

London Assembly Planning Committee

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Boris Johnson
Mayor of London
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Our ref:
Date: 12 June 2014

Dear Mayor Johnson

Long-term infrastructure plan for London

The Assembly welcomes your intention to undertake work on the development of a long-term infrastructure plan for London.

The Assembly is keen to maintain a positive dialogue and involvement in the process of developing this plan. It has been agreed that the GLA Oversight Committee will retain a general overview of the scrutiny of the infrastructure plan, but other Committees will be keen to contribute to its development according to their particular terms of reference.¹

This letter sets out what we want to see incorporated in the draft version of the infrastructure plan that is expected to be published around the end of July. Attached is a memorandum from the Planning Committee that provides additional context and detail based on a number of meetings undertaken since November last year.²

The Planning Committee will contribute at significant milestones as the project develops and I will be writing to you again once the draft plan has been published with further ideas for the final infrastructure plan.

Strategic objectives

In your 2020 Vision for London you outlined how you might want to respond to the challenge of growth. You said "first we need to agree on the goal - the basic ambition."³

¹ GLA Oversight Committee 3 October 2013

² Meetings of the Planning Committee that discussed issues relevant to the infrastructure plan took place on 28 November 2013, 25 February and 11 March 2014

³ Mayor's 2020 Vision, page 6

It is already recognised in the London Plan that London should excel among global cities – expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.

You need to ensure that achieving, and supporting, sustainable growth is at the core of this infrastructure plan. Adequate levels of infrastructure are vital to make London sustainable. Growth that is not sustainable is not meeting London’s needs.

Time frame

We appreciate that there is a debate about the time frame covered by the plan. Our view is that the period to 2050 would be a good end point, but the precise end date of the plan is relatively unimportant. Different pieces of infrastructure have different life cycles. Different providers of infrastructure have variable planning cycles, and new pieces of infrastructure will be required to support major new developments as they are built.

The plan therefore must set out a clear sense of direction and must be specific about the phasing of the different pieces of infrastructure needed to support growth.

Establishing the evidence base

At the Planning Committee in November 2013, Sir John Armitt set out the case for new infrastructure to be based on a sound and widely accepted evidence base.⁴ The evidence needs to establish the state of London’s infrastructure assets, and the demands that growth will place on the system. This evidence is needed to give political decision makers the awareness of the implications of either delaying investment or, worse, doing nothing.

We welcome the proposal that the GLA create an “asset register” to assess the state of London’s infrastructure⁵. This would sit alongside a list of individual infrastructure projects that will be needed to support London’s growth. Furthermore we would press you to take up Sir John’s suggestion that the costs of delaying or not proceeding specific projects should be explicitly identified and factored into the plan.

What kind of infrastructure?

The GLA needs to be clear about what we mean by infrastructure. We would agree that ‘hard infrastructure projects’ – pipelines, highways, transport, water, sewage and communication systems provide the foundation of a city’s success, prosperity and well-being. The long-term infrastructure plan must contain a comprehensive list of such projects.

But equally vital, in our view, is ensuring that our social infrastructure is not neglected. Social infrastructure such as health services, education facilities and recreational amenities⁶ have a major role to play in supporting London’s expected growth, particularly in places where significant new housing is proposed. This will make residential areas more attractive and enable them to function

⁴ Planning Committee, 28 November 2013

⁵ Fiona Fletcher Smith, Planning Committee, 28 November 2013

⁶ The London Plan, paragraph 3.86 details further examples such as health provision, nurseries, schools, colleges and universities, community, cultural, play, recreation and sports and leisure facilities, places of worship, fire stations, policing and other criminal justice or community safety facilities.

as sustainable neighbourhoods and communities.⁷ It is therefore essential to plan for high quality social infrastructure alongside the 'hard infrastructure' projects particularly in major new development and regeneration areas.

