

The Mayor's Budget Guidance for 2022-23

30 July 2021

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The GLA Group comprises:

- **Greater London Authority (GLA), which includes the London Assembly**
- **London Fire Commissioner (LFC)**
- **London Legacy Development Corporation (LLDC)**
- **Mayor's Office for Policing and Crime (MOPAC), which provides oversight of the Metropolitan Police Service (MPS or 'Met')**
- **Old Oak and Park Royal Development Corporation (OPDC)**
- **Transport for London (TfL)**

The GLA 'family' includes all the above, the London Pensions Fund Authority (LPFA), London & Partners and other partners across London.

Mayor's Foreword to the Budget Guidance for 2022-23

London has faced many challenging periods before, but the last seventeen months have been some of the most testing, traumatic and turbulent times in our city's history – particularly for the communities and business that have been hardest hit by this terrible pandemic. The human cost of this crisis has been truly devastating, while the economic fallout has been similarly far-reaching, affecting not just individuals and specific sectors but inflicting a heavy toll on the public finances too.

The GLA Group is not immune to these economic headwinds. We've experienced a double whammy of falls in our income from business rates and council tax at the same time as being forced to bear extra costs stemming from our response to the health, economic and social challenges thrown up by this crisis. While the government has provided some financial help, the reality is this has not come close to covering the lost revenue or the additional costs we've incurred. In fact, too often government help has been late arriving and come in the form of ad-hoc, short-term fixes, rather than the comprehensive, long-term, funding solutions we desperately need.

Nowhere is this more apparent than with Transport for London's finances, which have been severely impacted by the pandemic following a sudden and unforeseeable collapse in passenger numbers. The loss of fares income – as commuters were instructed to stay at home – meant we had no choice but to seek government help to keep our transport network running. We urgently need to replace the fares-dominated TfL funding model established in 2015 and move away from the government's short-term funding approach that makes it impossible to plan for even the current financial year.

Regrettably, this lack of certainty over future funding isn't confined to TfL – it is sadly the case across the board. As an authority, we have no guarantees of government funding beyond March 2022. We also face huge uncertainty about our income levels as this guidance starkly sets out. We do not know, for example, the rules the government will choose to apply around business rates growth and precept increases, nor are we able to accurately forecast the levels of income we will receive from council tax and business rates amid such an unprecedented economic backdrop. The guidance sets out three potential scenarios, illustrating how much we still don't know.

The government is expected to hold a Spending Review this Autumn. This has yet to be announced and I am concerned that either the process will be rushed, or the outcome will be delayed, reducing our ability to consult properly on budget proposals, let alone afford the Assembly sufficient time to scrutinise them. At this stage, we don't even know the scope or the length of the period the Spending Review will cover. From the GLA's perspective, it's vital that we have long-term certainty of funding, particularly for capital investment in our transport network, police force and fire services. Without this, we can't efficiently invest in assets, like buildings and equipment, which are often expected to last for several decades and are essential to London's public services.

In light of the financial situation we face – and the ongoing uncertainty – I've requested that all parts of the GLA Group work closely with me and my office on Spending Review submissions so we can focus our asks to government and prioritise programmes that help

to achieve our vision of a fairer, safer, greener and more prosperous London. We'll also be continuing to make the case to the government for the funding we need to support our communities, our city and our country's recovery from COVID-19.

This pandemic has exposed – and exacerbated – enormous long-standing inequalities that my administration is determined to address as a matter of urgency. But to do this effectively, we need clear sight of future funding, as well as a more collaborative approach – both within the GLA Group and beyond. That's why I've committed to building bridges with the government and to working closely with ministers, London boroughs and other partners to get our city back up on its feet and to help power our national recovery.

In my second term, I've pledged to stand up for London and deliver the change our city needs:

- Keeping London safe, by being tough on crime and the causes of crime. I will do all I can to ensure the Met and London Fire Brigade both have the resources they need to serve Londoners effectively.
- Kick-starting London's economy and getting it firing on all cylinders again.
- A Green New Deal, which will help to decarbonise our city, tackle injustice and inequality, and support the creation of tens of thousands of new jobs, in sectors like renewable energy, as well as continuing to clean-up London's toxic air and tackle climate change.
- Building the affordable housing and infrastructure our city needs. We have a housing crisis and building new genuinely affordable homes is critical to solving it.
- A New Deal for Young People, who are among the hardest hit by this crisis, giving opportunities and support to ensure every young person can get on and make the most of their talents.

Where possible we will endeavour to work constructively with the government to meet our goals, but where we are at odds I will continue to act as a strong voice for London. For example, I do not support the government's continued attempts to push the costs of policing onto council tax bills. In previous years, I have been left with no alternative but to increase council tax to fund the Met and in the absence of more investment in the police from central government this may well be the case again. My top priority is keeping Londoners safe.

I've always been passionate about helping young Londoners and giving back to the city that gave so much to me and my family. And the common thread that will continue to run throughout everything I do as Mayor will be my commitment to creating a more equal, open and just city for all Londoners – irrespective of race, gender, religion, sexual orientation, disability or class.

I'll never forget that London gave me the opportunities to go from a council estate to being Mayor of the greatest city on earth. And, as we seek to recover from this dreadful pandemic, I'm intent on repaying the trust placed in me by helping to build London back as a greener, safer, more equitable and more prosperous city – putting the dark days of the pandemic behind us and building the better and brighter future all Londoners want and deserve. As the budget process unfolds, my determination that London travels towards that brighter future will guide every decision I make.

Sadiq Khan
Mayor of London
30 July 2021

1. Introduction

- 1.1 The GLA Group Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. The budget development process is designed to ensure that the Mayor's budget proposals are an accurate reflection of the Mayor's priority aims and objectives within available resources.
- 1.2 The financial outlook continues to be dominated by two factors: first, the forecast impact on London's economic recovery as a consequence of the COVID-19 pandemic upon the GLA, its functional bodies, the GLA 'family' and London more widely; second, the potential impact of the expected multi-year Spending Review and associated changes to the local government finance system.
- 1.3 The 2022-23 budget process, in summary, requires the GLA and its functional bodies to:
- prepare their 2022-23 budget submission on the basis set out in this guidance
 - provide timely and high-quality quarterly budget monitoring information to help inform the Mayor's deliberations on his budget
 - work on the basis that control totals for revenue spend set out in this Budget Guidance are likely to be the preliminary draft revenue budget proposals that the Mayor will issue for consultation
 - make a full and final public budget submission to the Mayor by Friday, 26 November 2021 with proposals that ensure their budget is within the funding envelope specified
 - consider and respond to the publication of the Mayor's draft consultation budget which is to be published in mid to late December 2021
 - engage with the Assembly as it considers the Mayor's statutory budget proposals until late February 2022.
- 1.4 The information sought from functional bodies in this Budget Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999.
- 1.5 A more detailed budget timetable is attached as Annex A.
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2. Review of funding sources

2.1 The GLA Group is funded through a combination of different sources, namely:

- retained business rates income
- council tax
- specific and general government grants
- passenger fares income
- locally raised taxes and charges, congestion charge, commercial income, the Crossrail Business Rates Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL).

