The Mayor's Budget Guidance for 2025-26

31 July 2024

Contents

The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions.

The Mayor sets the overall budget for the GLA (including the London Assembly) and its five functional bodies (together known as the GLA Group). The GLA Group comprises:

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

Mayor's foreword to the Budget Guidance for 2025-26

After years of low-growth and instability, these remain challenging economic times for London and the whole country. Although inflation has now reduced, the cost-of-living crisis is still exerting a real squeeze on households across London. Local government and our public services also continue to feel the strain following the impact of the pandemic and years of chronic underfunding by the previous national government.

However, with a new government committed to taking a different approach, there is now cause for real optimism. London was held back for years by the previous government, but we now have a huge opportunity to work hand-in-hand with the new government to deliver the change London and the whole country deserves.

This document sets out our budget guidance to the Greater London Authority and its functional bodies – including Transport for London and the Metropolitan Police Service – so that each organisation can take the next steps in preparing its budget for the 2025-26 financial year. The previous government provided no funding certainty beyond March 2025, which makes long-term planning very difficult. I am optimistic that this will change under the new government, but they will need some time to plan and deliver the best way forward, given the range of challenges they face.

Our budget guidance has been developed and issued on the basis of the best information available to us at the time, but inevitably it is subject to change. Any updates or adjustments to proposed budgets will be communicated to the relevant bodies in a timely fashion, ensuring they can respond to any changes as early as possible within the overall budget process.

This year's budget process will also see changes to improve its efficiency. I am providing more information in this document on the GLA's income sources than in previous years, enabling earlier scrutiny and consequently more focused discussions later in the process. We will welcome feedback on these changes which will be taken into account in future years.

In London, we've already taken some huge strides forward over recent years. This includes starting a new golden era of council house building, becoming a world-leader in tackling the climate crisis, investing record amounts from City Hall in the police and preventative services, and supporting Londoners through the cost-of-living crisis by delivering free primary school meals. I know that by working with the new government and continuing to focus on creating a fairer, safer and greener London for everyone, we can build on the progress we've already made in London and unleash a new era of change.

I'll never forget that London gave me the opportunities to go from the council estate where I grew up to being Mayor of the greatest city on earth; and the common thread that will continue to run through everything I do as Mayor is the desire to ensure that all Londoners - irrespective of race, gender, religion, sexual orientation, disability or class - can get the same shot at reaching their full potential that London gave me and my family.

So my commitment is to make London the best city in the world to grow up – from birth all the way to buying a house and getting a job; and I’ll be using the budget and all the levers at my disposal to provide the helping hand young Londoners need to achieve their aspirations, ensuring London becomes a byword for opportunity again.

My priorities include making free school meals permanent in London, ending rough sleeping by 2030, building more council houses and new “rent control” homes, investing in the police, providing record funding for youth clubs, helping to create over 150,000 new jobs, and providing skills training for anyone who is unemployed or on a low-income. I’m also passionate that London maintains its position at the forefront of climate action globally.

Of course, we still have much more to do – particularly on tackling crime and fixing the housing crisis. But I believe that by working together – City Hall, local councils and the new government – we can be hopeful and ambitious about what we can achieve in London as we build a better London for everyone.

Sadiq Khan
Mayor of London
31 July 2024

1. Introduction & Context

1.1 The GLA Group Consolidated Budget ensures there are sound financial plans to support Mayoral objectives and priorities within available resources. The budget development process is designed to ensure the Mayor's budget proposals are an accurate reflection of his priority aims and objectives; and can be contained within available resources. The proposals must balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from regional, national and international events.

1.2 The 2025-26 budget process, in summary, requires the GLA and its functional bodies to:

- prepare their 2025-26 budget submission on the basis set out in this Budget Guidance (hereafter 'Guidance')
- include within the annual budget submission their contribution towards the London Climate Budget
- provide timely and high-quality quarterly budget monitoring information to help inform the Mayor's deliberations on his budget which recognises in-year delivery of the 2024-25 budget
- work on the basis the control totals for revenue expenditure, set out in Section 3 of this Guidance, should be used as the basis for their 2025-26 budget submissions in November; whilst recognising these control totals are based on prudent funding assumptions and available information at the current time which the Mayor will keep under review. The Mayor may therefore issue updated control totals later in the year should the current assumptions in this document be affected by other factors
- make a draft budget submission available to GLA Group Finance for review in advance of the formal submission
- make a full and final public budget submission to the Mayor by **Friday, 22 November 2024** with proposals that ensure their budget is within the funding envelope specified
- consider and respond to the publication of the Mayor's Consultation Budget published in December 2024
- engage with the Assembly as it considers the GLA: Mayor and each functional body's budget submission and the Mayor's statutory budget proposals, prior to the consideration of the Final Draft budget at the Assembly's plenary meeting in February 2025
- in producing their final budget, to address detailed points of feedback from the Assembly and others submitted during the Consolidated Budget 2025-26 process.

1.3 The information sought from the GLA and its functional bodies in this Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999. The GLA Group Budget will also be prepared in compliance with the CIPFA Financial Management Code.

1.4 A more detailed budget timetable can be found in Section 4 of this Guidance.

1.5 Until further information is provided by government, the Mayor expects the GLA and its functional bodies to produce budget submissions in line with the control total allocations for 2025-26 to 2027-28 contained within the scenario outlined in Section 3. This scenario represents a prudent, but not worst-case, assessment of council tax and business rates income and takes into account the statutory duties placed on the GLA's Chief Finance Officer and CIPFA best-practice.

Structure of this Guidance

1.6 Section 2 of this Guidance sets out a review of the economic outlook and funding sources that inform the Mayor's funding allocations; and continues by highlighting the key budget assumptions that are currently being applied. Section 3 outlines the proposed funding control totals the GLA and its functional bodies are to use in developing their forthcoming budget submissions. Section 4 outlines the budget process for producing the Mayor's Consolidated Budget 2025-26, the key deadlines and the requirements being placed on the GLA and its functional bodies including capital strategy requirements, the London Climate Budget, Value for Money considerations, and equality implications and quarterly reporting.

1.7 Appendix A to this Guidance outlines historical context to the Mayor's Consolidated Budget process regarding the council tax and business rates funding regimes. In previous years, much of this information has been reproduced and duplicated in the various Budget documents (i.e. the Consultation Budget, Draft Budget and Final Draft Budget). For the first time, this year, this historical information will only be included in this Guidance; and the remaining budget documents will only provide updates as and when material new information becomes available.

1.8 Appendix B sets out, in cash terms, the changes to the GLA Group's funding control totals 2025-26 from those outlined in the Consolidated Budget 2024-25; and describes the adjustments made to the control totals that result in the 2025-26 allocations.

1.9 If any further information or clarification is required on this Guidance then please contact: Elliott Ball, Interim Director Group Finance and Performance (email: Elliott.ball2@london.gov.uk and GLABudget@london.gov.uk).

2. Funding sources

Economic outlook

2.1 This budget is being set at a time of recognised macroeconomic uncertainty. Although the Office for National Statistics (ONS) stated in its most recent release (17 July 2024) that Consumer Price Index (CPI) inflation, over the previous 12 months, was 2 per cent in line with the government's target, the latest Bank of England Market Mean forecasts (published in its May 2024 Monetary Policy Report) indicate that the inflation rate is likely to increase in the coming months. Furthermore, the UK gross domestic product (GDP) growth has only recently been reported as positive (at 0.7 per cent for Quarter 1 2024) following two periods of contraction (-0.3 per cent in Quarter 4 and -0.1 per cent in Quarter 3 2023).

2.2 There are three major issues causing considerable uncertainty to the GLA Group's medium-term financial forecast:

1) The future state of London's economy, given the lasting impact the recent period of high inflation has had on household and corporate budgets and their economic activity. This can be expected to continue to impact on levels of tax receipts, as well as other sources of GLA Group income.

2) The current Spending Review allocations announced by the previous government end in March 2025. No indicative allocations or departmental spending plans were set out for 2025-26 or future years prior to the general election. The Chancellor of the Exchequer announced, on 29 July 2024, the government will publish its Budget on 30 October, setting departmental expenditure limits for 2025-26; and will then publish a multi-year Spending Review, setting spending plans for a minimum of three years of the five-year forecast, in Spring 2025. It is inevitable that the budget decisions of the government will have an impact on the GLA Group.

3) The government may consider introducing reforms to the local government funding finance system, including as part of further decisions on devolution. Any fundamental reforms are likely to take several years to implement so this creates uncertainty in the later years.

Key budget assumptions

2.3 The GLA Group is funded through a combination of different sources:

Reflected in the control totals as these are revenue streams which the Mayor has some decision-making power over:

- business rates
- council tax.

Not reflected in the control totals:

- specific and general government grants including Home Office police grant
- income generated by GLA Group organisations, such as passenger fares income
- locally raised fees and charges and associated enforcement revenues including the congestion charge and Ultra Low Emission Zones and
- the Crossrail Business Rates Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL) which are both ringfenced to repay the GLA's Elizabeth line debt
- use of reserves.

2.4 The Mayor provides funding to the GLA and its functional bodies, via their annual control totals, from the total amount of funding the GLA Group receives from council tax and business rates. Issues related to specific government grants and other sources of income, such as passenger fares, are to be considered by the relevant organisation in conjunction with the Mayor's Office and GLA Group Finance, as part of the budget development process, but are necessarily not reflected in the GLA Group control totals presented in this Guidance. Appendix A provides further general information and context regarding the council tax and business rates funding regimes.

Business rates

2.5 National non-domestic rates (NNDR) – commonly known as business rates – are a property tax applied to all non-residential properties in England. Business rates are the primary revenue source for the baseline funding for the GLA Group allocated through the local government finance settlement each year.