While replacing outdated infrastructure as development opportunities arise we must not forget that modernising our existing infrastructure will also play a part. It will be important to take the opportunity to retrofit. There is considerable scope for this to be done efficiently.

A complex operational and planning environment

Planning and funding this scale of infrastructure requires skilful navigation of the Capital's complex ownership, operational control and regulatory environment. About 60 per cent of London's infrastructure assets do not sit in public sector hands and these commercial operators work to their own business needs and funding plans. We heard that some utility companies only forecast for about three years ahead. Bringing all these 'actors' together, getting them to sign up to your vision for a sustainable London and to stay on-board for the long-term is going to be a major challenge.

As Mayor you will need to think very hard about what levers you need to achieve this and take every opportunity to lobby for increased responsibilities and funding whenever there is clear value in the further devolution of powers to London.⁸ The work of the London Finance Commission shows the value of mapping out a clear way forward, but also how an agreed action plan could set out the key milestones to ensure that the vision can become a reality.

Future proofing

The Plan will necessarily have to set out short, medium and long-term scenarios as to the infrastructure needed and each of these will need regular reviews to match demand to the scale of support they require. It is vitally important that the long-term view is not neglected.

When engaging in long-term forecasting and planning there are challenges to assuming that current trends will continue unchanged and that existing methods of resource use and delivery will continue. Technological developments add to the challenge of developing such long-term infrastructure plans. The potential exists of embarking on major investment that might be obsolete or incapable of adaptation in the future.

Your infrastructure plan must consider how emerging technologies might make providing services and support to future Londoners easier, more efficient and, in some cases, in a revolutionary way. You must pledge to make a regular review of emerging technology an essential part of the plan. If we do not build in consideration of the future we risk wasting a huge amount of capital on 'stranded assets'.⁹

A decentralised and modular London

In planning for the future we should not neglect to remember the past and the context for how London is today. London remains a city of villages, and there must be merit in considering how

⁷Draft Further Alterations to the London Plan, January 2014, paragraph 3.86

⁸ For example the current CLG select committee inquiry on fiscal devolution to cities and city regions which will examine whether and how fiscal and financial powers could be devolved to London and English cities

⁹ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

this modular nature – one world city made up of thousands of communities – might be used as a basis for infrastructure provision in the future.

We need to think very hard and long about what does need to be done centrally and what can be done locally. This is very important and it is positive that the GLA is addressing, albeit at an early stage, looking at the future in terms of scenarios that might lead to more decentralised systems.

Linking to the London Plan

The long-term infrastructure plan should function as an overview and baseline of strategic infrastructure requirements, one that is regularly reviewed over time in light of actual change and demand for supporting services.

However, it is vital that the infrastructure plan is closely integrated with the London Plan. Once the magnitude of growth is quantified, the location of this growth is an important factor in understanding the scale and way infrastructure can be planned and provided.

The London Plan must be a key consideration in the development of the infrastructure plan as it has the benefits of being based on evidence, proven policy robustness in terms of sustainability and also is regularly subject to public comment and revision. All of these characteristics should be reflected in the infrastructure plan.

Members welcome the indication that you are already considering how to match infrastructure development to the Plan's opportunity areas through measures such as the £300 million TfL is targeting to support growth.¹⁰

Funding the infrastructure

Funding this new infrastructure is a major challenge in itself and long-term funding merely adds complexity. In some respects the funding of long-term projects is actively hampered by the decisions we have already taken on how to provide our essential utilities, for example in relation to the generation and distribution of much of the energy used in London.

The Committee welcomes the London Finance Commission's thinking on how innovative funding arrangements could allow London government to make additional self-determined investments in its own infrastructure. It is vital that you continue to work on innovative sources of investment if there is any chance of funding London's long-term infrastructure requirements.

Given the obvious constraints on resources, an easy approach to prioritisation might be for the Mayor's plan to contain only those infrastructure projects which have a secured funding package. This, we believe, is the wrong approach. It is important to provide a long list, albeit only partly funded, to give the market place a clear sense of where future growth, and the accompanying necessary infrastructure is likely to be located.

