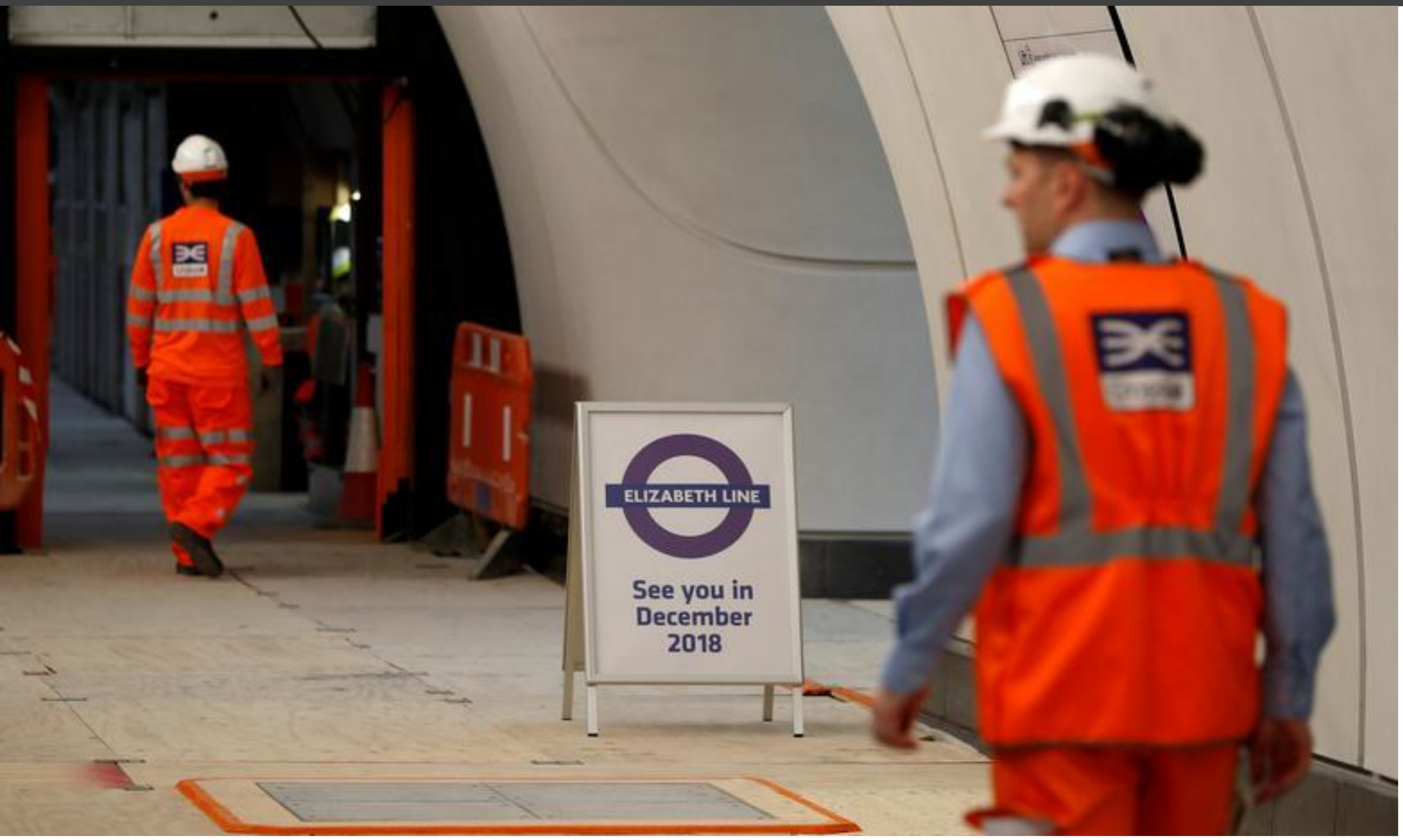
LONDON ASSEMBLY

Response to the Mayor's Draft Consultation Budget 2020-21



Budget and Performance Committee
January 2020

LONDONASSEMBLY

Holding the Mayor to account and investigating issues that matter to Londoners

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The Budget and Performance Committee holds the Mayor to account for his financial decisions and performance across the Greater London Authority. It is responsible for scrutinising the Mayor's budget proposals for the next year and carrying out investigations across the Mayor's various policy areas, such as transport, police, fire, housing, and regeneration.

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Len Duvall AM

Deputy Chairman of the Budget and Performance Committee

London is facing unprecedented challenges, from a housing crisis to uncertainty over the amount of funding we will receive from Government to fund the additional police officers they have promised. All of this is putting pressure on City Hall's resources. This is the final year of the Mayor's four-year term of office and this budget will set out spending for the year following the Mayoral election in May.

The Budget and Performance Committee, which scrutinises the Mayor's spending, has closely examined the Mayor's Budget and has questioned the Mayor and the functional bodies about their proposals. This pre-budget report highlights areas where we feel further information and clarity is needed or additional action is required.

The Mayor's Office for Policing and Crime (MOPAC) have invested additional money into tackling violent crime in London. However, MOPAC's budget is marred by the uncertainty over the amount of funding that will be received for London's share of the 20,000 additional police officers promised by the Government. The Committee expects the Mayor to seek a multi-year funding settlement to enable MOPAC to be able to plan confidently for the recruitment of the additional 6,000 police officers.

The cost of running the GLA has grown from £240 million in 2016-17 to £767 million in 2020-21, largely reflecting the Mayor's increasing responsibilities for housing and skills and education. We are seeking assurances from the Mayor that any uplift in spend is done with true awareness of the cost borne.

