

The Mayor's Budget Guidance 2026-27

July 2025

COPYRIGHT

**Greater London Authority
July 2025**

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

Copies are available from www.london.gov.uk

Contents

The Mayor's Foreword	4
Section 1: Introduction	5
Section 2: Budget Process	8
Section 3: Revenue Budget	12
Section 4: Capital Strategy	16
Section 5: London Climate Budget	19
Section 6: Equality, Diversity and Inclusion	22
Section 7: Funding Sources	23
Section 8: Mayoral Funding Control Totals	27
Appendix A: Quarterly Monitoring Reports	28
Appendix B: Locally Collected Taxes	30
Appendix C: Control Totals	37

The Mayor's Foreword

This document sets out my budget guidance to the Greater London Authority and its functional bodies – including Transport for London and the London Fire Commissioner – so that each organisation can take the next steps in preparing its budget for the 2026-27 financial year.

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

Despite considerable government funding constraints for London and our public services in recent years, we have managed to take some huge strides forward. This includes starting a record number of council homes, becoming a world-leader in tackling the climate crisis, investing record amounts from City Hall in the police and preventative services, and supporting Londoners through the cost-of-living crisis by delivering universal free primary school meals. By continuing to work with the government and focusing on creating a fairer, safer and greener London for everyone, I'm determined to build on this progress.

Recent government settlements for London have already had a significant impact – from providing more funding for the police and our transport network, to agreeing the biggest and longest housing funding settlement London has ever had. As Mayor, I'll continue to stand up for London and will always make the case for the additional national funding London needs.

It was confirmed in the Spending Review that local government finance settlements will now be made for three years, which will provide more certainty for the GLA Group. However, until these settlements are confirmed, there are still a number of issues that are causing uncertainty for our medium-term financial forecasts. This includes: confirmation of the contents of the integrated settlement for London that the government announced in the Spending Review; the proposed reforms to local authority funding; and the potential for further devolution to London.

My commitment remains the same: to use the budget to help make London the best city in the world to grow up – from birth all the way to buying a house and getting a job. I'll be using the budget and all the levers at my disposal to provide the helping hand young Londoners need to achieve their aspirations.

Of course, we still have much more to do. But I believe that by working together – City Hall, local councils and the government – we can continue to build a better London for everyone.

Sir Sadiq Khan
Mayor of London

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 five functional bodies (together known as the GLA Group). The GLA Group comprises:
 - Greater London Authority (GLA), which includes the London Assembly
 - the Mayor's Office for Policing and Crime (MOPAC), which provides oversight of the Metropolitan Police Service (MPS or 'the Met') and also includes 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).

Budget development process

- 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 Mayor's budget proposals are an accurate reflection of his priority aims and objectives; and can be contained within available resources. The proposals must balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from regional, national and international events.
- 1.4 The 2026-27 budget development process ("Budget Process") takes place between July 2025 and March 2026, and requires the GLA and functional bodies to:

Budget submission

- prepare their 2026-27 budget submission ("Budget Submission") on the basis set out in this Budget Guidance ("Guidance")
- include in the Budget Submission their 2026-27 Capital Spending Plan ("Capital Spending Plan") and Capital Strategy
- include in the Budget Submission their contribution towards the London Climate Budget ("Climate Budget")
- use the Mayoral funding control totals ("Control Totals"), set out in this Guidance, as the basis for their Budget Submissions
- submit a draft Budget Submission to GLA Group Finance for review in advance of the formal submission date
- make a full and final public Budget Submission to the Mayor by the end of day on **Friday, 21 November 2025** with proposals that ensure their budget is within the Mayoral funding envelope specified.

Budget scrutiny

- consider and respond to the publication of the Mayor's Consultation Budget for 2026-27 ("Consultation Budget") within the consultation period
- provide prompt and accurate advice and explanation of their Budget Submission to the Mayor and GLA Group Finance
- engage with the Assembly as it considers the Budget Submissions, and the Mayor's consolidated statutory budget proposals, prior to the consideration of the Mayor's Final Draft Consolidated Budget for 2026-27 ("Final Draft Budget").

Final Budgets

- publish a final budget in March, and address detailed points of feedback from the Assembly and others submitted during the Budget Process
- where final budgets differ in any way from the Mayor's Final Draft Budget, this must be discussed and agreed with GLA Group Finance in a timely manner
- provide quarterly budget monitoring reports on the basis set out in this Guidance.

- 1.5 The information sought from the GLA and functional bodies in this Guidance 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.

Economic context

- 1.6 As detailed in this Guidance, there is considerable uncertainty surrounding the future of the GLA's government funding settlement which is unlikely to be resolved until late in 2025. In response, a pragmatic approach is being taken in respect of funding forecasts, and this is reflected by minimal changes to the Control Totals confirmed in the [Mayor's Final Consolidated Budget for 2025-26](#) ("Final Budget 2025-26").
- 1.7 This budget is being set at a time of recognised macroeconomic and geopolitical uncertainty. The latest Consumer Price Index (CPI) inflation figure shows that prices rose by 3.4 per cent in the 12 months to May 2025, with core inflation being at 3.5 per cent. This exceeds the Bank of England's 2.0 per cent target and is at a time when it was expected that the Bank's Monetary Policy Committee would further reduce interest rates, and when unemployment in the UK has been rising over recent quarters.

Policy uncertainty

- 1.8 The government confirmed in its [Spending Review 2025](#) (SR) that local government finance settlements (LGFS), issued by the Ministry for Housing, Communities and Local Government (MHCLG), would be made for three years, providing more certainty for the GLA Group in those funding areas. There are, however, issues causing considerable uncertainty to the GLA Group's medium-term financial forecast which could impact the Control Totals set out in this Guidance:
- **Integrated settlement:** the SR confirmed that the GLA will receive an integrated funding settlement from 2026-27, combining a number of existing grants into 'a single flexible pot to invest in growth and public services'. The government will set out the final scope and quantum of the settlement in due course.

