

Annex

Mayor of London, Budget 2018

- **Housing**

Build out rates on large sites

My team and I contributed to Sir Oliver Letwin's review of build out, which has been of significant interest to us, not least because some of his case study sites are in London. I agree with the central argument of his analysis and I look forward to working with the Government to take forward those of his recommendations that will help accelerate build out in London. There may be immediate opportunities to increase build out rates at Barking Riverside and North Greenwich, two of the case study sites considered by Sir Oliver's team. If there is appetite to pursue these opportunities, or to look at similar opportunities on other large sites, then please ask your officials to contact Greater London Authority (GLA) officers.

Unlocking land for new homes

Beyond those large sites that have been the subject of Sir Oliver's review, there are a wide range of other sites that are held back from being built out due to issues such as land ownership, missing infrastructure, contamination, and speculation. I am convinced that, alongside its traditional planning and limited investment functions, the public sector needs to play a more interventionist role in the land market to address issues such as these. To support this, last year I earmarked £250 million of City Hall resources toward a new revolving Land Fund. This Fund has already supported a deal to unlock the redevelopment of the St Ann's Hospital site in Haringey, providing around 800 new homes, and we expect the Fund to be fully committed within the year.

With more resources we could go further, and I welcome the recent work between my officers and Government officials to secure London's share of the Accelerated Construction, Land Assembly, and Small Sites funds. I would urge you to expedite the process we are engaged in to agree Housing Infrastructure Fund (HIF) projects, and to act on the recommendations of the National Infrastructure Commission (NIC) by allocating further funding to future rounds of HIF.

Over the longer term, I want to work with the Government to explore how reforms to land assembly rules, and an increase in the capacity to lead land assembly projects, could accelerate and increase housing delivery in London. Recent research I commissioned, *Capital Gains: A Better Land Assembly Model for London* (www.london.gov.uk/sites/default/files/gla_capital_gains_report.pdf), recommends a package of reforms that could overcome the issues that delay or impede the assembly of land for housing. The GLA is exploring the potential to pilot a scaled-back version of some of the reforms this research proposes; I would welcome an acknowledgment of the GLA's work in this area, and an indication that government officials will stay in touch with GLA officers as plans for a pilot progress.

I would also like to highlight the positive role that City Hall is playing in support of Government departments to bring forward their surplus landholdings for redevelopment. However, unlike the arrangements for Homes England outside of London, the GLA lacks any formal role in overseeing public land befitting its devolved housing responsibilities. In my team's discussions with housing ministers over the past two years, there has been clear support for the GLA to be given at least an

MAYOR OF LONDON

equivalent role in London to that which Homes England has outside London. I would welcome your support in my discussions with MHCLG to ensure this is actioned.

Affordable housing

Last year, City Hall funding supported the highest number of affordable housing starts in London since housing powers were devolved. I have moved quickly to build on this success using the additional funding you announced at the Spring Statement, including through a dedicated new funding programme for council housing. Through this programme there has been substantial interest in grant funding and in extra HRA borrowing. Bids for the latter have far exceeded the initial £500m of headroom allocated to London, and I therefore welcome the Prime Minister's conference announcement that borrowing caps will be lifted.

The current funding programme ends in 2022. I have asked my officers to begin preparing a detailed submission to the forthcoming Spending Review, focused on making a case for higher levels of spending on affordable housing. I would also like you to consider the case for offering a longer-term settlement for affordable housing grant funding, similar to the settlements agreed with TfL, to unlock additionality in housing association programmes.

More immediately, my officers have been in discussions with the Government about the £150 million Housing Zones loan funding, which is due to be returned to Treasury once it is repaid from the end of this calendar year onwards. Recycling the funding could unlock up to 2,000 additional homes; but this must be agreed very soon if the benefits are to be realised.

Homelessness

I welcome the Government's commitment to review the new burdens funding allocated to local authorities to cover the costs of the new responsibilities conferred by the Homelessness Reduction Act 2017 within two years of its implementation. I share London boroughs' concerns that the funding currently available to them falls far short of the sums they need.

