

# MAYOR OF LONDON

**Susan Hall AM**

Chair of the Budget and Performance Committee  
City Hall  
The Queen's Walk  
London SE1 2AA

**Our ref:** MGLA150120-0401

**Date:** 28 JAN 2020

*Az Susan,*

## **Budget and Performance Committee report**

I refer to your Committee's response to my Draft Consultation Budget and set out below responses to the recommendations you have made.

### **Transport**

#### **Recommendation 1**

***The Mayor should instruct TfL to publish modelling of second term fares by the end of the 2019-20 financial year, so that any decision on freezing TfL controlled fares can be made with full knowledge of the likely impact on its business plan.***

Transport for London (TfL) publishes a great deal of information on fares income and other aspects of its budget. TfL will engage with Mayoral candidates in an appropriate way; for obvious reasons, this is a matter for the Commissioner, not me.

#### **Recommendation 2**

***The Mayor and TfL need to be much clearer about what TfL capital projects are potentially at risk over the next four years. It is important that they signal to the Government, and the public, projects that are of a high priority.***

TfL's Capital Strategy sets out the steady and sustained funding London requires to support a twenty-year pipeline of investment. The Business Plan, which is updated annually, sets out TfL's investment and delivery plans, with a concise breakdown of capital investment set out in the document's appendix. This Business Plan is the second time TfL has set out capital investment in four categories (critical, central, desirable and deprioritised), which gives a good indication of how TfL's investment programme is prioritised.

The Programmes and Investment Committee of the TfL Board – which meets in public session and whose papers and minutes are published online – monitors the delivery of the overall Investment Programme, including progress and significant variances within each Programme. The Committee is charged with monitoring the approach to the scrutiny of TfL's programmes and projects, including receiving advice from the Independent Investment Programme Advisory Group. Each major project and sub-programme have an overall 'RAG' milestone status, which represents the average forecast date variance against plan for strategic milestones. This is updated and published quarterly.

# MAYOR OF LONDON

TfL is now one of the only transport authorities in the world to receive no direct central government operating grant to support its day-to-day running costs. Clearly, the removal of the operating grant means TfL is more exposed to UK economic performance and its impact on passenger numbers. In turn, this affects the funding available for capital investment.

Although the Government has said that it would invest in areas that boost economic growth, TfL has no certainty of funding beyond 2021. In the absence of certainty of long-term funding, TfL is unable to commit to the long-term, major infrastructure projects, London needs to keep the capital competitive and support its future growth.

I – and TfL – will work with Government ahead of a Spending Review later this year to make the case for steady and sustained funding in order that it can commit to the projects set out in the Capital Strategy, including the signalling upgrade on the Piccadilly line, developing plans for Crossrail 2 and the Bakerloo line extension.

## **Recommendation 3**

***TfL should keep its asset maintenance programme for its vital road network under close review and provide road users, especially cyclists, the evidence they need to be confident in using TfL's road network.***

TfL's risk-based inspection and maintenance regimes for the road network ensures it can identify and respond to road defects in a timely manner. The risk-based approach TfL takes to maintenance has ensured renewals are safely managed. From 2020-21, TfL will be ramping up investment in the proactive renewal of the road network which will, over time, improve condition and reduce the occurrence of minor defects. TfL will be targeting its investment on the assets that are most in need, to provide the greatest benefits to road users, particularly people who walk, cycle or use public transport. It is again worth making the point that the Government provides TfL with no steady or sustained funding for road maintenance.

TfL would be pleased to hear suggestions as to what evidence the Committee might like to see. In the annual update to the Business Plan, TfL publishes forecast road asset performance, measured by the State of Good Repair, and remains utterly focused on keeping London's roads safe. However, we know that potholes and other road defects cause concern for people – particularly when they are cycling or riding a motorcycle. TfL carries out inspections of the Transport for London Road Network (TLRN) for safety and skid resistance and conduct routine maintenance in accordance with defined defect intervention standards. Defects can be reported through the TfL website and the Vision Zero action plan is explicit in its commitment to ensure that road danger reduction is central to the design and delivery of all schemes.