- **Local authority funding reform:** the government is consulting on its proposals and approach to local authority funding reform through the LGFS from 2026-27. This includes a reset of the business rates system and changes to funding baselines. The outcome of these changes will not be known until the provisional LGFS is published, expected after the Budget Submission deadline set out in this Guidance.
- **Devolution in London:** resulting from plans for local government reorganisation, the government will introduce a new English Devolution Bill, expected in the Summer of 2025. This Bill will provide opportunities for further devolution to the GLA, while ensuring that it retains its existing bespoke arrangements. While it is likely that more functions are to be devolved to the GLA following passage of the Bill, the details and timing of these are currently unconfirmed.

Structure of this Guidance

- 1.9 The Budget Process section of this Guidance sets out details of the general process, consultation and scrutiny arrangements, governance and financial resilience measures, and provides the detailed timeline for the Budget Process.
- 1.10 The Revenue Budget section details the requirements for the GLA and functional bodies in producing the revenue budget sections of their Budget Submissions, including Value for Money considerations, reserves and capital financing costs.
- 1.11 The Capital Strategy section details the requirements for the GLA and functional bodies in producing their Capital Spending Plan and their long-term Capital Strategy.
- 1.12 Budget Submissions are required to include the Climate Budget and an equalities impact assessment of their Budget Submission. Details of the requirements are contained in the London Climate Budget and Equality, Diversity and Inclusion sections respectively.
- 1.13 The Funding Sources section describes the funding sources that inform the Mayor's funding allocations and highlights the key budget assumptions that are currently being applied.
- 1.14 The Mayoral Funding Control Totals section sets out, in cash terms, the GLA Group's Control Totals for the three-year budget period of 2026-27 to 2028-29 (the "Budget Period"). Changes to the Control Totals outlined in the Final Budget 2025-26, and the adjustments made to the Control Totals that result in the revised allocations, are shown in Appendix C.
- 1.15 Appendix A (Quarterly Monitoring Reports) details the requirements and contents necessary for the GLA and functional bodies' reports to monitor performance.
- 1.16 Appendix B (Locally Collected Taxes) outlines the collection and disbursement arrangements for local taxes within London, including details of collection support provided by the Mayor.
- 1.17 For further information or clarification on this Guidance, please contact:
Elliott Ball, Director Group Finance and Performance
Email: Elliott.ball2@london.gov.uk and GLABudget@london.gov.uk

Budget Process

General process

- 2.1 Each year, the Mayor must prepare a budget for each member of the GLA Group and a consolidated budget for the GLA Group as a whole. Published in December, the Consultation Budget marks the beginning of the statutory consultation period. Following the closure of the consultation period, the Mayor's Draft Consolidated Budget for 2026-27 ("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. Once approved, the Mayor's Final Consolidated Budget for 2026-27 ("Final Budget") is published by the end of March, and it will be reflected in the final budgets of each member of the GLA Group.
- 2.2 It is the responsibility of the GLA and functional bodies to produce their Budget Submission, with oversight from the GLA's Chief Finance Officer (CFO) and GLA Group Finance. The Mayor expects the GLA and functional 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 and functional bodies to review development of their Budget Submissions.
- 2.3 The Budget Submissions must, in accordance with the detail described in this Guidance:
- ♦ present a single set of expenditure figures which balance against projected income and drawdowns from available reserves
 - ♦ for revenue expenditure, include the current year 2025-26 (original budget, revised budget and forecast outturn) and budget proposals for the Budget Period
 - ♦ reflect planned usage of general and earmarked reserves for the Budget Period and include a CFO statement on the adequacy of reserves
 - ♦ detail the approach taken to ensure Value for Money and report on savings achieved
 - ♦ consider how changes in funding would impact on the Budget Submission
 - ♦ include a 20-year Capital Strategy from 2025-26 to 2044-45
 - ♦ include their Climate Budget
 - ♦ conduct and report on an equalities assessment of their Budget Submission.
- 2.4 The Budget Process is the responsibility of the GLA's CFO, and input from the GLA and functional bodies will be requested as required. The first such input is the timely production of Budget Submissions. The GLA and functional bodies must not expect to be able to amend their budget proposals after their Budget Submission is published in November. Once the Final Draft Budget is approved by the Assembly in February, responsibility then reverts to the GLA and functional bodies to produce and publish their own final budgets based on the funding envelopes and commitments set out within the Mayor's Final Budget. Where final budgets differ in any way from the Mayor's Final Draft Budget, this must be discussed and agreed with GLA Group Finance in a timely manner.

Consultation and scrutiny

- 2.5 The Mayor is required by statute to consult the London Assembly (who has resolved that the Mayor should consult its Budget and Performance Committee (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 and functional bodies, and the Capital Spending Plan. This requirement will be fulfilled in the Consultation Budget.
- 2.6 The Assembly's BPC will, as in previous years, undertake 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 each organisation to attend these committee meetings as appropriate.
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 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

- 2.11 Each Budget Submission must be approved in accordance with the decision-making processes of the relevant body by the Budget Submission deadline. Each body has responsibility for the accuracy of the facts, figures and analysis presented in their Budget Submission.
- 2.12 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 the GLA or functional bodies anticipate they will not be able to obtain relevant internal approvals, thereby possibly causing delay to their final submission. Any such notification will be shared with the Mayor's Office and the BPC.
- 2.13 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.

-
- 2.14 The requirements in this Guidance apply equally to the GLA and functional bodies' draft and final Budget Submissions.
- 2.15 It is anticipated that the Oxford Street Development Corporation (OSDC) will be established on 1 January 2026. OSDC will be a new functional body of the GLA Group and will be bound by the requirements of this Guidance. However, they cannot make a Budget Submission until after incorporation. Therefore, they are excluded from the Control Totals in this Guidance. It is expected that their budget for the Budget Period will be included in the Draft Budget and Final Draft Budget.
- 2.16 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 and functional bodies unless expressly accepted by the Mayor.

