

**MAYOR OF LONDON**

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# **The Mayor's Budget Guidance 2027-28**

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City Hall  
Kamal Chunchie Way  
London E16 1ZE

enquiries 020 7983 4000  
minicom 020 7983 4458

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## Section 1: Introduction

- 1.1 The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions.
  - 1.2 The Mayor sets the overall budget for the GLA and the six functional bodies (together known as the GLA Group). The GLA Group bodies are:
    - the GLA, which includes the London Assembly (GLA: Assembly)
    - the Mayor's Office for Policing and Crime (MOPAC), which includes the budgets for the Metropolitan Police Service (MPS) and the Violence Reduction Unit (VRU)
    - Transport for London (TfL)
    - the London Fire Commissioner (LFC), which includes the London Fire Brigade (LFB)
    - the London Legacy Development Corporation (LLDC)
    - the Old Oak and Park Royal Development Corporation (OPDC)
    - the Oxford Street Development Corporation (OSDC).
  - 1.3 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 budget proposals are an accurate reflection of the Mayor's priority aims and objectives and can be achieved with the resources available. The proposals must balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from regional, national and international events.

*Economic context*
  - 1.4 This guidance is being published at a time of recognised macroeconomic and geopolitical uncertainty.
  - 1.5 The [May 2026 Consumer Price Index \(CPI\)](#) inflation figures show that prices rose by 2.8 per cent in the last 12 months, with core inflation of 2.6 per cent. This exceeds the Bank of England's (BoE) 2.0 per cent target.
  - 1.6 The BoE [June 2026 Bank Rate](#) (the base interest rate) was held at 3.75 per cent, and expectations for reductions in interest rates have diminished as inflation remains above target and the implications of geopolitical events work through the system. Market participants have priced in two increases to base rates in the coming year.
  - 1.7 At the same time, in its most recent [Labour Market Survey](#), the Office for National Statistics estimates that unemployment has increased by 0.3 per cent over the past year to 4.9 per cent, while average earnings have seen a small real-terms growth.
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## Structure of this guidance

- 1.8 The Mayor's Budget Guidance 2027-28 ("Guidance") relates to the budget process for the 2027-28 financial year, and the three year "Budget Period" from 2027-28 to 2029-30. This Guidance is arranged in the following sections:

### *Part A – Key Information*

- **Section 2: Budget development process** sets out the detailed timetable for the budget process
- **Section 3: Mayoral funding** details the Mayor's proposed allocation of business rates and council tax ("Control Totals") to GLA Group Bodies across the Budget Period
- **Section 4: Budget Changes** details any changes to budget requirements from the 2026-27 process, and any changes to the Control Totals in the GLA Group's approved [Consolidated Budget for 2026-27](#) ("Final Budget 2026-27").

### *Part B – Core Guidance*

- **Section 5: GLA Group Budget Process** sets out the general budget process, consultation and scrutiny arrangements, governance and other measures
- **Section 6: Revenue Budget** details the requirements for the GLA Group bodies in producing the revenue budget sections of their Budget Submissions, including Value for Money considerations, reserves and capital financing costs
- **Section 7: Capital Strategy** details the requirements for the GLA Group bodies in producing their Capital Spending Plan and their long-term Capital Strategy
- **Section 8: Climate Budget** details the requirements for the GLA Group bodies' contribution to London's climate budget
- **Section 9: Equality, Diversity and Inclusion (EDI)** explains the requirements for GLA Group bodies to meet their duties under the Equalities Act
- **Section 10: Quarterly Monitoring Reports** details the requirements and contents necessary for the GLA Group bodies' reports to monitor performance.

### *Part C – Supplementary Information*

- **Section 11: Business Rates** outlines the national framework for business rates and how it applies in London
- **Section 12: Council tax** describes how the council tax system applies in London
- **Section 13: Locally funded group schemes** outlines special arrangements for the collection and disbursement of other local taxes within London
- **Section 14: Statutory guidance** provides advice on Assembly scrutiny, budget amendment and other relevant issues related to the budget process.

## Contact

- 1.9 For further information or clarification on this Guidance contact:

Elliott Ball, Director - GLA Group Finance and Performance  
Email: [Elliott.ball2@london.gov.uk](mailto:Elliott.ball2@london.gov.uk) and [GLABudget@london.gov.uk](mailto:GLABudget@london.gov.uk)

# Part A: Key Information

## Section 2: Budget development process

2.1 The 2027-28 budget development process (“Budget Process”) takes place between June 2026 and March 2027, and requires the GLA Group bodies to:

### *Budget submission*

- prepare their 2027-28 budget submission (“Budget Submission”) on the basis set out in this Guidance
- include in their Budget Submission their 2027-28 Capital Spending Plan (“Capital Spending Plan”) and Capital Strategy
- include in their Budget Submission their contribution towards the London Climate Budget (“Climate Budget”)
- use the Mayoral funding Control Totals, set out in this Guidance, as the basis for their Budget Submissions
- make a full and final public Budget Submission to the Mayor by 9am on Monday, 23 November 2026.

### *Budget scrutiny*

- consider and respond to the publication of the Mayor’s Consultation Budget for 2027-28 (“Consultation Budget”) within the consultation period
- provide prompt and accurate advice and explanation of their Budget Submission to the Mayor, the Mayor’s office, the GLA’s Chief Finance Officer (CFO) and GLA Group Finance
- engage with the Assembly as it considers the Budget Submissions and the Mayor’s consolidated budget proposals.

### *Final Budgets*

- publish a final budget in March 2027
- where final budgets differ in any material way from the Mayor’s Final Draft Consolidated Budget for 2027-28 (“Final Draft Budget”), this must be discussed and agreed with GLA Group Finance in a timely manner and an explanation of the changes must be provided in the published final budget
- provide quarterly budget monitoring reports on the basis set out in this Guidance.

### **Timetable**

2.2 The timetable and key deadlines for the Budget Process are set out in the following table. To ensure an orderly process and facilitate the consultation and scrutiny required by statute, meeting these deadlines is critical.

Date	Description
30 June 2026	Budget Guidance published
18 August 2026	'Quarter 1' budget monitoring reports for GLA Group bodies published
October 2026	Budget proposal letters issued by the Mayor for consultation with the GLA Group bodies
2 November 2026	Draft Budget Submissions deadline for GLA Group bodies
10 November 2026	GLA: Mayor draft Budget Submission published for Assembly scrutiny
18 November 2026	'Quarter 2' budget monitoring reports for GLA Group bodies published
23 November 2026	Budget Submission deadline for all GLA Group bodies, including response to the Mayor's budget proposal letters
November to January 2027	Assembly's Budget & Performance Committee meetings to scrutinise Budget Submissions
3 December 2026	Publication of Mayor's Consultation Budget
3 December 2026 to 3 January 2027	Budget consultation period
December 2026	Publication of the provisional local government finance settlement (LGFS) and police finance settlement ("Police Settlement") by the Ministry of Housing, Communities and Local Government (MHCLG) and the Home Office
14 January 2027	Draft Budget published
28 January 2027	Assembly Plenary to consider Draft Budget
31 January 2027	Deadline for billing authorities to provide business rates and council taxbase estimates
Early February 2027	Publication of the final LGFS and Police Settlement by MHCLG and the Home Office
17 February 2027	Final Draft Budget published
19 February 2027	'Quarter 3' budget monitoring reports for GLA Group bodies published
25 February 2027	Assembly consider Final Draft Budget at Mayor's Question Time
27 February 2027	Statutory deadline by which the GLA precept must be approved and the Capital Spending Plan must be published
31 March 2027	Deadline for GLA Group bodies to publish their final budgets
30 June 2027	'Quarter 4' budget monitoring reports for GLA Group bodies published

## Section 3: Mayoral funding

3.1 The GLA Group is funded through a combination of different sources.

### *Reflected in the Control Totals*

- business rates
- council tax.

### *Not reflected in the Control Totals*

- specific and general government grants, such as the Home Office police grant and the GLA's Integrated Settlement grant
- income generated by GLA Group bodies, such as passenger fares income
- locally raised fees and charges and associated enforcement revenues, including the congestion charge and Ultra Low Emission Zones
- Business Rates Supplement and Mayoral Community Infrastructure Levy income, which is ring-fenced to repay the GLA's Elizabeth line debt
- ring-fenced business rates growth income generated in business rates retention zones, such as the Royal Docks Enterprise Zone
- use of reserves.

