



Local Government Act 2003

2003 CHAPTER 26

PART 2

FINANCIAL ADMINISTRATION

25 Budget calculations: report on robustness of estimates etc

- (1) Where an authority to which section [F¹31A, 32, 42A] or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c. 29) (Greater London Authority) applies is making calculations in accordance with that section, the chief finance officer of the authority must report to it on the following matters—
 - (a) the robustness of the estimates made for the purposes of the calculations, and
 - (b) the adequacy of the proposed financial reserves.
- (2) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.
- (3) In this section, “chief finance officer”, in relation to an authority, means the officer having responsibility for the administration of the authority’s financial affairs for the purposes of—
 - (a) section 151 of the Local Government Act 1972 (c. 70),
 - (b) section 73 of the Local Government Act 1985 (c. 51),
 - (c) section 112 of the Local Government Finance Act 1988 (c. 41),
 - (d) section 6 of the Local Government and Housing Act 1989 (c. 42), ^{F²}...
 - (e) section 127(2) of the Greater London Authority Act 1999, [^{F³}or
 - (f) Schedule 1, 2 or 4 to the Police Reform and Social Responsibility Act 2011]

Textual Amendments

- F1** Words in s. 25(1) substituted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 43](#); [S.I. 2011/2896](#), art. 2(i)

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- F2** Word in s. 25(3)(d) omitted (22.11.2012) by virtue of [Police Reform and Social Responsibility Act 2011 \(c. 13\)](#), s. 157(1), [Sch. 16 para. 318\(a\)](#); S.I. 2012/2892, art. 2(i)
- F3** S. 25(3)(f) and word inserted (22.11.2012) by [Police Reform and Social Responsibility Act 2011 \(c. 13\)](#), s. 157(1), [Sch. 16 para. 318\(b\)](#); S.I. 2012/2892, art. 2(i)

Commencement Information

- I1** S. 25 in force at 18.11.2003 for E. by [S.I. 2003/2938](#), [art. 3\(a\)](#) (with [art. 8](#), [Sch.](#))
- I2** S. 25 in force at 27.11.2003 for W. for the purpose of and in relation to financial years beginning on or after 1.4.2004 by [S.I. 2003/3034](#), [art. 2](#), [Sch. 1 Pt. I](#)

26 Minimum reserves

- (1) This section has effect in relation to the estimation of financial reserves for the purpose of calculations in accordance with—
- (a) section [^{F4}31A or] 32 of the Local Government Finance Act 1992 (calculation by billing authority of [^{F5}council tax or] budget requirement for financial year),
 - (b) section [^{F6}42A or] 43 of that Act (corresponding provision for major precepting authority), or
 - (c) section 85 of the Greater London Authority Act 1999 (calculation by Greater London Authority of component and consolidated budget requirements for financial year).
- (2) In the case of a controlled reserve, it shall not be regarded as appropriate for the balance of the reserve at the end of the financial year under consideration to be less than the minimum amount determined in accordance with regulations made by the appropriate person.
- (3) In subsection (2), “controlled reserve” means a financial reserve of a description specified for the purposes of this section by regulations made by the appropriate person.
- (4) Different provision may be made under subsection (2) for different descriptions of financial reserve.

Textual Amendments

- F4** Words in s. 26(1)(a) inserted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 44\(a\)](#) (i); S.I. 2011/2896, art. 2(i)
- F5** Words in s. 26(1)(a) inserted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 44\(a\)](#) (ii); S.I. 2011/2896, art. 2(i)
- F6** Words in s. 26(1)(b) inserted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 44\(b\)](#); S.I. 2011/2896, art. 2(i)

Commencement Information

- I3** S. 26 in force at 18.11.2003 for E. by [S.I. 2003/2938](#), [art. 3\(a\)](#) (with [art. 8](#), [Sch.](#))
- I4** S. 26 in force at 27.11.2003 for W. for the purpose of and in relation to financial years beginning on or after 1.4.2004 by [S.I. 2003/3034](#), [art. 2](#), [Sch. 1 Pt. I](#)

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27 Budget calculations: report on inadequacy of controlled reserve

- (1) This section applies where an authority to which section [F731A, 32, 42A] or 43 of the Local Government Finance Act 1992 (c. 14) or section 85 of the Greater London Authority Act 1999 (c. 29) applies is making calculations in accordance with that section.
- (2) If in relation to the previous financial year it appears to the chief finance officer that a controlled reserve is or is likely to be inadequate, he must report to the authority on—
 - (a) the reasons for that situation, and
 - (b) the action, if any, which he considers it would be appropriate to take to prevent such a situation arising in relation to the corresponding reserve for the financial year under consideration.
- (3) For the purposes of subsection (2)—
 - (a) a controlled reserve is a financial reserve of a description specified by regulations under section 26(3), and
 - (b) such a reserve is inadequate if the balance of the reserve at the end of the financial year concerned is less than the minimum amount determined in accordance with regulations under section 26(2).
- (4) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.
- (5) In this section, “chief finance officer” has the same meaning as in section 25.

