

## PART 3

### Final Draft Consolidated Budget 2024-25: Finance and legal advice

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**1. Advice provided by the Chief Finance Officer**

The Local Government Act 2003 places a duty on the GLA’s statutory Chief Finance Officer, to report on the robustness of the estimates made for the purposes of the budget’s statutory calculations and the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

A summarised version of the statutory budget process for 2024-25 is set out in the following table.

<b>Budget process</b>
The Mayor must prepare for each financial year a budget for each of the seven constituent bodies and a consolidated budget for the GLA Group as a whole (this is the GLA consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies.
<b>Draft component budgets stage</b>
Before arriving at the final version of the budget, a “draft component budget” for each constituent body will be the subject of consultation with the relevant body. Letters from the Mayor fulfilling this requirement were sent to the five functional bodies (MOPAC, TfL, LFC, LLDC and OPDC) in November 2023. The Mayor’s draft proposed GLA: Mayor and GLA: Assembly budget were presented for consideration at the Budget and Performance Committee meeting held on 21 November 2023.
<b>Budget Consultation Document stage</b>
After preparation of and consultation on those draft budgets, the Mayor is required to prepare a draft of his proposed budget covering the seven bodies for consultation with the Assembly and functional bodies (the “Budget Consultation Document”). The Assembly has resolved that the Mayor should consult its Budget and Performance Committee. Such consultation has occurred, and the Committee considered that document on 9 January 2024. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred: on 19 December 2023 the Mayor published a “GLA Group Budget Proposals and Precepts 2024-25 Consultation Document”, which was made available on the GLA website and sent to a range of stakeholder representative organisations including the 33 London local authorities and business representative groups.

**Draft budget stage**

The Mayor determines a “Draft Consolidated Budget” or “Draft Budget” (which contains draft component budgets for the seven bodies) publishes it and presents it to the Assembly at a public meeting. The Mayor must do this on or before 1 February unless that date is extended by statutory instrument. For the 2024-25 budget year, the government laid a statutory instrument which would permit this public meeting to be held as late as 15 February 2024 but it was determined that it was not necessary to use this flexibility. The Draft Budget that has been determined for 2024-25 is included at Part 2 and the statutory calculations required under the GLA Act are set out in Annex A to Part 1. The Assembly must approve this budget (the statutory calculations) with or without amendment. Amendments at this stage of the process can be made by a simple majority of Assembly Members present and voting (i.e. ignoring abstentions and absentees). If no amendments are passed or the budget is not expressly approved by the Assembly, then the Draft Budget is deemed by law to have been approved without amendment. The Draft Budget Meeting was held on 25 January 2024; one formal budget amendment was passed, and the Draft Consolidated Budget was deemed by law to have been approved with this amendment.

**Final budget stage**

The Mayor then prepares and publishes a Final Draft of his proposed consolidated budget (“Final Draft Budget”) for the next financial year. The Final Draft Budget that has been determined for 2024-25 is included at Part 2 and the statutory calculations required under the GLA Act are set out in Annex A to Part 1. If the published Final Draft Budget does not incorporate any amendments made by the Assembly at the previous stage or is otherwise different to the previous Draft Budget, the Mayor must lay a written statement before the Assembly giving reasons. This written statement is provided in Annex B to Part 1 of this report and material differences to the draft consolidated budget are set out at Appendix L of Part 2 of this report.

The Final Draft Budget must be considered at a public meeting of the Assembly and approved with or without amendment on or before the last day of February (otherwise the Final Draft Budget is deemed to be approved on that date). This meeting will take place on 22 February 2024. Any amendment must at this stage be agreed by at least two thirds of the Assembly Members present and voting (i.e. ignoring abstentions and absentees).

If no amendments are passed or the budget is not expressly approved by the Assembly, then the Final Draft Budget is deemed by law to have been approved without amendment. The resulting budget will be the approved consolidated budget for the financial year 2024-25. Each GLA Group organisation will then proceed to set their own budget based upon the approved Consolidated Budget.

**What were the arrangements for developing the budget proposals?**

The budget process has so far involved:

- Budget Guidance issued by the Mayor
- budget development by functional bodies and both parts of the GLA
- budget submissions scrutinised and approved by the functional bodies before formal submission to the Mayor
- Mayor’s Draft Budget proposals considered, prepared and issued for public consultation
- scrutiny by the Assembly’s Budget and Performance Committee throughout the process.

The Mayor issued guidance, in July 2023, to the GLA and the five functional bodies (“the GLA Group”) for preparing their budget submissions. The guidance sought to ensure that the Mayor’s budget proposals were an accurate reflection of his priority aims and objectives within available resources and also covered how equalities and environmental impacts, specifically on climate change, should be considered in the budget proposals.

There have been meetings and other consultation between the functional bodies and GLA officers and these provided a vehicle to:

- review delivery of the 2023-24 budget and to judge outcomes
- direct the 2024-25 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor’s priorities
- ensure that, as far as practical, there would be consistency and integration across the GLA Group on relevant issues
- ensure that each body’s submission was delivered as required and where that was not possible, that GLA officers were informed in a timely fashion
- ensure that the submissions could be readily consolidated into the Mayor’s budget proposals and issued for consultation.

Throughout the process, careful consideration has been given to the projected resource provision, including responding to and taking into account government consultations and announcements.

### **How can the estimates of income and expenditure be assessed as representing necessary and reasonable budget provisions?**

To explain each component budget, there is generally a service analysis showing the spending plans for the three-year period 2024-25 to 2026-27 for both parts of the GLA and each of its functional bodies. This reflects the planning horizon which it is possible to make reasonable estimates for as the government has only announced a one-year funding allocation for 2024-25 and given limited indications for 2025-26 for local government, police and fire services. Indicative estimates have been made in relation to government grant, retained business rates and council tax income for the 2025-26 and 2026-27 financial years.

Each service analysis shows:

- the net costs of providing the complete range of services provided by the body
  - sources of income
  - capital financing costs (including capital expenditure charged to revenue)
  - transfers to and from reserves
  - any other financial changes and adjustments
  - the resultant budget and council tax requirement.
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Careful attention has been given to explaining the changes from the equivalent figures for 2023-24. Explanations have been provided for the changes in terms of:

- net changes in service expenditure and income, including the impact of inflation and savings and efficiencies
- changes in use of reserves
- net change in government grants and retained business rates funding / resources allocated by the Mayor
- any other adjustments.

More detailed information has also been provided in the public documents relating to the budget proposals considered by the functional bodies and the Assembly’s Budget and Performance Committee.

### **What internal and external scrutiny have the budget proposals had?**

The budget proposals are based on submissions that have been subject to scrutiny and approval within the functional bodies. Developing budget proposals have also been scrutinised by the London Assembly’s Budget and Performance Committee and throughout the process, further information will be provided in response to the Committee’s questions and recommendations following the Budget and Performance Committee meeting on 20 February.

The Budget Consultation Document and details of how to respond to the consultation were circulated to London borough councils, the City of London Corporation, London Councils, and a range of business and other representative organisations. The consultation document was also hosted on the Talk London website. Talk London members were invited to read the consultation budget and to comment on the GLA Group Budget Proposals via a poll and discussion thread. The views expressed in response to this consultation were considered before finalising the Final Draft Budget proposals. The London Assembly’s Budget and Performance Committee have responded to the Mayor’s Consultation Budget Document via letters from the Committee to the Mayor containing written recommendations to the Mayor’s proposals as set out in the Budget Consultation Budget published on 19 December 2023. The Mayor has considered the Committee’s recommendations in forming this Final Draft Budget.

### **Conclusion**

The estimates have been put together by, or with the involvement of, qualified finance staff in the functional bodies and the GLA and reflect the approval and scrutiny process as described above. The estimates represent the best available information held within the GLA about budget pressures and the resources available to meet them while recognising there remains some uncertainty around actual council tax and business rates income for both 2023-24 and 2024-25.

There are processes within each of the GLA Group’s constituent bodies for proper consideration to be given before expenditure is approved. Budget discipline is supported by regular budget monitoring and a controlled virement system that maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of significant risk and uncertainty underpinning the allocations in this Final Draft Budget, arising from the ongoing impact of the current economic climate on local taxation receipts.