### **Control Totals**

3.2 The Mayor proposes that for planning purposes the GLA Group bodies' allocation of discretionary Mayoral income for the Budget Period is:

Mayoral Control Totals (£ million)	2026-27 (including one-off funding)	2026-27 baseline (excluding one-off funding)	2027-28	2028-29	2029-30
GLA: Mayor	331.0	254.1	277.8	280.7	283.6
GLA: Assembly	10.1	10.1	10.2	10.4	10.6
MOPAC	1,257.6	1,229.2	1,294.0	1,360.1	1,427.6
TfL	2,502.0	2,482.0	2,505.5	2,529.4	2,553.8
LFC	573.5	564.6	591.3	619.0	647.9
LLDC	11.5	11.5	11.7	12.0	12.2
OPDC	9.6	9.6	9.8	10.0	10.2
OSDC	18.0	18.0	18.4	18.7	19.1
GLA Group items	33.8	33.8	25.9	26.2	26.4
<b>Total</b>	<b>4,747.1</b>	<b>4,612.9</b>	<b>4,744.5</b>	<b>4,866.5</b>	<b>4,991.4</b>

Note: Figures may not sum due to rounding.

- 3.3 A detailed breakdown of these Control Totals and a comparison with those contained in the Final Budget 2026-27 is shown in Section 4.
- 3.4 The Control Totals are based on prudent funding assumptions (detailed below) which the Mayor will keep under review. The Control Totals have been determined using information available at the time of publication, to allow sufficient time for financial planning across the GLA Group.
- 3.5 The Control Totals presented in this Guidance are unlikely to match the GLA Group's funding position in the Final Draft Budget, as the assumptions used will be confirmed and updated at different stages of the Budget Process. The Mayor may issue updated Control Totals should the assumptions in this Guidance need to be adjusted.
- 3.6 The GLA Group's overall funding position will be continually reviewed and where new, material, information becomes available, further updates will be provided in the Consultation Budget, Draft Budget and Final Draft Budget reports.

### Business rates

- 3.7 National non-domestic rates (NNDR) – commonly known as business rates – are a property tax applied to all non-residential properties in England. Business rates are the primary revenue source for the baseline funding of the GLA Group allocated through the LGFS each year.
- 3.8 The business rates assumptions used to inform the Control Totals at this stage of the Budget Process are as follows:

Variable	Budget assumption
BR1: Income growth	<ul style="list-style-type: none"> <li>• 2027-28: 2.0%</li> <li>• 2028-29: 2.0%</li> <li>• 2029-30: 2.0%</li> </ul>
BR2: Share of collected business rates	<ul style="list-style-type: none"> <li>• Billing authorities: 30%</li> <li>• GLA: 37%</li> <li>• HM Treasury: 33%</li> </ul>
BR3: Safety-net applied to Baseline Funding Level	<ul style="list-style-type: none"> <li>• 2027-28: 97.0%</li> <li>• 2028-29: 92.5%</li> <li>• 2029-30: 92.5%</li> </ul>
BR4: Surplus/deficit for prior years	<ul style="list-style-type: none"> <li>• No business rates surplus or deficit for prior years is assumed</li> </ul>

- 3.9 The estimated gross business rates income for the GLA Group is £4.09 billion (2026-27: £4.15 billion), including associated section 31 grants and safety net payments. After allowing for an estimated £1.10 billion of tariff and growth levy payable to the government, the sum allocated to fund GLA Group services in 2027-28 is £2.99 billion (2026-27: £3.08 billion).

### Council tax

- 3.10 Council tax is a local property tax on residential properties in England. The government is responsible for setting the overall structure of the council tax system, including limits on the annual increase a local authority may apply without having to hold a local referendum. The number of band D equivalent properties subject to council tax in London is known as the council taxbase and is subject to change from one year to the next.
- 3.11 London's billing authorities – the 32 boroughs and the City of London – maintain the list of properties to be billed and set their own council tax rates to fund local services, such as children's services and adult social care. In London, the Mayor applies a precept on top of this local authority rate to fund the GLA's police and non-police functions, which he can increase annually, subject to parameters set by the government in the LGFS and Police Settlement.
- 3.12 The council tax assumptions used to inform the Control Totals at this stage of the Budget Process are as follows:

Variable	Budget assumption
CT1: Annual increase at Band D	<ul style="list-style-type: none"> <li>Police: £15.00 (ring-fenced for MOPAC/MPS)</li> <li>Non-Police: 3.0%</li> </ul>
CT2: Change in London taxbase	<ul style="list-style-type: none"> <li>2027-28: 1.15%</li> <li>2028-29: 1.15%</li> <li>2029-30: 1.15%</li> </ul>
CT3: Surplus/deficit for prior years	<ul style="list-style-type: none"> <li>No council tax surplus or deficit for prior years is assumed</li> </ul>

- 3.13 The resulting estimated consolidated council tax requirement for the GLA Group in 2027-28 is £1.75 billion (2026-27: £1.67 billion).

### Government funding settlements

- 3.14 The GLA Group bodies are expected to take a prudent approach in their budgets for direct government grants. No direction is given by the Mayor on anticipated income from grants, rather the GLA Group bodies should use a range of data sources and indicators, and local intelligence, to determine estimated grant levels across the Budget Period.

## Section 4: Budget changes

### Changes to budget requirements

#### *Revenue budget (Section 6)*

- 4.1 New requirement to report on the revenue resources used to support capital investment in the Objective Analysis.
- 4.2 New requirement for MOPAC and LFC to include workforce assumptions in their Budget Submissions.

#### *Quarterly Monitoring Reports (Section 10)*

- 4.3 New requirement for GLA Group bodies using 13-period accounting to state the start and end dates of each quarter in their quarterly monitoring reports.

### Changes to control totals

#### *Council tax*

- 4.4 The Final Budget 2026-27 assumed council taxbase growth of 0.9 per cent in 2027-28. Following receipt of billing authorities' latest forecasts, and analysis of their medium-term financial plans, this assumption has been increased to 1.15 per cent.

#### *Business rates*

- 4.5 Adjustments have been made to the GLA Group's control totals to reflect the ongoing impact of decisions made in the Final Budget 2026-27, including:
  - the transfer of the Group Collaboration budget from GLA Group items to GLA: Mayor
  - the funding source for the Group Income Maximisation scheme changing from the business rates reserve to in-year business rates.
  - transfer of other recurring adjustments into Control Totals
  - inflation adjustments for TfL and GLA Group items allocations.

#### *Movement in Control Totals*

- 4.6 The changes in Control Totals for each GLA Group body from those planned in the Final Budget 2026-27 are shown in the following table.

Changes to control totals (£ million)	Final Budget 2026-27 for 2027-28	Control Total for 2027-28	Change
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<b>Council Tax</b>			
GLA: Mayor	71.2	71.4	0.2
GLA: Assembly	2.9	2.9	0.0
MOPAC	1,149.0	1,151.9	2.8
TfL	254.5	255.1	0.6
LFC	271.2	271.8	0.6
LLDC	0.0	0.0	0.0
OPDC	0.0	0.0	0.0
OSDC	0.0	0.0	0.0
GLA Group items	0.0	0.0	0.0
<b>Total Council Tax</b>	<b>1,748.8</b>	<b>1,753.1</b>	<b>4.2</b>

<b>Business Rates</b>			
GLA: Mayor	197.1	206.4	9.4
GLA: Assembly	7.1	7.3	0.2
MOPAC	142.1	142.1	0.0
TfL	2,253.0	2,250.4	(2.6)
LFC	319.4	319.4	0.0
LLDC	11.7	11.7	0.0
OPDC	9.8	9.8	0.0
OSDC	18.4	18.4	0.0
GLA Group items	29.1	25.9	(3.3)
<b>Total Business Rates</b>	<b>2,987.7</b>	<b>2,991.4</b>	<b>3.6</b>

<b>Total Funding</b>			
GLA: Mayor	268.4	277.8	9.4
GLA: Assembly	10.0	10.2	0.2
MOPAC	1,291.2	1,294.0	2.8
TfL	2,507.5	2,505.5	(2.0)
LFC	590.6	591.3	0.6
LLDC	11.7	11.7	0.0
OPDC	9.8	9.8	0.0
OSDC	18.4	18.4	0.0
GLA Group items	29.1	25.9	(3.3)
<b>Total Funding</b>	<b>4,736.6</b>	<b>4,744.5</b>	<b>7.9</b>

Note: Figures may not sum due to rounding.

