

DA No.: 1654

Title: 2025-26 Budget Process

1. Executive Summary

- 1.1 At the Budget & Performance meeting on 22 October 2024 the Committee resolved that:

Authority be delegated to the Chairman, in consultation with the Deputy Chair and party Group Lead Members, to agree any output arising from the discussion.

- 1.2 Following consultation with party Group Lead Members, the Chairman agreed the Committee's letter to the Mayor of London regarding the 2025-26 Budget Process, as attached at **Appendix 1**.

2. Decision

- 2.1 **That the Chairman, in consultation with the Deputy Chair and party Group Lead Members, agrees the Committee's letter to the Mayor of London regarding the 2025-26 Budget Process as attached at Appendix 1.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Printed Name: Neil Garratt AM, Chairman of the Budget & Performance Committee

Date: 7 November 2024

3. **Decision by an Assembly Member under Delegated Authority**

Background and proposed next steps:

- 3.1 The terms of reference for this investigation were agreed by the Chairman, in consultation with party Lead Group Members and the Deputy Chair, under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the report and its recommendations fall within these terms of reference.
- 3.2 The exercise of delegated authority approving the report will be formally noted at the Budget & Performance Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): Paul Goodchild

Printed Name: Paul Goodchild

Date: 5 November 2024

Telephone Number: 07842 600832

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Printed Name:

Date:

Telephone Number:

Legal Implications:

The Chairman of the Budget & Performance Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Rory McKenna

Date: 7.11.24

Email: rory.mckenna@london.gov.uk

Supporting Detail / List of Consultees:

- Krupesh Hirani AM;
- Zack Polanski AM;
- Gareth Roberts AM.

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

Lead Officer / Author

Signature: Gino Brand

Printed Name: Gino Brand

Job Title: Senior Policy Adviser

Date: 5 November 2024

Telephone Number: 07511 213765

Countersigned by Executive Director:

Signature: 

Printed Name: Helen Ewen

Date: 7 November 2024

Telephone Number: 07729 108986



Neil Garratt AM
Chairman of the Budget and Performance Committee

Sadiq Khan
Mayor of London
(Sent by email)

8 November 2024

Dear Mr. Mayor,

Recommendations for the 2025-26 Budget process

I am writing to you on behalf of the Budget and Performance Committee. As we approach the 2025-26 Greater London Authority (GLA) Group budget process, the Committee has identified key areas where clarification, transparency, and consideration of financial sustainability are needed. Below we outline 22 recommendations and concerns from the Committee's reading of your budget guidance, GLA governance changes and a discussion that the Committee had with a selection of external experts on the delivery of critical services by the GLA Group on 22 October 2024. The recommendations are listed at the end of the letter for clarity.

Changes to budget guidance and expected impact

The 2025-26 Budget Guidance sets out that performance reporting should be in the same format as the budget. It states that *"the format and content of the 2025-26 quarterly financial monitoring reports should mirror the template tables provided for the budget submissions (objective and subjective analysis)."*¹ The Committee believes that these changes are a positive step for transparency; aligning the format of performance reporting with the published budget is logical and essential for clarity. Currently, the reporting process can be inefficient and confusing, particularly from a financial oversight perspective.

The Committee is aware that functional bodies may face challenges implementing this change efficiently, potentially leading to delays or inconsistencies in reporting. **The GLA should consider**

¹ GLA, [The Mayor's budget guidance 2025-26](#)

if extra resources or support are needed for these functional bodies to implement these changes smoothly this year.

The budget guidance also requires the GLA and its functional bodies to present both financial and non-financial information in their monitoring reports, including progress against implementing the measures identified as part of the London Climate Budget.² **The Committee supports this level of transparency. In this context, we note that we have yet to see the London Climate Budget reported in all the quarterly monitoring reports, and that this should be addressed going forward.**

We note that the 2024-25 Budget Guidance required functional bodies to include a section within their budget submissions dedicated to the London Climate Budget, including unfunded measures.³ Despite this requirement, Transport for London (TfL) did not include level 2 unfunded measures in its 2024-25 Budget. TfL is by some distance the largest generator of carbon emissions in the GLA Group. **The GLA should ensure that TfL includes level 2 unfunded measures in its 2025-26 Budget submission.**

The Committee seeks assurances that the requirements set out in your budget guidance will be enforced. It is imperative that the guidance is fully adhered to, and mechanisms for ensuring compliance are strengthened.

