

LONDON ASSEMBLY

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Neil Garratt AM
Chairman of the Budget and Performance Committee

Sir Sadiq Khan
Mayor of London
(Sent by email)

2 February 2026

Dear Sir Sadiq,

GLA Group 2026-27 Budgets

I am writing to you on behalf of the Budget and Performance Committee, following its meeting on 7 January 2026, and the publication of your Draft Consolidated Budget on 15 January. This is the sixth of a series of letters on your 2026-27 Budget proposals.

The Committee heard from GLA officers responsible for compiling the Consultation Budget published on 3 December 2025, as well as officers responsible for GLA Group Collaboration and from the GLA Equalities team.

This letter sets out Committee views on the 2026-27 budget process to date, including whether the published consultation budget provides a sound basis for scrutiny and public engagement, as well as its review of the GLA Group's collaboration and equalities work during that process.

Business rate funding

Following a period of budget uncertainty due in part to national funding reforms and changes to the business rates system, we heard at our 7 January 2026 meeting that the provisional Local Government Finance Settlement has, overall, strengthened certainty for the immediate budget period, even though later years within the settlement will continue to be subject to annual

processes. Fay Hammond, the GLA Chief Finance Officer, noted that “*from our initial starting point, there was a lot of noise about London having less funding, it being redistributed.*” She felt that in fact, London is in a better position than some had feared.¹

For 2026–27, retained business rates funding is now expected to be higher than previously assumed, with an increase of £138.8 million compared to the control totals in the Guidance. Fay Hammond also added that, “*we had the Metropolitan Police Service (MPS) settlement, which was also more favourable to the tune of £112 million than we had put out originally...*”² In addition, the maximum permitted increase in the police council tax precept has been confirmed at £15 for a Band D property, compared with the assumption in the Consultation Budget of £9.57. The Draft Consolidated Budget confirmed that the police council tax precept will increase by £15, meaning that a further £17.7 million funding would be generated for policing.

Alongside this overall positive development on business rates, the Committee also heard about possible risks to business rate funding for the GLA. In particular, Elliott Ball, the GLA’s Assistant Director for Group Finance, drew attention to the potential for lower-than-expected business rates receipts in the National Non-Domestic Rates (NNDR1) returns submitted by billing authorities, and the implications this could have for the timing and level of income ultimately received by the GLA:

“We are nervous this year because NNDR1s are real numbers. The settlement that is released in December is a hypothetical baseline decided by Ministry for Housing, Communities and Local Government (MHCLG). NNDR1s are real numbers that are what the boroughs expect to collect over the course of the next year.”³

The Committee notes that this combination of increased certainty in some areas and continuing risk in others has implications for budget planning. The Committee recognises that uncertainty has affected both the development of the budget and the Committee’s consideration of it. In that context, the Committee considers it particularly important that emerging developments and risks are shared transparently as they arise.

Recommendation 1: The Mayor should keep this Committee informed, in a response to this letter provided before the Mayor’s final budget is considered by the Assembly, of risks relating to business rate funding, including NNDR1 returns, potential shortfalls in borough collections, and the impact of Government business rates revaluation.

Consultation budget

The Committee recognises that the 2026–27 Consultation Budget has been developed in the context of an unusually high degree of uncertainty, driven by national funding reforms and the timing of Government decisions. The Committee acknowledges that some degree of uncertainty is unavoidable at the consultation stage.

A central concern for the Committee, however, is that at least two material assumptions which could significantly affect the overall financial position of the GLA Group remained either

¹ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

² Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

³ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

unquantified or insufficiently explained within the 2026-27 Consultation Budget. This raises questions about whether consultees have been able to engage with the budget proposals on a fully informed basis.

