

London Assembly Budget and Performance Committee - 9 January 2024
Transcript of Agenda Item 3 - The 2024-25 GLA Group Budget
Panel 2 – External Experts

Neil Garratt AM (Chairman): Hello and good morning, everyone. Welcome back to the second part of our Budget and Performance Committee meeting this morning. We have our second panel of guests, which is the return of our panel of outside experts looking at the way the GLA sets its budget. We have with us in the Chamber this morning Professor Tony Travers, who is Visiting Professor at London School of Economics (LSE) Department of Government and Director at LSE London. Good morning, Tony. We also have Stuart Hoggan, who is Associate Consultant, LG Futures. Morning, Stuart. Joining us remotely, we have Alfie Stirling, who is Chief Economist and Associate Director at the Joseph Rowntree Foundation (JRF). Good morning, Alfie.

I will kick off. Some of you also saw the earlier panel with the Mayor that we have just had, therefore you may have reflections on that as well. But I suppose the big question is obviously thinking about, since last time you were here, we have had now the Mayor's consultation budget for 2024/25 and his responses earlier this morning and some announcements that have come out that are not officially part of the budget process, but somehow have made it into the news. Therefore, I would just like to get your thoughts on (a) those developments and (b) in terms of the changes that you have seen and the priorities and what you read into that. Perhaps you would like to kick off, Stuart?

Stuart Hoggan (Associate Consultant, LG Futures): Thank you, Chair. The first thing to say of course is this is a long and complex document, which reflects the nature of the GLA group. The second thing that strikes you, of course, is it is very much an evolving position, which is what you have referred to. The document is based in large part on the assumptions in the initial GLA assumptions document in the summer and has not been able to reflect the material from Government, which came out very much at the time of publication. Therefore, there is a heavy contingent air to it. Not just in that respect, it is clear, for example, it relies in part on money from other sources that is not yet confirmed, for example Home Office grants and the MPS. It refers to efficiency savings that are not yet fully worked through, therefore are work in train. Therefore, there is a strong sense of a contingent air to the document and of course we have seen more recent announcements that are firming up the position as it becomes clearer the resources that will be available to the Mayor in the coming financial year.

It is probably also worth mentioning at this point of course that there are absolutely no assumptions or information available from central Government about the following year, which makes it difficult for any local authority to budget on the medium to longer term in these circumstances. The other thing that is maybe worth mentioning at the outset is something that I think I touched on at the earlier session, is the absence of any clear output or outcome measures in the material that give a sense of how the Mayor struck the investment decisions that he made and the trade-offs across the budget, and indeed the outcomes that he hopes to see and could be held accountable for as part of the process. There is ironically much more information now about the carbon impact of the budget, which of course is very, very welcome. But there is more information on that than there is on the direct outputs of investment, as far as I read the material that we have had available to us.

The other point that I guess we will come to as part of this session is that there is a bit of a sense across the material, as far as we have been able to secure in the time available, that some areas of the budget are more robust and seem more defensible than others. Therefore, to my reading, the TfL material seemed more secure,

the MPS material seemed much more contingent, and I think there is an inconsistency there. That is maybe all I will say at the outset. We will obviously come to issues in more detail as we go through.

Neil Garratt AM (Chairman): Absolutely, I am sure we will. Thank you, Stuart. Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): OK. I agree with all that Stuart has said there. This document is a large, complex document laid out in a particular way. The GLA is a unique institution in many ways. It is very different to local authorities, although the functional bodies themselves and the GLA are local authorities. It is substantially better than anything national Government would do, if you compare the annual budget and supply estimates process in central Government, it would be very hard for the public to read and comment on them. Indeed, very little discussion is undertaken other than of the budget and tax changes. Therefore, anything I say critically ought to be heard against that backdrop.

This document, not just for this year, brings together the various functional bodies and City Hall's own spending into one consolidated document, which is quite an effort, and in many ways the individual functional bodies' business plans and financial reporting is probably easier to understand than when it is all brought into this complicated document. I totally take Stuart's point about the lack of outcome or output measures, which one might have expected. The other thing, to make this document more helpful for this Committee and for public comprehension more generally in the long term, more time series are needed. Having estimated outturn and one year forward figures to its right, the GLA know more than anybody else public spending figures for 2025/26 will have to wait for a spending review, which may yet come after a general election for that. But trying to put these numbers in some context over time would make it far easier to work out what is going on to council tax, what is going on to spending on individual services and so on. Therefore, I would add that also to what Stuart said.

To reiterate, the problem for all public authorities, including the GLA, that is inherent in the annual Christmas local government finance settlements, this is not unique to this Government, but publishing details on 17 or 18 or 16 December and then expecting within a month, mostly Christmas, it would be impossible for a local authority to do all that work then. It all has to be done in advance, therefore it makes the whole process, and indeed this kind of examination in public, which is highly to be encouraged, the more difficult than if we had longer-term public spending plans, which councils and in this case the GLA could then give us much more and longer-term numbers for projected budgets and planning into the future and risk management into the future.

Neil Garratt AM (Chairman): OK, thank you, Tony. There are a couple of themes emerging there. Finally, Alfie, what are your thoughts on what has happened since you were here last?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Thanks a lot. I agree with a lot of what Tony and Stuart have said. I would emphasise, I think the two really key points that have emerged from those contributions, which is firstly the lack of outcome or output-based metrics, I think is really critical, really important to be able to hold a document and a process and decisions to account. The second is the time series point, being able to situate this budget across a period of time, notwithstanding the points about uncertainty going forward, because we are all waiting for confirmation on spending decisions going forward, but certainly backwards looking would be particularly helpful. We just want to emphasise those two points you have already heard.

The only other thing I wanted to mention is, stepping back, and I thought the conversation just now was a very helpful one, the conversation you had with the Mayor and his colleagues, it was a very helpful one. I think it is a testament to a good process that is taking place in public that these conversations are happening at this

point in time. Stepping back, I feel like the thing that I would most want to say is that both the nature of that conversation and the materials that have been provided so far do not feel as though they offer urgency that is commensurate with some of the challenges that we are seeing in London, across the country, in terms of just the dire economic and living standards picture. Therefore, it very much feels like a tanker that is moving along with lots of credit to that process and to that course, but with perhaps a slight inability to be responsive to the external world that is happening around us.

There are three areas of particular concern, which I did highlight a few months ago, but if anything they are more true now than they were three months ago, which is that, firstly, of course, rising inflation that we have had does not disappear, it leaves us with higher prices. Chair, as you made the point earlier, inflation compounds. That is now a pressure that is not going away, it is here for this year, and it is here in just as severe form as it was last year.

The second, more concerning, is that we are seeing families exhaust their coping mechanisms to deal with the cost-of-living crisis. Again, this was something I mentioned three months ago, but since then the JRF has completed our second survey of the year in terms of the cost-of-living crisis for low-income families. That was published in November with data from October [2023] - people are unable to rely on savings, being unable to rely on family members for support, being unable to take out loans. Many of these loans are being used to pay for essentials and that is dwindling. Therefore, despite inflation subsiding, because the coping mechanisms are exhausting, the material and welfare impact could be more severe over the next 12 months than it was over the previous 12.

Finally, the final reason why I am particularly concerned about the external environment into which this process is delivering is again, the outlook is much worse than it was three months ago. Therefore, we have had very poor gross domestic product (GDP) results come in the last quarter, we are in negative territory at the moment. The really worrying thing is it looks like the lag on interest rates, therefore rising interest rates ought to contain inflation, it looks like the lag has been longer than was previously perhaps expected by many policymakers and decision makers over the last 12 months, partly because there were lots of savings from the pandemic, which have had a boost because of high interest rates and that is held up spending a little bit, partly because mortgages are increasingly on fixed rates and that has just delayed the effect. But that all tells us that, although last year we did not see the income hit the Office for Budget Responsibility (OBR) initially forecast, it does look as though some of that hit will now come in the next 12 months, as opposed to previous 12.

Therefore, taking all that together, my overwhelming feeling is, is this process going to be responsive enough to that external living standards environment?

Neil Garratt AM (Chairman): Thank you. You have segued beautifully on to what was going to be my next and final question, which is we asked you what your three priorities were last time and have they changed. Perhaps, Alfie, I do not know if you want to add to what you have just said, but it feels like you have just laid out (a) what they were and (b) reiterated that they are the same and, if anything, more urgent. Therefore, I want to give you an opportunity to add anything if you wish, but it sounds like --

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): That is right.

Neil Garratt AM (Chairman): Fair enough, thank you. Going back along, Tony, would you like to add or change or amend or rethink the three? I realise there is a bit of an exam question thing here, is there not, "What did I say last time, oh my god, panic".

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Yes, I am not sure I can remember what I said last time.

Neil Garratt AM (Chairman): But you can tell us afresh, in the light of everything.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): In the light of what Alfie and Stuart have said, one of the standout long-term implications of this document, particularly if we look at section 9, which is the longer-term capital planning that the GLA wishes to put forward, that the level of capital investment is well short of those figures for the future. By capital spending, London has a £500 billion economy, therefore annual investment by the public sector to support basic provision in the city, what would be an appropriate figure? Probably larger than the £4.5 billion, or whatever the number is in this document here. Therefore, that is the long-term standout thought I have, which is that it is clear that capital investment is nowhere near what is necessary. In fairness to the GLA, it is very dependent on debt limits, the extent to which it can borrow further through the functional bodies and centrally but also on central Government decisions about investment as well. If that is different to what I said last time, that is the thing I would say differently.

Neil Garratt AM (Chairman): We will not mark you down if it is different, but I think that is interesting. It tallies with some of the things we were hearing yesterday from the London Fire Brigade (LFB) and the MPS. Stuart.

Stuart Hoggan (Associate Consultant, LG Futures): I think I said last time transport, police and the environment and I think I would stand by those as the top priorities. The budget material shows a depth of thinking on the environment which in my experience would put it in the forefront of public sector bodies in this country and that is obviously very good to see. There is more to do, of course, but the level of ambition is high, and the progress made to this point is very welcome.