We therefore urge you to rigorously assess all of London's infrastructure needs and then to set about finding ways of funding it. Realistically there will not be money for everything but this exercise would focus the mind and keep the scale of the challenge of sustainable development at the forefront of policy.


¹⁰ Planning Committee 24 February 2014

Forging and maintaining a political consensus

Infrastructure planning and funding is high risk and long term. It necessarily is hostage to changes in political direction over time. But somebody has to make a decision and building an enduring political consensus in London for what London needs in terms of infrastructure is the first challenge. The Assembly has already given indications that it recognises this and is willing to tackle such a challenge.¹¹

Once you have produced your first draft of the plan, we would urge you to use this to start generating a political consensus that is capable of enduring across the next ten or so Mayoral terms that it will take to implement his plan. If London cannot present a consistent argument to fund its future then who should we look to?

I hope you will find these initial comments helpful.



Nicky Gavron AM

Chair of the London Assembly Planning Committee

Cc Fiona Fletcher-Smith, Executive Director, Development, Enterprise and Environment
Jeremy Skinner, Senior Manager, Growth and Enterprise

¹¹ GLA Oversight Committee, 10 September 2013

London Assembly Planning Committee: Memorandum on the Mayor's long term infrastructure plan for London

Background

The Assembly welcomes the Mayor's intention to undertake work on the development of a long-term infrastructure plan for London and is keen to maintain a positive dialogue and involvement in the process of developing the plan.

The GLA Oversight Committee will retain a general overview of the scrutiny of the infrastructure plan, but other Assembly Committees will be keen to contribute to its development according to their particular terms of reference.

The Planning Committee will contribute at significant milestones as the project develops. This memorandum sets out what the Committee wants to see incorporated in the upcoming interim version of the infrastructure plan that is due for publication at the end of July.

Context

There is much to welcome in the Mayor's decision to embark on the production of a long-term infrastructure plan for London.

Investing in up-to-date infrastructure is essential if London is to maintain its ability to compete with other world cities in the global economy.

The Assembly welcomes the Mayor's intention to work with partners to shape the project and to maintain a broad political consensus around the need for such a plan, the underlying objectives and the emerging priorities. In particular the Planning Committee is keen to participate in the development of this plan and this memorandum sets out what the Committee sees as the central elements to such a plan.

The scale of the challenge and strategic objectives

London's population rose by more than one million in the decade to 2011 – equivalent to the size of Birmingham, or Manchester and Sheffield combined. London's population is growing faster than any region in the country – 14 per cent between 2001 and 2011 to 8.17 million.¹ The city is expected to grow by a further one million in the next decade. "London's population boom means housing an extra borough every three years."²

One of the biggest challenges London has faced in its long history is accommodating this extra population growth that will require at least 400,000 new homes and 450,000 new jobs in the

¹ The increase for England and Wales between 2001 and 2011 was 7.8 per cent. The East Midlands and East of England regions have the next highest growth - 8.7 per cent and 8.5 per cent. By contrast, the North East experienced a much smaller increase of 3.2 per cent over the same period.

² Michael Mainelli, Executive Chairman, Z/Yen, Planning Committee 28 November 2013 http://www.homesandproperty.co.uk/property_news/smart_moves_and_new_homes/londonpopulationboomnewhomes.html

period from now to 2021 while maintaining London's competitiveness in the financial, commercial, cultural, education and scientific spheres of the economy.

This growth will generate a significant range of infrastructure requirements if the forecast population is to be accommodated sustainably without reducing London's competitiveness. A range of estimates from a variety of published sources exist that illustrate the different types and scale of infrastructure needed to meet forecast growth. These include:

- 118,000 additional primary and secondary school places required by 2017;
- Green infrastructure³ investment of £3 billion by 2031;
- Transport investment of £3.5 billion to £4.5 billion a year to 2031; and,
- Energy infrastructure investment estimated at £200 billion by 2021.

