

LONDON TOMORROW

SHAPING FUTURE CITIES

ENHANCING DEVOLUTION
TO LONDON

An initiative by:

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The polling undertaken for *London Tomorrow* is the first time in several years we have heard from Londoners on devolution. The London public and London councillors have clearly added their support to that of London business for greater control over tax and spend powers to be given to London's leaders.

The interesting – and welcome – developments unfolding with Greater Manchester are the result of local councils there coming together and cooperating over several years on common interest and benefit, as well as the Treasury deciding to 'let the reins loose' a little. It is telling that while 65% of London councillors indicate support for increased collaboration between their boroughs, 84% of councillors perceive the Treasury as the biggest block to further devolved powers for London.

Further devolution to the capital is a key issue for the London public, businesses and councillors alike and is an issue that I am sure will be of prime interest to those vying to be the next Mayor of London in May 2016.

Colin Stanbridge, LCCI Chief Executive

ABOUT 'LONDON TOMORROW: SHAPING FUTURE CITIES'

London Tomorrow: Shaping Future Cities is a thought leaders' initiative by London Chamber of Commerce and Industry (LCCI) in association with EY and supported by London City Airport. The initiative is a platform for several leading public policy and business figures to explore some of the challenges and opportunities arising from the capital's growing population to ensure London remains a successful global city.

The focus on London's future population comes as the number of those living in London has reached its highest level (8.6m) since 1939. The capital is in the countdown towards the next election for the Mayor of London in May 2016. The four-year period of that new mayoralty should see important decisions taken to prepare London to accommodate the population of 2030 and beyond. Such decisions need underpinning by dynamic and bold thinking. *London Tomorrow* aims to make a contribution to this debate.

The inaugural gathering of the panel of members that have agreed to participate in the year-long *London Tomorrow* discussions saw greater devolution for London as the topic for focus. The wake of the Scottish Referendum has seen a UK-wide debate on further decentralisation of Government powers to cities and regions. Calls to devolve greater powers to London have been particularly fervent with claims the increasing population will place significant pressure on housing and transport infrastructure – thus threatening London's position as an internationally competitive economic centre. However, beyond immediate 'asks' for more funding, questions around accountability and responsibility, as well as priorities for additional expenditure remain largely unexplored. The March meeting of the panel found much to discuss around these matters.

Further meetings of *London Tomorrow* will take place in 2015. For more details, please visit

www.londonchamber.co.uk/londontomorrow

SURVEY

LCCI commissioned leading polling agency ComRes to survey adults, businesses and councillors in early 2015 on 'London Devolution'.

Over January and February 2015 ComRes interviewed a total of 1,704 London adults online:

- 1,051 members of the London public
- 503 London business decision makers
- 150 London borough councillors

Any data reproduced from the polling should be fully referenced.

DISCUSSION

London Tomorrow panel members gathered for a private dinner to discuss the ComRes survey and offer observations about the potential of London securing more devolution.

Panel members attending on 3rd March 2015:

- Professor Tony Travers, LSE
- Pippa Crearar, Evening Standard
- Caroline Artis, EY
- Colin Stanbridge, LCCI
- Sean McKee, LCCI
- Patrick Burrows, London City Airport
- Huw Thomas, Foster + Partners
- Nick Tolchard, Invesco Middle East
- Nick Raynsford MP Greenwich & Woolwich

Panel member profiles can be located at www.londonchamber.co.uk/londontomorrow.

MORE DEVOLUTION TO LONDON



60% of Londoners are in favour of the capital having greater powers to retain and spend taxes raised in London. In a similar poll conducted in 2011, only 20% of Londoners supported more devolved powers to the capital.

A majority of London businesses (56%) were in favour of fiscal devolution to the capital. Local government representatives were most supportive with **89% of Councillors in favour of greater fiscal powers for London government.**

London Tomorrow panel members acknowledged that the Scottish Referendum had changed the state of play with a real shift in attitudes about *who* is making decisions, *where* these are made and *what* level of accountability there is.

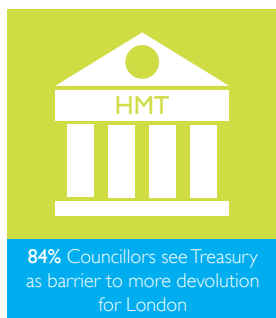
Developments in Manchester provided a focal point. The relatively recent announcement toward a directly elected Mayor of Greater Manchester followed by the pledge to shift control of a regional £6bn NHS budget were seen as dramatic. The significant move by the Treasury on devolution delivery northwards was a welcome indicator that change in England is now possible, though it may be slow and protracted. Some felt it had to be England as a whole, not just cities pushing for devolution: *“The London devolution argument will work better provided it’s seen as a theme across the country”*. However London boroughs should note Manchester councils had cooperated for many years before winning recognition – slowly building practical working relationships.

“The recognition that Scotland has to be given greater devolved powers if the Union is to be retained has led to a clear recognition that if you do that, you cannot ignore the issue in England”.

With the current Mayor of London’s term entering its last year, thoughts turn to legacy. The findings of the ComRes polling for *London Tomorrow* provide Boris Johnson – who has spearheaded the charge for fiscal devolution - with a ‘mandate for more’ and a firm basis to set the process for more devolution in train.

Mayor Johnson could convene a gathering of the capital’s business and civic leaders, seeking to build broad consensus on the principles to secure enhanced devolution to the London Metro Area.