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There remains uncertainty around the impact of inflation on revenues and costs in the medium term as well as the lack of clear direction from the government on police, fire, and local authority funding allocations beyond 31 March 2025, as only a firm one-year settlement has been provided in both cases. This includes TfL’s capital funding where the level of baseline funding provided through rates retention has been frozen in cash terms, for a second year, in 2024-25. These impacts will need to be monitored on an ongoing basis.

Risks are mitigated by insurance arrangements across the GLA Group and by the existence of appropriate reserves. Across the GLA Group, the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors.

Overall, on the basis of the information that has been provided to explain the Mayor’s 2024-25 budget proposals, the estimates and budgetary provisions set out in the Budget documents represent reasonable and necessary financial provisions based on the information available to him at this stage, consistent with the powers and service obligations of the GLA and the functional bodies, and which are the outcome of a robust budget development process. Advice on equalities implications, 2023-24 monitoring, reserves and balances, council tax referendums, future years’ plans and the Assembly’s powers to amend the budget is also provided in this document.

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## **2. Advice on the equalities implications of the budget proposals**

The relevant sections of Part 2 of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. This equality statement covers the Mayor’s budget proposals for the 2024-25 financial year.

The GLA (Mayor and Assembly) and all five functional bodies must comply with section 149 of the Equality Act 2010, which provides for the “public sector equality duty (PSED)”:

- This duty requires each body, in the exercise of its functions, to have due regard to the need to: (1) eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) to foster good relations between such people.
- The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation, and in certain circumstances civil partnership or marriage (“protected characteristic groups”).
- Compliance with the PSED may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic and those who do not, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding.
- In limited circumstances, this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person and in some cases a pregnant worker can be treated more favourably. This is not to be taken as permitting conduct that would otherwise be prohibited by or under the Equality Act 2010.

Fulfilling the duty requires due regard that is appropriate in all relevant circumstances. This includes the budget development, preparation and approval process involving the GLA: Mayor, GLA: Assembly and the five functional bodies and the subsequent expenditure involved in implementing their individual budget proposals.

The Mayor’s Equality, Diversity and Inclusion Strategy sets out how he will work to create a fairer, more equal, integrated city where all people feel welcome and able to fulfil their potential. It goes beyond the nine protected characteristics set out in the Equality Act 2010, and, in particular, considers socio-economic inequality.

Each member of the GLA Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected characteristic groups.

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The development and implementation of programmes and projects within the budget framework set by the budget for each body will be subject to a full and detailed assessment of the likely impact on individuals in protected groups by the body concerned in accordance with the PSED and the Mayor’s Equality, Diversity and Inclusion Strategy. This is, necessarily, iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups compared to those not sharing that protected characteristic, and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. The constituent bodies will continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

### **Funding allocations**

This Final Draft Budget sets out the Mayor’s provisional funding allocations to the constituent bodies. These allocations are not specifically aimed at persons who share a protected characteristic. However, it is recognised that changes to funding allocations compared to the previous year could potentially have an adverse impact on persons who share a protected characteristic by causing discrimination or other negative effects outlined within the Equality Act 2010, such as preventing equality of opportunity; good relations between persons who share a relevant protected characteristic and those who do not; and the socio-economic status of groups and individuals. The concerted mitigating action and spending decisions made by the bodies themselves is required to eliminate discrimination and other negative effects. As public sector bodies, the GLA’s constituent bodies largely consider the equalities impact and mitigating actions of their decision making through an Equality Impact Assessment framework.

The Mayor’s proposed funding allocations for 2024-25, compared with the previous year, are set out in section 1 of Part 2. In summary, the Mayor’s proposed funding allocations:

- provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile
- provide additional funding to MOPAC through increasing the Band D police element of the GLA precept by £13 in line with the council tax uplift assumed in the final police grant settlement, and uprating its ongoing business rates funding in line with the change in the London policing allocation set out in the final local government finance settlement, as well as additional allocations of business rates. This will mean MOPAC will receive £963.7 million through the council tax precept and £179.4 million in retained business rates which includes £50.2 million of one-off funding allocated from the GLA’s share of the estimated collection fund surplus for 2023-24
- increase the element of the council tax precept by a further £20 at Band D to fund transport services in 2024-25. This is estimated to raise an additional £65.8 million annually including the impact of the uplift in the taxbase to contribute towards balancing TfL’s long term funding gap on an ongoing basis. TfL will receive £244.1 million in total via the precept in 2024-25
- allocating business rates funding of over £2.1 billion to TfL which partially replaces the capital and operating grants TfL previously received via the Department for Transport prior to 2017-18



- provide additional funding to LFC by raising its element of the precept by £4.26 for a typical Band D property, raising an additional £16.3 million additional funding annually (including its share of the taxbase increase). This will increase its council tax requirement to £211.4 million in addition to £283.7 million in retained business rates funding. This latter figure includes both the former revenue support grant for fire and rescue services which has been rolled into the GLA’s retained business rates baseline since 2017-18 and the Fire Pension Specific Grant which is now rolled into the retained business rates funding
- increase the resources allocated to OPDC from £7.0 million in 2023-24 to £7.2 million in 2024-25, while increasing level of revenue support provided through retained business rates and other GLA funding to the LLDC by £3.7 million to £46.7 million for the LLDC whilst maintaining a Mayoral Development Corporation Reserve
- increase the resources available through council tax for the expenditure on services within the GLA: Mayor component budget and the Assembly component budgets in 2024-25 in line with the 1.42 per cent increase in the council taxbase as well as increasing the allocation in each case from retained business rates.

### **Other revenues**

The funding allocations are not the only source of income for the constituent bodies. They are also supported through locally raised and retained fees and charges including public transport fares, the ultra-low emission zone (“ULEZ”) and congestion charges (“CC”) for TfL, as well as through a range of other government grants for specific or general purposes. Any resulting reduction in a constituent body’s income could have an effect on the ability of that body to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it. The impact will depend on the choices made by the constituent body and in making those choices the body is required to comply with the PSED and also, as directed by the Mayor, the objectives set out in his Equality, Diversity and Inclusion Strategy (including the question of how it will affect socio-economic inequality in London).

If the constituent bodies cannot mitigate any shortfall in funding through making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that the constituent bodies provide a wide range of services, targeting or impacting upon persons who share a protected characteristic, there could be an impact upon such persons or groups as a result.

### **Impact of funding allocations and other revenues**

It is not possible to predict how the proposed budget changes for 2024-25 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each constituent body on the allocation of its funding allocation from the Mayor and its other revenues, however, commentary around how each constituent body will mitigate this impact is included in Part 2.

The Mayor’s proposed funding allocations do provide some mitigation of the potential impacts on persons who share a protected characteristic. They have been determined following a lengthy budget development process which has included the constituent bodies responding to Budget Guidance issued by the Mayor with budget submissions scrutinised and approved by them before formal submission to the Mayor. Throughout this process, constituent bodies have been encouraged to consider equality and diversity issues and they have taken their own steps to comply with the public sector equality duty and the objectives set out in *Inclusive London*.

Also, the funding allocations provide funding protections for the functional bodies by providing them with as much certainty as possible over funding sources that are themselves uncertain and volatile; increasing funding for the police through increases in the precept; providing additional funding to the LFC through the precept and business rates; maintaining retained business rates allocations for TfL in line with the uprated baselines which were historically met by Department for Transport grant as well as identifying resources to ensure that existing concessionary travel schemes continue to be funded and incorporating assumptions on government support to manage the uncertain macroeconomic environment, changing travel behaviours and the cost-of-living crisis; and managing the uncertainties inherent in the retained business rates system through the Mayor’s Business Rates Reserve.

### Impact of increasing the council tax precept

The Mayor is proposing an increase in the Band D precept paid by residents of the 32 London Boroughs within the Metropolitan Police District from £434.14 to £471.40 – a rise of £37.26 or 8.6 per cent. This reflects the Mayor’s additional funding allocated to MOPAC through a £13 uplift increase in the police element of the precept – in line with the council tax limits set out in the Home Office’s provisional police funding settlement for local policing bodies, a 2.99 per cent increase in the core non-police precept which is allocated in full to the LFC and a further £20 increase at Band D to fund TfL’s transport services. The proposed 2024-25 Band D precept for residents within the area of the Common Council of the City of London which is outside the Metropolitan Police District (“the non-police precept”) is £166.27 – £24.26 greater than in 2023-24.