2.6 The tax is calculated as a percentage (the multiplier) of the notional rental value (or rateable value) of each asset or rating assessment. This multiplier is typically raised each year in line with the Consumer Prices Index – albeit the government can choose not to apply this uplift for some, or all, ratepayers as is explained below. It is charged not just on premises operated by businesses but also to those occupied by public sector organisations, charities and not for profit bodies. It is also charged on other commercial assets (e.g. parking spaces, advertising hoardings and phone masts) not just buildings.

2.7 The tax rates and overall structure of the tax are set by central government and the property valuations are undertaken by an independent government agency – the Valuation Office Agency – which are regularly reviewed typically now every three years. The government also sets business rates relief policies such as the 80 per cent relief offered to charities or the current 75 per cent relief scheme for the retail, leisure and hospitality sectors. The tax is administered, collected and enforced locally by billing authorities – in London these are the 32 boroughs and the City of London Corporation.

2.8 The Mayor's Budget 2024-25 estimates gross business rates income for the GLA Group (including associated government section 31 grants that compensate the GLA for government-funded reliefs and to offset the lost revenue arising from any freezing or capping of the rise in the multiplier since 2015-16) of around £3.6 billion. The GLA is required to pay a tariff to the government (a fixed amount set out in the local government finance settlement representing the difference between the GLA's funding baseline and its assumed business rates income baseline) and a levy on growth (variable amount using a methodology set by the government which is proportional to the GLA's share of the business rates income collected by the 33 local authorities above its baseline). The tariff and levy payments are redistributed to fund local services elsewhere in England. After deducting the forecast tariff and levy on growth payable to the government, the sum which it is estimated would be prudent to allocate to fund GLA Group services in this Guidance for 2025-26 is over £2.7 billion.

2.9 Future years' income from retained business rates is, in practice, dependent on government policy decisions on local government finance and funding – including the level of support for inflation pressures delivered through the settlement and potential reforms to the business rates retention system including a reset of growth – and London's economic activity.

2.10 From 2019-20 to 2023-24, the government froze the business rates multiplier to reduce the burden of the impact of annual 'inflationary' increases in business rates for UK businesses. In 2024-25 the government increased the standard multiplier paid on larger premises with a rateable value over £51,000 – which accounts for over 80 per cent of London's taxbase – in line with September 2023 CPI inflation but maintained the freeze for small businesses below this threshold. The government has historically always compensated local authorities for the cumulative lost revenues arising from these decisions via the general 'section 31' grant and made appropriate adjustments to reflect the differential impact of the 2024-25 methodology change. In both 2023-24 and 2024-25, however, no inflationary uplift was provided on the element of the Mayor's settlement baseline funding relating to the former TfL capital grant; and it is assumed at this stage this approach will continue in all future years.

2.11 The business rates assumptions used to inform the Consolidated Budget 2025-26 at this stage of the process (i.e. the Mayor's Budget Guidance 2025-26) are as follows:

Variable	Budget Guidance Assumption
BR1: Business rates – income growth (excluding TfL capital element of baseline funding).	2025-26: 2.0%. 2026-27: 2.0%. 2027-28: 1.8%.
BR2: Business rates – TfL capital funding.	No inflationary uplift to TfL's capital allocation within the Mayor's local government settlement baseline funding allocation is assumed.

2.12 No estimate has been made at this stage of any potential business rates surplus or deficit for 2024-25 i.e. the actual amount of business rates collected in that financial year by London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London), compared to their estimated forecasts made in January 2024 which were used to inform the 2024-25 Consolidated Budget allocations. London's billing authorities will again report an estimated figure – payable or recoverable in cash terms in 2025-26 – through their NNDR1 returns due at the end of January 2025. The GLA cannot be certain of the actual 2024-25 (or indeed the 2023-24 and prior year) outturn position until the statutory outturn (NNDR3) returns are submitted by all 33 local authorities following the completion of the audits on their annual accounts. Due to audit delays the final position may take some time to determine, although any volatility is expected to be able to be managed through the GLA's Business Rates Reserve.

Variable	Budget Guidance Assumption
BR3: Business rates – surplus/deficit for 2024-25.	No business rates surplus or deficit for 2024-25 (compared to the budgeted estimates made in January 2024) is assumed.

2.13 At the time of publishing, it is not possible to make any reliable assumptions about potential reforms to the business rates retention system or the wider local government finance and funding system. This will be kept under review throughout the budget process.

Variable	Budget Guidance Assumption
BR4: Reforms to business rates retention and wider local government finance system.	No material change to the current methodology. The following parameters/policy approaches are therefore assumed to be unchanged for 2025-26. Any change to these parameters listed could affect the GLA's tariff and levy calculation: • London's 67 per cent business rates pilot continues (including 37 per cent GLA share) • the government will continue to fund the ongoing lost revenue via grant arising from decisions to freeze (or cap the increase in) the small business and standard NNDR multipliers prior to 2024-25 and in the small multiplier from 2024-25 onwards linked to the relevant September CPI (or RPI) inflation rate • no reset (and redistribution) of business rates growth achieved under the business rates retention system • no review of needs and distribution – and therefore settlement funding baselines will be consistent in real terms with 2024-25.

2.14 Risks associated with business rates revenue are managed through the Business Rates Reserve. The Business Rates Reserve is also used to hold funds which emerge due to unforeseen circumstance and to manage unforeseen cost pressures including actual surpluses and deficits which emerge through the annual accounts process. Therefore, its balance is expected to fluctuate.

2.15 Billing authorities are required to provide their estimated outturn for 2024-25 and forecast business rates income for 2025-26 by 31 January 2025. These will provide more certainty on the business rates income available to the GLA. Budget assumptions will be updated as this information becomes available.

Council tax

2.16 Council tax is a local property tax on residential properties in England including the roughly 3.7 million homes in London. The number of properties subject to council tax is known as the council taxbase and is subject to change from one year to the next. The government is responsible for setting the overall structure of the council tax system including any restrictions on the annual increase in the tax a local authority may apply without having to hold a local referendum.

2.17 Local billing authorities – the 32 boroughs and the City of London – maintain the list of properties to be billed and set their own council tax rates to fund local services such as children's services and adult social care. In London, the Mayor applies a precept on top of this local authority rate to fund the GLA's police and non-police functions which he can increase annually subject to parameters set by the government in the local government and police finance settlements.

2.18 This Guidance assumes that the GLA Group will receive over £1.5 billion in council tax precept revenues in 2025-26, almost 65 per cent of which relates to the police element which will be passported to the Mayor's Office for Policing and Crime (MOPAC).

2.19 As a result of provisions introduced in the Localism Act 2011 since 2012-13, the government has set limits on council tax increases (so called 'excessiveness principles'). Authorities wishing to exceed these limits – which are set annually at Ministers' discretion and are then approved by the House of Commons – are required to hold a referendum of local residents across their entire area to seek approval before they can legally be implemented. Any precept increase approved by the Mayor, or via an Assembly amendment to his Final Draft Budget 2025-26, beyond the government's limits would, under current legislation, require a referendum to be held by the first Thursday in May.

2.20 The council tax assumptions used to inform the Consolidated Budget 2025-26 at this stage of the process (i.e. the Mayor's Budget Guidance 2025-26) are as follows:

Variable	Budget Guidance Assumption
CT1: Council Tax – increase at Band D.	Police: 2.0% increase at Band D per annum (ringfenced for MOPAC/MPS). Non-Police: 2.0% increase at Band D per annum.

2.21 Growth in the London council taxbase will affect the amount of revenue raised. Assumptions on this growth used to determine the control totals in this Guidance are informed from recent borough forecasts.

Variable	Budget Guidance Assumption
CT2: Council tax – change in London taxbase.	2025-26: 1.0%. 2026-27: 1.1%. 2027-28: 0.9%.

2.22 Similar to Business Rates forecasts, outlined in paragraph 2.12, London's billing authorities will be required, in January 2025, to provide an estimated collection fund surplus or deficit outturn calculation for 2024-25 for council tax, taking into account expected collection rates, changes in the valuation list due to new properties being added, the actual level of council tax support (benefit) awarded and other changes since their 2024-25 council taxbases were set in January 2024. Any surplus or deficit against the 2024-25 budgeted estimates of council tax income are recovered – and thus must be budgeted for – in 2025-26.

Variable	Budget Guidance Assumption
CT3: Council tax – surplus/deficit.	No council tax surplus or deficit for 2024-25 (compared to the budgeted estimates made in February 2024) is assumed.

2.23 The provisional local government and fire settlement is expected to be published in December with the final settlement published and voted on by the House of Commons in February. These will set out the flexibility available to the Mayor in terms of council tax precept increases. Billing authorities will determine their council taxbase for 2025-26 and their collection fund surplus or deficit position in January 2025. Budget assumptions will be updated as this information becomes available.

Business Rates Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL)

2.24 The BRS and MCIL generate revenue for the GLA Group which is ringfenced to repay debt accrued to finance Crossrail/Elizabeth Line. Since that revenue is not available to fund the GLA or functional bodies it is not relevant to this Guidance. The Mayor will take decisions relating to this early in 2025.

3. Proposed funding allocations

3.1 In accordance with the CIPFA recommendation of good practice, this section considers the indicative control totals for discretionary funding (i.e. council tax precept income and retained business rates) controlled by the Mayor for the three years: 2025-26 to 2027-28. The control totals exclude specific government grants paid to the GLA and its functional bodies and the use of general reserves.