For example, the Mayor’s decision to freeze bus and tram fares until July 2026 was made public after Transport for London’s (TfL’s) budget submission was finalised but before the Consultation period closed on 4 January 2026.⁴ It was not clear in the Consultation Budget how a bus and tram fares freeze would be paid for, especially in light of the original £19.2 million funding gap within the GLA: Mayor budget.⁵ The Draft Consolidated Budget confirmed the cost of maintaining the existing bus and tram fares freeze to July 2026 at £17 million.⁶

Similarly, the 2026-27 Consultation Budget did not set out any assessment of the potential financial impact of the Government’s expansion of eligibility for free school meals to households in receipt of Universal Credit from September 2026. Londoners have been consulted on a budget with a £148 million Universal Free School Meals (UFSM) allocation without it being clear that a portion of this may no longer be required to be funded by the GLA.⁷

At our 7 January 2026 meeting, Fay Hammond, the GLA’s Chief Finance Officer, indicated that annual GLA expenditure on free school meals may reduce by about £50-60 million. This would represent approximately a third of current spending. Fay Hammond explained that:

“In terms of the impact of the free school meals, what will happen in reality is that schools will receive funding directly from the Government for the meals that they will be funded from the Government, and then they will be claiming less from the GLA in terms of universal free school meals that we pay, and we do expect that to be a significant number.”⁸

The Draft Consolidated Budget provided further information, noting that the GLA’s expenditure on free school meals will reduce by £50.6 million in 2026-27, £59.0 million in 2027-28 and £61.5 million in 2028-29, compared to previous assumptions.⁹ We welcome confirmation of how the Government’s expansion of free school meals to households in receipt of Universal Credit affects the GLA’s finances, though we remain concerned that the absence of any analysis in the 2026-27 Consultation Budget may have undermined the robustness of the consultation process.

Taken together, these updates, alongside the more favourable funding position set out earlier, provide a clearer picture of the flexibilities within the GLA’s finances and raise important questions about assumptions underpinning the ending of the bus and tram fares freeze in July 2026 and the level of savings required across the GLA Group to balance expenditure plans.

Recommendation 2: In the Final Draft Consolidated Budget the Mayor should address how the additional certainty and flexibility arising from recent settlements, and the savings expected from reduced expenditure on Universal Free School Meals, inform decisions on priorities and resourcing across the GLA Group.

⁴ GLA, [press release](#), 11 December 2025

⁵ GLA, [2026-27 Consultation Budget](#), 3 December 2025

⁶ GLA, [Draft Consolidated Budget](#), 15 January 2026

⁷ GLA, [2026-27 Consultation Budget](#), 3 December 2025

⁸ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

⁹ GLA, [Draft Consolidated Budget](#), 15 January 2026

Recommendation 3: The Budget Guidance for the 2027-28 GLA Group Budget should be informed by a review of the operation of the budget consultation process, with a view to strengthening how key uncertainties and unresolved financial assumptions are identified and communicated in the consultation process.

Integrated Settlement

The Committee notes that a key change to the 2026-27 budget process is the introduction by the Government of an integrated settlement for the GLA. From 2026-27, a number of previously separate funding streams will be brought together into a single settlement, representing a consolidated funding envelope of approximately £494 million of revenue funding in 2026-27.¹⁰

The Committee considers this a change from previous budget rounds, where much of the GLA's non-transport funding was provided via a number of different funding streams. In this context, we welcome the progress made in securing an integrated settlement for the GLA from 2026-27. The Committee also recalls discussions during last year's budget scrutiny, where the benefits of integrated settlements were highlighted, including increased flexibility, certainty, and opportunities to take a more strategic, whole-system approach.¹¹

The Committee believes that the introduction of the integrated settlement marks an important moment in the evolution of the GLA's funding framework. As uncertainty reduces and funding assumptions become clearer, we believe there is value in articulating more explicitly how the flexibilities and certainty provided by the integrated settlement are being used to inform multi-year planning, prioritisation, and the management of risk and uncertainty across the GLA Group.

The Committee would like to see your final budget reflect the full flexibility and strategic benefits of the integrated settlement, including how it is informing multi-year planning and risk management.

