

MAYOR OF LONDON

Darren Johnson AM
Chair of the London Assembly
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA171013-9349

Date: **05 DEC 2013**

Dear Darren

London Assembly (plenary) meeting 11 October 2013 – Motions and Pay 2013/14

Thank you for your letter of 14 October. I apologise for the delay in responding to you. I will respond to each of your Motions in turn:

London Property Market

I believe that, like many others, you may be overstating the scale and impact of overseas investment, based on somewhat limited data. Your letter claims that *"over 60% of new build homes in central London [are] now being sold to overseas purchasers [and] ... across London a third of buyers are now from overseas"*. I am afraid that the published data does not seem to support these claims.

On the central London picture, Knight Frank's fairly comprehensive research published in October does indeed show that 69% of *new build homes in prime London* were bought by non-UK nationals. But this is scant evidence on which to make the claims you do. Prime London is a small sub-market within inner London. The same research shows that, in inner London as a whole, 80% of new build homes were sold to UK residents, while in outer London this rises to over 93%. Also, new build homes are only around 10-15% of all homes sold in London each year. Research published by LSE in the same month shows that only 6.5% of total house sales by value in London were to overseas buyers. As Savills point out, the current level of sales to overseas buyers is about the same proportion now as it was in 1990. So there is nothing new about the phenomenon of overseas buyers, nor is it of sufficient size to distort the market in anything like the way that your letter implies.

With regard to the issue of whether homes bought by persons from overseas are left empty, the evidence would suggest that these homes usually go on to provide housing for new or existing Londoners. Savills reports that in prime London, of the homes bought by overseas buyers: 58% were bought to rent out, 27% were bought to be lived in as a main home and just 15% were bought as a second home. In the rest of London the number renting the new homes out is inevitably going to be much higher than in prime London, while the number of second homes for the world's super rich is going to be much lower.

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One could reflect that if a home is being bought as an investment, then it would be a poor investor who spurned the revenue return on that investment that would come from London's high rents.

So, on this basis, I would question the need to undertake the research you suggest, when it appears to have already been done and I will not be instructing my Chief Economic Adviser to do so.

I am still of the view that overseas investment in London is of huge value to London. Much of this investment help funds the delivery of housing. At a time when both bank lending and mortgages are still relatively scarce, without this overseas funding, many of these homes would simply not get built, and nor would the affordable homes on those developments.

The absolute priority for London is to increase the supply of housing to support London's growing population, which is essential to ensure the capital's continued economic success. I do not believe that these aims would be supported by proposals that would run the danger of choking off vital investment and damaging rather than assisting Londoners looking for affordable homes to rent or buy.

Earls Court Opportunity Area

As Mayor I have a statutory role in the planning process in London.

I am acutely aware of the concerns that some residents affected by the project have but I am reassured by the measures being taken by both councils and the developer to make sure the needs of local people are properly addressed. I am in no doubt that the development proposed for Earls Court and West Kensington will provide a significant boost not just to this part of the capital, but to London's wider economy as well. This is why I approved the master plan.

It is a landmark project that will create 7,500 homes, 12,000 jobs and new health, education, cultural and community facilities, as well as 23 acres of green space. There will be significant improvements to local transport infrastructure as part of the project, including new entrances to Earls Court and West Kensington Underground stations. It will make this strategically important part of the capital an even better place to live, work and visit.

The enhanced and expanded Olympia will ensure a large amount of the current exhibition business will be moving half a mile up the road, keeping this important source of local income and employment. The long-term economic benefit of the redevelopment will far outweigh any short term reduction in exhibition business.

Transport for London (TfL) has advised me that it has dual roles in relation to the Earls Court development. The first in assessing the transport impacts arising from the potential development in planning terms and the second as a landowner. These work streams are separate and distinct and are treated as such by TfL.

As a major landowner within the Earls Court Opportunity Area, TfL is committed to delivering the best value from all its landholdings for fare and taxpayers. Independent property advice showed that retaining an interest in the long-term development of Earls Court 1 and 2 through a joint venture with the tenant of the exhibition centres, Earls Court Properties Limited, a subsidiary of Capital and Counties Properties PLC (Capco), creates the maximum long-term value. TfL will reinvest revenue generated from the proposed deal into London's transport network to deliver increased and improved services for customers. The approval of the TfL Board is required before any joint venture with Capco, or any of its subsidiaries, is entered into.