2.2 This Budget Guidance focuses on the resources to be allocated by the Mayor through the GLA Group budget, namely income from retained business rates and council tax. Issues related to specific government grants and other sources of income, such as passenger fares, are to be considered by the relevant organisation in conjunction with the Mayor's Office and GLA Group Finance, as part of the budget development process.

2.3 There continues to remain uncertainty about the final level of resources available to the GLA Group for 2020-21 and 2021-22, which impacts on future years covered by this guidance. We still await the final 2020-21 outturn data on business rates and council tax which is unlikely to be finalised until September 2021. The government has not yet confirmed the final methodology for determining retained business rates income for last year, including calculating safety net support and the levy on growth. Legislation regarding COVID-19 business rates appeals is yet to be enacted by Parliament and may be subject to legal challenge. Budgeted income figures for 2021-22 remain to be proven in the light of the continuing impact of the pandemic.

2.4 There is endemic uncertainty in future years, because of:

- the outcome of the Spending Review in the Autumn, allied to potential real terms reductions for non-protected sectors (e.g. local government)
 - the medium to long-term impact of the pandemic on key revenue streams (e.g. fares, business rates and council tax)
 - potential changes to the local government finance system, including a reset of business rates growth, the outcome of the Government's review of business rates, delays to the payment of business rates growth and the implementation of the government's fair funding review / 'levelling up' agenda.
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- 2.5 Passenger fare income continues to be significantly below pre-pandemic levels. TfL do not expect fares to return to pre-pandemic levels for the foreseeable future as the pandemic has resulted in more people working from home, shopping locally or online and making shorter journeys on foot or by bike. Addressing the resulting budget gap continues to be discussed with government through ongoing funding negotiations as part of TfL's plans to achieve financial sustainability.
- 2.6 Government grants for policing and fire services are a significant part of the overall GLA group funding. Future levels of grant income are also dependent on the outcome of the Spending Review, and 2022-23 levels are not expected to be known until December 2021.

Business rates

- 2.7 In 2016-17 retained business rates replaced government grants as the largest source of general funding for the GLA Group, excluding MOPAC which continues to receive Home Office police grants. Prior to the pandemic this was second only to passenger fares as an overall income source. In recent years the Mayor has typically received over £3 billion of business rates income per annum from London billing authorities (including associated government support for reliefs to ratepayers), albeit the sum retained after allowing for the circa £800 million paid per annum to the Ministry of Housing, Communities and Local Government (MHCLG) to support local services elsewhere in England has typically been just over £2 billion. This higher level of income is primarily because the GLA has been part of an ongoing business rates pilot since 2017-18 when TfL's former circa £1 billion capital investment grant and the GLA's residual Revenue Support Grant of just under £150 million (the majority of which is for fire and rescue services) were both rolled into the Mayor's business rates funding baseline by the government and the GLA's share of retained business rates was increased from 20 per cent to 37 per cent; there is no confirmation that these arrangements will continue in 2022-23, or on what basis. This creates significant uncertainty for the GLA.
- 2.8 The government sets 'baseline' levels of funding from business rates for TfL, LFC and the GLA. Expected receipts above this level – a quarter of the income – have to be paid over to the government as a 'tariff' which is then distributed to the rest of the country. The GLA's share of the remaining business rates is predominantly allocated to TfL.
- 2.9 Since 2016-17, the GLA Group has benefitted from significant growth in business rate receipts above levels forecast when the baseline and tariffs were set by the government. After government levies on this growth, the remainder has been applied to fund the Mayor's key priorities over his first administration, such as additional police officers, the Green New Deal and the Young Londoners Fund.
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- 2.10 For 2021-22 budgeted business rates income was set at the government's approved business rates 'safety net', which is the minimum guaranteed by the government. This reflected that many businesses were seeking property valuation reductions on 'material change of circumstances' (MCC) grounds, due to the impact of the pandemic. When such refunds were made, it was expected that the GLA would be in a safety net position.
- 2.11 On 25 March 2021 the Government announced that it would be introducing legislation to prevent MCC challenges to valuations arising directly or indirectly from the pandemic. It introduced secondary legislation preventing new challenges from that date and has now introduced primary legislation to make that retrospective to the start of the pandemic.
- 2.12 Subject to this bill, currently progressing through Parliament, receiving Royal Assent and there being no successful legal challenges, this would remove the bulk of the risk of future business rates income being reduced owing to reductions in rateable value of premises such as offices, airports and hospitality venues caused by the ongoing impacts of COVID-19.
- 2.13 There are two remaining significant risks to business rate income in 2022-23 and subsequent years. The first is the planned Spending Review (SR), which will set out future funding allocations to government departments and therefore may lead to change in the baseline funding allocations made to the Mayor. While the overall SR outcome may be announced in October or November, we do not expect the GLA provisional allocations to be known until some point in December. Given the pressure on government finances, and their 'levelling up' agenda, there is a clear risk of reductions to the GLA Group's baseline funding allocations. There is no model for the GLA's own baseline (given its unique status); it is determined by the Secretary of State.
- 2.14 Second, is the expected 'reset' of business rates growth, that will to some extent reduce the amount of above-baseline income the Mayor can retain (reallocating it elsewhere in the country). This is of course subject to their being above-baseline income, which is dependent on London's economic performance as the impact of COVID-19 continues to be felt and is therefore uncertain; the position will only become clear when billing authority returns are received at the end of January 2022. There is also the risk of the government adopting previous proposals to delay the receipt of business rate growth until after it has occurred, which could mean no business rates growth being received in 2022-23, regardless of the state of London's economy.
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- 2.15 If the GLA's current baseline funding levels are unchanged for 2022-23 following the Spending Review, it is assumed for planning purposes they will in practice be increased to allow for inflation, in line with the approach historically used to uprate the business rates multiplier under existing legislation. This budget guidance assumes a 2 per cent inflation uplift figure, in line with the Bank of England's inflation mandate. The Office for National Statistics' most recent CPI inflation figure for June 2021 was slightly higher, at 2.5 per cent. In recent years the government has not passed this real terms increase onto business ratepayers, but has funded local authorities for the lost revenues. It is assumed that if inflation remains above target that the government will opt not to apply the full CPI uplift to the business rates multiplier (tax rate) in 2022-23, as in recent years, which is why a lower 2 per cent uprating compared to the latest June 2021 CPI figure is assumed at this stage.
- 2.16 In addition, there is a risk allocations can change once collection fund surpluses or deficits from billing authority returns are received.
- 2.17 In conclusion, there is real uncertainty around both the GLA's baseline funding levels and the quantum of business rates to be generated in London. While it is not currently expected that 2022-23 business rates income will be below baseline levels to the extent that the government's 'safety net' comes into play, we cannot prudently assume that business rates growth will be received. Future years' income is entirely dependent on government decisions and the nature of London's recovery from the economic impact of COVID-19.