DLR extension to Thamesmead

The Committee welcomes the Government's approval of the Docklands Light Railway (DLR) extension to Thamesmead and recognises the significance of this decision for connectivity, housing delivery and long-term growth in south-east London.

We've heard from Fay Hammond that delivery of the new infrastructure is expected to cost £1.5 billion and this will be jointly funded by the Government, TfL and the GLA: "*the overall scheme is more than £1.5 billion in total and that is where the contribution from all those three parties, the Government, TfL and the GLA, over [30] years.*"¹²

She also explained how the scheme is expected to be funded:

"Effectively what will happen is that the GLA will be borrowing up front in order to drive that, as will TfL, and then we will be using support both from the Government but also future revenue returns, from whether it is business rates or in TfL's case income from fares, to fund that borrowing...there will be a cost to that borrowing up front, but it will be

¹⁰ [Greater London Authority Integrated Settlement – Spending Review 2025](#), 26 November 2025

¹¹ Budget and Performance Committee, [Letter to the Mayor - GLA Group 2025-26 Budget](#), January 2025

¹² Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

funded eventually over time by business rates and contributions and Community Infrastructure Levy (CIL) contributions from boroughs. Eventually, it will be cost neutral over time, but obviously it is a big regen scheme, therefore it will take a number of years.”¹³

The approach described, which is based around land value capture from growth, is consistent with the approach that the Committee recommended in its report on capital funding and delivery: [Euston, we have a problem: Mind the funding gap](#).

Recommendation 4: The Committee welcomes the Government’s backing for the DLR extension to Thamesmead and recommends that the Mayor provide this Committee with further detail as the scheme develops, including clarification on how the full estimated cost of the project will be funded, how the GLA will raise its share of the cost, and what financial support the Government intends to offer.

GLA Group Collaboration

The Committee met with GLA officers to discuss the GLA Group Collaboration Programme, including its mission to deliver efficiencies, shared services and cross-group working. The 2026-27 GLA Budget includes £8 million to fund Group Collaboration projects across the GLA Group.¹⁴ The Committee recognises the ambition of the programme and notes the [Impact Report](#) detailing the financial and non-financial benefits achieved to date.¹⁵

Charly Hutson, Director of GLA Group Collaboration, offered examples of some of the progress made by the GLA Group Collaboration:

“the work of bringing the group together around accommodation has delivered some significant financial benefits. We are cracking on at pace now with the delivery of the EV Infrastructure Project, so rapid charges across GLA land. We are starting to see an income stream come in on those now. We ran a project to bring together Treasury functions, so bringing TfL together with London Treasury, which is forecast to deliver £3 million a year in net benefit [...] There is also a body of work that looks at avoiding cost. To give a couple of examples, we have a group wide mentoring portal which means that, notwithstanding the brilliant benefits of that in terms of being able to match people across the group, it has avoided each of the individual organisations buying their own infrastructure of that sort. Another example of cost avoidance would be around our Collaborative Procurement Model, which we will all be fairly familiar with now. They have got some really useful work on benefits coming through. To give you one example, when hiring by having a shared contract for non permanent labour, there is a saving of about £8 million from 2021 to now, which is not insubstantial.”¹⁶

The Committee also considered the recent Audit Panel examination of the Internal Audit of the GLA payroll process. GLA Payroll services are provided by TfL as part of a shared service agreement between the GLA and TfL. The service was assessed as providing adequate assurance, but the audit identified areas where controls and procedures could be strengthened.