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No decision has been taken on Lillie Bridge Depot (LBD). TfL has engaged with staff at LBD and with the Unions and made it clear that it is preparing a feasibility study into the future business needs of the Underground and whether the operational functions undertaken at LBD can be relocated or provided elsewhere.

If an operationally feasible and financially viable plan for the redevelopment of LBD was identified in the future, then at that stage:

- The possibility of moving operations and employees to other locations would be discussed in line with LU's normal processes; and
- TfL would consider whether a market sale or development of LBD by the business, in conjunction with a neighbouring landowner or with a third party partner is either operationally feasible or will represent best value for money. At this point it is premature for TfL to decide this.

Staff and Unions are aware that any future proposals would be subject to proper and timely consultation.

Wildlife Crime Unit

The Metropolitan Police Service is proposing a new way of working to deliver against Wildlife Crime without the additional funding. This means delivering the same level of service for intelligence and investigative provision, but delivered in a different way. This is in line with improvements being made across MPS intelligence and will increase opportunities to tackle Wildlife Crime by the work being done by a larger pool of people, including Borough Wildlife Crime Officers across the 32 Boroughs and work done by organised crime teams when necessary.

Conversion of shops into flats

I am glad that the Assembly, like government, recognises the challenges and opportunities posed by redundant retail space in town centres.

I share the Assembly's view that "town centres must adapt in order to thrive, and that injecting larger residential elements could be beneficial by utilising redundant space and increasing footfall... Such a move must be done in a plan led way to avoid destroying the integrity of retail areas in London".

I have commissioned research to identify the scale of future retail floorspace demand and the sorts of centres which may be most at risk to a contraction in growth, including that arising from changes in consumer expenditure and behaviour, not least the impact of internet and multi-channel shopping. In light of this I have asked the Outer London Commission to work with partners to investigate how largely housing led, mixed use, higher density redevelopment can both help modernise the ground floor 'offer' of town centres and make a significant contribution to meeting London's housing needs. The Commission has been asked to pay particular attention to the effects of these changes on different types of centre, distinguishing between the ways they may bear on larger and more attractive centres, neighbourhood and more local centres and medium sized centres. Emerging results from this work suggest that contraction in growth is likely to have a particular effect on medium sized centres and that those with good public transport accessibility may have most scope for planned, mixed use redevelopment.

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At this stage I would not rule out application of government's Permitted Development Rights based approach to tackling the issue of surplus space, but only in some well-defined circumstances, and not in a blanket fashion across all London's town centres. If that were to happen it could well compromise the benefits of more comprehensive redevelopment including a significant increment to housing provision and modernisation of ground floor space.

So, in my response to the government consultation 'greater flexibilities for change of use', I have raised a number of concerns with the government's proposed approach:

- It is likely to lead to un-managed, 'pepper potted' release of shop units to low density housing which is likely to cut across the approach to more comprehensive, managed release being considered by the Outer London Commission to deliver substantial, high density, retail or residential led mixed-use redevelopment in larger centres (most 'Metropolitans' and some 'Majors').
- Pepper potted permitted development rights for retail to residential could also compromise the approach in medium sized centres (some Majors, and more Districts) where retail frontages could be consolidated through residential led mixed use development; and in some 'Neighbourhood and more local' centres along with viable corner shops which would need to be safeguarded in recognition of their essential convenience retail and service function.
- Whilst there may be scope for pepper potted release in some of these smaller centres and in secondary/tertiary frontages associated with any of these types of centre it is considered that, overall and in the distinct circumstances of London, the CLG proposal would be less effective in terms of generating housing numbers than a policy/plan led approach.
- To address these concerns it is particularly important that any permitted development relaxations are not available within primary retail frontages in designated town centres proposed or identified in Local Plans.
- I have also expressed concern over the unplanned loss of pubs to other uses and recommended that if government proceeds with the proposal for A1 to C3, then it should retain the facility to support management of pub loss by removing permitted development rights for changes from A4 to A1 and A2.
- I have recommended that, if government proceeds with its proposals, the impact on local on- and off-street parking and requirements regarding car and cycle provision arising from a change of use should be recognised as part of the prior approval process.

