

THE COST OF KHAN 2017

COUNTING THE INCREASING
COST OF THE MAYOR OF
LONDON'S BROKEN PROMISES

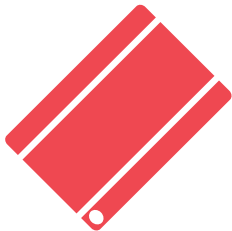
Throughout the election campaign and during his administration, Sadiq Khan insisted that he would be the “most pro-business Mayor London has ever had”. But now, over a year into his term, it is becoming increasingly clear that this assertion does not, in any way, stack up. Not only that, it is becoming even more apparent that the Mayor is content to regularly by-pass, sidestep or outright avoid fulfilling the promises that he made to London during the mayoral election campaign.

This report will outline the true cost of Sadiq Khan’s administration to Londoners. It will detail the long list of broken election promises; it will outline the black hole he is creating in the GLA budget; it will expose the levels of waste present under his leadership; and it will examine the economic costs to Londoners that derive from the Mayor’s poor decision-making.

A Mayor of broken promises

Sadiq Khan, during his mayoral election campaign, made a string of bold promises to help win the support of Londoners. At the time it was highlighted by commentators that many of these promises would be undeliverable, yet the then mayoral candidate maintained these pledges right up to election day. Now, almost a year into his term, many of these pledges are starting to unravel. Below is a list of the nine most prominent broken promises.

Fare freeze



The Mayor promised in his Manifesto that Londoners “won’t pay a penny more for their travel in 2020 than they do today”. In actual fact, he only froze Transport for London (TfL) fares, leaving all of London’s Travelcard holders, the fares for which are set in partnership with mainline rail providers, with a fares hike. In total, 4.5m people are now paying more in fares than when Sadiq Khan first took office, and despite this ‘freeze’ only being partial, it will still create a £640m black hole in TfL’s finances by 2020.

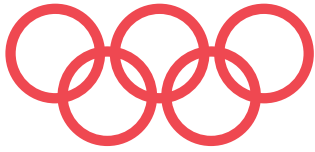
Zero days of strikes



During the mayoral election campaign, Sadiq Khan said that strikes are “ultimately a sign of failure”, and that there would be “zero days of strikes” under his leadership.¹ This promise was broken in the first few months of his term. On top of breaking this promise, the Mayor recently caved-in to the unions’ threat to strike over demands to rehire TfL station staff. His capitulation on this issue will ultimately cost Londoners, who will now have to foot the bill, £17m for these additional hires.

¹ <http://www.telegraph.co.uk/news/politics/labour/12136316/Sadiq-Khan-Zero-days-of-public-transport-strikes-if-I-am-elected-Mayor.html>

Olympic Precept



During the mayoral campaign, Sadiq Khan promised to keep council tax as low as possible and that he supported the decision to cut the Olympic Precept on London tax bills for the next financial year.² But not only is he raising council tax, the Mayor is choosing to maintain the ‘Olympics Tax’ despite the fact that his own budget discloses that the GLA has now completely repaid the Government for funding the 2012 Olympic Games, which was the entire premise for having an Olympic Precept on council tax. This particular broken promise and effective tax hike will, in total, cost Londoners £23m per annum.

Affordable housing target



Perhaps Sadiq Khan’s most memorable promise during the election campaign was his pledge that at least “50 per cent of all new homes in London would be affordable”.³ Within his first six months he had reneged on this promise, suggesting instead that he would aim towards the long-term strategic goal of half of all homes being affordable, but would only impose a real target of 35 per cent on new developments; meaning that he will build at least 30,000 fewer affordable homes across his term than first promised.

80,000 homes every year



Alongside his commitment to ensuring that all new homes are 50 per cent affordable, Sadiq Khan also promised to support housing associations to build 80,000 homes every year.⁴ Since then he has u-turned on his election promise and stated he is not interested in “aggregate numbers” or housing targets, despite the fact one of his leading election promises was to build more homes than his predecessors, as demonstrated by his target of 80,000 per year. Clearly the Mayor is not very confident in his ability to deliver as many homes as he initially promised.

