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# **THE COST OF THE LONDON MAYOR**

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## THE AUTHOR

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## **SUMMARY**

- When the post of Mayor was created, the Minister at the Department of the Environment, Transport and the Regions promised that setting up the post of Mayor and the GLA would cost “3p a week”.
- Since then, the cost to the London council taxpayer of the London Mayor has exploded.
- In 2000/01, the average cost of the Mayor to a Band D council taxpayer was £123 a year for each household. This year, it is £289 (an increase in cash terms of 135%). Next year, it will be over £300.
- The burden on London council taxpayers will increase if Ken Livingstone is re-elected. Despite the Mayor’s pledge to the contrary, London council taxpayers are, together with the Lottery, currently expected to pick up the bill of any Olympic over-runs.
- In addition, Ken Livingstone is trying to acquire new powers on top of his current responsibilities. His sights are set on a bigger role in housing, planning, health, skills training, waste management and culture. This will surely bring further pressure on the council taxpayer.
- There is already much evidence of waste: spending on publicity by the Mayor and his various quangos has been estimated at over £100 million a year (nearly as much as was spent by the Labour Government in its first year in office); staffing costs at City Hall have nearly trebled from £12 million in 2000/01 to £33 million in 2005/06.

- There is mounting evidence that London's council taxpayers want to see value for money in the public services. The cost of the GLA, running at over £300 a year for the average household in the capital, is too high. It is time to bring the cost of the Mayor under control by implementing rigorous budgetary controls, eliminating waste and pointless programmes and by promoting greater efficiency in Mayoral services.

## CHAPTER ONE

# INTRODUCTION

Lord Palmerston said the Schleswig-Holstein question was so complicated only three people understood it. One was dead, the second had gone mad, the third, Palmerston himself, had forgotten. Much the same could be said of the financing of local government in Britain.

Few people know who pays for what when it comes to public services – and even fewer know how much they are paying towards the costs of local schools, rubbish collection, police, housing and social services and a great deal more.

But the confusion is far worse when it comes to the Byzantine system of paying for local government in London. Most people have a rough idea of their annual council tax bill. But how many could tell you how much of that goes to their local borough and how much goes to the London Mayor, Ken Livingstone, and to City Hall?

The answers are instructive. They show that the costs to the council taxpayer of the office of the London Mayor have exploded since 2000. And they are far ahead of both the Government's target of council tax increases of 5% a year in recent years (in itself well above inflation) and the increase in Council Tax of most local authorities.

Before the creation of the office of London Mayor and the Greater London Authority (GLA) in 2000, the average London household (living in a Band D house) was paying £111 a year in council tax for police and fire services.<sup>1</sup>

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<sup>1</sup> See [www.local.odpm.gov.uk/finance/ctax/data](http://www.local.odpm.gov.uk/finance/ctax/data)

The rest of the council tax bill – about £630 for a Band D house – went to the local Council to contribute towards items such as education, rubbish collection and social services.<sup>2</sup> So the total council tax bill for local services was around £740 a year. In 2000/01, the Mayor’s first year in office, the bill for the cost of the London Mayor for a Band D house was a relatively modest £123 a year.

***Since 2000/01, the cost of the Mayor to the council taxpayer has risen from £123 a year to £289 a year – an increase in cash terms of 135%.***

Since then, the cost of the Mayor to the council taxpayer has increased by 135% in cash terms to £289. If the Mayor's new budget is approved, the cost will rise to just over £300 for a Band D house in 2007/08. At the same time, the borough bill for the average Band D house is now over £900. Today the average total bill is therefore around £1,200 a year – an increase in cash terms of 62% over just six years.<sup>3</sup>

**INCREASE IN THE GLA PRECEPT<sup>5</sup>**

Year	GLA Precept (£)	Increase (£)	Increase (%)
2000-01	122.98	-	-
2001-02	150.88	27.90	22.69
2002-03	173.88	23.00	15.24
2003-04	224.40	50.52	29.06
2004-05	241.33	16.93	7.54
2005-06	254.62	13.29	5.51
2006-07 (inc. Olympics)	288.61	33.99	13.35

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<sup>2</sup> As a rule of thumb, council tax raises only about 25% of total local authority revenues. The remainder is made up from central government grants (which form around 48% of local government income); the Non Domestic Rate (which is a charge to local business, which is set by central government and which raises around 25% of local authority income); and charges for local authority services and other revenue-raising schemes.