Financial resilience

- 2.17 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.
- 2.18 CIPFA's [Building financial resilience](#) guide provides further detailed guidance on building financial resilience into all aspects of planning and operations.
- 2.19 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.
- 2.20 The GLA and functional bodies are required to regularly review their own policies and practices to ensure effective financial resilience and should be able to demonstrate the robustness of their approach within their Budget Submissions and internal review and approval processes. These measures should be included with each body's financial strategy and business plan, which should be regularly reviewed and published on the body's corporate website.

Key deadlines

- 2.21 The key deadlines for the Budget Process are set out below. To ensure an orderly process and facilitate the consultation and scrutiny required by statute, meeting these deadlines is critical:

DATE	DESCRIPTION
9 July 2025	Mayor's Budget Guidance published
18 August 2025	'Quarter 1' (April to June) monitoring reports for GLA Group bodies published
October 2025	Budget proposal letters issued by the Mayor for consultation with the GLA Group bodies
3 November 2025	Draft Budget Submissions deadline for GLA Group bodies
18 November 2025	'Quarter 2' (July to September) monitoring reports for GLA Group bodies published
21 November 2025	Budget Submission deadline for GLA Group bodies, including response to the Mayor's budget proposal letters
November to December 2025	Assembly's Budget & Performance Committee meetings to scrutinise Budget Submissions
3 December 2025	Publication of Mayor's Consultation Budget
3 December 2025 to 4 January 2026	Budget consultation period
December 2025	Publication of the provisional local government, fire and police finance settlements by MHCLG and the Home Office
14 January 2026	Draft Budget published
29 January 2026	Assembly Plenary to consider Draft Budget
31 January 2026	Deadline for billing authorities to provide business rates and council taxbase estimates
Early February 2026	Publication of the final local government, police and fire finance settlements
Mid-February 2026	Mayoral Decision approving Crossrail Business Rates Supplement arrangements for 2026-27 issued
18 February 2026	Final Draft Budget published
19 February 2026	'Quarter 3' (October to December) monitoring reports for GLA Group bodies published
26 February 2026	Assembly consider Final Draft Budget at Mayor's Question Time
27 February 2026	Statutory deadline by which the GLA precept must be approved and the Capital Spending Plan must be published
31 March 2026	Deadline for GLA Group bodies to publish their detailed final budgets for 2026-27
30 June 2026	'Quarter 4' (January to March) monitoring reports for GLA Group bodies published

Revenue Budget

- 3.1 The GLA and functional bodies should ensure their draft and final Budget Submissions are each presented as one cohesive document covering all the points in this Guidance and ensuring there are no omissions.
- 3.2 The GLA and functional bodies must be confident they can meet the conditions attached to government funding and grants before the funding can be recognised; and a single income estimate must be derived.
- 3.3 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 and functional bodies to minimise these burdens, and a template for Budget Submissions to meet the requirements in this Guidance will be issued in due course.
- 3.4 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, and the GLA and functional bodies should be prepared to respond promptly to CFO and Mayoral requests for information. Responsibility for producing the Mayor's consolidated budgets rests solely on the GLA's CFO, who will rely on information provided by the GLA and functional bodies to produce the Draft Budget and Final Draft Budget.

Service Analysis

- 3.5 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 Final Budget 2025-26 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 for the purposes of the GLA and functional bodies (e.g. Home Office police grant)
- ♦ transfers to and from earmarked and general reserves
- ♦ transfers of Mayoral funding to subsidiaries
- ♦ any other financial changes and adjustments
- ♦ council tax requirement.

- 3.6 The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2025-26, 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.

Note: 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.

Subjective analysis

- 3.7 A subjective analysis must be submitted for the Budget Period, including a comparison with 2025-26 figures. Templates will be provided by GLA Group Finance for use by the GLA and functional bodies, which will apply expenditure categorisations determined by CIPFA guidance.

Inflation factors

- 3.8 Given the current uncertainty around public sector pay and ongoing inflation, no specific guidance for pay and inflation rates is provided at this time. However, consideration should be given to the government's public sector pay limits and any nationally or locally agreed pay deals. The GLA and functional bodies must be able to document their inflation assumptions (for both pay and non-pay costs) and all figures must be at outturn prices.
- 3.9 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 the amounts allocated in the Control Totals through efficiencies, reprioritisation or by the appropriate use of reserves.

Value for money

- 3.10 The GLA Group, in common with other local authorities, must deliver value for money. This Guidance forms an important element of the financial management arrangements for the use of public resources by the GLA Group. This document takes into account the provisions of the CIPFA Financial Management Code.
- 3.11 In addition, the GLA and functional 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".
- 3.12 While there is considerable uncertainty about funding levels for the GLA Group 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 and functional bodies may be asked by the Mayor or GLA CFO to undertake ad-hoc reviews on various expenditure issues.

- 3.13 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.
- 3.14 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 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 to be required' arising from the Budget Submission should be clearly set out.

Reserves and general balances

- 3.15 To meet the requirement of the [Local Government Act 2003](#), in respect of adequacy of reserves, and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA, the GLA and functional bodies must provide:

- ♦ a statement of policy on reserves and contingencies. Reserves should only be used for the purpose for which they have been established. Proposed allowances for contingencies should be separately identified and justified
- ♦ details of all reserves, 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 movements in reserves between the start and end of each financial year from 1 April 2025 to 31 March 2029
- ♦ 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.

-
- 3.16 [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 and functional 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.
- 3.17 To meet the requirements of [part 2 of the Local Government Act 2003](#), the GLA and functional bodies must provide 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](#).
- 3.18 In line with the requirements of the CIPFA Financial Management Code, budgets should include details of "the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions / withdrawals, and the estimated closing balances." Therefore, in their budget submissions and quarterly monitoring reports, the GLA and functional 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.
- 3.19 CFOs in the GLA and functional bodies should also consider including in their reserves statement details of where their actual level of reserves have deviated significantly from previous forecasts.

Capital Financing Costs

- 3.20 Capital financing costs, broken down between provision for repayment of debt and interest, need to be shown for the Budget Period, including a comparison with 2025-26 figures.