# Part B: Core Guidance

## Section 5: GLA Group Budget Process

### General process

- 5.1 The budget process and timetable are primarily driven by:
    - the statutory requirements of the [GLA Act 1999 schedule 6](#) “Procedure for determining the Authority’s consolidated council tax requirement”
    - the statutory requirements of the [GLA Act 1999 sections 122 and 123](#) “The Mayor’s capital spending plan”
    - the annual work-schedule of the London Assembly’s [Budget and Performance Committee \(BPC\)](#).
  - 5.2 Each year, the Mayor must prepare a budget for each of the GLA Group bodies, and a consolidated budget for the GLA Group as a whole, for the following three financial years.
  - 5.3 Following the publication of the GLA Group bodies’ individual Budget Submissions in November, the Mayor prepares a consolidated budget for consultation. Published in December, the Consultation Budget marks the beginning of the statutory consultation period.
  - 5.4 Following the closure of the consultation period, the Mayor’s Draft Consolidated Budget (“Draft Budget”) will be presented to a public meeting of the London Assembly by the end of January. Subsequently, the Final Draft Budget will be presented to the Assembly for approval before 28 February.
  - 5.5 Once approved, the Mayor’s Final Consolidated Budget (“Final Budget”) is published by the end of March and must be reflected in the final budgets of each GLA Group body.
  - 5.6 It is the responsibility of each GLA Group body to produce their Budget Submission, with oversight from the GLA’s CFO and GLA Group Finance. The Mayor expects the GLA Group bodies to fully comply with the requirements and deadlines set out in this Guidance. To facilitate this process, GLA Group Finance will meet regularly with the GLA Group bodies to review the development of their Budget Submissions.
  - 5.7 The overall budget process is the responsibility of the GLA’s CFO, and input from the GLA Group bodies will be requested as required. The first such input is the timely production of Budget Submissions. The GLA Group bodies must not expect to be able to amend their budget proposals after their Budget Submissions are published without prior approval from the Mayor, unless it is to reflect new information on government or GLA funding.
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- 5.8 Once the Final Draft Budget is approved by the Assembly in February, the Mayor must formally notify billing authorities of the approved council tax precept, and send the Capital Spending Plan to the Secretary of State for Housing, Communities and Local Government as required by the [GLA Act 1999 \(s.122\)](#).
- 5.9 Responsibility reverts to the GLA Group bodies to produce and publish their final component budgets based on the funding envelopes and commitments approved by the Assembly. Where final component budgets differ in any way from the Mayor's Final Budget, this must be discussed and agreed with GLA Group Finance in a timely manner.

5.10 The Budget Submissions must:

- present a single set of expenditure figures for the Budget Period which balance against projected income and drawdowns from available reserves
- include a Capital Spending Plan and 20-year Capital Strategy
- reflect planned usage of reserves for the Budget Period and include a CFO statement on the adequacy of reserves
- include comparative figures for the year immediately prior to the start of the Budget Period ("Prior Year"), including original budget, revised budget and forecast outturn as appropriate. For this Budget Period, the prior year is 2026-27.
- include the Climate Budget
- detail the approach taken to ensure Value for Money and report on savings achieved
- conduct and report on an equalities assessment of their Budget Submission.

- 5.11 The information sought from the GLA Group bodies through the budget process is requested in accordance with the provisions of sections 110 and 125 of the [GLA Act 1999](#) and should be prepared in compliance with the CIPFA Financial Management Code.

### **Consultation and scrutiny**

- 5.12 The Mayor is required by statute to consult the London Assembly (which has resolved that the Mayor should consult its BPC), functional bodies, London Boroughs, the Common Council of the City of London, and other interested parties such as the business community, on the level of proposed council tax precepts, the apportionment of council tax revenue across the GLA Group bodies, and the Capital Spending Plan. This requirement is fulfilled by the Consultation Budget.
- 5.13 The Assembly's BPC undertakes a series of in-depth meetings to scrutinise the individual Budget Submissions prior to publication of the Draft Budget. There is a requirement for representatives from GLA Group bodies to attend these BPC meetings as appropriate.

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- 5.14 Alongside the consultation process outlined above, the Mayor will actively engage Londoners in the budget consultation process via [Talk London](#), City Hall's online community, and the results of this engagement will be considered in preparing the Draft Budget.
- 5.15 Following the publication of the Consultation Budget, the Mayor will determine a Draft Budget, publish it and present it to the Assembly. The Draft Budget will be considered by the Assembly at its January Plenary meeting and must be approved with or without amendment.
- 5.16 The Final Draft Budget will be published in February. If it does not incorporate any amendments made by the Assembly at the previous stage, or is otherwise different to the Draft Budget, the Mayor will lay a written statement before the Assembly giving reasons.
- 5.17 The Final Draft Budget will be considered by the Assembly at its February Mayor's Question Time meeting and must be approved with or without amendment. If no amendments are passed or the budget is not expressly approved by the Assembly, then the Final Draft Budget is deemed by law to have been approved without amendment. The approved budget will be the Final Budget.

### **Approvals and sign-off**

- 5.18 Each Budget Submission must be approved in accordance with the decision-making processes of the relevant body by the Budget Submission deadline stated in this Guidance. Each body has responsibility for the accuracy of the facts, figures and analysis presented in their Budget Submission.
- 5.19 Failure to meet the publication deadline has material consequences for the overall budget process and may impact on the statutory requirements for public consultation and Assembly scrutiny. The GLA Group Finance team must be notified immediately if any GLA Group body anticipates they will not be able to obtain relevant internal approvals, thereby causing delay to their Budget Submission. Any such notification will be shared with the Mayor's Office and BPC.
- 5.20 It is critical that Budget Submissions present a single set of expenditure figures which balance against projected income and drawdowns from available reserves. No alternative proposals or possible substitute budgets are permitted at this stage of the process.
- 5.21 Once Budget Submissions have been made, it is the Mayor's responsibility to develop a Draft Budget and Final Draft Budget based on the information in those submissions. Amendments cannot be accepted from the GLA Group bodies unless expressly permitted by the Mayor.
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## Financial resilience

- 5.22 CIPFA describes financial resilience as “the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment”. In its Importance of financial resilience briefing, it describes the key elements supporting organisational financial resilience:
- strong governance
  - robust medium-term financial plan (MTFP)
  - integrated and aligned strategies and plans
  - effective performance monitoring and reporting
  - effective ownership and accountability.
- 5.23 CIPFA’s ‘[Building financial resilience](#)’ guide provides further detailed guidance on building financial resilience into all aspects of planning and operations.
- 5.24 All GLA Group body CFOs must give due regard to CIPFA’s report ‘[The role of the chief financial officer in public service organisations \(2023\)](#)’, which outlines the roles and responsibilities of CFO’s in local government. The report sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in carrying out their role.
- 5.25 The GLA Group bodies are required to regularly review their policies and practices to ensure effective financial resilience and should be able to demonstrate the robustness of their approach within their Budget Submissions, internal review and approval processes. These measures should be included within each body’s financial strategy and business plan, which should be regularly reviewed and published on the body’s corporate website.
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## Section 6: Revenue Budget

- 6.1 The GLA Group bodies should present their draft and final Budget Submissions as one cohesive document covering all the points in this Guidance.
- 6.2 The GLA Group bodies must be confident they can meet the conditions attached to government funding and grants before the funding can be recognised; and a single income estimate must be derived.
- 6.3 In the interests of efficiency, the need to consolidate into a group format and to aid budget monitoring, information must be presented in a consistent format throughout the budget process and the in-year quarterly monitoring reports which follow. GLA Group Finance will work with the GLA Group bodies to minimise these burdens, and a template for Budget Submissions to meet the requirements of this Guidance will be issued during the early stages of the Budget Process.
- 6.4 The Consultation Budget will be produced using the figures contained in the Budget Submissions. Subsequently, there will be further discussions and iterations of the figures before the Final Draft Budget is published. It is expected these will include changes to reflect the final business rates and council tax income estimates and the impact of the final government finance settlements; the GLA Group bodies should be prepared to respond promptly to CFO and Mayoral requests for information and changes. Responsibility for producing the Mayor's consolidated budgets rests solely on the GLA's CFO, who will rely on information provided by the GLA Group bodies to produce the Draft Budget and Final Draft Budget.