I mentioned already my sense is that the transport budget has a degree of grip around it and the prioritisation to stay within the available resources has clearly been thought about a great deal. The policing budget does not quite convey that sense of grip and there is obviously a dialogue with the Home Office that is going on and the Mayor will have certain tactics in relation to that. It is far from clear that in terms of the two budgets that have been put forward that the optimum final budget is either of those. It may well be something in the middle. There is a bit of a sense of, "This is what will happen unless you do something to help us, Home Office", but the reality is probably meet between the two.

Just going back a bit, in terms of outcome measures and performance and accountability, Tony [Travers] is absolutely right, the formal material from Government tells no story at all, but it is worth reflecting that previous administrations have published much more and have foregrounded performance management through public service agreements, for example. That was at least a step in this direction and that material is no longer there at the moment. I would probably also mention the presentation of the budget is quite interesting the way that the council tax increases are pitched towards the highest political priorities, which is a way of helping to justify what are quite significant increases across the board. I think an 8.6 per cent increase in the precept overall - if I understood the figures correctly - and there is a degree of non-ringfencing of the budgets which means that you could frame it in a different way, but obviously, as is right, the Mayor has pitched this in the most positive way that he could find. Thank you.

Neil Garratt AM (Chairman): OK. Thank you very much. That is it for my opening context questions. We are going to move through a series of topics on the different areas starting with housing with Assembly Member Boff.

Andrew Boff AM: Thank you. Mr Hoggan, what do you see as the primary risks and opportunities that the Mayor may encounter in achieving his housing targets for the fiscal year 2024/25?

Stuart Hoggan (Associate Consultant, LG Futures): My understanding is that the housing programme is funded primarily from outside the GLA's resources. What the GLA brings to bear is the running costs funded from business rates resources and so the primary risk must be the political turbulence at the national level and the availability of resources from central Government and other sources to secure that programme.

Andrew Boff AM: Well, it manages a very large amount of money.

Stuart Hoggan (Associate Consultant, LG Futures): Yes.

Andrew Boff AM: It is not originated within the GLA.

Stuart Hoggan (Associate Consultant, LG Futures): Exactly.

Andrew Boff AM: It does manage that, so effectively it is mayoral funds. Do you think they are being spent in the best possible way?

Stuart Hoggan (Associate Consultant, LG Futures): I think this takes us back immediately to the lack of output measures and value for money assurance around elements of the programme in a way that allows us to compare between the GLA and other organisations. If the money is coming from central Government, then it is a priority of central Government to demonstrate that value for money is being secured from the resources that they are making available. I think the GLA could do more to be more transparent on that in the specific circumstances of the London housing market.

Andrew Boff AM: When you say "transparent", how do you mean?

Stuart Hoggan (Associate Consultant, LG Futures): I mean having a stronger sense of the outcomes that are expected to be achieved and foregrounding that in the budget material and showing, as Tony [Travers] said, over time whether outputs have been achieved in the way that was anticipated in previous years.

Andrew Boff AM: Thank you. Professor Travers, how do you feel about the housing budget?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Going back to something I was saying earlier, where you have functional bodies, like TfL or the LFB and fire spending, it is much easier to get a sense of how -- certainly you look into their own detailed reports to find out more about what is going on. With housing spending, in this document there is not a great deal of detail, to be honest. There are some headline spending figures, but as Stuart just said, not much about any changes in expected outcome. It is hard to judge, to answer your question directly. It is also worth adding that the Government has itself recently commissioned a review of the London Plan - as you will be more aware than me - a very short-term review of it with a view to more central Government intervention in London housing. It is hard to work out exactly how that is going to fit with what is in this document because this document, obviously, would have been prepared before that intervention was announced.

Andrew Boff AM: What do you think is Government's motivation behind that?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): That is a large question.

Andrew Boff AM: It is a bit.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Let us try and do this carefully. You know the story; the Government wants a national housing target of 300,000 delivered but does not - for most of the country - want housing targets. Although London via the London Plan does have housing targets, effectively, and the Government clearly thinks that in some parts of London those targets are not big enough, if I can deconstruct everything I can see in housing. Quite whether this panel that has been created will be able to identify sufficient space to drive up housing delivery from - what is it? - 35,000 to 70,000 a year - whatever the need is that the Government states - personally I think is unlikely, but we will find out when that report is published. Best I could do. Sorry.

Andrew Boff AM: Thank you. Mr Stirling, what do you think are the challenges?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): I agree with a lot of what Stuart [Hoggan] and Tony have said. The main thing I would add, and it is an example of the point I was making earlier around responsiveness and a budget that is commensurate with the environment it is playing into. This point runs perhaps a little counter to your line of questioning of the Mayor earlier. I do think there is a larger opportunity due to the prevailing macroeconomic conditions to add housing stock quickly into affordable and social housing tenure through acquisition, particularly where you see buy-to-let landlords with buy-to-let mortgages being increasingly pushed to a sale position by higher interest rates. That presents an opportunity to do more to improve the tenure mix of London through state funded or state actors, bringing those properties into social housing tenure groups.

Now, your point to the Mayor was absolutely spot on, which is that clearly there is an overall supply question falling short of overall demand both at aggregate and disaggregate levels across the capital, but there is also a tenure mix problem and an affordability problem within the supply of housing. I think this point can be addressed through more assertive action. You called it shuffling the deckchairs, but if you can change the cost of a deckchair, then that can help a family. You can change the speed at which that deckchair is delivered. That will help a family, and I think the prevailing economic conditions allow for more to be done in that space through acquisitions than is currently being provided for.

Andrew Boff AM: Would you not agree that an awfully large number of Londoners would not even be allowed to sit in a deckchair.

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes, and that points to the context that I was trying to emphasise. For example, we know from our data that while across the country you have 7 million families that are foregoing essential items and that is about 63 per cent of low-income families in the country. In London it is 76 per cent. It is 13 percentage points higher in the capital so absolutely the level of need across housing and other basic services and goods is particularly acute.

Andrew Boff AM: Would you say that there is just a problem of stock in the affordable sector or a problem of stock everywhere?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Both. I think we have an overall supply problem. I think we have a tenure and mix problem as well as it pertains to affordability.

Andrew Boff AM: So, by acquiring those properties you reduce the amount of stock in the non-affordable properties and try to increase it with the affordable properties, and affordable properties which the majority of Londoners are not entitled to move into.

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes. Of course, it is not a solution to every housing problem, but as I said alongside an increasing supply, there is an opportunity for that intervention to help in particular circumstances.

Andrew Boff AM: There are loads of housing markets in London, not just one. Do you recognise that by intervening in one housing market in London you can distort to its disadvantage other parts of the housing market in London?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes, of course. It is a complex system. A series of markets. The point is that that is already being distorted, if you like, by changing prevailing macroeconomic conditions. We do not have a static market out there either. Intervention from a state body does then distort. You have that picture constantly evolving and changing in view of external environment and the extent to which the state can either improve that market or distort it negatively depends on judgement and good appraisal and the right policy intervention given that external environment. I am not saying all intervention is good. I am not saying that this particular opportunity is going to be a silver bullet for all different problems, but I think there is an opportunity to do more on acquisition than is perhaps currently being done.

Andrew Boff AM: Would you say, for example, that the one measure that does benefit all housing markets is just increasing the stock?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes, and I think increasing supply of housing is, as you and the Mayor said, a priority and I would agree with that.

Andrew Boff AM: Thank you. After the Kerslake Review on affordable housing delivery in London, the Mayor initially adopted a recommendation to pilot a city developer model. Later he adopted the joint venture partnership approach. Which do you, Mr Stirling, think is the best approach, and do you think that was a wise move on behalf of the Mayor?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): I have not come across those enough to give a useful view.

Andrew Boff AM: OK. Any of the other guests here have a view on that? No? Great. That is more time for other people. Generally, the Kerslake Review criticised a rather fragmented approach to housing delivery. Is that something that guests would support, Professor Travers?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I will have a go. Obviously, demand for housing in London is - and it always has been for my entire working life - always in crisis. The distribution of housing at any point in time, so even in the late 1970s when the population of London had fallen by 2 million and large numbers of homes had been built since 1945, there was still a housing crisis. The challenge at any point is to deconstruct

what the current problem is and for whom it is most severe and then target action accordingly. No sphere of public policy in my experience - and I am not an expert on housing - is as overlaid, not only with the politics of the past, but a whole array of different ways of approaching the issue in a way that, say, does not exist for transport or the National Health System (NHS) to anything like the same degree.

The one thing I would say is that the clear and present problem that London faces over time is a lack of new housing supply, I think the point you were making. I totally agree with that and the issue of how to drive up overall housing supply, if we just put to one side whether it is affordable with a capital A or just in total, is something that is particularly problematic in London and the wider South-East and it is not so much of a problem in the rest of the UK. That means in turn that because it is largely a London and South-East issue, it is not a national challenge in quite the way it would be if it were NHS waiting lists or the performance of the national railway.

Andrew Boff AM: You almost alluded to what was said earlier. Everyone who comes here who has presented a budget says it was an exceptional year and actually the crisis, as you said, has been every year that I have been involved in London politics and perhaps more attention to the root causes of that might be better for the housing crisis.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I have used the word crisis, and you have, and I think there is a crisis with housing and not to use it too much, but the nature of it changes. I mean that is the thing where we need more information about the particular nature of the problem for whom. Many people do not have a problem with housing in London, but a substantial minority have a very significant problem. Identifying where the problem lies and what can be done about it in greater detail over time. Coming back to Stuart's original point, I think the more documents of this kind look into the future and give a clue as to how, in this case, housing is to be - or the crisis is to be - moderated over time, the better it would be in terms of having this kind of discussion.

Andrew Boff AM: Mr Hoggan, you talked about lack of transparency earlier. Is that something that might help?

Stuart Hoggan (Associate Consultant, LG Futures): Yes. As Tony suggests, this is something that could easily lend itself to more transparency. The dilemma that Tony points out is acute for central Government because they have to decide whether the numbers in the increases that they are looking for should be located more towards the north of the country, where costs are low but demand may be less, or should be focused on the south of the country, where the number of houses might be a smaller number for the amount of money that is available. Successive governments have always struggled with that north/south dilemma; where do they focus the priority?