Council tax

- 2.18 The Mayor receives just over £1 billion in council tax, three-quarters of which goes to MOPAC. Although decisions on the level of council tax are made by the Mayor, subject to the London Assembly's power of amendment, in reality the government's assumptions on police funding have required the Mayor to increase the police precept by the maximum allowed in each year of his previous term.
- 2.19 The government is expected to announce in December its proposed limits on council tax increases for 2022-23, beyond which a referendum would be required. At this stage, in line with previous years and previous government policy statements, the level of council tax (both police and non-police precepts) is assumed to rise by 1.99 per cent. It is accepted that the eventual limits may be different, and following their announcement, the Mayor will confirm his intentions. 1.99 per cent is therefore a planning assumption and subject to change.
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- 2.20 Prior to 2021-22 there was a small year-on-year increase in the council tax base (i.e. the total number and overall value of properties subject to council tax increases), generating a higher level of income for the same level of precept. Over the last decade, the increase in council tax base on average was some 2 per cent per annum. In 2021-22 this trend reversed and there was a reduction in the tax base of just under 1 per cent, as a result of the pandemic. The tax base for 2022-23 will be confirmed by billing authorities in January 2022, along with the council tax collection fund surplus or deficit (essentially the difference between the expected and forecast 2021-22 tax base); until then it is necessary to make an assumption.
- 2.21 Final decisions on the Mayor's proposed Band D precept will be taken after the government announces the provisional local government, fire and police funding settlements for 2022-23, including the proposed council tax referendum limits, expected to be in December 2021. The outcome of the Spending Review may provide an earlier indication of the Government's intentions on referendum limits.
- 2.22 The uncertainty around business rates and council tax income is reflected in the scenarios set out in section 4 of this document.

3. Key deadlines

- 3.1 The key deadlines for the GLA and its functional bodies are:

- ◆ Save for exceptional circumstances, within 25 working days of each quarter end, to supply a quarterly budget and performance monitoring report in draft to the GLA and that within 10 additional working days thereafter to make that monitoring report publicly available

- ◆ By Friday, 26 November 2021, in the light of preliminary draft budget proposals issued by the Mayor to make a full budget submission as specified below and at Annexes C and D.

- 3.2 The Mayor requires that the GLA and its functional bodies provide timely and high-quality information in their quarterly monitoring reports. Accordingly, save for exceptional circumstances, within 25 working days of each quarter end a quarterly budget and performance monitoring report is to be supplied to the Mayor. Further, within 10 additional working days thereafter each member of the Group is to make that monitoring report publicly available.
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- 3.3 The deadlines for quarter 4 are extended to the delivery of each body's outturn position for 2021-22 as part of its statutory draft accounts, with the proviso that the Mayor's Office see an early draft as far in advance as possible. The content and format of the quarterly monitoring reports is to be determined by each member of the Group in consultation with the Mayor's Office, but will be expected to cover the issues specified in Annex B below.
- 3.4 Functional bodies must transparently present any changes to the Mayor's approved Budget which are made during the year, in particular for quarterly monitoring. Functional bodies should seek explicit approval for such changes where necessary. Where changes are made in year, a clear audit trail must be provided which reconciles the original Mayor's approved Budget with the latest Budget.
- 3.5 The quarterly monitoring reports issued after 35 working days from the quarter end and the full budget submission due at the end of November will be public documents and must be put on a body's website promptly at that point.

4. Control totals

- 4.1 The Mayor proposes that the GLA and its functional bodies should assume for planning purposes that their allocation of discretionary income from the GLA for 2022-23 and future years is based on a 'central scenario'.
- 4.2 This central scenario, outlined in the table below, is based on the assumption that the retained business rates baseline funding level for 2021-22, as set out in the local government finance settlement, is increased by CPI inflation (currently estimated at 2 per cent) for 2022-23 and by the same percentage in future years. It does not assume any growth above baseline, except for inflation (2 per cent). It also assumes that the Band D council tax precept will increase by 1.99 per cent in 2022-23 and subsequent years and the council tax base by 1 per cent in each year. The figures also include the share of the 2020-21 collection fund deficit to be applied for 2022-23 and 2023-24.
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- 4.3 The table below shows the approved control totals for 2021-22 as set in the final 2021-22 GLA Group budget, both including and excluding the allocation of the one-off local council tax support grant (LCTS), which totalled £24.9 million. Control totals for future years are set out by reference to 2021-22 allocations excluding this funding, given its one-off nature, and reflect the differential increases in business rates and council tax income expected in this scenario. Given the uncertainty regarding funding sources which means this is a scenario rather than a forecast position, control totals have been increased proportionally based on funding source, whilst ensuring that functional bodies receive at least baseline levels from business rates and the two parts of the GLA's budget (Mayor and Assembly) are increased by the same percentage when not rounded. Figures below are rounded to one decimal place.

Discretionary Mayoral funding control totals (all £ millions)	2021-22 (incl. LCTS)	2021-22 (excl. LCTS)	2022-23	2023-24	2024-25
GLA: Mayor	132.5	116.7	120.3	122.0	124.4
GLA: Assembly	8.0	7.5	7.7	7.8	8.0
MOPAC	826.5	826.5	860.0	885.8	919.6
LFC	405.5	398.6	418.5	431.2	445.8
TfL	1845.7	1843.9	1943.3	1981.6	2020.8
LLDC	27.3	27.3	28.8	29.4	30.0
OPDC	6.4	6.4	6.8	6.9	7.0
Total	3,251.9	3,227.0	3,385.3	3,464.7	3,555.5

- 4.4 Given the level of uncertainty, 'optimistic' and 'pessimistic' scenarios have also been modelled to understand the sensitivity of possible outcomes.
- 4.5 The pessimistic scenario is based on an assumption that retained business rates allocations may only be at the business rates retention non-pilot authorities 'safety net' level (92.5 per cent), as currently is the case for all London boroughs. While a reduction from the current safety net of 97 per cent would cause real issues were business rate income to fall below this level, in setting this pessimistic scenario it is recognised that the Spending Review and review of business rates means that the current pilot retention arrangements are subject to change and we prudently have to consider all possibilities, however challenging.
- 4.6 In this pessimistic scenario the council tax base is modelled to decrease by 1.0 per cent between 2021-22 and 2022-23, as was the case between 2020-21 and 2021-22. In subsequent years, retained business rates income is modelled to increase by inflation and the council tax base by 1 per cent.