### *Objective (service) Analysis*

- 6.5 The main financial element of the revenue budget submissions will be an analysis of budget proposals by service division / objective for the Budget Period, with comparative figures for the Prior Year budget and forecast outturn:

- 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 and specific government grants issued by relevant government departments (e.g. Home Office police grant)
- revenue resources used to support capital investment
- transfers to and from earmarked and general reserves
- transfers of Mayoral funding to subsidiaries
- any other financial changes and adjustments
- council tax requirement.

- 6.6 Budget Submissions must include a breakdown of capital financing costs, including provisions for repayment of debt and interest, for the Budget Period, including a comparison with the Prior Year figures. GLA Group Finance will provide GLA Group bodies with the template to use for this required table.
- 6.7 The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for the Prior Year, separately identifying:

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

Notes:

- TfL are specifically requested to analyse changes in fares, charges and other income, isolate the effects of inflation and to report on Operating Surplus/Deficit.
- MOPAC and LFC are specifically requested to include workforce assumptions for the Budget Period in their Budget Submissions.

*Subjective analysis*

- 6.8 A subjective analysis must be submitted for the Budget Period, including a comparison with the Prior Year figures. Templates will be provided by GLA Group Finance for use by the GLA Group bodies, which will apply expenditure categorisations determined by CIPFA guidance.

*Inflation factors*

- 6.9 Given the inherent uncertainty around public sector pay and levels of inflation, no specific guidance for pay and inflation rates is provided at this time. However, consideration should be given to the government's public sector pay limits and any nationally or locally agreed pay deals. The GLA Group bodies must be able to document the inflation assumptions used (for both pay and non-pay costs) and all figures must be at outturn prices.
- 6.10 The revenue budget monitoring process should include consideration of the impact of inflation on in-year expenditure. The starting assumption is that inflationary cost pressures should be accommodated within planned revenues through efficiencies, reprioritisation or by the appropriate use of reserves.

*Value for money*

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

- 6.12 In addition, the GLA Group bodies are required under [Section 3 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”.
- 6.13 While there is inherent uncertainty about funding levels in future years, it is nevertheless important to plan for the medium-term to ensure the group’s financial sustainability. To support this the GLA Group bodies may be asked by the Mayor or GLA CFO to undertake ad-hoc reviews on various expenditure issues.
- 6.14 It is the responsibility of each body’s CFO 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.
- 6.15 All Budget Submissions must include a description of the processes employed to ensure value for money is delivered. This could include, but is not limited to, the use of evaluation methods such as cost-benefit analysis and benchmarking exercises, information about how costs and performance are used to improve the management and delivery of services, and the allocation of resources across competing priorities. Additionally, the following information must be included:

- a description of the expected cost savings and efficiencies to be achieved across the Budget Period, with sufficient detail to allow the Mayor to fully understand the impact of the savings or efficiency proposal over the whole period
- savings and efficiencies must be shown on both an incremental and cumulative basis, using the template tables to be provided by GLA Group Finance
- in accordance with CIPFA’s Financial Management Code, details of any savings or funding ‘to be identified’ included in the Budget Submission should be clearly set out.

### **Reserves and general balances**

- 6.16 To meet the requirements 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 Group bodies must provide:

- a statement of policy on reserves and contingencies. Proposed allowances for contingencies should be separately identified and justified.
- details of all reserves, including capital 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 annual movements in reserves, between the start of the Prior Year and the end of the Budget Period
- in the case of earmarked reserves held for purposes beyond the Budget Period, 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 overstated
- in accordance with CIPFA's Financial Management Code, set out an explanation of both why reserves are adequate and why they are necessary.

- 6.17 **Section 32 of 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 Group bodies should have regard to the level and planned use of earmarked reserves to support spending plans, as well as ensuring there is adequate contingency within a general reserve to meet unexpected demands or emergencies.
- 6.18 To meet the requirements of **part 2 of the Local Government Act 2003**, the GLA Group bodies' Budget Submissions must include a report by their CFO on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves. It is expected that the report follows the approach described in **CIPFA's Advice on the section 25 Statement**.
- 6.19 In line with the requirements of the CIPFA Financial Management Code, budgets should include details of "the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions / withdrawals, and the estimated closing balances." Therefore, in their Budget Submissions and quarterly monitoring reports, the GLA Group bodies should report the estimated movement in reserves (and corresponding revenue or capital expenditure) based on any indicative planned usage. Monitoring reports should compare forecast year-end reserve levels to those set out in the organisation's final budget, as well as the position at the start of the financial year.
- 6.20 CFOs in the GLA Group bodies should also consider including in their reserves statement details of where their actual level of reserves have deviated significantly from previous forecasts.

## Section 7: Capital Strategy

- 7.1 The Capital Strategy, including Capital Spending Plan, covers a 20-year period beginning with the Prior Year. 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 in the Draft Budget and Final Draft Budget.
- 7.2 These requirements balance the need for each GLA Group body to produce their own Capital Strategy with the necessity to produce a coherent and consistent Group-wide Capital Strategy, and seek to minimise the additional workload involved. Accordingly, the requirements specified are the minimum needed. GLA Group bodies can provide additional detail as they deem appropriate but are required to follow the prescribed format.
- 7.3 The Capital Strategy encompasses capital expenditure, capital financing and treasury management, but some detailed treasury management aspects - in particular the detailed investment strategy - should be reported as part of each body's annual Treasury Management Strategy Statement (TMSS), rather than be wholly included in the Budget Submission. The Capital Strategy will, however, 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.
- 7.4 The Capital Strategy must 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 may be seen as a detailed supplement to the Capital Strategy.
- 7.5 All members of the GLA Group are requested to prepare a draft Capital Strategy with the following headings and the information described below:
- Intention
  - Benefits
  - Approach
  - Influences
  - Policies
  - 5-year Capital Spending Plan
  - 20-year Capital Requirement
  - 20-year Capital Investment Plan
  - 20-year Capital Funding Plan
  - Additional Funding Needed
  - Risk
  - Appraisal
  - Chief Finance Officer sign-off
-

*Intention*

7.6 An introductory statement of the intended outcomes of the Capital Strategy.

*Benefits*

7.7 A statement of the benefits of preparing a Capital Strategy.

*Approach*

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

*Influences*

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

*Policies*

7.10 A statement on how the Capital Strategy is aligned to the Mayor's policies and priorities, including the Mayor's net zero ambitions. The Capital Strategy should reference the body's Climate Budgets in explaining what processes have been established to take account of the net zero ambition when allocating capital investment, and include the inter-relationship with each body's Investment Strategy and any commercialisation initiatives.

*5-Year Capital Spending Plan*

7.11 Setting out the planned expenditure and capital financing costs for each of the first five years, the 5-year Capital Spending Plan must include details on:

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

7.12 Where capital funding is provided by the GLA to functional or other public bodies, these must also be presented in the Capital Spending Plan.

7.13 In addition, the GLA Group bodies must set out, for each of the first five years, their proposals for:

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

*20-Year Capital Requirement*

7.14 A statement setting out the capital needs for the 20-year period. This section should be a high-level summary of capital investment needs aligned to corporate priorities. The GLA Group bodies should include commentary on priority capital programmes included in their Capital Requirement and include details of how the requirement links to Mayoral priorities.

7.15 A high-level action plan should be included detailing how the requirement is intended to be achieved, which for later years may take the form of a set of intentions or options to be explored.

#### *20-Year Capital Investment Plan*

7.16 A 20-year Capital Investment Plan underpinning the 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 Capital Investment Plan. Where programmes mentioned in the Capital Requirement are not included in the Investment Plan, these must be identified and explained in the commentary accompanying the Investment Plan.

7.17 To ensure consistency across the Group, planned expenditure and capital financing costs of the Capital Investment Plan must be provided using template schedules provided by GLA Group Finance. The schedules are:

- Capital Investment Plan for each of the first five years (schedule 1a)
- Capital Investment Plan in five-year intervals for the remaining 15 years (schedule 1b).

7.18 A brief description should be included of the expenditure summarised under the headings in the schedules, which must be of sufficient detail to allow for meaningful understanding and scrutiny of the plans set out.

#### *20-year Capital Funding Plan*

7.19 A 20-year Capital Funding Plan is required with commentary on the funding sources identified and details of the risks and levels of certainty associated with them. It is expected that for most of the GLA Group bodies there will be a funding gap between years six and 20 of the Capital Funding plan and the Capital Investment Plan. How this gap will be managed needs to be explained in the 'Additional Funding Needed' statement.