Despite the Government providing funding to address the housing shortage, the Mayor's hands are somewhat tied by a deal which stipulates that just over half of the investment must go towards shared ownership products. This could impede City Hall's capacity to deliver truly affordable housing, such as social rented homes.

With expenditure approaching £10 billion, Transport for London (TfL) makes up the lion's share of the Mayor's £17 billion budget. The Mayor has set TfL an ambitious target of ensuring 80 per cent of journeys are made via walking, cycling or public transport. How this will be achieved, particularly given the increased costs and revised projected income resulting from continued delays to Crossrail, as well as the Government's removal of the operating grant, is a concern for the Committee. Crossrail Limited confirmed to the Committee that they are looking to open the central section in the summer of 2021, and we hope that there are no further delays. We recommend that the Mayor and TfL give further clarity about the capital projects which are potentially at risk over the next four years. It is important that they signal to Government and the public, which projects are a high priority for London.

The London Fire Brigade (LFB) will need to undertake considerable work to address findings from the Grenfell Tower Inquiry (Phase 1) and HMICFRS Inspectorate which highlighted areas for improvements, particularly with regards to training. We are clear that we want to see sufficient resources in the Budget to ensure that the proposed transformation will succeed.

Questions remain about the details of the regeneration in the Old Oak and Park Royal Development Corporation (OPDC) now that they are no longer seeking monies from the Government's Housing Infrastructure Fund (HIF). The OPDC need to publish the conditions of the HIF bid and refocus their plans for regeneration and how they will fund it, quickly.

The Committee urges the Mayor to take on board our recommendations ahead of proceeding to the next step of the budget process.

Recommendations

In reviewing the Mayor's budget, the Committee has identified several concerns and recommend the following actions are taken.

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.

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.

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.

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.

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.

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.

Recommendation 7

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

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.

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.

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.

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.

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.

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.

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.

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.

Recommendation 16
The Mayor should review the processes and governance of the OPDC senior management team and Board representatives.

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.

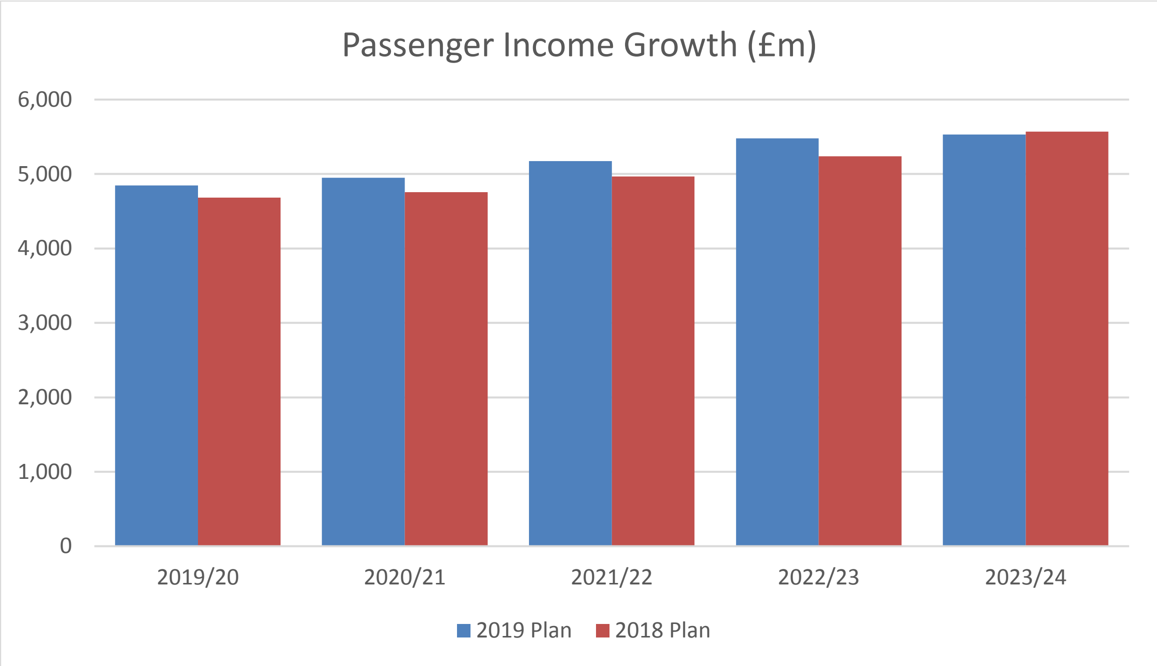
1. Transport

- Discussion of TfL's finances is again dominated by further delays to Crossrail, which will cost up to £750 million in lost revenue and up to £650 million in extra capital investment.
- TfL is slowing down spend on capital projects without a clear indication on which projects might be at risk or delayed.
- TfL is planning to accumulate £3.3 billion in cash by March 2025. TfL traditionally underspends against its plans, so this cash reserve could be even greater.
- TfL's decision to suspend proactive road maintenance has seen the State of Good Repair of the road carriageway fall to 87 per cent.

1.1 The Crossrail project requires a further increase in its budget of between £400 million and £650 million. The source of the additional funding is yet to be confirmed. Last year the TfL Commissioner expressed confidence that no more money would be needed beyond the £2 billion increase in 2018. There are questions about a) whether the new management of Crossrail Ltd can be trusted to manage its budget wisely, given the further delay, b) what the repayment arrangements mean and c) what projects are being foregone as a result of the reduced level of income.

