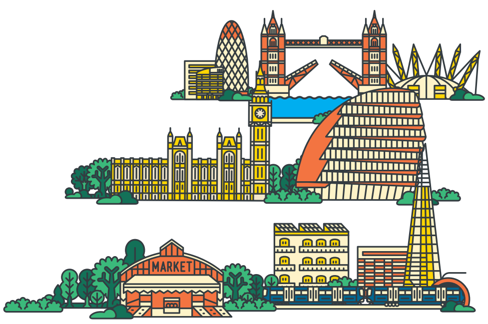
Chapter 11

Funding the London Plan



Overview

11.0.1 This is an ambitious Plan, and delivering it - particularly meeting London's housing need - is a significant challenge. The level of growth anticipated in the Plan will require significant investment from both the public and the private sector. London's growth is important for all Londoners, and for the economic prosperity of the UK. It is therefore important that the required long-term investment set out in the London Plan can be funded and delivered.

11.0.2 This chapter sets out a policy framework for viability and planning obligations and estimates the investment in infrastructure needed to deliver the London Plan. A lot of this investment will need to be provided by the public sector. The chapter outlines the gap between currently committed and required public sector funding, and summarises potential options for meeting this funding gap. It also outlines the need for a more supportive regulatory environment where private sector investment is involved.

11.0.3 The most critical areas for investment to achieve the step change in housing delivery that London needs are increased investment in transport infrastructure and fundamental changes to the housing market. There is also a significant need to invest in enabling infrastructure, such as green infrastructure, water, energy, waste, digital connectivity and social infrastructure.

Policy DF1 Delivery of the Plan and Planning Obligations

A Applicants should take account of Development Plan policies when developing proposals and acquiring land. It is expected that viability testing should normally only be undertaken on a site-specific basis where there are clear circumstances creating barriers to delivery.

B If an applicant wishes to make the case that viability should be considered on a site-specific basis, they should provide clear evidence of the specific issues that would prevent delivery, in line with relevant Development Plan policy, prior to submission of an application.

C Where it is accepted that viability of a specific site should be considered as part of an application, the borough should determine the weight to be given to a viability assessment alongside other material considerations. Viability assessments should be tested rigorously and undertaken in line with the Mayor's Affordable Housing and Viability SPG.

D When setting policies seeking planning obligations in local Development Plan Documents and in situations where it has been demonstrated that planning obligations cannot viably be supported by a specific development, applicants and decision-makers should firstly apply priority to affordable housing and necessary public transport improvements, and following this:

1) Recognise the role large sites can play in delivering necessary health and education infrastructure; and

2) Recognise the importance of affordable workspace and culture and leisure facilities in delivering good growth.

E Boroughs are also encouraged to take account of part D in developing their Community Infrastructure Levy Charging Schedule and Regulation 123 list.

11.1.1 The purpose of planning is the delivery of sustainable development, and the statutory basis for this is the plan-led system. The policies in the London Plan have been subject to a viability assessment which has tested the cumulative impact of relevant standards, obligations and requirements to ensure they do not put implementation of the Development Plan at serious risk. Local Development Plan Documents are also subject to viability testing. Therefore, applicants should take account of all relevant Development Plan policies when forming their proposals and when acquiring land. Land owners should also take account of these requirements when applying for planning permission or selling sites.

11.1.2 The assessment of viability on a site-by-site basis has caused uncertainty, increased land prices and undermined the delivery of Plan objectives. There are inherent difficulties in the assessment of viability at the application stage given input uncertainty and the sensitivity of viability appraisals to small changes in assumptions. There is also a risk that site-specific viability testing is used as a device to reduce planning requirements and enhance commercial returns, even where genuine barriers to delivery do not exist.

11.1.3 To avoid these issues, it is expected that the testing of viability of a specific scheme should only be necessary where there are clear barriers to delivery that would make the delivery of obligations unviable. This will speed up the planning process and increase certainty for applicants and planning authorities, whilst supporting the implementation of planning policies and the delivery of sustainable development.

11.1.4 In setting Local Plan policies and associated guidance, boroughs should consider whether there are circumstances in which it may be acceptable to review the viability of a development on a site-specific basis. These may include circumstances where an applicant is required to provide significant infrastructure improvements to facilitate delivery of a development (beyond the level that would typically be required for the scale of development) or where the value generated by a development would be exceptionally low.