In June, I published my Plan of Action to end rough sleeping in the capital. It sets out my intentions to expand services in London, and also my requests for reforms and additional funding from the Government. Following the forthcoming publication of Government's own strategy, I would welcome urgent discussions about the resources needed to deliver our shared priorities. For example, an immediate priority is to improve the support that former rough sleepers receive once they are moved into permanent accommodation. With £3.4 million of government funding, the GLA could create a new pan-London cross-tenure tenancy sustainment service to prevent ex-rough sleepers returning to the streets.

I also welcome the Government's commitment to hold back a proportion of Flexible Homelessness Support Grant (FHSG) funding for 2017/18 through to 2019/20 to support London boroughs' closer collaboration in securing accommodation for homeless households. I am concerned by the risk, recently identified by MHCLG, that as much as £26 million of the £40 million earmarked for this purpose may not be allocated due to Government spending rules. The prospect of this funding has been key to boroughs' unprecedented progress with working together in this area. Similarly, I understand that some of the previously committed £4.2 million of funding for rough sleeping projects in London – including a hostel clearing house and the Safe Connections service – may also be at risk despite MHCLG officials previously assuring us this would not be the case. I urge you to ensure that the Government's commitments to earmark this funding are honoured.

MAYOR OF LONDON

Welfare reform and supported accommodation

I welcome the Government's decisions to reverse the removal of automatic entitlement to the housing support element of Universal Credit from 18 to 21-year-olds and to increase both Target Affordability Funding and Local Housing Allowance (LHA) caps. But the gap between the help the welfare system offers these households and the cost of rents in London is huge and will continue to widen while the freeze on LHA rates continues and the Benefit Cap remains at its current level. I urge you to use the Budget to lift the freeze and raise the Benefit Cap in London.

With announcements around future arrangements to cover the housing costs of those in short-term supported accommodation imminent, I urge you to consider allocating the funding intended for London boroughs' provision of refuges to the GLA, to support a pan-London approach to refuge provision that brings together housing and support costs, as well as capital investment in refuges. I am confident that a pan-London approach will help ensure that provision better meets need, including the pressing need for specialist provision for some groups whose needs are not well-served by the generic provision towards which current arrangements tend.

Old Oak

Old Oak has the potential to become a major new centre in west London, with long term capacity for 25,500 new homes and 65,000 jobs built around the new HS2 and Elizabeth Line station. The GLA and Old Oak Park Royal Development Corporation (OPDC) have submitted a compelling Business Case for £250m of Housing Infrastructure Funding. The GLA and TfL are supporting this with a package of operational funding for OPDC, borrowing, affordable housing grant and transport investment. This complementary package of public investment will unlock and drive forward delivery of the first phases of 13,000 homes and 23,000 jobs and I look forward to your support for our HIF bid.

• **Police Funding**

Keeping Londoners safe is my most important responsibility and I remain deeply concerned about the funding crisis facing the police, both in London and nationally.

We have witnessed an increase in violent crime across the country, and I am determined to do everything possible to tackle this problem here in London. I already commission a wide range of preventative activities through MOPAC, such as the London Crime Prevention Fund, and added to that this year with the launch of the Young Londoners Fund worth £45 million over three years. I welcome the public recognition from the Home Secretary of the scale of the challenge facing the MPS over resources, officer numbers and increased crime. It is good to hear him echo what I have been saying for some time now about the consequences of the cuts to police funding, which have left our officers, in his own words, feeling, "stretched, overburdened, and not sufficiently rewarded". Concerns regarding financial resilience were also raised in the National Audit Office's report on the 'Financial sustainability of police forces in England and Wales' published on 11 September. This pointed to "signs emerging that forces are finding it harder to deliver an effective service", while confirming that "central government funding to commissioners has fallen by 30 per cent in real terms since 2010-11".

MAYOR OF LONDON

The cuts to central government funding for the MPS has required them to deliver more than £700 million in savings in recent years and officer numbers have now fallen below 30,000 for the first time since 2003, yet the Government's funding settlement still requires the MPS to make a further £325 million saving by 2021. The MPS have risen to this challenge and 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. Nonetheless, the consequence of real budget reductions since 2010, coupled with the increasing demand faced by the police, is having an impact now, so waiting until the Spending Review next year to tackle this is far too late.