¹³ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

¹⁴ GLA Group Collaboration Board, Submission to the Budget and Performance Committee, December 2025

¹⁵ GLA Group Collaboration, [Impact Report](#), Autumn 2025

¹⁶ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

The Internal Audit Report highlighted that while the shared services arrangement with TfL provides effective delivery of key functions, there are risks associated with late notifications of starters and leavers and the absence of standardised procedures for some payroll changes.¹⁷ Mary Harpley, the GLA Chief Officer, accepted that, *“It has been rocky. It is very unsettling for staff when payroll is not right, whether overpaid or underpaid. We are increasingly seeing fewer issues with payroll.”*¹⁸

Charly Hutson, GLA Group Collaboration Director, added that:

*“we do annual reviews on all projects that have gone into business as usual to make sure that the benefits are still being realised, what they look like, what the potential is for continuous improvement, but also to learn lessons. What would we want to do differently next time elsewhere?”*¹⁹

Notwithstanding the progress achieved so far by the GLA Group Collaboration initiative, we believe that widening the reporting of these reviews would support transparency and provide a fuller picture of how collaborative efforts contribute to Group-wide priorities.

Recommendation 5: The GLA Group Collaboration team should report progress in the GLA’s quarterly monitoring reports, with specific updates on take-up and outcomes from workforce collaboration projects such as the Mentoring Hub and Talent Hub, along with any associated financial impacts, efficiencies or cost avoidance realised.

Equalities

The headline theme of your manifesto is a commitment to a *“fairer, greener, safer, and more prosperous [London] for all communities.”*²⁰ Related to this is the *“work undertaken by City Hall to create a fairer London”* through your equality objectives.²¹ The 7 January 2026 Budget and Performance Committee considered how the 2026–27 budget proposals reflect your equality objectives.

Tom Rahilly, Assistant Director of Communities and Social Policy at the GLA, explained the process by which your equality objectives are embedded across the GLA’s budget and delivery process:

*“The Mayor’s equality objectives...[are] embedded by the 14 mandates or delivery plans that Fay mentioned in the previous answer. The budget sets out the resources for the delivery of those. Those objectives are embedded across those delivery plans.”*²²

In the context of the Group’s budget process and how the GLA tracks whether investments in major programmes, such as the Met’s New Met for London phase two and the LFB’s cultural transformation programme, are improving outcomes for Londoners, Rupinder Parhar, the GLA’s Head of Equalities, explained that:

¹⁷ Audit Panel, [Appendix 4 GLA Payroll Final Report issued 24.9.25](#), 22 October 2025

¹⁸ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

¹⁹ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

²⁰ Sadiq Khan, [Building a fairer, safer, greener London for all](#), April 2024

²¹ GLA, [Mayor’s Equality Report 2023-24](#), March 2025

²² Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026

*"Because that work is delivered by functional bodies, they do those assessments themselves. However, we do provide overarching support to all functional bodies in being able to assess the equality impact of their work. Some of the work that we did at the end of last year, ahead of the consultation budget being published, is my team worked directly with the leads in each functional body to conduct a high-level equality impact assessment of the work that they are doing. They have the statements within each functional body and will have a summary of that provided in the final budget."*²³

The Committee observed a variation in the depth and quality of equality sections across the functional bodies' budget submissions, suggesting that consistency remains a challenge. We also note that, as ultimately this is your budget as Mayor, there should be shared accountability for how equality objectives are embedded and delivered. The Committee notes that this budget process required judgements to be made in an environment of uncertainty, making it especially important that equality considerations remain a clear and visible driver of strategic decision-making across the GLA Group.

Recommendation 6: In the Mayor's Budget Guidance for 2027–28, the Mayor should strengthen expectations on functional bodies to apply his equality objectives consistently and meaningfully in their budget submissions, demonstrating how those objectives have informed priorities and resource decisions.

We appreciate the GLA Officers' attendance and engagement with the Budget and Performance Committee. We would like to thank the Group Collaboration Board and the Chief Finance Officer for proactive briefings sent to this Committee ahead of our meeting. I look forward to your response to this letter by **20 February 2026**.

Yours,



Neil Garratt AM
Chairman of the Budget and Performance Committee

²³ Budget and Performance Committee, [2026-27 GLA Group Budget](#), 7 January 2026