11.1.5 If an applicant wishes to make the case that viability should be considered on a site-specific basis they should inform the borough, and Mayor where relevant, prior to submission of the application. Evidence should be provided of the specific issues that would prevent delivery in line with relevant Mayoral and borough policies and guidance. The application should be determined in accordance with the Development Plan, with the decision-maker determining the weight to be given to viability alongside other relevant material considerations.

11.1.6 The Mayor's Affordable Housing and Viability SPG sets out detailed guidance on the assessment of viability. Viability should be assessed robustly in line with the Mayor's guidance when undertaken on a site-specific basis.

11.1.7 This policy should inform the development of plan policies, infrastructure planning and planning decisions.

The Funding Gap

11.1.8 There is a significant gap between the public-sector funding required to deliver and support London's growth, and the amount currently committed to London. In many areas of the city, major development projects are not being progressed because of the uncertainty around funding.

11.1.9 Public-sector funding is defined as money raised directly or indirectly through taxing or levying funds from individuals or businesses. The Mayor's current fundraising powers are limited to council tax and business rates, user charges such as transport fares, and third-party contributions such as MCIL. These represent a small proportion of the large number of different taxes levied on London by Government. In 2015/16, London government only had direct control over 5.1 per cent of the tax it raised (council tax and 50 per cent business rates).

11.1.10 Finance is investment sourced from companies or organisations, usually in the form of debt or equity. Where local or national government obtains debt, this can be considered (deferred) funding, as the borrowing is backed by future tax revenue and levies on economic activity.

11.1.11 The London Infrastructure Plan 2050[147] outlined that the total investment in London's infrastructure (as defined in the plan) required between 2016 and 2050 could reach £1.3 trillion (2014 prices, within a range of £1 trillion to £1.7 trillion). The actual number is likely to be higher given inflation and the revised population estimates underpinning this London Plan.

11.1.12 The research conducted for the London Infrastructure Plan 2050 analysed the likely total required public-sector investment, under a business as usual scenario[148]. Overall, the estimates suggest that the then current level of committed funding (particularly for infrastructure provided by the public sector) would not meet London's growth needs. The research found that the total gap between required public sector investment and committed funds was estimated to be around £3.1 billion per annum. As this estimate was based on 2014 prices and lower predicted population growth, it is now likely to be higher. Where more up-to-date information is available this is used below.

147 London Infrastructure Plan GLA 2015

148 The method used to calculate required infrastructure investment in the London Infrastructure Plan 2050 is outlined in a paper prepared by Arup (2014).

11.1.13 The Mayor is seeking clarity from Government on the availability of investment for much-needed infrastructure in the capital, and more fundamentally, is seeking further devolution of fiscal powers in line with the recommendations of the London Finance Commission. Because of the scale of the funding gap, the Mayor is also exploring other potential sources of funding, such as land value capture, and looking at how private investors can play a bigger role in investing in the upfront costs of infrastructure. He has also, through this Plan and other strategies, set out how to make more creative and efficient use of existing infrastructure assets, for example, by managing demand for utilities and transport, using new technologies and changing user behaviours.

Infrastructure

11.1.14 To support predicted growth in population, London requires a range of strategic infrastructure to unlock housing and employment growth.

11.1.15 The largest project in the pipeline in terms of cost and scope – Crossrail 2 – will support the delivery of around 200,000 jobs and 200,000 homes making a significant contribution towards meeting London's housing needs to 2041. However, London needs to deliver some 1.6 million homes over the same period. A large amount of that growth will need to be enabled and supported by other infrastructure projects, many of which will take the form of incremental improvements and smaller schemes.

11.1.16 This section outlines what is required to deliver London's housing and planned infrastructure.

Housing

11.1.17 In the London Housing Strategy, the Mayor has set out how he will ensure that all sources of housing supply are utilised, how he intends to use the tools he currently has available to their fullest extent, and what extra powers and resources London would need to achieve a significant and sustainable step change in the delivery of new and affordable homes.