The London Plan seeks to ensure that London should excel among global cities – expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.

This high level, over-arching vision is supported by six detailed objectives that crucially embody the concept of sustainable development. And the first two of these objectives are crucial in framing the development of any long-term infrastructure plan for London:

- 1 A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life and sufficient high quality homes and neighbourhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes.
- 2 An internationally competitive and successful city with a strong and diverse economy and an entrepreneurial spirit that benefit all Londoners and all parts of London; a city which is at the leading edge of innovation and research and which is comfortable with – and makes the most of – its rich heritage and cultural resources.

Meeting the challenge of growth sustainably, while maintaining London's competitiveness, are the two challenges that need to be overcome by the infrastructure plan.

The need for investment – supporting growth and competitiveness

“One of our biggest issues is maintaining competitiveness globally. We constantly get complaints from tens of thousands of people around the world about the quality of London's infrastructure or the lack of quality.”⁴

In a globally competitive economy it is vital to ensure that investment in the city's infrastructure is maintained. Sadly this has not always been realised in this country.

³ For example flood risk management, waste, water quality and sewage treatment infrastructure

⁴ Michael Mainelli, Executive Chairman, Z/Yen, Planning Committee 28 November 2013

The London School of Economics has noted that “the UK was once a paragon of investment. Around the time of the industrial revolution, major investments in roads, canals and railways supported growth and industrial transformation... The dynamism that saw the provision of infrastructure that enabled the growth of the UK as an industrial power has all but evaporated.”⁵

The consequences of this lack of investment offer dire warnings in terms of the goal to retain London’s global competitiveness. Sir John Armitt reminded the Committee that “polls around the world put us way down the list in terms of the quality of our infrastructure in this country”⁶ and that in 2012, the UK was ranked (by the World Economic Forum) only 24th for ‘quality of overall infrastructure’.

Two years later the 2014 report shows the UK has slipped further relative to our competitors, to 28th place globally. In relation to the 28 EU countries the UK sits 12th – just behind Sweden and just above Slovenia.⁷

London has many advantages compared with the country as a whole but complacency about its infrastructure would be misplaced. In 2010 the Institution of Civil Engineers made the assessment that London’s entire infrastructure requires attention: “there is no excess capacity - resulting in deficiencies at peak periods and more so if there are even minor incidents.”

We would agree with the World Economic Forum that the costs of building infrastructure are vast, but the costs of failing to plan or make such investments are incalculable.⁸

Time frame

How long should an infrastructure plan be?⁹ Indications from the Mayor suggest he will initially be focussing on the next 35 years or so, to the period 2050. Other countries take a shorter time frame, others longer.¹⁰ New York City is embarking on a study that looks 100 years ahead.

Different pieces of infrastructure have different life cycles. Different providers of infrastructure have variable planning cycles. And new pieces of infrastructure will be required to support major new developments and populations as they arrive. The Infrastructure Plan therefore must set out a clear sense of direction and must be specific about the phasing of the different pieces of infrastructure needed to support growth.

Establishing the evidence base

“Our failure is in reaching an evidence-based view on what needs to be delivered and then in sustaining the political and public consensus that will provide confidence to investors. This is

⁵ Investing for Prosperity, Report of the LSE Growth Commission

<http://www.lse.ac.uk/researchAndExpertise/units/growthCommission/documents/pdf/LSEGC-Report.pdf>

⁶ Planning Committee, 28 November 2013

⁷ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

⁸ <http://www.weforum.org/content/global-agenda-council-infrastructure-2012-2014>

⁹ Fiona Fletcher Smith, Planning Committee, 28 November 2013

¹⁰ For example, New Zealand plans 20 years ahead, while Singapore looks forward 50 years

critical in an environment where 60 per cent of Britain's key economic infrastructure is held in private hands."