7.20 The funding plans must be provided using template schedules provided by GLA Group Finance. The schedules are:

- Capital Funding Plan for each of the first five years (schedule 2a)
- Capital Funding Plan in five-year intervals for the remaining 15 years (schedule 2b).

#### *Additional Funding Needed*

7.21 A statement on how any 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 include, for example, plans for lobbying or calls on funding from the government.

#### *Risk*

7.22 A statement on the risks in the Capital Investment Plan and how they are to be managed, together with a summary of the resources and support available in developing the Capital Strategy.

*Appraisal*

- 7.23 A statement on how proposals have been developed, appraised and monitored by the governance process, including consideration of Mayoral priorities such as net zero.

*Chief Finance Officer sign-off*

- 7.24 A statement from the CFO explicitly reporting on the affordability and risk associated with the delivery of the Capital Spending Plan.
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## Section 8: Climate Budget

8.1 The Mayor has set an ambitious target of making London net zero carbon by 2030. Achieving net zero by 2030 requires investment and co-ordinated action from a range of actors, including government, businesses and London boroughs – it is not something that the GLA Group can deliver alone. The processes put in place now embed climate action for the long term, across all parts of the GLA Group, and support action from other stakeholders in London to 2030 and beyond.

8.2 The Climate Budget outlines, as part of the GLA Group's financial budget process, specific funded and unfunded climate measures that will support the Mayor's net zero ambition. Specifically, it encompasses two broad areas of climate measures:

### *Corporate Level (formerly Level 1): GLA Group-wide measures*

- The Climate Budget includes actions and climate adaptation measures to reduce emissions from the GLA Group's estate and fleet.

### *Programme Level (formerly Level 2): London-wide measures*

- The Climate Budget also includes measures to support the GLA Group's wider impact across London. This means that, beyond actions for their own estate and fleet, GLA Group bodies should include climate measures in their Budget Submissions that reduce emissions and/or help adapt to climate change across London.

8.3 The table below shows how the Corporate and Programme levels map to Scopes 1 to 3:

Scope	Corporate Level GLA Group measures	Programme Level London-wide measures
<b>Scope 1</b> Emissions from burning gas and fossil fuels on site/in London	e.g. Installed heat pumps on GLA Group's estate and electric vehicles in fleets	e.g. Grants for home energy efficiency measures for Londoners and green policies in London Plan
<b>Scope 2</b> Emissions from grid electricity consumed on site/in London		
<b>Scope 3</b> Emissions off-site/beyond London as a result of activity on site/in London	N/A	N/A

8.4 The Climate Budget leads to transparency around actions and highlights to decision makers the actions they will need to take to support its delivery. Additionally, monitoring, evaluation and reporting measures ensure increased accountability.

- 8.5 The Climate Budget clearly visualises for Londoners, the London Assembly and others, how the GLA Group is prioritising efforts to achieve its emissions target and help the city adapt to climate change.
- 8.6 As part of the budget process, GLA Group bodies should ensure their budget allocation processes maximise climate benefits, and climate measures are proposed, adopted, implemented, monitored and reported in line with the budget cycle. All bodies are required to include a section within their Budget Submissions dedicated to the Climate Budget, consisting of a narrative and climate budget tables.
- 8.7 The narrative should include:
- a description of how and to what extent climate change risks and net zero implications have been considered in the overall budget allocation process
  - a summary of climate mitigation and adaptation measures in the budget, and a brief overview of the decision-making process for selecting these measures
  - a summary of funded and relevant unfunded corporate and (where applicable) programme-level measures, including examples of progress
  - for corporate-level measures, a single graph showing historic Greenhouse Gas (GHG) emissions; projections of GHG emissions to 2030 when funded and relevant unfunded measures are included; and an estimate of residual emissions in 2030
  - discussion on unfunded actions that could help deliver net zero 2030
  - co-benefits associated with climate actions
  - any uncertainties around the Climate Budget.
- 8.8 The list of funded and unfunded measures should be included in Climate Budget tables, with information on 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. Detailed templates for the tables to be completed will be provided to the GLA Group bodies during the budget process.
- 8.9 The Climate Budget will contain four tables as described below:

*Corporate Level tables*

- **Table A (funded measures):** climate measures to reduce carbon emissions across the GLA Group's estate and fleet that are currently funded within GLA Group bodies' revenue and/or capital Budget Submissions for the Budget Period
  - **Table B (unfunded measures):** climate measures that require further development and/or, if additional funding could be found, would further reduce carbon emissions across the GLA Group's estate and fleet. However, these measures are currently unbudgeted for and may not have been agreed.
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*Programme Level tables*

- **Table C (funded measures):** climate actions that deliver or enable emission reductions or adaptation measures across London that are currently funded from GLA Group bodies' revenue and/or capital Budget Submissions for the Budget Period
- **Table D (unfunded measures):** climate measures that could help facilitate significant emissions reductions across London and/or significantly improve climate resilience across the city, but which are currently unfunded and unadopted. This may include measures that would need to be funded or introduced by the national government.

- 8.10 The Mayor is committed to developing measures to tackle emissions from the GLA Group's own supply chains, consumption and embodied emissions across London – these are generally known as Scope 3 emissions.
- 8.11 The GLA Group's [Responsible Procurement Delivery Plan \(RPDP\)](#) outlines steps that will be taken to manage and reduce supply chain carbon emissions within the Group. This includes aligning the Group's procurement processes with the government's [Procurement Policy Note 006: Taking account of Carbon Reduction Plans in the procurement of major government contracts](#), that requires suppliers bidding for contracts valued over £5 million to submit a Carbon Reduction Plan (CRP). A CRP is a formal document published by a supplier and sets out the actions it will take to reduce emissions over time.
- 8.12 In addition to the inclusion of the Climate Budget within its own budget, the GLA encourages and supports London Boroughs to adopt their own climate budget. 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.
- 8.13 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](#).
- 8.14 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 individual GLA Group bodies. However, the Mayor is unable to realise this commitment alone as it requires investment and co-ordinated action from a range of external bodies, including government, businesses and London boroughs.
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## Section 9: Equality, Diversity and Inclusion

9.1 Action to tackle the structural inequalities experienced by Londoners and taking the steps required to make London an anti-racist city are priorities for the Mayor and GLA Group.

9.2 All GLA Group bodies must comply with [section 149 of the Equality Act 2010](#), which provides for the public sector equality duty. This requires each body, in exercising its functions, to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity between those who share a protected characteristic and those who do not, and
- foster good relations between such people.

Fulfilling the duty requires bodies to have due regard that is appropriate in all relevant circumstances, including the budget process and implementation of their budget proposals.

9.3 The [Mayor's Equality Objectives](#) set out how he will work to create a fairer, more equal, integrated city where all people feel welcome and able to fulfil their potential. It includes commitments to a range of GLA and GLA Group activities, going beyond the nine protected characteristics set out in the Equality Act 2010, and in particular considers socio-economic inequality.

9.4 Each GLA Group body is directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and socio-economic inequality in London, as well as the impact of proposals on the specifically protected characteristic groups.

9.5 The GLA equalities team will engage directly with GLA Group bodies during the budget process to align the approach taken across the GLA Group. Specific guidance and templates are published in the GLA Equality Impact Assessment Toolkit.

9.6 GLA Group bodies must demonstrate how their budget plans will:

- promote fairness and inclusion for different groups of Londoners, including those sharing the characteristics protected by the Equality Act 2010, and/or on low incomes
  - take mitigating action to maximise positive outcomes where appropriate
  - strengthen activities to further address structural inequalities in London, particularly poverty and socio-economic inequality.
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- 9.7 The development and implementation of programmes and projects within the budget of each body must be subject to a full and detailed assessment of the likely impact on individuals in protected groups. To achieve this, GLA Group bodies must:
- identify and actively consider potential detrimental impacts that may arise for individuals and protected groups compared to those not sharing that characteristic
  - identify what mitigations could be implemented to address them, at a level proportionate to the decision being taken.
- 9.8 Actions taken, and progress made, against the Mayor's Equality Objectives will continue to be reported in the [Mayor's Annual Equality Report](#).
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## Section 10: Quarterly Monitoring Reports

- 10.1 The format and content of the quarterly financial monitoring reports should mirror the template tables provided for the Budget Submissions (objective and subjective analysis). Adaptations are not expected, but if they are required, these should be made in consultation with the Mayor's Office and GLA Group Finance and Performance.
- 10.2 The Mayor requires the GLA Group bodies to present both financial and non-financial information in their monitoring reports, including progress towards meeting the non-financial requirements included in this Guidance.