11.1.18 At the core of the London Housing Strategy is an understanding that the current model for homebuilding in the capital faces inherent constraints in terms of how many new homes it can support. These include capacity constraints of major homebuilders, and economic limitations on how quickly market homes can be sold at the prices developers want to achieve. Raising homebuilding toward the targets set out in this London Plan will require the contribution of existing players to be supported, and to be complemented by a significant expansion in the range of delivery models used, and the tenures and types of homes delivered.

11.1.19 In order to accelerate and / or de-risk housing development in the capital the Mayor is already making funding available, and he has secured £3.15 billion to support 90,000 affordable housing starts by 2021. He is also working to secure a significant share of the Government's Housing Infrastructure Fund, and has made a number of bids to unlock key housing schemes across London.

11.1.20 Beyond this, the Mayor is making the case to Government for continued and sustained investment in homebuilding and enabling infrastructure. Initial estimates by the GLA indicate that at least £2.7 billion in public capital funding a year is required for affordable housing to help address housing need. This estimate will be revised based on discussions with affordable housing providers and more detailed analysis of the costs of provision.

11.1.21 Beyond his investment and planning powers, the Mayor is also proposing a more hands-on approach to increasing the supply of land for homebuilding. He intends to intervene directly, or support boroughs, housing associations and developers to do so, where land is suitable for new housing but is not coming forward for development.

11.1.22 In relation to publicly-owned land, the Mayor's functional bodies have committed to ensure that land they control is utilised to support additional housing delivery. There is also a significant stock of land in the ownership of other key public-sector landowners. The Mayor is engaging directly with them to bring forward sites for housing, and is also working with Government to develop a more formal role for the GLA in bringing forward Government-owned land in London earmarked for housing delivery. As a minimum, this role should mirror that operated by the Homes and Communities Agency, which directly manages the release of surplus Government landholdings outside London.

11.1.23 As a last resort, statutory powers may be required to bring forward land for development. The Mayor will work with boroughs, Mayoral Development Corporations, TfL, housing associations and developers to utilise statutory land assembly powers, such as Compulsory Purchase Orders, to bring forward housing opportunities. This will include supporting boroughs to make more use of compulsory purchase where appropriate, and the Mayor exercising compulsory purchase powers where a scheme is of strategic significance, or where a borough may be unable or reluctant to act. To support a step-change in the delivery of new and affordable housing, the Mayor is making the case to Government for further reforms of, and resources to support, compulsory purchase, and exploring options for new land assembly models.

11.1.24 The homebuilding industry needs to be diversified to increase capacity and speed up delivery. The Mayor is supporting the Build to Rent sector, which can provide additional supply above what would be delivered through the sale-led housing market. In order to encourage small and medium-sized builders the Mayor is launching a Small Sites, Small Builders programme, which, alongside changes to CIL and new planning policies, seeks to address some of the barriers faced by smaller builders. The Mayor is also supporting boroughs and housing associations to deliver more homes directly, including by providing investment and lobbying Government for reforms to enable boroughs to build at significantly greater volumes.

11.1.25 Finally, the London Housing Strategy sets out how the Mayor will address the capacity constraints that are holding back the industry. This includes addressing the construction skills crisis by investing in a new Construction Academy Scheme, utilising the devolved Adult Education Budget, ensuring that local labour and apprenticeship opportunities are made more efficient and joined-up, and supporting the substantially greater use of precision manufacturing in building homes across London.

Transport

11.1.26 The Mayor's Transport Strategy sets out the Mayor's priorities for transport, and defines how London's transport infrastructure will be paid for. Delivering the schemes identified in the Mayor's Transport Strategy will require an average capital investment by TfL and others of around £3.3 billion a year. This equates to around 0.9 per cent of London's Gross Value Added. The level of expenditure envisaged by the strategy is broadly in line with the National Infrastructure Commission's recommendation of an economic infrastructure spend of circa 1.2 per cent of Gross Domestic Product per annum.

11.1.27 Further information on the specific projects detailed in the Mayor's Transport Strategy that support delivery of the London Plan can be found in Table 10.1 in the Transport chapter in this Plan. Significant capital investment will be required to deliver these schemes, which can only be achieved through collaboration between the Mayor and Government, National Rail, London's boroughs and the private sector.