Capital Strategy

- 4.1 The Capital Strategy, including Capital Spending Plan, covers a 20-year period from 2025-26 to 2044-45. The draft Capital Strategies submitted will be incorporated into a Group-wide Capital Strategy to be considered as part of the Budget Process. Where necessary the Capital Strategy will be updated in the Draft Budget and Final Draft Budget.
- 4.2 In specifying these requirements, the Mayor has balanced the need for each member of the GLA Group to produce their own Capital Strategy with the necessity to produce a coherent and consistent Group-wide Capital Strategy, while seeking to minimise the additional workload involved. Accordingly, the requirements specified are the minimum needed. Members of the GLA Group can of course add more detail as they see fit but organisations are requested to ensure they follow the prescribed format.
- 4.3 Although the Capital Strategy encompasses capital expenditure, capital financing and treasury management, it is proposed that some detailed treasury management aspects, in particular the detailed investment strategy, will continue to be reported as part of each body's annual Treasury Management Strategy Statement (TMSS), rather than to be wholly included in the Budget Submission. However, the Capital Strategy will need to include the key principles and issues of each body's debt and investment management approach and will include key statutory requirements, such as the forecast capital financing costs and the authorised limit and operational boundary for external debt.
- 4.4 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.
- 4.5 The final Capital Spending Plan will be sent to the Secretary of State (MHCLG) as required by the [section 122 of the GLA Act 1999](#).
- 4.6 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

- 4.7 An introductory statement of the intended outcomes of the Capital Strategy.

Benefits

- 4.8 A statement of the benefits of preparing a Capital Strategy.

Approach

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

Influences

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

Policies

- 4.11 A statement on how the Capital Strategy is aligned to the Mayor's policies, including the Mayor's ambition to achieve net zero by 2030. 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

- 4.12 Setting out the planned expenditure and capital financing costs for each of the first five years and must be accompanied by details on:
- schemes removed
 - projects re-profiled
 - new schemes added.

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

- 4.13 In addition, the GLA and functional 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

- 4.14 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 and functional bodies should include commentary on priority capital programmes included in their Capital Requirement and include details of how the requirement links to Mayoral priorities.
- 4.15 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

- 4.16 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.
- 4.17 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).
- 4.18 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

- 4.19 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 the GLA and most functional 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.
- 4.20 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

- 4.21 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

- 4.22 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

- 4.23 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

- 4.24 A statement from the CFO explicitly reporting on the affordability and risk associated with the delivery of the Capital Spending Plan.

London Climate Budget

- 5.1 The Mayor has set an ambitious target of making London net zero carbon by 2030. To support this goal, in 2023-24 the GLA Group included for the first time a Climate Budget in the annual Consolidated Budget process and documents. The Climate Budget for 2026-27, therefore, reflects the fourth year of its inclusion in the GLA Group's annual budget process.
- 5.2 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 will include climate measures in their Budget Submissions that reduce emissions and/or help adapt to climate change across London.

- 5.3 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
Scope 1 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.
Scope 2 Emissions from grid electricity consumed on site/in London.		
Scope 3 Emissions off-site/beyond London as a result of activity on site/in London.	N/A	N/A

- 5.4 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, frequent monitoring, evaluation and reporting ensures increased accountability.
- 5.5 The Climate Budget clearly visualises for Londoners, the London Assembly and other, how the GLA Group is prioritising efforts to achieve its emissions target and help the city adapt to climate change.

- 5.6 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.
- 5.7 The narrative should include:
- a description of how and to what extent climate change risks and net zero implications have been taken into account 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.
- 5.8 The list of funded and unfunded measures will 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 by all GLA Group bodies for the Climate Budget will be circulated in due course.
- 5.9 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.

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.

-
- 5.10 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 but were referred to as 'Level 3' in previous Budget Guidance.
- 5.11 This is a complicated area as the required data to measure Scope 3 emissions often lies with other organisations or individuals outside the GLA Group. However, in April 2025, TfL committed to a 90 percent reduction in absolute Scope 3 emissions by 2040 and LLDC has also committed to net zero carbon emissions by 2038 for Scope 3. Additional work is being done to further develop this area, and includes:
- developing a consistent methodology for estimating and allocating scope 3 emissions across the GLA Group
 - working with the C40 Cities Climate budgeting and Urban Consumption Task Force to share learnings from other cities on best practice for including scope 3 emissions in the climate budget.
- 5.12 Accounting for Scope 3 emissions goes beyond current net zero 2030 targets, taking account of emissions globally that occur due to our consumption in London. Addressing Scope 3 emissions presents an opportunity to further reduce carbon emissions – separate advice will be provided to start the process of recording scope 3 emissions in anticipation of future climate budgets.
- 5.13 In addition to including the Climate Budget within its own Budget Submission, the GLA is also encouraging and supporting London Boroughs to adopt a climate budget approach within their organisations. The successful adoption of this approach would provide the potential to illustrate climate actions being taken across the whole of London, supporting the identification of opportunities to collaborate and sharing best practice. Currently, seven London Boroughs have adopted and published their own climate budget documents.
- 5.14 Although the Mayor's ambition is to achieve net zero by 2030, actions will need to continue beyond that date to drive emissions as low as possible (as set out in the [Mayor's 2030 preferred pathway](#)). The processes put in place now can embed climate action for the long term, across all parts of the GLA and its functional bodies and can also help support action from other stakeholders in London to 2030 and beyond.
- 5.15 The GLA Group has a key role in delivering the Mayor's ambition as the responsibility for identifying, quantifying and costing actions to reduce emissions to net zero by 2030 and supporting adaptation in London will lie with the GLA and the individual functional bodies.