Another of the earlier themes was the complex nature of the different housing markets in London and the risks of perverse outcomes from particular interventions. My personal view is always pragmatic on these matters. The scheme that was described earlier about acquiring public and affordable housing, where the market is suitable for that, is a very immediate way of increasing the supply of affordable housing and I, personally, would welcome that. If there are effects on the broader housing market, it seems to me that those are more second-order effects and then there are bigger forces acting on the broader housing market. The priority for me is, can you get the supply increased in the shorter term, which is what that scheme aims to do. Thank you.

Andrew Boff AM: Thank you. Mr Stirling, do you want to come in on any of that before I finish on the housing section?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): No. I have nothing further to add.

Andrew Boff AM: Thank you very much. You have answered all my questions and ones that I was yet to ask. Thank you very much. Back to the Chair.

Neil Garratt AM (Chairman): Thank you. Just to pick up your point, Tony, about the difference between this bit - the housing bit - and the other bits. When we had this meeting where we sat here and we talked to the housing people, the problem was we had housing people from TfL, from the GLA housing team, from Old Oak and Park Royal Development Corporation (OPDC), and from the London Legacy Development Corporation (LLDC). Each one, of course, doing their own bit. It is not obvious how you can co-ordinate those because, as you say, they are independent bodies doing their own thing. I do not know whether you had any thoughts on how some transparency or oversight could be brought other than just us doing our best within this building. I think we would all recognise that is a distinct difference versus, say, looking at transport overall or looking at police overall.

Stuart Hoggan (Associate Consultant, LG Futures): I think there is a broader theme here, which we touched on in the earlier section, was the way that the different parts of the GLA group work together. There is some material in the budget on what I describe as corporate services and efficiencies across the board, and that is good to see and that suggests that there is £10 million of savings per annum, but it seems to me there is likely to be a great deal more that can be done both in policy terms and in operational terms across the group. I imagine there is fierce independence in the different parts of the group, but there are some upsides for having these all within the Mayor's ambit.

Neil Garratt AM (Chairman): There absolutely is. You are right. Tony.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I just want to add one thing. Listening to this discussion and having this discussion - and at the risk of further burdening people who work in this building. The discussion we are having does suggest the potential need for a sister document to this one, which would not be the annual accounts but a performance and outcome report which looked at the spending in the light of objectives to produce an annual analysis, which would make this Committee's life rather easier than just looking at the budget.

Neil Garratt AM (Chairman): That is a very good point. I did not comment on it, but I did make a note. In my initial set of questions about context and so on, the point about measurable outcomes and the point about more historic time series data, those are definitely points we will take away and that is a very good one. Stuart, you had another good idea.

Stuart Hoggan (Associate Consultant, LG Futures): Building on that theme - this is of course something that is not immediately applicable for the current year's budget - but if the Committee wanted to see this, it is something that you need to look forward to next year and the year after. It is not something you can produce overnight, but I think you can see a sense from all three of us that this is something that we think is lacking compared to other bodies.

Neil Garratt AM (Chairman): Thank you. That is very useful. It was more of an observation than a question, but I appreciate your observations on that. I think that is very worthwhile. I will certainly note those down.

I do not see any more indications on housing so we will move onto our next section, which is TfL with Assembly Member Pidgeon.

Caroline Pidgeon MBE AM: Lovely. Thank you very much indeed. Tony, you talked about capital being one of your concerns overall with this budget and I think many of us feel the same. In terms of TfL, they now say they are able to deliver their full programme of improvements despite only getting half of the capital that they had bid for - if we can say that - from Government. Partly by rephrasing things like their Siemens Mobility contract and so on. How sustainable is that and what are your thoughts on the size of the capital funding settlement for TfL? Can I start with you, Tony.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): OK. The thing about TfL and to some extent the discussion we have just had about housing, perhaps rather less to do with policing, fire and emergencies, other services, is that capital investment is - and I am not saying capital is not important in the police estate or the fire estate - but it is not as key to the daily operation as it would be for transport or housing. Against that backdrop, the annual nature or the near annual nature of financial settlements - or even more short-term - with TfL is not good government. You need long-term funding settlements which would allow not just purchases of new tube trains or indeed building new infrastructure but separately - much more importantly in many ways - the maintenance of the existing infrastructure that makes the system operate day-by-day. I think that this is something that definitely needs to be a message - if I may say so - strongly sent to national government, this one or any national government, that annualised settlements which are not great for local government as a whole are particularly problematic for transport and housing where investment goes on over a much longer period.

Caroline Pidgeon MBE AM: What is your view then of the way TfL says they can manage the sticking plaster, the renegotiating contracts. Is that literally just a one-off one-year measure or do you think they can do that over several years in order to try to eke out the money that they are getting?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): TfL has an enormous amount of flexibility. Looking at the overall analysis of the GLA group, this huge chunk of income from fares is very different to something you would see in any other equivalent document or any other city regional authority or indeed to some extent national authority in the country. TfL has been much more successful at rebuilding its fare income after the pandemic than the national railway has. TfL is far closer, in fact, its fare yield is above - I have just checked these figures - what it was before the pandemic where for the national railway it is well behind. National railway is still only getting 80 per cent of fare income. TfL has greater flexibility in their capacity to move resources around its own budget, particularly if fare income turns out to be more buoyant. By the way, London and the South East fare income for the national railway and for TfL is far more buoyant than the rest of the country at the moment.

TfL has flexibilities inside its budget, which again takes me back to a point I was making earlier that whilst it is absolutely right and proper to have this discussion about this document because this is the Mayor's budget, going deeper into TfL's own budget and business plan makes it possible to go further into the need for long-term resourcing, be it from TfL's own resources or from government funding, because that is what is essential to make a railway, and indeed the bus and road system, function properly.

Caroline Pidgeon MBE AM: OK. Stuart, what are your thoughts on this, and also that point - I do not know if you heard - that I raised with the Mayor earlier about what financial sustainability actually means, because

the government seems to have added in that it needs to cover capital enhancements and renewals, which the Mayor and his team this morning said was a new definition of financial sustainability. What is your take on this?

Stuart Hoggan (Associate Consultant, LG Futures): This is actually the sixth consecutive one-year settlement from central Government, which is extraordinary and appalling at the same time. I should, of course, confess that I led a number of those when I worked in central Government so I cannot be overly critical, but it is a dreadful record for public bodies to have to try to manage their way through.

As I said earlier, there is a sense of grip within the TfL material in terms of delivering what is termed “the sustainable and resilient transport function” given the resources that are available, but if you look under the surface, the level of ambition has been carefully tailored in order to match the resources that are available. If we go back to the original question which is, “Is this enough and what are the medium-term consequences of this?” The answer is that on the material that we have, we cannot possibly know. I know from an anecdotal basis the tube is much more reliable now than it was when I moved to London in the 1980s, but we do not seem to have available good material that assesses the state of repair and the likely forward reliability of the tube in its different performance measures and some sense about whether the prospective capital investment is going to improve, sustain, or be inadequate to meet those purposes. I think I would turn the question back and say it is not possible on the basis of the material we have to be definitive on this, but what would you need to know in order to be more confident than you can be at the moment?

Caroline Pidgeon MBE AM: OK. It is more performance information required to assure us that it is sustainable. What is your take looking at how capital investment works in other cities on this issue; in terms of financial sustainability, the government trying to push capital enhancements as something that TfL should somehow be funding out of its main core budgets?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): There was an excellent piece of work done by Moody’s, the rating agency, a couple of years ago which compared London’s public transport system, but particularly the underground, with its analogues in New York and Paris and we know that London’s system is far more fare dependent. It runs itself requiring a far larger proportion of its day-to-day spending is funded – in fact most of its day-to-day spending, possibly all – via day-to-day income, which is remarkable by international standards. Financial sustainability, obviously, is enhanced the nearer TfL could get to funding all of its own activities out of its own income because then, apart from something like the pandemic, which is a one-off – let us hope – the greater freedom it has, the more it can generate its own resources and that is the argument for looking more widely – raising a much bigger subject – at ways that London government, the GLA, can be made more financially autonomous over time.

Caroline Pidgeon MBE AM: Absolutely, and that goes back to the two Commissions that you chair, which are still really relevant, and I hope maybe we can as an Assembly be pushing again in the future. Alfie, do you want to come in on this issue of TfL’s Capital Programme and how sustainable it is with the settlement it received from Government?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): I do not have anything to add on the Capital Programme, but I do not know if you are going to go on to other elements of fares.

Caroline Pidgeon MBE AM: Yes, I am going to go on to fares so if you want to then segue into fares, I am wondering about your thoughts then on the Mayor’s planned fares increase. He stressed this morning 4 per

cent is assumed, but we know 4.9 is national and we pushed him on whether he might be looking to differentiate or not between different modes. If you want to talk about capital and move into that?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): In fairness, the conversation we had earlier around the extent to which this is an exceptional year or not - is every year an exceptional year - the extent to which that is used as a factor in planning long-term capital spending should be regarded critically. In the end, that should be a long-term plan, particularly on housing. As everyone here has talked about, we have got a housing crisis that has evolved and manifested in different ways but multiple times over the last 20-30 years. You really cannot talk about one-off events affecting the Capital Programme, similar for TfL.

When it comes to fares, you do have this question of ... into the external environment that we are playing into. The points that have been raised over the course of this conversation around exceptionalism of one year to the next, thinking about the budget across time and thinking about outcome metrics, they all crystallise. One way all three of those crystallise is around policies that pertain to how you use reserves. How do you use reserve spending and when should you use them? Of course, reserves ... in perpetuity. If that was the case, then that would be a poor use of reserves. The question is: when do they get deployed, for what reason and against what sort of judgement of the cycle they are trying to smooth?

One of the key levers is fares if you are going to do that sort of thing. Whether 4 per cent is right or wrong depends upon a judgement of the affordability and the challenges being faced by Londoners in terms of the cost-of-living crisis. I would say that, given the remarks I made earlier on, the situation could be more acute than previously feared and fares may not be doing enough. The question then becomes: what lower percentage could you tolerate and through what sort of reserves policy would be appropriate to deliver that, which we do not have at our disposal? I want to emphasise this point around I do think these issues around timeliness, outcome metrics and exceptionalism do really crystallise around how to affect the appropriate use of reserves and that comes about through levers like fares.