11.1.28 Transport in London is funded through a combination of sources, including:

- Business Rate Retention under Mayoral control, which is replacing existing direct Government grants for operations and new capital investment from 2017-18
- Revenue from fares and other 'user pays' sources (e.g. Congestion Charging)
- Non-fare sources (e.g. advertising and property)
- Contributions from the London boroughs and the private sector, for example, developer funding for associated transport investments
- Other specific grants
- TfL 'prudential borrowing' against future revenue

11.1.29 In addition, for the Elizabeth Line project, there are specific ring-fenced funds (e.g. specific levies such as the Business Rate Supplement and Mayoral CIL).

11.1.30 TfL's operating expenditure, including capital renewals, is primarily reliant on fares and Business Rates Retention funding sources. In the future, additional borrowing will be limited to where the capital-spend results in an increase in future revenues that can service the operating and financing costs. The Elizabeth Line, Northern Line extension, Overground extension and Silvertown Tunnel have identified funding packages and will be delivered in the early years of the Plan. However, most of the schemes listed in table 10.1 are currently unfunded and additional sustainable funding sources and project-specific deals and grants will be needed alongside contributions from London boroughs and the private sector.

11.1.31 Public sector funding for major infrastructure usually requires the support of the Treasury for direct Government investment or new devolved mechanisms. The Mayor's ability to invest in major transport schemes is therefore highly dependent on his negotiations with Government. The amount of public sector funding allocated to London's required infrastructure is uncertain, and schemes are negotiated on an individual basis which tends to lead to delays[149]. Given that the density of the public transport network correlates strongly with the potential for growth, the significant uncertainty over the funding of many transport schemes reduces confidence in the prospects for growth among all the major stakeholders responsible for building the city, including developers and utilities companies.

[149] London Finance Commission, 2017

11.1.32 While the Mayor continues to promote the devolution agenda in line with the recommendations of the London Finance Commission, he will also continue to look for further creative options to fund required transport infrastructure. The Mayor is considering options for ensuring all beneficiaries of growth contribute to it, and for sweating London's existing assets to deliver efficiency savings. In the long term, however, a fairer and more efficient political settlement should be reached on fiscal devolution. There is good evidence to suggest that fiscal devolution would generate better outcomes for Londoners and also for the rest of the UK. Providing London with the means to control more of its own tax revenues would ensure that London can build the transport infrastructure it needs to unlock development more efficiently, more quickly and with greater certainty[150].

11.1.33 In addition to the London Finance Commission recommendations, the Mayor believes that Vehicle Excise Duty (VED) should be devolved to TfL to provide revenue for investment in strategic roads in London, the responsibility for the management of which was devolved to TfL in 2000. This would bring investment in London's streets in line with the Government's intention to allocate VED revenue to the English Strategic Road Network from 2020. Powers to change how VED is levied would also provide London with the flexibility to trial new ways of paying for roads, which would be better linked to the impacts vehicles have on them and on London as a whole. Taxation rules should also be reviewed to ensure they incentivise sustainable travel to/from and for work.

Enabling Infrastructure

Schools

11.1.34 There is a growing need for school places in London. Central government provides the majority of the capital funding to create school places and to carry out capital maintenance and repair work to existing school buildings[151], supplemented by capital contributions from London boroughs. An indicative survey by the GLA across the academic years 2011/12 and

150 DfT., 2017. Transport Investment Strategy. DfT, London Finance Commission, 2017, Coelho, M & Ratnoo, V., 2014. Institute for Government; HM Treasury., 2014. National Infrastructure Plan 2014. HMT

151 Basic Need / Devolved Formula Capital

2012/13 suggests that capital funding from Government represented around one third of the funding required. This analysis suggests that London will need in the region of £11 billion to 2050 to fund new primary and secondary school places and an additional £12 billion to undertake renewals on both new and existing school facilities.

11.1.35 This investment will need to be made by increasing Government contributions and from sources raised locally, such as through CIL or Section 106 contributions. A wide range of new sources of funding is likely to be difficult to access without providing London government with greater control and freedom over its local tax base. Further innovation and efficiencies will also be required to bring down costs[152].

Health Facilities

11.1.36 The demand for health services in London is increasing due to a growing and ageing population and an increase in complex and long-term health conditions. As described in paragraphs 5.2.1 to 5.2.9 of this Plan, the NHS has set out the need to undertake a higher proportion of healthcare in community rather than hospital settings. However, many hospital sites contain old, poor-quality stock and there is a need for both replacement and maintenance. Investment is also needed in the workforce and digital technology to deliver service change.

