MAYOR OF LONDON

The Mayor's Budget Guidance for 2024-25

14 July 2023

Contents

The GLA Group comprises:

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

Mayor's foreword to the Budget Guidance for 2024-25

These are challenging times for our city and communities. The cost of living emergency is exerting an even greater squeeze on households than the global financial crisis; businesses are grappling with higher costs due to inflation and the damaging fallout from Brexit; and local government continues to feel the strain following the impact of the pandemic and years of chronic underfunding. Amid this economic turbulence and hardship, it's never been more important for City Hall to be on the side of Londoners – extending a helping hand to our communities during tough times and working tirelessly to build a better London for everyone.

This document sets out guidance to the Greater London Authority and its functional bodies – including Transport for London and the Metropolitan Police Service – so that each organisation can build their draft budgets for the 2024-25 financial year. Providing this clarity is vital to ensuring the GLA family is best placed to achieve our collective goal of creating a fairer, safer, greener, more prosperous and more affordable city for all Londoners. It will also help those within the GLA Group formulate their contribution towards the London Climate Budget, which is critical to helping our city reach net zero by 2030.

In preparing this guidance, we again have to manage a chronic lack of information from government, including on funding levels for next year and important aspects of the business rates system such as the 'multiplier' uplift that should be applied to take account of inflation. We continue to prudently manage these uncertainties, and remain alert to the ever-changing economic landscape and the challenges it presents. Therefore, whilst prepared on the basis of the best information available to us at the time, inevitably the funding control totals presented are subject to change. Any material updates will be communicated to relevant finance teams in a timely fashion, ensuring they can respond appropriately.

Our latest forecasts show more money will be provided to each GLA Group organisation than was anticipated when the Group budget was set in February, with the exception of TfL where we no longer assume the government will increase capital funding by TfL to account for inflation, as to date this has not occurred for the current year. Alongside TfL, we will continue to make the case to government for sufficient capital funding for our transport network.

Even with larger budgets, the current financial climate – and particularly the continued effects of inflation – mean the GLA finds itself confronting some strong headwinds. Delivering the high quality public services Londoners want and deserve will be a challenge in these conditions. The task is further complicated by the government's short-term approach to funding, which makes planning for the long-term impossible. It's why, as Mayor, I'll continue to push for multi-year funding settlements, as well as fiscal devolution to London, so that we can plan our spending more strategically and secure better value for money for the London taxpayer.

Despite the present backdrop, I remain optimistic and confident about our city's future. London has faced a lifetime of adversity over the last few years, but nonetheless we have shown the positive difference we can make from City Hall when we put our values of fairness, equality and respect for diversity into action. We have got London building again – starting record numbers of genuinely affordable homes and more council homes than at any time since the 1970s. We have made London a global leader when it comes to tackling the climate emergency and air pollution, with toxic air already cut by half in central London thanks to our flagship Ultra-Low Emission Zone. We also delivered the Elizabeth Line, the Hopper bus fare and a five-year freeze on TfL fares, helping to make public transport better and more affordable for all.

I'll never forget that London gave me the opportunities to go from the council estate where I grew up to being the Mayor of the greatest city on earth. It's why I still wake up every morning passionate about delivering on the promise I made to Londoners to make our city a place where everyone – irrespective of race, gender, religion, sexual orientation, disability or class – can get the same shot at reaching their full potential.

This means tackling structural injustices and systemic inequalities. It's why we're taking a lead on reforming the Met, providing mentors to 100,000 young Londoners in need of support, offering free skills training to anyone who's unemployed or in low-paid work, and delivering free school meals to all primary school children in London from this September. Moreover, we're also investing record sums to create positive opportunities for young Londoners at risk of getting involved in gangs and violence. Together with the investments we're making in our police service this forms part of our approach of being tough on crime and tough on the causes of crime. An approach I'm pleased to say has helped to reduce knife crime, gun crime and burglary since 2016, bucking the national trend.

Of course, there is always more to do, and this year's budget process will see our plans continue to develop. I truly believe that, as a city, we are moving forwards together and that we can be hopeful and ambitious about what we can achieve in the years ahead as we continue with our mission of building a better London for everyone.

Sadiq Khan
Mayor of London
14 July 2023

1. Introduction

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 the Mayor's priority aims and objectives; and can be contained within available resources.

1.2 The 2024-25 budget process, in summary, requires the GLA and its functional bodies to:

- prepare their 2024-25 budget submission on the basis set out in this 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 the impact of the 2022-23 outturn position – including for business rates – and in-year delivery of the 2023-24 budget
- work on the basis the control totals for revenue spend set out in this Budget Guidance should be used as the basis for their 2024-25 budget submissions in November; whilst recognising the Mayor will keep these control totals under review in light of government announcements on potential changes to local government funding in 2024-25 as well as taking into account the 2022-23 outturn position for business rates and council tax once these are available. 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 full and final public budget submission to the Mayor by **Friday, 24 November 2023** with proposals that ensure their budget is within the funding envelope specified
- consider and respond to the publication of the Mayor's consultation budget which is expected to be published in mid to late December 2023
- engage with the Assembly as it considers the Mayor's statutory budget proposals, prior to the consideration of the final draft budget at the Assembly's plenary meeting in February 2024.

1.3 The information sought from functional bodies in this Budget Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999.

1.4 A more detailed budget timetable can be found at Annex A.

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

1) The current level of inflation and its consequent impact on pay and prices. At the time of publication of this Budget Guidance, the Consumer Prices Index (CPI) was at 8.7 per cent and the Retail Prices Index (RPI) was at 11.3 per cent. The September CPI rate is normally used by government as the basis for uprating the business rates multiplier and key welfare benefits for the following financial year. If – as in 2023-24 – the government freezes the multiplier the government has historically compensated local authorities for the loss in revenues via separate compensating section 31 grant.

2) The future state of London's economy, given the UK's exit from the European Union and the continued impact of high inflation on household and corporate budgets. This can be expected to impact on levels of tax receipts, as well as other sources of GLA Group income such as public transport fares.

3) The potential impact of expected changes to the local government finance system which, according to the government's own timetable, are now expected to be implemented in 2025-26 at the earliest. Whilst these national funding changes will not affect the GLA Group Consolidated Budget in 2024-25 the uncertainty of implementation in subsequent years adversely impacts the Group's ability to budget for ongoing activities.

1.6 Although there are clear benefits to the public sector in being able to accurately predict its future government funding levels, there is no indication central government will provide such information in advance of either an Autumn Statement or its usual annual police and local government finance settlements which are published, each year, in December and February.

1.7 Until further information is provided by government, the Mayor expects functional bodies to produce budget submissions in line with the discretionary income allocations for 2024-25 to 2026-27 contained within the scenario outlined in Section 4. 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 Chief Finance Officer and CIPFA best-practice.

2. Review of funding sources

2.1 The GLA Group is funded through a combination of different sources, namely:

- retained business rates income
- council tax
- specific and general government grants
- passenger fares income
- locally raised taxes including the Crossrail Business Rates Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL)
- reserves.

2.2 The Mayor provides funding to 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.

Retained business rates income

2.3 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.

2.4 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.

2.5 The GLA has been part of an ongoing business rates pilot since 2017-18 when Transport for London's (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 2024-25, or on what basis; thereby adding significant uncertainty to the forecast retained business rates expected by the GLA Group in 2024-25 and future years.

2.6 The Mayor, since 2017-18, has typically received over £3 billion of business rates income per annum (including a forecast £3.7 billion in 2023-24) from London billing authorities based on the GLA's current 37 per cent share of business rates income (including associated government support for reliefs to ratepayers). The GLA's tariff payment to the government, as set out in the 2023-24 local government finance settlement – is circa £735m in 2023-24 – and is always the first call on the business rates income.

