Gareth Bacon AM
Chairman
Budget and Performance Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

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Dear Gareth,

Response to Draft Consultation Budget – January 2018

Thank you for your Pre-Budget Report. I set out my responses to your recommendations below.

Recommendation 1

As a matter of urgency, the Mayor needs an action plan to address the Stadium's financial pressures on the LLDC, with clearly defined targets as to when we can expect improvements.

The Moore Stephens report clearly sets out the financial challenges faced by the London Stadium given the current West Ham and UK Athletics (UKA) concession agreements.

E20 has appointed a specialist and highly experienced corporate restructuring officer who is developing a new commercial strategy over the coming months for the London Stadium with a wide range of stakeholders, including the anchor tenants. This strategy is a key driver in moving the venue towards a more viable financial footing and the London Legacy Development Corporation (LLDC) will provide regular updates on progress on the Stadium's financial situation and the measures being implemented through the Quarterly Corporate Reports.

The main events schedule is now largely set for 2018 as large-scale events usually require a 12-month lead in time, and as you will be aware this will result in a significant reduction in the cost of moving the stadium's seating compared to 2017. Key commercial decisions which require substantive change or investment will be medium to long term in nature. In that context, all non-West Ham United and UKA events scheduled for 2018 are priced commercially thus enabling E20 / LS185 to recover its direct costs plus a hire fee. The West Ham Concession Agreement is a fixed price contract not related to costs and the UKA event price is based on the recovery of E20 / LS185's operating costs.

Recommendation 2

In his response to this report, the Mayor should set out exactly what affordable housing the LLDC will deliver, and - following the LLDC's decision to remove all affordable housing at Stratford Waterfront – set out whether he can subsidise the development of any affordable housing at the Stratford Waterfront site using his affordable housing settlement.

Affordable housing is a key element of the London 2012 legacy and is a key commitment of mine. I have agreed with the LLDC that the affordable targets set by the previous administration for approved developments at Chobham Manor, East Wick and Sweetwater will remain in place, given the progress made on these projects before I took office.

There is a close dialogue between the GLA and LLDC on affordable housing delivery and plans are being reviewed for the remaining developments on Queen Elizabeth Olympic Park to reflect my affordable housing targets. The LLDC is currently reviewing its local plan and the revised plan will need to be in general conformity with the recently published draft London Plan, including its affordable housing policies and related supplementary planning guidance on viability and affordable housing.

The LLDC has met its annual housing delivery target (1471 dwellings) since the adoption of the Local Plan in 2015. Housing levels on the proposed Culture and Education District have been reduced after careful consideration of the wider, and significant, socio-economic benefits that the scheme will bring. The foregoing of capital receipts from the Stratford Waterfront residential development (something originally approved under the previous Mayoralty) is helping to secure a wider socio-economic legacy for the area.

Recommendation 3

The Mayor should publish the detail of his proposals to fund half of Crossrail 2 during construction.

Transport for London (TfL) submitted an updated Strategic Outline Business Case (SOBC) for Crossrail 2 to the Department for Transport, who jointly sponsor the scheme, in March 2017. It outlines how over half of the costs of Crossrail 2 could be met by London using existing funding mechanisms, including the Business Rate Supplement, Mayoral Community Infrastructure Levy, fares and over-station development. Following my joint statement with the Secretary of State on 24 July 2017 supporting Crossrail 2, TfL has submitted updated proposals pledging to find ways for London to fund 50 per cent of costs during construction. Most recently, as part of the Autumn Budget the Government reiterated its commitment to Crossrail 2 with the announcement of an independent funding and finance review, due to take place in 2018. Affordability remains the project's most pressing issue, so it is important to identify ways to deliver the scheme for less and get value for taxpayers' money.

Once the funding and finance review is complete, and subject to the Secretary of State's approval of the SOBC, TfL will be able to share this with the Assembly. TfL remains committed to consulting on the revised proposals, including the financial case, as soon as possible.

Recommendation 4

The Met needs an action plan to get digital savings back on track and the Mayor should consider using his Chief Digital Officer to oversee and provide challenge to the action plan.

I inherited a legacy of outdated technology in the Met from the previous administration and the weaknesses of the past meant that the previously planned digital policing savings were not robust and there were significant additional costs.

Increased oversight and scrutiny of technology costs and the digital policing programme resulted in changes to recognise greater certainty on the technology expenditure required in 2017-18, and the decision to remove the previous estimates of savings from the Digital Policing (DP) programme for the three years from 2018-19. These changes did not impact on the budgets for front line policing, and were supported where necessary from reserves.

My budget this year supports much-needed investment in a transformation programme for the Met to replace outdated technology and provides officers with the tools they need to do their job, as well as rationalising and modernising the police estate to support more effective working and release savings.

