

MAYOR OF LONDON

Rt Hon Philip Hammond MP

Chancellor of the Exchequer
HM Treasury
Horse Guards Road
London SW1A 2HQ

Date: 03 OCT 2018

Dear Philip,

Budget 2018

I am writing to set out my priorities and policies that Londoners urgently need to hear from you in your Budget statement. Some will be familiar to you and your officials, but it is now vital we see greater urgency, action and progress in this economically uncertain time.

London's latest devolution deal signed last year showed a positive direction of travel. The Budget needs to build on this agreement and ensure that London, as well as the UK's other cities and regions, have the powers and tools we desperately need devolved to us to safeguard our future prosperity. With the consequences of a 'no-deal' Brexit becoming increasingly clear, this extra control has never been more important for Londoners and citizens of the UK as a whole.

Housing

Tackling the housing crisis is a priority that City Hall and the Government share, and I welcome the Prime Minister's conference announcement that caps on councils' Housing Revenue Account borrowing are to be lifted. Your Budget presents an opportunity for you to implement meaningful action to increase the pace of building of the homes that Londoners need. The development industry welcomes policy certainty; intervention by government to ensure this is the case is therefore particularly important at a time when the possibility of a hard Brexit risks weakening London's housing market and depleting its construction workforce.

My threshold approach to affordable housing, which the Housing Minister recently praised for being innovative, has provided important certainty for developers by offering a way to avoid the cost and uncertainty of protracted viability negotiations between local planning authorities and developers. Since this policy being adopted just over a year ago, it has led to 23 approved schemes that have been referred to me being immediately 'fast tracked' as they met or exceeded my threshold of 35 per cent affordable housing. In addition to these schemes, since being elected I have also used my powers to 'call-in' eight refused applications, thereby avoiding time-consuming and costly appeals, to ensure the approval of over 8,000 units with an average of 39 per cent affordable housing.

MAYOR OF LONDON

More broadly, data from the Home Builders Federation shows that the number of homes given planning permission in London reached a record high in 2017, and so as you and I have discussed before, our focus must be on increasing the rate of delivery of consented units. My submission therefore contains specific measures that can be taken immediately to speed up build out rates on large sites (as Sir Oliver Letwin has been investigating), unlock more land for new homes, build more council and other affordable homes, and support Londoners in housing need.

Policing

Keeping Londoners safe is my top priority, but if we are to tackle the national scourge of violent crime that is rising unacceptably across the country, you must prioritise funding now. Waiting until the Spending Review is not a sustainable option. I am doing what I can in London – in the past two years I have invested £138 million in the police and I have also taken the decision to allocate funding to the Metropolitan Police Service (MPS) using money collected from business rates that would usually be spent on other important projects in London. This means we will be able to support an additional 1,000 police officers from 2019-20 than would otherwise be affordable. I have invested £15 million in a Violent Crime Taskforce – a unit to specifically tackle knife crime and directed an initial £500,000 towards establishing a Violence Reduction Unit to deliver a long-term public health approach to tackling the causes of violent crime.

I am also working with the MPS to deliver extensive efficiency savings whilst they are in the process of delivering the most significant transformation programme in generations. This has included: a significant rationalisation of the estate and disposal of surplus buildings; moving to a more efficient operating model based on 12 Basic Command Units, rather than 32 Borough Commands, and rolling out new technology such as body worn video and mobile devices which allow frontline officers to use their time more efficiently.

Yet it is clear that with the huge savings delivered by the MPS since 2010 and a further £325 million needed by 2021, the Government need now to accept the scale of the challenge and recognise that their cuts really do have consequences. I welcome the Home Secretary's admission that the police need greater funding. It is now up to you to bring that investment forward in the Budget.

Youth Services

Sadly, government cuts in funding have decimated many of the services for young Londoners which help to provide pathways away from crime. The closure of 81 youth centres and loss of at least 800 full-time youth workers in the capital since 2011 mean there are far fewer opportunities for young Londoners. I established a £45 million Young Londoners Fund to invest in projects and young people to help fill that gap, but it can't meet all of the demand. In your Budget there needs to be an urgent commitment to restoring funding for youth services to help young people fulfil their potential, particularly those at risk of getting caught up in crime.