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- 4.7 This pessimistic scenario is not a worse-case scenario, nor is it a prediction of available funding should certain events transpire; outcomes between it and the central scenario are possible. Accordingly, specific funding allocations for each organisation are not proposed in this scenario. Instead organisations should be ready to prepare alternative budgets in the eventuality that the settlement is below the central scenario described above, using proportionate reductions in funding as a planning assumption.
- 4.8 The optimistic scenario is modelled on the assumption that 50 per cent of any growth above the business rates baseline would be retained. The council tax base increase is modelled to increase by 1.5 per cent each year. Decisions on allocation of any retained business rates income in excess of the central scenario will be made by the Mayor at the point at which the Group Budget is finalised in February 2022; organisations should be prepared to respond promptly to Mayoral requests for information should it become apparent that additional one-off or ongoing funds are available.
- 4.9 **The GLA and its functional bodies should base budget submissions on the central scenario.** Should there be a need to move away from this, then advice will be issued accordingly. It is unlikely that this will become clear ahead of the 26 November deadline for budget submissions.
- 4.10 It is important to note that for the scenarios above, discretionary income is retained business rates and council tax precept income. It does not include Group-wide reserves or Government grants paid for the specific purposes of the GLA or functional bodies such as Home Office police grants. It also assumes the LCTS grant allocated to the GLA in 2021-22 will not be paid by MHCLG in future years.
- 4.11 The GLA: Mayor numbers reflect the cost of GLA services only. The GLA figures do not reflect any reductions to those financial elements accounted for within the component budget that relate to the wider GLA Group budget (e.g. council tax and business rates income maximisation funding provided to the 32 London boroughs and the Corporation of London and Group-level reserves, including the reserve held by the GLA for LLDC and OPDC). The income maximisation work being undertaken by boroughs with this funding will play a critical role in minimising the savings ultimately required for the entire Group. Accordingly, the GLA: Mayor's budget submission should set out details of the GLA's core services only, and not include the items that will be accounted for within the final GLA Group items budget.
- 4.12 LLDC's control totals do not include agreed sums carried forward from previous years or GLA funding for capital financing costs.
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5. Budget submissions

5.1 The 2022-23 budget proposals to be submitted by the GLA and functional bodies by 26 November 2021 must:

- ♦ for revenue expenditure, cover at least 2021-22 (original budget, revised budget and forecast outturn) and budget proposals for 2022-23 to 2024-25
- ♦ adhere to Annex C to this guidance, which provides further detail on the revenue information to be provided
- ♦ include a Capital Strategy as described below and at Annex D of this document.

5.2 The GLA and its functional bodies should each ensure that their budget submission is made as one cohesive document which covers all the points in this guidance and its annexes and that there are no omissions. Budget submissions should be presented in a format that readily allows public scrutiny. The Mayor expects the GLA and its functional bodies to fully comply with the requirements set out in this guidance.

5.3 In the interests of efficiency and the need to consolidate into a Group format and aid budget consultation, information must be presented in a similar format throughout the budget process. GLA officers will work with functional bodies to seek to minimise these burdens. Templates for budget submissions to meet the requirements of Annex C will be issued. Descriptions of the format to meet the requirements of Capital Strategy are set out at Annex D.

5.4 All members of the GLA Group are required to produce a Capital Strategy annually, in line with the requirements of CIPFA's Prudential Code. The GLA and each functional body is required to prepare their Capital Strategy on the basis set out in Annex D of this document.

5.5 The Mayor's final Budget proposals should be as up to date as possible and reflect latest information from the GLA and functional bodies. However, to prepare the Mayor's final budget proposals, the latest date that updated budget submissions from the GLA and functional bodies can be considered for inclusion in the Mayor's final draft budget is Friday 28 January 2022. There may of course be further discussions and iterations before the final draft budget is published in mid-February to reflect the final business rates and council tax income estimates and the impact of the final local government finance settlement which will not be confirmed until early February 2022.

6. Social Integration and Equality, Diversity and Inclusion

- 6.1 Equality, diversity and inclusion are high priorities for the Mayor, and the unequal and disproportionate impacts of the COVID-19 pandemic have underlined the importance of addressing inequality in London. The Mayor published *Inclusive London*, his equality, diversity and inclusion (EDI) strategy in May 2018 and *All of Us*: his strategy for social integration (SI) in March 2018. These strategies aim to help the GLA Group to deliver the Mayor's ambitions for achieving equality and fairness and social integration for Londoners.
- 6.2 The equality, diversity and inclusion strategy sets out high-level cross cutting strategic EDI objectives for the GLA Group. The social integration strategy defines social integration as the extent to which people positively interact and connect with others who are different to themselves and includes commitments that pertain to a range of GLA and GLA Group activities. The impacts of COVID-19 mean that London faces an even more challenging and urgent context for meeting these objectives and commitments.
- 6.3 It will be a key objective for London's recovery to address the social and economic inequalities that have driven differences in the impact of COVID-19 across London's communities, as well as the inequalities created as a result of the crisis itself. In preparing their budgets to support London's recovery all members of the GLA Group must demonstrate how their plans will address these inequalities.
- 6.4 The London Recovery Board (LRB) has agreed to convene a sub-group to identify and drive action to address the structural inequalities that have driven the disproportionate impacts of COVID-19. The group's work is expected to result in an action plan for the Board before the end of 2021. As well as assessing their wider budget proposals to consider both their potential impact on different groups of Londoners (including, but not limited to, those sharing characteristics protected by the Equality Act 2010) and how they could promote social integration in London, all members of the GLA Group will also want to give consideration to how they can support the actions identified by the LRB's action plan.
- 6.5 All members of the GLA Group must also assess their wider budget proposals to consider both their potential impact on different groups of Londoners (including, but not limited to, those protected by equalities legislation), and are encouraged to consider how they can broaden their activities to further address poverty, economic inequality and social integration in London.
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- 6.6 Accordingly, each Chief Finance Officer must ensure that he or she works closely with colleagues in their organisation who are working on activity to deliver the EDI and SI strategies and provide a summary of how budget allocations will support delivery of these objectives in the context of London's recovery from COVID-19, taking into account the unequal and disproportionate impacts of the crisis on some communities and groups of Londoners. This content will then be reflected by the Mayor in his consultation budget document which is due to be published in mid to late December.
- 6.7 Actions taken, and progress made against EDI objectives will continue to be reported in the Mayor's Annual Equality Report. This enables the group to meet its public-sector equality duty under section 149 of the Equality Act 2010 and its obligations under section 33 of the GLA Act 1999, as amended.
- 6.8 Any queries about this area of the Mayor's work, should be directed to Tom Rahilly, Assistant Director of Communities and Social Policy.