The investment programme is ambitious and whilst historically there has been slippage and under-delivery, there is more confidence in DP's ability to deliver now with robust management and the implementation of the new outsourced delivery model. For example, the roll-out of body worn video cameras is the largest deployment of its kind in the world and its new website has won Europe-wide awards. That said, there is no room for complacency and there are significant challenges ahead.

DP now has an all-permanent DP Board and a permanent Service Delivery Intelligent Client Function (ICF). They are continuing to bear down on legacy costs, including closing down old data centres, addressing gaps in legacy contracts with new technology roadmaps and progressing with the delayed transformation projects. MOPAC has implemented new governance arrangements, to ensure proper oversight.

The Chief Digital Officer is liaising with MOPAC and the Met over the DP programme and inputting as appropriate.

Recommendation 5

The Mayor should clarify how far his funding programme will go towards meeting London's housing need of 66,000 new homes a year, 65 per cent of which are affordable.

The numbers of net additional homes that London needs, as set out in the London Plan, are not directly comparable with the gross numbers of homes delivered through Mayoral funding programmes. In particular, it is important to note that the measure of net additions is wider than new homes constructed and is based on when homes are added to the dwelling stock, whereas the Mayoral funding programmes are measured in terms of starts.

An average of just under 18,500 starts per year for the next four years (including 2017-18) is required to achieve the target of 90,000 starts of genuinely affordable homes by 2021. The expected range of these starts has previously been provided to the Assembly and is included within your Committee's Pre-Budget Report. Whilst there is no set date for completion, providers are highly incentivised to achieve this as soon as possible so they start receiving revenue from occupied homes. Whilst individual sites will vary according to scale, complexity and other factors most sites can be expected to complete within two to four years of start on site.

The GLA has cautiously estimated that affordable housing grant of around £2.7 billion per year would be required to support the 33,000 affordable homes that the Strategic Housing Market Assessment found that London needs a year. This is more than five times the current funding settlement provided by the Government. I am committed to doing all I can, however the scale of the crisis in London's housing market means that it is not resolvable by any Mayor within the funds and powers currently available.

Recommendation 6

The Mayor should review how successful the 'fast track' route around viability assessments has been at incentivising developers to build more affordable housing, and report back to the Committee in September 2018, after the scheme has been running for 12 months.

I will consider the level of affordable housing secured through the planning system to assess the impact of my Affordable Housing and Viability Supplementary Planning Guidance (SPG) including the 'fast-track' route. Officers propose to report to your Committee in December 2018 when planning applications data will be available for a full year following adoption of the SPG.

Recommendation 7

The Mayor should clarify how he is focusing his spending on Housing Zones, and what will happen to the Housing Zones he has not chosen to prioritise.

As part of the ongoing review of the Housing Zone programme, started in 2016, the GLA has been focused on increasing levels of affordable housing delivered in the zones, with an aim of a minimum of 35 per cent, and accelerating contracting.

To date, the GLA has entered into contractual commitments of £369 million, against a programme budget of £600 million. In order to accelerate contracting the GLA has now set a deadline of 31 January 2018 for all outstanding contracts to be signed. We therefore expect to fully contract the Housing Zones budget this financial year.

The fact the budget was over-programmed from the outset meant that not all Housing Zones could receive their full indicative allocation of funding and some zones will not secure any funding. Where there is an ongoing need for GLA funding or other forms of intervention this can be provided through the new proactive intervention in the land market which is underway within the Mayor's Homes for Londoners team. In some cases, this is likely to mean that the GLA takes an increased role in elements of delivery in Housing Zones, whilst other zones are expected to deliver their housing outputs with only support, co-ordination and facilitation required from the GLA.

Recommendation 8

In his Consultation Budget, the Mayor should explain why capital funding has been cut for domestic retrofitting and energy projects, and what funding he has allocated for delivering his recycling priorities.

There is no lowering of my ambition to cut carbon emissions in London with the budget for environment programmes having grown under my administration. As set out in my draft Fuel Poverty Action Plan, I have earmarked over £10 million for new energy efficiency programmes to reduce carbon emissions and help alleviate fuel poverty (including £500,000 to help fund the expansion of existing and effective borough level advice and referral networks). This is part of the Energy for Londoners budget (2017-18 – 2020-21) which was new funding allocated in last year's budget process. This sits alongside funding for the energy supply company, commercial boiler scrappage and programme budget for the relevant teams. The £1.1 million you refer to in the capital budget was for the Better Boilers scheme. The scheme has now closed having allocated the whole budget to replacing and repairing inefficient and broken boilers in households in receipt of eligible benefits. As the above shows, it is simply not accurate to state that capital funding has been cut.