The additional amount payable for each household will be dependent on the council tax banding of the council taxpayer’s relevant property, whether they are eligible for any discounts or exemptions (e.g. the 25 per cent single person discount) and any additional reductions council tax payers are entitled to under each billing authority’s council tax support scheme. A household whose bill falls in Bands A to C, or Bands E to H, will pay proportionately less or more respectively. The impact of the Mayor’s precept increase by council tax band is set out in the following table.

### Adjusted amount of council tax paid by taxpayers in the 32 London boroughs (£)

Band	2024-25	2023-24	Change
Band A	£314.27	£289.43	£24.84
Band B	£366.64	£337.66	£28.98
Band C	£419.02	£385.90	£33.12
<b>Band D</b>	<b>£471.40</b>	<b>£434.14</b>	<b>£37.26</b>
Band E	£576.16	£530.62	£45.54
Band F	£680.91	£627.09	£53.82
Band G	£785.67	£723.57	£62.10
Band H	£942.80	£868.28	£74.52

The GLA’s element of the council tax will increase for all individuals who pay council tax (although this could be compounded by increases in the billing authority element of the council tax, particularly for the additional adult social care precept, but dependent on each individual billing authority’s local council tax proposals).

As highlighted in the table above council tax is a regressive tax because the size of property does not equate to size of income of the occupier and the occupiers of the most expensive properties only pay twice the level of council tax paid for the average Band D property.

The GLA does not have equalities data covering the population spread across the council tax bands of individuals with protected characteristics including socio-economic status. However, it can probably be assumed that individuals with lower incomes are, in general, more likely to live in property that falls in the lower bands, thus reducing the monetary impact on such individuals of the council tax increase.

Single parents and pensioners not living with another eligible adult over 18 will benefit from the 25 per cent single person council tax discount before any council tax support (benefit) is applied. But as explained later in this section, the level of council tax support offered to working age houses varies significantly by borough.

The GLA carries out regular cost of living polling. The December 2023 poll suggested that the impact of the cost-of-living crisis is on-going, with the proportion of people identifying as ‘financially struggling’ holding at one in five Londoners (20 per cent), as seen last December. The groups more likely to say they are ‘financially struggling’ are Londoners with a gross household income of less than £20,000 (41 per cent), social renters (35 per cent), deaf and disabled Londoners (32 per cent), C2DE social grade (29 per cent) and Black Londoners (28 per cent).<sup>1</sup>

The Mayor has carefully considered these factors in proposing his precept increase and has taken the difficult decision to increase the precept and provide additional funding to the Metropolitan Police Service, London Fire Brigade and for TfL transport services, where it is necessary to keep Londoners safe and to meet the government’s requirement that he increase the funding he provides to TfL to help ensure its financial stability for the medium term. So, the impact of the precept increase must be set against the benefits to some of the most deprived Londoners from investing in policing and continuing to provide public transport services, including free travel to those generally not of working age. There are also wider social, health and well-being benefits from encouraging those aged 60 or above to be more active and mobile by providing access for them to free public transport. This scheme is likely to result in reduced pressures and costs on other public services including the NHS and social care over time.

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<sup>1</sup> All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,085 adults. Fieldwork was undertaken between 8th to 14th December 2023. The survey was carried out online. The figures have been weighted and are representative of all London adults (aged 18+). <https://data.london.gov.uk/gla-cost-of-living-polling/2/>

**Council tax support (former council tax benefit)**

Households which are exempt from paying council tax or who are eligible for council tax support for 100 per cent of their bill will experience no direct impact from an increase in council tax. This will include households, for example, containing only students or people of pensionable age eligible for 100 per cent council tax support in all 33 local authorities. However, the availability of full council tax support varies depending on the council tax payer’s local authority and place of residence and whether they have reached or are below their pension credit qualifying age.

Since the 2013-14 financial year, decision-making on the award of council tax support for working age households has been localised to individual billing authorities<sup>2</sup>. These policies are determined in London by each of the 33 local authorities. It is a statutory requirement for billing authorities to consult major precepting authorities (in London this is the GLA) on changes to council tax support policies; however, each billing authority is ultimately responsible for the design of its scheme, within the legislative framework set out by government.

Under the localised system, eligible pensioner households continue to receive council tax support as previously under council tax benefit, but billing authorities are free to introduce their own local schemes for working age claimants below pension credit age. Of the 33 London billing authorities, in 2024-25 the GLA understands that at least six are intending to continue to protect working age claimants by providing full council tax support on broadly the same basis as prior to 2013-14, subject to applicable uprating for inflation and other parallel changes in national policies for means tested benefits. A further three do not require a minimum percentage contribution from working age council taxpayers but do depart from the statutory default scheme in other respects. The remainder have locally-designed schemes which require some or all working age claimants to contribute to the cost of the scheme by paying a share of their council tax liability or through adjustments to other criteria. For example, in some cases any impact is restricted to council tax payers in higher property bands, or who are not members of defined groups deemed more vulnerable (e.g. households on disability benefits, war widows, younger adults leaving care and lone parent families).

Council tax support schemes for 2024-25 are not required to be confirmed until 11 March 2024. The GLA will therefore not have details of all council tax support schemes in London until after the Mayor’s Final Budget has been set.

In 2024-25, the GLA understands, however, that the minimum contribution for working age claimants not in protected categories could again be as much as 30 per cent of their council tax liability in the case of at least three billing authorities, with a further fourteen having minimum contributions of more than 20 per cent, but less than 30 per cent. This contrasts to the position in the nine authorities where no minimum contribution is required. This means that a working age low income household in a Band D property in a borough with a minimum 30 per cent contribution would typically be expected to make a council tax payment of c£650 a year (including c£130 payable to the GLA via the precept) – but if their income/circumstances remained the same and they moved to a similarly banded home in one of the nine boroughs without a minimum contribution, their annual council tax payment would be zero.

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<sup>2</sup> In London, there are 33 “billing authorities” which are the 32 London borough councils and the Common Council of the City of London.

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In some authorities, council tax support entitlement is also restricted only up to the equivalent Band D rate and therefore working age claimants residing in properties in Bands E to H do not receive additional support for the difference. This creates a further divergence in the sums payable by low income working age households across the capital depending on their borough of residence.

As stated above there are often more generous council tax support policies applied to certain defined groups. For example, while some authorities apply their policies consistently to all working age claimants, others offer greater levels of support to certain categories of claimant considered more vulnerable or in need of more targeted support (e.g. people with disabilities, lone parents with young children and individuals in receipt of a war widow’s or war disablement pensions). A majority of boroughs have also removed or scaled back the 25 per cent second adult rebate for two-person adult households where one adult is on a low income. Savings limits, above which council tax support is withdrawn in full for working age households, vary from £6,000 to the default national guideline of £16,000 (which applies to pensioner claimants) across different boroughs.

One outer London borough facing significant challenges in balancing its 2024-25 budget – due primarily to temporary accommodation pressures – has additionally consulted on introducing a minimum contribution of 50 per cent of council tax liability from 1 April for working age households. This would be double the existing minimum percentage contribution of 24.5 per cent. Existing protections from paying this minimum contribution would also be removed from a number of vulnerable and disadvantaged groups including individuals/households claiming disability benefits under the proposed scheme. The borough concerned is expected to take a final decision as to whether to proceed with this new scheme at its full Council meeting scheduled for 22 February. The fact that this borough is having to consider these significant changes to its local CTS scheme highlights the government’s underfunding of London boroughs – and outer London boroughs in particular – which is now leading to increasingly adverse financial consequences for some of the poorest and most vulnerable households in the capital.