11.1.37 Across London, developer contributions are used to fund the capital costs of new or expanded primary and community care facilities in order to meet the increasing demand for services which arises from population growth in new developments. Boroughs should use the London Healthy Urban Development Unit Planning Contributions Model (HUDU Model) to calculate the capital cost of the additional health facilities required to meet the increased demand. Boroughs should also work with Clinical Commissioning Groups and NHS England to determine what investment is required by monitoring housing and population growth, keeping infrastructure plans up to date and working together to identify and develop projects towards which Section 106 and CIL contributions could be used.

11.1.38 Section 106 in-kind contributions can be used to support the provision of new health facilities, particularly in Opportunity Areas where there is little or no existing infrastructure. Examples of in-kind contributions include: transfer of land to provide new primary and community care facilities;

152 Arup, 2014, The cost of London's long-term infrastructure

construction and fit-out of new health facilities; and provision of 'shell and core' space at peppercorn rent. Funding sources for health buildings also include direct capital from central government and private funding through a variety of public/ private joint ventures. A specific fund for Primary care estate, the Estates and Technology Transformation Fund (ETTF) is in the second of a four-year programme (to 2020).

11.1.39 London's Sustainability and Transformation Plans (STPs) were published in October 2016 to set out how health and care services would evolve and become financially sustainable over the 5-year period to 2020/21. The plans outlined a requirement to spend £4.8 billion on existing health infrastructure in London just to keep it operationally functional. Further capital investment in NHS infrastructure of £2.1 billion is needed to meet the costs of transforming health services in London and accommodating population growth. Therefore, a total 5-year investment of £6.9 billion is required.

11.1.40 ETTF and developer contributions represent only a relatively small proportion of the capital funding required, so additional sources need to be identified. The London Health and Care Devolution Memorandum of Understanding offers significant opportunities to address health and care estate challenges. These include innovative approaches to realising value from underused and unused NHS land and buildings; working more collaboratively with the Mayor and London's boroughs; and taking the One Public Estate approach to health and care developments. The London Estates Board and London Estates Delivery Unit aim to support the effective delivery of local and sub-regional estates plans, including more efficient estate utilisation. This will better meet the health and care needs of Londoners now and in the future.

Utilities

11.1.41 This Plan assumes that all regulated utilities infrastructure necessary to support growth will be delivered by the statutory providers and network operators. The London Infrastructure Plan 2050 suggests that energy and water infrastructure will require £148 billion and £46 billion of investment in London respectively over the period. Investment in energy and water infrastructure is usually funded by providers through user charges. Spend on new assets and operating costs are agreed through negotiations between the provider and regulator. These plans are then set out at the beginning of the regulatory price-control period in the provider's business plan. Because capital expenditure is funded through user charges, utilities companies typically borrow to fund the upfront costs of investment.

11.1.42 The exception to this approach for utilities infrastructure is heat network infrastructure, the pipework that carries hot water connecting sources of low-cost, low-carbon energy to homes and business to meet their space heating and hot water needs. Heat networks are an emerging class of infrastructure recognised by both the Mayor and the Government as being essential in meeting climate change targets. Heat networks are not a regulated undertaking and therefore not subject to the same restrictions or benefits (in terms of powers) as statutory undertakers. The Mayor is exploring how to increase the rate of their development in London, which will require central government to create a level playing field for the treatment of district heating networks compared to other statutory utilities regarding access rights and business rates.

11.1.43 The scale of growth in London will require significant capital investment in water and energy infrastructure. Investment ahead of demand will be required to ensure the utilities are available when sites are developed. It can also realise significant efficiency savings for all parties involved in a development. The Mayor is working with providers and regulators to ensure the regulatory regime supports investment at the right time.

Digital Infrastructure

11.1.44 The London Infrastructure Plan 2050 estimates that £8 billion will be required to provide the digital connectivity infrastructure London needs. As in the case of energy and water investment, new digital connectivity infrastructure is paid for upfront through finance or private equity investment backed by user charges. In general, decisions on where to invest in infrastructure are determined on a demand-led basis. There are also regulatory obligations for coverage, and infrastructure roll-out decisions are also dependent on technology delivery type. Increasing demand, as business activities and people's lifestyles become more dependent on faster broadband, means that, as with other utilities, the regulatory regime must support investment ahead of demand. This should take account of the fast changing nature of digital technology.