7. Environment

- 7.1 The COVID-19 pandemic is the most significant public health crisis in living memory. The economic, health and social challenges arising from both the virus itself, and from the repeated lockdowns that have been imposed since March 2020 are far-reaching. The coronavirus has also underlined the critical importance of global resilience, including the unavoidable impacts of climate change, and the urgent need to increase preparedness for major shocks.
- 7.2 As London begins its recovery from the pandemic, the Mayor has been clear that the aim should not be a return to 'business as usual', but a decisive move towards a better, greener, fairer and cleaner city with a renewed drive to tackle the climate emergency, reduce toxic air pollution and improve access to green spaces. This is reflected in the inclusion of an ambitious Green New Deal mission as a core element of the London Recovery Programme, which aims to tackle the climate and ecological emergencies and improve air quality by doubling the size of London's green economy by 2030, helping accelerate job creation for all.
- 7.3 The GLA Group has a key role in delivering this vision and taking a leadership role in driving a green recovery. This should be based around the three themes of the Green New Deal (GND) recovery mission:
- decarbonising the built environment: scaling up programmes to retrofit existing buildings, create jobs and tackle fuel poverty
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- transport and the public realm: accelerating programmes that increase access to green space and support active travel and zero emission fleets, to eradicate air pollution, help adapt to climate change and deliver better health
- green foundations: mobilise finance to support environmental programmes and provide support for the growth of London's clean tech and circular economy businesses to meet London's climate target of achieving net zero by 2030.

7.4 Chapter 11 of the Mayor's London Environment Strategy (LES) sets out a number of areas where the GLA Group can lead by example, including using its procurement power to drive markets for green services and goods, trialling new technologies and approaches to bring confidence for wider market roll out, and acting as powerful demonstrators of best practice.

7.5 Functional bodies can make an immediate start by targeting existing (and scalable) GLA Group programmes to deliver quickly to provide good quality jobs and generate further investment into the economy without deviating from the objectives, programmes, and actions in the LES and Implementation Plan and maintaining the environmental gains that have already been achieved.

7.6 Budget proposals will need to provide sufficient resourcing and budget to continue the efficient and effective delivery of the LES, as well as ensuring that all proposals "do no harm" from the environmental perspective and deliver a net environmental benefit wherever possible, and that environmental objectives are reflected in any recovery plans. They should not undo existing standards and programmes established to improving their environmental performance (e.g. implementation plans to achieve GLA Group carbon budgets) and they must demonstrate as a minimum how they contribute to the key Mayoral ambitions set in the LES and the Mayor's subsequent commitment to do all he can to achieve net zero by 2030. Current relevant targets and ambitions from the LES, GND mission and the Mayor's manifesto include:

- contributing to the London becoming net zero carbon by 2030 and the GND mission target of doubling the green economy by 2030; this will require, for example, the development of a clear plan to retrofit the GLA Group's estate to increase energy efficiency, taking advantage of the GLA's Accelerator and the Mayor of London's Energy Efficiency Fund (MEEF)
- exploring opportunities to jointly procure renewable electricity for the GLA Group, and thereby actively invest in new assets in renewable energy generation to achieve a target of procuring 100 per cent renewable energy by 2030

- achieving legal pollution limits for nitrogen dioxide by 2025 and achieving World Health Organization recommended guidelines for particulate matter (PM_{2.5}) by 2030
- achieving compliance with the zero emission targets for GLA fleet set out in the LES and Mayor's Transport Strategy (e.g. GLA support fleet being zero emission capable by 2025)
- achieving 65 per cent municipal waste recycling rate by 2030
- helping meet the Mayor's target for London to be at least 50 per cent green cover by 2050, with Londoners within a 10-minute walk of a green or open space.

7.7 Accordingly, each Chief Finance Officer must ensure that he or she works closely with colleagues in their organisation and provide a summary of how budget allocations will support delivery of these objectives. This content will then be reflected by the Mayor in his consultation budget document which is likely to be published in mid to late December.

8. Value for Money

- 8.1 The GLA Group, in common with other local authorities, must deliver value for money. This Budget Guidance forms an important element of the financial management arrangements for the use of public resources by the GLA Group. This document takes into account the provisions of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code.
- 8.2 Whilst there is considerable uncertainty about funding levels for the GLA Group in 2022-23 and future years, it is nevertheless important to plan for the medium-term to ensure the Group's financial sustainability. The scenarios outlined are intended to be used by GLA Group member bodies to test financial resilience and ensure financial sustainability.
- 8.3 It is ultimately the responsibility of each body's Chief Financial Officer to ensure appropriate arrangements are in place for financial planning and budgeting, as well as demonstrating that the services provided by each body deliver value for money. CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government, which each body should have regard to.
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9. Managing the budget process

- 9.1 As in last year's guidance a detailed and extensive process will be required to successfully manage its delivery. In addition to the regular and established quarterly meetings with the Mayor's Office and at officer level, more frequent review processes are to continue, with at least monthly meetings starting from September 2021 between each member of the GLA Group, and GLA Group Finance, to review progress on proposals being developed to deliver balanced budgets for all three financial years covered by this guidance.

Group collaboration

- 9.2 The GLA Group already has a significant number of shared services in place, for example in areas such as legal, internal audit, procurement and financial transactions. Over the last year, the GLA Group Collaboration Board has developed plans for further ways in which we can work more closely together to be even more efficient and effective by investing some £4 million in a programme of collaboration projects across the GLA Group. This programme is and will generate significant improvements and deliver material cashable savings.
- 9.3 The Collaboration programme is funded from GLA Group allocated funds, which reduces the funding available for allocation to each organisation. Work is currently underway to determine whether an alternative model in which each organisation repays the funding spent based on a proportion of the benefits they have received would be a preferable approach. If so, the consequent changes to control totals are expected to be set out in the formal consultation letters in the Autumn.
- 9.4 Although members of the GLA 'family', such as London & Partners and the LPFA, are independent of the GLA, relevant Mayoral Officer leads and senior officers leading these relationships with GLA 'family' members are required to utilise their influence to ensure that the whole GLA 'family' collaborate to be more efficient and effective and to ensure that as far as possible there is a consistent approach adopted across the GLA family. Officers should also seek to work closely with other London partners, including London Councils, to maximise the benefits that can be gained from wider collaboration.
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Budget submissions