Equality, Diversity and Inclusion

- 6.1 Action to tackle the structural inequalities experienced by Londoners and taking the steps required to make London to be an anti-racist city are priorities for the Mayor and GLA Group.
- 6.2 All GLA Group bodies must comply with [section 149 of the Equality Act 2010](#), which provides for the public sector equality duty (PSED). This requires each body, in exercising its functions, to (1) eliminate unlawful discrimination, harassment and victimisation; (2) advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) 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 the subsequent expenditure involved in implementing their individual budget proposals.
- 6.3 The [Mayor's Strategy for Equality, Diversity and Inclusion](#) sets out how he will work to create a fairer, more equal, integrated city where all people feel welcome and able to fulfil their potential. It includes commitments that pertain to a range of GLA and GLA Group activities, going beyond the nine protected characteristics set out in the Equality Act 2010, and in particular considers socio-economic inequality.
- 6.4 Each member of the GLA Group is directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and socio-economic inequality in London, as well as the impact of proposals on the specific protected characteristic groups.
- 6.5 The GLA equalities team will engage directly with functional bodies during the Budget Process to align the approach taken across the GLA Group. Specific guidance and templates are published separately to this Guidance in the GLA Equality Impact Assessment Toolkit.
- 6.6 In preparing their budgets all GLA Group bodies must demonstrate how their plans will:
 - promote fairness and inclusion for different groups of Londoners, including those sharing the characteristics protected by the Equality Act 2010 and low-income Londoners
 - take mitigating action to maximise positive outcomes where appropriate
 - strengthen activities to further address structural inequalities in London, particularly poverty and socio-economic inequality.
- 6.7 The development and implementation of programmes and projects within the budget of each body must be subject to a full 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 protected characteristic
 - identify what mitigations could be implemented to address them at a level proportionate to the decision being taken.
- 6.8 Actions taken, and progress made against the [Mayor's Equality Objectives](#) will continue to be reported in the [Mayor's Annual Equality Report](#).

Funding Sources

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

Business rates

- 7.2 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.
- 7.3 Risks associated with business rates revenue are managed through the Business Rates Reserve (BRR). 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.
- 7.4 Throughout 2025, MHCLG are publicly consulting on local government funding reforms to 'reset' the national business rates system. At the time of publication, the precise mechanism of changes to be implemented for the Budget Period is unknown, therefore the business rates assumptions that have been used to inform the Control Totals are likely to change during the Budget Process.
- 7.5 In the absence of a clear indication on the likely changes to the GLA funding baseline ("SFA") and other funds received through the business rates system (section 31 grants and business rates growth retention), business rates income included in the proposed Control Totals is estimated using the same methodology as the Final Budget 2025-26, extended to the end of the Budget Period.
- 7.6 It is expected that the funding reforms will change the GLA's SFA and reset the retention of business rates above the baseline. In 2025-26, the allocation and composition of business rates income to the GLA and functional bodies is shown in the following table:

Business rates allocations 2025-26 (£ million)	SFA	Allocation	Allocation above SFA
GLA including Assembly	106	228	122
TfL	2,034	2,192	158
MOPAC and the Met	45	131	86
LFC and LFB	266	300	34
LLDC	Nil	11	11
OPDC	Nil	7	7
Total	2,451	2,859	408

Note: Figures are rounded to whole millions.

- 7.7 Further details on how the business rates system works, proposed funding reforms and how the system impacts the GLA Group are described in Appendix B.
- 7.8 The business rates assumptions used to inform the Control Totals at this stage of the process are as follows:

Variable	Budget Guidance Assumption
BR1: Income growth (excluding TfL capital)	2026-27: 2.0% 2027-28: 2.0% 2028-29: 2.0%
BR2: TfL capital funding	No inflationary uplift to TfL's capital allocation within the Mayor's LGFS baseline funding allocation is assumed
BR3: Surplus/deficit for prior years	No business rates surplus or deficit for prior years is assumed
BR4: Methodology	<ul style="list-style-type: none"> no material change to the current methodology London's 67 per cent business rates pilot continues (including 37 per cent GLA share) the government will continue to fund the ongoing lost revenue arising from historic decisions over NNDR multipliers no reset of historic business rates growth

Council tax

- 7.9 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.
- 7.10 Local billing authorities – the 32 boroughs and the City of London – maintain the list of properties to be billed and set their own council tax rates to fund local services such as children’s services and adult social care. In London, the Mayor applies a precept on top of this local authority rate to fund the GLA’s police and non-police functions which he can increase annually, subject to parameters set by the government in the LGFS and police finance settlement.
- 7.11 The government announced in its SR a three per cent core council tax referendum principle (the maximum that the Mayor may increase the non-police precept without a referendum), an increase from the two per cent assumption included in the Final Budget 2025-26. This increase is allocated in its entirety to LFC.
- 7.12 There was no announcement in the SR on the police element of the precept. However, as in previous years, it is expected that the council tax referendum principle for the police element will be no less than that for the non-police element. Therefore, the assumption for the policing precept is also increased from two per cent to three per cent.
- 7.13 The council tax assumptions used to inform the Control Totals at this stage of the process are as follows:

Variable	Budget Guidance Assumption
CT1: Annual increase at Band D	Police: 3.0% (ringfenced for MOPAC/MPS) Non-Police: 3.0%
CT2: Change in London taxbase	2026-27: 1.1% 2027-28: 0.9% 2028-29: 1.0%
CT3: Surplus/deficit for prior years	No council tax surplus or deficit for prior years is assumed

Government funding settlements

- 7.14 The GLA and functional bodies are expected to take a prudent approach in their budgets for direct government grants. Except as noted below, no direction is given by the Mayor on anticipated income estimates from grants, rather the GLA and functional bodies should use a range of data sources and indicators and local intelligence to determine grant levels across the Budget Period.
- 7.15 In 2025-26 the government provided support of £44.8 million to MOPAC/MPS and £18.8 million to the remaining GLA Group to mitigate the impact of the increase in Employers National Insurance Contributions (ENIC). It is expected that these grants will be rolled into the business rates system across the Budget Period - for planning purposes, GLA Group bodies should assume the same level of funding as 2025-26.