## **Recommendation 4**

***Starting from December 2020, TfL should publish annually in its business plan, a comprehensive list of all its significant projects with its forecast start of works and completion dates with comparison to a fixed baseline.***

TfL produces a quarterly investment programme report that is presented to the Programme and Investment Committee of the TfL Board, and which is publicly available. The report gives a progress update on the major projects and sub-programmes that seek authority each year and includes commentary on key achievements and progress made. For a programme and project with a defined start and end, these are included in the report along with "substantially complete" and "being used by customers" dates. Annual strategic milestones are set out in TfL's budget and overall delivery is reported on quarterly; in quarter 2 (23 July–14 September 2019), TfL reported 87 per cent of its strategic milestones being delivered on time or early.

# MAYOR OF LONDON

TfL's Business Plan presents its financial envelope over the five years it covers. As such, it is a plan, which builds in assumptions on funding and borrowing. It is not a five-year Budget. Beyond 2021, TfL does not have any certainty over its long-term funding, and it cannot commit to long-term major infrastructure projects to support London's growth. Without funding certainty, TfL is developing prioritisation processes that allow it to operate with more flexibility and agility as its funding sources become more certain. This is unlike regulated bodies such as Highways England and Network Rail, which have agreed funding over a control period, with funding packages, for specific projects.

I am pleased with TfL's commitment to openness and transparency – publishing vast amounts of data on a range of subjects. There has been a real improvement in TfL's reporting in recent years and this is to be welcomed. However, as the Transport Commissioner made clear when he came before the Budget and Performance Committee on 6 January, he is willing to look at what more could be done to build on the progress made and I have asked that TfL consider the Committee's recommendation and write to you to update in due course.

## Police

### Recommendation 5

***MOPAC needs to make an assumption of additional Government funding and prepare a sustainable plan (revenue and capital) based around this increase, with a clear position on the police estate, before the start of 2020-21. This will allow MOPAC to focus on any underlying funding gap.***

Before addressing the specific recommendation, I will address the Committee's comments about the construction of the budget. In this particular year, the challenges of predicting future funding have been exacerbated by the uncertainty surrounding the 20,000-officer uplift. At the point of putting the budget together Police and Crime Commissioners and forces only knew about the first-year allocation of officers and nothing about funding. It was therefore necessary to make a judgement about how the officer uplift should be shown.

In regard to officer recruitment, I took the Government at its word that it would fully fund the 2020-21 uplift that it announced. Hence, I have focused on what is best for Londoners and agreed that the recruitment of the allocated 1,369 officers should proceed, with a balanced budget being shown for 2020-21. Should sufficient funding not be allocated, then I know that recruitment can be adjusted to reduce the potential for unfunded commitments.

MOPAC's budget represents a credible plan, framed as you acknowledge within significant uncertainty.

I constantly lobby the Government for sustainable, multi-year funding settlements. We all recognise that such settlements are key to delivering a robust police service that can tackle the challenges in front of it with certainty of resourcing. I have taken every opportunity to ensure that funding from City Hall has longer time horizons, including removing the uncertainty arising from proposed Government changes to when business rate growth income will be received.

Turning to your recommendation, now that the Police Funding settlement has been announced, I will indeed revise the budget to reflect the funding allocation to MOPAC. I will ensure that I continue to present a balanced budget for 2020-21 that maximises the potential for officer recruitment within the funding allocated. It is disappointing that the Government has not given longer-term certainty about funding that is needed for the recruitment nationally of 20,000 officers. The plan for future years sets out transparently the additional funding that is required in

# MAYOR OF LONDON

order to fund 6,000 additional officers and I will of course be lobbying the Government for them to confirm future allocations at the first opportunity.

