

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2907

Allocation of income from the Tax Income Guarantee (TIG) scheme to Transport for London and GLA Group collaboration work

Executive Summary:

In Mayoral Decision (MD)2847 in July 2021 the Mayor allocated Transport for London (TfL) £69.346 million to fund its general expenditure supplemented by £5 million of ring fenced funding for vehicle scrappage schemes. This was funded from the GLA's forecast Tax Income Guarantee (TIG) grant income. The TIG scheme is intended to compensate local authorities for 75 per cent of irrecoverable business rates and council tax income in 2020-21. Pending confirmation of the final TIG allocations by the Department of Levelling Up, Housing and Communities (DLUHC), it is proposed that TfL be allocated an additional £57.654 million in order to partly offset its pro rata £230 million contribution towards meeting the GLA's estimated residual share of the London wide collection fund deficit for business rates of £275 million for 2020-21. This deficit is repayable over the next three years by the GLA to London billing authorities.

It is therefore proposed that the GLA provides funding to TfL totalling £57.654 million by means of a grant under section 121 of the GLA Act 1999.

It is also proposed that an additional £1.5 million is also allocated to fund additional expenditure on Group Collaboration work to the GLA, again funded from expected TIG income.

Decisions on the application of any additional TIG due to the GLA will be brought forward separately.

Decision:

That the Mayor:

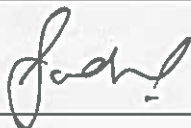
- i. approves the allocation of £57.654 million to TfL in 2021-22, reflecting its proportionate share of the expected TIG compensation grant to compensate for irrecoverable business rates income in 2020-21, noting that TfL will earmark this towards general expenditure
- ii. approves the payment by GLA of a grant to TfL for the sum of £57.654 million as a revenue grant under section 121(1) of the GLA Act 1999
- iii. approves expenditure of an additional £1.5 million, funded from the GLA's TIG Funding, for GLA Group collaboration work and a delegation to the Executive Director of Resources to then approve the detailed expenditure proposals within this envelope (without the need for a further decision form).

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:

8/12/21

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

Decision required – supporting report

1. Introduction and background

- 1.1. This decision proposes to allocate a further £57.654 million in funding to TfL in 2021-22 for its general purposes over and above the levels set out in the 2021-22 GLA Group Budget which was approved without amendment by the London Assembly on 25 February 2021. This is in addition to the £74.346 million additional payment approved in MD2847 in July 2021 of which £69.346 million was for general purposes and £5 million was earmarked by TfL for vehicle scrappage schemes. This results in a total additional allocation for TfL's general purposes of £127 million since the final budget was approved, excluding the scrappage scheme element.
- 1.2. This additional allocation is being funded from the GLA's estimated income from the government's Tax Income Guarantee (TIG) scheme for 2020-21. The TIG scheme is intended to compensate the GLA and other local authorities for 75 per cent of their estimated irrecoverable losses in respect of council tax and business rates (or national non-domestic rates: "NNDR") income arising from the impact of the COVID-19 pandemic in 2020-21 only. No equivalent scheme has been put in place for 2021-22 losses. In effect the TIG grant assists the GLA in funding the majority of, but not all of, the collection fund deficit which will be repayable by the GLA to the 33 London billing authorities in respect of business rates losses for 2020-21.
- 1.3. Based on the estimates reported by London billing authorities in January 2021 the GLA's share of the 2020-21 estimated residual collection fund deficit in respect of business rates is £275 million which includes a net £15.4 million element in respect of prior years and £259.6 million in respect of 2020-21. The term residual is used as it excludes approximately £1.2 billion of the GLA's deficit which relates to the lost revenues arising from business rates reliefs – primarily Covid-19 support for the retail, leisure, hospitality and nurseries sectors - which are funded by government "section 31 grant" below. The £259.6 million element in respect of 2020-21 is repayable to billing authorities in three equal amounts of £86.5 million in 2021-22, 2022-23 and 2023-24 whereas the £15.4 million in respect of prior years is repayable entirely in 2021-22 via the business rates instalment payment process. TfL's notional share of this total deficit is just over £230 million, based on its 83.8 per cent share of the GLA's settlement baseline funding approved in the local government settlement.
- 1.4. The funding allocated in this decision is therefore not intended to fund new expenditure but to assist TfL in meeting its £230 million share of the 2020-21 collection fund deficit for business rates. That deficit will be recovered by the GLA reducing its future instalment payments to TfL on a profile to be agreed.
- 1.5. It is proposed that a revenue grant for this additional £57.654 million be paid by grant by the GLA to TfL under section 121 of the GLA Act 1999. This will ultimately be funded from the remaining balance of the Tax Income Guarantee (TIG) grant expected to be received from DLUHC in respect of business rates and council tax losses for 2020-21.
- 1.6. The element of the 2020-21 business rates deficit in respect of the rest of the Group will be managed centrally through the Mayor's business rates reserve, rather than being recovered by reducing the 2021-22 budgeted business rates allocations for the LFC, GLA, MOPAC or the two Mayoral Development Corporations (as was done for TfL, given the size of its allocation).
- 1.7. Decisions on the application of any additional TIG due to the GLA will be brought forward separately. Use of the funding cannot be finalised until DLUHC have confirmed the final TIG grant allocations for all English local authorities which the GLA understands is now unlikely to be before January 2022 at the earliest. Further information on the TIG scheme is provided below.