Bus fares cut



Alongside his now debunked ‘fares freeze’, Sadiq Khan promised that “there will be a first-year cut and then a freeze in bus fares”.⁵ While bus fares have been frozen alongside all other TfL fares, the bus fares in London were not cut as pledged during the mayoral campaign. All Londoners will have to pay for this broken promise, while the Mayor himself recently refused to comment on when asked a question about this particular promise more than five times during a recent meeting of the London Assembly.⁶

² www.sadiq.london/a_manifesto_for_all_londoners

³ http://www.sadiq.london/homes_for_londoners_manifesto

⁴ Ibid.

⁵ <http://www.sadiq.london/transport>

⁶ London Assembly (Plenary), Wednesday 25 January 2017

Sutton Tram



Boris Johnson, in his last term, pledged to provide £100m towards the development and delivery of the Sutton Tram Extension. In his first TfL business plan, Sadiq Khan removed this funding from his budget, potentially depriving South West London of a vital item of transport infrastructure. Sutton is the only London borough without a tube station, Crossrail station, London Overground station, or proposed Crossrail 2 station, and now the Mayor has all but killed off hopes of a tram network in that part of London.

Metropolitan Line Extension



In the last few months of Boris Johnson's second term, the then Mayor pledged £49m towards the extension of the Metropolitan Line from Croxley to Watford Junction. The Mayor's contribution was the investment needed to attract central government funding and make the project viable. Sadiq Khan has now removed this funding from his business plan. It's not hard to see how the £640m black hole created by the fares 'freeze' has had an effect on the financing of transport infrastructure projects in Outer London.

Planting more street trees



During his mayoral campaign, Sadiq Khan promised to plant an extra two million trees in London by 2020. Very early on his term he and his Deputy Mayor for Environment, Shirley Rodrigues, confirmed that London would instead only receive a five per cent increase in tree coverage, which is equal to 420,000 trees and over 1.5m short of Sadiq Khan electoral promise. This seriously undermines his goal to make London a "zero-carbon city".

A black hole in London’s finances

Boris Johnson had, over the course of his two terms, reduced the GLA’s call on the London council tax by 28 per cent in real terms. He did this while increasing the number of homes delivered, improving the levels of investment in the transport network and ensuring that the Metropolitan Police could afford to hit their strategic target of 32,000 officers. Sadiq Khan’s record in his first year, when measured against his predecessor, does not compare favourably.

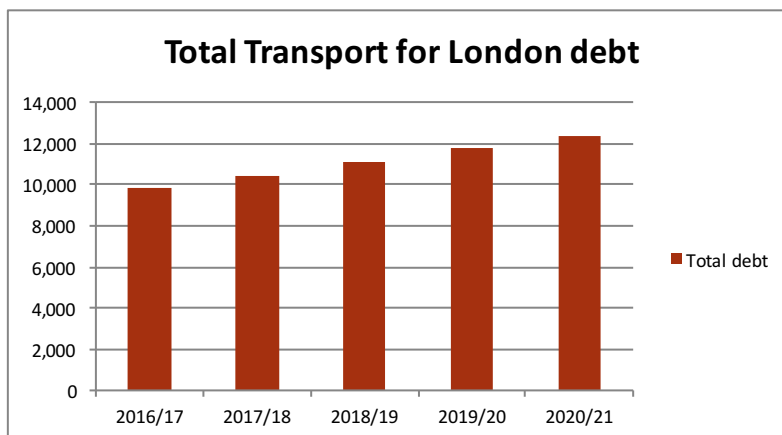
Below are three examples of profligacy under this mayoralty.

Transport for London

Sadiq Khan recently released his business plan for Transport for London (TfL), which outlines his plans for transport in the Capital going beyond 2020. It does not make for good reading. After eight years of keeping costs down and ensuring a tight grip on TfL finances under Boris Johnson, Sadiq Khan has confirmed, amongst other things, that long-term borrowing for this body will increase by 46 per cent; that there should be a 27 per cent increase in long-term liabilities; and that at least £640m will be foregone in lost fare revenues due to Khan’s fares freeze.

The Mayor has pledged to partly fill this black hole through an overly-ambitious efficiency savings programme. According to Sadiq Khan, TfL will make £800m worth of efficiency savings every year until 2020. This is despite the fact that the most the transport body has ever made in efficiency savings in any financial year since it was created in 2000 is £400m.⁷ So the Mayor is asking for TfL to double its current record for efficiency savings every year for four years. It would be extremely surprising if this target was met by 2020 and it was telling that when giving evidence to the London Assembly’s Budget & Performance Committee, neither TfL nor the Mayor were able to account for where almost three quarters of the required £800 million of savings would be found.