2.7 The GLA can also keep a proportion, 67 per cent in 2023-24, of growth in its business rate receipts above its pre-pilot baseline level, arising from growth in the taxbase that has not occurred due to a national revaluation. The remaining 33 per cent of growth is paid as a levy to central government. In 2023-24 the GLA has budgeted to pay a levy of circa £29 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 2023-24 for London boroughs and the GLA). 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 DLUHC funding settlement; consequently, the full risk for this amount, should business rates receipts fall, remains with the GLA Group. Assuming the pilot continues into 2024-25 we would expect the methodology and metrics currently in place for 2023-24 to be replicated, but this is subject to decisions to be made by the government as part of the local government finance settlement.

2.8 Retained business rates income available to the GLA Group, after allowing for the tariff and levy payable on business rates growth, has typically been around £2.6 billion per annum.

Uncertainty around uprating of local government funding for inflation and interaction with the annual uplift to the business rates multiplier

2.9 As noted above, baseline funding levels are generally assumed to increase in line with inflation. This is on the basis there would be a matching uplift in the business rates multiplier, as required under existing legislation, in line with the CPI – previously RPI – inflation rate in the preceding September. Since 2019-20 the government has frozen the multiplier and compensated local authorities for the cumulative lost revenues, arising from these decisions, via the general 'section 31' grant. In 2023-24, however, no inflationary uplift was provided on the element of funding relating to the former TfL capital grant; and this government decision has been assumed to now continue in all future years.

2.10 Based on its historic approach, the government may again cap the increase, or freeze, the business rates multiplier for 2024-25. The Office for Budget Responsibility's (OBR's) most recent forecast for CPI inflation in Quarter 3 2023-24 is currently 5.4 per cent. The government can disapply or reduce this percentage uplift in practice but has always, previously, compensated local authorities for any resulting lost income. Unfortunately, the government is unlikely to provide any information regarding whether it intends to cap, freeze or uprate the business rates multiplier, and on what basis, until after the September reference CPI is known, in October 2023; and is then unlikely to indicate how much 'compensation' it intends to provide local government for this decision, if at all, until the provisional local government finance settlement is published in December 2023, at the earliest.

2.11 In 2023-24 – before its tariff adjustment – the GLA Group is budgeted to receive just under £570 million in section 31 grant funding to fund the lost revenues arising from government funded relief schemes (e.g. the 75 per cent scheme for the retail, leisure and hospitality sectors) and from its decisions to cap or freeze the business rates' multiplier since 2015-16. This includes the cap compensation for the 2023-24 settlement linked to the 10.1 per cent September 2022 CPI inflation rate. Therefore, a significant amount of GLA Group funding moving forward is dependent on the government sustaining its current level of support relating to the business rates multiplier and funded relief schemes on an ongoing basis.

Potential government reforms to the business rates retention system which may impact on the income the GLA receives

2.12 When the business rates system was first introduced, in 2013-14, the government stated its intention to undertake a 'reset' in 2020, which was likely to remove some, or all, of the growth above baseline funding levels the GLA has benefited from in recent years. However, as noted below, it is now unlikely any reset will occur before 2025-26 at the earliest depending on the timing of the next general election and the policy intentions of the incoming government.

2.13 It is worth noting the GLA's funding for the first two years when the business rates system was introduced 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 from business rates when a full, or partial, reset of business rates growth is eventually implemented, and funding levels beyond 2024-25 should be treated as indicative only at this stage.

2.14 The current government had also previously committed to a 'fair funding' review which would primarily be focussed on making changes to the level of 'needs' funding at an individual local authority level via the national distribution formula. Such a review could also be used by government to introduce other reforms to the business rates retention system, and thereby locally retained business rate funding allocations, such as: altering the methodology for determining levy and safety net payments; or the timing and phasing of the receipt of business rates income; or to distribute some or all existing business rates growth through a reset.

2.15 The fair funding review, affecting local government and fire authorities, was expected to have been implemented from 2020-21; a date which has now slipped on five occasions. In June 2022, the Secretary of State said he intended to introduce a fixed two-year local government funding settlement for 2023-24 and 2024-25; and a fair funding review will occur *"shortly – within this calendar year."* However, in the local government finance policy statement 2023-24 to 2024-25, published on 12 December 2022, it was announced: *"The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament".*

2.16 Therefore, local government organisations and groupings (e.g. the Local Government Association) are of the opinion that any such reforms for local government and fire authorities will only be introduced from 2025-26 at the earliest; and it is expected that 2024-25 will see another 'roll-forward' of the current system. At the time of setting the 2023-24 budget it was assumed that only £3.7 million of business rates 'growth' income would be available on an ongoing basis, and the remainder would ultimately be 'lost' as part of a forthcoming business rate reset. This assumption has been reviewed for the purposes of developing this Budget Guidance; and remains prudent until there is further clarity on the impact of the future funding reforms.

2.17 It should also be noted in a letter to Chief Constables and Police and Crime Commissioners, dated 7 December 2022, the Minister of State for Crime, Policing and Fire stated: *"I have asked Home Office officials to prepare for a first public consultation* [regarding a Police Funding Formula Review] *in early 2023. This consultation will set out the broad principles of the Review and consult on the purpose, structure and components of a new formula…..Plans for the final phases of the review will be set out once we have considered responses to the first public consultation".* To date, no public consultation has been launched. Therefore, it remains unclear when any changes to the Police Funding Formula will be implemented.

Uncertainty in relation to income for 2023-24 and prior years pending receipt of billing authority outturn data

2.18 There remains considerable uncertainty about the final level of resources available to the GLA Group for 2022-23 and 2023-24, which impacts on future years covered by this guidance. The final 2022-23 outturn data on business rates and council tax from the London local authorities is unlikely to be finalised until the statutory audit of their accounts is completed. Only around one in four London local authorities published their draft 2022-23 accounts by the statutory deadline of 31 May – which is likely to delay the final certification process. At the time of publication of this guidance, the majority of London boroughs had also still not had their 2021-22 accounts finalised, eight months after the deadline for their certification, creating issues with providing assurance on future year estimates of income. In a small number of cases 2019-20 and 2020-21 accounts also remain to be signed off. Until these accounts are finalised, there remains a real risk of retrospective changes (and therefore, potential repayments to boroughs) in previously assumed levels of income and provisions for bad debts and appeals, especially given the impact of the COVID-19 pandemic. The government has still to confirm the final methodology for determining retained business rates income including levy payments on growth and safety net payments for those in material deficit for 2022-23. Therefore, should the final 2022-23 outturn (incorporating previous years) – or those for prior years – result in a material deficit compared to the allocations assumed for that year, the Mayor may need to revisit his final budget allocations for 2024-25 to take any revised assumptions into account.

2.19 Budgeted income figures for 2023-24 used to allocate resources in the Mayor's budget, approved in February 2023, are based on estimates made by billing authorities in January 2023. The GLA is still considering the potential implications of the draft 2022-23 business rates and council tax outturn data submitted by the 33 London billing authorities and their potential implications for future income as highlighted above. Beyond ensuring that the target balance on the business rates volatility reserve set out in the Mayor's approved 2023-24 budget is achieved it is not anticipated, however, that this provisional outturn data will impact on the resources approved in the published 2023-24 budget. This outturn data remains subject, of course, to audit and officers will keep this position under review should any local authorities report material amendments once their 2022-23 audited accounts are published. It also still remains unclear what the residual impact of the COVID-19 pandemic and the current cost of living crisis will be on the business rates tax base on business rates and council tax collection levels as well as the affordability of local council tax support schemes to support low income households of working age.

