

DA No.: 1637

Title: The 2023-24 GLA Group Budget Outturn

1. Executive Summary

1.1 At the Budget & Performance meeting on 23 July 2024 the Committee resolved that:

Authority be delegated to the Chairman, in consultation with the Deputy Chair and party Group Lead Members, to agree any output arising from the discussion.

1.2 Following consultation with party Group Lead Members, the Chairman agreed the Committee's letter to the Mayor of London regarding the 2023-24 GLA Group Budget Outturn, as attached at **Appendix 1**.

2. Decision

2.1 **That the Chairman, in consultation with the Deputy Chair and party Group Lead Members, agrees the Committee's letter to the Mayor of London regarding the 2023-24 GLA Group Budget Outturn, as attached at Appendix 1.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Printed Name: Neil Garratt AM, Chairman of the Budget & Performance Committee

Date: 16 October 2024

3. **Decision by an Assembly Member under Delegated Authority**

Background and proposed next steps:

- 3.1 The terms of reference for this investigation were agreed by the Chairman, in consultation with party Lead Group Members and the Deputy Chair, under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the report and its recommendations fall within these terms of reference.
- 3.2 The exercise of delegated authority approving the report will be formally noted at the Budget & Performance Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): Paul Goodchild

Printed Name: Paul Goodchild

Date: 18 September 2024

Telephone Number: 07842 600832

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Printed Name:

Date:

Telephone Number:

Legal Implications:

The Chairman of the Budget & Performance Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Rory McKenna

Date: 18.09.24

Email: rory.mckenna@london.gov.uk

Supporting Detail / List of Consultees:

- Krupesh Hirani AM;
- Zack Polanski AM;
- Gareth Roberts AM.

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

Lead Officer / Author

Signature: Gino Brand


Printed Name: Gino Brand

Job Title: Senior Policy Adviser

Date: 18 September 2024

Telephone Number: 07511 213765

Countersigned by Executive Director:

Signature: 

Printed Name: Helen Ewen

Date: 18 September 2024

Telephone Number: 07729 108986



Neil Garratt AM
Chairman of the Budget and Performance Committee

Sadiq Khan
Mayor of London
(Sent by email)

16 October 2024

Dear Mr Mayor,

The 2023-24 Greater London Authority Group budget outturn

I am writing to you on behalf of the Budget and Performance Committee, following its meeting on 23 July 2024. This meeting covered the financial results of the GLA Group for 2023-24, focusing particularly on the operating surplus for Transport for London (TfL), delivery of affordable homes by the Greater London Authority (GLA) and cost of Police Officers and other personnel costs for the Metropolitan Police Service (MPS). There are important lessons to be learned from the last financial year to improve both the effectiveness and the transparency of the delivery of your budget. The Committee has set out its concerns in this letter, which includes **six** recommendations covering budget variances and reporting issues.

Transport for London

Operating surplus

In the absence of revenue support from Central Government, TfL is now required to fund its own day-to-day services. Therefore, if TfL is unable to generate a revenue surplus, it will be required to either further reduce costs or generate additional funding. The Committee is encouraged that TfL has reported an operating surplus but is concerned about its sustainability. Once Department for Transport revenue support that will not recur in 2024-25 is removed, the underlying operating surplus for 2023-24 is just £19 million¹ or less than a quarter of one per cent of TfL's operating expenditure during 2023-24.² It, therefore, appears to the Committee that it would only require a small adverse movement in revenue or expenditure to push TfL's operating budget back into deficit.

¹ P.4, [TfL Finance Report, Q4, 2023-24](#)

² P.5, [TfL management results from 1 April 2023 – 14 October 2023](#), 12 June 2024

The Committee is especially concerned as the judgement that TfL had an underlying operating surplus in 2023-24 depended on discounting £42 million of exceptional costs from the calculation.³ The TfL Group Finance Director explained to the Committee that “*Exceptional costs by definition are one-off in nature*”.⁴ However, he also noted that the two main categories of such costs for the financial year in question were an “*element of restructuring costs*” and “*potential settlements of commercial claims and disputes*”⁵ and that:

*“...over a period of time we would expect other claims to potentially arise and other restructuring costs may arise. ... That is why in our budget and our business plans we hold a general contingency and that is one of the risks that that contingency is held against in case those costs do recur again in future.”*⁶

The Committee has not seen sufficient evidence that these exceptional costs will not recur and would expect to see adequate provision made for this in next year’s budget.