3.2 The Mayor proposes the GLA and its functional bodies should assume for planning purposes that their allocation of discretionary revenue income from the Mayor for 2025-26 and future years is based on the figures provided below:

Discretionary Mayoral funding control totals	2024-25 (including one-off funding) £m	2024-25 (baseline – excluding one-off allocations) £m	2025-26 £m	2026-27 £m	2027-28 £m
GLA: Mayor	168.6	128.8	130.6	132.6	134.3
GLA: Assembly	8.7	9.1	9.2	9.4	9.5
MOPAC	1,092.9	1,092.9	1,123.4	1,157.1	1,189.3
TfL	2,414.0	2,414.0	2,440.9	2,470.1	2,493.1
LFC	495.1	494.0	511.5	530.6	549.3
LLDC - core activities	19.0	11.1	11.3	11.5	11.7
LLDC – stadium	11.5	11.5	11.4	11.6	11.8
OPDC	7.2	7.2	7.4	7.5	7.6
Group items	3.3	3.3	23.5	25.3	25.7
Additional Provisions	70.0	-	-	-	-
Total	**4,290.2**	**4,171.9**	**4,269.2**	**4,355.7**	**4,432.5**

Note: Figures are rounded to one decimal place.

3.3 The control totals presented in this Guidance are unlikely to match the GLA Group's final funding position contained within the Mayor's Final Draft Budget 2025-26. The control totals have been determined, on the basis of available information at the time of publication, to enable financial planning to be undertaken across the GLA Group for the short to medium-term, in line with CIPFA guidance.

3.4 The GLA Group's overall funding position will be continually reviewed and, where material new information becomes available, further updates will be provided in the Mayor's Consultation Budget, Draft Budget and Final Draft Budget reports.

3.5 The GLA: Mayor numbers reflect the cost of GLA services only. The GLA figures do not reflect any change to those financial elements accounted for within the component budget that relate to the wider GLA Group budget (e.g. Group level reserves, including the reserve held by the GLA: Mayor for LLDC and OPDC).

3.6 TfL's control total includes £1,070.0 million of retained business rates income which prior to 2017-18 was paid as a capital investment grant from the Department for Transport. This grant was rolled into business rates retention under the GLA's current pilot from 1 April 2017 and this funding arrangement is not expected to change.

3.7 London Legacy Development Corporation (LLDC) funding figures are for core activities and, shown separately, the subsidy for the London Stadium. They do not include agreed sums carried forward from previous years or GLA funding for capital financing costs. It should also be noted 2025-26 is the first full year following the planned transition to a re-set LLDC, with funding for core activities in 2025-26 falling by £7.7m (41%) compared to 2024-25.

3.8 LLDC's income from the Fixed Estate charge (FEC) will increase over time as Queen Elizabeth Olympic Park (QEOP) and surrounding sites continues to be developed into the 2030's. LLDC has agreed to provide details of transition plans and longer-term estimates for how it will become financially sustainable over time (excluding any on-going subsidy required for the stadium).

3.9 Old Oak and Park Royal Development Corporation (OPDC) funding figures are for core activities. OPDC is moving from planning to delivery mode, with a focus on delivering Old Oak West; and is working closely with government, Homes England, HS2 and Network Rail. OPDC is expected to produce revenue and capital budget submissions that reflect this scaled-up activity and these will be considered by the Mayor in due course.

3.10 These control totals differ from those published as part of the Mayor's Consolidated Budget 2024-25 primarily due to a changed assumption in the increase in London's council taxbase (from 1.5 per cent previously to 1.0 per cent now); and the impact of adjustments to previous business rates allocations, reflecting changes in funding and/or reallocation of responsibilities across the GLA and its functional bodies.

3.11 A comparison of these new control totals with those contained in the Consolidated Budget 2024-25 is set out at Appendix B.

4. Process

General process

4.1 The Mayor must prepare, for each financial year, a budget for each member of the GLA Group and a consolidated budget for the GLA Group as a whole. The Consultation Budget and Draft Capital Spending Plan, published in December, marks the beginning of the statutory consultation period. Following that process a Draft Consolidated Budget must be presented to a formal meeting of the London Assembly before 1 February (although that statutory deadline has been extended to 15 February via government regulations in recent years). A Final Draft Consolidated Budget must be presented to the Assembly for approval with or without amendment before the statutory deadline for major preceptors to set their council taxes of 28 February. Once approved with or without amendment the Mayor's Final Budget is published by the end of March.

4.2 The GLA Group Budget process is an essential part of achieving the Mayor's goals. However, the statutory requirements can generate extensive activity which risks detracting from the capacity available to focus on achieving the Mayor's priorities. The London Assembly have frequently noted the challenges this process creates. Therefore, in consultation with the Assembly, this Guidance introduces measures to streamline the process compared to those followed in previous years.

4.3 The more streamlined process builds on the strong foundations already in place to successfully manage the delivery of the Consolidated Budget 2025-26. It remains the responsibility of the GLA and its functional bodies to produce their Budget Submission, with oversight from the GLA's Chief Finance Officer (CFO) and GLA Group Finance; and the Mayor expects the GLA and its functional bodies to fully comply with the requirements and deadlines set out in this Guidance.

4.4 It is important to recognise that the Consolidated Budget process is the responsibility of the GLA's CFO; and input from the GLA and its functional bodies will be requested as required. The first such input is the timely production of budget submissions. The GLA and its functional bodies must not expect to be able to amend their budget proposals after their budget submission is received in November. Once the Mayor's Final Draft Consolidated Budget is approved by the Assembly, in February 2025, responsibility then reverts to the GLA and its functional bodies to produce and publish their own final budgets based on the funding envelopes and commitments set out within the Mayor's Final Budget 2025-26.

4.5 To facilitate this process GLA Group Finance will meet regularly with the GLA and its functional bodies to review development of their budget submissions.

Consultation and scrutiny

4.6 The Mayor is required by statute to consult the London Assembly (who has resolved that the Mayor should consult its Budget and Performance Committee), functional bodies, London Boroughs, the Common Council of the City of London and other interested parties, such as the business community, on the level of proposed council tax precepts, the apportionment of council tax revenue across the GLA and its functional bodies, and the Capital Spending Plan 2025-26. This requirement will be fulfilled in the Budget Consultation Document, due to be published in December 2024.

4.7 The Assembly’s Budget and Performance Committee will, as in previous years, also undertake a series of in-depth scrutiny meetings across November 2024 to January 2025 which are necessarily informed by the Budget Submissions of each member of the GLA Group.

4.8 Alongside the statutory consultation process outlined above, the GLA will proactively engage Londoners in the budget consultation process via Talk London. The results of this engagement will be considered during the preparation of the Draft Consolidated Budget 2025-26.

4.9 Following the publication of the Budget Consultation Document, the Mayor will then determine a “Draft Consolidated Budget” (“Draft Budget”), publish it and present 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.

4.10 The Assembly must approve this budget 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.

4.11 The Mayor will then prepare and publish a Final Draft of his proposed Consolidated Budget (“Final Draft Budget”). 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 will lay a written statement before the Assembly giving reasons.

4.12 The Final Draft Budget must then 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). 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.

4.13 The resulting budget will be the approved Consolidated Budget for the financial year 2025-26. Each GLA Group organisation will then proceed to set their own budget based upon the approved Consolidated Budget.

Key deadlines

4.14 The key deadlines for the GLA and its functional bodies are set out below. It is critical that these deadlines are adhered to, to ensure an orderly process and to facilitate the consultation and scrutiny required by statute:

Timeline: Consolidated Budget Process 2025-26

DATE	DESCRIPTION
31 July 2024	Mayor's Budget Guidance published.
16 August 2024	'Quarter 1' (April to June 2024) monitoring reports for all GLA Group bodies published.
27 September 2024	First draft of climate budget tables and accompanying data due from GLA: Mayor.
October 2024	Preliminary draft budget proposals ('budget letters') for 2025-26 prepared by the Mayor and issued for consultation with the GLA and its functional bodies.
4 November 2024	First draft of climate budget tables and accompanying data due from the functional bodies.
18 November 2024	'Quarter 2' (July to September 2024) monitoring reports for all GLA Group bodies published.
November 2024 to January 2025	Assembly's Budget & Performance Committee meetings to scrutinise GLA: Mayor and functional bodies' Budget Submissions.
22 November 2024	Deadline for responses to draft budget proposals issued, including full and final budget submissions from the GLA and its functional bodies on all aspects of the 2024-25 Budget, as specified in this guidance.
Early December 2024	Publication of Mayor's Consultation Budget.
December 2024	Publication of the provisional local government, fire and police settlements by MHCLG and Home Office (NB: the provisional settlements are usually, but not always, published on the same date). These announcements generally include draft council tax referendum principles for the GLA and other local authorities.
Early December to Friday 3 January 2025	Budget consultation period.
15 January 2025	Draft Consolidated Budget published.
23 January 2025	Assembly to consider Draft Consolidated Budget.
31 January 2025	Deadline for billing authorities to complete NNDR1 form (estimates of business rates income for 2025-26) and to notify the GLA of the council taxbase for 2025-26.

DATE	DESCRIPTION
Early February 2025	Publication of final local government, police and fire finance settlements.
Mid-February 2025	Mayoral Decision approving Crossrail Business Rates Supplement arrangements for 2025-26 signed.
12 February 2025	Final Draft Consolidated Budget published.
19 February 2025	'Quarter 3' (October to December 2024) monitoring reports for all GLA Group bodies published.
25 February 2025	Assembly to consider Final Draft Consolidated Budget.
27 February 2025	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan must be published.
March 2025	GLA and functional bodies agree and publish detailed final budgets for 2025-26, based on control totals approved in GLA Group Budget.
30 May 2025	'Quarter 4' (January to March 2025) monitoring reports for all GLA Group bodies published.

Requirement of GLA and its functional bodies

4.15 The Mayor expects the GLA and its functional bodies to fully comply with the requirements set out in this Guidance.

Approvals and sign-off

4.16 To help the GLA meet the statutory requirements of the Local Government Act 2003, each Chief Finance Officer must ensure they work closely with colleagues in their organisation and provide a budget submission that meets the requirements set out in this Guidance.