Conclusions on business rates forecasts

2.20 Future years' income from retained business rates is, in practice, entirely dependent on government policy decisions on local government finance and funding – including the level of support for inflation pressures delivered through the settlement – and the rate of London's long-term recovery from the economic impact of the pandemic and the current economic challenges due to the cost-of-living crisis.

2.21 It remains unclear when the government will make changes to the business rates system in the medium term. Such changes, when introduced, could significantly and detrimentally affect the level of business rates growth the GLA Group is able to retain and/or other factors affecting its total business rates allocation (e.g. the methodology for determining the levy and tariff payments required to be paid to government).

2.22 Further, the total quantum of business rates funding remains uncertain. In particular, whether government intends to cap or freeze the forthcoming increase in the business rates multiplier; albeit the September CPI rate will be used as the reference point for its calculations and decisions.

2.23 During the 2023-24 GLA Group Consolidated Budget setting process, sufficient clarity on business rates funding decisions, which the Mayor could rely on to make his decisions, was only provided by government in February 2023.

2.24 Unless government provides more certainty, regarding the future of the business rates system, during this financial year, a prudent funding assumption regarding anticipated levels of future business rates growth will again need to be made for the 2024-25 GLA Group Consolidated Budget. A further update on this issue will be provided in the Mayor's Consultation Budget, due to be published in December 2023.

Council tax

2.25 The Mayor has budgeted to receive over £1.3 billion in council tax precept revenues in 2023-24, almost seventy per cent of which relates to the police element which is passported to the Mayor's Office for Policing and Crime (MOPAC). 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 have required the Mayor to increase the police precept by the maximum allowed each year.

2.26 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, which are not expected to be known until December 2023.

2.27 Prior to 2021-22 there was a small year-on-year increase in the council tax base (i.e. the total number of properties on which council tax is charged), generating a higher level of income for the same level of precept. Over the last decade, the increase in London's council tax base, on average, has typically been around 2 per cent per annum. However, in 2021-22, as a result of the COVID-19 pandemic, there was a reduction in the tax base of just under 1 per cent. According to billing authority returns for 2023-24, London's tax base for tax setting purposes is forecast to increase by 1.6 percent overall; albeit this ranged between - 0.4 per cent and + 6.2 per cent at an individual billing authority level. The tax base for 2024-25 will be confirmed by billing authorities in late January 2024, along with the council tax collection fund surplus or deficit (essentially the difference between the expected and forecast 2023-24 tax base). Until this information is received from the billing authorities it is necessary to make an assumption. Over the past three years, London's estimated tax base reduced by 1 per cent in 2021-22; and then increased by 1.7 per cent and 1.6 per cent in 2022-23 and 2023-24 respectively. A projection of a 1.5 per cent tax base increase, per annum, has been assumed in this Budget Guidance.

2.28 The current exceptionally high rates of inflation and the cost-of-living crisis may also impact on council tax collection rates and the level of demand for council tax support by Londoners which could serve to depress the council tax base moving forward. Further, if housing construction slows as a result of the weakening economy, there is likely to be an associated negative impact on forecast and future council tax base increases. The final outturn position for 2022-23 in respect of council tax and business rates will not be confirmed until Autumn 2023 when it is expected the thirty-two London boroughs and the Corporation of London will have published their final audited accounts. Any variations, or updated forecasts, regarding 2023-24 income assumptions will be applied later in this budget process.

2.29 The Mayor has been granted additional council tax flexibilities in 2022-23 and 2023-24, to increase the Band D element of council tax by £20 to support transport services in London, following the government funding settlement agreed for TfL. This Budget Guidance assumes there will be one final increase of £20 in 2024-25 for this purpose, which is anticipated to be included as part of the government's council tax referendum principles contained in the provisional local government finance settlement, in December 2023 and then subject to Parliament's agreement in February 2024.

2.30 The government, in its 2021 Spending Review, stated the council tax excessiveness principle (or cap) for non-police services (excluding the one-off adult social care precept) would be 2 per cent between 2022-23 and 2024-25 and a £10 limit at Band D would apply for local policing bodies. However, the government changed this assumption in its local government finance policy statement 2023-24 and 2024-25, published in December 2022, and indicated the council tax referendum limit would be less than 3 per cent in each of these years. The cap on the police precept for 2023-24 was ultimately agreed at £15, although there is no current information as to whether this amount will continue for 2024-25. Therefore, a 3 per cent limit has been assumed, in this Budget Guidance, for both the police and non-police precepts supplemented by the final £20 increase (at Band D) for TfL. Any precept increase approved by the Mayor, or via an Assembly amendment to his Final Draft Budget, beyond the government's limits would require a referendum to be held in May 2024.

2.31 At this stage, given the level of uncertainty regarding government policy on council tax in a high-inflation environment, and the possibility of a change of government in the next General Election to be held no later than January 2025, it is not proposed to alter the assumptions previously used in financial planning for 2025-26 and later years. Therefore, from 2025-26, it is assumed a 2 per cent cap will apply to both the police and non-police precepts, in line with the government's initial principles set out in its 2021 Spending Review.

2.32 If the government assume in its published funding plans that police precepts should increase by the most recent referendum cap limit utilised (£15 for 2023-24), and the Mayor adopts this assumption, an additional £19.7 million would be generated for MOPAC, in 2024-25, over and above the current 2.99 per cent increase at Band D assumption (with an overall tax base increase of 1.5 percent).

2.33 Based on historic practice, the Mayor is only likely to have sufficient information to enable him to make a decision on the proposed Band D precept once the government announces the provisional local government, fire and police funding settlements for 2024-25, including its proposed council tax referendum limits. However, it must be recognised this information may not be available in time for the Mayor's consultation budget, due to be published in December 2023.

Grant funding

2.34 The GLA Group receives a significant level of funding through a range of specific and general grants for revenue purposes in addition to those outlined above relating to compensation for the lost revenues arising from support provided to business ratepayers. For example, the Metropolitan Police is forecast to receive over £3 billion in specific and general Home Office grants in 2023-24, which equates to 72 per cent of its budgeted net revenue expenditure. The GLA also receives over £0.3 billion in specific grant funding for Adult Education. In addition, the GLA was allocated a £21.4 million share of the £488.3 million Department of Levelling-Up, Housing and Communities (DLUHC) Services Grant in 2023-24 for local authorities which is not expected to continue in 2024-25. The London Fire Commissioner (LFC) also budgeted to receive over £33 million in Home Office specific grants in 2023-24 for various purposes.

2.35 If the quantum of these grants does not increase in line with inflation – or indeed are reduced in cash terms – there is a real risk the resulting budget gaps could result in cuts to services. It is currently uncertain if the government will increase this specific grant funding in line with inflation and, if so, on what basis.

2.36 The majority of specific grant allocations for 2024-25 are expected to be published alongside, or shortly after, the provisional police and local government finance settlements in December 2023. Such figures are subject to amendment in the final settlements considered by Parliament in early February 2024.

2.37 As noted, in paragraph 2.34 above, in 2023-24, the GLA Group was awarded £21.4 million of unringfenced Services Grant at the final local government finance settlement. Whilst the Services Grant is expected to continue in some form in 2024-25, no assurances have been provided around the amount that will be awarded. Therefore, no decision will be made on its allocation until an announcement from the DLUHC is made.

Passenger fares income

2.38 Although increasing from the historic lows arising from the COVID-19 pandemic, passenger fares continue to be below pre-pandemic levels and TfL's funding forecasts for 2023-24 made at that time. TfL now expect passenger demand to reach 90 per cent of pre-pandemic levels by the end of 2023-24. The pandemic clearly resulted in more people working from home, shopping locally, or online, and making shorter journeys on foot or by bike. Nevertheless, TfL has made significant strides towards achieving financial sustainability and is expected to achieve an operating surplus in 2023-24; however, its financial future continues to depend on uncertainties that require further clarification throughout this financial year (including passenger numbers and government funding support for future capital expenditure).