Caroline Pidgeon MBE AM: Lovely, thank you. Stuart, do you want to comment on fares, the Mayor's planned fare increase and any thoughts you have on this and the impact on Londoners?

Stuart Hoggan (Associate Consultant, LG Futures): I might say something more specifically on the use of reserves. It is very difficult to second-guess a reserves strategy from outside an organisation. Essentially, there are no specific technical thresholds for public bodies that you need to pass. It is a risk assessment, in particular by the Finance function. It is certainly a source of frustration for central Government Ministers that in times of crisis local authorities' reserves tend to increase, which to them seems counterintuitive. That is because the Finance functions in the individual authorities perceive higher levels of risk and are insuring against that risk by building reserves.

As far as the level of fares that is imposed from March [2024], there is a great deal of politics about that. It will be just before the [Mayoral and London Assembly] election and we are in the midst still of a cost-of-living crisis so there is an affordability issue for individual fare payers. We have not talked as much about dynamic fare increases as we touched on the last time and I noticed this morning the Mayor was quite cautious on that. There will be significant issues of practicability and, indeed, of the notice that is given to people who might end up paying more for travelling at particular times of year than they have been doing at the moment. Maybe that is an issue for future years, but it certainly is something that from an economic standpoint you feel there can be a better match between the ability to pay and the fares that are charged at given times of the year, at different points in the week.

Caroline Pidgeon MBE AM: Yes, I think that is right. From our meeting with the Commissioner [Andy Byford, Transport for London] before Christmas [2023], it was quite clear it had been doing a bit of work around dynamic pricing, but it certainly was not going to be a priority this year. I kind of got that impression from the Mayor as well this morning. Tony, have you got anything to add on fares and what the Mayor said earlier?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): There is always a temptation, an understandable temptation, to moderate fare incomes at fair levels in order to protect individuals with lower incomes. The difficulty about that is, rather than linking fares to inflation or earnings even, over time the organisation risks becoming less financially sustainable and independent. Then the issue is if fares do go up in line with inflation or earnings or a mixture of the two over time, how are lower-income households protected?

Interestingly, I came here on the Elizabeth Line this morning, a premium service, exactly the same price, all built into the fare structure for obvious reasons. We all like the ease of use of the fare structure. Of course, then we are left with issues - and the Mayor did touch on this - like how to ensure that the forms of transport that are most used by lower-income households are perhaps somewhat more protected than those that tend to be used by higher-income households. That has been a Tube versus buses balance for a number of years and seems to me, given the premium service offered by railways and certainly new railways, that is probably a sensible place to look over time. I do think that it is incumbent on TfL/the GLA to ensure that fare income rises over time broadly in line with the economy at least because otherwise the sustainability argument is lost.

Going back to the issue of post-pandemic, what is interesting is I looked in preparing for today at what has happened to season tickets on the national railway and season ticket use has collapsed. We know the morning and evening commute is a bigger issue to do with working from home, which I know the Assembly has also been looking at. That means that the old method of setting prices which assume there was a rush hour is not going to work as well. That then means looking at fares across the day and across the week, which I think means shifting the burden of fares somewhat towards what used to be called "leisure time" and away from what used to be called "peak hours" over time. That is what the message seems to me to be coming out of changing usage patterns on the Tube in particular over time.

Caroline Pidgeon MBE AM: Yes, I think that is right and that is where fares will be going forward. Thank you very much. Thank you, Chair.

Neil Garratt AM (Chairman): Thank you. On the unfairness, I feel duty bound to point out there is some geographic unfairness with access to lovely Tube trains as well. For half a million people in Croydon and Sutton that I represent, this Tube thing is a distant mirage that we sometimes hear about down in south London.

On the season ticket collapse by the way, the railway companies have told us that creates not only a revenue problem; it creates a revenue certainty problem. They swap long-term certainty of revenue of people who have bought the season ticket upfront with lots of people like me, turning up each day and buying a ticket when they need a ticket and not buying one when they do not want one. It is a big risk as well as revenue cost.

Assembly Member Cooper?

Léonie Cooper AM: Thank you very much, Chair. I am delighted that Tony was able to travel using a premium service this morning. Also being from southwest London, I was able to use the not premium service

of the Northern line. We thought at one point that there might be Crossrail 2 running north and south and we used to call the Elizabeth Line “Crossrail 1” back in the day. It is lovely to know that there is this beautiful line that is completely inaccessible both to Assembly Member Garrett and myself. Maybe one day we will improve things for southwest, possibly even southeast, London. Who knows?

I did not want to talk about fares or the premium service on a day-to-day basis. I wanted to come back to the point about the very short-term settlements and the consequences of that in terms of uncertainty, which the Chair was just referring to. The Government itself addressed the inefficiency of short-term funding in the Department for Transport’s (DfT’s) 2013 paper – so this is not a new issue – which was called *Action on Roads [Action for roads: a network for the 21st century]*. It stated that “certainty will enable savings of up to 20% on maintenance and improvement work”. In the minutes of the TfL Board meeting on 29 March last year [2023], it said the Government recognises the benefits of long-term funding certainty that it brings for transport in terms of value for money for the taxpayer and has now decided to provide,

“eight regions outside of London with London-style long-term transport investment settlements. A second phase was announced which extended them by a further five years to March 2032 and gave those regions the certainty and long-term planning horizon to tackle key strategic challenges, optimise asset replacement, innovate with their supply chain and drive value for money.”

The Government reckons 20 per cent, but the railway industry association reckons that there is a 30 per cent increase in the costs if you go for these very short-term settlements. I wondered if you would agree how much that benefit could be. Would you agree with that sort of quantification at 20 or 30 per cent? I will maybe start with Stuart and then come to Tony Travers.

Stuart Hoggan (Associate Consultant, LG Futures): I strongly agree with the need for more medium and long-term settlements. I cannot possibly put a figure on it for individual parts of the public economy, but it seems clear that the gains are potentially very large. They are large not just in terms of the knowledge of the future financial profile but also in perceptions of risk in operations. It is probably also worth remembering that the uncertainty lies not just in the knowledge of future finance allocations but also in the future policy framework. If we think, for example, of adult social care, which I know is not a GLA responsibility, the debate on that has swung backwards and forwards for a number of years and there is, as yet, no forward framework on that. Therefore, certainty is required on the forward policy framework as well as on the finance framework and the potential gains are significant on this.

Léonie Cooper AM: Thank you. I will come to you, Tony. One of the other points about this, apart from the potential cost of money going down if you have got that forward plan for five years, is there are also the issues about supply chain. That lack of certainty that might make prices of things that you want to purchase more difficult to spread over five years and more expensive.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): To comment on your opening remarks and from the Chair about Crossrail 2, there is no doubt that had there been in a kind of fantasy world Crossrail 1 delivered and then Crossrail 2 starting, then the workforce and the expertise would all have been protected and preserved and could have been used seamlessly to go from one to the other.

Léonie Cooper AM: I mean, just imagine.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Just imagine. I totally agree about the relative difference

between the standards of some railway provision in south, southeast and southwest London compared with the Underground so I get that point utterly, totally.

Like Stuart we cannot put a number on it, but self-evidently common sense suggests that if there is consistency of planning and the capacity to move people from one project to another, that is going to reduce the costs of maintaining railways, housing, whatever. The UK as a whole is famously now way out of line in terms of building transport infrastructure and their costs. It is nothing to do with London; it is the UK as a whole, not mentioning High Speed 2 (HS2). Well, I have just mentioned HS2, which itself brings a lot of uncertainty for this budget to do with what is going to happen at Old Oak Common, for example. That is a massive level of uncertainty, which I suspect the budget for Old Oak Common may need to reflect running forward.

I take the point entirely. It is axiomatic to be true and short-termism did not start with the current Government, in fairness. It is an inevitable way of behaving, given the very short-term nature of UK budgeting and financial planning, and it is not unique to this Government and this country.

Léonie Cooper AM: Thank you. I do not know whether you want to come in on this element, Alfie, as well?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): No, I agree with what has been said in terms of long-term planning.

Léonie Cooper AM: Thanks. I wanted to put a further point to Stuart and Tony from Centre for London, which published in September [2023] *Policy priorities for transport in London*. I am going to read something again from there and its recommendation to the UK Government is,

To enable the Mayor of London to improve transport in London, the UK Government should:

Give the Mayor of London and the boroughs new powers to raise funds themselves for the delivery of sustainable travel measures such as improvements to public transport or the introduction of new bike and walking routes.

Until new fundraising powers are introduced, the government should make funding available to local authorities and TfL so that they can make transport in London greener and fairer, engage residents meaningfully over any changes to what's on offer, and support those who are most impacted with complementary measures. This could also enable TfL to work closely with the private sector to develop innovative solutions that make it easier for Londoners to easily use multi-modal travel options [which I am sure almost everybody will have used this morning].

To boost the capital's economy through improved transport links, the UK Government should:

Freeze public transport fares until inflation has returned to its target level as a way of helping people with the cost-of-living crisis."

Leaving that final point from Centre of London to one side, what do you think of the idea of additional fundraising powers for the GLA and also for the boroughs? It is interesting that they have said here that that might assist with innovative solutions to some of London's problems and to really start to motor forward, including involving people in the decisions about the changes we might make. I will start with Stuart again.

Stuart Hoggan (Associate Consultant, LG Futures): I am sure we would all support the aspirations that you have outlined in terms of the practical outcomes. However, it takes us immediately into the policy debate around fiscal devolution, which authorities all over the country are interested in, whether it is tourist taxes or assigned levels of value-added tax (VAT) in particular areas. Historically, central Governments of successive administrations have been very, very nervous about this. It is a nervousness stemming directly from the Treasury, which counts a pound raised locally through council tax or other forms of fiscal devolution as equivalent to a pound spent in central Government and worries about its overall level of control over public expenditure. Until we can get over that hump and closer to a position that we see in other countries, we are unlikely to see any significant fiscal devolution or certainly not unconstrained devolution. It is an issue that will not go away. It impacts very strongly on the buoyancy of income for authorities more generally, which is what I think the report is indirectly getting at and will be of continuing interest to a whole range of bodies. So far, despite a lot of dialogue on this, we have seen absolutely no progress whatsoever.