Furthermore, in order for their projections to be correct, TfL have made assumptions about increases in fare income over the next four years but in February TfL revealed that its fares income is down £90 million in the year-to-date, raising serious questions about the Mayor’s ability to merely balance the books. Figures released at the February TfL board meeting show income shortfalls across all forms of transport due to lower passenger volumes.⁸ For instance, London Underground income



⁷ Response to Written Question 2017/0115

⁸ <http://content.tfl.gov.uk/board-20170208-item07-finance-report.pdf>

was down £43million and bus fares income was down £51 million. This means that the £640 million black hole left in TfL's budget due to the partial fares freeze could be even worse than first imagined.

Metropolitan Police Service

Building on the legacy of the previous Mayor, Sadiq Khan pledged to maintain the strategic target of 32,000 police officers. Yet, in his first budget, he removed £38m from the police staffing budget, guaranteeing that it is now financially impossible for the Met to provide London with 32,000 police officers and rendering his strategic target meaningless.

While the Mayor told the London Assembly that he planned to bring the £38 million back in to the Met's budget after 2017-18, he admitted this was entirely dependent on government funding. So not only is Sadiq Khan courting a future argument with the Government over police funding, he is refusing to find additional funding that could be fairly easily allocated from elsewhere in the £3.2bn Met budget.

Instead of needlessly slashing the police budget, he could reduce all Metropolitan Police budget items that are non-staff related by five per cent to recoup that level of funding. This would include transport costs, premises maintenance and supplies & services. Instead of making these difficult efficiency savings, Sadiq Khan would rather cut the policing budget in order to instigate a false battle with Government over future police funding. Ultimately, it is Londoners that suffer from such posturing.

Greater London Authority

In a continuation of the same theme, during a London Assembly Budget Committee in November 2016 it was revealed that the GLA could be hiring at least an additional 100 employees in order to staff the flood of additional programmes that are being introduced on behalf of the new Mayor. Rather than initiate a rationalisation programme to remove GLA programmes that were instigated under the previous Mayor (as Boris Johnson once did), Sadiq Khan is refusing to make the difficult budgetary decisions needed to keep a grip on GLA finances.

Instead of adding additional mayoral programmes to the initiatives in place from the previous mayoralty, it would be much better to have a review to determine whether programmes could be merged or reformed in order to incorporate the wishes of the current Mayor, thus ensuring that the GLA remains streamlined.

It is always more cost-effective to retrain, reallocate or reprioritise staff than it is to add to a headcount. Typically, once you include both wages on on-costs, each new employee costs the GLA approximately £60k per annum. While it may sometimes be reasonable to hire new staff, hiring 100 new employees (roughly one-eighth of total headcount) would cost the GLA an additional £6m every year, which could be better allocated elsewhere and represents a needlessly profligate use of scarce resources. The Mayor clearly needs to demonstrate far better financial leadership at the GLA.

Mounting evidence of GLA waste

In a time of ongoing fiscal restraint, it is vital that the GLA and its functional bodies are well-run and highly efficient. Not only this, London government is increasingly asking for further devolution, be it greater control over services or tax-raising. So it is equally important that national government has the requisite trust in London's capability to manage further responsibilities before it hands London these necessary powers.

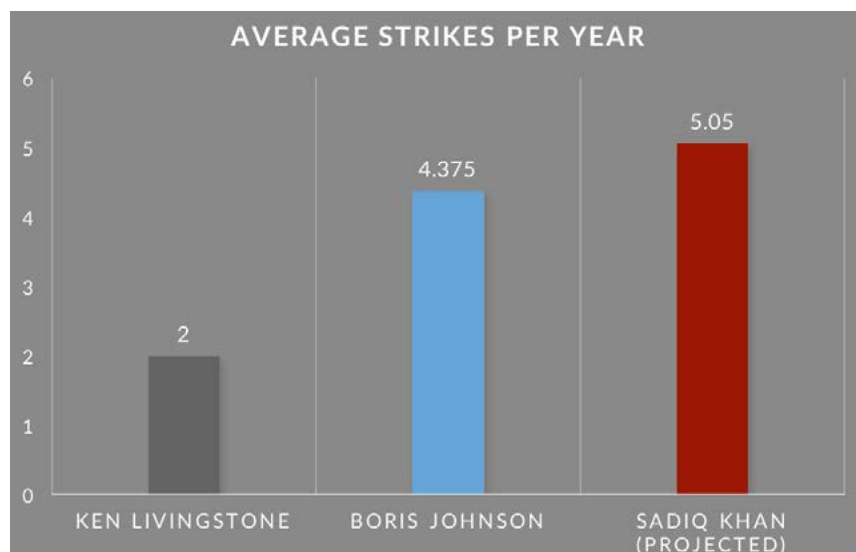
It is worrying, therefore, that certain parts of the GLA family of bodies are less than efficient or slim-line. Below are three examples of such waste.