2.39 Through previous emergency funding agreements during the COVID-19 pandemic, the government has required TfL fares to increase in line with the Department for Transport's (DfT's) annual national fares rises (5.9 per cent in 2023-24). TfL's current planning assumption, as set out in their current funding agreement with the government, is that national fares will increase by 4 per cent in March 2024.

2.40 TfL continues to receive government support in 2023-24 to offset the impact of pandemic related reductions in fare revenues, however this support is expected to be removed from 2024-25. TfL remains focussed on achieving an operating surplus to fund investment in the future.

Locally raised taxes

2.41 In April 2010, the 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 expects to apply circa £135 million of BRS and MCIL revenues in 2023-24 towards capital financing and administrative costs associated with its Crossrail related debt; these income sources are ringfenced for this purpose. The balance of any additional BRS and MCIL revenues are set aside to repay the GLA's outstanding Crossrail debt.

Reserves

2.42 The requirement for financial reserves is acknowledged in statute. 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.

2.43 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, the GLA and its functional bodies should report the estimated movement in reserves (and corresponding revenue or capital expenditure) on indicative planned usage (even if not yet formally committed through the Mayoral approval process).

3. Key deadlines

3.1 The key deadlines for the GLA and its functional bodies are:

- Save for Quarter 4 (see below), within 25 working days of each quarter end, to supply a quarterly budget and performance monitoring report in draft to the GLA and, within 10 additional working days thereafter, to make that monitoring report publicly available.

- By Friday, 24 November 2023, in the light of preliminary draft budget proposals issued by the Mayor, to make a full budget submission as specified below and at Annexes C, D, and E.

3.2 The Mayor requires the GLA and its functional bodies to provide timely and high-quality information in their quarterly monitoring reports. Accordingly, save for exceptional circumstances, within 25 working days of each of the 1st, 2nd and 3rd quarter-ends a quarterly budget and performance monitoring report is to be supplied to the Mayor's Office and to GLA Group Finance. Thereafter, each member of the Group is to make that monitoring report publicly available on their website within a further 10 additional working days (i.e. 35 working days from the quarter end). These published monitoring reports must also be issued to the London Assembly's Budget and Performance Committee for scrutiny.

3.3 The deadlines for Quarter 4 are extended by a maximum of a further 10 days (i.e. 35 working days from the 4th quarter end for supply to the Mayor and GLA Group Finance and 45 working days for publication on the body's website) to allow for the inclusion of each body's outturn position for 2023-24 as part of its statutory draft accounts. This means the deadline for publishing the 2023-24 Quarter 4 position is 31 May 2024 with the proviso that the Mayor's Office see an early draft as far in advance as possible. The content and format of the quarterly monitoring reports is to be determined by each member of the GLA Group in consultation with the Mayor's Office but will be expected to cover the issues specified in Annex B below.

3.4 The GLA and functional bodies must transparently present any changes to the Mayor's approved Budget which are made during the year, in particular as part of their quarterly monitoring. This includes revisions to overall budget totals, movements between budget lines, and decisions regarding repurposing of expected underspends. Functional bodies should seek explicit approval for such changes where necessary. In doing so they must provide adequate information 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. Control totals

4.1 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: 2024-25 to 2026-27. The control totals exclude specific government grants paid to the GLA and functional bodies and the use of general reserves.

4.2 The scenario presented demonstrates the level of uncertainty at this stage of the process; and it is unlikely the final position will exactly match the control totals provided. Rather, it has been designed to enable planning and budget work to take place and also give an indication of possible future growth scenarios in line with current inflation forecasts. These inflation forecasts are by no means certain. All future relevant government announcements will be scrutinised for additional information in the hope that further certainty regarding future funding levels will be provided as the budget development process progresses.

4.3 The adjustments in the following table have been made to the 2023-24 base allocations, before they are inflated to determine 2024-25 allocations, reflecting one-off business rates growth utilised in the 2023-24 GLA Group budget.

2023-24 one-off adjustments from business rates	
	£m
GLA Mayor	
Free school meals	111.6
MOPAC	
Tackling serious violence	
- VRU innovation fund	1.5
- VRU IRIS VAWG workers	1.5
Supporting victims	
- Victim Care Hub business case	2.0
Reserves	
Business rates reserve	3.0
Environmental Improvement Reserve	38.2
Provisions	
Additional levy provision and prior year adjustments	21.2
Provision for levy and business rates relief volatility	70.0
Total one-off adjustments	**249.0**

4.4 The one-off adjustments predominantly comprise the funding for free school meals and the top-up of the Environmental Improvement Reserve. Provisions of £91 million were made from the estimated 2023-24 business rates receipts owing to uncertainty regarding potential repayment of retail relief (£70 million) and potential increases in the levy on growth (£21 million).

4.5 The £70 million sum was held in the business rates reserve due to the difficulties billing authorities have had in forecasting the level of retail relief to be granted in 2022-23 and 2023-24 as a result of £110,000 cap per business entity imposed by the government. This could have caused a large temporary call on the GLA's reserves as the associated section 31 grant funding from government must be accrued for in a different financial year to the transfers to fund the related surpluses or deficits in collection funds. Owing to the worsened outturn position, the £70 million provision for business rates volatility has been repeated in 2024-25 and will be held in the Business Rates Reserve pending a final outturn position.

4.6 A further adjustment to functional bodies' control totals has also been made to reflect the recoupment of expected collaboration programme costs in 2024-25. See section 10 for further details.

4.7 The core central scenario is a prudent scenario prepared in the absence of confirmed key financial information from central government. It assumes an uplift of 2.5 per cent in total recurring retained business rates income for the GLA Group for 2024-25; and a 2.0 per cent uplift thereafter (not accounting for any potential business rates reset or fair funding review). The assumption of 2.5 per cent is the same as decision taken at this point in the 2023-24 budget setting cycle and is reflective of the latest OBR forecasts of CPI, published in its economic and fiscal outlook in March 2023, when this budget will commence – between 2.9 per cent (Q4 2023) and 1.5 per cent (Q1 2024). It also assumes a 1.5 per cent uplift in the overall council tax base; and the Band D council tax precept will increase by 2.99 per cent (plus £20 for TfL) for police and non-police services in 2024-25 and 1.99 per cent for police and non-police services thereafter.

4.8 It is acknowledged more funding may be available for allocation before the Mayor publishes the Final Draft Budget in February 2024. However, an actual amount cannot be quantified at this time due to the considerable uncertainties inherent within the current local government funding system, including: current inflationary estimates and associated government funding decisions; billing authorities' local taxation receipts and forecasts; and any new government initiatives included in the local government finance settlements. This position will be continually reviewed as information becomes available, and decisions on any subsequent allocation will be taken later in the budget process.

4.9 It can be seen in this scenario:

- an additional £229 million is available across the GLA Group in 2024-25 (£125 million due to the assumed precept (£105 million) and taxbase (£20 million) increases, and £104 million due to increased business rates)

- this represents £75.7 million more than the amount provisionally indicated for 2024-25 in the 2023-24 GLA Group budget document

- there is a reduction (of £16.8 million) in the amount allocated to TfL, for 2024-25, compared to the figures forecast in the 2023-24 GLA Group budget. This is due to the assumption that, as occurred in the 2023-24 final local government finance settlement, the government will not apply any inflationary increase to TfL's capital business rates allocation. However, the overall amount of capital funding available to TfL is likely to be subject to future negotiations with DfT

- all other functional bodies receive more than the previously published allocations.