### Accounting periods

- 10.3 The GLA Group bodies maintain their own accounting structure, and consequently there is a mixed approach to financial reporting across the Group, using either a calendar-month or 13-period accounting structure.

GLA Group body	Reporting basis
GLA	13-period
MOPAC	Calendar-month
TfL	13-period
LFC	Calendar-month
LLDC	13-period
OPDC	13-period
OSDC	13-period

- 10.4 For GLA Group bodies using the calendar-based month approach, each reporting period comprises a 3-month quarter aligned to the financial year. For those using a 13-period structure, the accounting calendar is defined by the following method:

#### Accounting period

- Period 1 starts on 1 April
- Period 2 starts on the Sunday closest to 30 April
- Periods 2 to 12 consist of 28 days
- Period 13 ends on 31 March.

#### Accounting quarter

- Quarter 1 comprises periods 1 to 3 (12 weeks)
- Quarter 2 comprises periods 4 to 6 (12 weeks)
- Quarter 3 comprises periods 7 to 9 (12 weeks)
- Quarter 4 comprises periods 10 to 13 (16 weeks).

- 10.5 Quarterly reports for GLA Group bodies using the 13-period structure must state the relevant quarter's start and end dates.

10.6 Except for quarter four, where deadlines for reporting 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 calendar quarter end (i.e. 30 September etc.). This discipline remains an absolute requirement. Reports should be published 35 working days after calendar quarter end, save for exceptional circumstances. Quarter four reports should be published no later than 30 June, to align with government requirements for the publication of draft accounts.

### **Reporting content**

10.7 To ensure consistency of quarterly financial reporting across the GLA Group, the Mayor requires all GLA Group bodies to report progress against both the original budget and the latest revised budget. The following is explicitly required for both original and revised budgets:

- details of changes to the budget from the original and previous quarter's revised budget
- 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
- progress on savings delivery
- forecast of reserve balances.

10.8 Reserve balances should be monitored closely against original budget forecasts to give assurance that earmarked reserves are being drawn down for their intended purpose, and general reserve balances remain within the GLA Group bodies' reserve policies. GLA Group bodies are required to provide details of all reserves and general balances; an analysis and explanation of the expected movements during the year for each reserve, and how that compares to budgeted assumptions, should form part of the quarterly report.

### **Budget changes**

10.9 Budgets may only be revised in-year to reflect exceptional changes and require appropriate approval and authorisation from the Mayor's Office.

10.10 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." GLA Group bodies are expected to comply with this CIPFA guidance.

- 10.11 GLA Group bodies must transparently present any changes to the Mayor's approved Budget which are made during the year as part of their quarterly monitoring. This includes revisions to overall budget totals and expenditure or income lines, movements between budget lines, and decisions regarding repurposing of expected underspends.
- 10.12 GLA Group bodies should seek explicit approval for such changes where necessary. In doing so they must provide adequate information and time for the change to be considered for approval by Deputy Mayors and the Mayor's Office in advance of it being reflected in quarterly reporting. This information should include, but is not limited to, the magnitude and nature of the change, 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.
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# Part C: Supplementary Information

## Section 11: Business Rates

### National framework

- 11.1 National non-domestic rates (NNDR) – commonly known as business rates – are a property tax applied to all non-residential properties in England. It is charged not just on premises operated by businesses but also to those occupied by public sector organisations, charities and not for profit bodies. It is also charged on other commercial assets (e.g. parking spaces, advertising hoardings and phone masts) not just buildings.
  - 11.2 The tax rates and overall structure of the tax are set by government and the property valuations are set by the Valuation Office Agency (VOA), a part of His Majesty's Revenue and Customs (HMRC). Valuations are typically reviewed every three years.
  - 11.3 The tax is calculated as a percentage (the 'multiplier') of the notional rental value (or rateable value) of each asset or rating assessment. This multiplier is typically raised each year in line with the Consumer Prices Index (CPI), generating additional income in cash terms, albeit the government can choose to disapply this uplift for some ratepayers. The government also sets mandatory and discretionary business rates relief policies which provides discounts on rates bills for some businesses, such as charities and the retail, leisure and hospitality sectors.
  - 11.4 Business rates are administered, collected and enforced locally by billing authorities – in London these are the 32 boroughs and the City of London Corporation. The money collected is used by local authorities to fund services such as adult social care, children's services, fire and waste management, in much the same way as council tax.
  - 11.5 Under the business rate retention system, local authorities, including the GLA, retain a proportion of the local taxation revenue raised from businesses in their local area. The remainder is paid to government to be redistributed centrally and provide grant funding for local authorities. The GLA's share of business rates collected in London is stated in the business rates assumptions in Section 3 of this Guidance.
  - 11.6 Periodically, the government assesses needs for each local authority and sets their funding baseline, together with a business rates baseline based on an average of business rates collected for the previous two years. Where an authority's business rates baseline exceeds its funding baseline it pays the difference to 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.
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- 11.7 Local authorities also retain a proportion of growth in their business rate receipts above business rates baseline levels, arising from growth in the taxbase (other than that caused by a national revaluation). The portion of growth not retained is paid as a levy to the government and used to fund a safety net system protecting local authorities that see their year-on-year business rate income fall materially.
- 11.8 In Designated Areas, including Enterprise Zones, Freeports, Investment Zones, and Growth Zones, special rules apply that allow local authorities to retain additional business rates income growth above the normal levels.

### **Business rates relief and grants**

- 11.9 Local authorities, including the GLA and London boroughs, may receive section 31 grants in respect of government initiatives and policy changes which reduce levels of business rates income, including:
- policy change reliefs, such as the capping/freezing of multipliers
  - mandatory reliefs, such as small business rates relief
  - temporary reliefs, such as relief for the retail, leisure, hospitality (RLH) sectors
  - other government funded reliefs, including transitional relief to new valuations.
- 11.10 Further detail on reliefs and grants schemes is provided by the government in [Business rates: Reliefs and Grants](#) and their annual LGFS documents.

### **Business rates for the GLA**

- 11.11 Income from retained business rates in any given year is dependent on government policy decisions on local government finance and funding, as well as the amounts collected by London's billing authorities.
- 11.12 The GLA has been part of an ongoing business rates pilot since 2017-18, with all former fire and rescue funding, GLA general funding, TfL's former DfT general and investment (capital) grants, and MOPAC's share of prior year council tax freeze grants, provided to the GLA Group through locally retained business rates. This pilot arrangement means the GLA no longer receives core general revenue support grant for these services, but the GLA's share of retained business rates income was increased from 20 per cent to 37 per cent. Any expected change to the GLA's share of business rates collected in London is stated in the business rates assumptions in Section 3 of this Guidance.
- 11.13 The default safety net threshold which applies to the GLA is stated in Section 3 of this Guidance as a percentage of the baseline funding level (BFL). The difference between the safety net threshold and BFL is the shortfall sum the GLA would lose in any one year. The GLA manages this risk through the business rates reserve (BRR), with a target balance equating to the shortfall the GLA would need to meet were it to be in a safety net position for a single year.