Waste authorities receive funding for waste management from government and from council tax receipts. While it is a borough decision how they prioritise their funding, in the absence of any additional funding from national government specifically for recycling, I am assisting London's waste authorities by:

- Providing up to £9 million from 2017 – 2020 via LWARB and Resource London to provide communications and behaviour change messaging and support, a flats recycling task force to assist authorities to increase recycling from flats, waste authority service reviews and support to improve and optimise services;
- Lobbying Government for a one-off windfall of landfill tax receipts to the value of £100 million to support borough waste services and infrastructure (last year London paid in the region of £140 million in landfill tax); and
- Asking Government to consider requiring businesses to separate recyclables from general waste which would enable more waste to be recycled.

London's waste authorities are not receiving sufficient funding from national government for improving recycling services, which we estimate to cost approximately £100 million. To support boroughs in contributing to the achievement of 65 per cent recycling target, I have called on national government to make national funding available to deliver the infrastructure required (bins, boxes, vehicles etc). However, by increasing the amount of waste collected for recycling (including anaerobic digestion) and reducing the amount of waste sent to landfill or incineration, the £100 million investment can be recovered over time.

Recommendation 9

The Mayor's consultation budget should clearly set out how the Business Rates reserve is calculated to address new risks, including the GLA's participation in the London business rates pilot, changes to the appeals process and the upcoming Fair Funding Review.

Full details of all this information are set out at Appendix I of my Consultation Budget.

Recommendation 10

The Mayor should explain why he has given TfL an additional £75 million of business rates, and what consideration he has given to distributing it to other areas of the GLA Group which may also require additional funding. He should also bring forward proposals for how future allocations of business rates will be distributed across the Group.

Full details of the £75 million payment of business rates are set out at Appendix I of my Consultation Budget, with references to this issue throughout the document. It is important that the Assembly note that this is not an 'additional' payment to TfL, but a committed payment to honour TfL's previous Settlement with the Government which my predecessor decided to delay in recognition of the risks around business rate income.

I will bring forward proposals for future allocations of business rates once billing authorities returns are received in my final draft Budget in February.

Recommendation 11

The Mayor should consider whether to raise overall council tax by the maximum he can without a referendum (1.99 per cent) to provide additional funding for the GLA Group.

I am reluctantly proposing to increase my precept by the maximum amount I can without triggering a referendum, in order that I can help support London's police and fire services from this Government's austerity.

Recommendation 12

The Mayor should set out the savings and efficiencies for both the GLA and its functional bodies on a cumulative and incremental basis in the draft consultation budget.

Appendix G of my Consultation Budget sets this information out for the GLA and its functional bodies.

Recommendation 13

The Mayor should conduct an urgent review of the performance of the GLA's existing programmes to assess whether they are delivering the desired outcomes, and publish KPIs for 2018-19 alongside his final budget.

Performance of GLA projects is monitored across the organisation on an ongoing basis and this feeds in to a quarterly report to the Budget Monitoring Sub Committee assessing progress across more than 150 individual projects. This in turn informs decisions on spending and prioritisation.

The GLA has identified five priority themes as a focus for performance management and has already provided the Assembly with draft information on what it intends to deliver and monitor across each of those themes. In addition, performance was reported for two themes (air quality and housing) at quarter two. I aim to report progress across all five themes at the quarter three meeting of the Budget Monitoring Sub Committee (i.e. roughly in tandem with the finalisation of my budget for 2018-19).

Naturally, some of the indicators will take time to establish and for data for feed through. I look forward to continuing to work with the Assembly, following its initial positive feedback on our intended approach, so that it can help shape our approach and provide valuable scrutiny of the GLA's performance.

Recommendation 14

The Mayor should publish key performance indicators for London and Partners (L&P) and a plan for measuring its success. In addition, the Mayor should review the timings of the annual production of L&P's business plan so that in future years we can review it alongside our scrutiny of the GLA's budget proposals.

Each year London & Partners (L&P) agrees annual key performance indicators (KPIs) with the GLA which are then published in its business plan. L&P's KPIs for measuring economic benefit to the city include gross value added and jobs created. The GLA monitors performance against these KPIs through quarterly meetings with L&P. A summary of L&P's quarterly performance is also published on its website.

Since 2011, L&P has delivered £1.5 billion of GVA and supported or created 48,000 jobs. Some data on L&P's performance will also be reported under the Future Economy theme as part of the GLA's refreshed approach to corporate performance management.

With regards to the timings of the production of L&P's business plan, L&P has for a number of years produced its annual business plan in time to allow the Committee to scrutinise the plan as part of the Mayor's budget. This year is an exception in the light of L&P developing a new three-year strategy. The 2018-19 L&P Business Plan will instead be available in early 2018 and officers will provide it to the Committee as soon as it is available.

Yours sincerely,

Sadiq Khan
Mayor of London

Cc: David Bellamy, Chief of Staff
Martin Clarke, Executive Director of Resources
David Gallie, Assistant Director – Group Finance