

MAYOR OF LONDON

Neil Garratt AM

Chair of the London Assembly Budget and
Performance Committee
C/o Gino.Brand@london.gov.uk

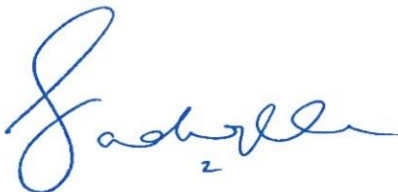
Our ref: MGLA161024-3061

Date: 18 December 2024

Dear Neil,

Thank you for your letter following the Budget and Performance Committee's meeting on 23 July 2024. I am grateful for the Committee's engagement and recommendations, my response to which is attached.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sadiq Khan

Mayor of London

Cc: David Bellamy – Chief of Staff
Fay Hammond – Chief Finance Officer
Elliott Ball – Interim Director, Group Finance and Performance
Gino Brand – Senior Policy Adviser, Scrutiny and Investigation (London Assembly)
Paul Goodchild – Principal Committee Manager, Secretariat (London Assembly)

MAYOR OF LONDON

Annex

Mayor of London's response to the recommendations of the London Assembly Budget and Performance Committee's report on 2023-24 Greater London Authority Group budget outturn

Recommendation 1

TfL should set out in its 2025-26 budget submission and 2024-25 performance reporting the level of contingency it holds for exceptional items such as handling the recent cyber-attack, recent applications of such contingencies and the actions it is taking to address any lower than anticipated operating surplus levels.

In previous business plans, Transport for London (TfL) has demonstrated how it builds resilience and continues to invest by stress-testing its plan and reviewing potential mitigations for emerging risks. This has been presented in a fan chart, which has been well received by the Budget and Performance Committee during scrutiny sessions.

As part of its in-year reporting to the TfL Finance Committee, TfL regularly updates on the risks it faces and the actions taken to address any lower than anticipated operating surplus levels. Due to the commercial sensitivity of some risks, these updates are largely provided in Part 2 papers, which are closed to the public.

In the 2025-26 budget submission, subject to what TfL was able to say given commercial sensitivities, more detail was provided about the level of contingency TfL is holding, the high-level nature of the risks and opportunities it is holding the contingency for, and how they are being managed.

Recommendation 2

TfL should review the causes of the increase in its bad debt charge since 2021-22 and look at appropriate measures to increase collection levels for all road user charging. TfL should seek to conclude this exercise in time for it to be reflected in the 2025-26 Budget and break it down for each type of road user charge.

The Committee requests that TfL supply the following details:

- The ratio of bad debt charges to standard charges before and after the August 2023 expansion for the ULEZ and confirmation that this is in line with TfL's expectations.
- What is the level of income for each of the Congestion Charging, the Low Emission Zone and the ULEZ; and the corresponding bad debt charges for each from 2020-21.
- Confirmation of any new approaches to managing bad debt that were introduced when the ULEZ was introduced and expanded.

TfL's bad debt expense is an accounting provision calculated in line with relevant accounting standards, and TfL continuously reviews the factors influencing bad debt levels. While TfL makes an accounting provision for bad debt, it is right that it makes every effort to recover the owed amounts, and the Mayor has been clear that it must do so.

MAYOR OF LONDON

TfL has developed a range of initiatives to improve collection rates, including:

- Tripling the number of people in its investigations team to enhance work with enforcement agents.
- Enforcement actions such as bailiffs visiting evaders' addresses, clamping vehicles, removing vehicles, and selling them at auction.
- Seizing 1,400 vehicles and recouping over £700,000 from the sale of vehicles belonging to persistent non-payers during the last twelve months.
- Additional debt recovery steps, including seeking County Court Judgements against those that refuse to pay and recovering earnings from employers.
- Incorporating sophisticated "nudge" techniques to encourage customer response and payment.
- Supporting those in difficult circumstances by setting up payment plans where appropriate, with enhanced services to assist those customers who need it the most.

To make further progress, TfL requires increased legal powers and multi-agency co-operation with organisations such as the Driver and Vehicle Licensing Agency and the Police. TfL will advocate for these changes with the Government and collaborate with other organisations like National Highways (who manage the Dart Charge) and local authorities (who oversee parking charges) to share best practices.

TfL's ongoing work to reduce bad debt has been considered in its 2025-26 draft budget and will be updated in the final budget, due in March.

Bad debt accounting information is best presented in the detailed annual report and statement of accounts. TfL will continue to publish financial statements for the Congestion Charge and emission-based charging in its annual reports, showing gross and net income levels.