1.2 TfL has revised its estimates for passenger income, excluding the Elizabeth line, upwards. In 2020-21 there is nearly £200 million more in passenger income than there was in the previous business plan. Over the course of the five years from 2019-2024 there is a total of £765 million more in passenger income than there was in the last business plan.

Figure 1: Passenger income excluding the Elizabeth line has grown



1.3 The projections in TfL's business plan indicate that passenger income on the Elizabeth line will rise with demand from £173 million in 2020-2021 to £240 million in 2021-2022 to £489 million in 2022-2023. In this context, TfL's announcement of a further reduction in forecast Elizabeth line revenue of between £500 million and £750 million strongly suggests a significant delay, beyond the opening window of October 2020 and March 2021 announced earlier this year.

1.4 Crossrail Limited confirmed on 10 January 2020 that they are looking to open the central section in the summer of 2021 and the services into the tunnel from the East and West in May 2022. TfL told the Committee in the meeting on 6 January 2020 that the business plan assumption behind the opening of the central section of the Elizabeth line is Autumn 2021. Given the history of the project the Committee welcomes the prudent assumption in the business plan.

1.5 TfL's December 2019 Business Plan assumes that fares will rise again in January 2021. Under the current business plan, TfL plans to deliver an operating surplus in 2022-23. The current fares freeze has cost TfL £640 million in lost fares income. Even if TfL hits all its ambitious income targets, a second fares freeze would eliminate the £58 million surplus in 2022-23, pushing TfL's plans to generate an operating surplus back at least another year.

Recommendation 1

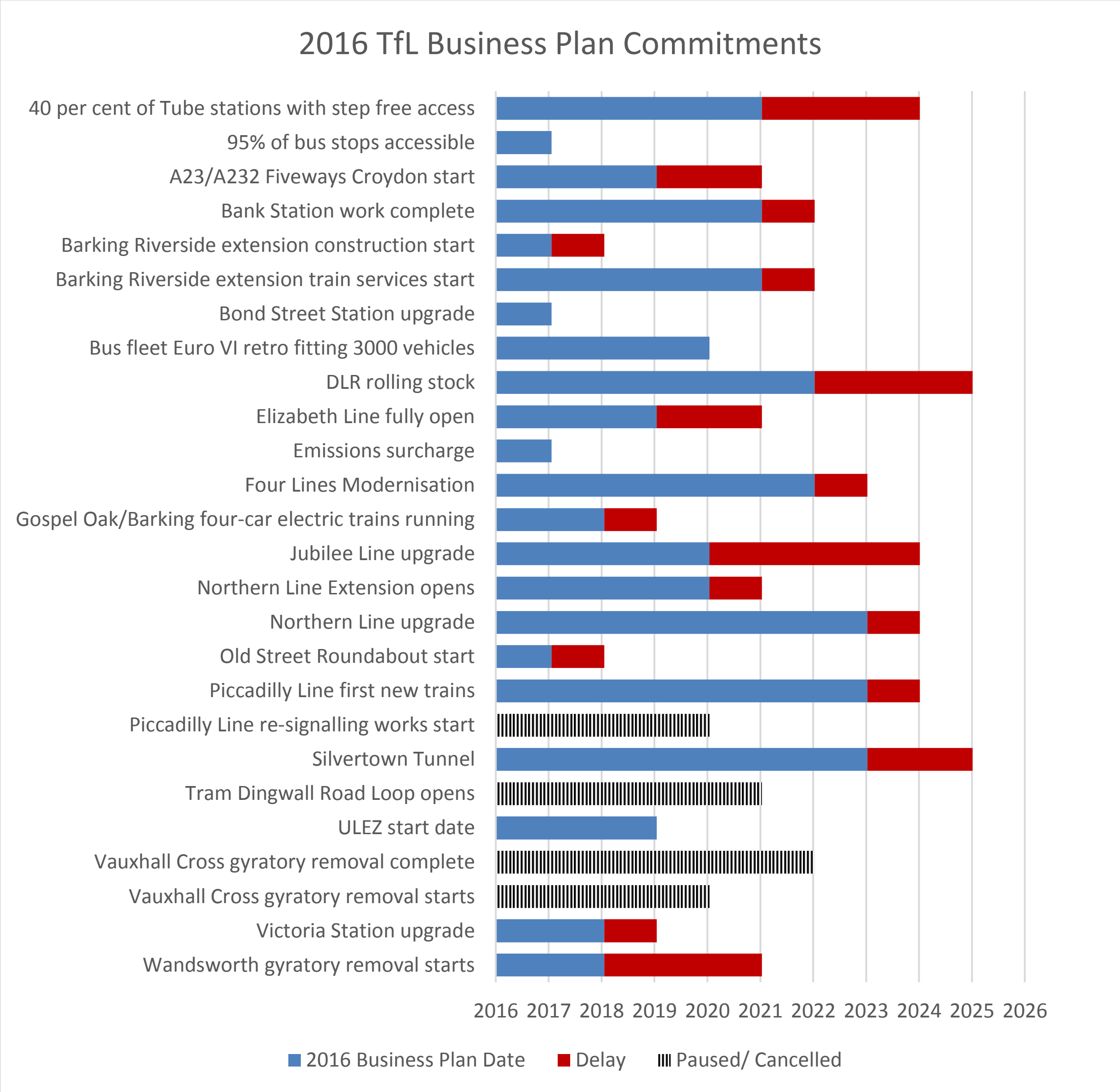
The Mayor should instruct TfL to publish modelling of second term fares by the end of the 2019-20 financial year, so that any decision on freezing TfL controlled fares can be made with full knowledge of the likely impact on its business plan.