Léonie Cooper AM: As Tony knows, this body itself is interested in fiscal and other forms of devolution and our [GLA] Oversight Committee last year [2023] invited Tony in as an expert guest and we have just produced our own report on this matter. I do not know whether you want to comment on the piece that I have just read from Centre for London, Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I think Stuart has admirably summarised the challenge, which is in a country now which is widely seen by most people and most parties as overtaxed. The tax burden is higher than it has been for decades and in proposing more taxes there do seem to be risks of straws and camels' backs and all of that. It is an admirable aspiration and the kind of policies you are outlining are not always totally agreed, but many people would agree with them. The time may have come, and this takes us off into an entirely different direction so I will only say it briefly. There are things to do with transport infrastructure, particularly roads infrastructure, in the city which probably could benefit from a way of trying to raise money from those who cause the destruction of road quality.

Léonie Cooper AM: Road degradation.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Levies on the utilities: TfL has these powers at the moment - but the boroughs do not - to try to improve the quality of roads. One of the few things that motorists and cyclists agree about is somewhere where the utilities in a sense ought to pay because they cause so many of the problems if you look at the roads.

Léonie Cooper AM: Maybe this is another version of extended producer responsibility in the sense of people who are producing the problems should be paying for this.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): It is the polluter pays principle.

Léonie Cooper AM: Yes. Can I finally ask? Do you think there are any benefits to the Government providing TfL with capital funding deals that are half what have been requested four months before the start of the new financial year? Can you see any benefits to that at all?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I cannot speak for all of us and our/my answers have sort of covered that already. Bidding processes presumably involve one side asking for a bit more than it wants and

the other giving it a bit less than is asked for. I do not know exactly what the numbers are and how far TfL's finances were compromised and it is impossible to see that from the outside. We are back to the short-termism problem and we can all agree short-termism is not a good thing.

Léonie Cooper AM: Thanks very much. Thank you, Chair.

Neil Garratt AM (Chairman): Thank you. I realise this is slightly straying beyond transport, but it is an interesting point you brought up about fiscal devolution and this is something I have considered. You make the point that if you give local authorities/regional authorities new tax-raising powers, that is new taxes, a higher tax burden and not necessarily very popular. Then you think about how you make that revenue-neutral and you would have to reduce some central tax in order to increase that. Then you get into the problem of a government - any government, this one, some future hypothetical one - passing a law that reduces its own powers, reduces its own tax-raising powers and gives it to somebody else, which may not be of the same political persuasion. You can see the challenge there, whoever is occupying whatever spot in that chessboard. Has that ever been done? It seems to me that if you cannot overcome that structural game/theoretical problem, you never get fiscal devolution; you just keep talking about it. Has that ever been done and is there a theoretical process of how it could be done that could be achieved?

Stuart Hoggan (Associate Consultant, LG Futures): I was involved in the design of the original landfill tax and at the time the proceeds for that, at least in the first wave of implementation, were used to reduce National Insurance contributions. The idea was that by introducing a tax on a "bad", which was environmental pollution, we could reduce the tax on a "good", which was labour and employment. What are the key issues in doing that? Those were both central Government taxes. When you talk about "fiscal devolution", you have to be acutely conscious of where the accountability lies. Unless you can shift the accountability to the local level, which we have not even really seen in council tax, central Government still feels acutely accountable for the overall levels of council tax that individual local authorities decide on within constraints. Unless you can shift that accountability to the person introducing and levying the tax, then central Government will always be reluctant to take action because it will always fear there is a backlash at the national level.

Neil Garratt AM (Chairman): Yes. Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): To answer your question directly, what you ask did happen when Scottish and Welsh devolution took place. Scotland and Wales, mostly particularly Scotland, were given initial tax-raising powers and then wider tax-raising powers and the Barnett formula was adjusted to ensure that neither Scotland nor Wales was worse or better off. It can be done, but you do not have to have been in the Treasury at the time to imagine the degree of angst that it will have induced there because it will see this as losing control. It can be done mathematically, and Assembly Member Cooper mentioned the fact that the West Midlands and Greater Manchester in particular are now being given certainty in their transport funding. Again, there is also a precedent for the idea of a sort of early stage, on-the-way-to-a-Barnet-formula protection over time for certain parts of city/regional funding.

Neil Garratt AM (Chairman): OK, thank you. Apologies, I should not dwell on that too long because that was slightly off the topic of transport, but it had come up and I thought it was a very interesting question while we had you here.

I do not see any indications on transport so we will move on to our next section, which is police which I will start. The interesting thing this year, which I asked the Mayor about earlier and I am asking now for your thoughts on, is this idea of the MPS effectively presenting two budgets. It feels like I spent about an hour

yesterday, trying to get to the bottom of it with them, what their thinking was and what the difference was. Essentially, we have what we were calling Annex 1 and Annex 2, one that the Mayor has incorporated within the GLA group and another one that was about another £140 million, which is substantially about an extra 1,000 staff and funding for the *New Met for London*. I am not asking you for the detail on that; I feel like we spent a lot of time with the MPS on the detail. What are your thoughts on that approach in principle, this idea about one of the bodies presenting two, three, ten, a menu of possible budgets to the central GLA? Whoever wants to kick off? Stuart, I see you are hovering over the microphone.

Stuart Hoggan (Associate Consultant, LG Futures): OK. I think I touched on this earlier. Budget setting in any organisation takes place within a political context, particularly for a politically led organisation, and so you understand why people say and do the things they do at different points in the process. It seems to me it is not entirely helpful to present a budget which is missing two of the most important components of what the eventual outcome will be, which are the cultural change on the back of the Review from Baroness Casey and the thinking around extra manpower numbers. I appreciate there are continuing uncertainties, particularly on the second of those in relation to the Home Office and the extra money that the Commissioner [of Police of the Metropolis] has asked for and I understand from the papers has not had a response to it yet. Framing a position which is all or nothing is not necessarily the most helpful thing, at least from an external perspective and perhaps from the Committee's perspective. I am sure internally there is a much clearer idea in the police function as well as in the GLA centrally about what the likely outcome is and that it lies somewhere between those two extremes.

Neil Garratt AM (Chairman): Yes, I suppose to be fair normally we only ever get one budget, so it is less all or nothing than that. I should say when I pressed them on the point you have just made about whether not doing the extra £140 million means ditching the *New Met for London Plan*, they were at pains to express to me and they were very keen that it be clear that it did not. It just probably meant stretching it out over a longer period of time or something of that ilk.

Stuart Hoggan (Associate Consultant, LG Futures): Exactly.

Neil Garratt AM (Chairman): Yes. Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): The question you asked is a really interesting one because of the structural nature of this document, which we have already referred to. To some extent, it is bolting together TfL, which is half of the GLA's gross budget - more than half actually - with the capital and the MPS, which is a substantial chunk as well. Both the MPS and TfL/London Transport for decades were freestanding institutions with their own way of thinking and their own culture. When the MPS was first brought into the GLA group in 2000, it had antiquated accounting methods, which had not really changed since Sir Robert Peel.

Neil Garratt AM (Chairman): As recent as that?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): It is much improved since then. These very large organisations, particularly those that were traditionally very independent, will always find that they are going to budget in their own way and think and have their own culture, which is very strong. The challenge for City Hall, both for the Mayor and for the Assembly, is to bring these institutions into a common, comprehensible budgetary process which they are genuinely a part of. That is the problem that you are rightly outlining. It is going to require negotiation, involving the Assembly, MOPAC and the Mayor. It is in all their interests to have a consistent process where the document that is published at this time of year genuinely is a comprehensive

budgetary process, not bolting together separate institutions' separate plans and trying through accountancy to present them in a consistent way.

Neil Garratt AM (Chairman): You have put your finger on the difference between the GLA and probably any other public body in existence. We are more of a sort of close-flying formation of different things, rather than one single thing.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I know Stuart will know more about this, but it is not completely dissimilar to central Government. Talk to people in Downing Street in any administration and they sort of slightly roll their eyes when they talk about big Departments. Once they have been given their spending settlements, the Secretary of State in that Department has absolute power - well, Stuart is now shaking his head - but significant power, which is very hard for Downing Street or the Treasury to control once the money has been handed to them.

Neil Garratt AM (Chairman): You wanted to come back in?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): He is going to disagree with me.

Neil Garratt AM (Chairman): I am keen to hear from Alfie as well, but did you want to say something specific?

Stuart Hoggan (Associate Consultant, LG Futures): No, I was not going to disagree. It is sometimes described as "rubber levers" where the action at the centre does not always translate fully into delivery in individual Departments.

What I was going to mention was first of all just to record from the papers that I think the Mayor has made steps to improve the oversight of the MPS in the past year. Also, it is to say that the budget also gives a sense that there are significant efficiency savings planned but not necessarily nailed down in full detail and in some cases may result in changes or reductions in services within the function. Again, that is not clearly specified at this stage and it takes us back to the outcome measures that we talked about earlier. Thank you.

Neil Garratt AM (Chairman): Thank you. I was going to ask about outcome measures next so hold that thought. Alfie, did you have any thoughts on either the MPS budget overall or this general approach of presenting option A or option B?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes, it is a comment on that overall approach. In principle, it is a good thing to have information that shows a bit of the workings or the negotiating positions that sit behind some of the decisions on allocations that are made. I mean "a good thing" in terms of holding a process to account, the job that we are doing here and that you are doing. Whether it is good for the Mayor or not is a separate question, but I think it is good for this process to have that sort of information. It sets out the range of the counterfactual for where the budget could have ended up and did not, based on the trade-offs and judgements that were made. It is very useful information in terms of the parameters to options that are decided. However, to Stuart's point it becomes unhelpful if it comes at the expense of prolonged uncertainty of what the core estimate is. Yes, you might have a bit more information about counterfactuals and the positions going into the process, but if it comes at the expense of not knowing where things are landing until a deferred point in time, that is a problem for accountability. In

principle, it is a good thing, but it should not come at the cost of having a core estimate as early as possible alongside that.