The report from the Committee suggests that MOPAC has not referenced the review of its estates within its Budget. This estates review is nearing completion taking account of the implications of the uplift in officer numbers, but is, of course, constrained by not knowing the precise number of officers allocated. Where it is clear from the review that a police building is not suitable for its purpose in the future – perhaps due to location, size or condition – then it will be sold in order to invest in the facilities that current and future officers need. As was emphasised at the Committee's meetings, the Government has stated that it will fully fund the implications of the officer uplift. It is therefore assumed at this point that any estates implications will be provided for by the funding; that is, any investment requirement will be cash neutral on the capital programme and any loss of capital receipts will also be cash neutral.

## **Fire and Resilience**

### ***Recommendation 6***

***The LFB should develop a performance framework that sets standards at a level commensurate with the HMICFRS, taking into consideration recommendations from the Grenfell Tower Inquiry Phase 1 report for 2020-21.***

As part of its Transformation Delivery Plan the LFC is setting out a number of actions to thoroughly revise its performance recording and targets, in response to the HMICFRS and Grenfell Tower Inquiry Phase 1 reports. LFC will now work to deliver this plan in order to ensure it meets this concern.

### ***Recommendation 7***

***The LFB should provide in its 2020-21 Budget sufficient resources to fund the start of its transformation.***

The LFB has prepared an initial list of the areas requiring additional investment estimate to deliver its transformation programme in 2020-21, and beyond. These, and potential costings, are currently being reviewed by the Deputy Mayor for Fire and Resilience ahead of the production of my final Draft Consolidated Budget proposals in February 2020. It is anticipated that the additional costs can be met from the financial flexibilities available to me at this stage in the budget. I have asked the Deputy Mayor to keep members of the Fire, Resilience and Emergency Planning Committee informed as the current work progresses.

## **Core Expenditure**

### ***Recommendation 8***

***All parts of the GLA 'core' should be treated equally. The Mayor should consider an efficiency savings requirement across the GLA in future years that can be reinvested into existing or new services.***

This recommendation will be considered following the Mayoral election as part of the 2021-22 Budget process.

# MAYOR OF LONDON

## **Recommendation 9**

***The Mayor should clarify what his core housing targets are, rather than having a wide range. He should also publish targets by tenure.***

My core target is 116,000 affordable housing starts by March 2022, of which, I am aiming to maximise the delivery of homes based on social rent levels, and support delivery of at least 58,500 intermediate affordable homes including those for shared ownership or London Living Rent. The annual delivery ranges reflect the profile of affordable starts delivery agreed with the Ministry of Housing, Communities and Local Government (MCHLG) as part of the negotiations to agree my 2016-22 Affordable Homes Programme. It is important to use ranges for annual delivery as these reflect the challenges of a housing programme of this scale – many of the factors determining achievement of my targets are outside of my direct control. For example, local delays on sites can mean that starts are pushed back into a new financial year. On the other hand, quicker progress can mean starts are brought forward. The ranges enable both MCHLG and the Greater London Authority (GLA) to adjust delivery according to risks on an annual basis as the programme progresses and further allocations are confirmed, and project forecasts are firmed up. As with previous programmes, delivery will increase towards the end of the programme period and the ranges reflect the nature of these types of development programmes. More information on my spending proposals for my Affordable Homes Programme 2016-22 are outlined in the appendix of my London Housing Strategy.

## **Recommendation 10**

***The Mayor should discuss with the Government any flexibility in the terms of the affordable housing funding, for example, to enable a greater share of funding intended for later phases of long-term schemes to be used for social rented homes in earlier phases.***

I am clear that the Government must take urgent action to increase the funding available to build the homes that Londoners urgently need – particularly social rented homes. The previous housing settlements for the 2015-18 programme included no funding for Social Rent (only Affordable Rent) and I negotiated and secured funding support for social rent to 2022 with flexibility to apply London grant rates that ensure project viability. Despite building record numbers of affordable homes in London over the last few years, including social rented homes, research published by my team last year shows that £4.9 billion of Government funding is needed each year if we are to truly tackle the capital's housing crisis – at the heart of this must be much more funding for social rented homes. I will continue to make the case to the Government for this step change in funding and tenure, for example in my submission to the next Spending Review.