Sir John Armitt noted that the case for new infrastructure must be based on robust and widely accepted evidence. The evidence needs to establish the state of London's infrastructure assets, and the demands that growth will place on this. Evidence will also be needed to give political decision makers the awareness of the implications of either delaying investment or, worse, doing nothing.

The Mayor's "asset register"¹¹ should also include scenarios that detail the costs of delaying or not proceeding with individual infrastructure projects.

What infrastructure do we need to plan for?

"The lack of an agreed definition of infrastructure makes attempting to assess the infrastructure needed in London difficult".¹²

"One of the reasons for the differences ... could be that much of the economic infrastructure needed is privately owned, but normally regulated, with investment the responsibility of the owners against the long-term customer funding". The GLA needs to clarify its definition of infrastructure. This should include the "hard infrastructure projects" – pipelines, highways, transport, water, sewage and communication systems that provide the foundation of a city's success, prosperity and well-being. But equally,

the whole range of social infrastructure has a major role to play in supporting London's expected growth, particularly in places where significant new housing is proposed, making residential areas more attractive and turning them into sustainable neighbourhoods and communities.¹³ It is therefore essential to plan for high quality social infrastructure alongside the "hard infrastructure" projects particularly in major new development and regeneration areas and to ensure systems are integrated¹⁴ to maximise efficiency and help address the key challenge of climate change.

The London Plan sets out a comprehensive list of social needs¹⁵ which contribute to ensure sustainable development and making an area more than just a place to live and the Mayor needs to ensure his infrastructure plan takes these needs as seriously as those for the big ticket projects such as transport and utilities.

Planning and funding this scale of infrastructure is complicated by the complex ownership, control and regulatory environment. London's infrastructure is overseen by several central government departments; and sector-specific economic regulators for water, energy,

¹¹ Fiona Fletcher Smith, Planning Committee, 28 November 2013

¹² London Plan Implementation Plan 1, January 2014, paragraph 3.8

¹³ Draft Further Alterations to the London Plan, January 2014, paragraph 3.86

¹⁴ For example water, waste and energy

¹⁵ For example, health provision, nurseries, schools, colleges and universities, community, cultural, play, recreation and sports and leisure facilities, places of worship, fire stations, policing and other criminal justice or community safety facilities. At a more local level, other facilities need to be provided, including play and informal recreation facilities, public toilets, drinking water fountains and seating – London Plan, paragraph 3.86

telecommunications and rail; and delivered by a range of private sector businesses and public sector agencies.

While replacing outdated infrastructure as development opportunities arise we must not forget that modernising our existing infrastructure will also play a part. It will be important to take the opportunity to retrofit. There is considerable scope for this to be done efficiently.

A complex operational and planning environment

About 60 per cent of London's infrastructure assets do not sit in public sector hands¹⁶ and work to their own business needs and funding plans. Some utilities only forecast for about three years ahead in terms of population increase.

"Each actor has its own priorities, investment plans and timescales and the level of coordination between policy formulation, economic regulators' decisions and delivery, within and between sectors, is variable."¹⁷

Bringing all these 'actors' together, getting them to sign up to the Mayor's vision for a sustainable London and to stay on-board for the long-term is going to be a major challenge.

The Mayor must establish what levers he needs to achieve this objective and he must take every opportunity to lobby for increased responsibilities and funding whenever there is a chance of devolution of powers to London.¹⁸ The work of the London Finance Commission shows the value of mapping out a clear way forward, but also how an agreed action plan could set out the key milestones to ensure that the vision can become a reality.

Future proofing

The Plan will necessarily have to set out short, medium and long-term views as to the infrastructure needed and each of these will need regular reviews to match demand to the scale of support needed.

It is vitally important that the long-term view is not neglected.

When engaging in long-term forecasting and planning there are challenges of assuming that current trends will continue unchanged and that existing methods of resource use and delivery will continue.