The Committee note that the consultation on the 2025-26 Budget proposals is scheduled to end on 3 January 2025. The Committee will be considering the Mayor's Office of Policing and Crime, and the London Fire Commissioner budgets after this date so that these meetings can be informed by the provisional Local Government and Policing settlements. The provisional settlements are anticipated at the end of December 2024. **The Committee requests that you commit to considering any of its recommendations following these meetings when producing your Final Draft Consolidated Budget, which is due to be published on 12 February 2025.**

Changes to GLA governance – missions and mandates

The Committee is aware of planned changes to the GLA governance framework, notably the introduction of mandates and delivery plans. However, there is limited information available regarding their specific impact on budget setting, allocation, and oversight. The minutes from the 7 October meeting of the Mayoral Delivery Board state that: *"The Board received an overview of a series of draft mandates, each of which provided an outline of programme objectives and the resource allocation assigned to facilitate the delivery of these. Feedback from the Board would be incorporated before the mandates were finalised."*⁴

The Environment Committee heard from the GLA's Assistant Director of Strategy, Insight and Intelligence on 16 October that:

"the GLA has been reviewing the way in which it develops its programmes from top to bottom, essentially reconfiguring the way that we work around a series of outcomes that the

² GLA, [The Mayor's budget guidance 2025-26](#)

³ GLA, [The Mayor's budget guidance 2024-25](#)

⁴ GLA, [Minutes from the Mayoral Delivery Board, 7 October 2024](#)

Mayor is interested in achieving through mandates to senior responsible owners (SROs) and then a series of programmes that will deliver against those outcomes. This is quite a revolutionary approach within the GLA. I have been at the GLA quite a long time and it is the first time that we have seen a root-and-branch review of the fundamental purposes of the GLA and how it wants to go about its business.”⁵

The GLA should provide a briefing on the impact of the new governance arrangements on the budget to the Budget and Performance Committee in advance of its meeting on 19 November 2024. This briefing should detail how the new governance framework will enable the GLA’s strategic objectives, budget prioritisation, and resource allocation in the upcoming financial year. It should also set out how this framework will impact the delivery of existing cross-cutting programmes and who will be accountable for each area.

Delivery of the Affordable Homes Programme (AHP) with a reduced budget and construction sector challenges

The Committee wrote to you on 25 January 2024 to recommend that *“the Final Draft Consolidated Budget includes detail of the Affordable Housing spending plans, including the underpinning assumptions and risks around delivery.”⁶* These details were not included in the Final Draft Consolidated Budget. In your response to the Committee’s letter, you stated:

“there is uncertainty around housing delivery because of viability pressures arising from cost inflation and interest rate rises, changes in the regulatory environment, government policy changes, impact of planning reform, delays to clear guidance leading to costs rising to implement building safety, and resource constraints for local housing providers in the current macro-economic environment.”⁷

The 2024-25 budget for the AHP was subsequently reduced by 50 per cent from £703 million to £347 million during Q1 2024-25. The construction sector continues to face significant challenges, including rising material costs and labour shortages, which may further jeopardise the delivery timeline. The Committee remains concerned about the lack of transparency in the light of this dramatic in year change.

On 22 October 2024 Stuart Hoggan, Associate Consultant at LG Futures suggested that the GLA should provide:

“more specific targets, more milestones, more appreciation of the risks that are associated, more evidence of the planning of contingencies, and just a deeper understanding of how the programme is delivered than perhaps is apparent from the simple numbers and the timescales that are there at the moment.”⁸

To ensure transparency and accountability **the Committee requests detailed information regarding the number of housing units budgeted to be delivered, along with a breakdown**

⁵ [London Assembly Environment Committee](#), 16 October 2024

⁶ [Housing Budget 2024-25 Letter to Mayor](#), 25 January 2024

⁷ [Letter from the Mayor](#), 8 March 2024

⁸ [Budget and Performance Committee](#), 22 October 2024

of their size and tenure type, is included in the 2025-26 Budget. Additionally, we encourage the GLA to share interim delivery milestones with the Committee, to better monitor progress throughout the programme's lifespan.

The Committee heard about the challenges of housing delivery in London at its meeting on 22 October 2024. Tony Travers, Professor in Practice, LSE Department of Government, and Director, LSE London stated that:

*"The scale of ambition is in some ways so great that it is almost impossible to discuss it. It is so big. If you look out there at the skyline, you would, effectively, have twice as much of the new buildings going up everywhere. I am just not sure how that debate is being articulated in terms of policymaking at the citywide or local level, given what a remarkable change it is, if it is to be delivered."*⁹

The Committee's view is that **the GLA should review its current capacity for delivery of affordable homes and set an achievable expectation of delivery in its 2025-26 Budget, with a trajectory to reach targets in future.**

Transport for London sustainability

TfL's Q1 2024-25 performance report shows a £150 million shortfall in passenger income, which raises questions about its financial sustainability given the lower-than-expected increases in passenger journeys.¹⁰ The Committee is concerned that, without a clear plan to address this deficit, the current budget strategy is unsustainable in the long term.