4.10 **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 2024-25 and future years is based on this scenario.** Should there be a need to move away from this scenario, for example following further financial information being provided by government, then advice will be issued accordingly. However, it must be recognised that it is unlikely new information will be provided by government before the 24 November deadline is reached for functional bodies to publish their budget submissions.

4.11 Decisions on the allocation of any retained business rates income in excess of the core central scenario will be made by the Mayor no later than the point at which the Group Budget is finalised in February 2024. The GLA and functional bodies should be prepared to respond promptly to Mayoral requests for information should it become apparent that additional one-off or ongoing funds are available.

Core Central Scenario

Discretionary Mayoral funding control totals	2023-24 (including one-off funding) £m	2023-24 (baseline – excluding one-off allocations) £m	2024-25 £m	2025-26 £m	2026-27 £m
GLA: Mayor	237.6	126.0	128.5	130.7	132.9
GLA: Assembly	8.3	8.3	8.5	8.6	8.8
MOPAC	1,004.4	999.4	1,042.8	1,078.2	1,114.8
LFC	447.4	447.4	470.4	489.4	509.2
TfL	2,169.4	2,169.4	2,258.0	2,280.5	2,303.5
LLDC	29.7	29.7	30.4	22.7	23.2
OPDC	7.0	7.0	7.2	7.3	7.5
Group items	44.0	2.8	3.3	3.4	3.5
Additional Provisions	91.2	-	70.0	-	-
Total	**4,038.9**	**3,789.9**	**4,019.0**	**4,020.9**	**4,103.3**

Provisions for potential repayments of business rate reliefs and increased levies were made from the estimated retained business rates receipts in 2023-24 and held in the Business Rates Reserve. It is currently anticipated that £70 million of this provision will need to be repeated in 2024-25 (see paragraph 4.5). Figures are rounded to one decimal place.

4.12 The GLA: Mayor numbers reflect the cost of GLA services only. The GLA figures do not reflect any reductions to those financial elements accounted for within the component budget that relate to the wider GLA Group budget (e.g. council tax and business rates income maximisation funding provided to the 32 London boroughs and the Corporation of London and Group-level reserves, including the reserve held by the GLA for LLDC and OPDC). The income maximisation work being undertaken by boroughs with this funding continues to play a critical role in minimising the savings ultimately required for the entire Group. Accordingly, the GLA: Mayor's budget submission should set out details of the GLA's core services only, and not include the items that will be accounted for within the final GLA Group items budget.

4.13 MOPAC's control total assumes the Band D police precept increases by 2.99 per cent in 2024-25 and then 1.99 per cent in future years. The Mayor will determine the level of his police precept for 2024-25 in due course but is unlikely to make a final decision until he has had an opportunity to consider the provisional Police Settlement which is expected to be published in December 2023.

4.14 As noted in Section 2, if the government require the police precept to increase by £15, as its funding decisions assumed for 2023-24, an additional £19.7 million will be generated for MOPAC in 2024-25 over and above the current 2.99 per cent assumption used to determine this scenario.

4.15 LFC funding assumes the 2.99 per cent increase in the non-police precept in 2024-25 is fully passed to the Fire Commissioner. This assumption will be reviewed during the budget process.

4.16 It is assumed there will be a £20 increase in the Band D council tax to generate additional funding for TfL in line with the government's requirements, set out as conditions of its extraordinary funding agreements for TfL during the COVID-19 pandemic. This is subject to Ministers and the House of Commons agreeing council tax excessiveness principles for the GLA as part of the local government finance settlement to permit this. Transport for London's (TfL) control total includes £1,070.0 million of retained business rates relating to funding formerly paid as a capital investment grant, which the Mayor may wish to apply for capital purposes, as well as £244.3 million of council tax funding.

4.17 London Legacy Development Corporation (LLDC) funding figures are for core activities and 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 and includes subsidy for the London Stadium. The proposed indicative level of grant for the successor body, excluding the stadium, was previously set at approximately £10 million, which will need to be updated given the impact of inflation since then. The final level of grant required will be determined during 2024-25.

4.18 The successor body's income from the Fixed Estate charge (FEC) will increase over time as Queen Elizabeth Olympic Park (QEOP) continues to be developed into the 2030s. 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).

4.19 Old Oak and Park Royal Development Corporation (OPDC) funding figures are for core activities. Now that its Local Plan has been adopted, OPDC is moving from planning to delivery mode, with a focus on delivering Old Oak West. Working closely with government, Homes England, HS2 and Network Rail, OPDC are currently preparing a detailed Outline Business Case for infrastructure funding support and the co-ordination of public land to drive its vision forward and prepare the ground for appointing key delivery partners. With the recent news that the HS2 Station at Old Oak Common is set to become the London terminus for some time, it is all the more critical that OPDC ensures the delivery of regeneration at Old Oak and Park Royal. OPDC is expected to produce revenue and capital budget submissions that reflect this scaled-up activity to be set out in the business case currently under production, and these will be considered by the Mayor in due course.

5. Budget submissions

5.1 The 2024-25 budget proposals to be submitted by the GLA and functional bodies by 24 November 2023 must:

- for revenue expenditure, cover at least 2023-24 (original budget, revised budget and forecast outturn) and budget proposals for 2024-25 to 2026-27
- reflect planned usage of general and earmarked reserves relating to budget proposals for 2024-25 to 2026-27
- adhere to Annex C to this guidance, which provides further detail on the revenue information to be provided
- include information to inform the Mayor's London Climate Budget as described in section 7 and at Annex D of this document
- include a Capital Strategy as described below and at Annex E of this document

5.2 The GLA and its functional bodies should each ensure their budget submission is made as one cohesive document which covers all the points in this guidance and its annexes and there are no omissions. Budget submissions should be presented in a format that readily allows public scrutiny. The Mayor expects the GLA and its functional bodies to fully comply with the requirements set out in this guidance.

5.3 In the interests of efficiency and the need to consolidate into a group format and aid budget consultation, information must be presented in a similar format throughout the budget process. GLA officers will work with functional bodies to seek to minimise these burdens. Templates for budget submissions to meet the requirements of Annex C, and the London Climate Budget at Appendix D, will be issued by mid-September 2023.

5.4 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 each functional body is required to prepare their Capital Strategy on the basis set out in Annex E of this document.

5.5 The Mayor's final budget proposals are intended to be as up to date as possible and reflect the latest information from the GLA and functional bodies. However, to prepare them, the latest date updated budget submissions from the GLA and functional bodies can be considered for inclusion in the Mayor's final draft budget is Friday 26 January 2024. There may of course be further discussions and iterations before the final draft budget is published in mid-February to reflect the final business rates and council tax income estimates and the impact of the final local government finance settlement which will not be confirmed until early February 2024.

6. Affordable housing

6.1 Under the 2016-23 Affordable Housing Programme more than 780 affordable housing starts have been achieved over and above the planned target by the end of March 2023 (i.e. 116,782 affordable housing starts have been achieved compared to the 116,000 planned target).

6.2 The GLA is starting to see real results from the Mayor's Affordable Housing policy ensuring all public land, and by exemplar all GLA Group land, produces at least 50 per cent affordable housing. The Kerslake review recommended more collaboration and exploration of creative funding mechanisms to maximise delivery of affordable housing by the GLA Group.

6.3 Targets going forward are ambitious, especially considering the huge economic turmoil seen in the housing sector with rising construction costs and difficulties with supplies, materials and labour, as well as new fire safety standards. To maximise the GLA's impact, it is critical that funds available are used to tackle infrastructure issues, remove barriers and enable land to come forward that may be otherwise constrained – both across the GLA Group and also working in collaboration with the GLA's housing providers and local authorities. It is expected functional bodies will consider this when preparing their Capital Strategies.