Think about the amount of change that has happened since 1976, which is the equivalent time into the past, as the plan is looking into the future. The dominant political frame was the Cold

¹⁶ The Armit Review: An independent review of long term infrastructure planning, November 2013 <http://www.armitreview.org/>

¹⁷ World class infrastructure for a world city, London First, November 2010 http://londonfirst.co.uk/wp-content/uploads/2012/09/London_First_Infrastructure_Commission_report_-_EMBARCOED.pdf

¹⁸ For example the current Communities and Local Government select committee inquiry on fiscal devolution to cities and city regions which will examine whether and how fiscal and financial powers could be devolved to London and English cities

War; China was not an economic power; where climate change was not on the agenda; where there was no internet.¹⁹

Realistically we might not need to consider “jet pack” personal travel²⁰ or other wildly futuristic ideas but we do need to satisfy ourselves that we have adequately addressed the full range of likely scenarios London will be facing. “It is about... are those assumptions being questioned, what are the what-if questions that are being asked? It may not actually change things at all, but at least we have gone through the process of asking them.”²¹

Long-term plans need to consider the potential role of emerging technology or ‘disruptive innovation’ as an essential part of scenario planning. Disruptive innovation creates a new market by applying a different set of values, which ultimately, and unexpectedly, overtakes an existing market. Examples of disruptive innovation, that are now essential to our lives, include:

- E-mail that replaced postal mail because it can be sent from one place to another place in milliseconds, without using paper or spending money for stamps.
- Light emitting diodes (LED) replacing light bulbs and have developed enough to be used for indoor lighting and street lights.
- Digital photography replacing chemical photography – memory cards and portable storage hold thousands of pictures that do not need developing.’

These technological developments add to the challenge of developing such long-term infrastructure plans. The potential exists of embarking on major investment that might be obsolete or incapable of adaptation in the future. There are many “known unknowns” but we should not stop that from hampering our planning for the future.

The Mayor’s infrastructure plan must find a place for a consideration of how emerging technologies might make providing services and support to future Londoners easier, more efficient or in some cases in a revolutionary way. The Mayor must pledge to make the regular review of emerging technology an essential part of the plan. If we do not build in consideration of the future we risk wasting a huge amount of capital on “stranded assets”.²²

We must avoid being locked-in to the wrong infrastructure by not being aware of the direction of future technology and peoples’ behaviour. We must avoid the danger of ignoring the longer term by focussing on the short.

Furthermore, we must not forget to think about people themselves and how they might want to act in the future. “There may be a missing layer sitting between the growth number and the infrastructure demands... there is a layer that says, “How will they behave?” and then try to forecast that out. Maybe it is a supplement or a pre-published piece that is almost like a social plan before 2050 before you do the Infrastructure Plan, “How will we live?”²³ The infrastructure

¹⁹ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

²⁰ ²⁰ Michael Liebreich, Chief Executive, Bloomberg New Energy Finance, Planning Committee, 28 November 2013

²¹ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

²² James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

²³ Michael Liebreich, Chief Executive, Bloomberg New Energy Finance, Planning Committee, 28 November 2013

plan might want to incorporate this kind of scenario planning either as part of the document or as an appendix that people can reference.

Public attitudes will change too. Attitudes to climate change for example will have considerable impacts on the shape of our cities in the future and need to be recognised “It is not just an environmental issue; it is a political, economic, social issue as well. The impacts of climate change on food security, for example, needs to be thought about; public perception of fossil fuels and anything that is based on fossil fuels could change radically.”²⁴

The point about thinking about a range of different futures is not to predict in detail, but to make planning better and to make the decisions taken more resilient, sustainable and flexible.²⁵

Flexibility then is the key: “there are different ways of travelling, some of which can be foreseen and some of which cannot, and that is one of the challenges, how to build in flexibility for some of those changes.”²⁶

A decentralised and modular London

In planning for the future we should not forget the past and the context for how London is today.