Those who will feel the greatest impact from the increase in council tax are likely to be those whose circumstances mean that they are only slightly above the level at which they would become eligible for some council tax support. It is not possible to give a threshold of savings or income (or similar) below which an individual would be eligible for council tax support, or above which a person will not be eligible for council tax support because of the way in which benefits are calculated, the number of factors that must be taken into account, and the different schemes in operation in the London boroughs. However, it is likely that those whose financial circumstances place them only just above their local council tax support eligibility threshold will also have low levels of income/savings, relative to the rest of the population.

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The GLA does not have equalities data in respect of the 33 local council tax support schemes in London at individual property level which could be used to inform an assessment of the likely percentage of people in this group having a particular protected characteristic. Although, there is a general assumption that those with lower income/savings relative to the rest of the population (but nevertheless above their local council tax support eligibility threshold) will include greater proportions of disabled people, ethnic minority groups, lone parents, and families with young children than are present in the Greater London population as a whole. The increase in council tax marginally reduces their disposable income in both cash and real terms. For a working age claimant on a low income paying a minimum liability of 30 per cent (in the two boroughs where that applies) the increase in the Mayor’s precept would equate to only around 16 pence per week assuming they lived in a Band D property and were the sole adult liable to pay council tax in the household.

These variations in the schemes arise because of the government’s decision to localise decision making on the setting of council tax support. This means that working age claimants are subject to significant variations in their entitlements depending on where they live and the resources available to, and choices made by, their billing authority. The resources made available for council tax support schemes through the local government settlement also no longer align in practice to the current needs as they are based on claimant numbers immediately prior to 2013-14. The current system of localised council tax support is becoming increasingly unsustainable and inequitable and the government needs to address this as part of any future review of the local government finance system.

### **Impact of Transport for London fares proposals for 2024**

The 30 August 2022 Funding Settlement included a passenger revenue scenario based upon an annual national fare rise (as determined by DfT) in March 2023 and again in March 2024 of 4 per cent. This scenario was then updated by the DfT following confirmation in December 2022 that nationally-regulated fares would rise by 5.9 per cent in March 2023. The Mayor subsequently chose to also increase those fares under his control by 5.9 per cent – in line with the decision taken by the DfT. TfL’s business plan assumed that the fares increase for 2024-25 would be 4 per cent, again in accordance with the 30 August 2022 Funding Settlement.

In December 2023 the DfT confirmed the increase in March 2024 for nationally-regulated fares would be 4.9 per cent. In January 2024 the Mayor announced that the fares which are set by him would be frozen until March 2025, and the impact on TfL offset by the provision of additional business rates. In addition, he announced that additional funding was to be provided to TfL to support the removal of peak charging hours for a set number of Fridays as part of a trial to ascertain if additional passenger demand and economic activity could be generated from making Fridays cheaper compared to other weekdays. For 2025-26 and 2026-27, TfL has used, as a planning assumption, an annual fare rise for all fares would be the full-year average of the forecast retail price index for the year in which any fare rise is implemented.

In November 2022, the Mayor announced that he would further expand the ULEZ London-wide to tackle the triple threats of air pollution, the climate emergency and congestion, and to ensure five million more Londoners can breathe cleaner air. The expansion came into effect on 29 August 2023 and operates across all London boroughs up to the existing Low Emission Zone boundary. The expansion initially included a brand new £110 million scrappage scheme to support Londoners on lower incomes, disabled Londoners, charities and micro-businesses and sole traders. In August 2023 the Mayor announced that he would extend eligibility of the scheme to all London residents and enhance support for charities, small businesses and sole traders and allocated an additional £50 million funding for the scheme. A further £50 million of scheme funding was announced by the Mayor in January 2024 in recognition of these changes bringing the total available for scrappage to £210 million.

As part of the decision-making process with regard to the introduction of the fares freeze in place from 2016 to 2021 and again in 2024, TfL identified six groups of Londoners who typically face increased barriers to public transport use. These groups were Londoners of ethnic minorities, women, older Londoners, younger Londoners, Londoners on low incomes (who tend to be women and older, ethnic minority and disabled people, and those not in work), and lesbian, gay, bisexual and transgender (LGBT) Londoners. Londoners with protected characteristics who are likely to be affected by increases in fares, such as those on low incomes or those who rely on public transport, will have especially benefitted from the fares freeze.

Many of those who comprise the six groups above are likely to benefit from free travel concessions or discounted fares. In December 2021, TfL set out a number of modifications to the current fares structure to raise an additional £60-80 million per year in order to meet the conditions of government funding agreements. One such option, beyond the decisions made above on the Freedom pass and 60+ Oyster card (which in March 2023 the Mayor committed to ensuring that the point at which qualifying Londoners become eligible for the 60+ Oyster remained unchanged until at least 2025-26), was withdrawing the sale of one-day travelcards, as the Mayor made available further funding to maintain longer-dated travelcards. Following a full impact assessment, consultation and working closely with the Rail Delivery Group and the DfT, the Mayor was pleased to announce in October 2023 that one-day travelcards would remain accepted for use on TfL services through an enhanced pricing and revenue-share agreement with national rail train operators.

### **3. Advice on 2023-24 financial monitoring**

#### **What are the arrangements for monitoring in the GLA and the functional bodies?**

In his 2024-25 Budget Guidance, issued in July 2023, the Mayor set out the requirement that the GLA and its functional bodies continue to provide timely and high-quality information in their quarterly monitoring reports. In particular, the aim is that all quarterly monitoring reports include both financial and performance information. The Budget Guidance also required the integration of capital and revenue planning together in each functional body's quarterly report.

These requirements built on the robust systems already in place for regular financial monitoring and reporting within each member of the GLA Group. These reports detail spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. As the requirements of the users of the reports evolve, the format and content are being adjusted. This is an iterative process that is developed as new requirements are identified and the processes required to collate the necessary data are established.

Meetings between the Mayoral team and each functional body are held to consider the quarterly reports. These include discussion of progress with identifying and realising efficiencies and savings as well as potential future variances from budget. Regular officer meetings between the GLA and each functional body are held to discuss the budget process and to advise of any subsequent developments and resolve any queries that might arise. The reports are submitted on a quarterly basis to the Assembly's Budget and Performance Committee for each GLA Group member and scrutinised by the Committee.

Part 2 sets out the forecast outturn, as at quarter two, for each functional body for 2023-24, aside from an update to reflect additional investment income expected by GLA: Mayor in 2023-24. It should be noted that these figures are likely to change before the end of the financial year; updates will continue to be published in the normal way.

#### **Conclusion**

An assessment of the current year's financial outturn is an important element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year, up to 31 March 2024, and with crucial transactions taking place beyond that date in finalising the accounts for the GLA and the functional bodies, it is not possible to say that other variations will not arise.

The processes in place throughout the GLA Group and the responsibilities placed on each Chief Finance Officer do, however, ensure that the outturn position is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2024-25. In particular, each body monitors progress against delivery of their budget and business plans, instigating any necessary remedial action. In turn, this monitoring is reported and reviewed by GLA finance officers and considered by both the Mayor and the Assembly on a regular basis.

Processes are also in place to ensure expenditure is controlled within the resources finally approved for each organisation.

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## 4. Advice on reserves and balances

Section 25(1) (b) of the Local Government Act 2003 places a duty on the Chief Financial Officers of the GLA and each of the five functional bodies, on behalf of each of the seven constituent bodies, to report on the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

### What are reserves and balances?

When reviewing their medium-term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves.

Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of **general reserves**
- a contingency to cushion the impact of unexpected events or emergencies – this forms part of **general reserves**
- a means of building up funds to meet known or predicted requirements – this is often referred to as **earmarked reserves**.

### Proposed use of reserves

The forecast use of reserves to March 2027 is summarised in the following table. This has been updated with the latest available information. Key movements in reserves during 2024-25 include:

- GLA: Mayor reserves decrease by £122.1 million predominantly as a result of planned drawdowns from earmarked reserves to support Universal Free School Meals and the 2024 GLA Mayor and Assembly Elections
- Group items balances decrease by a net £52.9 million, predominantly as a result of releasing Transport and Environmental Improvement reserves to fund initiatives outlined in Part 2
- MOPAC’s reserves decrease by £155.6 million. Primarily as a result of planned expenditure or earmarked reserves
- LFC’s reserves decrease by £19.5 million as a result of the Budget Flexibility Reserve being applied to help balance the budget in 2024-25. Inflationary pressures relating to future years are currently shown as budget gaps (savings to be found) in LFC’s tables in section 6 of Part 2
- TfL general reserves are expected to increase by £70.1 million to top up the reserve towards the target balance of £500 million. This reserve is held to ensure liquidity and protect from short-term fluctuations in cash requirements. The £500 million target balance was set by the TfL Finance Committee in March 2020 as a result of the increased risks faced by the TfL Group.