7. Social Integration and Equality, Diversity and Inclusion

7.1 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.

7.2 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. In November 2022 the Mayor published a new set of equality objectives to replace those published in 'Inclusive London' in 2018. These 14 objectives reflect the priorities of the missions set out by the London Recovery Board, which provide the basis for how the GLA's work is now structured for the purposes of budget setting and performance reporting.

7.3 Following a review of the use of equalities assessments across the GLA in 2022, it was agreed that the use of Equalities Impact Assessments (EqIAs) within the GLA needs strengthening. A pilot on a new approach to EqIAs also began in Summer 2023 and is due to be rolled out more widely in Autumn 2023, along with refreshed guidance on the use of EqIAs. EqIAs will help determine what the equalities implications are of a policy or programme and should be used to guide the allocation of funding or budgets.

7.4 In May 2023 the 'Make It Accessible' toolkit was published for use by GLA staff, as a set of guidelines on how best to develop disability inclusive communications, events, meetings and consultations. It is important that adequate consideration is given towards adjustments or changes that may have a cost associated with them. Please factor accessibility related costs into budget setting and when planning to develop communications, events, meetings and consultations.

7.5 The Mayor's Equality, Diversity and Inclusion Strategy for London, include commitments that pertain to a range of GLA and GLA Group activities. 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.

7.6 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.

7.7 Important pieces of evidence functional bodies may wish to refer to include:

- Rapid Evidence Review – which set out the impact of the COVID-19 pandemic on communities and low-income Londoners
- Vision Statements – underpinning the Building A Fairer City Plan which focus on inequalities affecting, Black, Asian and minoritised Londoners, deaf and disabled Londoners, LGBTQ+ Londoners, older Londoners and women and girls and provide a vision of what successfully addressing these inequalities would look like
- EDI Evidence Base for London – accompanying the original EDI strategy from 2018, this report presents evidence on London's diverse population, as well as the inequalities experienced by Londoners in areas such as housing, education, employment, transport, crime, health, social integration, culture and sport

- London COVID-19 Resilience Dashboard – set up at the start of the pandemic to capture and bring together appropriate data and research to monitor London through the recovery period. It includes data on inequalities through a section titled 'Narrowing Inequalities'.

7.8 Actions taken, and progress made against EDI objectives will continue to be reported in the Mayor's Annual Equality Report. This allows us to meet 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.

7.9 Any queries about this area of the Mayor's work should be directed to the Assistant Director of Communities and Social Policy.

8. London Climate Budget

8.1 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, in 2023-24, included for the first time a 'Climate Budget' within the GLA Group's annual consolidated budget process and documents. The 2024-25 London Climate Budget, therefore, reflects the second year of its inclusion in the GLA Group's annual budget process.

8.2 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'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.

8.3 As part of the financial budget process, 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.

8.4 A climate budget leads to transparency around actions and the gap/deviations to 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.

8.5 The 2024-25 London Climate Budget now encompasses both Level 1 and Level 2 reporting:

Level 1: GLA Group-wide reporting scope.
As for 2023-24, the 2023-24 climate budget included actions to reduce emissions from the GLA Group's estate and fleet. In 2024-25, Level 1 reporting is being expanded to include climate adaptation measures on the GLA Group estate or its fleet.

Level 2: London-wide reporting scope.
Although the 2024-25 London Climate Budget necessarily focusses on the actions of the GLA Group, its scope has now been expanded to also consider the Group's wider impact across London. This means that the Group will now 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.

Level 3: It is proposed supply chain and embodied emissions will be included in the London Climate Budget from 2025-26. Therefore, emissions with making, supplying, using and disposing of goods and services consumed in London will be included. The reduction in these emissions go further than the Mayor's current net zero ambition, as they reflect global emissions that occur due to activities in London.

8.6 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.

8.7 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 functional bodies, and can also help support action from other stakeholders in London to 2030 and beyond.

8.8 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 different functional bodies. Submissions comprising climate budget tables and an accompanying narrative will be assessed as part of the GLA Group's annual budget process.

8.9 The 2024-25 climate budget tables require climate mitigation and adaptation measures to be grouped as follows:

- Level 1 – measures that support Greenhouse Gas (GHG) emissions reduction and climate adaptation on the GLA Group estate (head offices, operational buildings, properties let out or land under GLA management), operational fleet (i.e. Tube, buses, fire engines, police cars) and support fleet (all other GLA Group vehicles)

- Level 2 – measures that support GHG emissions reductions and climate adaptation anywhere in London.

8.10 The accompanying narrative should also highlight any key level 3 measures underway, including minimising emissions from staff air travel.

8.11 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. This content will then be reflected by the Mayor in his consultation budget document which is likely to be published in mid to late December 2023.

9. Value for Money

9.1 The GLA Group, in common with other local authorities, must deliver value for money. This Budget 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 Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code.

9.2 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"*.

9.3 Whilst there is considerable uncertainty about funding levels for the GLA Group in 2024-25 and future years, it is nevertheless important to plan for the medium-term to ensure the group's financial sustainability. The scenario outlined is intended to be used by GLA Group member bodies to test financial resilience and ensure financial sustainability.

9.4 It is ultimately 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.

10. Managing the budget process

10.1 As in previous years, a detailed and extensive process will be required to successfully manage the delivery of the GLA Group Consolidated Budget for 2024-25. In addition to the regular and established quarterly meetings with the Mayor's Office and at officer level, more frequent review processes are to continue, with at least monthly meetings starting from September 2023 between each member of the GLA Group and GLA Group Finance to review progress on proposals being developed to deliver balanced budgets and the London Climate Budget for all three financial years covered by this guidance.

GLA Group collaboration

10.2 The GLA Group already has a significant number of shared services in place, for example in areas such as legal, internal audit, procurement and financial transactions. The GLA Group Collaboration Board develops and oversees plans for further ways in which the GLA Group can work together more closely and to be even more efficient and effective. The Board aims: *"for GLA Group organisations, and key partners, to be willing and able to work together as effectively and efficiently as if they were part of the same organisation."* This has been fully endorsed across the GLA Group and shapes how the organisations will collectively respond to collaboration initiatives.

10.3 The Collaboration Portfolio aims to replenish the monies that have been expended on the programmes. At the Group Collaboration Board meeting, on 4 July 2023, it was agreed the general principles of the payback for 2024-25, and future years, shall be as follows:

a) the cost of running the programme (i.e. the costs of the collaboration project team) will be recovered via a charging mechanism allocated proportionately based on the Mayor's agreed funding allocations (i.e. business rates and council tax income) in the current year. This excludes one-off funding agreed as part of the GLA Group Consolidated Budget each year

b) individual project costs will be paid for, on a project-by-project basis, by the member organisations associated directly with each project on the basis of the determined benefits received

c) where an assessment of the overall benefits arising from each project are less than the total project costs incurred then point b applies with the proviso that no more than 50 per cent of benefits received in a year are paid back to the centre so that all involved will experience the benefit of the Collaboration Portfolio

d) where a project doesn't deliver cashable benefits, the Board needs to agree the basis on which its costs will be met (e.g. as for point a, or by specific organisations in agreed proportions).

10.4 The collaboration project team has estimated the forecast running costs of the programme in 2024-25 will be £0.715 million; and £2.585 million for specific project costs, including collaborative procurement. These will, as outlined in paragraph 10.3 (b) above, ultimately be recouped from individual functional bodies on a project-by-project basis in proportion to the determined benefits they receive. Therefore, for the purposes of this Budget Guidance, £3.3 million has been deducted from functional bodies' control totals for 2024-25 and transferred to the GLA Group Items budget to help ensure sufficient resources are available to fund the programme during the forthcoming financial year. It is recognised these figures will change in future as more up-to-date, and validated, information is obtained. These costs and benefits, and their subsequent allocation across functional bodies, will be reviewed in the Mayor's Consultation Budget 24-25 and then again in the Mayor's Final Draft Budget 24-25 and updated as necessary.