Recommendation 1: TfL should set out in its 2025-26 budget submission and 2024-25 performance reporting the level of contingency it holds for exceptional items such as handling the recent cyber attack, recent applications of such contingencies and the actions it is taking to address any lower than anticipated operating surplus levels.

Unpaid Penalty Charge Notices

In May, the *Evening Standard* reported that most drivers hit with the £180 Ultra Low Emission Zone (ULEZ) fine since its expansion had failed to pay it, which meant that TfL was owed £218 million in Penalty Charge Notices (PCNs).⁷ The Committee also heard from the TfL Group Finance Director that TfL’s total bad debt expense costs “*were in the order of £450 million*.”⁸ This bad debt cost includes all of TfL’s services not just operation of the ULEZ. The London Assembly was informed on 12 September 2024 that TfL was owed £376 million in unpaid PCNs.

The Committee heard from TfL’s Chief Finance Officer that:

*“The vast majority of vehicles are either compliant or they pay within the 14-day period, but for those that take longer, it can become quite extended. That is why you get the numbers reported of uncollected amounts.”*⁹

The Committee notes that TfL’s bad debt provision has increased to £450 million in 2023-24 from £160 million in 2021-22¹⁰ and that this increase in bad debt has coincided with expansion of the ULEZ to the North and South Circular in October 2021 and London wide in August 2023. The Committee requests that TfL supply the following details:

- The ratio of bad debt charges to standard charges before and after the August 2023 expansion for the ULEZ and confirmation that this is in line with TfL’s expectations.
- What is the level of income for each of the Congestion Charging, the Low Emission Zone and the ULEZ; and the corresponding bad debt charges for each from 2020-21
- Confirmation of any new approaches to managing bad debt that were introduced when the ULEZ was introduced and expanded.

³ P.5, [TfL management results from 1 April 2023 – 14 October 2023](#), 12 June 2024

⁴ P.3, [TfL Transcript – 23 July 2024](#).

⁵ P.3, [TfL Transcript – 23 July 2024](#).

⁶ P.3, [TfL Transcript – 23 July 2024](#).

⁷ [Most drivers hit with £180 Ulez fine since expansion have failed to pay it | Evening Standard](#) by Ross Lydall, 21 May 2024

⁸ P.16, [TfL Transcript – 23 July 2024](#).

⁹ [Budget and Performance Committee](#), 23 July 2024

¹⁰ P.55, [2022-23 GLA Budget](#)

Recommendation 2: TfL should review the causes of the increase in its bad debt charge since 2021-22 and look at appropriate measures to increase collection levels for all road user charging. TfL should seek to conclude this exercise in time for it to be reflected in the 2025-26 Budget and break it down for each type of road user charge.

Fares Freeze

The Committee heard at the meeting on 23 July from the TfL Chief Finance Officer that the assumption is that the ongoing funding of the TfL Fares Freeze will be supplied by the GLA:

*"... [W]e are about to go into our business planning process for future years. I would naturally expect the Mayor to continue to challenge us to optimise our cost savings for all the right reasons. Certainly the assumption in the business plan that we published and our thinking to date has been that it would be recurring [funding from the GLA] and would compensate in the years of the Business Plan for that loss."*¹¹

The Committee notes that in the table on funding control totals from your budget guidance for 2025-26, published on 31 July 2024, all of TfL's funding for 2024-25 is shown as recurring and this is assumed by the Committee to include the ongoing funding for the TfL fares freeze.¹²

Recommendation 3: The 2025-26 Budget proposals should explicitly confirm whether the Mayor will continue to provide ongoing funding from GLA funds for the current fares freeze, and be clear on the source of the funding.

Affordable Housing

The Committee is grateful for the input into this meeting from GLA officers, who were not only knowledgeable about affordable housing delivery, but also helpful and open. However, the Committee is concerned that it lacks the necessary information to gauge whether the GLA's housing delivery programmes are on track to deliver and are within the available budget.