Universal Free School Meals

As I said in my reply to Mayor's Question 2013/4096 on Universal Free School meals on 20 November, I am convinced of the benefits of universal free school meals in supporting the health and academic attainment of all London children.

I will be working through my GLA Food Team, with support from the School Food Plan office (who are based in City Hall) to support all of the actions in the School Food Plan which will help to ensure that all London's children are able to access and eat healthy school food. It is important to ensure that all children, throughout all school years, who are eligible for free school meals are able to take them up and we will be supporting measure to make sure they do.

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Finally, we are supporting, with the Department of Education, the establishment of two London Flagship Boroughs which will demonstrate how improving food across the whole community can have a transformational impact on health and attainment. The two flagships will be selected through a competitive application process, and every London borough is being encouraged to apply. Representatives from every London borough attended a recent briefing event on the flagships at City Hall, demonstrating a very high level of interest. The flagships will support increased uptake of school meals and may include extension of universal provision. I will continue to work with the School Food Plan office to encourage the extension of universality in London and I applaud those boroughs that have already made commitments to do this.

Fares

I have made clear my intention to keep fares affordable for Londoners, balanced against the need to protect and improve day-to-day transport services and maintain investment in London's transport network. This is why on 3 December I announced that I was freezing fares in real terms for 2014, with an average rise of RPI only from 2 January and a freeze on many fares at 2013 prices. This freeze was made affordable through a combination of measures including TfL's savings and efficiencies programme and commercial revenue targets.

All free and concessionary travel for young, elderly and disabled Londoners, as well as Veterans and members of the Armed Forces, has been protected in full. I have also expanded the range of concessions targeted on those least able to pay. In particular I have:

- Allowed Freedom Passes to be used on all TfL services in the morning peak;
- Provided free travel on TfL services for Londoners over 60 who are under the gradually increasing qualifying age for a Freedom Pass;
- Introduced concessions for apprentices;
- Introduced free travel for disabled war veterans and armed forces personnel in uniform; and
- Extended the Bus and Tram discount scheme to include more Londoners seeking work.

In London the average bus fare per journey, including TfL-funded concessions, is still less than 65p, compared to an average bus fare per journey of over £1 in other UK cities.

With regard to bus fares, I think it is important for us to consider the facts. I increased bus fares by more than Tube fares in my first term in office to reverse the cynical and unsustainable bus fares reductions brought in by my predecessor. Bus and Tube fares have since gone up by similar amounts. Average fares today are five per cent to six per cent higher in real terms than they were in 2007 immediately before my predecessor's cynical reductions. That is an increase of no more than one per cent a year.

Along with a massive programme of savings and efficiencies at TfL, these increases have enabled TfL to protect and improve day-to-day transport services and maintain the massive investment being made in London's public transport, which is essential to provide for the continuing growth in passenger numbers. This has already resulted in great improvements in the quality and reliability of the services offered, including bus services, which were recently recognised by the Assembly's Transport Committee as being 'world-class'.

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Targeted fares reductions

While your proposals have their attractions, they all cost money and I see no sign of the Assembly endorsing policies which would enable such new discounts to be funded. My view remains that such increases are not what Londoners want in difficult times.

Revised Early Minor Alterations to the London Plan

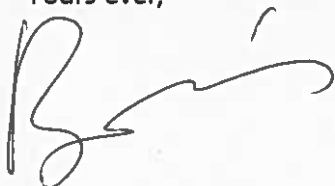
Thank you for inviting me to respond to Motion 7 on the Revised Early Minor Alterations to the London Plan (REMA) passed by the Assembly on 10 October.

Having taken full account of all material considerations on 9 October as set out in Mayoral Decision 1268, I resolved to publish the REMA on 11 October and informed you of this in my letter of 9 October. My decision form addresses the substance of the issues raised in the Assembly's motion. REMA was indeed formally published on 11 October.

Pay 2013/14

I have agreed that the 1% consolidated pay award made to GLA staff should also be made to the GLA's statutory officers (the Head of Paid Service, the Executive Director of Resources as Chief Finance Officer and the Monitoring Officer). In addition, I have agreed to award the 1% increase to my appointments appointed under sections 67 1 (a) and (b) of the GLA Act. I am not intending to take this pay increase myself.

Yours ever,



Boris Johnson
Mayor of London