It was suggested in the Budget and Performance Committee on the 22 October 2024 that *"the recent report to the TfL Board suggests that some thought is arising that perhaps the recovery that we have seen post COVID is starting to stall and that will obviously feed through ultimately in terms of revenue."*¹¹ **The Committee recommends that the 2025-26 Budget include projections that take account of the current passenger trends and a balanced strategy for covering any shortfalls without requiring emergency measures or additional borrowing.**

The Budget and Performance Committee heard from the Chief Executive Officer of London TravelWatch at the 22 October 2024 meeting that:

"the TfL business plan over the three years to 2026-27 anticipates a significant uplift in the level of investment in renewals from what historically has been around £500 million a year to over £900 million by the end of the three-year period. Two things. First, that is still less than the amount TfL says it needs for steady-state renewal and that is not even taking account for making up the backlog of the much lower level of investment in renewals before. The second is, just picking up on the previous theme about pressure on funding sources, with, for example, revenue from passengers coming in less than planned, the question mark is the

⁹ [Budget and Performance Committee](#), 22 October 2024

¹⁰ [Transport for London quarterly performance report - Quarter 1 2024](#), July 2024

¹¹ [Budget and Performance Committee](#), 22 October 2024

extent to which the plans in the business plan for renewals are going to be compromised as a result of that.”¹²

The Committee also heard from Tony Travers, Professor in Practice, LSE Department of Government, and Director, LSE London, who stated that:

“failing to maintain the existing system can lead to terrible, bad, bad performance. That was true in the 1980s and 1990s. It took a very long time to recover the system. Given the pressure that TfL and other transport operators have been under in the last few years, I would say ensuring that the existing system is maintained is the number one priority.”¹³

The Committee is concerned about the lack of investment in the maintenance of TfL’s existing network, and we urge TfL to prioritise its spending on capital renewals in order to address the backlog in asset maintenance.

As part of the government’s Autumn Budget and Phase 1 Spending Review a new funding settlement was announced with TfL. This settlement included £485 million of capital funding for 2025-26. The settlement letter stated that the Government’s approach for the next phase of the Spending Review is that *“HMG’s [His Majesty’s Government] assessment of TfL funding needs in Phase 2 of the Spending Review will be conducted against a baseline scenario where TfL rail fares rise in line with national rail fares this year.”¹⁴* **In light of the Government announcement the Committee urges you to be clear on your response to the fares rise expected by the Government in your 2025-26 Budget proposals.**

The Committee heard from the Chief Executive Officer of London TravelWatch at the 22 October 2024 meeting that:

“we would regard as a really high priority is investment, or rather interventions around buses and improving the quality of bus services, some of which may imply capital investment, for example through local councils to provide bus priority measures....given that bus speeds have been falling and, when bus speeds fall, patronage falls, and when patronage falls, fare income falls. For us, given that buses are the most predominantly used form of public transport in the capital, a big area of priority.”¹⁵

TfL should prioritise tackling the factors reducing bus speeds as the worsening journey times deter passengers and reduce fares income.

The Committee heard from Tony Travers, Professor in Practice, LSE Department of Government, and Director of LSE London at its meeting on 22 October 2024 that:

“the issue of whether a more easily accessed version of tax increment finance can be produced of the kind that was used at Battersea is well worth TfL investigating, because

¹² [Budget and Performance Committee](#), 22 October 2024

¹³ [Budget and Performance Committee](#), 22 October 2024

¹⁴ [Spending Review Phase 1 Outcome Financial Year 2025/2026](#), 30 October 2024

¹⁵ [Budget and Performance Committee](#), 22 October 2024

some of their projects, the West London Orbital one and the Bakerloo Line Extension down the New Kent Road, potentially could be enormously speeded up by some sort of tax increment finance arrangement and the Northern Line Extension at Battersea was substantially funded in that way.”¹⁶

The Committee sees this as an option that should be considered by TfL. The Committee notes that by speeding up these developments this approach could be useful even if Government funding was available. At the same meeting the Committee heard from Chief Executive Officer of London TravelWatch that: *“The Mayor’s Transport Strategy (MTS) is off course substantially against many of its longer-term objectives.”¹⁷*

It was suggested during the Budget and Performance Committee on 22 October 2024 that fiscal devolution could be a way to increase funding for transport investment. The Deputy Director from the National Institute of Economic and Social Research said:

“both fiscal decentralisation really has to be considered much more by the new Government than previous Governments, and then there is also the possibility of borrowing against that, because we now have municipal bond facilities that have not been used much, but I think if you had more fiscal decentralisation and you had a careful, prudent form of borrowing, then you could invest more because, 90 per cent is current expenditure, only 10 per cent is investment.”¹⁸

The Committee considers this to be an idea that is worth pursuing and recommends that TfL and the Mayor consider raising this issue in meetings they have with Government officials.