The Pace of Delivery

The Committee accepts that the GLA's largest housing programmes deliver across multiple years. However, it is currently only in their final year that it is possible to formally benchmark performance in terms of number of starts and completions against expectations. This undermines the ability of the Committee and others to provide ongoing scrutiny and makes it harder for challenges to be spotted at an early stage.

With regards to the Affordable Homes Programmes 2021-26 (AHP 21-26), the GLA's Interim Executive Director of Housing and Land advised the Committee at the 23 July meeting that: "We do have some concerns around completion deadlines" and spoke about the "really significant challenge" of delivering housing at present. He also noted the tendency for housing delivery programmes to exhibit a "hockey stick effect" where delivery accelerates towards the end of the programme's lifespan.¹³ The Committee acknowledge that this 'hockey stick effect' was seen in delivery of the AHP 2016-2023 where a spike in delivery ensured the GLA exceeded its target of starting 116,000 homes. It is difficult to say whether the apparently slow pace of starts and completions in 2023-24 under AHP 21-26 is due to this 'hockey stick' effect or whether it is due to

¹¹ P.7, [TfL Transcript - 23 July 2024](#).

¹² P.15, [Budget guidance for 2025-26](#), 31 July 2024

¹³ P.1, [Affordable Housing Transcript - 23 July 2024](#).

the challenges the programme faces. The Committee notes that since this meeting the deadline for the completion of homes funded by the AHP 21-26 has been extended from March 2029 to March 2030.¹⁴

Pre-established benchmarks on delivery at given intervals would clarify the position of the programmes and help to demonstrate to Londoners that public money is being utilised effectively.

Unit Costs

The Committee is concerned about what it implies for unit costs under AHP 21-26 that there was an overspend of £95 million¹⁵ on AHP 21-26 in 2023-24 relative to its budget¹⁶, whilst housing delivery under the programme has so far only reached ten per cent of the overall target levels.^{17 18} Given the difficult external environment for construction, the Committee is concerned that a point could be reached where the unit cost would be above the level where the money budgeted for the programme can deliver the number of new homes targeted. Therefore, the Committee wish to understand the procedures in place if the target level of completions is not affordable under the existing level of funding.

The Committee believes that including estimated unit costs for starts and completions would be a valuable addition to the GLA's published quarterly performance reports. While these reports currently include information on both expenditure under affordable home programmes¹⁹ and the number of starts and completions²⁰, it is not possible to connect these in a meaningful way that gives an indication of a typical unit cost.²¹ Rectifying this absence would, alongside benchmarks for the number of starts and completions, provide another valuable gauge of the performance of housing delivery programmes whilst they are ongoing.

Recommendation 4: The GLA to set out clearly in its 2025-26 Budget submission what assumptions are being made about a) the number and size of homes to be started and completed under the different GLA housing delivery initiatives, b) the unit costs for starts and completions and c) the grant for each unit. These metrics should then be tracked in the quarterly performance reports.

In July 2020, you wrote to the then Secretary of State for Housing, Communities and Local Government drawing his attention to joint research between the GLA and the G15 group of large London housing associations suggesting that annual funding of £4.9 billion for a decade would be necessary to meet London's housing need.²² When the Committee raised this finding at the 23 July meeting, of Interim Executive Director of Land and Housing suggested that "*very significant funding*"²³ would still be required over the next five to ten years and that overall costs would have risen since 2020.²⁴ Given this, the Committee would like to know what request is being made of the current government.

¹⁴ [London Assembly publishes annual Affordable Housing Monitor | London City Hall](#)

¹⁵ This was offset by underspending of £79 million in Building Safety and £29 million in Specialist Housing Services

¹⁶ P.7, [GLA Q4 2023-24 Finance Report](#)

¹⁷ P.12, [Affordable Housing Monitor 2023 \(London Assembly\)](#), Target = 23,900

¹⁸ [Affordable Housing Starts and Completions](#) [May 2024] "No. of starts" = Table: "Table 1 = Programme & Tenure", Column: "Total Affordable Starts" – 1,777/23,900 = 10 per cent