I am doing what I can. In the past two years I have invested £138 million in the police and I have also taken the decision to allocate the MPS funding 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, paid for by the residents and businesses of London through council tax and business rates. As a consequence, the GLA now provides nearly a quarter of all MPS funding compared to less than 20 per cent in 2010.

You could use your Budget to immediately halt the real-term cuts that our police service has undergone since 2010, putting public safety first and help the MPS and police forces across the country get a grip on violent crime. Specifically, I urge you to reconsider the level of the NICC grant which is provided to the MPS and which is currently underfunded by £170 million. London plays a crucial role in the UK economy through business, tourism and its role as our capital city. This wouldn't be possible without the safety and security which the MPS provide. But this additional responsibility for the MPS comes at a cost of £344 million per annum according to the findings of a panel led by Sir Richard Mottram which reported to the Home Office in 2015. In response the Sir Richard's recommendations to the then Home Secretary decided to provide only £174 million per annum. The resulting shortfall is placing considerable strain on the MPS at a time when demands faced by the MPS are increasing in volume and complexity. Reversing this shortfall in the Budget will enable us to properly resource the police and keep our streets safe.

- **Business Rates**

The ability for local authorities in England to retain up to 50 per cent of the additional growth in business rates income in their areas since 2013-14 has been a positive step forward. This has been enhanced through allowing local authorities collectively to pilot 100 per cent retention of business rates growth in 2017-18 and 2018-19.

London Government is committed to further business rates devolution and has shown how well it can work together by developing a successful 100 per cent retention pilot in 2018-19. This is forecast to deliver over £800 million of additional strategic investment in housing, regeneration, skills, transport and digital infrastructure across the capital, including £650 million of private and public sector leverage over and above the growth in business rates revenues applied. The pilot has also supported London boroughs' investment in transformation programmes that will help them address the impact of ongoing reductions in core funding. The success of the 2018/19 pilot is evidence of how City Hall and all of London's boroughs and the Corporation of London are willing and able to take collective decisions in the best interests of our city.

MAYOR OF LONDON

I have announced the first projects to be supported by my £112 million Strategic Investment Fund, generated from the growth in business rate receipts from the pilot. The first £91 million allocated is expected to leverage in nearly £435 million of other public and private sector match funding. Part of the funding will go directly into my Good Growth Fund, to support a range of community projects across London, as well as new affordable artists' workspaces in parts of London undergoing wider regeneration and a study into the economic opportunities in London's West End. London Councils will also be announcing the initial allocations of the London wide Strategic Investment pot which for a £47 million investment through business rates growth is expected to leverage in a further £216 million of match funding. The additional jobs, housing, economic growth and regeneration benefits – as well as the additional tax revenues generated for central government – will far outweigh the investment from business rates growth.

The success of the pilot provides a strong case for developing the pilot further in 2019-20 and allowing London again to retain 100 per cent of business rates growth on the same basis as those Mayoral Combined Authority areas outside the capital with devolution deals in place. The GLA and London Councils have therefore submitted a joint proposal to the Government for the extension of our pilot which includes a commitment that the GLA's share of any growth will again be applied for strategic investment. This extension would provide London government with the certainty and stability to enable more robust strategic investment decisions to be made.

London, like other cities and regions, needs an adequate, sustainable and long-term funding deal to allow us to manage our own growth. We note that the Government has committed to moving to 75 per cent retention nationally from April 2020. We would encourage it to bring forward primary legislation as soon as possible to allow a full move to 100 per cent retention as it has previously committed to doing. This should be part of a wider medium-term commitment to devolve responsibility for the tax itself to London government as well as to the other cities and regions of England.

Business rates are already successfully devolved in Scotland, Wales and Northern Ireland and I would urge you to give serious consideration to devolving more responsibility for the administration of business rates to the capital, similar to those devolved arrangements already in place. This would include devolving responsibility for the Valuation Office Agency to London government which would allow the capital to be decoupled from the national revaluation arrangements as well as providing greater accountability for the Agency's performance, particularly in relation to dealing with backlogs in business rates appeals and challenges to valuations. This reform would potentially allow us to avoid a repetition in five years' time of the huge increases in bills which have been levied in London as a result of the 2017 revaluation.