Executive Pay

Sadiq Khan has declared that finding efficiency savings and reforming the GLA is a top priority under his mayoralty. For a Mayor so keen on removing the "flabby" elements of his administration, there appears to be a disproportionately high number of executive staff earning salaries that most members of the public would consider overly-generous. Given the fact that the Mayor has been in office for over a year now and has had plenty of time to do something about this, such a situation is clearly unacceptable.

For example, at TfL, 458 members of staff earned more than £100k per year this year (up from 454 last year), and 90 earn more than the Prime Minister. In the GLA itself, which is not as generous as TfL, 29 members of staff are paid more than £100k per year, and MOPAC has three members of staff earning above this level.

In total, the GLA family of bodies pays at least 490 members of staff more than £100k per year.



Taken together, that's more than the 13 highest-paying London boroughs combined. This is particularly shocking once you consider how many more public services those boroughs deliver on behalf of Londoners. If Sadiq Khan is truly interested in cutting the fat from his budget and making GLA bodies less "flabby", reducing executive pay would be a good place to start.

Union facility time

By law, union representatives have a statutory right to paid time off from their employment to carry out trade union duties. This 'facility time' has been a statutory right since 1975. However, the Government recently made the decision to ensure that this right is used in a reasonable fashion and it does not impose unnecessary costs on the taxpayer for non-governmental work.

It is surprising, therefore, that parts of the Mayor's family of bodies perform so badly when it comes to regulating facility time. Recent figures suggest that the payroll bill for TfL was £4.4m per year for union representatives to, amongst other things, picket and strike. The transport body's defence was that this only represents 0.23 per cent of its wage bill. However, when you compare to the 0.07 per cent average for the Civil Service and the private sector average of 0.04 per cent, this is excessive by a factor of at least three.

In total, the GLA group pays approximately £5m every year to union officials carrying out union duties at taxpayers' expense. Most commuters would probably be surprised to learn that the same officials organising the transport strikes that affect them so seriously are paid to do so by the taxpayer. If Sadiq Khan seeks an easy way to reduce waste in the GLA, he should look at reducing these payouts to union staff. Particularly as Khan now has the worst transport strike record of any London Mayor.

Nominee Passes

As mentioned above, Sadiq Khan recently described Transport for London as a "flabby" organisation in need of slimming through greater efficiencies. It is strange that while TfL needs to become self-financing by 2018, it offers as an employee perk free and non-taxable travel on the TfL network for nominees of their staff. Nominee Passes are not only open to family members, they are also available to any one person residing in the staff member's household – be they a lodger or a flatmate.

Using conservative estimates, it is calculated that these perks are now costing TfL over £33m every year in lost fare revenue. There are currently 22,517 Nominee Passes for TfL staff and 20,591 such passes for the staff of bus operators. Holders of these passes have undertaken 19.7 million journeys, demonstrating that these passes are most likely used for the daily commute. Assuming each of these passes was instead a paid for Zone 1-3 Travelcard, and that only half of those with Nominee Passes decided to opt for a paid for option,⁹ then TfL could recoup fares equal to £33.4 million.

Bearing in mind the year-on-year losses in fares income mentioned above, this is obviously money the transport body should not sacrifice readily. Instead of continuing this free perk for flatmates and lodgers of TfL staff, the Mayor should instead scrap them and ensure that nominees pay for their travel like every other Londoner.