Business Rates

I have strongly welcomed the 100 per cent Business Rate pilot that is forecast to deliver over £700 million of additional spending on strategic investment across the capital. An obvious and natural progression would be to extend the 100 per cent pilot to 2019/20 as a higher business rates retention share in London generates more tax revenues, jobs and more economic growth which benefits the capital and the country as a whole.

MAYOR OF LONDON

Air Quality

I am determined to clean up London's dangerous air. Making air quality in London compliant with legal requirements is essential for improving the health and wellbeing of Londoners. Thousands of Londoners die early each year as a result of air pollution and it costs London's economy an estimated £3.7 billion. In your Budget I am therefore seeking the necessary funding to help clean up the capital's toxic air.

Transport

I was deeply angered and frustrated at the delay to the opening of the Elizabeth line announced by Crossrail Ltd on 31 August and I have launched a full investigation for both sponsors into the governance of Crossrail that will report shortly. I am also in discussion with the Transport Secretary to find a funding and financing solution that recognises that Transport for London (TfL) alone does not have the resources to cover the cost increases incurred by Crossrail Ltd. As we focus together on remedying these pressing issues in order to open the Elizabeth line as soon as possible and avoid the Treasury having to take on £3 billion of TfL debt, we must not lose sight of the longer-term infrastructure needs of London and the South East.

Crossrail 2 remains a crucial project, as the National Infrastructure Commission identified. As we prepare to leave the European Union, investment in Crossrail 2 will be essential to instil confidence in business and foreign investors that London – and the UK – remain open for business. A decision needs to be reached by December – a timetable we are working on with DfT – if we are to safeguard the land, consult with the public on revised proposals, and prepare for a Hybrid Bill to enable Crossrail 2 to be operational in the mid 2030s to support HS2 phase 2's opening. I would welcome acknowledgement of your continued support to this vital scheme and a commitment to this timetable in the Budget.

It is also essential to maintain investment in existing and nationally significant infrastructure. Steady and sustained investment in modern digital signalling, now largely funded through retained Business Rates, has made the Northern, Jubilee and Victoria lines some of the most frequent and reliable metro services in the world. This has enabled us to just about keep pace with London's growth and, with the Elizabeth line, has been core to attracting business investment and new jobs and homes. It has been crucial to the successful introduction of Night Tube services which have stimulated the night time economy over and above all original projections. Similar benefits will be delivered in the early 2020s following the completion of the Circle, District, Hammersmith & City and Metropolitan line upgrades. This will, however, still leave the deeper Tube lines – some of the busiest on the network – in desperate need of modernisation.

This is particularly the case with the Piccadilly line where it is essential that we protect the order for a new fleet of trains to replace the existing life-expired stock and secure the resources necessary to introduce modern digital signalling to increase capacity. I look forward to your continued support for financing steady and sustained investment in existing infrastructure to secure the resilience of our transport network and to maintain London's attractiveness as a global business centre, particularly in the years following our exit from the European Union.

MAYOR OF LONDON

Skills

Improving the skills of the UK workforce will be essential to meet the needs of our changing economy and mitigate the effects of Brexit. Further devolution of funding and powers – including the devolution of the 16-19 budget and control of funds raised by the Apprenticeship Levy – will help deliver the improvements to productivity we all wish to see. Devolving the Adult Education

Budget to combined authorities should be seen as a first step in wider regional skills delivery, closer to the people, jobs and businesses in London and beyond. The recent letter I co-signed with the Mayors of the Combined Authorities shows that the UK's city leaders are of one mind in calling for further skills devolution, and we will continue to press for changes that will benefit a significant proportion of the UK's learners.

Finally, I am deeply concerned with the economic consequences of a bad Brexit deal. As you have said yourself, we are at a critical juncture for the UK economy, and that is why the priorities set out in my letter need to be addressed if we are to protect London and the UK's future prosperity.

My Budget asks are set out in more detail in the attached paper. I would welcome a meeting to discuss these with you and will ask my office to contact yours to see if this can be arranged.

Yours sincerely,



Sadiq Khan
Mayor of London

Att.

Cc Jo Johnson MP, Minister for London
Gavin Barwell, Chief of Staff, 10 Downing Street