The business rates system itself also requires a radical overhaul and merits the sort of detailed scrutiny which has been undertaken by the Scottish Government through the independent Barclay review. After Brexit one of the biggest concerns of businesses in London is the impact of business rates. Your Budget is the opportunity to signal that the Treasury is committed to reforming the system including bringing forward more detailed proposals on your intention to consider the introduction a digital tax on online businesses to level the playing field with high street retailers.

Granting cities revenue-raising powers can promote accountability, fairness and economic efficiency. With the consequences of a 'no-deal' Brexit looming, this extra control has never been more important. I hope you will therefore agree to continuing the 100 per cent retention pilot in London 2019/20 and committing to implementing 100 per cent retention as soon as possible nationally alongside a medium-term objective of fully devolving the tax itself to local government

MAYOR OF LONDON

ideally prior to the 2021 revaluation. The current one size fits all approach to managing business rates across England simply is not working for business or for local government.

In advance of the Spending Review next year my team would also welcome meaningful discussions with your officials regarding the further devolution of fiscal powers, that will help safeguard our future prosperity.

- **Air Quality**

I am particularly concerned about the lack of Government support to help small business van owners switch to cleaner vehicles, which is essential if we are to deliver vital improvements in air quality in our cities. With the introduction of Clean Air Zones across the country this is now a national issue.

17 city leaders with a total population of 20 million citizens have recently written to the Prime Minister on implementing Clean Air Zones stating their support for measures to help fleet renewal for small businesses and those on low incomes. In London, I have considered your feedback and developed a much smaller, targeted £90 million proposal. My proposals are now explicitly linked to helping small businesses adopt over 10,000 electric vans, helping to create industrial opportunities, jobs and wider economic benefits as well as ensuring that schemes like the Ultra-Low Emission Zone deliver the air quality improvements we so desperately need without affecting small businesses. Given the strong link to supporting the uptake of electric vans, this could be funded from existing OLEV resources, including the much-underutilised plug-in van grant fund.

You will know that Highways England has a ring-fenced budget of £75 million to improve air quality as part of the Road Investment Strategy (road period 1) but it has so far only spent £3 million. In its annual assessment of Highways England's performance, the Office of Rail and Road stated that there is particular risk to delivering the intended investment through the Air Quality Fund and that options for addressing this should be reviewed with Government. Despite the air quality challenge we face, London is effectively excluded from this fund. The Government's Air Quality Plan shows that, even with the introduction of Clean Air Zones and additional actions, the strategic road network in London will account for 89 per cent of UK roads exceeding legal limits in 2021.

There is currently no budget to effectively address these hotspots; they constitute a major compliance risk and is likely to prevent the Government from achieving its legal commitment to be compliant by 2025. It seems perverse that this funding – which is not being used elsewhere – cannot be used where it is most urgently needed. I would be grateful for your help in ensuring that London can benefit from this funding in the same way as any other part of the country so that we can work together to tackle the remaining pollution hotspots as soon as possible.

- **Skills**

I, along with the cross-party leaders of England's Combined Authorities, agree on the need for further devolution of powers on skills, including the power to spend our proportion of the £1.3 billion of the unspent Apprenticeship Levy money in our own city regions. This is a first step towards what I personally want for London, which is for London's whole contribution to the Apprenticeship Levy to be ringfenced and devolved to spend on meeting the capital's complex skills needs. I would also like to see changes to the Education and Skills Funding Agency's (ESFA) funding rules to allow City Hall to pool and strategically distribute transferred employer levy funds.

MAYOR OF LONDON

Devolution of the Adult Education Budget (AEB) to London is making significant progress but further funding is required to support the administration of this devolution. The existing implementation budget is significantly less than the cost of implementing devolution and additional resources will ensure I and the leaders of other Mayoral and combined authorities, will not be forced to draw funds from the AEB itself to meet administration costs. I want a tangible strategic influence over planning for 16-19 provision in the capital, to ensure that, alongside the devolved AEB, London is working towards having a more strategic, whole-system approach to post-16 skills.