“London became a greater and still greater accumulation of towns, an immense colony of dwellings where people still live in their own home in small communities with local government just as they had done in the Middle Ages.”²⁷ London remains a city of villages²⁸ and there must be merit in considering how this modular nature – one world city made up of thousands of communities – might be used as a basis for infrastructure provision in the future.

“ I do not think enough thought has been given to modularity in city strategic planning. If we pause a minute, London starts as a bunch of communities anyway that have been aggregated together, but is there an ideal modular unit?”²⁹

The potential for decentralised energy is one obvious issue that might be addressed in terms of future infrastructure needs and provision. And “if you put that together with other forces, which seem to be converging around empowering communities, this needs to be considered in quite a lot of detail.”³⁰

The GLA needs to establish scenarios for what needs to be done centrally and what can be done locally.³¹

²⁴ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

²⁵ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

²⁶ Michael Liebreich, Chief Executive, Bloomberg New Energy Finance, Planning Committee, 28 November 2013

²⁷ Rasmussen, London the Unique City, 1934

²⁸ A City of Villages: Promoting a Sustainable Future for London’s Suburbs, GLA, 2002, http://www.london.gov.uk/sites/default/files/archives/uploads-tr11_villages.pdf

²⁹ Michael Mainelli, Executive Chairman, Z/Yen, Planning Committee 28 November 2013

³⁰ James Goodman, Director, Futures, Forum for the Future, Planning Committee, 28 November 2013

³¹ Michael Mainelli, Executive Chairman, Z/Yen, Planning Committee 28 November 2013

Linking to the London Plan

The Mayor's long-term infrastructure plan should function as an overview and baseline of strategic infrastructure requirements that is regularly reviewed over time in light of actual change and demand for supporting services.

Equally, it is vital that the infrastructure plan is closely integrated with the London Plan as once levels of growth are quantified the location of this growth is an important factor in understanding the scale and way the required infrastructure can be planned and provided.

The London Plan remains the key strategic plan setting out an integrated social, economic and environmental framework for the future development of London, looking forward 15–20 years and integrates the physical and geographic dimensions of the Mayor's other strategies.

The Plan sets out the policy framework for ensuring London is developed sustainably. It also underpins the evidence for the supporting social infrastructure needed to make London liveable. Various standards within the plan will be instrumental for assessing the scale of the infrastructure needed in relation to forecast population growth.

More importantly however, it provides the clearest indication of where the infrastructure demands are likely to take place and also the scale of the need.

While the Mayor is already considering how to match infrastructure development to the Plan's opportunity areas through measures such as the £300 million TfL are targeting to support growth.³² The London Plan should be the key consideration in the development of the infrastructure plan. The London Plan has the benefits of being based on evidence, proven policy robustness in terms of sustainability and also is regularly subject to public comment and revision. All of these characteristics should be reflected in the infrastructure plan.

The revision of the London Plan is an ongoing process and likewise the GLA should pledge to continue a dialogue with the public in the development of the infrastructure plan and its integration with the spatial development strategy for London.

Funding the infrastructure

Funding new infrastructure is a major challenge and long-term funding merely adds complexity. In some respects the funding of long-term projects is affected by the decisions already taken on how to provide essential utilities, for example in relation to the generation and distribution of much of the energy used in London which for some time now has been the responsibility of the private sector.

With increasing provision of infrastructure by the private sector in recent years, there is a danger that a more short-termist view will prevail. Regulators are required to concentrate on the short term cost to the consumer of utilities and infrastructure. That inevitably leads again to a short term view of what can be done.

³² Planning Committee 24 February 2014

“There is a natural inclination to try to keep the costs down, and if you want to keep the costs down, you do not invest, and if you do not invest, whatever it is in, you will pay the penalty for not investing.”³³

The London Finance Commission’s report argues that funding arrangements in London should allow London government to make additional self-determined investments in its own infrastructure. The Commission argued that relaxing restrictions on borrowing for capital investment while retaining prudential rules and simultaneously devolving the full suite of property tax revenue streams would give greater autonomy to invest in the capital. These are important principles to drive future infrastructure funding.