Neil Garratt AM (Chairman): That is very true, yes. We spend a lot of time in this Committee saying, “What would you do if you had some extra money?” and this does answer that question because otherwise that question never gets answered, not directly.

In terms of performance then, let us imagine we end up with Annex 2, which is the extra money, the wish list budget, from the MPS Commissioner and then perhaps if you were the Mayor, you might want some accountability for the extra money that is going in. What are your thoughts on the kinds of accountability, the kinds of measures – this has come up a lot this morning – about what sort of output-based measures would be good to try to build in as a *quid pro quo* in that process? You started to hint at that earlier, Stuart; Tony, you were just nodding thoughtfully. I do not know which of you is most eager. Stuart?

Stuart Hoggan (Associate Consultant, LG Futures): I will give it a go. There is a clear statement of priorities for the function within the material that we have seen, and the first challenge is to devise clear and realistic measures for the outputs and outcomes that are tied to those priorities. There is also a very interesting theme in the papers now which is cultural change, which we would all agree is a substantial priority, likely for all police authorities across the country but certainly for the MPS. Accessing those more intangible, informal, and perception-based outcomes is also clearly very, very important.

Neil Garratt AM (Chairman): Yes, you are right. That is of course the bigger part of what the *New Met for London* Plan is about and that is a very good point. Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): This is a rich seam because, quite rightly, you have challenged us/me, having said, “What about a performance and outcomes report? What might be in it?” In fairness to TfL, its Business Plan does include a certain amount of this already. If you look at the Business Plan it published recently, it does have forward figures for fair revenue, for customer satisfaction, passenger satisfaction and so on so there are some in there. When Michael Bloomberg was Mayor of New York City, he had an office devoted not to targets so much as to consistent data over time that made it possible to judge whether, to take an obviously very difficult one, crime is going up or down. You only have to say crime is going up or down, particularly in an election year, to know how easy it is to choose time series, to choose indicators and whatever. It is not unique to this year and the election. It happens all the time and Government and Oppositions do this.

What one would be looking for is principles as a relatively small number of comprehensible measures which were consistent over time and independently verified and that is the kind of thing in general. I am not a great believer in targets, but I do think common sense and most members of the public would suggest that crime going down and passenger numbers going up was, providing the measures were good ones, the kind of thing you would expect to happen. Intermediate measures like numbers of police officers I think personally are less important than whether those police officers deliver value for money or whether the transport system delivers value for money.

Going back to the debate you had earlier this morning with the Mayor about where money comes from for particular purposes, I do think it is in everybody’s interests that those questions can be answered. Transparency – and Stuart made this point earlier and I totally agree with it – is essential in terms of trust in public institutions, not just this one.

Neil Garratt AM (Chairman): Yes, that is a very good point about final public-facing outcomes, not intermediate measures. It is very easy to get caught up in words and that is a very good point. Alfie, did you have anything on this question about outputs, specifically in relation to the MPS?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Not in relation to the MPS. I was going to make the same point that Tony made in terms of the importance of an independent and consistent metric, whatever is used. Otherwise, you end up in a situation where the current obfuscation from not having metrics at all just gets pushed into the choice of metrics, the choice of baseline and the change in those across time if the homework is being marked by the same people who are doing it. It is critical that those metrics are independent, whatever that final menu is.

Neil Garratt AM (Chairman): Yes, that is very good and I made a note of that in actual fact going to our outputs and that is a very important point. Sticking with the theme of the MPS, I now have Assembly Member Pidgeon.

Caroline Pidgeon MBE AM: Just quickly, one of the discussions we had yesterday, and this morning was around the MPS estate and MOPAC and the MPS are really facing challenges in terms of managing and maintaining their estate. We have got a long, long-awaited Estates Strategy, which will emerge at some point after the election, but I am wondering if any of the guests have any thoughts on what the MPS and MOPAC should be doing in terms of prioritising their estate and the budgetary pressures here. Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Again, like so many of these things, it is quite hard from a standing start to give a helpful comment. Although this takes us towards the answer, I think, I am not sure I would know where to go - and others may do - to find what the existing MPS estate is and how much of it was being used efficiently and how much of it was not. I am aware anecdotally - and I have to use a certain amount of anecdotal data in all of this - of unused police stations around London and then you yourself were questioning the Mayor earlier about potentially about-to-be-closed or differently-used police stations. It goes beyond buildings. "Estate" is a much broader concept, I understand.

It seems to me one of the things that it would be most helpful from this Committee's point of view and from Londoners' point of view is if we have more information about the estates of all the GLA's functional body and what they were being used for. One would have thought that a private company would do that. If you were a big supermarket, you would know which of your shops were open or which were not and which were selling things and which were turning a profit. The more transparency there is - we are back to that word - in the estate of various functional bodies, the easier it would be for this Committee to have a debate with those who are more expert than I am about whether the estate is being effectively used.

Caroline Pidgeon MBE AM: Stuart, do you have anything on this?

Stuart Hoggan (Associate Consultant, LG Futures): Nothing specifically, except to say that it is very important for all major public bodies to have clear strategies and plans in relation to the major inputs that underpin their efforts and the MPS estate is a strong example of that. There are also some interesting opportunities here for using the estate in ways that connect to the community and are shared with other public service and community organisations and I would hope the Estate Strategy says something about that. Again, it finally takes us back to the issue of targets, which personally I would say I am a strong believer in. I think they influence the direction and the resources within organisations, but they do need to be framed properly and reported in the right way and do everything they can to avoid perverse incentives. Thanks.

Caroline Pidgeon MBE AM: Thank you and, Alfie, anything on that?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Nothing further to add from me.

Caroline Pidgeon MBE AM: OK, thank you. Thank you, Chair.

Neil Garratt AM (Chairman): Unbeknownst to you, Caroline, Tony was just indicating to come in quickly on that.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Just to add one final thought. On 18 December [2023], Michael Gove, the DLUHC Secretary [of State], put out quite a surprising consultation about the possibility of allowing local authorities to sell off capital assets to use them to fund revenue spending, which is a very interesting proposal to be opening, indeed, in my view. It is germane to the discussion that we are having because the GLA, I am sure, owns substantial amounts of estate and assets, as do councils. This is clearly seen, I am surprised to say, by the Treasury as a way of relieving the pressure on municipal and, indeed, GLA budgets. It is probably worth looking at that and how it might apply to the GLA bodies, assuming the Government goes ahead with it.

Caroline Pidgeon MBE AM: When did that come out, Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): It came out on 18 December, always a popular day.

Caroline Pidgeon MBE AM: Yes, I missed it. OK, thank you for that. Thank you, Chair.

Neil Garratt AM (Chairman): Yes, I think that was news to us. It is a reminder that sustainability comes in many forms, which is segueing perfectly onto our next section, which is Assembly Member Russell, looking at green finance and climate budgeting.

Caroline Russell AM: Thank you. Picking up on that point that you were making, Tony, we heard very loud and clear this morning that revenue funding has to be recurring funding. If you get into a strategy of selling off assets, you get to a point where you get into a really deep hole because you have got yourself committed to recurring funding and it just sort of feels like it is something that is pretty dangerous for local authorities.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): As I said, I was surprised, but in fact for those authorities that have issued section 114 notices, including Croydon, one of the things Commissioners when they are sent in or review teams can allow - and indeed this is happening in Birmingham as well - can allow as a short-term measure councils to sell off assets to bring down that deficit, which is the beginning of this process. I agree with you. I think it is an extraordinary move, but it has definitely been announced, it is in consultation, and it definitely looks like a way DLUHC would like to go forward, but I take your point.

Caroline Russell AM: Yes?

Stuart Hoggan (Associate Consultant, LG Futures): I agree it was a surprising and strangely low-key consultation. It is a little bit of a setback from firm proposals. It is a number of ideas just put on the table with no timescales for implementation, therefore there is no immediate remedy arising there. All of the proposals

will increase capital expenditure. The one way in which that can be used on a more sustainable basis is to fund the upfront costs of transformation and that is one of the angles it is coming from. You are absolutely right of course, entering into commitments of recurring revenue expenditure on this basis would not be sustainable, but the thinking behind it, I think, is that there is a payback within a given time, which makes it more fiscally neutral. But, yes, it is an unusual departure.

Caroline Russell AM: Indeed. I am going to move on to the issue of climate budgeting though. We were discussing just earlier the GFF has a fairly significant chunk, £190 million, from the UKIB. It seems that they are busy now allocating funding and it seems like they have got the beginnings of a pipeline. We heard about six new bids, which have just come in and have not yet been assessed but also that they have a pipeline of projects, and projects not just from the GLA group, who are part of the GLA family, but also from wider public sector organisations in London. That seems all so far, so good.

What I am just wondering, and I am going to start with Alfie, is: do you have views about how to ensure that this Green Finance Fund is used to the most effect, to deliver the most change and benefit for London in terms of reducing carbon emissions and avoiding any tick box exercises, which I think we were warned about by Tom Pope [Deputy Chief Economist, Institute for Government] in our earlier meeting with you, and also avoiding any funding any projects that might have been funded anyway? Alfie, do you want to start?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): This is the critical question. It comes back to a thing we talked about a lot, which is the quality, precision and independence of the metrics we use to judge these things, and the data we have to appraise against those metrics. I think it is just another example of that.

Possibly the biggest trap, if you like, for an exercise like this to is to ask the wrong exam question from the outset. The financial sustainability of the fund and the operation is obviously important for the longevity and scale that it can operate at, but it is not the ultimate goal of the fund. In the end it is supposed to be about taking on risk, taking on financial risk in order to unearth good projects that the private sector would not have otherwise had the appetite to invest in. That means, effectively, internalising financial risk into the exercise, which means it is a challenge to its own financial planning and outlook.

Often, the easiest thing to measure is, "How much money have we got? How much have we got coming in? What does our balance sheet look like? Does it look healthy?" Those are things you can measure very easily because they are endogenous to the process. When they should be intermediate goals, they could replace what we should actually be aiming for, which ... unearthed in a way that does not incur deadweight loss because they would not have been invested anyway. The main thing I would like is to avoid that trap and to stick to the harder job of identifying external metrics, identifying deadweight loss or otherwise and not being too preoccupied with the financial performance, in a narrow sense, of the exercise itself.