Recommendation 3

The 2025-26 Budget proposals should explicitly confirm whether the Mayor will continue to provide ongoing funding from GLA funds for the current fares freeze, and be clear on the source of the funding.

In the 2024-25 Group Budget, business rates funding for the freeze on mayoral-controlled fares was assumed to be recurring. The business rates control totals in the Mayor's budget guidance for 2025-26 confirm this approach will continue. The Mayor will transparently set out the proposed levels of business rates funding to TfL in the draft and final draft Group Budgets.

MAYOR OF LONDON

Recommendation 4

The GLA to set out clearly in its 2025-26 Budget submission what assumptions are being made about a) the number and size of homes to be started and completed under the different GLA housing delivery initiatives, b) the unit costs for starts and completions and c) the grant for each unit. These metrics should then be tracked in the quarterly performance reports.

The Greater London Authority (GLA) receives funding from the central Government for affordable housing programmes (AHP) in line with spending review cycles. The current programme involves £4 billion in funding that will be administered and paid to housing providers until 31 March 2030, in accordance with programme requirements. Budget forecasts are estimates based on various schemes and pipeline programme discussions with delivery partners, and are agreed with the Ministry of Housing, Communities and Local Government (MHCLG). These forecasts are subject to change due to project developments or broader sector issues. If projects are delayed, the GLA will work with partners to bring forward other schemes or to substitute delayed schemes with other viable projects that meet programme requirements. Actual payment forecasts and expected expenditures will fluctuate daily based on updates from partners and project changes, but the GLA team will strive to maintain overall levels of payments in line with the agreed budgets.

The GLA does not plan to publish annual targets for the programme, as this would limit its ability to negotiate with partners to ensure value for money. Doing so could also create an artificial deadline of March 2025, whereas the ultimate goal is to deliver the programme by March 2026.

The £4 billion programme budget agreed with MHCLG does not specify requirements for the size of homes delivered. Instead, the funding is for partners and local planning authorities to determine the type and size of homes needed locally, ensuring viability and deliverability. Project size details by number of bedrooms are published on the GLA website [here](#), but neither the GLA nor MHCLG mandate specific home sizes.

Due to the nature of negotiations with partners on individual site delivery, the GLA does not publish grant levels for specific projects. Instead, the GLA assesses scheme viability, costs and grant requirements on a project-by-project basis to determine the necessary funding through to completion. AHP 2021-26 operates on this basis, unlike AHP 2016-23, which applied programme-level grants per unit levels. Overall, grant approvals to organisations are published quarterly on the GLA website [here](#).

Recommendation 5

The Mayor to provide an updated assessment of the GLA's estimate from 2020 that the GLA would require £4.9 billion per year for 10 years to deliver the level of housing that London needs.

In 2022, the GLA commissioned Savills to analyse the funding gap required to deliver the affordable homes London needs over the next 10 years. The [research](#) found that to meet the requirement of approximately 43,000 affordable homes annually, as identified by the Strategic Housing Market Assessment (SHMA), London would require £4.9 billion in grant funding per year. This research was published in December 2022, based on data collected in early 2022.

MAYOR OF LONDON

Since then, key assumptions underpinning the Savills analysis have shifted significantly, including inflation assumptions, house prices, interest rates, and build and labour costs. GLA officers with proprietary access to the Savills model have updated these assumptions as circumstances have changed. In early 2024, the model was re-run to understand the subsidy gap needed to deliver approximately 43,000 affordable homes annually under a hypothetical new AHP starting in 2026 and running for five years. The revised analysis indicated a reduced funding gap of around £4 billion per year.

This decrease in grant funding is partly due to more optimistic assumptions within the model regarding house prices, land costs and some inflation costs. However, outside the model's scope, the financial capacity of housing associations and local authorities has significantly decreased. This could potentially increase the grant requirement per home and/or reduce the sector's ability to deploy funding and deliver high volumes of affordable housing if funding becomes available, thereby increasing the real funding gap. The GLA is currently considering whether to commission updates to the model to reflect these wider factors.

Recommendation 6

The MPS to develop a plan that utilises available resources rather than relying on external funding to backfill staff roles currently filled by police officers.

The Metropolitan Police Service (MPS) faces an extremely challenging financial situation for 2025-26. In developing the Mayor's Office for Policing and Crime's (MOPAC) budget submission, the MPS has explored options for adjusting the balance between police staff and officers within the funding available. The Mayor is confident the Committee will want to discuss this with MPS when they meet to scrutinise the MOPAC budget submission.