TIG scheme

- 1.8. In July 2020 the then 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 in England. The Government subsequently confirmed in December 2020 alongside the provisional local government finance settlement the level of compensation provided to local authorities would be 75 per cent of the losses deemed as irrecoverable in council tax and business rates income in respect of 2020-21.

- 1.9. However, by 25 February 2021, when the 2021-22 GLA Group Budget was approved, the final details of the scheme (including the calculation methodology and precise distribution arrangements by local authority) 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.
- 1.10. What was understood at the time to be the final TIG methodology was published in March 2021 and is set out on the government 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.
- 1.11. Subsequently, on 19 May 2021, the then Ministry for Housing, Communities and Local Government (MHCLG) wrote to local authorities, including the GLA, setting out provisional 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 business rates 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.
- 1.12. The first advance payment of TIG compensation grant was 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's intention was 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.
- 1.13. For the GLA, the initial 50 per cent TIG payment made in May 2021 totalled £82.752 million for business rates and £1.694 million for council tax (i.e. £84.446 million in total). Of this £74.346 million was allocated to TfL in Mayoral Decision 2847 in July 2021 of which £5 million was earmarked by TfL for vehicle scrappage schemes and the balance of £69.346 million was payable on an unringfenced basis in the expectation that it would help offset TfL's £230 million pro rata contribution required to meet the GLA's £275 million share of the 2020-21 collection fund deficit in respect of business rates. This £275 million total deficit figure excludes the c£1.2 billion element of the deficit relating to the cost of 100 per cent Covid-19 relief scheme provided to eligible ratepayers in the retail, leisure, hospitality and nursery (i.e. child care provider) sectors in 2020-21, which is fully funded by government grant. This £1.2 billion in section 31 grant is expected to be paid to the GLA by DLUHC in March 2022 and in the same month the GLA will reimburse the 33 London billing authorities by the same amount to eliminate this element of the GLA's 2020-21 collection fund deficit in respect of business rates.
- 1.14. The final TIG grant due to the GLA is dependent on the final audited council tax and business rates outturn data for 2020-21. In the GLA's final accounts an estimate has been made for this of £201.2

million of which £197.8 million relates to business rates and £3.4 million to council tax. However, this estimate is based on the unaudited billing authority statutory returns submitted in July 2021 for business rates and quarter 3 estimated outturn data for council tax which have potential to change materially as a number of London boroughs have not yet had their 2020-21 accounts signed off by their external auditors. It is also possible that the government may amend the TIG methodology again before the final allocations are confirmed as well as that for calculating levy payments on growth which may affect the GLA's contribution for this purpose through the London business rates pool in place for 2020-21.

- 1.15. The council tax TIG element at £3.4 million is much lower and will be held to meet the additional deficit for 2020-21 reported in the outturn data by billing authorities compared to the estimate made in January 2021 which may be up to £6 million. Any difference will be met from the business rates reserve. The Mayor's approved budget for 2021-22 set out how the much smaller council tax deficit could be recovered from MOPAC, the LFC, TfL and GLA in proportion to their shares of the GLA's council tax requirement.
- 1.16. DLUHC had indicated it was its intention that the final TIG allocations and reconciliation payments would be confirmed and made in September 2021 but this has been delayed. It is now understood that the final TIG grant allocations will not be confirmed until January 2022 at the earliest by DLUHC. Decisions on the allocation of any remaining TIG funding, if applicable, will be confirmed through separate Mayoral Decision(s) or via the Mayor's 2022-23 budget approval process, depending on when the final overall outturn position for 2020-21 is confirmed including any levy payment required to be made on business rates growth by the GLA through the London pool.