GLA Group use of reserves	GLA £m	MOPAC £m	TfL £m	LFC £m	LLDC £m	OPDC £m	Total £m
<b>Forecast Balances 31 March 2024</b>	<b>863.2</b>	<b>284.6</b>	<b>422.5</b>	<b>74.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1,645.0</b>
Movement on Earmarked reserves	-175.0	-155.6	0.0	-19.5	0.0	0.0	-350.0
Movement on General reserves	0.0	0.0	70.1	0.0	0.0	0.0	70.1
<b>Balances 31 March 2025</b>	<b>688.2</b>	<b>129.0</b>	<b>492.5</b>	<b>55.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1,365.1</b>
Movement on Earmarked reserves	-132.8	-32.4	26.7	-15.7	0.0	0.0	-154.2
Movement on General reserves	0.0	0.0	36.7	0.0	0.0	0.0	36.7
<b>Balances 31 March 2026</b>	<b>555.4</b>	<b>96.6</b>	<b>555.9</b>	<b>39.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1,247.5</b>
Movement on Earmarked reserves	-113.6	-12.3	61.3	-0.1	0.0	0.0	-64.7
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances 31 March 2027</b>	<b>441.8</b>	<b>84.3</b>	<b>617.2</b>	<b>39.5</b>	<b>0.0</b>	<b>0.0</b>	<b>1,182.8</b>

Note: GLA heading includes GLA: Mayor, Assembly and Group reserves.

### What are the appropriate amounts to be held in reserves?

The legislation requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. It is the responsibility of the Chief Finance Officer to advise the authority about the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.

The protocols should set out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve’s management and control
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on local authority reserves and balances. CIPFA’s view is that *“a generally applicable minimum level [of reserves] is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice”*.

CIPFA confirms that *“local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers”*, and that *“authorities should make their own judgements on such matters taking into account all the relevant local circumstances”*. In assessing the adequacy of reserves, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority, as well as the importance of considering medium-term plans and forecasts of resources, in addition to short-term considerations.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves. However, the government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.

An authority's external auditor also has a responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves, taking into account their local knowledge of the authority's financial performance over a period of time. It is not the external auditor's responsibility to prescribe the optimum or minimum level of reserves for an individual authority or authorities in general.

**Advice: Below is advice on the robustness of estimates and adequacy of reserves and balances for the GLA and each of the functional bodies reflecting advice received from their own statutory Chief Finance Officers. Further commentary on reserves is outlined within the GLA and each functional body's section in Part 2, as well as their individual published budget proposals.**

#### **(a) Greater London Authority: Mayor of London and London Assembly**

##### **General GLA: Mayor reserves**

At 31 March 2024 the GLA: Mayor's general reserves balance is forecast to total £10.0 million and this balance is assumed, at this stage, to remain constant until the end of the planning period. This is in line with the GLA's policy to maintain a minimum general reserve balance of £10.0 million.

##### **Earmarked reserves**

Earmarked reserves include various reserves which are held within the GLA: Mayor component budget but which are applied to support and underpin expenditure across the GLA Group including the Business Rates Reserve (BRR) which is used primarily to manage business rates and council tax income risk and volatility, the Mayoral Development Corporation reserve, the Strategic Investment Fund reserve, and the LLDC capital programme reserve. The Transport Services Funding and Environmental Improvement reserves which also form part of this category are budgeted to be applied in full by the end of 2023-24.

Based on proposals in this Final Draft Budget and confirmed decisions made, earmarked reserves are forecast to reduce from £853.2 million at the end of 2023-24 to £678.2 million at 31 March 2025; then declining to £431.8 million at the end of 2026-27. Details of the expected drawdown of earmarked reserves will be made in the final GLA: Mayor budget in March.

##### **Greater London Authority: Assembly**

The Assembly has a resettlement reserve which is held by the GLA and reported in the above totals. The forecast balance in the reserve is £2.2 million at 31 March 2024 and this is expected to reduce to £2.0 million by the end of 2024-25. The main purpose of this reserve is to fund resettlement costs for Assembly Members once they leave office.

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**GLA conclusion**

The Interim Chief Finance Officer of the GLA judges the GLA's level of reserves to be prudent in the context of known future liabilities, risks and funding uncertainties facing the Mayor and the Assembly and will be reviewed as additional information becomes available, in particular outturn information from billing authorities on business rates and decisions made by the government on the local government finance regime.

**(b) Mayor's Office for Policing and Crime (MOPAC)**

MOPAC is forecasting general reserves of £46.6 million as at 31 March 2024. This level of reserves is forecast to be maintained at the same level across the budget period to March 2027. However, the draft reserves strategy sets out a requirement for the general reserves to be increased over the lifetime of the MTFP to between 2 and 3 per cent and will form part of the budget development for future years. This recognises that the current economic climate is placing increasing pressures on the budget and the overall level on general reserves will need to be monitored throughout the current MTFP period.

In the context of overall forecast reserve levels of £284.6 million as at 31 March 2024 that are available to manage some of the financial risks within the budget, the general reserve is considered to be adequate.

Earmarked reserves are forecast to reduce from £238.0 million at the end of 2023-24 to £82.4 million at the end of 2024-25 and to be reduced further to £37.7 million at the end of 2026-27. Earmarked reserves are being held for specific purposes. The forecast total balance by 2026-27 reflects planned spend on the programmes for which the reserves are held.

**MOPAC conclusion**

The Interim Chief Finance Officer's judgement is as follows. The financial context within which MOPAC/MPS are operating is challenging. With lower than average funding allocations nationally, the need to balance investment to support reform and deliver a balanced budget has been carefully considered. A balanced budget has been achieved and is presented for approval however within the budget there are risks that will need to be carefully managed. In mitigating these risks, new budget and business planning governance arrangements have been agreed and new internal controls have been introduced that will ensure that key cost drivers can be monitored and controlled. There is also a further opportunity for due diligence on growth and savings options before the final allocations to services are made.

Enhancements to the financial monitoring framework will ensure that the budget position can be monitored and reported continuously throughout the year. This will include a review of the reserves position and the longer-term strategy that seeks to address the c£300 million gap in 2025-26 that is currently forecast. Effective planning and the alignment of the budget process is to be a key element of the approach to the 2025-26 budget and longer term MTFP and forms part of the new governance arrangements. Assurances will be provided to the Audit Panel. With reserves lower than previously forecast, the MTFP will be developed to ensure these are strengthened in order to ensure financial resilience is maintained. In the short term, earmarked reserves and general reserves together provide the resilience needed and the enhanced governance arrangements regarding access to reserves will support this further. A more detailed section 25 statement will be published on the MOPAC website.

**(c) Transport for London (TfL)**

At 31 March 2024 TfL forecasts general fund reserves of £393 million, which is an increase from the £190 million held at 31 March 2023. By 31 March 2026, TfL will rebuild its general fund to £500 million, which is its target minimum level to preserve adequate liquidity and protection against strategic risks. In 2025-26 and 2026-27, TfL will start to create earmarked reserves to fund committed capital projects in future years.

**TfL conclusion**

The level of reserves is judged prudent by the Statutory Chief Finance Officer of TfL in the context of known future liabilities, risks and funding uncertainties facing the organisation, and these will be kept under review.

**(d) London Fire Commissioner (LFC)**

LFC's general reserves at 31 March 2024 are forecast to be £17.0 million. They are assumed to remain at the same level across the period to the end of 2026-27. This is in compliance with LFC's policy to keep a minimum reserve level of 3.5 per cent of the net revenue budget, which can also include the balance of the (earmarked) Budget Flexibility Reserve (forecast to be £9.5 million at 31 March 2024).