Caroline Russell AM: You mean to be more focused on the outcomes in terms of reducing carbon emissions and taking that work into areas where it would not have happened otherwise, and to count that benefit in terms of London reducing its overall carbon emissions rather than focusing narrowly on finances?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Yes. There are almost three steps, I think, to put it crudely. There is the end point, which is, "Are we producing less carbon as a result of projects that are now up and running?" There is an intermediate measurement, which is, "Did projects happen that would have not otherwise have happened because of the risk-bearing properties of this fund?" Then there is the narrow question, which is the financial performance of this fund in terms of pure return on investment (ROI), number of investments, failures, successes and so on. Those are the three steps of

metrics and I think the final one of those, the narrow one, is the least important. It is a necessary one to enable the other two. But the real risk is that because it is the easiest to measure, it becomes the one that is looked at most closely and most attention is given to, rather than the other two.

Caroline Russell AM: OK, therefore make sure that attention is given to the carbon and the fact that projects are happening that would not otherwise have happened, and make sure that is held solidly in the metrics. It would be useful for us to potentially recommend that to the Mayor.

Turning to everyone in the room, shall I go to Stuart, then Tony? Do you want to come back on that question?

Stuart Hoggan (Associate Consultant, LG Futures): Yes, please. The first thing I want to say is that I think that is exactly right, the framework that Alfie laid out. On one hand, the opportunities here are considerable for the GLA, not just in framing the narrative and piloting the practical tools, which it can do because it operates at scale, but also to become a leading organisation in the public sector in the United Kingdom (UK) and beyond. The opportunities are, I think, considerable because in a sense we are at quite an early stage in the market using these tools and therefore there are low-hanging fruit available. There ought to be schemes that pass with flying colours the kind of framework that Alfie outlined.

But care is needed in the assessment techniques to ensure that we do not enter into things that are unsustainable or offer poor value for money for the limited funds that are available or end up funding substantial deadweight costs because they would have happened in any case. Having an eye to avoiding those things is important and the analytical tools, I think, are becoming available that allow you to make that assessment. That is it, thank you.

Caroline Russell AM: Thank you. Tony.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): We have sort of touched on this earlier on with the general discussion we were having about performance because it seems to me, as Stuart said earlier, there are threaded through this budget document a number of observations about historic and projected emissions reductions. There is a chart on page 23, which I have open here, and in the text after that there are implied policy changes or policy directional changes which could be turned into more specific - I said I am less enthusiastic than Stuart about targets - path of change figures. It says,

“TfL will invest around £350 million over the next three years to decarbonise its operations and plans [interesting word] to source 100 per cent of its electricity from renewable sources by 2030.”

Is that going to go down in a straight line or is it going to go down in a step at the end, or go down a lot? Data about how policy objectives in this sphere - but it could apply to others - are to be achieved.

Then it would also be helpful to know what the GLA is doing beyond its own activities to be an exemplar and to promote good practice, which would also be stated and measured. We are definitely back in the world of needing ways of assessing how the £190 million or whatever number of millions of pounds is being used and what the outcomes of that will be, and a path for you as an Assembly, a [Budget and] Performance Committee, to be able to assess what is happening.

Caroline Russell AM: Yes. For us to get some clear indication from the Mayor's teams about how the assessments are made, and the weight given to less carbon making projects happen and then the financial performance, would be really helpful in terms of analysis of progress over time.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): It would allow this Committee then to monitor performance over time, which seems to me the purpose of having such measures in this Committee.

Caroline Russell AM: Yes. Thank you. My next question is more about scope 1, scope 2, scope 3 emissions. When climate budgeting was first brought in they were just looking at scope 1 and scope 2 emissions for the GLA group alone, and that was for the year 2023/24 that we are currently sitting in. What we were expecting for this year was London scope 1 and scope 2 emissions, which are the emissions that are physically produced in London, like gas boilers in our homes, or the emissions associated with consumption in London of grid-supplied electricity.

Now, they have, I think, been very candid with us and have said that their plans to start measuring and tracking their progress on reducing scope 3 emissions is clearly being -- it was meant to come in next year but is being shunted off into the future and they have given us some very reasonable reasons for doing that. Oslo took seven years to get to scope 3 emissions, and it is much better that they do this work properly and thoroughly than that they try to pull the wool over our eyes and say they are doing it when they are actually not. I think that candour is really helpful.

However, there are still some questions to be asked about this. For instance, in the spreadsheets that they provide for their climate budgeting, for level 1 they have funded and unfunded projects mentioned, which means they have a pipeline for scope 1. For scope 2 there are funded projects, which are the things that they are actually doing, but there is nothing unfunded. That suggests that there is possibly no pipeline.

I just wonder broadly whether you have any views on the feasibility and challenges of implementing the Mayor's climate budgeting in relation to that, and also the point that the police [Metropolitan Police Service] do not have any scope 2 projects even in the funded category. If I start with Tony this time.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): As with earlier answers we have given, it seems to me that in order to be able fairly and accurately to assess progress with the projects of different types, it is essential that there is published information that the Assembly has access to on what each of these projects is supposed to achieve and what their impact on emissions would be. I cannot answer the question, you will know much more than I do as to what the criteria are that are being used to decide between these projects and whether it is scale of immediate delivery or scale of long-term delivery and so on. Again, we are back to the issue of needing to know what the objectives are that lie behind individual decision-making in order that those who are holding the Mayor to account can assess whether the progress is appropriate and fast enough. I cannot make that judgment because I do not have that information but it seems to me that without that it is very hard for anybody fully to hold the process to account.

Caroline Russell AM: It is clarity about the measuring of the projects once again.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): And what the projects are expected to deliver, in a way that is to some extent quantifiable. The risk of doing things that make people feel good, as compared with those that deliver outcomes, is present in all spheres of public life and this is not excluded from them.

Caroline Russell AM: Motivating actually taking constructive action, rather than things that look good on -- making sure that the measurements underpin good work that really does the job and gets the outcomes required, rather than --

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Yes, motivation being most important, because otherwise people can be gripped by worry about the problem without having any sense of what solutions look like so that they can play their part in them.

Caroline Russell AM: Stuart.

Stuart Hoggan (Associate Consultant, LG Futures): I agree with that very much. On the face of it, and it is difficult for us to judge from outside, the Strategy appears plausible and practical. The only note of caution I would introduce is do not let the best be the enemy of the good. If there is low-hanging fruit in the scope 3 emissions, then do not let the wish to proceed in a thorough and measured fashion avoid taking those actions at this stage in the process.

On the scope 2 pipeline, I wonder if that is just an issue of presentation. It does not seem credible there are no schemes available at this stage that offer value for money across the economic environmental appraisal.

On the police, it is very good to hear that this is being approached in an open and transparent fashion. The kind of peer pressure that results from that and the scrutiny pressure that this Committee will exercise will surely help the police improve their performance in the future. Thank you.

Caroline Russell AM: Yes. With the police, we also learned that obviously the Estate Strategy affects some of the scope 2 projects, therefore that may account for -- that is what we heard just earlier this morning. Online, Alfie.

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): Similar thoughts. I agree with Stuart it does not seem credible that there is no pipeline for scope 2. In addition to the points that Tony made, I do wonder whether there is a problem here just in terms of the stage of the process we are in, and this point about asymmetry in terms of the information that is available at this point behind the consultation documents, as opposed to the Draft Budget that obviously we know we are getting in days or weeks. In my mind - it is a corollary of the points Tony was making - it is not clear whether the absence of information at a certain level of detail is the absence of policy or just the absence of detail. Without knowing that, at this point, I think it is very hard to offer any sort of judgment at all on that, other than it would seem non-credible and a problem if it were the case that there was no pipeline.

Caroline Russell AM: Thank you very much. Thank you, Chair.

Neil Garratt AM (Chairman): Thank you. Just quickly then moving on to our final section, which is the LFB, with Assembly Member Rogers.

Nick Rogers AM: Thank you, Chair. Good afternoon, panel. Yes, some questions on the LFB. I think, Stuart, I will start with you. Bearing in mind what you said earlier regarding reserves and it being very difficult to comment on reserve strategies from outside an organisation, I am afraid that is exactly what I am going to ask you to do now. The LFB is planning on drawing down quite a substantial element of their reserves. What strategies would you recommend to address that reliance on reserves at present?

Stuart Hoggan (Associate Consultant, LG Futures): I would add to that that the way the Budget is framed, the entirety of the allowable council tax increase within the excessiveness guidelines is devoted to the Fire Brigade also, from what I understand from the papers.

Finance functions are acutely focused on the level of resources and in particular on the use of reserves, and the task is to ensure that those are sustainable over time. It very much depends on the amount of resource, the rate of drawdown, the perception of risk both in the recent past - which of course has been a very high-risk and volatile period - and looking forward at the likely profile of drawdown, what it is that will be funded from those reserves and, as we have discussed earlier, whether those are continuing commitments or more in the way of short-term transformation and cultural change initiatives. The Fire Service has its own set of demands that it needs to answer to.

I do not think I can say more than that without more detailed knowledge of the components of the budget, but I think those are the main considerations that that part of the GLA group should be having in mind. It certainly is quite striking within the budget process, the drawdown of reserves for that part of the organisation.

Nick Rogers AM: OK. Thank you. Are you perhaps in a position or not in a position to say whether the LFB's use of reserves is, to use your phrase, sustainable over time? Would you need more detail to make that characterisation?

Stuart Hoggan (Associate Consultant, LG Futures): Yes, exactly.

Nick Rogers AM: OK. Thank you. Tony, the same question to you, really. What strategies would you recommend LFB?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): All that has been said sort of gets there, really. They are going to end up, according to the figures in this document, with reserves that are still 7 or 8 per cent of the budget by 2026/27, which is not outstandingly bad. The challenge, of course, is you can only spend this once, and the current plans here show the reduction effectively stopping in 2026/27. There is a reduction up to 2025/26 and then a reduction.