- 9.5 Functional bodies submissions are to be the key content of the London Assembly Budget and Performance Committee's meetings with each body. Accordingly, functional bodies are reminded that they must publish their budget submissions by no later than 26 November 2021 to allow the Assembly to consider their proposals before their meetings.
- 9.6 The Budget and Performance Committee will be requesting information at key stages of the 2022-23 Budget process and there will be a requirement for representatives from each functional body to attend Committee meetings as appropriate.
- 9.7 The statutory framework for consultation on the Mayor's Draft Consolidated Budget is restricted by the time available (mid-December to mid-January). To complement and prepare for this part of the budget process the GLA will maintain a dialogue with and provide information to, key stakeholders.
- 9.8 Final budget submissions are to be sent to the generic Group Finance email address GLABudget@london.gov.uk, by no later than **5pm, Friday 26 November 2021**. The Mayor's Office or GLA Group Finance may require interim submissions and scenario analysis to ensure an orderly process leading up to the 26 November deadline.
- 9.9 If any further information or clarification is required on this guidance then please contact: Enver Enver, Assistant Director Group Finance and Performance (email: Enver.Enver@london.gov.uk and GLABudget@london.gov.uk).
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Annex A: Indicative timetable for budget process

DATE	DESCRIPTION
30 July 2021	Mayor's Budget Guidance published.
18 August 2021	'Quarter 1' (April to June 2021) monitoring reports for all GLA Group bodies published.
September 2021	Potential launch of 2021 Spending Review process by HM Treasury Potential Spending Review submission from GLA Group to HM Treasury (<i>based on deadline for submissions for Spending Review 2020</i>).
October / November 2021	Preliminary draft budget proposals ('budget letters') for 2022-23 prepared by the Mayor and issued for consultation with the GLA and its functional bodies.
November 2021	Potential publication of 2021 Spending Review by HM Treasury (based on publication date of Spending Review 2020)
18 November 2021	'Quarter 2' (July to September 2021) monitoring reports for all GLA Group bodies published.
23 November 2021 to 4 January 2022	Assembly Budget and Performance Committee meets functional bodies to scrutinise their budget submissions.
26 November 2021	Deadline for responses to draft budget proposals issued, including full and final budget submissions from the GLA and its functional bodies on all aspects of the 2022-23 Budget, as specified in this guidance. <i>For TfL this will depend on funding negotiations and Spending Review timelines.</i>
11 December 2021	Extraordinary Funding and Financing Agreement between Department for Transport and TfL which began on 29 May 2021 ends. A new agreement is expected to take effect from this date but will be subject to negotiation.
Mid-December 2021	Potential Publication of Mayor's Consultation Budget issued (<i>based on publication date of 2021-22 Consultation Budget</i>).
Early- to mid-December 2021	Publication of the provisional Local Government, Fire and Police Settlements by MHCLG and Home Office (NB the provisional settlements are generally published on the same date, but occasionally the police settlement is published on a

	different day). These announcements generally include draft council tax referendum principles for the GLA and other local authorities (<i>based on publication date of provisional 2021-22 settlement</i>).
5 January 2022	Budget and Performance Committee scrutinises Mayor on his Consultation Budget.
18 January 2022	Draft Consolidated Budget published.
Late January 2022	Publication of final police finance settlement (<i>based on final police settlement for 2021-22</i>).
26 January 2022	Assembly to consider Draft Consolidated Budget.
28 January 2022	Final date for amendments to GLA and functional bodies' proposed revenue and capital budgets, pending billing authorities' business rates and council tax returns.
31 January 2022	Deadline for billing authorities to complete NNDR 1 form (estimates of business rates income for 2022-23) and to notify the GLA of the council tax base for 2022-23.
Early February 2022	Publication of final local government and fire finance settlement (<i>based on final settlement for 2021-22</i>).
Mid-February 2022	Mayoral Decision approving Crossrail Business Rates Supplement arrangements for 2022-23 signed.
16 February 2022	Final Draft Consolidated Budget published.
21 February 2022	'Quarter 3' (October to December 2021) monitoring reports for all GLA Group bodies published.
24 February 2022	Assembly to consider Final Draft Consolidated Budget.
24 February 2022	Mayoral Decision confirming council tax amounts for 2022-23 signed.
28 February 2022	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.
March 2022	GLA and functional bodies publish detailed final budgets for 2022-23, based on control totals approved in GLA Group Budget.

Annex B: Quarterly monitoring reports

1. The format and content of quarterly monitoring reports is for the GLA and each functional body to determine, in consultation with the Mayor's Office and GLA Group Finance and Performance. The Mayor requires the GLA and functional bodies to present both financial and non-financial information in their monitoring reports.
2. With the exception of quarter 4, where deadlines for reporting will need to coincide with the publication of draft accounts, quarterly monitoring reports are to be sent to GLA Group Finance within 25 working days after each 'quarter end'.

(NB: 'Quarter end' is to be defined by each member of the GLA Group as there are different financial periods used by different members of the Group. However, the financial period chosen should be the nearest to the calendar date for each quarter (i.e. 30 September, etc.).

3. Save for exceptional circumstances, reports are to be made publicly available 35 working days after the 'quarter end'. The discipline of ensuring that a report is made to the Mayor within 25 working days of the 'quarter end' also remains an absolute requirement. The Mayor expects that where a functional body might have had clearance issues, these should now have been satisfactorily resolved so that the 35 working day deadline will be fully met across the Group during 2021-22.
 4. To ensure consistency of quarterly financial reporting across the GLA Group the Mayor requires all functional bodies and both parts of the GLA to report progress against both the original 2021-22 budget and the latest revised in year budget. The following is explicitly required for **both** original and revised budgets:
 - details of changes to the budget from the original/previous quarter's budget
 - year to date expenditure and income
 - full year forecast
 - explanation of the main variances.
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Annex C: Revenue Budget Submission

Required by 26 November 2021 from the GLA and its functional bodies

Service Analysis

1. The main financial element of the final revenue budget submissions will be an analysis of budget proposals by service division / objective for the three years 2022-23 to 2024-25, with comparative figures for the approved 2021-22 Budget and forecast outturn for that year:

- ♦ income to be raised and expenditure to be incurred in providing the complete range of services provided by the body
- ♦ capital financing costs (including capital expenditure charged to revenue)
- ♦ external interest receipts
- ♦ all estimated income from general government grants and specific government grants paid solely for the purposes of that functional body issued by relevant government departments (e.g. Home Office police grant)
- ♦ transfers to and from earmarked and general reserves
- ♦ any other adjustments.

2. If the service division / objective analysis is revised from that used for 2021-22, then the figures for the previous year should be re-stated on a comparable basis.
3. The 2022-23 budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2021-22, separately identifying:

- ♦ inflation
- ♦ changes in net service expenditure
- ♦ savings and efficiencies
- ♦ general and specific government grants and business rates
- ♦ use of reserves.