10.5 The following table provides the current adjustments that have been made to functional bodies' 2024-25 control totals, provided in paragraph 4.11 above, for both the forecast running costs and the expected benefits arising to fund the specific project costs. Figures are rounded to one decimal place.

Notional allocation of expected collaboration programme costs across functional bodies in 2024-25

	Allocation of £0.715m Core Funding on basis of Mayoral funding allocation £m	Allocation of £2.585m Project Costs on basis of estimated cost avoidance £m	Total initial adjustment to Control Totals £m
GLA: Mayor	0.024	0.096	**0.120**
GLA: Assembly	0.000	0.000	**0.000**
MOPAC	0.189	0.781	**0.970**
LFC	0.085	0.000	**0.085**
TfL	0.410	1.703	**2.113**
LLDC	0.006	0.002	**0.008**
OPDC	0.001	0.002	**0.004**
Total	**0.715**	**2.585**	**3.300**

10.6 The collaboration team are currently reviewing the methodology for determining actual benefits derived by functional bodies from the various collaboration projects undertaken to date and currently in-flight. The findings of this review, once accepted by the Group Collaboration Board, will ultimately be used to inform the actual payback amounts required from each functional body, towards specific project costs incurred, on an equitable basis. The allocation of the £2.585 million outlined in the table above has been calculated on the basis of estimated cost avoidance arising from the contingent labour collaborative procurement workstream, between April 2022 and December 2022.

Budget submissions

10.7 The Budget and Performance Committee will be requesting information at key stages of the 2024-25 Budget process and there will be a requirement for representatives from each functional body to attend committee meetings as appropriate.

10.8 Functional bodies’ budget submissions, 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 2023 to January 2024. Accordingly, functional bodies are reminded they must publish their budget submissions by no later than 24 November 2023 to allow Assembly Members to consider their proposals before the required committee meetings take place. GLA submissions will be published ahead of the committee’s meeting on 21 November 2023.

10.9 The statutory framework for consultation on the Mayor’s Draft Consolidated Budget is restricted by the time available (mid-December to mid-January). To complement and prepare for this part of the budget process GLA Group Finance will maintain a dialogue with, and provide information to, key stakeholders.

10.10 Final budget submissions are to be sent to the generic GLA Group Finance email address GLABudget@london.gov.uk, by no later than **5pm, Friday 24 November 2023**. The Mayor’s Office or GLA Group Finance may require interim submissions and scenario analysis to ensure an orderly process leading up to the 24 November deadline.

10.11 If any further information or clarification is required on this guidance then please contact: Enver Enver, Acting Chief Finance Officer & Director Group Finance and Performance (email: Enver.Enver@london.gov.uk and GLABudget@london.gov.uk).

Annex A: Indicative timetable for budget process

DATE	DESCRIPTION
14 July 2023	Mayor's Budget Guidance published.
18 August 2023	'Quarter 1' (April to June 2023) monitoring reports for all GLA Group bodies published.
October / November 2023	Preliminary draft budget proposals ('budget letters') for 2024-25 prepared by the Mayor and issued for consultation with the GLA and its functional bodies.
17 November 2023	'Quarter 2' (July to September 2023) monitoring reports for all GLA Group bodies published.
21 November 2023 to 8 January 2024	Assembly Budget and Performance Committee meets the GLA and functional bodies to scrutinise their budget submissions.
24 November 2023	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 to mid-December 2023	Publication of the provisional local government, fire and police Settlements by DLUHC 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 *(based on publication date of provisional 2023-24 settlement)*.
Mid-December 2023	Potential Publication of Mayor's Consultation Budget issued *(based on publication date of 2023-24 Consultation Budget)*.
9 January 2024	Budget and Performance Committee scrutinises Mayor on his Consultation Budget.
17 January 2024	Draft Consolidated Budget published.
25 January 2024	Assembly to consider Draft Consolidated Budget.
26 January 2024	Final date for submission of amendments to Group Finance on GLA and functional bodies' proposed revenue and capital budgets.
31 January 2024	Deadline for billing authorities to complete NNDR 1 form (estimates of business rates income for 2024-25) and to notify the GLA of the council tax base for 2024-25.
Early February 2024	Publication of final local government, police and fire finance settlements *(based on publication date of final settlement for 2023-24)*.

Mid-February 2024	Mayoral Decision approving Crossrail Business Rates Supplement arrangements for 2024-25 signed.
14 February 2024	Final Draft Consolidated Budget published.
19 February 2024	'Quarter 3' (October to December 2023) monitoring reports for all GLA Group bodies published.
20 February 2024	Budget and Performance Committee scrutinises Mayor on his Final Draft Budget.
22 February 2024	Assembly to consider Final Draft Consolidated Budget.
27 February 2024	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan must be published.
March 2024	GLA and functional bodies agree and publish detailed final budgets for 2024-25, based on control totals approved in GLA Group Budget.
31 May 2024	'Quarter 4' (January to March 2024) monitoring reports for all GLA Group bodies published.

Annex B: Quarterly monitoring reports

1. The format and content of quarterly monitoring reports is for the GLA and each functional body to determine, in consultation with the Mayor's Office and GLA Group Finance and Performance. The Mayor requires the GLA and 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.

2. 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'. Quarter 4 reporting should be no later than ten working days after the deadlines for the other quarters.

   (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.).

3. Save for exceptional circumstances, reports are to be made publicly available 35 working days after the 'quarter end'. The discipline of ensuring a report is provided to the Mayor within 25 working days of the 'quarter end' remains an absolute requirement.

4. 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. In the case of the Mayoral Development Corporations (MDC) pressures may require a drawdown from the MDC reserve. However, during periods of excessive inflation then any impact on service delivery should be discussed as part of the quarterly oversight process.

5. 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 functional bodies' reserve policies.

6. 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."* All functional bodies are expected to comply with this CIPFA guidance.

7. 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 2023-24 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. 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.

Annex C: Revenue Budget Submission

Required by 24 November 2023 from the GLA and its functional bodies

Service Analysis

1. The main financial element of the final revenue budget submissions will be an analysis of budget proposals by service division / objective for the three years 2024-25 to 2026-27, with comparative figures for the approved 2023-24 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 that functional body 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 adjustments.

2. If the service division / objective analysis is revised from that used for 2023-24, then the figures for the previous year should be re-stated on a comparable basis.

3. The 2024-25 budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2023-24, separately identifying:

- inflation
- 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. A subjective analysis must also be submitted covering the three-year plan period 2024-25 to 2026-27, including a comparison with 2023-24 figures.

Savings and efficiencies

5. The GLA and its functional bodies will be required to set a financially balanced budget for 2024-25, 2025-26, and 2026-27, within the funding envelope and format specified in this Guidance.

6. The impact of savings and efficiencies required in order to achieve a balanced budget for each financial year, needs to be set out so the Mayor's duties to consult on his budget can be discharged. Accordingly, the following information on savings is to be supplied by 24 November 2023:

- A description of the expected savings and efficiencies to be achieved in 2024-25 and later years. A sufficiently detailed description needs to 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 net 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 (FM) Code, functional bodies are to consider setting out details of any 'savings to be required' arising from their budget submissions.

Reserves and general balances

7. 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 the 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 they have been established for. 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 2023 to 31 March 2027.
- In the case of earmarked reserves held for purposes beyond 31 March 2025, 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 over-stated.
- In accordance with CIPFA's FM Code, functional bodies are to consider setting out an explanation of why their reserves need to not only be adequate but why they are necessary.