Crossrail is being partly funded by £300 million being raised from new development in London through CIL. The Mayor is intending to use a package of financial approaches to support the Northern Line Extension in Battersea (and potentially might be used to fund Crossrail2). These funding packages involve multiple methods and sources, such as Enterprise Zones (a form of Tax Increment Financing), business rate supplements, CIL, user tolls and fares, and agreements with developers.

The sheer scale of the investment needed is likely to overwhelm any thinking about how it can be funded. For example:

- The National Infrastructure Plan 2012³⁴ includes an infrastructure pipeline with over 550 projects/programmes worth over £330 billion to 2015 and beyond. More than half of this infrastructure requirement is in the energy sector (£176 billion).
- Policy Exchange estimates that “simultaneously replacing our ageing infrastructure and investing in new infrastructure to improve our competitiveness, while meeting the challenge of decarbonisation means that the scale of the required infrastructure spend is potentially enormous.” Their report suggests that upwards of £500 billion needs to be invested in the UK by 2020.
- The London Plan Implementation Plan suggests the capital might require somewhere in the region of £50 billion to £75 billion total infrastructure spending over the next 5 to 10 years alone.³⁵

It is vital that the Mayor continue to work on innovative sources of investment and other forms of financing if there is any chance of funding London’s long-term infrastructure requirements. There are numerous potential sources of investment to consider, for example: there are climate bonds to fund green infrastructure; policy performance bonds that incentivise investment that is aligned to policy³⁶ and using GLA assets in joint ventures to draw in investment and harvesting some of that investment for public benefit.³⁷ What is clear, however, is that

³³Sir John Armit, Planning Committee 28 November 2013

³⁴ www.gov.uk/government/uploads/system/uploads/attachment_data/file/188348/nip_update_as2012.pdf

³⁵ It does this by assuming London has 15 per cent of the UK population and divides national infrastructure estimates by that figure. London Plan Implementation Plan, January 2013, p17

³⁶ Michael Mainelli, Executive Chairman, Z/Yen, Planning Committee 28 November 2013

³⁷ Michael Liebreich, Chief Executive, Bloomberg New Energy Finance, Planning Committee 28 November 2013

development and infrastructure will always create an investment opportunity: “otherwise, why would you do it? What needs to happen is a toolset of capturing some of that.”³⁸

Given the obvious constraints on future funding it might be tempting for the Mayor just to list the most important infrastructure projects, produce reasonable costings and then announce only those for which there is money should go ahead. This would be unwise in the context of a long-term infrastructure plan.

We want to see an assessment of how these projects could be funded to give the market place a clear sense of direction.

Forging and maintaining a political consensus

Infrastructure planning and funding is high risk and long term. It necessarily is hostage to changes in political direction over time. “At the end of the day, somebody has to make a decision, and when it is a difficult decision, in our society the only people who can make it, frankly, are politicians, but the rest of us have a responsibility to try to provide them with the best possible evidence and the best possible analysis, recognising the very conflicting views which will be held.”³⁹

Building an enduring political consensus in London for what London needs in terms of infrastructure is the first challenge. The Assembly has already given indications that it recognises this and is willing to tackle such a challenge.⁴⁰

Once the first draft of the plan is published work should commence on creating the political consensus that is capable of enduring across the next ten or so Mayoral terms that it will take to implement his plan.

If London cannot present a consistent argument to fund its future then who should we look to?

³⁸ Michael Liebreich, Chief Executive, Bloomberg New Energy Finance, Planning Committee 28 November 2013

³⁹ Sir John Armitt, Planning Committee 28 November 2013

⁴⁰ GLA Oversight Committee, 10 September 2013