Despite these constraints, I am doing all I can to ensure that Londoners get the genuinely affordable homes that they need. In particular, my £1 billion Building Council Homes for Londoners Programme is designed to focus on providing support for social rented homes. Of the c14,000 homes allocated funding through this programme, c11,000 are for homes at social rent levels.

## **Recommendation 11**

***The Mayor should outline which environmental targets cannot be reached without more money and joint working with other stakeholders and explain what he can achieve with the current level of funding and powers.***

The environment is a key priority for me, including addressing the huge challenges facing our city, such as cleaning up London's toxic air and tackling the climate and ecological emergency. Building on the achievements delivered this financial year, in 2020-21 I will continue to fund the range of immediate actions needed to improve the environment now and to put London on a path to

# MAYOR OF LONDON

achieving the long-term ambitious targets set out in my London Environment Strategy as well as my other strategies. These targets are all achievable, but I have been clear that I have limited direct powers over key environmental policy areas such as air quality, waste and meeting carbon budgets, and delivery is often the responsibility of the boroughs. My London Environment Strategy and 1.5C Compatible Climate Action Plan set out the collective effort and investment needed from central government, boroughs and businesses. I will continue to work with boroughs and to lobby government for the regulations, powers and resources needed.

In particular, London will require significant investment to achieve legal air pollution limits as soon possible. The TfL Business Plan includes funds to support the delivery of the Ultra Low Emission Zone expansion, and I have called on the Government to match the funding I have provided for scrappage and retrofit schemes, and work with me to accelerate the delivery of zero emission buses and electric vehicle charging infrastructure.

London has the lowest recycling rate of any region in England and boroughs face many challenges to increase recycling rates. I have estimated that London requires a £100 million minimum investment to allow London to boost household waste recycling rates. I have lobbied Government to provide this funding, which could be provided by London's share of landfill tax receipts.

## **Recommendation 12**

***Given the increased awareness and the Mayor's declaration of a climate emergency, the Mayor will need to be clearer in explaining why he has not been able to divert further funding to the Environment Budget.***

London has a detailed plan of how it can get to net zero carbon. During the last four years I have demonstrated my commitment to tackle the environmental challenges London faces by increasing the annual programme budget for environment when compared to the previous administration. The priority given to environment is not business-as-usual. It is about regaining environmental leadership and addressing pace and scale of change given the air quality crisis and the climate and ecological emergency.

I continue to invest in improving London's environment and my proposed Environment Budget for the next year includes an additional £2.11 million which will be spent on the priorities set out in my London Environment Strategy. This increase in my environmental spend will allow further action to tackle the climate emergency such as working towards becoming a zero-carbon city through delivery of my new London Plan policies to ensure all new buildings are zero carbon. It will also contribute to making London resilient to severe weather and climate change impacts through reducing overheating in buildings, delivering greening that holds back rainwater to reduce flooding and encouraging better use of London's water.

My environmental priorities are not only delivered through the programme budget for the environment, but across other areas of our work such as the implementation of the new London Plan environmental policies as well as ensuring environmental principles are embedded within my housing and regeneration schemes.

The GLA functional bodies also play a key role in delivering the actions in my London Environment Strategy. In addition to the nearly £800 million from the TfL budget to deliver my air quality programmes, functional bodies have included the resourcing and budget necessary to lead by example, in their budget proposals. These include actions to reduce carbon emissions, move their fleets to zero emission vehicles and develop plans for addressing long-term climate risks.

# MAYOR OF LONDON

However, I have been clear that I only have the powers to deliver less than half the emission cuts required to make London zero carbon. The rest is in the hands of the national government. To cover the costs and drive the required investment in both energy efficiency and low carbon heating, further powers should be devolved, and funds made available. GLA capital investment in environmental projects is funded through Government and EU funds, and the Government urgently needs to set out its intentions in this regard.

I have continually called for adequate regulation and additional resources, to enable the GLA to take the required action to tackle London's environmental challenges and work with business and boroughs to deliver on my targets. These asks include matching the funding I have provided for vehicle scrappage schemes and ensuring that the new Environment Bill includes legally binding World Health Organization based targets for particulate matters.

