop and offices).

- Regarding the section on the London Stadium, the numbers attributed to naming rights in LLDC's budget are about establishing a prudent position. This should not be seen as what naming rights, and wider sponsorship, in the market are actually worth. As you would expect West Ham United and indeed any business, would be keen to get control of commercial rights at the most competitive price for their own means and benefit. LLDC's aim remains getting the best long-term market value deal for any of its assets. LLDC understands the interest in discussing values and how attractive the offer is but this does put at risk LLDC's negotiating power within the market. LLDC is confident that it is in the strongest position yet to attract the market but these are complex negotiations which require as much commercial confidentiality as possible. No other holder of similar rights would have such discussions in the public domain and potential sponsors have shared concerns if contracts will remain confidential should they enter into them.

- In figure 28 on page 72, the -£130m figure for 2017-18 should be -£103m.

- Regarding the section on housing delivery, it is neither a fair nor accurate representation to suggest that LLDC delivery of affordable housing is decreasing.

- Firstly, it is important to make a clear distinction between the homes which LLDC is delivering on land it owns, and the housing delivery it is supporting across the wider Mayoral Development Corporation in its role as local planning authority.

- On LLDC-owned land, c35% affordable housing is being delivered in the first three neighbourhoods (Chobham Manor, East Wick and Sweetwater) which were consented under a previous Mayoralty. In line with the current Mayor's affordable housing policies, 50% affordable housing will be delivered across the LLDC's three remaining legacy sites – Stratford Waterfront, Pudding Mill and Rick Roberts Way – as well as on the three small sites LLDC owns in Hackney Wick. This means that overall, once all LLDC-owned schemes have completed, there will be over 5,800 homes delivered on LLDC-owned land, c40% of which will be affordable.

- Across the wider MDC area, the LLDC is progressing well against its target of supporting the delivery of 33,000 homes by 2036 (which includes the aforementioned direct delivery on the Park). A variety of factors have affected affordable housing delivery across the wider area to date, including the implementation of significant historic planning permissions in the context of the previous Mayor's housing policies. For example, the London Thames Gateway Development Corporation granted outline permission for the redevelopment of Sugar House Island in September 2012 that set the level of affordable homes at c12% and this phased scheme is still being built out.

- Nevertheless, since 2017, individual approved schemes have generally been achieving at least 35% affordable housing, which is reflected in year-on-year figures as shown in Table 6. Indeed, in recent years, the target is either being met or is very close to this target with 35% achieved in 2019-20 and 32% in 2021-22. As fewer homes from historic schemes are delivered over time and more recent permissions with higher levels of affordable housing are implemented, the overall percentage of affordable homes completed is likely to continue to increase from 29%, in line with the 35% target.

- Both on LLDC-owned land and across the wider MDC area, LLDC will continue to do everything within its powers to increase the delivery of affordable housing, across a range of different tenures.

Chapter seven – OPDC

- Page 77 states that "revenue expenditure in 2024-25 and 2025-26 is broadly in line with previous years. This shows little evidence of ramping up delivery following the adoption of its Local Plan in June 2022." In fact, total expenditure is forecast to increase from £7.5 million in the 2022-23 budget, to £12.2 million in 2024-25 and 2025-26 – a 62% increase. In addition, the capital expenditure discussed in the report is an important part of ramping-up delivery.

- On the same page, it states that "the entire redevelopment of Old Oak and Park Royal is due to deliver 25,500 new homes and 65,000 new jobs". The correct figure is 56,000 new jobs.

- It also should be noted that OPDC's development area is called 'Old Oak West' not 'Western Lands'.

Chapter eight – climate budgeting

- On page 84, the report quotes Transport for London's Chief Finance Officer as saying that TfL was working to procure 100 per cent of its energy from renewable sources by 2050. This statement to the committee was incorrect and understandably led to an error in the report. TfL has a plan in place to procure 100 per cent renewable electricity by 2030. In spite of the delay incurred to the tender of its Power Purchase Agreement, which was the context in which the comment was made, TfL anticipates going back out to the market early this year, and the delay is not expected to impact TfL's 2030 target.

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