Inflation factors

8. Control totals have been based on a 2.5 per cent uplift in business rates between 2023-24 and 2024-25. However, given the current uncertainty around public sector pay and ongoing inflation, no specific guidance for pay and inflation rates is provided at this time. The GLA and its functional bodies must be able to explain their inflation assumptions (for both pay and non-pay costs) and all figures must be at outturn prices.

9. It can be seen, in Annex B above, the revenue budget monitoring process includes consideration of the impact of inflation on in-year expenditure. Any unavoidable inflationary cost pressures, that cannot be addressed by the use of reserves, above the amounts allocated in the 2023-24 consolidated group budget may be used to inform updated control totals as per the Mayor's letters to functional bodies that will be sent in October/November 2023.

Robustness of estimates and adequacy of reserves

10. To help the GLA meet the statutory requirements of the Local Government Act 2003, 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. In accordance with CIPFA's Financial Management Code, CFOs are to consider including in their reserves statement details of where their actual level of reserves have deviated significantly from forecasts.

Capital Financing Costs

11. Capital financing costs, broken down between provision for repayment of debt and interest need to be shown for the period 2023-24 to 2026-27.

Annex D: London Climate Budget

Required by 24 November 2023 from the GLA and its functional bodies

1. All functional bodies are required to include a section within their budget submissions dedicated to the London Climate Budget. The narrative included in this section will cross reference tables to the climate budget tables which will be submitted separately as an Excel file.

2. The narrative will include:

   - what is within the level 1 and, where appropriate, level 2 scopes in the functional body's climate budget
   - for level 1 measures, a single graph showing historic 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.

3. Detailed tables for completion by functional bodies regarding the London Climate Budget will be circulated in due course.

Annex E: Capital Strategy

1. The Mayor requires a GLA Group-wide Capital Strategy be prepared as part of his 2024-25 Budget. For the avoidance of doubt, the GLA Group Capital Strategy incorporates the GLA Group Capital Spending Plan that has been published in previous years. The elements of the GLA Group Capital Spending Plan, required under section 122 of the GLA Act 1999, are to be included in the GLA Group Capital Strategy.

2. All Members of the GLA Group are therefore required to include their draft Capital Strategy in their budget submission, due by 24 November 2023, and specifically ensure the requirements set out below are included.

3. In light of the current rates of inflation, and in particular a lack of information from government concerning whether it will increase the GLA Group's limited capital allocations, no new growth for capital projects requiring additional borrowing is expected to be proposed within functional bodies' 2024-25 budget submission unless it is:

   - agreed in advance with the GLA's Chief Finance Officer
   - funded via borrowing from the Green Bond, or
   - funded from identified external sources.

4. Functional bodies are therefore required to maintain their capital programme within the borrowing limits determined as part of the 2023-24 budget process. Any change of plans, from those agreed for 2023-24, must be contained within functional bodies existing capital allocations. This request will be kept under review.

5. 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.

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

7. In specifying the following requirements, the Mayor has balanced the need for each member of the 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 functional bodies are requested to ensure they follow the prescribed format.

8. 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.

9. 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.

10. The Mayor requires each functional body set out a 20-year Capital Requirement, a 20-year Capital Investment Plan and a 20-year Capital Funding Plan. Further details on these are set out below.

11. The 20-year Capital Requirement should be a statement setting out the capital needs for a minimum of 20 years. The 20-year Capital Investment Plan and 20-year Capital Funding Plan will set out the expenditure and funding plans underpinning the Capital Requirement.

12. The first five years of the Capital Strategy should include the same level of detail as was included in the Mayor's 2023-24 Capital Spending Plan; thereafter, from 2028-29 onwards, the expenditure and funding should be grouped into five-year 'buckets'. However, at this stage it is proposed emphasis is placed on reviewing the agreed Capital Programme between 2024-25 and 2026-27, in accordance with the guidance on revenue expenditure. This is on the general expectation that later years of the Capital Strategy will remain as last year's agreed Capital Strategy, albeit with appropriate re-profiling as a holding position, until we have greater clarity on a longer-term funding settlement from government particularly in relation to transport and housing. If functional bodies wish to adopt a different approach for these later years, they should make that clear in their formal submissions.

13. The 20-year Capital Requirement should reflect the Mayor's policy priorities and the needs of the service. It is intended this Capital Requirement will reflect, as appropriate, the Mayor's published long-term strategies and plans, for example, the Mayor's Transport Strategy.

14. In addition, it should be informed by the GLA's Infrastructure Cost and Funding model which specifies London's long-term strategic infrastructure requirements, their costs and the current funding gap. In particular, the GLA's Housing and Land Directorate affordable housing model needs to form the basis of the affordable housing programme of the housing part of the GLA's Capital Strategy. Following the funding reviews currently underway, it is envisaged we will want to enable targeted investment with expectations of longer-term returns. The work already being done to identify collaboration opportunities for site release and development will further enhance the effectiveness of housing delivery across the Group.

15. The Capital Requirement should be underpinned by the 20-year Capital Investment Plan, which will set out detailed plans for years one to five and then group expenditure into five-year 'buckets' for years six to twenty. In grouping expenditure from years six to twenty sufficient detail should be provided to allow for meaningful understanding and scrutiny of the plans set out.

16. It is expected the 20-year Capital Funding Plan will result in the identification of a funding gap between years six to twenty. However, the funding and expenditure set out for the first five years must be balanced.

17. A critical part of the Capital Strategy is to set out how the 20-year Capital Investment Plan is reconciled with the 20-year Capital Funding Plan. In setting out their 20-year Capital Investment Plan, each member of the Group will need to explain how this 'gap' has been / is to be managed in an 'Additional Funding Needed' statement. In addition, a reconciliation needs to be made between the first five years of last year's Capital Strategy and the first five years of the new Capital Strategy.

18. In accordance with CIPFA's FM Code, functional bodies are to consider making a Financial Risk Assessment. This assessment would focus on stress testing capital receipts assumptions but would also, within the bounds of commercial confidentiality, look at exit plans for key contractors. Also, in accordance with the Code, all members of the GLA Group should consider reviewing their capital expenditure forecasts to ensure they are not overly optimistic and so help minimise slippage.

19. The GLA and functional bodies are expected to achieve an average of 50 per cent affordable housing on any new residential development sites brought to market or delivered directly, subject to service specific statutory responsibilities. In developing financial assumptions underpinning their disposal programme, the GLA and functional bodies should note:

- the Mayor expects sites to be brought forward without delay and assessments against assumed capital receipts and percentages of affordable housing need to be made initially on an individual basis

- a 'portfolio' approach to meeting the 50 per cent target can be adopted (i.e. as long as the GLA or a functional body's disposal programme achieves 50 per cent affordable housing on relevant sites overall, individual sites need not deliver this level of affordable housing, subject to each site delivering at least 35 per cent and the required tenure split) provided there is an agreement in place with the Mayor and landowner, with commitments to a programme of identified sites (NB: The tenure of the additional affordable housing above 35 per cent of habitable rooms to achieve 50 per cent is flexible and should take into account the needs to maximise affordable housing)

- planning policy requires their duty to deliver 'best consideration' will involve adherence to the Mayor's 50 per cent target for affordable housing

- further details are set out in the Mayor's Affordable Housing and Viability Supplementary Planning Guidance and the London Plan.

20. 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. This should 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).

    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. 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 (2023-24 forecast outturn to 2027-28) 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 2023-24 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 2023-24 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 2023-24 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 heading 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 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 functional body in developing its Capital Strategy.

Appraisal: A statement on how proposals have been developed, appraised and monitored by the governance process.

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 Sending Plan.

In addition, the GLA and 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.