4.17 The processes in place throughout the GLA Group and the responsibilities placed on each Chief Finance Officer require that the 2024-25 outturn position and delivery of business plans is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2025-26.

4.18 Final budget submissions from the GLA and its functional bodies, including their contributions towards the London Climate Budget, are to be the key content of the London Assembly Budget and Performance Committee's meetings arranged across November 2024 to January 2025. There is a requirement for representatives from each organisation to attend these committee meetings as appropriate.

4.19 A first draft of the GLA and its functional bodies' budget submission should be shared with GLA Group Finance in advance of the submission deadline on 22nd November. Final budget submissions along with any other information requested are to be sent to the GLA Group Finance email address GLABudget@london.gov.uk.

4.20 It is expected that each budget submission will be approved in accordance with the decision-making processes of the relevant body by the final budget submission deadline. The GLA and its functional bodies have responsibility for the accuracy of the facts, figures and analysis presented in their budget submission. Failure to meet the publication deadline has material consequences for the overall budget process including possibly impacting on the statutory requirements for public consultation and Assembly scrutiny. The GLA Group Finance team must be notified immediately if the GLA or its functional bodies anticipate they will not be able to obtain relevant internal approvals thereby possibly causing delay to their final submission. Any such notification will be shared with the Mayor's Office and the London Assembly's Budget and Performance Committee.

4.21 It is critical that Budget Submissions present a single set of expenditure figures which balance against projected income and drawdowns from available reserves. No alternative proposals or possible substitute budgets are permitted.

4.22 The requirements in this Guidance apply to the GLA and its functional bodies draft budget submissions and also their final budget submissions.

Detailed revenue guidance

4.23 The 2025-26 budget submissions from the GLA and its functional bodies must:

- present a single set of expenditure figures which balance against projected income and drawdowns from available reserves. No alternative proposals or possible substitute budgets are permitted
- for revenue expenditure, cover at least 2024-25 (original budget, revised budget and forecast outturn) and budget proposals for 2025-26 to 2027-28
- reflect planned usage of general and earmarked reserves relating to budget proposals for 2025-26 to 2027-28
- adhere to the requirements of this Guidance on the revenue information to be provided
- include information to inform the Mayor's London Climate Budget as described from paragraph 4.51 of this Guidance
- include a Capital Strategy as described below.

4.24 The GLA and its functional bodies should ensure their draft and final budget submissions are each presented as one cohesive document covering all the points in this Guidance and ensuring there are no omissions.

4.25 The GLA and its functional bodies must be confident they can meet the conditions attached to government funding and grants before the funding can be recognised; and a single income estimate must be derived. Multiple budget proposals for alternative scenarios are not permissible.

4.26 In the interests of efficiency and the need to consolidate into a group format and aid budget consultation, information must be presented in a consistent format throughout the budget process and the in-year quarterly monitoring reports which follow. GLA Group Finance officers will work with the GLA and its functional bodies to seek to minimise these burdens; and templates for budget submissions, to meet the requirements in this Guidance, will be issued in due course.

4.27 All members of the GLA Group are required to produce a Capital Strategy annually, in line with the requirements of CIPFA's Prudential Code. The GLA and its functional bodies are required to prepare their Capital Strategy on the basis set out in this Guidance.

4.28 There will of course be further discussions and iterations of the figures contained in budget submissions before the Final Draft Budget is published in February 2025 to reflect the final business rates and council tax income estimates and the impact of the final local government finance settlement. The GLA and its functional bodies should be prepared to respond promptly to Mayoral requests for information, particularly should it become apparent that additional funds are available. However, once functional bodies have formally submitted their proposals, responsibility for producing the Consolidated Budget 2025-26 rests solely on the GLA's Chief Finance Officer (CFO) who will then rely on further information, provided by the GLA and its functional bodies at the CFO's request, to produce the Draft and Final Draft Budgets in January and February 2025 respectively.

Service Analysis

4.29 The main financial element of the revenue budget submissions will be an analysis of budget proposals by service division / objective for the three years 2025-26 to 2027-28, with comparative figures for the approved 2024-25 Budget and forecast outturn for that year:

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

4.30 The 2025-26 budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2024-25, separately identifying:

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

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

Subjective analysis

4.31 A subjective analysis must also be submitted covering the three-year plan period 2025-26 to 2027-28, including a comparison with 2024-25 figures. Templates will be provided by GLA Group Finance for use by the GLA and its functional bodies. It is expected that these tables will apply expenditure categorisations determined by CIPFA guidance.

Inflation factors

4.32 Given the current uncertainty around public sector pay and ongoing inflation, no specific guidance for pay and inflation rates is provided at this time. However, consideration should be given to the government's public sector pay limits and any nationally or locally agreed pay deals. The GLA and its functional bodies must be able to document their inflation assumptions (for both pay and non-pay costs) and all figures must be at outturn prices.

4.33 The revenue budget monitoring process should include consideration of the impact of inflation on in-year expenditure. The starting assumption is that inflationary cost pressures should be accommodated within amounts allocated in the 2024-25 Consolidated Group Budget or 2025-26 control totals through efficiencies, reprioritisation or by the use of reserves.

Value for money

4.34 The GLA Group, in common with other local authorities, must deliver value for money. This Guidance forms an important element of the financial management arrangements for the use of public resources by the GLA Group. This document takes into account the provisions of the CIPFA Financial Management Code.

4.35 In addition, the GLA and its functional bodies are required, under Section 3(1) of the Local Government Act 1999, to *"make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness"*.

4.36 Whilst there is considerable uncertainty about funding levels for the GLA Group in 2025-26 and future years, it is nevertheless important to plan for the medium-term to ensure the group's financial sustainability. To support this the GLA and its functional bodies may be asked to support ad-hoc reviews on various expenditure issues.

4.37 Ultimately it is the responsibility of each body's Chief Financial Officer to ensure appropriate arrangements are in place for financial planning and budgeting, as well as demonstrating the services provided by each body deliver value for money. CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government, which each body should have regard to. All budget submissions must have a description of the processes that have been gone through to ensure value for money is delivered.

4.38 Accordingly, the following information must be included:

- a description of the expected savings and efficiencies to be achieved in 2025-26 and later years. A sufficiently detailed description must be supplied so the Mayor can fully understand the impact of the savings or efficiency proposal over the whole period
- savings and efficiencies must be shown in the analysis on a cumulative basis (i.e. ongoing savings and efficiencies should be reflected in all years) but also savings and efficiencies should be shown on an incremental basis (i.e. the additional new savings and efficiencies to be made in each year) to transparently show the scale of new savings and efficiencies
- in accordance with CIPFA's Financial Management Code, the GLA and its functional bodies are to consider setting out details of any 'savings to be required' arising from their budget submissions
- where the impact of cost savings and efficiencies identified in previous years are no longer expected to be realised, they must not be netted off against new savings and efficiencies to be made from 2025-26 onwards. Instead, the impact of undelivered savings and efficiencies, if necessary, should be reported as part of any 'savings to be required' in their 2025-26 budget submission.

Reserves and general balances

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

- a statement of policy on reserves and contingencies. Reserves held by the GLA and its functional bodies should only be used for the purpose for which they have been established. Proposed allowances for contingencies should be separately identified and justified
- details of all reserves and general balances. General reserves should be distinguished from those held for service-specific purposes. Budget submissions must be explicit about plans for the use of reserves
- an analysis and explanation of the expected movements in reserves between the start and end of each year from 1 April 2024 to 31 March 2028
- in the case of earmarked reserves held for purposes beyond 31 March 2026, an indication must be given as to when they are to be applied
- although it may not be definitive when reserves will be committed, best estimates should be made of the likely level of commitment, so reserves are not inadvertently overstated
- in accordance with CIPFA's Financial Management Code, the GLA and its functional bodies should set out an explanation of why their reserves are not only adequate but also why they are necessary.

4.40 The Local Government Finance Act 1992 requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. When reviewing their medium-term financial plans and preparing their annual budget, the GLA and its functional bodies should have regard to the level and planned use of earmarked reserves to support its spending plans, as well as ensuring there is adequate contingency within a general reserve to meet unexpected demands or emergencies.

4.41 To help the GLA meet the statutory requirements of the Local Government Act 2003, the GLA and its functional bodies must provide a report by their Chief Finance Officer (CFO) on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves.

4.42 In line with the requirements of the CIPFA Financial Management Code, budgets should include details of "the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions / withdrawals, and the estimated closing balances." Therefore, in their budget submissions and quarterly monitoring reports, the GLA and its functional bodies should report the estimated movement in reserves (and corresponding revenue or capital expenditure) based on any indicative planned usage.

4.43 CFOs in the GLA and its functional bodies should also consider including in their reserves statement details of where their actual level of reserves have deviated significantly from previous forecasts.

Capital Financing Costs

4.44 Capital financing costs, broken down between provision for repayment of debt and interest need to be shown for the period 2024-25 to 2027-28.

Capital strategy requirements

4.45 The draft Capital Strategies submitted will be incorporated into a Group-wide Capital Strategy to be considered as part of the budget process. Where necessary the Capital Strategy will be updated at the Draft and Final Draft stages of the Mayor's Budget.

4.46 The final Capital Spending Plan will be sent to the Secretary of State (MHCLG) as part of meeting the requirements of the GLA Act 1999.

4.47 In specifying these requirements, the Mayor has balanced the need for each member of the GLA Group to produce their own Capital Strategy with the necessity to produce a coherent and consistent Group-wide Capital Strategy, whilst also seeking to minimise the additional workload involved. Accordingly, the requirements specified are the minimum needed. Members of the GLA Group can of course add more detail as they see fit but organisations are requested to ensure they follow the prescribed format.