<sup>3</sup> See [www.local.dtlr.gov.uk/finance/ctax/data/ctax067t6.xls](http://www.local.dtlr.gov.uk/finance/ctax/data/ctax067t6.xls). Note that the cost of the Mayor increases according to banding. Thus for a Band H house, the cost of the Mayor is nearly £600 a year, making total council tax bills for such properties in the region of £3,000 a year.

<sup>4</sup> See [www.local.dtlr.gov.uk/finance/ctax/data/ctax067t6.xls](http://www.local.dtlr.gov.uk/finance/ctax/data/ctax067t6.xls). Note that the cost of the Mayor increases according to banding. Thus for a Band H house, the cost of the Mayor is nearly £600 a year, making total council tax bills for such properties in the region of £3,000 a year.

<sup>5</sup> Data from the Conservative Group Budgets 2000-2006. Note that the GLA precept is the amount raised from London council taxpayers which goes to the GLA.



And things can only get worse. The Mayor has belatedly pledged to cap the cost to London council-tax payers of the Olympics. But because the memorandum of understanding between the Mayor and the Government which makes clear that any shortfall in funding must be met by either the National Lottery or Londoners,<sup>6</sup> this promise looks threadbare. Today Londoners' contribution to the Olympics is budgeted at £20 per household per year, for the next 12 years.<sup>7</sup> And given the cost over-runs associated with such projects, there must be a danger that this will increase.<sup>8</sup> Senior insiders at City Hall have admitted that London is already spending £1 billion a year on preparing for the Games.<sup>9</sup>

***Things will only get worse. Any shortfall in Olympic funding will have to be met by either the National Lottery or by Londoners.***

Needless to say, this is not what Labour Ministers promised when they created the post of London Mayor. Keith Hill MP, then Parliamentary Under Secretary of State at the Department of the Environment, Transport and the Regions, said in 2000 that setting up the post of Mayor and the GLA would cost "3p a week" or £1.70 a year.<sup>10</sup>

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<sup>6</sup> See "MPs attack Jowell as she races to cap cost of Olympics", *The Evening Standard*, 23 January 2007. This article stated that: "Mr Livingstone has promised not to put any extra burden on Londoners but the current 'memorandum of understanding' between the Mayor and the Government states that any overspend has to come from either the Lottery or council tax."

<sup>7</sup> The GLA's Consolidated Budget for 2006/07 reports the figure of 38p a week.

<sup>8</sup> See for example the report of the Select Committee on Culture, Media and Sport, *London 2012 Olympic Games and Paralympic Games: funding and legacy*, January 2007. This stated that "the Government's apparent intention that any shortfall must be met exclusively from increased contributions from the National Lottery and the London Council Tax risks placing an unacceptable burden on both" and that "Londoners should not be "seen as a cash fountain".

<sup>9</sup> Private conversations with the author.

<sup>10</sup> In a Department of Transport press release, issued on 27 January 2000 Keith Hill MP stated that: "Subject to consultation, it is proposed to set a consolidated budget requirement for the GLA and functional bodies for 2000-01 of £2,179m. We estimate that this will support total spending of some £3,600m. Of this, only £333m will need to be raised from council taxpayers. For a Band D council taxpayer, this is equivalent to about £123 a year in the London Boroughs and £32 a year in the City. Just £1.70 of this is to fund the additional cost of the new GLA services: about 3 pence a week for a Band D council taxpayer."