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- 11.14 The BRR is also used to hold funds which emerge due to unforeseen circumstances and to manage unforeseen cost pressures, including actual surpluses and deficits which emerge through the annual accounts process. Therefore, its balance is expected to fluctuate and may differ from the calculated safety net shortfall value.
- 11.15 There are specific issues affecting the position of the GLA due to its status as a business rates retention pilot authority and the fact that it is the only major preceptor in England which is a tariff authority (i.e. its share of retained business rates income exceeds its funding baseline), and therefore subject to a levy on business rates growth.
- 11.16 This has created added ongoing complexity for the government in determining the metrics applying to the GLA - its baseline funding level, its safety net percentage, the methodology for determining the levy percentage rate and the basis for calculating this. As a result, the GLA's business rates income cannot be accurately estimated until publication of the provisional LGFS, usually in December, with final confirmation in February.
- 11.17 Each January, London's billing authorities are required to provide the GLA with their estimated outturn for business rates income for that financial year, and their forecast income for the following financial year. These estimates provide more certainty on the business rates income available to the GLA and inform the Mayor's final business rates allocations in his Final Draft Budget.
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## Section 12: Council Tax

- 12.1 In London, council tax precepts generally comprise two elements:
- the billing authorities' precept, which funds locally run services such as children's services and adult social care, and policing in the City of London
  - the GLA's precept, which funds the GLA Group including fire and transport services, and policing in the 32 London boroughs.
- 12.2 The GLA element is collected on behalf of the GLA by the 33 billing authorities. Income from council tax balances the GLA Group's net revenue expenditure, after allowing for revenue grants from the government and retained business rates. This is the 'council tax requirement' for each body as laid out in the [GLA Act \(section 85\)](#).
- 12.3 Council tax is a key income source for the GLA Group and is needed to fund essential public services in London. It is the only general tax whose rate is set by the Mayor, with decisions on the annual precept amount related to the level of government funding towards essential services. The government's decisions on annual funding are not known until the publication of their provisional LGFS and Police Settlement, usually in December.
- 12.4 The government also sets the annual limit on how much the precept can be increased without the need for a local referendum – known as the 'excessiveness principle'. The limit is set out in the council tax principles included in the LGFS. The GLA has two separate limits:
- the 'unadjusted' precept for non-police services which applies across London
  - the 'adjusted' precept for Metropolitan Police Services which does not apply to the City of London.
- 12.5 The GLA budget process is largely governed by the provisions of Sections 85, 86 and 87 and Schedule 6 of the [GLA Act 1999](#) and council tax headings of the [Local Government Finance Act 2012](#). The Mayor formally proposes the precept levels for the following financial year in his Draft Budget, once he has had an opportunity to consider the implications of the provisional Police Settlement and LGFS.
- 12.6 Each January, London's billing authorities are required to provide the GLA with estimates of their council tax outturn for that financial year, including any surplus or deficit on their collection account. These estimates are used to inform the Mayor's final council tax proposals in his Final Draft Budget.
- 12.7 Guidance and information on how the council tax system works in practice, how billing authorities (including the GLA) set rates, and how the excessiveness referendum principles apply can be found in the government publication [Paying the right level of Council Tax: a plain English guide to Council Tax](#).
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## Section 13: Locally funded group schemes

### Elizabeth Line (formerly Crossrail)

- 13.1 In April 2010, the then Mayor introduced a two pence Business Rates Supplement (BRS) on larger non-domestic properties in London, to be applied to finance and repay the outstanding debt for the GLA's contribution towards the costs of constructing the Elizabeth line (formerly Crossrail). Any sums received but not required to be applied in year to meet capital financing costs, project contributions, treasury management fees, and other expenses are set aside to meet future financing and debt repayment costs.
- 13.2 The Mayor approves the policies for the Crossrail BRS annually via Mayoral Decision in February and details of the current and previous policies are published at [Paying for Crossrail: business rate supplement](#).
- 13.3 The Mayoral Community Infrastructure Levy (MCIL) was introduced in 2012 and is paid by developers across London when work on new development commences. As with BRS, income from MCIL is ring-fenced to repay the GLA's Elizabeth Line debt and any funds not required to be applied in year are set aside to meet future financing and debt repayment costs.
- 13.4 In 2019 the Mayor adopted a new charging schedule (MCIL2). The new charges supersede the MCIL1 charging schedule and the associated Crossrail Funding Supplementary Planning Guidance (SPG). Details of the Levy and current charging schemes are published in the [Mayoral Community Infrastructure Levy](#) document.
- 13.5 Crossrail-related borrowing is owed to the Public Works Loans Board (PWLB), the Department for Transport (DfT) and bondholders. This debt may not be fully repaid until the early 2040s, with the end date assumed for the Crossrail BRS of March 2041 in line with the final BRS prospectus published in January 2010.

### Business rates retention zones

#### *Northern Line extension*

- 13.6 The Northern Line Extension (NLE) to Battersea Power Station (BPS) and Nine Elms opened in September 2021. In October 2022, the BPS site opened and a number of retail, leisure and hospitality operators commenced operation. The second western entrance to the BPS Underground station opened in October 2025.
- 13.7 Under a local designated area scheme, related business rates growth income is used to support the financing and repayment of the NLE borrowing, from the PWLB, with repayments starting in 2026-27. Business rates growth in the area is retained to support the financing and repayment of this borrowing until March 2041, with the potential for an extension for a further five years should this be required.

13.8 Should the business rates income from the local designated area be insufficient in any year, the NLE reserve is being held as a provision to meet capital financing costs in the short-term. Any unused balance on the NLE reserve not required to meet capital financing costs will be available to be applied for the earlier repayment of the GLA's NLE related borrowing.

*Royal Docks*

13.9 The Royal Docks and Beckton Riverside is designated as an Opportunity Area (OA) in the London Plan and is one of the largest regeneration areas in London. The GLA, TfL, and the London Borough of Newham have jointly prepared a [planning framework](#) to guide emerging and ongoing development in the area.

13.10 This work is funded by the business rates ring-fenced within the OA, collected by the London Borough of Newham and transferred to the GLA. Further details for the OA are provided at the [Royal Docks and Beckton Riverside Opportunity Area](#) and [Royal Docks](#) websites.

## Section 14: Statutory guidance

- 14.1 This section sets out the scope of the Assembly's amendment powers and other relevant issues.

### Statutory definitions

- 14.2 "Component budget" is defined as statements of—
- (a) the amount of the component council tax requirement for each of the seven constituent bodies
  - (b) the calculations under section 85(4) to (7) of the GLA Act which give rise to that amount for each.
- 14.3 "Consolidated budget" is defined as statements of—
- (a) the amount of the Authority's consolidated council tax requirement
  - (b) the amount of the component council tax requirement for each constituent body
  - (c) the calculations under section 85(4) to (8) of the GLA Act which give rise to each of the amounts mentioned in paragraphs (a) and (b) above.

### Statutory calculations

- 14.4 The GLA's Chief Finance Officer ("CFO") (acting for the Mayor exercising the functions of the GLA) is required to make estimates of the various items required by sections 85(4) [expenditure] and 85(5) [income] of the GLA Act, producing a component council tax requirement for each of the eight constituent bodies under s 85(6) of the GLA Act. Relevant statutory extracts are set out below:

#### *Expenditure: section 85(5)(4)*

- 14.5 The aggregate required by virtue of subsection (4) in the case of a constituent body "is the aggregate of—
- (a) the expenditure the Authority [i.e. GLA] estimates will be incurred by the body in the year in performing its functions and will be charged to a revenue account for the year in accordance with proper practices (but, in the case of the Mayor or the Assembly, see also subsections (10) to (13));
  - (b) such allowance as the Authority [i.e. GLA] estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;
  - (c) the financial reserves which the Authority [i.e. GLA] estimates it will be appropriate to be raised by or in respect of the body in the year for meeting the body's estimated future expenditure; and
  - (d) such of the financial reserves of, or in respect of, the body as are sufficient to meet so much of the amount estimated by the Authority [i.e. GLA] to be a revenue account deficit of or in respect of the body for any earlier financial year as has not already been provided for."

***Income: section 85(5)(5)***

- 14.6 The aggregate required by virtue of subsection (5) in the case of a constituent body “is the aggregate of—
- (a) the income which the Authority [i.e. GLA] estimates will accrue to or for the body in the year and which will be credited to a revenue account for the year in accordance with proper practices, other than income which the Authority [i.e. GLA] estimates will accrue in respect of any precept issued by it; and
  - (b) the amount of the body's financial reserves which the Authority estimates will be used by or in respect of the body in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (4)” [i.e. for expenditure and contingencies].

***Component budget council tax requirement***

- 14.7 Under subsection (6) the difference between the aggregate amounts calculated under subsections (5) [income] and (4) [expenditure], where the former is greater than the latter, is to be the body's component budget council tax requirement for the forthcoming financial year. Where the position is reversed the body's component budget council tax requirement must be nil.
- 14.8 In making the calculations of the estimates of the various items required by section 85(4) and (5) the GLA's CFO must do so within the bounds of professional judgement and proper accounting practices and is entitled to have regard to the views of the GLA Group bodies' CFOs as to the robustness of the estimates made for the purposes of the calculations and the adequacy of proposed reserves. The GLA's CFO's judgement as to the appropriate estimate calculations will rely on their own and their confidence in the strength or likelihood of those item's estimates being fulfilled in the relevant financial year.