Mayoral Funding Control Totals

- 8.1 This section provides the Control Totals for discretionary Mayoral funding for the Budget Period.
- 8.2 The Control Totals are based on prudent funding assumptions and information available at the time of publication which the Mayor will keep under review. The Mayor may therefore issue updated Control Totals should the assumptions in this Guidance be affected by other factors.
- 8.3 The Control Totals exclude specific and general government grants paid to the GLA and functional bodies, ENIC grants, and the use of general reserves.
- 8.4 The Mayor proposes that for planning purposes the GLA and functional bodies' allocation of discretionary Mayoral income for the Budget Period is:

Discretionary Mayoral funding control totals	2025-26 (including one-off funding) £m	2025-26 (baseline – excluding one-off allocations) £m	2026-27 £m	2027-28 £m	2028-29 £m
GLA: Mayor – Core	238.1	228.1	229.8	231.7	233.7
GLA: Mayor – Stadium	11.8	11.8	12.0	12.2	12.5
GLA: Assembly	9.2	9.2	9.7	9.9	10.0
MOPAC	1,159.0	1,159.0	1,204.1	1,248.9	1,296.4
TfL	2,440.9	2,440.9	2,470.1	2,495.3	2,521.3
LFC	531.9	531.9	557.3	583.1	610.1
LLDC	11.3	11.3	11.5	11.7	12.0
OPDC	7.4	7.4	7.5	7.7	7.8
Group items	46.1	37.0	42.5	43.2	49.9
Additional Provisions	28.8	0.0	0.0	0.0	0.0
Total	4,484.5	4,436.6	4,544.5	4,643.6	4,753.7

Note: Figures are rounded to one decimal place.

- 8.5 The Control Totals presented in this Guidance are unlikely to match the GLA Group's final funding position in the Final Draft Budget. The Control Totals have been determined on the basis of available information at the time of publication, to enable financial planning to be undertaken across the GLA Group for the short to medium-term, in line with CIPFA guidance.
- 8.6 The GLA Group's overall funding position will be continually reviewed and, where material new information becomes available, further updates will be provided in the Consultation Budget, Draft Budget and Final Draft Budget reports.
- 8.7 A comparison of these Control Totals with those contained in the Final Budget 2025-26 is detailed in Appendix C.

Quarterly Monitoring Reports

- A.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.
- A.2 The Mayor requires the GLA and functional bodies to present both financial and non-financial information in their monitoring reports, including progress against implementing the measures identified as part of the London Climate Budget.
- A.3 With the exception of quarter four, where deadlines for reporting will need to coincide with the publication of draft accounts, quarterly monitoring reports are to be sent to GLA Group Finance within 25 working days after each 'quarter end'. This discipline remains an absolute requirement. Reports should be published 35 working days after 'quarter end', save for exceptional circumstances. Quarter four reporting should be no later than 30 June in accordance with [updated government requirements](#).
- A.4 'Quarter end' is to be defined by each member of the GLA Group as there are different financial periods used by different members of the Group. However, the financial period chosen should be the nearest to the calendar date for each quarter (i.e. 30 September etc).
- A.5 To ensure consistency of quarterly financial reporting across the GLA Group, the Mayor requires all functional bodies and both parts of the GLA to report progress against both the original 2025-26 budget and the latest revised in-year budget. The following is explicitly required for both original and revised budgets:
- details of changes to the budget from the original and previous quarter's budget. Budgets may only be revised in-year to reflect exceptional changes as outlined in the CIPFA guidance below, and following appropriate approvals and authorisations from the Mayor's Office
 - details of changes to the forecast from the previous quarter
 - year to date expenditure and income compared with year-to-date budget
 - full year forecast compared with the full year budget
 - explanation of the main variances
 - progress on savings delivery
 - forecast of reserve balances.
- A.6 Reserve balances should be monitored closely against original budget forecasts to give assurance that earmarked reserves are being drawn down for their intended purpose, and general reserve balances remain within the GLA and functional bodies' reserve policies. The GLA and functional bodies are required to provide details of all reserves and general balances, and an analysis and explanation of the expected movements during the year for each earmarked and general reserves, and how that compares to budgeted assumptions, should form part of the quarterly report.

Budget changes

- A.7 CIPFA guidance states: “on occasion, it may be necessary to revisit the budget and spending plans after their formal approval and adoption, although this should only be considered in the event of exceptional matters and significant change, where the approved budget no longer has meaning and relevance to the organisation’s priorities and purpose. Revisions to the in-year budget will ensure that appropriate approval and authorisation mechanisms are in place to maintain the smooth running of operational activity, ensure effective budgetary control can be maintained and overall spending plans remain on track, and to give stakeholders an indication of the impact on longer-term financial health.” The GLA and functional bodies are expected to comply with this CIPFA guidance.
- A.8 The GLA and functional 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.
- A.9 The GLA and functional bodies should seek explicit approval for such changes where necessary. In doing so they must provide adequate information and time for the change to be considered for approval by Deputy Mayors 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.

Locally Collected Taxes

Business rates

National framework

- B.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.
- B.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), an independent government agency that will be integrated into His Majesties' Revenue and Customs (HMRC) from April 2026. Valuations are typically reviewed every three years.
- B.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.
- B.4 Business rates raise around £27 billion in England annually. The tax is 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.
- B.5 Local authorities, under the business rate retention system, retain a proportion of the local taxation revenue raised from businesses in their local area. The GLA currently receives a 37 per cent share of the business rates collected in London under the business rates retention system. The remainder is paid to government to be redistributed centrally and provide grant funding for local authorities.
- B.6 Periodically, the government makes an assessment of 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.