The Chief Executive Officer for Centre for London made the case that TfL should have an Outer London Transport Strategy. She informed the Committee that:

“to put some figures behind the differences between inner and outer London, we know that in outer London 69 per cent of households have access to a car, and that is compared to just 42 per cent in inner London. We know that active travel makes up 60 per cent of trips by outer London residents, and that compared to 78 per cent for inner London. We also know that in outer London driving is used for travel twice as much as within inner London.”¹⁹

The Committee supports Centre for London’s call for TfL to develop an Outer London Transport Strategy.²⁰

¹⁶ [Budget and Performance Committee](#), 22 October 2024

¹⁷ [Budget and Performance Committee](#), 22 October 2024

¹⁸ [Budget and Performance Committee](#), 22 October 2024

¹⁹ [Budget and Performance Committee](#), 22 October 2024

²⁰ [Supporting-Sustainable-Travel-in-Outer-London](#), CfL, June 2023

Achievement of Net Zero

The Committee is supportive of your manifesto commitment to achieving a fully zero-emission bus fleet by 2030. However, it is concerned that there are significant logistical challenges that need to be addressed. In addition to the required funding, the Committee notes that the physical conversion of bus depots to support electric vehicles is constrained by the available space.²¹ There is also the need for a sufficient electrical supply which, in recent years, has been a problem for the grid in parts of west London.²² This is important in the context of meeting the 2030 net-zero goal, and the financial requirements needed to complete the transition.

Clarification is needed on the logistical challenges to achieving a fully zero-emission bus fleet and how TfL plans to address them. This clarification should include whether progressive phases of the bus depot conversion are becoming increasingly difficult to implement, if there are depots for which no viable conversion plan exists.

The Committee is also concerned about the extent that TfL's net zero plans are reliant on the purchase of green electricity and note that even with the benefit of Power Purchase Agreements, TfL is not on track to be net zero until "*the middle of the next decade*"²³. **The assumption that the purchase of green electricity will not incur significant additional costs may turn out to be optimistic, and TfL should provide further details on the basis for its assumption along with any current concerns on price volatility on current supply terms. TfL should also consider a transparent contingency plan to cover potential cost increases in the purchase of green energy.**

New Met Police and London Fire Brigade (LFB) reforms

The Committee is aware that reforms within the Metropolitan Police and the LFB are essential but come with additional financial costs. The Committee is particularly concerned about the projected £300 million funding gap included in the 2024-25 Budget for the Metropolitan Police's 2025-26 spending plans, with savings yet to be identified to cover the funding gap. The Q1 2024-25 report indicates that projected savings have not been realised in 2024-25. We note that while the Home Office's contribution has decreased in real terms, funding for the Mayor's Office for Policing and Crime has increased from £3 billion in 2017-18 to £4.5 billion today, which highlights the growing financial resources available to fund its services.

We also request an update on the impact of the Metropolitan Police's two budget submissions in the previous year, where you opted to fund the lower request. Specifically, the Committee would like to understand how this decision has affected current spending and the ongoing discussions surrounding the 2025-26 budget. **We urge you to provide a robust, balanced budget plan for the Metropolitan Police**, ensuring that the necessary reforms can go ahead without further financial strain.

The LFB similarly faces a widening budget gap, with a £1.9 million shortfall projected for 2025-26 and a £16.2 million gap by 2026-27. The Committee notes that the LFB's reserves are also forecast to decrease significantly, from £79.5 million in March 2024 to just £38.5 million by March 2026. It is

²¹ P133, [London electric vehicle infrastructure delivery plan](#), June 2019

²² [West London electricity capacity constraints | London City Hall](#)

²³ [Budget and Performance Committee](#), 22 October 2024

clear there are financial pressures on the service. **We urge you to provide a robust, balanced budget plan for the LFB.**

The Committee heard about the Police Officer retention challenges from the Associate Director of World Policing who said:

*"I have had a look at the latest figures and retention is fairly typical for the MPS. There are forces with higher levels of attrition or of people leaving earlier. Having said that, it could always be better. There are things like the workplace offer, part-time working, flexible working, shift patterns and things like that can help keep people in."*²⁴

A related retention issue was raised by Rick Muir the Director of the Police Foundation who said:

*"On retention, there is some good academic research where they have spoken to - this is Professor Sarah Charman at Portsmouth University - lots of people who have left the police, not just in London but around the country. They found that the reason they were leaving was not because, as some have alleged, that they were, quote unquote, 'snowflakes' or they could not take it - that is one of the rumours that has gathered around the profession around this - but because of working practices and relationships with line managers. People join and then, frankly, they are just not treated as well as they could have been. A bad relationship with a line manager is the number one reason for voluntary resignations from the police. That is about the quality of line management and the quality of supervision. Still in lots of bits of policing, it is not good enough and it is one of the reasons that people leave after a year or less. This does speak to some of the things that Louise Casey talked about in her review."*²⁵

Given the challenge on the recruitment of Police Officers, **the Metropolitan Police should explore further options for improving retention rates, such as improved working practices and line management training.**

The Committee looks forward to your response by **13 December 2024**. We hope that the recommendations outlined in this letter will contribute to a more robust and sustainable budget framework for the GLA Group in the coming year.

Yours sincerely,



Neil Garratt AM
Chairman of the Budget and Performance Committee

²⁴ [Budget and Performance Committee](#), 22 October 2024

²⁵ [Budget and Performance Committee](#), 22 October 2024

Annex 1 - Budget and Performance Committee requests:

Changes to budget guidance and expected impact

- The GLA should consider if extra resources or support are needed for these functional bodies to implement changing the formats of the quarterly financial monitoring reports changes smoothly this year.
- We note that we have yet to see the London Climate Budget reported in all the quarterly monitoring reports, and that this should be addressed going forward.
- The GLA should ensure that TfL includes level 2 unfunded measures for the reduction of carbon emissions in its 2025-26 Budget submission in accordance with the budget guidance.
- The Committee seeks assurances that the requirements set out in your budget guidance will be enforced.
- The Committee requests that you commit to considering any of its recommendations following the meetings on the 7 and 8 January 2025 when producing your Final Draft Consolidated Budget, which is due to be published on 12 February 2025.

Changes to GLA governance – missions and mandates

- The GLA should provide a briefing on the impact of the new governance arrangements on the budget to the Budget and Performance Committee meeting in advance of its meeting on 19 November 2024.

Delivery of the Affordable Homes Programme (AHP) with a reduced budget and construction sector challenges

- The Committee requests detailed information regarding the number of housing units budgeted to be delivered, along with a breakdown of their size and tenure type is included in the 2025-26 Budget.
- The GLA to share interim delivery milestones for the AHP.
- the GLA should review its current capacity for delivery of affordable homes and set an achievable expectation of delivery in its 2025-26 Budget.

Transport for London sustainability

- The Committee recommends that the 2025-26 Budget include projections that take account of the current passenger trends and a balanced strategy for covering any shortfalls without requiring emergency measures or additional borrowing.
- We urge TfL to prioritise its spending on capital renewals in order to address the backlog in asset maintenance.
- In light of the Government announcement the Committee urges you to be clear on your response to the fares rise expected by the Government in your 2025-26 Budget proposals.
- TfL should prioritise tackling the factors reducing bus speeds as the worsening journey times deter passengers and reduce fares income.
- TfL to consider if projects like the West London Orbital and the Bakerloo Line Extension down the New Kent Road could be speeded up by some sort of tax increment finance arrangement.
- TfL and the Mayor consider raising potential fiscal devolution in meetings they have with Government officials.
- TfL to develop an Outer London Transport Strategy.

Achievement of Net Zero

- Clarification is needed on the logistical challenges to achieving a fully zero-emission bus fleet and how TfL plans to address them. This clarification should include whether progressive phases of the bus depot conversion are becoming increasingly difficult to implement, and if there are depots for which no viable conversion plan currently exists.
- The assumption that the purchase of green electricity will not incur significant additional costs may turn out to be optimistic, and TfL should provide further details on the basis for its assumption.
- TfL should consider a transparent contingency plan to cover potential cost increases in the purchase of green energy.

New Met Police and London Fire Brigade (LFB) reforms

- We urge you to provide a robust, balanced budget plan for the Metropolitan Police.
- We urge you to provide a robust, balanced budget plan for the LFB.
- The Metropolitan Police should explore further options for improving retention rates, such as improved working practices and line management training.