1.6 TfL has reduced its expenditure on capital projects. This Committee has expressed concerns at the capital position in the past, particularly considering Crossrail delays. There may be more postponed or cancelled projects in future years, particularly if the revenue position does not go exactly to plan. TfL's business plan also has spending on capital renewals lower than historic levels and this needs to address the two years of suspended proactive road maintenance which has led to a deterioration in the vital TfL Road Network. This is a concern, especially when considering the potential implications for safety and reliability.

1.7 Schedule delivery performance of the commitments made in the first TfL Business Plan under the current Mayor shows a mixed level of performance. Figure 2 illustrates the current expectation for delivery of the capital investment commitments published in the December 2016 TfL Business Plan.[1] The figure does not include the delayed/cancelled Oxford Street Pedestrianisation or the Rotherhithe to Canary Wharf Bridge as no date was specified for them in the 2016 TfL Business Plan.

[1] http://content.tfl.gov.uk/tfl-business-plan-december-2016.pdf

Figure 2: Most projects dates from the 2016 Business Plan have now slipped



1.8 The state of good repair (SOGR) for carriageway on the TfL Road Network is being allowed to deteriorate to 87 per cent in 2020-21. This means that on average, more than one mile in every eight will be sub-standard. Highways England which operates, maintains and improves England's motorways and major A roads, for comparison, is required by their operating licence (and are achieving) to keep at least 95 per cent of the Strategic Road Network in a good condition.

1.9 TfL understands that poor quality roads discourage cyclists. Before the decision to pause proactive road maintenance, TfL claimed that a SOGR of 94 per cent was necessary to facilitate the kind of increase in cycling that it wanted to see. It follows that reducing SOGR to 87 per cent will make it harder for cycling to increase in line with the Mayor's aim to have 80 per cent of all trips made by bicycle, walking or public transport by 2041.

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.

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.

1.10 Despite TfL's poor delivery performance in some areas, TfL's quarterly performance reporting generally shows a more positive position. This is because the performance report is based on budget milestones. The budget milestones are those that TfL is planning to deliver in the following 12 months, so they are only a good measure of how programme delivery is going in the short term. They are not a full reflection of how TfL is delivering the entirety of its capital programme as it spans several years. When TfL sets these milestones, it is only looking 12 months ahead. The degree of uncertainty is therefore relatively limited. TfL has stated that, on this basis, it would expect to achieve 80 to 90 per cent of the milestones.

1.11 It is critical that TfL can demonstrate full and representative performance measures for these publicly funded schemes. This Mayor is committed to transparency, yet, from TfL's extensive and well-presented business plan, is it is difficult to glean specifics in terms of which projects are being delivered and/or when projects are scheduled to be delivered. By way of comparison, Highways England publishes annually a full list of all its projects with forecast start of works and 'open for traffic' dates. This gives a full perspective of timely delivery.

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.

2. Police

- MOPAC has presented a business plan to 2023-24 with a £1.2 billion funding gap.
- In the context of historic underfunding from the Government, the plan has a short-term, unsustainable focus, supported by a one-off depletion of reserves.
- The MOPAC capital programme does not reflect the close to 20 per cent increase in officers being planned by 2023.

2.1 MOPAC has been engaged in short-term, unsustainable planning in recent budgets, motivated by concern for London's worsening crime and in the context of historic underfunding from the Government. In 2019-20, the Mayor allocated discretionary funding of £59 million to MOPAC, allowing it to add 1,000 police officers (31,000 total). However, an establishment of 31,000 officers was not affordable on an ongoing basis, creating a funding gap.

2.2 The Government's announcement for 20,000 more officers across England and Wales is an opportunity both to address the funding gap and increase officer numbers sufficiently to improve the chance of addressing London's crime problems. However, uncertainty over Government funding, and expectations that MOPAC has over the increase in officer numbers, makes for a difficult task for the police.

2.3 MOPAC plans for an increase of 6,000 officers as its share of the national 20,000 in its revenue budget (37,000 total). If not funded by the Government the increase drives a new funding gap of £1.2 billion for the three years from 2021-22 to 2023-24, reflecting that Government funding has not yet been confirmed for the additional officers. MOPAC also highlights that the additional 6,000 police officers will cost £1.4 billion over this period. This implies that the new funding gap is fully attributable to the additional officers and that the significant historic funding gap issues have been resolved. While we agree that resolving the historical funding gap is a priority, MOPAC should explain how it is achieved.

2.4 The Met has been in a long period of transformation, motivated largely by the need to make savings, making £720 million between 2012-13 and 2018-19. The Met has made savings by:

- reducing the size of the estate, from around 650 buildings in 2011 to around 370 in 2018[2];
- cutting the number of employees (officers, staff, PCSO, MSC[3]), from 55,200 in 2011 to 41,900 in 2018[4]; and
- cutting staff numbers relative to officer numbers in order to maintain core policing functions, from a ratio of 2.3 officers to staff in 2011 to 3.5 in 2018[5].

2.5 The 2019-20 Budget marked a slight ease in savings pressure[6] and officer numbers are now increasing after their lowest point in 2018. However, the Public Access Strategy published in November 2017 continued the trend towards a smaller estate. The Met uses receipts from building sales to upgrade parts of the estate, invest in technology to allow officers to work remotely, and provide alternative means of contacting the Met for the public.[7] The 2019-20 Budget expected the number of operational buildings to shrink to 100 by 2022.[8]

2.6 MOPAC assumes the increase of 6,000 officers has no impact on its capital plan. When questioning the Mayor on this inconsistency, the Budget and Performance Committee heard that in anticipation of the increase in officers, the Met is currently reviewing its estate strategy and has paused further building sales. MOPAC does not reference this review in its budget submission. The MOPAC budget indicates it will receive £103 million in capital receipts in the 2020-21.