***Duty to prepare and approve budgets***

- 14.9 Section 85(2) of the GLA Act states: “In relation to each financial year, the Authority shall make the calculations required by this section.” Subsection (3) says that the GLA, “must in relation to each constituent body ... calculate the aggregates required by virtue of subsections (4) and (5) below”.
- 14.10 Paragraph 1 of Schedule 6 of the GLA Act imposes a duty on the Mayor and the Assembly, in accordance with that Schedule, to prepare and approve for each financial year:
- (a) a budget for each of the constituent bodies as such (a “component budget”)
  - (b) a consolidated budget for the Authority (a “consolidated budget”).

### **Draft budget stage**

- 14.11 Under paragraph 3(1) the Mayor “shall prepare a draft of his proposed consolidated budget for the financial year (the “draft consolidated budget”), and then must present it to a public meeting of the Assembly and publish it. Paragraph 3(4) states “It shall be the duty of the Mayor to comply with paragraph 2 and sub-paragraphs (1) to (3) above on or before 1st February in the financial year preceding that to which the draft consolidated budget relates.”
- 14.12 Under paragraph 5(3) “the Assembly must approve the draft consolidated budget, together with the draft component budgets comprised in it, with or without amendment.” Amendments at this stage may be made by a simple majority of the members of the Assembly present and voting. Under sub-paragraph 5(5) “If no amendments are made on consideration of the draft consolidated budget (whether to that budget or to any of the draft component budgets comprised in it) the draft consolidated budget shall be deemed to be approved without amendment.”

### **Mayor's failure to present a draft consolidated budget**

- 14.13 The Mayor is required to prepare and present a draft consolidated budget to a public meeting of the Assembly on or before the 1 February (paragraph 3(4), Schedule 6) or such other date as has been substituted by statutory instrument. If the Mayor fails to do so then the Assembly must proceed to prepare a draft component budget for each GLA Group body, after consultation with that body, and prepare a draft component budget for the Mayor and for the Assembly, and prepare a draft consolidated budget (paragraph 4, Schedule 6).
- 14.14 If, at a public meeting of the Assembly, that draft consolidated budget is approved by the Assembly then that draft, as so approved, shall be the Authority's GLA's consolidated budget for the financial year to which it relates and the remaining budget approval process under Schedule 6 ends at that point (paragraph 4(2), Schedule 6).
- 14.15 If the Assembly-approved budget does not comply with the approved council tax referendum principles for that financial year, the Assembly must also prepare and approve substitute (component and consolidated) budgets and council tax requirements which would be subject to a referendum.

### **Final draft budget stage**

- 14.16 Under paragraph 6(1) of Schedule 6 the Mayor shall “prepare a final draft of his proposed consolidated budget for the financial year (the “final draft budget”)” after the draft consolidated budget has been approved (with or without amendment).
- 14.17 Under sub-paragraphs 6(4) and (6) it is “the duty of the Mayor to present the final draft budget to the Assembly before the last day of February in the financial year preceding that to which the final draft budget relates”, having regard to the Assembly's own duty under paragraph 8(7) “To approve the final draft budget with or without amendment before the last day of February”.

- 14.18 Under paragraph 8(3) “after considering the final draft budget, the Assembly must approve it with or without amendment.”, subject to the limits on amending its own component budget (as set out later in this section).
- 14.19 Under sub-paragraphs (4) and (5) “the only amendments which are to be made are those agreed to by at least two-thirds of the Assembly members voting” and “If no amendments are made on consideration of the final draft budget, the final draft budget shall be deemed to be approved without amendment”.
- 14.20 Under paragraph 8(6) “The final draft budget as approved by the Assembly with or without amendment shall be the Authority's consolidated budget for the financial year.”

### **Mayor's failure to present a Final Draft Budget**

- 14.21 If the Mayor, having presented a Draft Budget, fails to present a Final Draft Budget before the end of February, the Assembly must meet and agree by a simple majority of members present and voting the component council tax requirements of each of the constituent bodies, and the resulting consolidated budget and consolidated council tax requirement that budget's financial year are deemed to have been agreed accordingly (Schedule 6, paragraph 7).
- 14.22 The same requirements apply, as described in ‘Mayor's failure to present a draft consolidated budget’ above, in relation to the preparation and approval of a substitute budget if the Assembly-approved budget does not comply with the approved council tax referendums principles, and the budget would be subject to referendum.

### **Assembly failure to approve Final Draft Budget by end of February**

- 14.23 Subject to the issue of excessiveness under approved council tax referendum principles, the final draft budget approved by the Assembly (with or without amendment) is the GLA's consolidated budget for the financial year (Schedule 6, paragraph 8(6)). If the Assembly fails to approve the budget before the last day of February, the Final Draft Budget presented to the Assembly will be the GLA's consolidated budget for the year (Schedule 6, paragraph 9).

### **What is the Assembly's power of amendment?**

- 14.24 The Assembly's power to amend the Draft and Final Draft Budget (i.e. to make a budget amendment) is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act (“the statutory calculations”) in respect of each of the eight constituent bodies' component budget, which in turn produce the component council tax requirements and the GLA's resulting consolidated budget and consolidated council tax requirement. This is because the GLA Act defines the component budgets and their resulting council tax requirement solely in terms of the statutory calculations, which are then aggregated to become the GLA's consolidated budget and consolidated council tax requirement (i.e. the GLA Group precept).

- 14.25 At the Draft Budget meeting the Assembly may successfully amend the statutory calculations for any constituent body in the Draft Budget by a simple majority of Assembly members present and voting, i.e. ignoring abstentions and absentees.
- 14.26 Amendments to the Draft Budget are not binding on the Mayor who may choose not to carry them through to the final budget, in which case a statement giving reasons must be laid before the Assembly with that budget.
- 14.27 At the Final Draft Budget meeting the Assembly may successfully amend the statutory calculations for any constituent body in the Final Draft Budget by a two-thirds majority of Assembly members present and voting, i.e. ignoring abstentions and absentees.
- 14.28 In the event that at the Final Draft Budget stage any successful amendment to that budget would give rise to an increase in the GLA's consolidated council tax requirement that is excessive (determined by reference to the adjusted and/or unadjusted relevant basic amount of council tax) under the approved council tax referendum principles for the corresponding financial year, then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined).
- 14.29 While the Assembly has the power to amend the statutory calculations and state its reasons for doing so, only changes to the component and consolidated council tax requirements are binding on the Mayor, who does not have to change individual expenditure decisions in accordance with what may be proposed by the Assembly.

*Assembly's own component budget*

- 14.30 The Assembly's right of amendment in respect of its own budget is limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor, which in any event is subject to the rules on excessiveness and council tax referendums; where the GLA: Mayor's component council tax requirement has reduced, the GLA: Assembly's component council tax can be amended upwards provided that the consequential reduction in percentage terms compared to the previous year is not lower than that for the Mayor's requirement (Schedule 6, paragraphs 5A and 8A).

*Amendments to the retained business rates allocation*

- 14.31 The Assembly cannot amend the retained business rate allocation put forward by the Mayor in the Draft or Final Draft Budget, although the Assembly could legally approve an amendment to that budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of a component budget under the GLA Act.

*Amendment of underlying budget lines*

- 14.32 In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8), i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves. This is because a component budget is defined solely in terms of those calculations because they produce the component budget and in turn the component council tax requirement.

*Enforceability of successful budget amendments to the Draft Budget*

- 14.33 Amendments to one or more of the statutory calculations in the Draft Budget passed by a simple majority of those present and voting will amend that budget. However, these amendments are not binding on the Mayor as the Final Draft Budget may be different. If that is the case the Mayor must present a statement with the Final Draft Budget that shows and explains the changes.

*Enforceability of successful budget amendments to the Final Draft Budget*

- 14.34 Amendments to one or more of the statutory calculations in the Final Draft Budget, tabled as Formal Budget Amendments, that are passed by at least a two-thirds majority of Assembly members present and voting, will formally amend that budget. As noted above, only the formally approved amendments to the statutory calculations that give rise to the component and (resulting) consolidated council tax requirements are binding on the Mayor.

## **Other formats and languages**

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

Greater London Authority  
City Hall  
Kamal Chunchie Way  
London E16 1ZE

Telephone **020 7983 4000**  
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