Textual Amendments

- F7** Words in s. 27(1) substituted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 45](#); [S.I. 2011/2896](#), art. 2(i)

Commencement Information

- I5** S. 27 in force at 27.11.2003 for W. for the purpose of and in relation to financial years beginning on or after 1.4.2004 by [S.I. 2003/3034](#), art. 2, [Sch. 1 Pt. I](#) (with [Sch. 2 para. 4](#))
- I6** S. 27 in force at 1.4.2004 for E. by [S.I. 2003/2938](#), [art. 7\(a\)](#) (with [art. 8](#), [Sch.](#))

28 Budget monitoring: general

- (1) Where in relation to a financial year an authority to which section [F831A, 32, 42A] or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) applies has made the calculations required by that section, it must review them from time to time during the year.
- (2) In carrying out a review under subsection (1), an authority must use the same figures for financial reserves as those used in the calculations under review, except in the case of financial reserves to meet a revenue account deficit from an earlier financial year.
- (3) If as a result of carrying out a review under subsection (1) it appears to the authority that carried out the review that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation.
- (4) For the purposes of subsection (3), there is a deterioration in an authority’s financial position if on the review an amount falls to be calculated under section [F931A(4),

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32(4), 42A(4)] or 43(4) of the Local Government Finance Act 1992 (c. 14) ([^{F10}council tax or] budget requirement) and—

- (a) none fell to be calculated under that provision at the time of the calculations under review, or
 - (b) an amount did then fall to be calculated under that provision and the amount then calculated is less than the amount calculated on the review.
- (5) Where substitute calculations have effect, it is those calculations to which the duty under subsection (1) applies.

Textual Amendments

- F8** Words in s. 28(1) substituted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 46\(2\)](#); [S.I. 2011/2896](#), art. 2(i)
- F9** Words in s. 28(4) substituted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 46\(3\)\(a\)](#); [S.I. 2011/2896](#), art. 2(i)
- F10** Words in s. 28(4) inserted (3.12.2011) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), [Sch. 7 para. 46\(3\)\(b\)](#); [S.I. 2011/2896](#), art. 2(i)

Commencement Information

- I7** S. 28 in force at 27.11.2003 for W. for the purpose of and in relation to financial years beginning on or after 1.4.2004 by [S.I. 2003/3034](#), art. 2, [Sch. 1 Pt. I](#)
- I8** S. 28 in force at 1.4.2004 for E. by [S.I. 2003/2938](#), [art. 7\(a\)](#) (with [art. 8](#), [Sch.](#))

29 Budget monitoring: Greater London Authority

- (1) Where in relation to a financial year the Greater London Authority has made the calculations required by section 85(3) to (7) of the Greater London Authority Act 1999 (c. 29) (calculation of component budget requirement for each constituent body), each of the bodies in respect of which the calculations have been made must from time to time during the year review the calculations relating to it.
- (2) In carrying out a review under subsection (1), a body must use the same figures for financial reserves as those used in the calculations under review, except in the case of financial reserves to meet a revenue account deficit from an earlier financial year.
- (3) If as a result of carrying out a review under subsection (1) it appears to the body that carried out the review that there has been a deterioration in its financial position, it must—
- (a) take such action, if any, as it considers necessary to deal with the situation, and
 - (b) if it is a functional body, report the deterioration to—
 - (i) the Mayor of London, and
 - (ii) the Chair of the London Assembly.
- (4) A report under subsection (3)(b) shall—
- (a) include a statement of the reasons for the deterioration, and
 - (b) set out what action, if any, the body making the report proposes to take to deal with the situation.
- (5) For the purposes of subsection (3), there is a deterioration in a body's financial position if on the review an amount falls to be calculated under section 85(6) of the Greater London Authority Act 1999 (component budget requirement) and—

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- (a) none fell to be calculated under that provision at the time of the calculations under review, or
 - (b) an amount did then fall to be calculated under that provision and the amount then calculated is less than the amount calculated on the review.
- (6) Where substitute calculations have effect, it is those calculations to which the duty under subsection (1) applies.
- (7) In this section, “functional body” has the same meaning as in the Greater London Authority Act 1999.

Commencement Information

I9 S. 29 in force at 1.4.2004 for E. by S.I. 2003/2938, art. 7(a) (with art. 8, Sch.)

30 Authorisation of agreements during the prohibition period

- (1) In section 115 of the Local Government Finance Act 1988 (c. 41) (which sets out the consequences for a relevant authority of the receipt of a report made by its chief finance officer under section 114(3)), in subsection (6) (which prevents an authority that has received such a report from entering into certain agreements during the prohibition period), at the end there is inserted “ unless the chief finance officer of the authority authorises it to do so ”.
- (2) After that subsection there is inserted—
- “(6A) The chief finance officer may only give authority for the purposes of subsection (6) above if he considers that the agreement concerned is likely to—
- (a) prevent the situation that led him to make the report from getting worse,
 - (b) improve the situation, or
 - (c) prevent the situation from recurring.
- (6B) Authority for the purposes of subsection (6) above shall—
- (a) be in writing,
 - (b) identify the ground on which it is given, and
 - (c) explain the chief finance officer’s reasons for thinking that the ground applies.”
- (3) In subsection (14) of that section (which defines certain terms used in that section), after the definition of “the Assembly”, there is inserted—
- ““chief finance officer” has the same meaning as in section 114;”.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act applied (with modifications) by [S.I. 2024/414 art. 5Sch. 1 para. 13](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 18(2A) inserted by [2007 c. 28 Sch. 14 para. 5\(2\)\(b\)](#)
- s. 24(1) s. 24 renumbered as s. 24(1) by [2007 c. 28 Sch. 14 para. 5\(3\)](#)
- s. 24(2) inserted by [2007 c. 28 Sch. 14 para. 5\(3\)](#)