2.7 At the London Assembly Police and Crime Committee on 9 January 2020 the Deputy Commissioner for the Met claimed that estate disposals would go ahead as set out in the

[2] 2018 Business Plan
[3] Metropolitan Special Constabulary
[4] Police workforce data
[5] Police workforce data
[6] As seen by the higher Council Tax precept and business rates contributions
[7] Public Access Strategy
[8] Committee meeting minutes for Budget 2019-20

plan. This contradicts what the Mayor and his Chief of Staff said at the Budget and Performance Committee on 7 January 2020. The Mayor was very clear with the Committee on the strategic pause in the police estate strategy. The Committee supports the Mayor's approach in light of the additional investment in recruiting police numbers.

2.8 The optimism in assuming an increase of 6,000 officers (and receipt of the associated funding required for them) alongside the fact that MOPAC is now reviewing its estate strategy make its budget submission redundant at best. At worst, it commits MOPAC to a trajectory of recruitment it may soon have to unwind. The Government first signalled the officer increase in July 2019,[9] giving MOPAC time to prepare a credible plan for its budget submission, albeit one framed within significant uncertainty.

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.

2.9 The Committee will be looking for the Mayor to seek a multi-year funding settlement to enable MOPAC to be able to plan confidently for the recruitment of the 6,000 additional police officers and to budget on a more sustainable basis.

[9] https://www.bbc.co.uk/news/uk-politics-49102495

3. Fire and Resilience

- Two recent publications have identified multiple key areas requiring improvement in the London Fire Brigade (LFB).
- The service needs a review of its activities across the board and an improvement of performance in some areas, however, no expenditure is included in its budget to deliver the transformation.

3.1 Two recent publications have identified multiple key areas requiring improvement in the LFB.

- The Grenfell Tower Inquiry's Phase 1 report, published in October 2019; and
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2018-19 report on effectiveness, efficiency, and people, published on 17 December 2019[10].

3.2 HMICFRS published its first report on the London Fire Brigade on 17 December 2019.[11] The report assessed three main questions:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
  The London Fire Brigade **needs improvement** in the way it:
  - Protects the public through fire regulation; and
  - Responds to fires and other emergencies.

  But it is **good** at:
  - Understanding the risk of fire and other emergencies;
  - Preventing fires and other risks; and
  - Responding to national risks.

- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
  The London Fire Brigade **needs improvement**, both to the way it:
  - Uses resources; and
  - Makes its services affordable now and in the future

- How well does the fire and rescue service look after its people?
  The London Fire Brigade **requires improvement** to the way it looks after its people. The report assesses it as:
  - **Inadequate** at getting the right people with the right skills; and

  Requires improvement at:
  - Promoting the right values and culture;
  - Ensuring fairness and promoting diversity; and
  - Managing performance and developing leaders.

3.3 In contrast to the tone of the Grenfell Tower Inquiry and HMICFRS publications, the LFB's most recent quarterly performance update scores its own performance highly across two of its three corporate performance indicator groups: 'prevention and protection'; and 'response and resilience', only failing in the 'people and resources' category, by acknowledging that it has been unable to recruit to its full establishment for several years.

3.4 This disconnect between the LFB's assessment of its performance and that of independent assessors poses a serious risk. The LFB needs a performance framework that identifies gaps and drives improvement.

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[10] This is an annual performance report

[11] https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/london-fire-brigade-report-2018-19.pdf

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.

Recommendation 7

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

4. Core GLA Expenditure

- Business as usual budgets are set to increase across the plan for all directorates
- The Mayor has declared a climate emergency for London and his Environment Budget signals his intent.
- Between 2015-16 to 2017-18, a net 107,760 new homes were completed in London. 83 per cent of these did not meet the definition for affordable homes, 8 per cent were intermediate tenure homes, 6 per cent were Affordable Rent and 3 per cent were social rent.
- London needs 18 per cent of its new homes to be at intermediate rent and 47 per cent at social rent
- The Mayor’s hands are somewhat tied by the terms and the size of the Government funding for affordable housing. However, this should not prevent a renewed discussion regarding how the funds are best used.

GLA 'Core'

4.1 In the first year of the current Mayor's term the cost of the core GLA directorates, other services and financing costs in 2016-17 was £240 million.[12] The budget proposals for 2020-21 are £767 million. The biggest single increase during this time has been the devolution of the Adult Education Budget from the Government which is an extra £311 million per annum.

4.2 The Mayor has changed the format for the GLA Budget Submission[13] and expenditure in each directorate has been categorised into the following:

- **Ongoing base budget** - covering ongoing staffing costs and programmes that the Mayor proposes to fund every year;
- **One-off programmes** - funded by the Mayor to achieve specific outcomes over a set period of time and come to an end when the outcomes have been achieved;
- **Reprofiling** - spend from the 2019-20 budget and from previous years that flows into the 2020-21 budget and future years; and
- **Externally funded**.