4.48 Although the Capital Strategy encompasses capital expenditure, capital financing and treasury management, it is proposed certain detailed treasury management aspects, in particular the detailed investment strategy, will continue to be reported as part of each member of the Group's annual Treasury Management Strategy Statement (TMSS), rather than to be wholly included in the Mayor's Budget. However, the Capital Strategy will need to include the key principles and issues of each body's debt and investment management approach and will include key statutory requirements such as the forecast capital financing costs and the authorised limit and operational boundary for external debt.

4.49 The Capital Strategy will need to be able to clearly reference relevant detail in the TMSS and vice versa, therefore the documents should be prepared in parallel. In line with best practice, the TMSS should be a 'living' document subject to in-year review and amendment, and therefore may be seen as a detailed supplement to the Capital Strategy.

4.50 All members of the GLA Group are requested to prepare a draft Capital Strategy with the following headings and the information described.

Intention: An introductory statement of the intended outcomes of the Capital Strategy.

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

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

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

Policies: A statement on how the Capital Strategy is aligned to the Mayor's policies, including the Mayor's ambition to achieve net zero by 2030. It is expected that the Capital Strategy will explain what processes have been established to take account of the net zero ambition when allocating capital investment. This should cross reference to the GLA: Mayor and functional bodies' Climate Budgets; and also include the inter-relationship with each body's Investment Strategy and any commercialisation initiatives. (NB: Each member's Treasury Management Strategy Statement, which will incorporate its Investment Strategy, will be a separate document from the Capital Strategy).

5-Year Capital Spending Plan: Setting out the planned expenditure for each of the first five years (2024-25 forecast outturn to 2028-29) and also the capital financing costs for these five years and must be accompanied by details on:

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

from the previously agreed Capital Spending Plan set as part of the 2024-25 Mayor's Capital Spending Plan.

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

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

A schedule (1a) must set out the planned expenditure for each of the first five years (2024-25 forecast outturn to 2028-29) and also the capital financing costs for these five years.

A schedule (1b) is to set out the expenditure in five-year 'buckets'. Schedule 1a should be at the same level of detail as was included in the Mayor's 2024-25 Capital Spending Plan. Schedule 1b should group expenditure into summarised headings; these headings must be of sufficient detail to allow for meaningful understanding and scrutiny of the plans set out.

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

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

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

from the previously agreed Capital Spending Plan set as part of the 2024-25 Mayor's Capital Spending Plan.

20-year Capital Funding: A schedule (2a) is to set out the funding plan for each of the first five years of the Capital Strategy. This should be at the same level of detail as was included in the Mayor's 2024-25 Capital Spending Plan.

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

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

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

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

Appraisal: A statement on how proposals have been developed, appraised and monitored by the governance process. It is expected that this will include consideration of Mayoral priorities such as net zero.

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

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

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

The London Climate Budget

4.51 The Mayor has set an ambitious target of making London net zero carbon by 2030. In order to support this ambition, the GLA Group has sought to lead by example committing to work to this target and, during 2022-23, included for the first time a 'Climate Budget' for the financial year 2023-24 within the annual Consolidated Budget process and documents. The London Climate Budget 2025-26, therefore, reflects the third year of its inclusion in the GLA Group's annual budget process.

4.52 A climate budget is a governance system that mainstreams climate considerations into decision making via the budget allocation process and highlights a city's short-term actions (typically annually) to deliver the long-term climate targets (in line with the city's climate action plan or Net Zero Pathway). Integrating the London Climate Budget within the GLA Group's financial budget process underlines the importance of delivering net zero and highlights to decision makers the actions they will need to take to support its delivery.

4.53 As part of the financial budget process the GLA and its functional bodies should ensure their decision-making processes maximise climate benefits; and climate measures are proposed, adopted, implemented, monitored and reported in line with the budget cycle. The climate budget clearly states targets, actions and, to the extent possible, the estimated emissions reduction effects over time, costs and financing, as well as any relevant co-benefits arising from the various climate measures.

4.54 A climate budget leads to transparency around actions and the gap/deviations from targets. Further, frequent monitoring, evaluation and reporting ensures accountability across the City. The London Climate Budget is transparent and clearly visualises for Londoners, the London Assembly and other stakeholders, how the GLA Group is prioritising efforts to achieve its emissions target and help the city adapt to climate change.

4.55 The London Climate Budget 2025-26 encompasses Level 1 and Level 2 reporting:

Level 1: GLA Group-wide reporting scope.
The London Climate Budget 2025-26 includes actions and climate adaptation measures to reduce emissions from the GLA Group's estate and fleet.

Level 2: London-wide reporting scope.
Although the London Climate Budget 2025-26 necessarily focusses on the actions of the GLA Group, its scope considers the Group's wider impact across London. This means that the GLA: Mayor and the functional bodies will include climate measures in their budget submissions that reduce emissions or help adapt to climate change, in parts of the city outside of the GLA Group's own estate and fleet.

4.56 The Mayor is committed to including in the London Climate Budget measures to tackle emissions from both the GLA Group's own supply chains and also emissions associated with the making, supply, use and disposal of goods and services consumed across London more broadly (Level 3). However, this is a complicated area, overlapping with how the GLA reports on responsible procurement. The GLA intends to work with its functional bodies over the next year with a view to developing an appropriate way of incorporating these emissions into the London Climate Budget for the 2026-27 financial year.

4.57 In addition to including the London Climate Budget within its own Group Budget process, the GLA is also encouraging and supporting London Boroughs to adopt a climate budget approach within their organisations. The successful adoption of this approach would provide the potential to illustrate climate actions being taken across the whole of London, supporting the identification of opportunities to collaborate and sharing best practice.

4.58 Although the Mayor's ambition is to achieve net zero by 2030, actions will need to continue beyond that date to drive emissions as low as possible (as set out in the Mayor's 2030 preferred pathway). The processes put in place now can embed climate action for the long term, across all parts of the GLA and its functional bodies and can also help support action from other stakeholders in London to 2030 and beyond.

4.59 The GLA Group has a key role in delivering the Mayor's ambition as the responsibility for identifying, quantifying and costing actions to reduce emissions to net zero by 2030 and supporting adaptation in London will lie with the GLA: Mayor and the functional bodies.

4.60 The GLA: Mayor and all functional bodies are required to include a section within their budget submissions dedicated to the London Climate Budget, a first draft of this should be shared with GLA Group Finance in advance of the 22nd November publication deadline.

4.61 The narrative should include:

- a description of how and to what extent climate implications have been taken into account in your overall budget allocation process
- a summary of funded and unfunded level 1 and 2 measures
- for level 1 measures, a single graph showing historic Green House Gas (GHG) emissions; projections of GHG emissions to 2030 when funded and unfunded measures are included; and an estimate of residual emissions in 2030
- a summary of climate measures in the budget

- discussion around the potential gap in funded actions required to deliver net zero by 2030
- co-benefits associated with climate actions
- any uncertainties around the climate budget.

4.62 Detailed tables for completion by the GLA: Mayor and all functional bodies regarding the London Climate Budget will be circulated in due course.

4.63 The tables will include:

- climate measures to reduce carbon emissions across the GLA Group that are currently funded within GLA Group organisations' revenue and/or capital budgets between 2025-26 and 2027-28 (funded measures)
- climate measures that, if additional funding could be found, would further reduce carbon emissions across the GLA Group. However, these measures will currently be unbudgeted for and will not have been agreed (unfunded & unadopted measures)
- climate actions that deliver or enable emission reductions or adaptation measures in parts of the city outside of the GLA Group's own estate and fleet that are currently funded within GLA Group organisations' revenue and/or capital budgets between 2025-26 and 2027-28 (funded measures)
- climate measures that would facilitate significant emissions reductions across London or significantly improve climate resilience across the city, but which are currently unfunded and unadopted. This may include measures that would need to be funded or introduced by the national government (unfunded & unadopted measures).

4.64 Accordingly, each Chief Finance Officer must ensure they work closely with colleagues in their organisation and provide a summary of how budget allocations will support delivery of the net zero target.

Social Integration and Equality, Diversity and Inclusion

4.65 Action to tackle the structural inequalities experienced by Londoners and taking the steps required to make London to be an anti-racist city are priorities for the Mayor and GLA Group. The unequal and disproportionate impacts of the COVID-19 pandemic and cost-of-living crisis, the systemic racism highlighted by the 2020 Black Lives Matter protests and the Windrush scandal all emphasised the need for urgent change. In May 2022, the Mayor, as part of the London Recovery Board, published Building a Fairer City, an action plan for tackling inequality in London, which sets out actions all organisations can take in their role as employers, service providers and as influencers, in order to make targeted progress on entrenched inequalities affecting Londoners. This plan provides a framework for the GLA to adhere to, as well as to encourage other partners to adopt.

4.66 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.

4.67 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 and its functional bodies and the subsequent expenditure involved in implementing their individual budget proposals.

4.68 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 includes commitments that pertain to a range of GLA and GLA Group activities, going beyond the nine protected characteristics set out in the Equality Act 2010, and, in particular, considers socio-economic inequality. The impacts of the cost-of-living crisis and aftermath of the COVID-19 pandemic mean London faces an even more challenging and urgent context for meeting these objectives and commitments.

4.69 Each member of the GLA Group is 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.

4.70 In preparing their budgets all members of the GLA Group must demonstrate how their plans will:

- support the actions in the Building A Fairer City plan
- impact on different groups of Londoners; this includes those sharing characteristics protected by the Equality Act 2010 and low-income Londoners
- strengthen activities to further address structural inequalities in London – particularly poverty and economic inequality.

4.71 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 are expected to continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

4.72 Actions taken, and progress made against equality, diversity and inclusion (EDI) objectives will continue to be reported in the Mayor's Annual Equality Report. Thereby meeting the public sector equality duty under Section 149 of the Equality Act 2010 and the Mayor's obligations under Section 33 of the GLA Act 1999, as amended.