## **Old Oak and Park Royal Development Corporation (OPDC)**

### **Recommendation 13**

***The OPDC should publish the Housing Infrastructure Fund bid and conditions before the 2020-21 Budget is approved.***

The HIF documents and conditions were published on 20 January.

### **Recommendation 14**

***The OPDC has seen a setback to its ambitious plans for its 30-year project. The OPDC needs to publish a timetable to develop a new credible and sustainable plan with a clearer focus in the short to medium term on Park Royal. The plan should set out what it can realistically achieve and when.***

The OPDC is working on finalising a programme for its new approach, which aligns with the draft Local Plan process, a visioning exercise for the wider OPDC area and plans for Park Royal. The OPDC is committed to bringing forward short-term development as well as planning for the longer term.

The OPDC has made a commitment to share this programme with the Assembly as soon as reasonably possible, but you will appreciate that this work takes time. The OPDC is keen first to properly engage with key stakeholders, landowners and residents.

### **Recommendation 15**

***In June 2016 the Mayor of London commissioned the GLA to undertake a review of the strategic direction and work programme of the OPDC. Given recent events, the Mayor should commission a follow up review examining if the OPDC should continue in its current form.***

This recommendation would be appropriate were the Government to decide to cancel HS2. Assuming that the project continues, the new station at Old Oak Common provides a huge regeneration opportunity and it is right to have a development corporation leading and co-ordinating this pan-borough work. I welcome the work of the interim Chief Executive in assessing where the OPDC can draw on GLA resources to ensure that OPDC can pursue its revised approach quickly and efficiently.



# MAYOR OF LONDON

## **Recommendation 16**

***The Mayor should review the processes and governance of the OPDC senior management team and Board representatives.***

I am confident that the OPDC Board and leadership team acted appropriately in response to the change in market conditions that required the adoption of a different approach, and the pre-election period restrictions that prevented discussion of this in public.

Good governance is as important in a small organisation like the OPDC as it is in larger ones. Following a number of OPDC staff changes over the last year, in the autumn, the GLA Governance team began providing support to the OPDC at their request. I hope this reassures the committee of the priority that both the OPDC leadership and I place on ensuring that sufficient resource is in place to ensure effective governance.

## **Cash and reserves**

## **Recommendation 17**

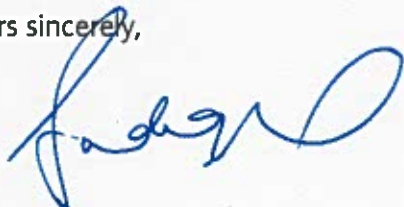
***The Mayor should initiate a review into the level of cash and reserves held in the GLA Group. The review should consider the creation of a central general reserve for more efficient risk management, appropriate use of earmarked reserves and options for excess cash holdings. This review should start before the end of 2019-20 and the results should be implemented in the 2021-22 Budget process.***

The committee will appreciate that the GLA's cash holdings are either earmarked for specific projects or held to manage cashflow and the risk profile facing each organisation based on the professional advice of its chief financial officer. This is set out in the budget document, along with how the level of earmarked reserves is expected to reduce significantly over future years.

Where money is not required for expenditure in the short-term, it is invested collectively by GLA Group organisations through our treasury management shared service (TfL is not part of this service, but in any case, has specific requirements as a large-scale trading organisation, which your report appears to overlook). This approach generates additional income to invest in services for Londoners, whilst ensuring that funds are available for organisations as required.

It is important to recognise that a number of financial risks, such as inflation and the costs of borrowing, are common across GLA Group organisations. This must be prudently reflected in our arrangements and we should look at whether these could be more transparently set out, as well as whether any further collaboration and pooling could be implemented. I have asked officers to progress this following the conclusion of this year's budget process.

Yours sincerely,



**Sadiq Khan**  
Mayor of London

Cc: David Bellamy, Chief of Staff