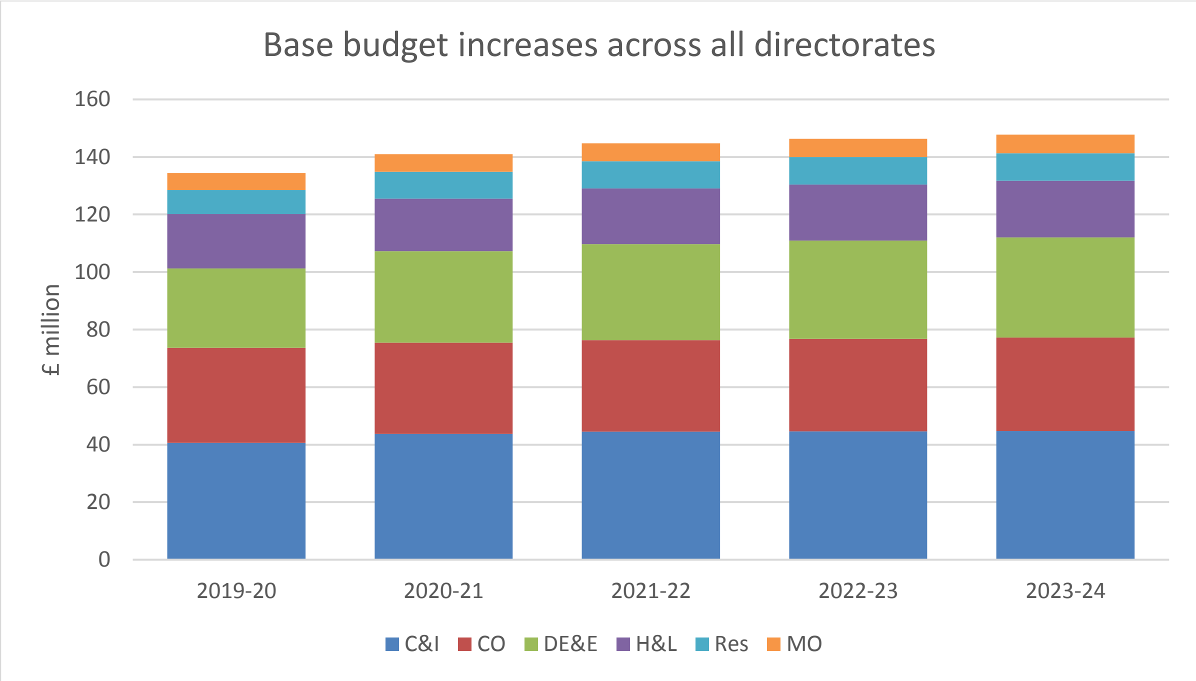
4.3 This new approach has improved clarity since in previous years the start and end of one-off programmes and externally funded work has obscured the underlying changes in base budgets.

4.4 This new format has highlighted an apparent lack of cost control. The base budgets for revenue expenditure across all the directorates will increase across the plan to 2023-24. Base budgets increase from £134 million in 2019-20 to £148 million in 2023-24, a 10 per cent increase.

4.5 In mayoral election years there is an additional budget pressure to cover the cost of running an election. In 2016 this cost was £15.8 million.[14] The budget for the 2020 election is nearly a third higher at £20.9 million. The higher costs include some improvements for the e-counting services, which have transparency and visibility improvements. These include screens at count centres and at City Hall, transmitting live information as votes are counted electronically.

[12] GLA revenue outturn/ for 2016-17
[13] http://intranet.london.gov.uk/node/16141
[14] 2016-17 GLA revenue outturn

Figure 3: GLA base budget by directorate



C&I- Communities & Intelligence, DE&E-Development, Enterprise & Environment, H&L-Housing & Land, Res-Resources, MO-Mayor's Office

4.6 The Mayor has highlighted the operational cost reductions that he has overseen at TfL, and MOPAC has achieved considerable savings over the past few years in the context of significant financial pressure. In his budget proposals, the Mayor expects a 5.8 per cent efficiency savings in the London Assembly budget in 2021-22 and a similar level of savings each year after that. The Mayor's Chief of Staff stated that the London Assembly is not being treated differently to the rest of the GLA. The forward plan, however, says differently and the Committee would expect future iterations of the 2020-21 Budget to reflect this.

4.7 However, this cost-conscious attitude does not extend to the GLA 'core', which has seen staff levels increase and anticipated business as usual cost increases in all areas across the plan to 2023-24.

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.

Affordable Housing

4.8 House price inflation has made private ownership unaffordable for many people, which, combined with lower investment in social housing, has led to an increasing share of the population living in private-rented accommodation. Private rent is the least affordable form of tenure.

4.9 The Mayor's Affordable Housing Programme is funded by Homes England and is used to subsidise the building of new London Affordable Rent (social rented), London Living Rent (LLR) and shared ownership homes. The current programme's output is determined by the targets set by Government. The Mayor is required to deliver 116,000 starts between 2016 and 2022 in return for £4.8 billion of funding. In addition, the Government requires the

Mayor to support at least 58,500 intermediate homes (LLR and shared ownership) out of the 116,000, even though this is inconsistent with evidence of housing need in London.

4.10 There is a concern around whether the Mayor will be able to deliver all the planned 116,000 starts. Although, he did reconfirm his confidence in the Budget and Performance Committee meeting on 7 January 2020. The Mayor has published his targets as ranges for each year. If the GLA only delivers the minimum targets for affordable housing starts each year, then the Mayor will fall short of his overall target.

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.

4.11 The Mayor's hands are somewhat tied by the terms and the size of the Government funding for affordable housing. However, this should not prevent a renewed discussion with Government regarding how the funds are best used. The Mayor clarified to the Committee that £1.7 billion of the £4.8 billion funding is now due to be spent in the years after 2022-23. This is intended for planned schemes that have multiple phases. The expected phasing is set out in the following table.

Table 1 Affordable Housing Programme Spend Profile

Pre 1-4-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-29 £m	2029-34 £m	Total £m
1,228.4	304.4	615.1	312.0	675.2	533.0	757.7	395.0	4,820.8

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.