Quarterly monitoring reports

4.73 The format and content of the 2025-26 quarterly financial monitoring reports should mirror the template tables provided for the budget submissions (objective and subjective analysis). Adaptations are not expected, but if they are required, these should be made in consultation with the Mayor's Office and GLA Group Finance and Performance.

4.74 The Mayor requires the GLA and its functional bodies to present both financial and non-financial information in their monitoring reports, including progress against implementing the measures identified as part of the London Climate Budget.

4.75 With the exception of quarter 4, where deadlines for reporting will need to coincide with the publication of draft accounts, quarterly monitoring reports are to be sent to GLA Group Finance within 25 working days after each 'quarter end'. This discipline remains an absolute requirement. Reports should be published 35 working days after 'quarter end', save for exceptional circumstances. Quarter 4 reporting should be no later than ten working days after the deadlines for the other quarters. The actual dates of these deadlines can be found in the timeline set out following paragraph 4.14 in this Section.

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

4.76 Inflationary pressures will need to be monitored closely throughout the year to identify costs. These should be managed within each organisation's existing resources and reserves where possible.

4.77 Reserve balances should be monitored closely against original budget forecasts to give assurance that earmarked reserves are being drawn down for their intended purpose, and general reserve balances remain within the GLA and its functional bodies' reserve policies. Reserve balances at each quarter must be reported to the GLA as part of the quarterly reporting cycle.

4.78 CIPFA guidance states: *"on occasion, it may be necessary to revisit the budget and spending plans after their formal approval and adoption, although this should only be considered in the event of exceptional matters and significant change, where the approved budget no longer has meaning and relevance to the organisation's priorities and purpose. Revisions to the in-year budget will ensure that appropriate approval and authorisation mechanisms are in place to maintain the smooth running of operational activity, ensure effective budgetary control can be maintained and overall spending plans remain on track, and to give stakeholders an indication of the impact on longer-term financial health."* The GLA and its functional bodies are expected to comply with this CIPFA guidance.

4.79 The GLA and its functional bodies must transparently present any changes to the Mayor's approved Budget which are made during the year, particularly as part of their quarterly monitoring. This includes revisions to overall budget totals and expenditure or income lines, movements between budget lines, and decisions regarding repurposing of expected underspends. The GLA and its functional bodies should seek explicit approval for such changes where necessary. In doing so they must provide adequate information and time for the change to be considered for approval by Deputy Mayors in advance of it being reflected in quarterly reporting. This information should include, but not be limited to, the magnitude and nature of the change along with the reason for making it and other options that have been considered. Where changes are made in year, a clear audit trail must be provided which reconciles the original Mayor's approved Budget with the latest Budget.

4.80 Further, to ensure consistency of quarterly financial reporting across the GLA Group, the Mayor requires all functional bodies and both parts of the GLA to report progress against both the original 2024-25 budget and the latest revised in-year budget. The following is explicitly required for both original and revised budgets:

- details of changes to the budget from the original/previous quarter's budget. The GLA and its functional bodies may only revise their budgets, in-year, to reflect exceptional changes as outlined in the CIPFA guidance above, following appropriate approvals and authorisations from the Mayor's Office

- details of changes to the forecast from the previous quarter
- year to date expenditure and income compared with year-to-date budget
- full year forecast compared with the full year budget
- explanation of the main variances.

4.81 The GLA and its functional bodies are also required to provide details of all reserves and general balances. An analysis and explanation of the expected movements during the year for each earmarked and general reserves should form part of the quarterly report.

Appendix A: Historic funding context

Business rates

A.1 Local authorities, under the business rate retention system, retain a proportion of the local taxation revenue raised from businesses in their local area. The remainder is redistributed centrally by the government and used to provide grant funding for local authorities.

A.2 Business rates are forecast to raise around £26.5 billion in England in 2024-25. The money collected is channelled by local authorities to fund services such as adult social care, children's services, fire and waste management, in much the same way as council tax. The GLA receives a share of the business rates collected in London – currently 37 per cent – under the business rates retention system but is required to pay a proportion of this and any growth in income each year over to the government to support local services elsewhere in England.

A.3 The system has grown increasingly complex in recent years and it is widely accepted that reform is necessary.

A.4 The government's intention, when introducing the business rate retention system, was to ensure each local authority's funding allocation for the first year (2013-14) was similar to the amount it would have received in that year had the Formula Grant system continued. The government therefore calculated for each individual local authority a funding baseline, largely based on the previous formula grant system. It also calculated a business rates baseline based on the average of business rates collected in the two most recent years for which data was available. Where an authority's business rates baseline exceeds its funding baseline, it pays the difference to central government as a tariff, which is used to pay for a top-up for authorities whose funding baseline is less than their business rates baseline. These tariffs and top-ups are adjusted annually to reflect the inflationary adjustments made in the local government finance settlement and following a business rates revaluation (as occurred in April 2023) to reflect the impact of the redistribution of the tax take across England.

A.5 The GLA has been part of an ongoing business rates pilot since 2017-18 when TfL's former circa £1 billion capital investment grant and the GLA's circa £150 million residual Revenue Support Grant (the majority of which is for fire and rescue services) were both rolled into the Mayor's business rates funding baseline by the government and the GLA's share of retained business rates income was increased from 20 per cent to 37 per cent. There is no confirmation these pilot arrangements will continue in 2025-26, or on what basis; thereby adding significant uncertainty to the forecast retained business rates expected by the GLA Group in 2025-26 and future years.

A.6 The Mayor, since 2017-18, has typically received over £3 billion of business rates income per annum (including a forecast £3.6 billion in 2024-25 gross of tariff and levy payments to the government) from London billing authorities based on the GLA's current 37 per cent share of business rates income (including associated Section 31 grants) under a special pilot arrangement. The GLA's tariff payment to the government, as set out in the 2024-25 local government finance settlement – is circa £807.9m in 2024-25 – and is always the first call on the business rates income. Billing authorities have a 30 percent share and the remaining 33 per cent is paid to government through the 'central share'.

A.7 The GLA can keep the majority of growth in its business rate receipts above its pre-pilot baseline level, arising from growth in the taxbase (other than that caused by a national revaluation). In 2024-25 around 33 per cent of any growth above its baseline is expected to paid as a levy to central government but this percentage changes from year to year as confirmed in the local government finance settlement. In 2024-25, the GLA has budgeted to pay a levy of circa £28.4 million. Revenues generated by levies are used to fund a safety net system to protect those local authorities which see their year-on-year business rate income fall materially (the default safety net being 92.5 per cent of the baseline funding level in 2024-25 for London boroughs and the GLA). The remaining 7.5 per cent is the sum a local authority would need to meet in any one year – without government assistance – were it to be in a safety net position. The GLA is not currently expected to be in a safety net position in 2024-25 or 2025-26 but it is worth noting that in 2022-23 three London billing authorities (Camden, Kensington and Chelsea and Westminster) were.

A.8 An exception to this relates to former TfL capital funding of circa £1 billion. This notional capital sum is excluded from the government's safety net calculations and therefore operates outside of the MHCLG funding settlement; consequently, the full risk for this amount, should business rates receipts fall, notionally remains with the GLA Group.

A.9 Since 2017-18, all former fire and rescue and GLA general funding, TfL's former DfT general and investment (capital) grants, and MOPAC's share of prior year council tax freeze grants have been provided to the Mayor through locally retained business rates under the business rates pilot. This pilot arrangement has meant the GLA no longer receives core general revenue support grant for these services – excluding the DfT extraordinary grant which has been paid to TfL to compensate it for its reduced fare revenues as a result of the impact of the COVID-19 pandemic, which came to an end in March 2024. Core Home Office policing grant continues to be provided outside business rates retention, with the exception of council tax freeze legacy grants relating to the period of the 2010-2015 Coalition government, which are funded through the MHCLG settlement.

A.10 There are therefore specific issues affecting the position of the GLA due to its status as a business rates retention pilot authority and the fact that it is the only major preceptor in England which is a tariff authority (i.e. its share of retained business rates income exceeds its funding baseline) and therefore subject to a levy on business rates growth. This has created added ongoing complexity for the government in determining the metrics applying to the GLA, including its safety net percentage and the methodology for determining both the levy percentage rate and the basis for calculating this. The tariff figure represents the difference between the GLA's baseline funding and its business rates baseline – albeit this is adjusted annually for the impact of changes to the uprating of the NNDR multiplier and the ongoing consequences of business rates revaluations.

A.11 The table below summarises how the GLA's levy rate and safety net percentage, as well as its share of retained business rates, has changed since 2017-18, based on the position set out in the 2024-25 final settlement.

GLA Business rates share, percentage levy on business rates growth and safety net threshold since 2017-18

Year	Share of retained business rates	Actual or expected Levy rate on growth which is payable to MHCLG	Safety Net Threshold (latest understood government position)
2017-18	37%	34%	92.5%
2018-19 (London 100% pilot)	36%	0%	97.0%
2019-20 (London 75% pilot)	28%	0%	95.0%
2020-21 (London pool)	37%	Part of London pool	92.5%
2021-22	37%	34%	92.5%
2022-23	37%	34%	92.5%
2023-24 (revaluation year)	37%	32.6%	92.5%
2024-25	37%	32.5%	92.5%

Note: Levy rate on growth which is payable to MHCLG is rounded to the nearest per cent. Source 2024-25 final local government finance settlement data.

A.12 As part of the 2024-25 settlement the government also published settlement funding baselines which notionally set out ministers' allocations of resources before taking into account business rates growth (or deficits) and the compensation provided to local authorities via Section 31 grant for the freezing/capping of the small business rates multiplier and (excluding 2024-25) the standard multiplier since 2015-16.