## CHAPTER TWO

### **WHERE HAS THE MONEY GONE?**

The “Core GLA budget” is the Mayor’s own private fiefdom at City Hall. It hires his political allies and hands out taxpayers’ money to his own favoured groups such as the Stop the War Coalition and CND. Its spending has quadrupled from £32 million in 2000/01 to over £120 million today. It now includes £58 million for Olympic spending.

The average Band D taxpayer is contributing £30 a year to the Core GLA budget, up from just £2.36 a year in 2000/01.<sup>11</sup> John Prescott, the Deputy Prime Minister, promised in Parliament that the Mayor’s office would be “a lean and strategic authority”.<sup>12</sup> Nothing could be further from the truth.

The “gearing effect” in local government finance – which arises from the fact that most of the money spent arrives in the form of central government grants – is another reason for tight cost control at City Hall. Ambitious projects not covered by grant income have to be paid for by council taxpayers alone, which dramatically increases the bills. Following the trend of recent increases, the rising burden of the London Mayor will continue to weigh disproportionately on the Council Taxpayer.

Staffing levels at City Hall, a building owned by a private developer and occupied on a 25-year lease, have risen sharply, prompting speculation that they will have to move to a bigger building or acquire extra premises. The

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<sup>11</sup> Conservative Group Budget 2006/07.

<sup>12</sup> Hansard, 14 December 1998, Col 627.

total staffing complement is 694 in a building designed for 450. The wage bill has soared from £12.2 million in 2000/01<sup>13</sup> to £33.4 million in 2005/06.<sup>14</sup> GLA Tories have proposed cutting head office numbers to just over 500.

*Transport for London claimed that its communication budget was just £5.2 million. It emerged, after numerous Freedom of Information requests, that the true figure was £78 million a year.*

The Mayor's enthusiasm for "propaganda on the rates" is another major expense. Posters and placards across London invite the populace to celebrate the rule of the Mayor. Spending by the Mayor's various quangos on advertising, publicity and communications has been estimated at £100 million a year. Pride of place goes to Transport for London. Officially, it admits to a communications budget of £5.2 million. However, after numerous Freedom of Information requests made by Ealing Councillor Phil Taylor, it has admitted that items such as invitations to tender and promoting timetables took the bill to £78 million.<sup>16</sup> Spending by other quangos, such as the Olympics Delivery Authority and the London Speed Safety Camera Partnership takes the bill to £100 million a year – nearly as much as the Labour Government spent on publicity in its first year in office. Out of this Livingstone maintains his "free" newspaper, *The Londoner*, which is delivered to homes in the capital ten times a year at a cost to the taxpayer of £3 million.

Many of the claims made in the Mayor's advertisements are tendentious. For example, the claims for the congestion charge include:

*"LESS CONGESTION: THE CHARGE IS HELPING IT HAPPEN"*

*"MORE PEOPLE USING PUBLIC TRANSPORT: THE CHARGE IS HELPING IT HAPPEN"*

What the advertisements do not mention is that, as Transport for London now admits, that while traffic in London has fallen, so have traffic speeds. This means that congestion in London is worse now than before the charge was introduced. The main reason is that the congestion charge has been accompanied by measures to reduce road speeds, to complicate junctions (such as at Trafalgar Square) and to reprogramme the traffic lights.

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<sup>13</sup> Cash Flow , GLA Statement of Accounts 2000/01.

<sup>14</sup> Cash Flow, GLA Statement of Accounts 2005/06.

<sup>15</sup>

<sup>16</sup> See "£78m spent on adverts ahead of Tube fare rises", *The Evening Standard*, 18 August 2006.

Not everyone disapproves. In fact, to Old Labour, Ken is showing the way forward. As Neal Lawson, chairman of the Left-wing pressure group Compass, wrote in *The Guardian*:<sup>17</sup>

One politician who gets the potential populism of the state is Ken Livingstone. London is currently plastered with billboards which honour the role of the state. Through them he makes the connection between paying the congestion charge and the improved public transport we get back and, by implication, the role of the London state in making the capital a place you can move around in. Championing the state hasn't made Ken unpopular. Quite the reverse.