It is forecast that LFC will hold £57.8 million of earmarked reserves at 31 March 2024; these earmarked reserves will reduce to £38.3 million by the end of March 2025 and by a further £15.7 million to £22.6 million by 31 March 2026. At the end of the 2026-27 financial year, reserves are forecasted to reduce to £22.5 million.

The level of reserves will be kept under review and will reflect any updated assessments of financial risks.

**LFC conclusion**

The level of reserves is judged prudent by the Chief Finance Officer of the LFC in the context of known future liabilities, risks and funding uncertainties facing the organisation and will be kept under review.

**(e) London Legacy Development Corporation (LLDC)**

As at 31 March 2024 LLDC will not hold any reserves. LLDC's historic reserves are held within the Mayoral Development Corporation (MDC) and LLDC Capital Funding Reserves, which are part of the GLA: Mayor's reserves. LLDC's revenue expenditure (where not funded by third-party income generated by LLDC) and a significant proportion of its capital programme are funded by the GLA, the latter through direct grant contributions and a rolling loan facility. The loan is anticipated to be repaid over the long term. LLDC and the GLA carefully monitor upside and downside risks associated with LLDC's revenue and capital expenditure and mitigate these, where possible. Where they cannot be mitigated, the impact of any such risks is managed within the GLA budget generally and specifically through the use of contingency sums held within the budget and, where necessary, through the usage of the MDC Reserve.

LLDC's historic reserves (held by the GLA on behalf of LLDC) phase out over time.

**LLDC conclusion**

The Chief Finance Officer of LLDC, taking into account the management of any upside and downside risk through LLDC’s own budget and noting the support of the GLA as set out above, considers that the level of reserves held by the GLA is prudent in the context of current known liabilities, risks, and uncertainties but this will need to be kept under close review in the light of future funding needs, particularly in relation to the East Bank project, and continued challenging market conditions and regulatory uncertainty.

**(f) Old Oak and Park Royal Development Corporation (OPDC)**

OPDC has no reserves. A contingency is held within the earmarked Mayoral Development Corporation (MDC) Reserve held by the GLA: Mayor, as outlined above, to hold planning income received in advance and meet unexpected operational pressures.

**OPDC conclusion**

The Chief Finance Officer of OPDC, having taken into account that it has potential access to the Mayor’s MDC Reserve, considers that the reserves position is prudent in the context of future liabilities, risks and uncertainties, but will need to be kept under review in the light of future funding needs.

**General conclusion**

The above advice reflects the differing nature of the services provided by each organisation. Each body operates independently with its own statutory responsibilities for the proper administration of its financial affairs. The GLA’s Interim Chief Finance Officer relies on the individual advice from each of the Chief Finance Officers of the functional bodies in discharging his responsibilities and judges the estimates and proposed financial reserves to be robust and adequate. The GLA’s Interim Chief Finance Officer notes that the 2024-25 budget is balanced.

In conclusion, the Mayor’s budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will continue to be kept under close review during 2024-25 and in future years.

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## **5. Advice on council tax requirements and referendums**

### **Component and consolidated council tax requirements**

The Mayor must calculate component budgets and resulting council tax requirements for the Mayor, the Assembly, and the five functional bodies (the constituent bodies). These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA Group’s consolidated council tax requirement i.e. its precept (s.85 and Schedule 6 (“Schedule 6”), paragraph 1, of the GLA Act).

### **Procedure for determining the council tax requirements**

The determination of the proposed component budgets and consolidated council tax requirements set out in this Final Draft Budget has taken place following the publication of the government’s final local government finance and police settlements for 2024-25 which included the council tax excessiveness principles as explained below.

The council tax requirement for each body is calculated by determining the difference between projected expenditure, and projected income excluding income from any precept. Insofar as expenditure will exceed income, that amount is the body’s component council tax requirement for the year (s.85 (6) GLA Act). The Mayor must consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the final draft component budgets for the Mayor, Assembly and functional bodies (s.87 and paragraph 2 of Schedule 6 of the GLA Act and s.65 Local Government Finance Act 1992).

### **What are the rules on council tax referendums?**

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the GLA Act and Chapter 4ZA of the Local Government Finance Act 1992. The effect is that there is a requirement for a council tax referendum where the proposed increase in the GLA precept is considered excessive because it exceeds the threshold set out in the local government council tax principles laid by the Secretary of State and approved by the House of Commons for the same financial year as the budget.

As a result of the way the Metropolitan and City of London police forces are funded, the GLA is required to calculate two different “relevant basic amounts of council tax” (on the basis of the council tax Band D) for the City of London (the unadjusted basic amount of council tax or non-police precept) and the 32 London boroughs (the adjusted basic amount of council tax). Both these amounts must be in compliance with the government’s referendum principles if a council tax referendum is to be avoided.

If either or both council tax calculations exceed the threshold under the approved principles (e.g. even if only the calculation applying to the City of London exceeds it), a referendum of local electors across the 32 London boroughs must be held. If the adjusted basic amount of council tax only is excessive under these principles electors in the area covered by the Corporation of London do not participate in the referendum but if the unadjusted amount is excessive, they do alongside electors in the rest of London. The Mayor is under a duty to determine whether either or both of the two council tax figures are excessive under the principles applying to the GLA for the financial year of the Final Draft Budget. This determination must be made as soon as reasonably practicable after the principles for that year have been approved by the House of Commons and is set out below.

On 5 February 2024 alongside the final local government finance settlement the government published– the ‘Referendums Relating to Council Tax Increases (Principles) (England) Report 2024-25’ (“Approved Principles”) setting out the final referendum principles for 2024-25. These were approved by the House of Commons on 7 February 2024.

As the Mayor’s proposed precept is compliant with the principles, the Mayor determines that the two proposed relevant basic amounts of council tax (unadjusted and adjusted) for 2024-25 contained in his Final Draft Budget proposals are not excessive under the Approved Principles. Therefore, no referendum in the 32 London billing authorities and the area of the City of London Corporation would be triggered.

The GLA is not required to make levy payments to levying bodies – as for example applies for all London boroughs in respect of the Environment Agency, Lee Valley Regional Park Authority and the London Pensions Fund Authority – and therefore the baseline against which the principles are measured is the actual unadjusted and adjusted council tax figure for 2024-25.

#### Position regarding the City of London

The unadjusted basic amount of council tax proposed by the Mayor for 2024-25 in his Final Draft Budget is £166.27 for a Band D property – which is the sum payable by council tax payers in the City of London. This is £24.26 higher than in 2023-24.

#### Position regarding the 32 London boroughs

The adjusted basic amount of council tax proposed by the Mayor for 2024-25 in this Final Draft Budget is £471.40 for a Band D property (i.e. £305.13 for the Metropolitan Police plus £166.27 for non-police services) – this is the sum payable by taxpayers in the 32 London boroughs. This is £37.26 or 8.6 per cent higher than the corresponding figure for 2023-24 of £434.14.

The adjusted and unadjusted amounts of council tax are therefore both lower than the GLA’s estimate of the council tax levels that would trigger a referendum in 2024-25 (i.e. £471.41 and £166.28) i.e. they are the maximum permitted increases to avoid the precept increase being deemed excessive under the principles approved by the House of Commons.

#### Substitute budget

The Mayor must include in his Final Draft Budget a statement setting out his formal determination as to whether the Final Draft Budget proposals would result in a council tax increase(s) above or below the approved council tax referendum principles applicable to the GLA for 2024-25, and therefore whether they would trigger a referendum.



In the event that the Final Draft Budget did not comply with the approved principles, the Mayor would be required to present, additionally, a “substitute budget” that did comply. This, subject to any amendments agreed by the required two thirds majority in the Final Draft Budget, would become the default budget if the referendum seeking approval for an increase above the threshold was lost.

The Mayor’s Final Draft Budget in this scenario would then be subject to a London-wide referendum (even if the “excessive” increase only applied to the precept payable by taxpayers in the area of the City of London). As prescribed by the council tax principles regulations for 2024-25 this must take place by no later than the first Thursday in May 2024 – which is the scheduled date for the GLA Elections for the Mayor of London and the Assembly. If the Final Draft Budget was rejected in that referendum, then the alternative substitute final budget would become the final budget for the year. No such substitute budget has been prepared as the Mayor’s proposed precept level under the approved principles for 2024-25 would not trigger a referendum.