GLA Group Collaboration work

- 1.17. The Decision also asks the Mayor to approve £1.5 million for GLA Group Collaboration work which again is to be funded from the GLA's expected TIG grant.
- 1.18. The GLA Group Collaboration Programme is a portfolio set up by the Mayor to ensure the GLA Group realises the maximum benefits obtainable from collaboration, both within the GLA Group and with other like-minded organisations. Senior Executives from across the GLA Group sit on the Group Collaboration Board, chaired by the Mayor's Chief of Staff, which is responsible for strategic oversight and co-ordination. MD 2496 approved in July 2019 allocated an initial £2 million budget for this work.
- 1.19. The programme is looking at options for realising benefits from greater collaboration, including potential financial efficiencies arising from how we buy our energy more efficiently; leveraging our procurement processes; utilising our estates better and removing duplication in back and middle office support service and policy/delivery areas not provided exclusively by a member of the GLA Group.
- 1.20. The £1.5 million is expected to be spent across a range of projects including but not limited to the following:
 - the HR GLA TfL Transactional Shared Service
 - Public Health
 - IT GLA TfL Shared Service
 - Grant Management
 - IT Collaborative Procurement
 - Estates Collaborative Procurement

- 1.21. It is proposed that authority is delegated to the Executive Director, Resources to approve the detailed expenditure proposals within this envelope (without the need for a further decision form) in consultation with the GLA's Group Collaboration Board.

2. Objectives and expected outcomes

Funding for TfL's general purposes

- 2.1. The £57.654 million 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 order to offset its c£230 million estimated contribution towards the GLA's share of the business rates collection fund deficit for 2020-21 based on the estimates supplied by London billing authorities earlier this year.

GLA Group Collaboration work

- 2.2. The £1.5 million funding for Group collaboration will be applied to fund projects which promote collaboration across the GLA group and with other partners including identifying potential financial efficiencies

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 by the GLA. Both organisations are subject to the public sector equality duty and have well-developed systems and processes to ensure that they comply with their obligations in equalities legislation regarding expenditure.

4. Other considerations

- 4.1. The majority of the compensating grant income from the TIG scheme allocated in this decision has not yet been received by the GLA from DLUHC by means of a grant under section 31 of the Local Government Act 2003 but is anticipated to be received before the end of the 2021-22 financial year. The sums allocated via this MD and MD2847 in July 2021 from TIG total £133.5 million – a figure which is materially lower than the forecast sum expected to be received from TIG based on the outturn data submitted by London billing authorities. Until the Government confirm the final allocations from TIG there cannot be 100% certainty about what the actual sum receivable will be. So therefore, the proposed £133.5 million allocation to date represents a prudent amount pending final confirmation of the TIG grant allocations by the government.

Conflicts of interest

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

¹ Protected characteristics are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sex orientation, and marriage or civil partnership status

5. Financial comments

- 5.1. This decision proposes that a single grant for £57.654m be paid by the GLA to TfL under section 121 of the GLA Act 1999.
- 5.2. TfL has confirmed the funding will all be earmarked towards its general expenditure
- 5.3. As outlined above, the £57.654 million for general expenditure is intended to be funded by income from the TIG scheme compensation grant.
- 5.4. The decision also allocates £1.5 million for GLA Group collaboration work to the GLA. It is proposed that authority is delegated to the Executive Director, Resources to approve the detailed expenditure proposals within this envelope (without the need for a further decision form) in consultation with the GLA's Group Collaboration Board.

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 of that Act grants relating to expenditure within the GLA Group must be paid to the GLA and then distributed, if appropriate, by the Mayor 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
GLA Group collaboration work	Ongoing
Receipt of initial TIG grant payment on account for 2020-21 from MHCLG	May 2021
Allocation of initial tranche of additional funding to TfL	July 2021
Confirmation expected from MHCLG of balance of TIG scheme grant	January 2022
Allocation of balance of funding to GLA Group bodies	Mayor's 2022-23 budget or via further Mayoral Decision(s) depending on timing of confirmation of final TIG for 2020-21 by DLUHC and overall

	business rates outturn position
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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? No

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:

Martin Mitchell 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 6 December 2021

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

D. Gallie

6/12/21

CHIEF OF STAFF:

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

Signature

Date

D. Bellamy

6/12/21