NB: TfL are specifically requested to additionally analyse changes in fares, charges and other income and to isolate the effects of inflation.

Subjective analysis

4. A subjective analysis must also be submitted covering the three-year plan period 2022-23 to 2024-25, including a comparison with 2021-22 figures.
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Savings and efficiencies

5. The GLA and its functional bodies will be required to set a financially balanced budget for 2022-23, 2023-24, and 2024-25, within the funding envelope and format specified in this Guidance.
6. The impact of savings and efficiencies required in order to achieve a balanced budget for each financial year, needs to be set out so that the Mayor's duties to consult on his budget can be discharged. Accordingly, the following information on savings is to be supplied by 26 November 2021:

- ♦ a description of the expected savings and efficiencies to be achieved in 2022-23 and later years. A sufficiently detailed description needs to be supplied so that the Mayor can fully understand the impact of the savings or efficiency proposal over the whole period
- ♦ savings and efficiencies must be shown in the analysis on a cumulative basis (i.e. ongoing savings and efficiencies should be reflected in all years) but also savings and efficiencies should be shown on an incremental basis (i.e. the additional net new savings and efficiencies to be made in each year) to transparently show the scale of new savings and efficiencies
- ♦ in accordance with CIPFA's Financial Management (FM) Code, functional bodies are to consider setting out details of any 'savings to be required' arising from their budget submissions.

Reserves and general balances

7. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA, the GLA and the functional bodies must provide:

- ♦ a statement of policy on reserves and contingencies. Reserves held by the GLA and its functional bodies should only be used for the purpose they have been established for. Proposed allowances for contingencies should be separately identified and justified
- ♦ details of all reserves and general balances. General reserves should be distinguished from those held for service specific purposes. Budget submissions must be explicit about plans for the use of reserves
- ♦ an analysis and explanation of the expected movements in reserves between the start and end of each year from 1 April 2021 to 31 March 2025
- ♦ in the case of earmarked reserves held for purposes beyond 31 March 2023, an indication must be given as to when they are to be applied

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- ♦ although it may not be definitive when reserves will be committed, best estimates should be made of the likely level of commitment so that reserves are not inadvertently over-stated
 - ♦ in accordance with CIPFA's FM Code, functional bodies are to consider setting out an explanation of why their reserves need to not only be adequate but why they are necessary.

Inflation factors

8. There is no specific guidance for pay and inflation rates to be used but all members of the Group will need to take account of the government's public sector pay policies and any nationally or locally agreed pay deals. However, the GLA and its functional bodies must be able to explain their inflation assumptions (for both pay and non-pay costs) and all figures must be at outturn prices.

Robustness of estimates and adequacy of reserves

9. To help the GLA meet the statutory requirements of the Local Government Act 2003, functional bodies must provide a report by their Chief Finance Officer (CFO) on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves. In accordance with CIPFA's FM Code, CFOs are to consider including in their reserves statement details of where their actual level of reserves have deviated significantly from forecasts.

Capital Financing Costs

10. Capital financing costs, broken down between provision for repayment of debt and interest need to be shown for the period 2022-23 to 2024-25.
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Annex D: Capital Strategy

1. The Mayor requires that a GLA Group-wide Capital Strategy be prepared as part of his 2022-23 Budget. For the avoidance of doubt, the GLA Group Capital Strategy incorporates the GLA Group Capital Spending Plan that has been published in previous years. The elements of the GLA Group Capital Spending Plan that are required under section 122 of the GLA Act 1999 are to be included in the GLA Group Capital Strategy.
 2. All Members of the GLA Group are therefore requested to include their draft Capital Strategy in their budget submission, due at the end of November 2020, and specifically ensure that the requirements set out below are included.
 3. The draft Capital Strategies submitted will be incorporated into a Group-wide Capital Strategy to be considered as part of the budget process. Where necessary the Capital Strategy will be updated at the draft and final draft stages of the Mayor's Budget.
 4. The final Capital Spending Plan will be sent to the Secretary of State (MHCLG) as part of meeting the requirements of the GLA Act 1999.
 5. In specifying the following requirements, the Mayor has balanced the need for each member of the Group to produce their own Capital Strategy with the necessity to produce a coherent and consistent Group-wide Capital Strategy, whilst also seeking to minimise the additional workload involved. Accordingly, the requirements specified are the minimum needed. Members of the GLA Group can of course add more detail as they see fit but functional bodies are requested to ensure that they follow the prescribed format.
 6. Although the Capital Strategy encompasses capital expenditure, capital financing and treasury management, it is proposed that certain detailed treasury management aspects, in particular the detailed investment strategy, will continue to be reported as part of each member of the Group's annual Treasury Management Strategy Statement (TMSS), rather than to be wholly included in the Mayor's Budget. However, the Capital Strategy will need to include the key principles and issues of each body's debt and investment management approach and will include key statutory requirements such as the forecast capital financing costs and the authorised limit and operational boundary for external debt.
 7. The Capital Strategy will need to be able to clearly reference relevant detail in the TMSS and vice versa, therefore the documents should be prepared in parallel. In line with best practice, the TMSS should be a 'living' document subject to in-year review and amendment, and therefore may be seen as a detailed supplement to the Capital Strategy.
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8. The Mayor requires that each functional body set out a 20-year Capital Requirement, a 20-year Capital Investment Plan and a 20-year Capital Funding Plan. Further details on these are set out below.
 9. The 20-year Capital Requirement should be a statement setting out the capital needs for a minimum of 20 years. The 20-year Capital Investment Plan and 20-year Capital Funding Plan will set out the expenditure and funding plans underpinning the Capital Requirement.
 10. The first five years of the Capital Strategy should include the same level of detail as was included in the Mayor's 2021-22 Capital Spending Plan; thereafter, from 2026-27 onwards, the expenditure and funding should be grouped into five-year 'buckets'. However, at this stage it is proposed that emphasis is placed on reviewing the agreed Capital Programme between 2022-23 and 2024-25, in accordance with the guidance on revenue expenditure. This is on the general expectation that later years of the Capital Strategy will remain as last year's agreed Capital Strategy, albeit with appropriate re-profiling, as a holding position whilst the overall financial landscape is reviewed. If functional bodies wish to adopt a different approach for these later years, they should make that clear in their formal submissions.
 11. The 20-year Capital Requirement should reflect the Mayor's policy priorities and the needs of the service. It is intended that this Capital Requirement will reflect, as appropriate, the Mayor's published long-term strategies and plans, for example, the Mayor's Transport Strategy.
 12. In addition, it should be informed by the GLA's Infrastructure Cost and Funding model which specifies London's long-term strategic infrastructure requirements, their costs and the current funding gap. In particular, the GLA's Housing and Land Directorate affordable housing model needs to form the basis of the affordable housing programme of the housing part of the GLA's Capital Strategy.
 13. The Capital Requirement should be underpinned by the 20-year Capital Investment Plan, which will set out detailed plans for years 1 to 5 and then group expenditure into 5-year 'buckets' for years 6 to 20. In grouping expenditure from years 6 to 20 sufficient detail should be provided to allow for meaningful understanding and scrutiny of the plans set out.
 14. It is expected that the 20-year Capital Funding Plan will result in the identification of a funding gap between years 6 to 20. However, the funding and expenditure set out for the first five years must be balanced.
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15. A critical part of the Capital Strategy is to set out how the 20-year Capital Investment Plan is reconciled with the 20-year Capital Funding Plan. In setting out their 20-year Capital Investment Plan, each member of the Group will need to explain how this 'gap' has been / is to be managed in an 'Additional Funding Needed' statement. In addition, a reconciliation needs to be made between the first five years of last year's Capital Strategy and the first five years of the new Capital Strategy.
16. In accordance with CIPFA's FM Code, functional bodies are to consider making a Financial Risk Assessment. This assessment would focus on stress testing capital receipts assumptions but would also, within the bounds of commercial confidentiality, look at exit plans for key contractors. Also, in accordance with the Code, all members of the GLA Group should consider reviewing their capital expenditure forecasts to ensure they are not overly optimistic and so help minimise slippage.
17. The GLA and functional bodies are expected to achieve an average of 50 per cent affordable housing on any new residential development sites brought to market or delivered directly, subject to service specific statutory responsibilities. In developing financial assumptions underpinning their disposal programme, the GLA and functional bodies should note that:
- the Mayor expects sites to be brought forward without delay and assessments against assumed capital receipts and percentages of affordable housing need to be made initially on an individual basis
 - a 'portfolio' approach to meeting the 50 per cent target can be adopted (i.e. as long as the GLA or a functional body's disposal programme achieves 50 per cent affordable housing on relevant sites overall, individual sites need not deliver this level of affordable housing, subject to each site delivering at least 35 per cent and the required tenure split) provided there is an agreement in place with the Mayor and landowner, with commitments to a programme of identified sites (NB: The tenure of the additional affordable housing above 35 per cent of habitable rooms to achieve 50 per cent is flexible and should take into account the needs to maximise affordable housing)
 - planning policy requires that their duty to deliver 'best consideration' will involve adherence to the Mayor's 50 per cent target for affordable housing
 - further details are set out in the Mayor's Affordable Housing and Viability Supplementary Planning Guidance and the London Plan.
18. All members of the GLA Group are requested to prepare a draft Capital Strategy with the following headings and the information described.
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Intention: An introductory statement of the intended outcomes of the Capital Strategy.