¹⁹ P.7, [GLA Q4 2023-24 Finance Report](#)

²⁰ P.2, [GLA stats -General Programmes Q4 \(london.gov.uk\)](#)

²¹ PP.9-10, [Affordable Housing Transcript – 23 July 2024](#)

²² [Mayor calls on Government to give London affordable homes funding | London City Hall](#)

²³ P.3, [Affordable Housing Transcript – 23 July 2024](#)

²⁴ P.3, [Affordable Housing Transcript – 23 July 2024](#)

Recommendation 5: The Mayor to provide an updated assessment of the GLA’s estimate from 2020 that the GLA would require £4.9 billion per year for 10 years to deliver the level of housing that London needs.

Mayor’s Office for Policing and Crime/Metropolitan Police Service

The Committee was concerned to see that the number of Full Time Equivalent (FTE) officers working for the Metropolitan Police Service (MPS) fell by 486 during 2023-24.²⁵ In addition, at 34,017 at the end of the financial year, officer numbers continue to lag behind both the targets set by your office²⁶ and by the Home Office.²⁷ We note with concern that this took place in a context where, as the Chief Finance Officer of the Mayor’s Office of Policing and Crime (MOPAC) told the Committee, that in 2023-24: “... *there was a seven per cent pay award ... [and the] ... London allowance increased ... from £3,300 to £4,300 to all officers up to and including the rank of Chief Superintendent.*”²⁸

The Committee recognise that in response to these difficulties increasing the MPS’s officer headcount, the Commissioner of the Police of the Metropolis has set out plans to hire additional police staff so that he can reallocate officers currently serving in roles that would normally be performed by civilian staff back to the frontline. His report to the March 2024, London Policing Board meeting stated that circa 3,000 officers could potentially return to the frontline over the next three years.²⁹ However, the MPS stated in a written response to questions from the Committee, received on 22 August 2024, that only 238 officers had been reallocated because “*the MPS currently does not have the funding to recruit the staff who would be needed to backfill those officers*”.³⁰ Additional funding from Central Government for this purpose has been sought but not confirmed.³¹

We recognise that in 2023 the Home Office denied the MPS’ request to reallocate £31 million in withdrawn recruitment funds to free up officers serving in administrative roles.³² Rather than relying on this, the Committee would like to see the MPS draw up plans that are affordable from its own resources.

The Committee believes there is evidence that shows that that the pay of warranted officers is generally higher relative to staff³³ and suggests that the £186 million the MPS spent in 2023-24 on officer overtime³⁴ for work that could to some extent be done by the warranted officers currently in staff roles. If the MPS and MOPAC believe this approach is not practical, then the Committee would appreciate specific information about the challenges.

Recommendation 6: The MPS to develop a plan that utilises available resources rather than relying on external funding to backfill staff roles currently filled by police officers.

²⁵ P.112, [Quarter 4, 2023/24, GLA Group Monitoring reports](#) (2024)

²⁶ 5.11, [MOPAC/MPS Budget Submission 2023/24 to 2025/26](#)

²⁷ 6.11, [MOPAC/MPS Budget Submission 2024/25 to 2026/27](#)

²⁸ PP.2, [MOPAC Transcript – 23 July 2024](#)

²⁹ 3.2 – 3.4, [London Policing Board – 5 March 2024 Commissioner’s Report](#)

³⁰ P.3, MPS letter to Budget and Performance Committee, 22 August 2024

³¹ [Met Police faces lowest staffing levels in decade, says chief – BBC News](#)

³² <https://www.standard.co.uk/news/london/met-police-recruitment-home-office-police-uplift-funding-b1098631.html>

³³ “Resourcing flexibility can support productivity” and footnote 66, [Policing Productivity Review \(accessible\)](#) (2024)

³⁴ P.74, [MOPAC Quarterly Report Q4 2023/24](#)

We appreciate the GLA officers' attendance and engagement with the Committee, and we look forward to assessing the 2025-26 Budget in the coming months with the above reflections in mind. I look forward to your response to this letter by **15 November 2024**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Neil Garratt', written in a cursive style.

Neil Garratt AM
Chairman of the Budget and Performance Committee