In addition, I am seeking the devolution of funding for the London area-based delivery of the National Careers Service (NCS), and support from the ESFA to unlock an additional £16 million of London's unspent European Social Fund money to top up NCS provision in the capital.

- **Transport**

Elizabeth line

Myself, the Transport Secretary, GLA and TfL officials are in ongoing discussions with your department to find an urgent funding solution to the financial challenges of the Elizabeth line. Quite simply, TfL alone does not have the resources to cover the cost increases incurred by the delay to the opening of the line and the Treasury will have to take on full financial responsibility for the project if a joint funding solution cannot be found. I appreciate the ongoing dialogue between government and officials in City Hall and TfL and I hope we can find a solution soon that works for all of us.

Piccadilly, Central, Bakerloo and Waterloo & City lines

Steady and sustained investment in modern digital signalling will soon deliver significant benefits on the Circle, District, Hammersmith & City and Metropolitan lines and has already made the Northern, Jubilee and Victoria lines some of the most frequent and reliable metro services in the world. We must all make sure this level of investment is maintained so that the remaining, deeper Tube lines can also be modernised. The immediate focus has to be on the Piccadilly line, where new trains are needed to replace the existing life-expired stock and the introduction of modern digital signalling would allow significant increases in capacity, including to Heathrow airport. I look forward to continuing to work with you to put in place effective solutions for financing the upgrade of this nationally-significant railway infrastructure.

Crossrail 2

Crossrail 2 remains a crucial project for the 2030s and TfL continues to make good progress in partnership with the DfT to deliver the scheme. The interim report of the Independent Affordability Review in July was a milestone in the development of our plans and acknowledges that the "reference case" best addresses the challenges, while at the same time considering alternative phasing options to meet the affordability challenge.

For Crossrail 2 to be operating in the mid-2030s as planned, by which point demand and crowding on London's network will reach operationally challenging levels, in part due to the opening of HS2 phase 2, we need a decision by December on the route and potential phasing if we are to keep to the current timetable – the timetable my team is working to with DfT – to complete a Hybrid Bill during this parliamentary term. That commitment from government in the Budget would allow us,

MAYOR OF LONDON

crucially, to safeguard land, consult with the public on revised proposals and prepare for the Bill. The development funding that the project needs in the near term is relatively modest and I can assure you London remains committed to funding its share of the cost.

- **Waste**

Regarding waste management, funding for London local authorities to maintain the current level of service is under severe pressure, making any increase in recycling problematic. London needs an additional minimum of £112 million (one-off) for new collection infrastructure as well as additional annual revenue support, to maximise London's contribution to achieving the Government's own household waste recycling targets. In addition, London has not had any strategically allocated central government resources since the establishment of the London Waste and Recycling Board (LWARB) in 2007. This statutory body, comprising the GLA and London boroughs, has had a significant impact in helping to boost household recycling levels from 25 per cent to 33 per cent through the effective and impactful allocation of strategic funding. However, its current funding of £20.4 million is due to have been fully committed by 2020 and no additional resources have been made available. Directing funding from landfill tax receipts (an estimated £93 million per annum), or other national funds such as the Clean Growth Strategy Fund, or funds from Enhanced Producer Responsibility would help facilitate the service improvements and innovation required to achieve our shared goals.

- **Access to Government funding**

I am concerned that London has been excluded from bidding into some significant pots of government funding to which the capital has contributed. London was excluded from bidding into the Government's Clean Air Fund of £220 million and the Highways England air quality budget of £75 million. In addition, London based organisations were excluded from bidding into the Government's Cultural Development Fund, despite a fifth of London's local authority funding for arts and culture having been cut since 2010 and funding from Arts Council England has been at a standstill since 2015.

I want to see a thriving UK and I have regular discussions with my fellow regional mayors about how we can work together to drive growth in our regions. However, London has a crucial role in driving growth in other parts of the UK and any threat to London's economic resilience is demonstrably a threat to growth in towns and cities across the UK. Excluding London and London based organisations from accessing government funding is therefore both counterproductive and short-sighted.