### **THE EXPANDING REMIT**

With Ministers' approval, demonstrated by the progress of the GLA Bill now going through Parliament, the Mayor is in line to acquire new powers in addition to his current main responsibilities of transport, policing, economic development and fire and emergency planning. His sights are set on a much bigger role in housing, planning, health, skills training, waste management, and the cultural life of the capital.

*In health, the Mayor wants an explicit responsibility to reduce health inequalities, a remit which would give him almost unlimited scope to interfere in almost every aspect of the NHS.*

His ambitions in the other areas are no less grandiose and would make him far and away the most powerful single figure in London, far more important than any government minister or local authority leader.

No one can know what the cost of a third term for Livingstone might be, but his track record suggests that Londoners could expect new increases in the cost of the Mayor. Meanwhile, the boroughs, aware of the threat to their position, are gearing up for a fight with the Mayor. As Merrick Cockell, Leader of Kensington and Chelsea and Chairman of London Councils, has pointed out, no other elected mayor in the UK has the powers that Livingstone is seeking.

Having already added £300 to the average council tax bill, and with additional powers to fund, the cost of the London Mayor can only be expected to soar if Livingstone achieves re-election. And this will only be exacerbated by an imminent spending squeeze from central Government, which is expected to hold down central government grants to local authorities.<sup>18</sup>

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<sup>17</sup> *The Guardian*, 20 July 2006.

<sup>18</sup> For the period from 2007/08 to 2009/10, HM Treasury has pencilled in a modest average of 1.9% real annual growth rates for all public spending. With ambitious

Furthermore, the Mayor remains adamant that his budget will not be subject to negotiation, a statement that says much about his attitude towards democratic accountability. It is hard to justify giving the office of Mayor further powers when its current occupant shows such lofty disdain for the few checks and balances he currently faces.

It is time for a more hard-headed approach, one which can keep the costs of the Mayor's office under control and reduce the burden on the local council taxpayer. Boroughs such as Kensington & Chelsea have shown the way forward by freezing the council tax. With the public's dissatisfaction with high taxes increasing,<sup>19</sup> such an approach would not only be prudent, it would also be popular.

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plans for, *inter alia*, education spending, central government grants to local authorities are likely to be squeezed. See ONS, *Public Expenditure Statistical Analyses*, 2006.

<sup>19</sup> ICM poll reported in *The Sunday Times*, 27 August 2006.

## CHAPTER THREE

# **SOME RECOMMENDATIONS**

The Conservatives on the GLA put forward a budget in 2006 that would have reduced by £30 million a year the Core GLA Budget. Its overall effect would have been to freeze the cost of the Mayor for another year, while ensuring that key services are maintained (and where necessary, as in the case of the British Transport police, improved). This would have entailed losing about 150 staff at City Hall, all of which could have been done without compulsory redundancies.

This would only be the start. Other measures to contain costs should be examined, including the requirement to give detailed accounts of how much is spent in areas such as publicity, advertising and communications.

For the first time in many years, living standards are falling under the impact of inflation at a 15-year high and a tax burden at a 25-year high. Public resentment at inheritance tax and the council tax is also growing. Increasingly people want to see value for money in the public services. Labour's poor performance in the 2006 council elections in London suggests that the public would respect a thriftier regime at City Hall. It has worked in Wandsworth, Westminster and Kensington and Chelsea. And in Hammersmith and Fulham, where Conservatives have recently gained control, the Council is proposing a 3% cut in local Council Tax.

There is no reason why the same approach should not apply London-wide. The cost of the GLA, running at over £300 a year for the average household in the capital, is too high. It is time to bring the cost of the Mayor under control by implementing rigorous budgetary controls, eliminating waste and pointless programmes and by promoting greater efficiency in Mayoral services.