

MAYOR OF LONDON

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Thank you very much for sending me your report on Land Value Tax. I am sorry for the delay in replying but various relevant work has been taking place and I thought I would take this opportunity to update you.

First, in July I asked Professor Tony Travers to re-form the London Finance Commission to consider the potential to devolve to London's elected leaders both more of the taxes Londoners and London's businesses pay and greater control over public expenditure decisions, alongside appropriate checks, balances and accountabilities (including for business and the London Assembly). The London Finance Commission meets regularly and I understand that it is making good progress. The Commission published its interim report last month and a final report is expected in December or January.

The Commission will be taking evidence from various parties, including meetings in Birmingham and Manchester. This will also include a session at City Hall for London's communities. As part of its review, the London Finance Commission will be considering the potential for better capturing land value rises and Tony will be in touch with your office to arrange a meeting to discuss your report and its recommendations.

Secondly, in its last Budget, the Government invited Transport for London to carry out a technical study to assess the potential for land value uplift capture. I have asked officers to discuss this work with you further.

Finally, my directors and deputy mayors are in direct conversation with the Treasury over a range of potential areas for devolution, including fiscal powers. As you know, I do not have any permissive powers currently to carry out the pilot scheme that you suggest. The idea of piloting some form of land value capture is a good one in principle and I would be happy for my officers to raise this in discussions with the Treasury in the context of a number of other complex areas of tax devolution (including business rates).

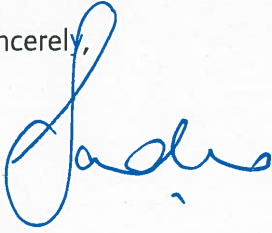
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My officers have also discussed the potential for land value taxation at OPDC and Tony Travers met with Victoria Hills, its chief executive recently. OPDC has indicated it would like to pilot some of the other recommendations in the Assembly report, if the powers were available.

My overall position therefore is that I welcome your recommendations which are an important contribution to the work on fiscal devolution in London. In answer to your first recommendation, while I have not taken legal advice, it is clear that primary legislation would be required in order even to establish a pilot scheme. To carry out an economic feasibility study would be expensive and not a justifiable use of public money at this stage, in the absence of further evidence that the Treasury would be willing to consider granting such powers.

Thank you again for sending me this report and for its thoughtful recommendations.

Yours sincerely,



Sadiq Khan
Mayor of London