Environment

4.12 The Mayor has set ambitious targets on air pollution, recycling and waste. However, it is unclear whether the Mayor has the money or the powers to deliver them.

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.

4.13 The Mayor has declared a climate emergency for London following calls from the London Assembly, however, we are yet to be convinced that his budget can meet this ambition. The Environment Budget is a fourth-year business-as-usual budget, with no increases in environmental spend, capital or revenue. If the Mayor is serious about a climate emergency, then it would be reasonable to assume that he might seek to provide additional funding for it.

4.14 Looking at the wider GLA group, particularly TfL, there are multiple programmes tackling environmental issues. These include promoting walking and cycling, operation of the Ultra Low Emission Zone and developing the infrastructure to support electric vehicles.

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.

5. OPDC

- The OPDC has withdrawn its bid for £250 million of funding from the Government's Housing Infrastructure Fund.
- This represents a significant setback for the project, for which the Committee raised concerns about its delivery.
- The OPDC's latest press release still refers to outdated delivery targets that are no longer achievable.

5.1 Old Oak Common is an area ripe for redevelopment with significant public sector owned land and what could be the best-connected station in the country, where HS2, assuming that the project goes ahead, will meet Crossrail. This area has the potential to provide new housing and commercial development, surrounded by sustainable and thriving neighbourhoods and valued amenity space.

5.2 However, this opportunity is in danger of being missed. The OPDC has failed to achieve the transfer of any land from Network Rail and fulfil the opportunity of securing a £250 million investment of Government money; as a result of the breakdown of the key relationship with Car Giant, a significant landowner in the regeneration area.

5.3 The OPDC issued a press release, on 13 December 2019, the day after the General Election that still refers to the original housing and jobs targets, despite the Local Plan Planning Inspector's interim decision in September 2019 calling for the Car Giant land to be removed from the Local Plan and reducing the targets from 25,500 homes and 65,000 jobs to 20,100 homes and 40,400 jobs. The loss of the £250 million Housing Infrastructure Fund (HIF) funding will make the targets harder to meet. The OPDC told the Committee that it sees no need to drop their level of ambition and remains focused on the original Local Plan figures.

5.4 The Budget and Performance Committee raised its concerns about the OPDC's plan at its meeting on 11 June 2019. The risks discussed included:

- how the required infrastructure was going to be delivered
- how the infrastructure will be funded
- the land ownership, particularly the negotiations with Network Rail and Car Giant.

5.5 In July 2017 the Government launched the HIF. The OPDC submitted an expression of interest in September 2017 and was provisionally awarded the full £250 million in the Spring Budget in March 2019. Members of the Budget and Performance Committee visited the Car Giant site on 19 September 2019, where representatives of Car Giant set out their concerns to the Committee.

5.6 Following that meeting, the Budget and Performance Committee summonsed copies of the following from the OPDC:

- The HIF Business Case submission to the Ministry of Housing Communities and Local Government (HIF Bid);
- The 26 conditions to be satisfied for the receipt of the £250 million HIF funding award (HIF conditions); and
- The OPDC response to the ARUP road alignment.

5.7 OPDC responded on 10 October 2019 and provided the documents required to the Committee. These were provided and, based on advice from MHCLG, the OPDC indicated that it would be inappropriate to publish them given its commercial sensitivity.

5.8 OPDC issued its 2020-21 Budget proposals on 13 December 2019 and an accompanying press release that made it clear that:

- The £250 million HIF money provisionally allocated by the Government to the OPDC is no longer being pursued.
- No land owned by Car Giant will be used for the development.

Recommendation 13

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

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.

5.9 Car Giant is an established local business covering a large area that:

- has expanded over a period of 34 years;
- identifies itself as the world's largest used car dealership that repairs, tests and sells cars; and
- directly employs "up to 800 people, many in highly skilled jobs, with a total of over 2,000 jobs dependent on Car Giant through the supply chain."

5.10 Car Giant had previously demonstrated an appetite to develop its own land; between 2013 and 2017 the company developed a plan of its own, known as Old Oak Park.[15] This scheme was taken through public consultation in December 2014 and June 2015.

5.11 However, despite high levels of collaboration, the OPDC concluded in November 2017 that the scheme was not viable as it could not meet the costs needed for infrastructure and social benefits required for the area. Car Giant has now abandoned its Old Oak Park scheme as well as plans to relocate its operations.

Transparency and Governance

5.12 The OPDC Board meeting scheduled for 21 November 2019 was cancelled so it was not possible for the Board to sign off on the Budget proposals in a public session. This is not the first time the OPDC's budget has been considered outside of a public Board meeting. In 2016, the November meeting of the OPDC Board was also cancelled. The Budget for 2017-18 was not considered by the OPDC Board in public until its meeting on 27 February 2017. This raises a concern with a lack of transparency in OPDC's governance process.

5.13 David Lunts has been in post as interim Chief Executive of the OPDC since March 2019. Prior to this, Mick Mulhern was interim Chief Executive of the OPDC from April 2018. The Corporation has been without a permanent Chief Executive for 21 months. The Chief Operating Officer also retired during the past year and has yet to be replaced with a permanent appointment. The Chief Finance Officer is also an interim and has been in position for ten months. It is questionable if OPDC has a sufficiently stable senior management team in place for such an important project.

5.14 This OPDC budget submission has been prepared in the context of recent external factors facing the OPDC, including the Government's ongoing review of HS2, the Planning Inspector's interim report on OPDC's draft Local Plan and continuing discussions with MHCLG over early phase funding for the regeneration of Old Oak.