A.13 Each local authority receives a different uplift in settlement funding baselines depending on their responsibilities and the proportion of their taxbase accounted for by the small business multiplier relative to the standard multiplier. Therefore, the headline settlement data for each authority must be considered in context and is not necessarily easily comparable with those for other authorities. Ultimately local authorities are expected, on average, to receive a final funding uplift through retained business rates and revenue support grant of around 6.5 per cent in 2024-25 before taking into account movements in the local taxbase.

A.14 The GLA's settlement funding baseline, which essentially represents the government's assessed funding needs for those services funded through the MHCLG settlement, is £2,431.8 million in 2024-25 which is £71.2 million or 3.1 per cent higher than in 2023-24 on a like-for-like basis. Excluding the former TfL capital element of £1,070 billion, which is frozen in cash terms for the second year running, the uplift on the remainder is around 5.6 per cent. The GLA's estimated multiplier cap compensation for 2024-25, based on these baselines, is £213 million, which represents a £22.1 million or 11.6 per cent increase on the comparable figure in the 2023-24 settlement. These figures are provided for illustrative purposes and will form the baselines against which the 2025-26 settlement allocations are calculated.

A.15 The 2024-25 final local government finance settlement confirmed that London's 67 per cent retention partial pilot – reinstated in 2020-21 following the end of the 75 per cent London wide pilot in 2019-20 – would continue for a further year. The GLA's retention share is 37 per cent with boroughs receiving a 30 per cent share. The remaining 33 per cent of business rates income is being paid directly to central government by the 33 local authorities via the central share. As stated in section 2, it assumed at this stage that the pilot arrangements will continue on the same basis in 2025-26.

A.16 The table below shows the statutory shares of retained business rates for the GLA, the 33 billing authorities in London and central government in each year since the business rates retention system was introduced in April 2013, along with a statement as to whether a levy was payable on growth to the government and a London-wide pool was in place. The position in 2021-22 reverted back to the situation in 2017-18. This highlights the lack of long-term certainty in respect of the GLA's metrics and retention shares there has been within the system for a number of years.

Business rates retention: shares of retained rates and pool/levy position from 2013-14 to 2025-26	2013-14 to 2016-17	2018-19	2019-20	2020-21	2017-18, 2021-22 to 2024-25	2025-26 (Assumed)
	%	%	%	%	%	%
GLA	20%	36%	27%	37%	37%	37%
33 billing authorities	30%	64%	48%	30%	30%	30%
Share retained locally	50%	100%	75%	67%	67%	67%
Central government	50%	0%	25%	33%	33%	33%
Levy on growth in place	Yes	No	No	Yes	Yes	Yes
London pool in place	No	Yes	Yes	Yes	No	No

A.17 In 2024-25, the GLA and London boroughs continues to receive Section 31 grants in respect of government initiatives and policy changes which reduce levels of business rates income in 2023-24, including:

- the ongoing cumulative impact of the compensation provided by the government for the lost revenues arising from the freezing of or the capping of the increase at below inflation in the NNDR multiplier in most years since 2015-16. Following the 2023 Non-Domestic Rating Act compensation in respect of 2024-25 and subsequent years will be linked to the previous September's CPI figure, but this does not affect the RPI linked allocations for prior years
- the capping/freezing the small business multiplier in 2024-25
- the increased thresholds for, and the continued doubling of, small business rate relief
- the 75 per cent relief for the retail, leisure, hospitality (RLH) sectors confirmed to continue in 2024-25 in the Autumn Statement which will provide a discount of up to £110,000 per business rather than per property
- any other government funded reliefs in place for 2024-25 including those made available to businesses to manage the transition to the new valuations being introduced from April 2023 due to the revaluation (e.g. the supporting small businesses relief which caps the annual increase in bills for ratepayers losing eligibility for small business rates relief as a result of the change in their property valuation at £600 for the life of the rating list) or as a result of the legislative changes introduced through the Non-Domestic Rating Act 2023 (e.g. improvement relief).

Ongoing impact of the 2023 business rates revaluation on GLA tariff payment

A.18 In addition to the impact on the GLA's tariff from the multiplier cap compensation methodology changes, there has also been a further adjustment to the calculation to reflect the impact of the revaluation of all non-domestic premises in England introduced from 1 April 2023. The revaluation also affects the business rates baselines and levy rates payable on growth by individual authorities.

A.19 The government equalises the impact of each revaluation on the local tax take within the rates retention system for local authorities by adjusting tariff payments for authorities whose business rates baselines exceed their funding baseline and top-ups for authorities whose funding allocations are higher than their business rates income share. This means, in theory, no local authority should be better or worse off as a result of the tax take increasing or declining in their area as a result of the redistributive impacts of the revaluation.

A.20 Due to the fact that London's increase in rateable values was below the national average, the GLA's share of the business rates aggregate baseline nationally fell and therefore its tariff payment to the government to support services elsewhere in England has also reduced on a like-for-like basis.

Council tax

A.21 The Mayor's Budget 2024-25 estimates a consolidated council tax requirement for the GLA Group of £1.5 billion. The GLA receives income from a council tax precept on London's 33 billing authorities. Income from council tax balances the GLA Group's net revenue expenditure, after allowing for revenue grants from the government and retained business rates.

A.22 A different Band D council tax charge for the GLA Group's services applies in the City of London, compared to the 32 London boroughs, as it is outside the Metropolitan Police District. Council taxpayers in the City of London therefore contribute separately towards the costs of the City of London Police, rather than the Mayor's Office for Policing and Crime (MOPAC). As a result, council taxpayers in the City of London pay the 'unadjusted' basic amount of council tax to the GLA (also known as the non-police precept). Council taxpayers in the 32 London boroughs pay the 'adjusted' amount of council tax, which is made up of the unadjusted amount for non-police services, and a separate element for policing services.

A.23 The Mayor is clear council tax is a regressive tax. Despite a Band H property being worth at least eight times the value of a Band A property in 1991 prices, it only pays three times the amount of council tax. Council tax is approximately 0.5 per cent of a property's value in Band A, compared with 0.1 per cent of a property's value in Band H; and, according to analysis by the Equality Trust prior to the pandemic, the poorest 10 per cent of households pay 8 per cent of their gross income in council tax, compared to only 2 per cent for the richest. Any increase in council tax is therefore undesirable, and even more so during a national cost-of-living crisis. However, council tax is a key income source for the GLA Group – the only general tax whose rate is set by the GLA – and is needed to fund essential public services in London. The Mayor's decisions on the amount of council tax funding required are necessarily related to the government's decisions on the amount of funding it will contribute towards these essential services. The government's decisions are not expected to be known until December 2024.

A.24 Although decisions on the level of council tax are made by the Mayor, subject to the London Assembly's power of amendment, in reality the government's assumptions on police funding restrict the amount by which he can increase his precept to avoid triggering a referendum. The cap on the police precept increase for 2024-25 was £13 but no indicative figures have been announced for 2025-26.

A.25 To provide additional resources for local authorities during periods of significant inflation, the government increased their previously announced, at the 2021 Spending Review, council tax excessiveness principle (or cap) for non-police services (excluding the one-off adult social care precept) from less than 2 per cent to less than 3 per cent in 2023-24 and 2024-25, and the Mayor increased the non-police precept by these amounts in each budget. Again no indicative figures were published for 2025-26.

A.26 The Mayor was granted additional council tax flexibilities in 2022-23, 2023-24 and 2024-25, to increase the Band D element of council tax by £20 to support transport services in London, following the government funding settlements agreed for TfL in recognition of the impact of COVID-19 on passenger fare income. This Guidance assumes there will be no further increases in the Band D element of council tax to support transport services in London.

A.27 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.

A.28 Due to the fact that the GLA has two separate limits – one (the unadjusted precept) based on the non-police precept applying across London including in the City of London Corporation area which has its own police force, and the other (the adjusted precept) being the total precept including for policing applying in the Metropolitan Police District (i.e. the 32 London boroughs) – the calculation methodology for these principles is more complex than for other local authorities.

A.29 The Mayor will formally propose the precept levels for 2025-26 in his Draft Budget in January 2025, once he has had an opportunity to consider the implications of the provisional police and local government finance settlements. The Draft and Final Draft Budgets published in January and February respectively will also contain the Mayor's formal determination regarding his compliance with the council tax referendum thresholds, as required by the relevant legislation, reflecting the final referendum principles report published by the government and subsequently approved by the House of Commons.

A.30 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, 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).

A.31 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.

A.32 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.

A.33 Any required referendum in respect of the 2025-26 precept proposal would need to take place by no later than the first Thursday in May 2025.

A.34 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.

A.35 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.

Delays to the audits of billing authority accounts and provision for prior and future risks

A.36 In addition to the funding uncertainty for 2025-26 – as well as future years – the 2020-21, 2021-22, 2022-23 and 2023-24 outturn position is still to be finalised due to delays in the audits of a number of London billing authorities. In a few cases, this extends to the audits for 2019-20.

A.37 Due to the widespread delays in external auditors signing off these accounts in London boroughs and elsewhere in England, the government has been unable to finalise:

- the final allocations for the 75 per cent compensation scheme for irrecoverable council tax and business rates losses in 2020-21 relating to the pandemic (i.e. the Tax Income Guarantee or TIG grant)
- the specific grant reconciliation payments – relating primarily to the impact of 100 per cent relief for the retail, leisure, hospitality (RLH) and nurseries sectors – which reduced the tax take by an average of 40 per cent for 2020-21 and by slightly less in 2021-22
- the specific grant reconciliation payments for Covid Additional Relief (CARF), RLH relief and multiplier cap compensation for 2022-23 as well as the cap compensation payments for 2020-21 to 2022-23
- the levy payments on growth and safety net support for authorities experiencing a large drop in revenues for 2020-21 to 2022-23.