- B.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.
- B.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

- B.9 Local authorities, including the GLA and London boroughs, continue to receive section 31 grants in respect of government initiatives and policy changes which reduce levels of business rates income, including:
- the capping/freezing of the increase in multipliers in most years since 2015-16
 - the capping/freezing the small business multiplier in 2025-26
 - the increased thresholds for, and the continued doubling of, small business rates relief
 - the continuing relief for the retail, leisure, hospitality (RLH) sectors
 - any other government funded reliefs including the transition to new valuations introduced in April 2023 (e.g. supporting small businesses relief) or resulting from legislative changes introduced through the [Non-Domestic Rating Act 2023](#) (e.g. improvement relief).
- B.10 Further detail on reliefs and grants schemes is provided by the government in [Business rates: Reliefs and Grants](#) and the [current LGFS](#)

Funding reforms

- B.11 The system has grown increasingly complex in recent years and it is widely accepted that reform is necessary. The government is currently consulting on proposed changes to the system, to be announced in its provisional LGFS in late 2025, and to be implemented from April 2026.
- B.12 In December 2024, the government published its [Local authority funding reform: objectives and principles](#) consultation. The consultation, which is now closed, sought views on the approach to determining new funding allocations for local authorities, and fire and rescue authorities through the Local Government Finance Settlement.
- B.13 In April 2025, the government published its [Local authority funding reform – Resetting the business rates retention system](#) consultation. This technical consultation, now closed, sought views on the approach to delivering a business rates reset, updating government's assessment of how much business rates are available through updating business rates baselines.
- B.14 In June 2025, the government published [The Fair Funding Review 2.0](#) consultation. This technical consultation, which runs until August 2025, seeks views on the approach to determining new funding allocations for local authorities and fire and rescue authorities.

Business rates for the GLA

- B.15 The Final Budget 2025-26 estimates gross business rates income for the GLA Group of £3.7 billion, including associated section 31 grants. After allowing for the forecast tariff and levy on growth payable to the government, the estimated sum allocated to fund GLA Group services in this Guidance for 2026-27 is £2.9 billion.
- B.16 Future years' income from retained business rates is dependent on government policy decisions on local government finance and funding. This includes the level of support for inflation pressures, reforms to the business rates retention system including a reset of growth, and London's economic activity.
- B.17 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. There is no confirmation these pilot arrangements will continue after the planned reset, or on what basis, which adds significant uncertainty to the forecast retained business rates expected in the Budget Period.
- B.18 The default safety net threshold which applies to the GLA is 92.5 per cent of the baseline funding level, with the remaining 7.5 per cent being 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.
- B.19 An exception to the safety net calculation for the GLA relates to TfL's £1 billion former DfT capital investment grant, which is included within the GLA's funding baseline. This sum is excluded from the calculation and operates outside of the MHCLG funding settlement. Should business rates receipts fall the full risk for this amount remains with the GLA Group.
- B.20 There are therefore specific issues affecting the position of the GLA due to its status as a business rates retention pilot authority and the fact that it is the only major preceptor in England which is a tariff authority (i.e. its share of retained business rates income exceeds its funding baseline), and therefore subject to a levy on business rates growth. This has created added ongoing complexity for the government in determining the metrics applying to the GLA - 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 impact of the funding reforms on the GLA cannot be accurately estimated until publication of the provisional LGFS.
- B.21 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.

Council tax

- B.22 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.
- B.23 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 \(section 85\)](#).
- B.24 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, whose decisions on the amount of council tax funding required are necessarily related to the government's decisions on the amount of funding it will contribute towards these essential services, particularly for police services. The government's decisions are not expected to be known until the provisional local government finance settlement (LGFS) is published in December 2025.
- B.25 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 local government council tax principles included in the LGFS.
- B.26 The GLA has two separate limits – one (the 'unadjusted' precept) based on the non-police precept applying across London, and the other (the 'adjusted' precept) being the total precept in the Metropolitan Police District (i.e. the 32 London boroughs).
- B.27 The GLA budgetary 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 and LGFS. The Draft Budget and Final Draft Budgets also contain the Mayor's formal determination regarding his compliance with the council tax referendum thresholds, as required by the relevant legislation, reflecting the final referendum principles report published by the government and subsequently approved by the House of Commons.
- B.28 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.
- B.29 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](#).

Delays to the audits of billing authorities' accounts

- B.30 The outturn position of England's billing authorities for previous years is not yet finalised due to delays in the audits of a number of authorities, including some in London.
- B.31 Due to the widespread delays in external auditors signing off these accounts in London boroughs and elsewhere in England, the government has been unable to finalise:
- the final allocations for the 75 per cent compensation scheme for irrecoverable council tax and business rates losses in 2020-21 relating to the pandemic (i.e. the Tax Income Guarantee or TIG grant)
 - the specific grant reconciliation payments, relating primarily to the impact of 100 per cent relief for the retail, leisure, hospitality (RLH) and nurseries sectors, which reduced the tax take for 2020-21 and 2021-22
 - the specific grant reconciliation payments for Covid Additional Relief (CARF), RLH relief and multiplier cap compensation for 2022-23 as well as the cap compensation payments for 2020-21 to 2022-23
 - the levy payments on growth and safety net support for authorities experiencing a large drop in revenues for 2020-21 to 2022-23.
- B.32 In July 2024, the government stated its intention to set a series of statutory backstop dates to clear the backlog and enable the system to recover. In March 2025, the government published its policy paper [Addressing the local audit backlog in England: Non-compliance lists](#) which confirmed the backlog dates for all previous financial years. As a result, it is expected that the risks of non-compliance will reduce in this and future years.
- B.33 It is not anticipated that there will be any material changes arising from the above outstanding items once the audit processes are completed but it is possible that there may be. This highlights the case for the Mayor taking a prudent approach to allocating retained business rates income and holding an appropriate risk provision within the business rates reserve.

Other locally raised taxesElizabeth Line

- B.34 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). Generating approximately £230 million income annually, any sums received but not required to be applied in year to meet capital financing costs, Crossrail project contributions, treasury management fees, and other expenses are set aside to meet future financing and debt repayment costs.
- B.35 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](#).