As stated above, the Mayor has determined that his Final Draft Budget proposals are not excessive under the Approved Principles and therefore no substitute budget is required.

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## **6. Advice on future plans**

### **What are the medium-term planning arrangements?**

The overall aim of the GLA’s medium-term planning arrangements is to have financial plans and business plans that are based on Mayoral objectives and priorities. This means ensuring that there are sound medium-term financial plans within which all priorities and objectives are adequately funded. The Mayor issues guidance each year to ensure this objective is fully implemented across the GLA Group.

Appendix I of Part 2 of the Final Draft Budget sets out the financial prospects for the GLA and GLA Group in 2024-25 and future years. It emphasises that even after billing authorities returns are received, there remains much uncertainty about the prospects over the next few years. Therefore, although there remain great uncertainties, in setting council tax requirement levels for 2024-25 the Mayor and the Assembly should have regard not just to the in-year funding position for 2024-25 but the expectation that overall resources to the GLA Group will be likely to remain under pressure due to government funding not fully compensating need.

## **7. Advice on the limit on the Assembly’s power to amend the Mayor’s council tax requirement for the Assembly**

### **What is the council tax requirement for the Assembly?**

The GLA is required to determine a separate council tax requirement for both the Mayor and the Assembly as they are separate constituent bodies for the purposes of the GLA’s budget setting.

### **What is the restriction on the Assembly changing its own council tax requirement?**

The Mayor proposes a council tax requirement for the Assembly as part of both the Draft Budget and the Final Draft Budget. The Assembly may amend this but does not have to. However, the GLA Act places limits – at both the initial Draft Budget and the Final Draft Budget stages – on the extent to which the Assembly can amend its own component budget (GLA: Assembly) council tax requirement by reference to changes – up or down (if any) – in the budget for the Mayor’s component (GLA: Mayor) council tax requirement figure, compared to the previous financial year:

- if the Mayoral council tax requirement figure increases, then the Assembly cannot amend the budget to increase its own component council tax requirement figure by a greater percentage
- if the Mayoral council tax requirement figure decreases, then the Assembly’s amendment to its own council tax requirement (if any) can result in an increase to the Mayor’s proposal provided the resulting change in percentage terms compared to the previous year is not less than the percentage decrease made by the Mayor to his own council tax requirement.

The GLA Act uses the terms OM and NM in defining how this works in practice i.e. ‘Old’ Mayor and ‘New’ Mayor:

- ‘Old’ Mayor will be the notional council tax requirement for the Mayor for 2023-24
- ‘New’ Mayor will be the Mayor’s proposed council tax requirement for the Mayor for 2024-25 after any adjustments made
- the percentage change in the Mayor’s council tax requirement from 2023-24 is calculated using these amounts.

The Assembly’s council tax requirement from 2023-24 is then adjusted by the same percentage. This figure then becomes the ‘adjusted previous component council tax requirement for the Assembly.’

### **How is a like for like comparison ensured?**

To facilitate a like for like comparison the Chief Finance Officer may direct amounts to be included or excluded from the comparison of the Mayor’s council tax requirement for the Mayor with the notional council tax requirement for the Mayor for the preceding year. The Chief Finance Officer must have regard to any Secretary of State guidance on the direction (GLA Act Schedule 6, paragraph 5A). No such direction is deemed to be required to ensure a like for like comparison between the 2023-24 baseline and the proposed 2024-25 council tax requirement for the GLA: Mayor component council tax requirement.

### Can the Assembly amend the Mayor’s council tax requirement for the Assembly?

The Mayor is proposing an adjusted Mayoral council tax requirement in 2024-25 for the Assembly which is £0.1 million or 1.42 per cent higher than in 2023-24. The council tax requirement which would result from an equivalent 1.42 per cent increase compared to the Assembly’s 2023-24 allocation is £2.755 million. The Mayor’s proposed council tax requirement for the Assembly is £2.755 million which is identical to this. This reflects the fact that the proposed council tax requirements applied for actual expenditure within the GLA: Mayor and GLA: Assembly component budgets have both been increased by 1.42 per cent in line with the corresponding assumed uplift in the London wide council tax base.

Using the GLA Act’s methodology and applying it to the final draft council tax requirement figures, the Assembly could not increase their own component council tax requirement as the Mayor has already proposed a level which is identical to the calculations made under the rules set out above.

This is explained in the table below:

<b>Mayor’s Budget: Calculation of NM and OM</b>	<b>£</b>
Proposed council tax requirement for the Mayor for 2024-25	68,309,664
<b>NM</b> (Mayor’s adjusted council tax requirement for 2024-25)	<b>68,309,664</b>
<b>Deduct:</b> OM (notional Mayor’s council tax requirement for 2023-24)	67,355,820
<b>OM</b> (notional Mayor’s council tax requirement for 2023-24)	<b>67,355,820</b>
<b>Amount NM is higher than OM council tax requirement</b>	+953,944
<b>Percentage increase</b>	<b>1.42%</b>

  

<b>Assembly Budget: adjusted previous component Council Tax Requirement</b>	<b>£</b>
Notional component Council Tax requirement for the Assembly for 2023-24	2,716,716
<b>Add:</b> 1.42 Per cent change in NM compared with OM	+38,472
<b>Adjusted previous component Council Tax requirement</b>	<b>2,755,188</b>

## Legal Advice

### 1. Overview

This section of Part 3 sets out legal advice on the scope of the Assembly’s amendment powers and other issues not covered elsewhere in Parts 1 and 2.

Details about council tax referendums and the limit on the Assembly’s power to amend the Mayor’s council tax requirement for the Assembly can be found in sections 5 and 7 of this document, alongside the advice provided by the GLA’s Interim Chief Finance Officer.

#### Duty to prepare and approve budgets

Section 85(2) of the GLA Act states: *“In relation to each financial year, the Authority shall make the calculations required by this section.”* Subsection (3) says that the GLA, *“must in relation to each constituent body ... calculate the aggregates required by virtue of subsections (4) and (5) below”*.

Paragraph 1 of Schedule 6 of the GLA Act imposes a duty on the Mayor and the Assembly, in accordance with that Schedule, to prepare and approve for each financial year—

- (a) a budget for each of the constituent bodies as such (a “component budget”); and
- (b) a consolidated budget for the Authority (a “consolidated budget”).

#### Draft Budget stage

Under paragraph 3(1) of Schedule 6 the Mayor *“shall prepare a draft of his proposed consolidated budget for the financial year (the “draft consolidated budget”)”* and then must present it to a public meeting of the Assembly, and publish it. Paragraph 3(4) states *“It shall be the duty of the Mayor to comply with paragraph 2 and sub-paragraphs (1) to (3) above on or before 1st February<sup>3</sup> in the financial year preceding that to which the draft consolidated budget relates.”* Under paragraph 6(1) *“the Assembly must approve the draft consolidated budget, together with the draft component budgets comprised in it, with or without amendment.”* Amendments at this stage may be made by a simple majority of the members of the Assembly present and voting. Under sub-paragraph 5(5) *“If no amendments are made on consideration of the draft consolidated budget (whether to that budget or to any of the draft component budgets comprised in it) the draft consolidated budget shall be deemed to be approved without amendment.”*

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<sup>3</sup> This date can be changed by statutory instrument. It was changed to 15th February 2024 for the 2024-25 financial year by the Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2023/ 1298 - noting these regulations apply to the financial year beginning on 1st April 2024 only. .