Green Infrastructure

11.1.45 Green infrastructure comprises the network of parks, rivers and green spaces plus the green elements of the built environment such as street trees, green roofs and sustainable drainage systems[153]. The city's

[153] Mayor's London Environment Strategy

green infrastructure provides a wide range of benefits and services that generate significant economic value in a cost-effective way. The Mayor, in partnership with the National Trust and Heritage Lottery Fund, has published a natural capital account that clearly demonstrates this[154].

11.1.46 Provision of green infrastructure has traditionally been the responsibility of public authorities and various public or third-sector land-management bodies, but increasingly, a number of private sector actors (including utility companies, developers and businesses) are contributing to delivery. This is especially the case in the built environment where green roofs and walls, street trees and sustainable drainage systems are being delivered and maintained by private land-owners.

11.1.47 The funding model for green infrastructure differs from that of other enabling infrastructure in that there are rarely obvious primary revenue streams (such as fares, bills or charges) that relate the provision of the service to the cost of managing, maintaining and upgrading the infrastructure.

11.1.48 In an attempt to address the problem of not properly valuing the services and benefits of green infrastructure, the Government has committed to including natural capital accounts in the UK Environmental Accounts by 2020. This is to ensure that the economic benefits of green infrastructure can be understood alongside other key indicators of economic performance. The Office for National Statistics has been charged by Government with developing a roadmap to enable this.

11.1.49 This re-framing of our understanding of the economic value of green infrastructure makes a considerable difference to decisions about the allocation of existing resources. For example, the willingness of developers to integrate green infrastructure into developments rather than considering the provision of green space as simply a condition of planning.

11.1.50 The majority of funding for green infrastructure is still likely to come from public sector budgets for the management and maintenance of parks and green spaces. However, future funding may be derived from a wider range of public sector sources in recognition of the contribution green infrastructure makes to improving public health, enhancing resilience and providing more sustainable transport options.

11.1.51 Nevertheless, new funding streams will need to be identified in order to improve existing parks and green spaces and to create new green

154 Vivid Economics, 2017, Natural Capital Account for London's Public Green Spaces

infrastructure in those areas where it is deficient. This might include offsetting funds, new environmental levies to address specific challenges (such as surface water flooding), and new devolved mechanisms. There is also an opportunity to explore new mechanisms to ensure that those who benefit from land value uplift resulting from good-quality green infrastructure contribute to its maintenance and improvement.

Waste and Circular Economy Infrastructure

11.1.52 As London's population increases so will the amount of waste it produces both at home and in the workplace. Continuation of the current linear economy - where we take resources, make products, use them until the end of their lifetime and then dispose of them – would require significant investment in additional waste infrastructure to cope with this increase.

11.1.53 Transitioning to a circular economy, however, would bring about a net annual benefit of £7 billion by 2036 according to the London Waste and Recycling Board Circular Economy Route Map[155]. This is because the circular economy is restorative and regenerative by design. Relying on system-wide innovation, it aims to redefine products and services to design out waste, while minimising negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural and social capital.

11.1.54 Business will lead the transition to a circular economy, often through start-ups identifying a market opportunity. The investment required by these businesses will be a mixture of venture capital and equity, some of which will come from commercial investors but some of which will need to come from the public and not-for-profit sectors. The GLA and London Waste and Recycling Board have identified budget to invest in circular economy businesses on commercial terms, but accelerating the transition to a circular economy will require more investment.

Cultural Infrastructure

11.1.55 There is growing evidence of the continuing loss of cultural infrastructure in the capital. By 2019, London is projected to lose 35 per cent of its affordable creative workspace, 35 per cent of its music venues, 58 per cent of LGBT+ and night-time venues and 25 per cent of its pubs. This is of concern because cultural infrastructure is important to local communities, to the tourism industry and to sustaining the creative economy, which is a

155 London The Circular Economy Capital, London Waste and Recycling Board, 2015

source of significant employment growth and worth £42 billion to London's economy.