A.38 In a written statement, on 30 July 2024, the government announced its intention to publish amended regulations which would require all local authorities to ensure that they have published audited accounts for the financial years up to and including 2022-23, by 13 December 2024.

A.39 It is not anticipated that there will be any material changes arising from the above outstanding items once the audit process up to 2022-23 is completed but it is possible that there may be. This highlights the case for the Mayor taking a prudent approach to allocating retained business rates income and holding an appropriate provision for these risks within the business rates reserve. The 2020-21 outturn position also reflected the impact of the Non Domestic Rating (Rates Retention, Levy and Safety Net and Levy Account: Basis of Distribution) (Amendment) Regulations 2020 which altered the methodology for calculating retained rates income, levy and safety net payments for major preceptors which have applied since 1 April 2020.

Other locally raised taxes

A.40 In April 2010, the then Mayor introduced a two pence Business Rates Supplement (BRS) on larger non-domestic properties in London to help pay for the Elizabeth Line (formerly Crossrail). In addition, since 2012, developer contributions have also been collected via the Mayoral Community Infrastructure Levy (MCIL) to help fund the project. The GLA has budgeted to apply circa £125 million of BRS and MCIL revenues in 2024-25 towards capital financing and administrative costs associated with its Elizabeth line related debt; these income sources are ringfenced for this purpose. These two revenue streams are budgeted to raise around £370 million in total in 2024-25. The balance of any additional BRS and MCIL revenues not required to meet financing and other associated costs are set aside to repay the GLA's outstanding Crossrail debt which stood at around £4.0 billion at 31 March 2024.

Income maximisation

A.41 The GLA seeks to maximise income from council tax and business rates revenues – including the Crossrail business rate supplement – in partnership with the 33 billing authorities. These revenue streams collectively are expected to generate around £5.4 billion of revenues for GLA services, capital spending or to finance borrowing across the GLA Group in 2024-25. This targeted funding across all 33 authorities commenced in 2020-21, after a three-year funding approval of £16 million was agreed in Mayoral Decision 2618 in March 2020. Since then, it has provided additional support to billing authorities through the pandemic and the subsequent cost-of-living crisis.

A.42 The Mayor's 2024-25 budget allocated a minimum of £5.4 million per annum of funding for 2024-25 to 2026-27 for this work across all 33 London billing authorities – which equates to 0.1 per cent of the GLA's council tax and business rates income. The agreed three-year allocations across the 33 authorities are funding:

- commercial property inspectors who identify assessments which have been omitted from or incorrectly valued in the rating list including monitoring newly constructed and redeveloped properties

- business rates and council tax arrears teams. They work on both reducing historic, and minimising the build-up of, in-year arrears using ethical debt collection practices. It is worth noting that at 31 March 2024 the GLA's proportionate share of outstanding council tax arrears across London held on its balance sheet was just over £304 million and for business rates the its share of the sum provided to meet bad and doubtful debts was just under £210 million
- debt/welfare advice teams who engage with low-income households to ensure they maximise their benefit entitlements, claim council tax support where applicable and agree manageable payment arrangements.

A.43 The GLA also approved additional funding bids, initially for one year, from 12 London billing authorities who are facing specific issues in relation to managing growing council tax and business rates arrears as a result of the cost-of-living crisis alongside their wider financial challenges or who are taking additional work to ensure the accuracy of their business rates valuation list. All 33 authorities had been invited to submit bids which are conditional on the GLA agreeing to them. The approved additional bids for GLA support at total around £2.7 million on an annualised basis which is forecast to be matched by around £5.2 million of investment by those authorities. Over a three-year period – and potentially sooner – these additional projects have a target to deliver almost £100 million of additional revenues for London government of which around one third would accrue to the GLA with the balance being available to support local services.

A.44 The phasing of this additional support to boroughs will be managed through the business rates reserve. In practice all this expenditure is expected to be self-financing in totality as the additional revenues raised for the GLA, and boroughs who deliver them, should as highlighted more than exceed the combined contributions towards the associated projects.

A.45 These initiatives demonstrate the GLA's commitment to working with boroughs and the City of London Corporation for Londoners' benefit.

Reforms to local government finance system and local property taxes

A.46 When the business rates retention system was first introduced, in 2013-14, the then government stated its intention to undertake a 'reset' in 2019-20, which was likely to remove some, or all, of the growth above baseline funding levels the GLA has benefited from in recent years and redistribute this in line with the governments revised estimates of spending need. However, ultimately, no reset has been undertaken. The planned reforms to the distribution of local government funding via the fair funding review were also not implemented by the previous government. Similarly, there has been no multi-year settlement for local government or policing since the one implemented in the 2015 Spending Review expired in 2019-20. The government has committed to introducing multi-year settlements and replacing business rates with a fairer property tax which will raise at least the same level of resources to fund local services as now.

A.47 A business rates reset, for example, would remove and redistribute business rates growth retained locally since 2013-14 and require changes to existing settlement funding and business rates baselines. Depending on how any reset is implemented there is a risk that the GLA's retained business rates income could be adversely affected. It is also worth noting the GLA's funding for the first two years when the business rates system was introduced in 2013-14 was £120 million below its settlement baseline, partly due to the basis on which business rates baselines against growth were calculated. Hence there remains a considerable risk to the GLA's future level of income when any changes are made to the business rates and funding levels beyond 2025-26 should be treated as indicative only at this stage.

A.48 Given the consultation and engagement required with the sector and other stakeholders – including any transitional arrangements – the above reforms may take some time to implement. The government will need to take a view on whether it is feasible to deliver this for 2025-26; or if it is necessary for there to be a further one-year rollover settlement with multi-year settlements introduced from 2026-27. It is assumed at this stage that any material changes will not be in place in time to affect the control totals within this Guidance for 2025-26.

Appendix B: Changes to control totals from those outlined in the Consolidated Budget 2024-25

Changes to control totals (£m)	**Final Draft Budget 2024-25**	**Budget Guidance 2025-26**	**Change**
Council Tax	**2025-26**	**2025-26**	**£m**
GLA: Mayor	69.3	69.0	(0.3)
GLA: Assembly	2.8	2.8	(0.0)
MOPAC	997.7	992.8	(4.9)
TfL	247.8	246.6	(1.2)
TfL Capital	0.0	0.0	0.0
LFC	225.2	224.1	(1.1)
LLDC	0.0	0.0	0.0
OPDC	0.0	0.0	0.0
Total	**1,542.8**	**1,535.2**	**(7.6)**
GLA Group Items (incl. provisions)	0.0	0.0	0.0
Total Council Tax	**1,542.8**	**1,535.2**	**(7.6)**
Business Rates	**2025-26**	**2025-26**	**Change £m**
GLA: Mayor	61.1	61.6	0.5
GLA: Assembly	6.1	6.4	0.3
MOPAC	132.0	130.7	(1.3)
TfL	1,123.7	1,124.4	0.7
TfL Capital	1,070.0	1,070.0	0.0
LFC	288.9	287.4	(1.5)
LLDC	22.3	22.7	0.4
OPDC	7.3	7.4	0.0
Total	**2,711.4**	**2,710.4**	**(0.9)**
GLA Group Items (incl. provisions)	73.3	23.5	(49.8)
Total Business Rates	**2,784.7**	**2,734.0**	**(50.7)**
Total Funding	**2025-26**	**2025-26**	**Change £m**
GLA: Mayor	130.4	130.6	0.2
GLA: Assembly	8.9	9.2	0.3
MOPAC	1,129.7	1,123.4	(6.3)
TfL	1,371.5	1,370.9	(0.6)
TfL Capital	1,070.0	1,070.0	0.0
LFC	514.1	511.5	(2.6)
LLDC	22.3	22.7	0.4
OPDC	7.3	7.4	0.0
Total	**4,254.2**	**4,245.7**	**(8.5)**
GLA Group Items (incl. provisions)	73.3	23.5	(49.8)
Total Funding	**4,327.5**	**4,269.2**	**(58.3)**

Note: Figures may not sum due to rounding.

B.1 Adjustments have been made to the GLA Group's control totals to reflect the following:

Collaboration Board costs

- The GLA Group Collaboration Board develops and oversees plans for further ways in which the GLA Group can work together more closely to deliver efficiency, effectiveness, economic benefit, and key Mayoral priorities. The Board aims for Group organisations to work as one, delivering maximum benefit to Londoners. This is achieved by removing operational and cultural barriers to joint working, enabling GLA Group organisations and key partners to be willing and able to work together as efficiently and effectively as if they were part of the same organisation.

- Group Collaboration Board has agreed a funding mechanism, where the total budgeted costs of the programme will be funded from a proportional top-slice of Mayoral funding. This new funding arrangement supports the Mayor's renewed emphasis on collaboration as a key priority for his third term, and is intended to incentivise Group organisations to work together towards this priority.

One-off adjustments

- A number of one-off investments were funded, in 2024-25, from £40.4 million of one-off business rates. These one-off investments reflected funding for Universal Free School meals, School Superzones, the Income Maximisation scheme to help Londoners facing financial challenges access income to which they are entitled, Air Quality Initiatives and capital programme funding.

Other adjustments and funding transfers

- Further adjustments have been made to the GLA Group's control totals to reflect:

  - the transfer of the collaborative procurement budget from GLA: Mayor to all GLA Group organisations (other than the GLA: Assembly and TfL)

  - the transfer of staff (i.e. the London Resilience Group from LFC to the GLA: Mayor)

  - the ongoing impact of decisions made in the Consolidated Budget 2024-25 (e.g. transfer of funding from GLA: Mayor to GLA: Assembly for the ongoing costs of the 2024-25 pay award)

  - changes in reserves (e.g. a provision of £70 million for business rates volatility was made in 2023-24 that is no longer considered necessary and therefore has not been repeated in 2025-26).