Providing the investment that this drawdown has made pays off, they will be fine. But clearly, again, as Stuart said, it is hard to judge because we cannot gauge the outcomes of the way the money is being used. If it is being used to improve the long-term sustainability of the force then it could save money in the long term but they would have to convince you of that, it seems to me.

Nick Rogers AM: Definitely a question to revisit in future years then, to see how those investments have gone.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Definitely.

Nick Rogers AM: Thank you. Going to Alfie online, anything to add on this point?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): I agree with all of that. The only thing I would add - and I am forming this thought while speaking and listening and I am interested in what your reflection would be - is that to the extent that you have a body that is more reliant on a narrower income stream, in this case particularly council tax and business rates precept -- and the reason for

that is the point you talked about earlier, which is that the budget will often imply there is greater hypothecation that there actually is in practice. There is more flexibility in the spreadsheet than the actual itemisation that gets presented, and that is because you want to say certain unpopular revenue streams are going to be able to fund more popular spending items.

But if you have a situation where more politically popular services like fire are consistently, across time, attributed to those more politically unpopular revenue streams, you do create, I think, situations of not perhaps absolute money problems but problems of certainty and long-term planning. Things like tax are in some cases the more volatile parts of the budget, the margin, and if you are consistently attributing that or hypothecating it politically to fire, that could affect the ability to long term plan.

As I say, it is a thought that formed while listening to Tony and the question. I am interested in whether you think there might be anything to that.

Nick Rogers AM: Thank you. Sorry, was that a question for Tony?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Sorry, I missed that. Forgive me.

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): No, a comment or question for the room at large. The point was whether if a body is particularly reliant on revenue streams that are highly visible, like in this case essentially the business rates precept and the council tax, and the reason for that is political, because they want to be able to present a popular spending item alongside a part of the budget revenue-raising that is less popular, and if that is done year on year, that matching up, which is presentational rather than substantive and need not be the case, it could affect long-term planning and decision-making because you end up with these more popular arm's-length bodies being funded notionally through some less stable budget lines that are politically sensitive.

Nick Rogers AM: That is an interesting point. Tony, do you want to comment?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Yes. I am sorry, I was reading the Fire Commissioner's statement as that point was being made.

We have bumped up against this issue earlier in a slightly different way. For TfL, the fact it has this very large fare and other revenue stream - apart from the pandemic, which was, let us hope, a one-off - gives it and the GLA, to some degree, an extraordinary degree of autonomy, whereas for other services, the more they are dependent on council tax and/or grant, clearly they are much more subjected to the vagaries of controls over council tax, popularity or otherwise of council tax and Government policy towards grants. There is no doubt that the Fire Brigade and the Fire Commissioner are more exposed because they produce virtually no income. They are not an income generator in the way that TfL is.

The point is a good one and I think it probably does expose the Fire Service slightly more over time, assuming we do not have anything else like the pandemic, to a budgetary squeeze which TfL to some extent can avoid if it is generating its own resources.

Nick Rogers AM: Interesting point, thank you. One final question. I am slightly conscious of time. It is a linked question, really, to the last one. Considering LFB's projected budget gaps in 2025/26 and 2026/27,

what recommendations do you have for both the GLA and the LFB to address these gaps while ensuring that essential services are still delivered, starting perhaps with you, Stuart?

Stuart Hoggan (Associate Consultant, LG Futures): Gosh. Just quickly following on from the previous comments, I accept what was said but it is also worth recording that council tax and business rates are reasonably reliable taxes in-year. They do not suffer the volatility that many other taxes suffer.

The judgment on reserves is not just a judgment on the finances that are available, it is a judgment on the demands for the service. The Fire Service will have a view as to whether their demands are generally more predictable than, for example, adult social care demands in other authorities. Reserves at the level of 6 or 7 per cent are relatively high compared to most authorities across the country.

To answer your question more directly, I think that is genuinely difficult for us to say. There is a wealth of information about the delivery of the service which is available across the country and there is a Fire Service College that is devoted to improving the level of expertise and value for money of the national service and so on. As one of the very biggest players in that field, I am sure the LFB is well plugged in to those national initiatives.

Nick Rogers AM: Thank you. Sharing best practice was an important aspect. OK, thank you. Tony, anything to add?

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): I, again, agree with Stuart. I have said that a lot today because I have. I think it is worth noting that the Fire Brigade, probably more than any of the other services we have discussed or any of the provision we have talked about, lives in a slightly odd world where the more effective it is, the less likely it is to get funded. If there were no fires in London, we would not need a Fire Brigade. It is a perverse incentive, in a way. It is slightly complicated for the Fire Brigade because they want to reduce the number of fires and ensure nobody is ever injured or dies, and of course the more successful they are the greater the risk that they will have their budget taken away.

It is not quite an answer to your question, but I do think it is worth seeing fire and emergency provision not just as what it is doing in this annual way but as something that is there when things go wrong, which occasionally in big cities they do. It is an insurance policy. It is not quite an answer to your question. In the end they are going to have to balance the books one way or the other, and that leads to the question of whether that cuts what it is delivered, or efficiencies, or the Mayor finding more money. I know it is a bit obvious but that is where we are.

Nick Rogers AM: I suppose, with the Fire Brigade, the nature of their workload has changed significantly in recent years. Maybe is there a communication piece that they need to make sure that they are doing, to remind people that they are not just there for fires, it is all kinds of other things as well? Building safety, road traffic collisions, that kind of thing.

Professor Tony Travers (Visiting Professor, London School of Economics Department of Government, and Director, LSE London): Without question. I suspect - and I am not being critical - for most of us the Fire Brigade is fire engines rushing through the streets and firefighters bravely doing what they do. But of course, as with politicians and as with everybody in their jobs, a lot of what they do is not what the public sees. Deconstructing that, explaining it and making the public feel - as we were discussing earlier on - part of a common endeavour, which we are, is clearly something the Fire Brigade probably would do for their own advantage, yes.

Nick Rogers AM: Thank you. Stuart.

Stuart Hoggan (Associate Consultant, LG Futures): My understanding is that the number of domestic fires has fallen very much over time as people smoke less and furniture is more fire-resistant. This whole debate takes us very much into, first of all, the risk assessment. What level of service do you need? How many fire stations do you need across the city to provide a level of security? Second of all, what is the balance between operational response and preventative work, which can very much add to the downward pressure on day-to-day incidents in a domestic context? Thanks.

Nick Rogers AM: Thank you. Finally, we will go to Alfie. Anything to add on this question, Alfie?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): No, nothing further to add.

Nick Rogers AM: Lovely. Thank you. Back to you, Chair.

Neil Garratt AM (Chairman): Thank you. I should probably say in defence of the Fire Brigade, who were here yesterday, they appear to have no lack of work. With flooding and wildfires, their two busiest days since the Second World War have both been in the recent few years. I think they would feel they are contractually obliged to point out that domestic fires, as you say, are only a small part of what they do. It is not to contradict you, it is just I do not want to get letters.

We will move on to our finally final bit, which is an overarching question from Assembly Member Hirani.

Krupesh Hirani AM (Deputy Chair): Thank you, Chair. I will maybe direct my questions at Alfie online from JRF, just to focus on an announcement made this morning from the Mayor on UFSM and the continuation of that into a second year. Just from your perspective, from your organisation's perspective, what outcomes do you feel that we will see as a result of this?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): The programme, as we have seen so far in the evidence that has been available so far, is positive. It has a positive impact, as you would imagine, on the families that are in receipt, and it is a very good use of this sort of funding.

But actually, this goes back to the point I made right at the very beginning. This is probably quite an isolated example of an effective measure that does seem to have been designed commensurate with the external environment that this budget is being set within. The problem is not so much in the efficacy of this intervention, which I think is good. Perhaps more could be done through this lever than is currently being done; nonetheless, what is being done is effective. But the problem is it is isolated. There are not enough items in the budget with this sort of immediate objective of financial relief to Londoners as perhaps there could have been or should have been, given the flexibility that we know there is in the budget.

Krupesh Hirani AM (Deputy Chair): OK. Could you just give a couple of examples of other options that could have come in?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): For example, around fares. You have dynamic pricing and there is a question of the distribution of the burden of fares. It is

perhaps one of the single most important levers that could be pulled in response to the immediate cost-of-living crisis.

We do not know where the Mayor is going to end up at therefore I am not commenting on where the policy is by the time of the Final Budget. On the information we have so far, the ideas that are in circulation and the conversation both with the Mayor and in the consultation documents, does not appear, elusive, and this might be an underused lever.

Krupesh Hirani AM (Deputy Chair): OK. Just in terms of UFSM, what do you feel the economic benefits could be of the policy?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): We know that in general, if you diminish the security of a family, that has knock-on effects for the health of an economy. The two obviously run both ways. If you deplete resources of low-income families to the degree where they are actually going hungry, the knock-on effects are both in the short term, in terms of reduced spending power, inability to participate in society and the economy and the effect that has on demand and so on, but much more importantly, in the long term, on educational attainment and ability to perform economically and socially. It is a well-evidenced phenomena in terms of support at an early age.

Krupesh Hirani AM (Deputy Chair): OK. I just want to clarify something that you said about the examples of what else can the Mayor do in terms of dynamic fare pricing. I just want to clarify that you meant that this is in addition to what was announced this morning with UFSM. Obviously, the Mayor has a finite pot, in terms of the Mayor's Budget, on what he is able to fund. Are you thinking more in addition to, or do you feel the £140 million spent or projected to be spent on the one-year extension is a positive way of allocating that money?

Alfie Stirling (Chief Economist and Associate Director, Joseph Rowntree Foundation): I think it is a positive use of that money. It is more the quantum of money going into these sorts of measures that I was commenting on, and other levers that might be able to go into. Fares is one example. Local childcare services and affordability is another. It is not so much that that £140 million could or should have been apportioned better or differently, but I think there is not enough funding for those sorts of measures given the scale of the challenge out there and the number of different levers that could be pulled.

Krupesh Hirani AM (Deputy Chair): OK, that is fair.

Neil Garratt AM (Chairman): Thank you very much. That is our final question this morning. I would like to thank our guests for attending and returning, in fact. Obviously, it was not too awful the first time around that you all decided to come back. Thank you very much.