11.1.56 London will require significant investment to reverse the loss of these valued assets and to develop new production hubs, for example as part of the sub-regional vision for a Thames Estuary Production Corridor. In addition, investment in London's cultural and heritage assets will be needed to maintain the capital's position as a world-leading creative capital and tourist destination, with four out of five visitors stating that culture and heritage are the main reason for their visit.

11.1.57 To protect and develop London's cultural infrastructure, investment will need to be raised locally, including from CIL and Section 106 contributions, where appropriate. The Mayor will also explore other sources of investment including philanthropic funding. Additional sources of funding will also be required, but will be difficult to access unless London is given greater control over its local tax base.

Potential Options for Raising the Required Funding

Fiscal Devolution

11.1.58 Delivering London's required strategic infrastructure and housing demands significant investment of public sector funding. Because the UK possesses a comparatively centralised distribution of fiscal powers, substantial proportions of the total cost of strategic infrastructure tend to be funded through fiscal transfers, issued by the Treasury. This often leads to significant uncertainty over the outcome of a proposed project, and delays in funding being agreed. In recognition of the challenges this can create for industry, businesses and Londoners, the Mayor is committed to ensuring that London has more control over its own resources.

11.1.59 London is the world's largest financial centre, and has one of the largest metropolitan GDPs. It is a vital component of the UK economy, driving growth across the country. London contributes significant amounts of the UK's tax revenue and is a net contributor. In 2015/16 it contributed £136.7 billion, which was more than the total public expenditure devoted to London that year (£110 billion), generating a net fiscal contribution of £26.7 billion. To ensure that London continues to contribute in this way to the national economy, it is vital that the capital's required infrastructure and housing is delivered to support the city's economic growth, and ensure it remains a pleasant and healthy place to live, work and visit.

11.1.60 The Mayor believes that fiscal devolution is required to help ensure that London can deliver this vital infrastructure efficiently and to budget. The London Finance Commission report published in 2017 sets out the options and rationale for devolution. Devolution to London would allow the city's government to develop bespoke policy for its citizens and manage its budget efficiently across areas of policy, rather than be tied to a mix of funding streams channelled through government departments and other agencies.

11.1.61 The London Finance Commission recommended the full devolution of property taxes, including council tax, business rates and stamp duty, as well as permissive powers to develop new mechanisms, subject to consultation. This would allow for the development of a consistent approach with Section 106 payments and the Mayoral and borough CIL. This devolved approach would help London to deliver major transport, and other capital investments, as well as taking the lead in solving its own housing problems.

11.1.62 The success of the UK economy depends increasingly on the success of our major cities. The Mayor recognises fiscal devolution as a national agenda, rather than a priority exclusively for Londoners, and is working with combined authorities across the UK and with newly appointed Metro Mayors, to promote devolution across the country.

Sharing In Land Value Uplift

11.1.63 Successful infrastructure systems benefit everyone in the city, and so it is logical that it is not direct users alone who fund them. All beneficiaries, such as road users, businesses, and home owners should contribute to funding transport and other infrastructure according to the benefits they receive, the external costs their use of it generates – such as congestion and air pollution – and their ability to pay.

11.1.64 In recognition of this, and following an invitation for TfL to bring forward proposals for funding infrastructure projects from land value uplift, the Government has agreed to establish a joint task force (including the GLA and TfL) to explore the options for piloting a Development Rights Auction Model on a major infrastructure project in London.

11.1.65 There are also a range of other options for capturing land value uplift, and the Mayor will continue to explore all avenues for ensuring Londoners receive the vital infrastructure required to support growth.

Conclusion

11.1.66 Through this Plan the Mayor is determined to tackle the housing crisis and support London's continued growth in a sustainable and inclusive way. This chapter has set out how the funding gap must be met if the infrastructure to support growth is to be planned and delivered at the right time. The step change in housing delivery that London needs cannot happen without it. The Mayor needs new fiscal tools to fund this infrastructure. Where it can be funded privately, he requires a supportive regulatory regime so that it can be provided when needed.

11.1.67 A successful London economy benefits the whole of the UK, so there is a strong case for devolving control over resources to the Mayor to enable greater investment in infrastructure. Local, city-wide, and central government need to work together with the private sector to identify creative and innovative ways to deliver the infrastructure in London that will unlock growth and new homes.