5.15 Taking account of these factors, OPDC has determined that a revised phasing of their plans for Old Oak is required. This is to involve a shift away from OPDC's proposed early delivery

[15] http://www.oldoakpark.co.uk/

of ‘Phase 1A’ at Old Oak North, and towards a combination of early delivery sites where development can be accelerated because associated infrastructure already exists.

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.

Recommendation 16

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

6. Cash and Reserves

- Across the GLA Group the cash and short-term investments as at March 2019 amounted to over £4.5 billion.
- TfL is planning to further increase this figure by growing its own cash reserves up to £1.5 billion.

6.1 At the end of March 2019, TfL held £1.88 billion of 'Cash and short-term investments'. This compares to the 2019-20 forecast full year net cost of operations of £307 million. This is enough cash to fund the net cost of operations for over six years at the current rate and much longer when TfL's plans to generate a surplus are considered.

6.2 In December 2019, TfL changed its treasury management policy. This had previously been to hold the equivalent of 30 days operational costs as a minimum cash reserve. In December 2019 this doubled to holding 60 days of operational costs as a minimum cash reserve. Based on the latest 2019-20 forecast operating costs of £6.4 billion, this would mean TfL holding a minimum cash reserve of £1.1 billion, over three times its expected operating deficit for 2019-20.

6.3 The negative impact of TfL holding large cash reserves is that resources are no longer available to improve London's transport network. TfL has plans to accumulate £3.3 billion by March 2025. Historically, TfL has failed to deliver its planned level of capital expenditure which has led to TfL's cash balances to generally exceed its plans. In its 2018 Business Plan, TfL expected to have £1.2 billion in cash by March 2020. Only a year later, TfL now expects the March 2020 balance to be £2.1 billion.

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.

7. Conclusion

7.1 There are many uncertainties around the future funding of the GLA Group and the vital services it provides for London. 2020 will see a Government Spending Review, the Fair Funding Review, the mayoral and London Assembly elections and a reset of Business Rates, all potentially affecting the resources available to the GLA.

7.2 London is also certain to see the continuing impact in the level of service provided by TfL due to the impact of the Elizabeth line delay, on top of the removal of Government grant and the Mayor's fare freeze.

7.3 The GLA Group has always been required to address uncertainty when compiling its budgets. In these circumstances budgeting can be more of an art than a science. The key to robust budgeting is sensible assumptions that are clearly set out and understood. These should then be applied consistently so that deviations from budget are easy to understand.

7.4 MOPAC's budget assumes that it will recruit an additional 6,000 police officers, but not get any additional funding for them in future years. It has assumed that its capital plan will remain largely unchanged, despite this close to 20 per cent increase in officers. This is despite already pausing most of the disposals of assets. It is challenging to predict the future, but by failing to address these 'known unknowns' questions remain about the MOPAC budget.

7.5 One of the largest areas of spend for the GLA 'core' is the Strategic Investment Fund. The Mayor thought he would spend £109 million in 2019-20. However, his current expectation is that he will only spend £17 million. The Mayor's Chief of Staff stated in the 7 January 2020 Committee meeting that "One of the things that we have never got right in the budget document is profiling of the SIF". He went on to say "that the profile that is shown in the budget document probably never represented what the delivery plan for those projects actually was".

7.6 The Deputy Mayor for Fire and Resilience stated that "the brigade's own investigation into Grenfell Tower lay bare quite a lot of the challenges and choices that we do need to address and the need for a fundamental transformation across the entire service" and was clear about the scale of the transformation required "the sort of cultural transformation that the Brigade will require is at a level that has never been seen in the Brigade's history before."

7.7 The new Fire Commissioner also confirmed that "we are planning very considerable and far-reaching transformation." The Committee is supportive of the Commissioner's ambition but is concerned that the resources for this vital transformation have not been provided for in this Budget and plan.

7.8 This year's budget needs to see the Mayor delivering on his priorities while putting the finances of the GLA Group on a firm and sustainable footing. The Committee sees major budgetary challenges in delivering these objectives and would urge the Mayor to consider these recommendations when he brings forward the next version of his 2020-21 Budget.

Summary

The overall assessment of the Mayor's budget can be summarised as follows:

Budget Area	Revenue Expenditure (£m) 2020-21	Capital Expenditure (£m) 2020-21	Budget Rating	Plan Rating	Rating Comment
Mayor of London and London Assembly	855	1,603			Business as usual budgets are set to increase across the business plan to 2023-24 for all directorates.
Mayor's Office for Policing and Crime	3,812	415			MOPAC has presented a business plan to 2023-24 with a £1.2 billion funding gap. The capital plan does not provide for the equipment and accommodation needs of the increase in officers.
London Fire Commissioner	486	37			The LFB needs to review its activities across the board and turn around performance in some areas. This will need funding that the LFB has not included in its budget or plan.
Transport for London	7,148	2,707			Crossrail has been delayed again, until the summer of 2021. TfL are using the prudent planning assumption of Autumn 2021 in its business plan. Further delays will push back TfL's plan to generate an operating surplus and reduce funds available for investment in the network.
London Legacy Development Corporation	66	279			There are risks to the delivery of the East Bank capital works. The longer-term plan requires continuing subsidy for the loss-making activities at the Queen Elizabeth Olympic Park.
Old Oak and Park Royal Development Corporation	9	0			The OPDC has decided not to proceed with its bid for £250 million of Government funding. It must now adopt new plans which will be challenging without Government funding.

Key:

	Robust plans and reasonable certainty over funding and delivery
	Significant challenges or uncertainties to funding or delivery
	Major concerns identified

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