-
- B.36 The Mayoral Community Infrastructure Levy (MCIL) was introduced in 2012 and is paid by developers across London when work on new development commences. It generates approximately £120 million annually for the GLA Group, and as with BRS any funds not required to be applied in year are set aside to meet future financing and debt repayment costs.
- B.37 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 at [Mayoral Community Infrastructure Levy](#).
- B.38 Crossrail-related borrowing is owed to the Public Works Loans Board (PWLb), the DfT and bondholders, and at the time of publication approximately £3.9 billion is outstanding. 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.
- Northern Line Extension
- B.39 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 at the site. The second western entrance to the BPS tube station will open in Autumn 2025.
- B.40 Under a local designated area scheme, related business rates growth income is used to support the financing and repayment of the NLE borrowing. Currently generating approximately £25 million of income annually, it is expected there will be a step change in income once the developments associated with the new western entrance are completed and occupied.
- B.41 NLE-related borrowing at the time of publication is approximately £1 billion, from the PWLB, with the first repayment budgeted to take place 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.
- B.42 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
- B.43 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. Prepared jointly by the GLA, TfL, London Borough of Newham and the GLA Royal Docks Team, the Royal Docks and Beckton Riverside OAPF ('the RD+BR OAPF') provides a planning framework to guide emerging and ongoing development in the area, and sets the context for the proposed extension of the DLR to Thamesmead via Beckton Riverside.

- B.44 The RD+BR OAPF is funded by the ringfenced business rates within the OA, collected by the London Borough of Newham and transferred via the GLA to the RD+BR OAPF.
- B.45 Further details for the RD+BR OPAF are provided at [Royal Docks and Beckton Riverside Opportunity Area](#) and [Royal Docks](#).

Income maximisation

- B.46 The GLA seeks to maximise income from council tax and business rates revenues – including the Crossrail business rate supplement – in partnership with the billing authorities. These revenue streams collectively generate around £5.5 billion of revenues for GLA services, capital spending or to finance borrowing across the GLA Group. Since 2020, the GLA provides funding across all London's 33 authorities, including additional support through the pandemic and the subsequent cost-of-living crisis.
- B.47 The Mayor's budget currently provides around £11 million per year across London's billing authorities, which equates to 0.2 per cent of the GLA's council tax and business rates income. The agreed three-year allocations are funding:
- commercial property inspectors who identify assessments which have been omitted from or incorrectly valued in the rating list including monitoring newly constructed and redeveloped properties
 - business rates and council tax arrears teams. They work on both reducing historic, and minimising the build-up of, in-year arrears using ethical debt collection practices
 - debt/welfare advice teams who engage with low-income households to ensure they maximise their benefit entitlements, claim council tax support where applicable and agree manageable payment arrangements.
- B.48 The GLA also provides additional funding on a bid basis for billing authorities who are facing specific issues in relation to managing council tax and business rates arrears, or who are taking additional work to ensure the accuracy of their business rates valuation list. All 33 authorities had been invited to submit bids, and in 2024-25 around one-third of authorities did so. The approved bids for additional GLA support at totalled around £3 million and were matched by over £5 million of investment by those authorities. Over a three-year period, these additional projects have a target to deliver almost £100 million of additional revenues for London government, of which around one-third would accrue to the GLA and the balance being available to support local services.
- B.49 The phasing of this additional support to boroughs is managed through the business rates reserve. In practice all this expenditure is expected to be self-financing in totality as the additional revenues raised for the GLA, and boroughs who deliver them should more than exceed the combined contributions towards the associated projects.

Control Totals

Changes to control totals (£ million)

Final Budget 2025-26 for 2026-27	Budget Guidance for 2026-27	Change
--	--------------------------------	--------

Council Tax

GLA: Mayor – Core	70.5	70.5	0.0
GLA: Mayor – Stadium	0.0	0.0	0.0
GLA: Assembly	2.8	2.8	0.0
MOPAC	1,060.2	1,070.9	10.7
TfL	251.9	251.9	0.0
TfL Capital	0.0	0.0	0.0
LFC	245.4	251.1	5.7
LLDC	0.0	0.0	0.0
OPDC	0.0	0.0	0.0
GLA Group Items (incl. provisions)	0.0	0.0	0.0
Total Council Tax	1,630.8	1,647.2	16.4

Business Rates

GLA: Mayor – Core	159.6	159.3	(0.3)
GLA: Mayor – Stadium	12.0	12.0	0.0
GLA: Assembly	6.5	6.9	0.3
MOPAC	133.2	133.3	0.1
TfL	1,148.3	1,148.2	(0.1)
TfL Capital	1,070.0	1,070.0	0.0
LFC	305.9	306.1	0.3
LLDC	11.5	11.5	0.0
OPDC	7.5	7.5	0.0
GLA Group Items (incl. provisions)	38.7	42.5	3.8
Total Business Rates	2,893.1	2,897.3	4.2

Total Funding

GLA: Mayor – Core	230.1	229.8	(0.3)
GLA: Mayor – Stadium	12.0	12.0	0.0
GLA: Assembly	9.4	9.7	0.3
MOPAC	1,193.3	1,204.1	10.8
TfL	1,400.1	1,400.1	0.0
TfL Capital	1,070.0	1,070.0	0.0
LFC	551.3	557.3	6.0
LLDC	11.5	11.5	0.0
OPDC	7.5	7.5	0.0
GLA Group Items (incl. provisions)	38.7	42.5	3.8
Total Funding	4,523.9	4,544.5	20.6

Note: Figures may not sum due to rounding.

Changes to control totalsCouncil tax

- C.1 The increase in MOPAC and LFC council tax reflects the change in police and non-police council tax precept assumptions from two per cent to three per cent.

Business rates

- C.2 A number of one-off investments were funded, in 2025-26, from £40.4 million of one-off business rates income. These one-off investments reflected funding for GLA Election reserve increase, Mayoral Development Corporation reserve increase, and one-off provisions.
- C.3 Further adjustments have been made to the GLA Group's control totals to reflect the ongoing impact of decisions made in the Final Budget 2025-26, for example the transfer of funding from GLA: Mayor to GLA: Assembly for the ongoing costs of the 2025-26 pay award, and the income maximisation scheme.

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**
www.london.gov.uk

You will need to supply your name, your postal address and state the format and title of the publication you require.

If you would like a summary of this document in your language, please phone the number or contact us at the address above.