### Final Draft Budget stage

Under paragraph 6(1) of Schedule 6 the Mayor shall *“prepare a final draft of his proposed consolidated budget for the financial year (the “final draft budget”)”* after the draft consolidated budget has been approved (with or without amendment). Under sub-paragraphs 6(4) and (6) it is *“the duty of the Mayor to present the final draft budget to the Assembly before the last day of February in the financial year preceding that to which the final draft budget relates”*, having regard to the Assembly’s own duty under paragraph 8(7) *“To approve the final draft budget with or without amendment before the last day of February”*. Under paragraph 8(3) *“after considering the final draft budget, the Assembly must approve it with or without amendment.”*, subject to the limits on amending its own component budget (as set out in Section 7 above). Under sub-paragraphs (4) and (5) *“the only amendments which are to be made are those agreed to by at least two-thirds of the Assembly members voting”* and *“If no amendments are made on consideration of the final draft budget, the final draft budget shall be deemed to be approved without amendment”*. Under paragraph 8(6) *“The final draft budget as approved by the Assembly with or without amendment shall be the Authority’s consolidated budget for the financial year.”*

### Statutory definitions

*“Component budget”* is defined as statements of—

- (a) the amount of the component council tax requirement for each of the seven constituent bodies; and
- (b) the calculations under section 85(4) to (7) of the GLA Act which give rise to that amount for each.

*“Consolidated budget”* is defined as statements of—

- (a) the amount of the Authority’s consolidated council tax requirement;
- (b) the amount of the component council tax requirement for each constituent body; and
- (c) the calculations under section 85(4) to (8) of the GLA Act which give rise to each of the amounts mentioned in paragraphs (a) and (b) above.

### Statutory calculations

The GLA’s Chief Finance Officer (acting for the Mayor exercising the functions of the GLA) is required to make estimates of the various items required by sections 85(4) [*expenditure*] and 85(5) [*income*] of the GLA Act, producing a component council tax requirement for each of the seven constituent bodies under s 85(6) of the GLA Act. Relevant statutory extracts are set out below:

Expenditure: section 85(5)(4)

*The aggregate required by virtue of subsection (4) in the case of a constituent body “is the aggregate of—*

- (a) the expenditure the Authority [i.e. GLA] estimates will be incurred by the body in the year in performing its functions and will be charged to a revenue account for the year in accordance with proper practices (but, in the case of the Mayor or the Assembly, see also subsections (10) to (13));*
- (b) such allowance as the Authority [i.e. GLA] estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;*
- (c) the financial reserves which the Authority [i.e. GLA] estimates it will be appropriate to be raised by or in respect of the body in the year for meeting the body’s estimated future expenditure; and*

*(d) such of the financial reserves of, or in respect of, the body as are sufficient to meet so much of the amount estimated by the Authority [i.e. GLA] to be a revenue account deficit of or in respect of the body for any earlier financial year as has not already been provided for.”*

Income: section 85(5)(5)

*The aggregate required by virtue of subsection (5) in the case of a constituent body “is the aggregate of—*

*(a) the income which the Authority [i.e. GLA] estimates will accrue to or for the body in the year and which will be credited to a revenue account for the year in accordance with proper practices, other than income which the Authority [i.e. GLA] estimates will accrue in respect of any precept issued by it; and*

*(b) the amount of the body’s financial reserves which the Authority estimates will be used by or in respect of the body in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (4)” [i.e. for expenditure and contingencies].*

Under subsection (6) the difference between the aggregate amounts calculated under subsections (5) [*income*] and (4) [*expenditure*], where the former is greater than the latter, is to be the body’s component budget council tax requirement for the forthcoming financial year. (Where the position is reversed the body’s component budget council tax requirement must be nil.)

In making the calculations of the estimates of the various items required by section 85(4) and (5) the GLA’s Chief Finance Officer must do so within the bounds of professional judgement and proper accounting practices and is entitled to have regard to the views of the functional bodies’ Chief Finance Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of proposed reserves. The GLA’s Chief Finance Officer’s judgement as to the appropriate estimate calculations will rely on their own and their confidence in the strength or likelihood of those item’s estimates being fulfilled in the relevant financial year.

### Formal Budget Amendments

Any amendments proposed by Groups or individual Assembly members intended to formally amend (change or alter) the relevant Budget – either the Draft Consolidated Budget or the Final Draft Budget – must involve one or more amendments to the statutory calculations (as set out above) of one or more constituent body’s component budget, moved as a “Formal Budget Amendment” in accordance with Standing Order 6.

## **2. Scope of Assembly’s amendment powers**

### What is the Assembly’s power of amendment?

The Assembly’s power to amend the Final Draft Budget (i.e. to make a budget amendment) is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act (“the statutory calculations”) in respect of each of the seven constituent bodies’ component budget, which in turn produce the component council tax requirements and the GLA’s resulting consolidated budget and consolidated council tax requirement. This is because the GLA Act defines the component budgets and their resulting council tax requirement solely in terms of the statutory calculations, which are then aggregated to become the GLA’s consolidated budget and consolidated council tax requirement (i.e. the GLA Group precept).

In the event that at the Final Draft Budget stage any successful amendment to that budget would give rise to an increase in the GLA’s consolidated council tax requirement that is excessive (determined by reference to the adjusted and/or unadjusted relevant basic amount of council tax) under the approved council tax referendum principles for the corresponding financial year, then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined). While the Assembly has the power to amend the statutory calculations and state its reasons for doing so, only changes to the component and consolidated council tax requirements are binding on the Mayor, who does not have to change individual expenditure decisions in accordance with what may be proposed by the Assembly. This area is covered in section 5 above.

#### Assembly’s own component budget

As discussed above, the Assembly’s right of amendment in respect of its own budget is again limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor (which in any event is subject to the rules on excessiveness and council tax referendums – see section 5 above); where the GLA: Mayor’s component council tax requirement has reduced, the GLA: Assembly’s component council tax can be amended upwards provided that the consequential reduction in percentage terms compared to the previous year is not lower than that for the Mayor’s requirement (Schedule 6, paragraphs 5A and 8A).

#### Amendments to the retained business rates allocation

The Assembly cannot amend the retained business rate allocation put forward by the Mayor in the Final Draft Budget, although the Assembly could legally approve an amendment to that budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of a component budget under the GLA Act.

#### Amendment of underlying budget lines

In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8), i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves. This is because a component budget is defined solely in terms of those calculations because they produce the component budget and in turn the component council tax requirement.

#### Enforceability of successful budget amendments to the Draft Budget

Amendments to one or more of the statutory calculations in the Draft Budget passed by a simple majority of those present and voting will amend that budget. However, these amendments are not binding on the Mayor as the Final Draft Budget may be different. If that is the case the Mayor must present a statement with the Final Draft Budget that shows and explains the changes.

The Assembly passed one formal budget amendment to the Draft Consolidated Budget at its meeting on 25 January 2024. The Mayor has provided his reasons for not accepting the Assembly’s amendments into his Final Draft Budget in the statement at Annex B in Part 1 of this report.

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### Mayor’s failure to present a Final Draft Budget

If the Mayor, having presented a Draft Budget, fails to present a Final Draft Budget before the end of February, the Assembly must meet and agree by a simple majority of members present and voting the component council tax requirements of each of the constituent bodies, and the resulting consolidated budget and consolidated council tax requirement that budget’s financial year are deemed to have been agreed accordingly (Schedule 6, paragraph 7). This should not apply as the Mayor proposes presenting the Final Draft Budget to the Assembly on 22 February 2024. (The same requirements apply, as described above, in relation to the preparation and approval of a substitute budget if the Assembly-approved budget does not comply with the approved council tax referendums principles, and the budget would be subject to referendum as set out in section 5 above).

### Enforceability of successful budget amendments to the Final Draft Budget

Amendments to one or more of the statutory calculations in the Final Draft Budget, tabled as Formal Budget Amendments, that are passed by at least a two-thirds majority of Assembly members present and voting, will formally amend that budget. As noted above, only the formally approved amendments to the statutory calculations that give rise to the component and (resulting) consolidated council tax requirements are binding on the Mayor.

As noted above, only the formally approved amendments to the statutory calculations that give rise to the component and (resulting) consolidated council tax requirements are binding on the Mayor.

### Assembly failure to approve Final Draft Budget by end of February

Subject to the issue of excessiveness under approved council tax referendum principles, the Final Draft Budget approved by the Assembly (with or without amendment) is the GLA’s consolidated budget for the financial year (paragraph 8(6), Schedule 6). If the Assembly fails to approve the budget before the last day of February, the Final Draft Budget presented to the Assembly will be the GLA’s consolidated budget for the year (Schedule 6, paragraph 9).

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