The Cost of Khan to Londoners

The breaking of election promises and the promotion of self-aggrandizing vanity projects carries a price. Poor leadership at the GLA and the mismanagement of mayoral policy is often paid for by ordinary Londoners. Sadiq Khan has a duty to ensure that his policies provide best value for money and that he fulfils his promises to the electorate.

⁹ Unlikely to be that low as the number of journeys taken indicates essential travel behaviours

Below are three examples of costly mayoral mismanagement.

Non-TfL fares increases

As detailed above, Sadiq Khan promised that by 2020, Londoners “won’t pay a penny more” for their travel. The decision to break this promise and only freeze TfL fares has a direct cost on Londoners. While Sadiq Khan has often claimed that he is unable to freeze Travelcard fares, a briefing note, written early on his term, was provided by TfL to the Mayor that outlined that he could indeed choose to freeze all fares if he so wished.

Despite repeated denials that he had ever seen the document, members of the Mayor’s team certainly have. It outlined that it was indeed possible to freeze all fares, including Travelcards, and that the Mayor would have to compensate the Train Operating Companies that run those rail franchises that run on the London network.

The same briefing note highlights that if Sadiq Khan wanted to do as he had promised and ensure Londoners don’t pay a penny more in 2020, over the four years of his term in compensation it would cost TfL £528m. Many Londoners would have voted for the current Mayor on the basis of his election pledges: to not fully fulfil these promises seems unjust. Consequently, as the compensation is equal to the fares income, £528m is exactly how much London will pay in fare increases over the remainder of Sadiq Khan term.

T-Charge

During his election campaign, Sadiq Khan promised that he would crack down on the highest polluting old vehicles by introducing what he called the Toxicity-Charge (T-Charge). Properly now called the Emissions Surcharge by TfL, this would impose a £10 charge on vehicles entering central London that are older than 10 years old.

While it cannot be doubted that these older vehicles are particularly polluting, for a new tax or charge to be imposed there needs to be a good business case for hiking costs for the poorer motorists that tend to own older vehicles. Using TfL’s own statistics, the impact assessment for this new charge indicated that it would reduce total NOx emissions by 1-3 per cent, and considered the impact on air quality to be “negligible”.

In total, 9,000 drivers could be hit with this charge on a daily basis, meaning that it could cost Londoners somewhere in the region of £23m per year, or otherwise be forced to invest in an expensive new vehicle. Given that the air quality impact is, going by TfL’s own evaluation, likely to be negligible and lead to no significant impact on air quality, there is very little justification for penalising poorer drivers in such a way. The T-Charge is simply a vanity project introduced to improve the image of the Mayor, whilst having very little impact on air quality at the cost of ordinary Londoners.

ULEZ set-up costs

Alongside the T-Charge, Sadiq Khan’s flagship environmental policy is to extend his predecessor’s Ultra Low Emission Zone. The original policy was to cover the area currently covered by the Congestion Charge with an additional £12.50 charge on high polluting vehicles. Sadiq Khan wants to extend this charging zone out to the North and South Circulars by 2022 (bisecting 10 boroughs in the process), and to bring its Central London introduction forward a year to 2019.

THE COST OF KHAN

Boris Johnson's original plan would have reduced polluting emissions by 51 per cent; Sadiq Khan's extension would only reduce a further 10 per cent. Improving air quality is one of the top priorities for any mayor, but this policy is both expensive for what is delivered and ineffective. Indeed there are better ways to reduce air pollution and save lives.

In total, the scheme will cost £780m to extend to the North and South Circulars, or £220 for every household in London. For the same money, the Mayor could instead purchase 2,600 brand new hybrid buses for roughly the same impact on emissions. Making a third of the total bus fleet low-emission, and thus greatly reducing emission from the most polluting vehicles on the road, would be a much better way to spend taxpayer money, especially as there would not then be a daily charge on ordinary motorists doing the school run or on their weekly shopping trip. Yet again, Sadiq Khan is promoting a virtue-signalling, vanity project at the expense of ordinary Londoners.

Londoners deserve better

Sadiq Khan's first year in office has been less than glorious. So far, he has broken a total of nine election promises; worsened the GLA's future financial position; failed to cut down on government waste and added to the financial burdens of Londoners. The residents of the Capital deserve better, and the Mayor should ensure the second year of his term represents a vast improvement on his first.



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GREATER LONDON AUTHORITY



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