Benefits: A statement of the benefits of preparing a Capital Strategy.

Approach: A statement of each body's approach to preparing a Capital Strategy.

Influences: A statement on the main influences on the Capital Strategy. This should include consideration of internal and external influences.

Policies: A statement on how the Capital Strategy is aligned to the Mayor's policies. This should include the inter-relationship with each body's Investment Strategy and any commercialisation initiatives. (NB: Each member's Treasury Management Strategy Statement, which will incorporate its Investment Strategy, will be a separate document from the Capital Strategy).

20 Year Capital Requirement: A statement setting out the capital needs for a minimum of 20 years. This section should be a high-level summary of the capital investment needs of the functional body, aligned to corporate priorities. Functional bodies should include some commentary on priority capital programmes included in their Capital Requirement and include details of how the requirement links to Mayoral priorities. A high-level action plan should be included detailing how the requirement is intended to be achieved; for later years this may take the form of a set of intentions or options to be explored.

20-Year Capital Investment Plan: A 20-year Capital Investment Plan underpinning the 20-year Capital Requirement is to be set out. It is recognised that some plans included in the statement of Capital Requirement may not be of sufficient certainty to include in the 20-year Capital Investment Plan. Where programmes mentioned in the Capital Requirement are not included in the Investment Plan, this must be identified and explained in the commentary accompanying the Investment Plan.

A schedule (1a) must set out the planned expenditure for each of the first five years (2021-22 forecast outturn to 2025-26) and also the capital financing costs for these five years.

A schedule (1b) is to set out the expenditure in five-year 'buckets'. Schedule 1a should be at the same level of detail as was included in the Mayor's 2021-22 Capital Spending Plan. Schedule 1b should group expenditure into summarised headings; these headings must be of sufficient detail to allow for meaningful understanding and scrutiny of the plans set out.

The GLA: Mayor and Functional Bodies should include a brief description of the expenditure summarised under the headings in the schedules. Schedule 1a must sum to the first five years of the funding plan (see schedule 2a below) but Schedule 1b setting out expenditure plans for years 6 to 20 is not expected to sum to the total for years 6 to 20 of the funding plans (see schedule 2b below).

Schedule 1a setting out the first five years of expenditure is to be the approved Capital Spending Plan and must be accompanied by details on:

- schemes removed
- projects re-profiled
- new schemes added

from the previously agreed Capital Spending Plan set as part of the 2021-22 Mayor's Capital Spending Plan.

20-year Capital Funding: A schedule (2a) is to set out the funding plan for each of the first five years of the Capital Strategy. This should be at the same level of detail as was included in the Mayor's 2021-22 Capital Spending Plan.

A schedule (2b) is to set out the funding in five-year 'buckets'. Schedule 2b should group funding into summarised headings and these heading must be of sufficient detail to allow for meaningful understanding and scrutiny of the plans set out.

The GLA: Mayor and functional bodies should include commentary on the funding sources identified and details of the risks and levels of certainty associated with them. As set out above, for most functional bodies there will be a funding gap between the funding identified in years 6 to 20 of the funding plan (schedule 2b) and years 6 to 20 (schedule 1b) of the 20-year Capital Investment Plan. How this gap is to be managed needs to be explained in the 'Additional Funding Needed' statement.

Additional Funding Needed: A statement on how the gap between years 6 to 20 of the Capital Investment Plan and years 6 to 20 of the Capital Funding Plan may be closed. This may, for example, include details such as plans for lobbying or calls on funding from the Government.

Risk: The 20-year Capital Investment Plan should include a statement on the related risks in the plan and how they are to be managed, together with a summary of the resources and support available to the functional body in developing its Capital Strategy.

Appraisal: A statement on how proposals have been developed, appraised and monitored by the governance process.

Chief Finance Officer sign off: A statement from the Chief Finance Officer explicitly reporting on the affordability and risk associated with the delivery of the Capital Sending Plan.

In addition, the GLA and functional bodies must set out over the period of the first five years of the Capital Strategy proposals for their:

- Authorised Limit for External Debt
 - Operational Boundary for External Debt.
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