PERCEIVED BARRIERS TO MORE DEVOLUTION



84% of London councillors see the Treasury as the main barrier to increased fiscal powers for London. The ComRes polling also revealed that **46% of civic leaders felt the rest of the UK acted as a barrier** towards granting greater devolution to the capital.

London Tomorrow panel members felt the Treasury was beginning a journey on English devolution, as indicated by the Manchester developments. However the Treasury would remain a barrier – always needing to be convinced how more fiscal devolution could lead to higher levels of economic growth. For some, the Treasury was doubtless conscious of the perception, outside London, that the capital actually received *preferential* Government treatment - which could then act to hold back

the capital’s case for more devolved powers. This perception reinforced the need for London to receive *“greater fiscal powers in tandem with other English cities”*.

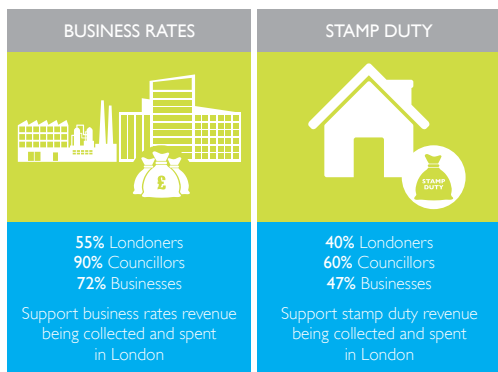
“If Manchester is given extra powers, it must be recognised that London and other city regions will receive them too, but in a sequential process. It is all tied to the future of England, which in turn relates to the future of Wales, Northern Ireland and Scotland”.

One panel member believed the capital’s contribution to the rest of the UK could be beneficial in countering perceptions. A stronger London would deliver a stronger UK enabling more regions to grow and prosper:

An immediate indicator of London *currently* delivering significant benefits to Britain is the procurement and supply chain of TfL and projects like Crossrail. Numerous local government areas and parliamentary constituencies have contracts and employment because of GLA related activity.

The Treasury, working with London business and civic leaders, could undertake a review of how Britain benefits under London’s existing devolutionary settlement alongside an assessment of the economic potential, to the whole of the UK, of further devolution of powers to London’s leaders.

DEVOLVED REVENUES FOR LONDON



The ComRes polling revealed **business rates** (90% councillors, 72% businesses and 55% Londoners) and **stamp duty land tax** (60% councillors, 47% businesses and 40% Londoners) received majority support for greater retention and spend of revenues. There was little support across all three audiences for devolution of other taxes currently retained by central Government, including income tax, capital gains tax and inheritance tax.

The *London Tomorrow* panel reflected on how the surveyed audiences felt that local control made sense for certain 'familiar' tax revenues but not other 'headline' taxes. One panel member suggested the low support for devolution of income tax and capital gains tax may be due to audiences not knowing how that might operate. Another panel member was surprised support among businesses and Londoners for stamp duty land tax devolution was

actually not higher given that most revenues from the tax are collected in London and redistributed nationally: "This suggests Londoners are either more comfortable or not aware of national politicians setting stamp duty rules which take overwhelmingly large chunks of stamp duty from London and redistribute it to the rest of the country".

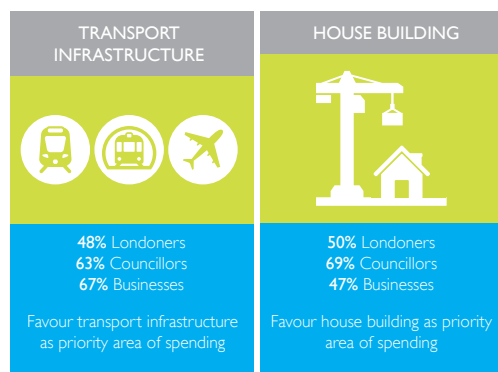
"People may not grasp procedurally how collection of London income tax or capital gains tax might work. It will be interesting to see as Scotland starts to collect income tax whether that increases support for more local level control".

It was suggested that sub-national operation of stamp duty land tax could support control of property prices over time, helping to resolve housing shortages, while also making the tax system more rational.

The 'OneYear On' report of the London Finance Commission with its governance principles on devolved taxes investment provides a template regarding revenue for any gathering by Mayor Johnson of the capital's business and civic leaders.

Moving from theory to delivery is key to persuade central Government. A London 'pilot' with one or more areas being permitted, over a controlled period, to retain a higher share of stamp duty and/or business rates could be explored. The Croydon campaign for 'local devolution' may offer a foundation to build on.

PRIORITIES FOR DEVOLVED SPENDING



Transport infrastructure and housing emerged from the polling as the priority areas of investment for any additional devolved funding to the capital. **67% of businesses favoured spending on transport infrastructure. 69% of councillors saw house building as the main spending priority.** For Londoners, jobs and skills provision was a key investment (51%) followed by house building (50%).

The role of infrastructure in London maintaining its international competitiveness was central to *London Tomorrow* panel members. Some focused on the existing arrangements where the GLA, or its agencies like TfL, have to seek additional funding from Whitehall to fund projects of significant importance. The 2013 Spending Review where Boris Johnson - as leader of a global city like London - had to spend time mobilising business, then enter into prolonged negotiations to safeguard funding essential to

keep London transport moving, was cited as how Whitehall's 'central view' does deliver well at all for the local reality.

"Londoners know that the bigger and more densely populated the city, the more it needs capital investment".

Reflecting on the low percentage of businesses that saw jobs and skills provision as a key investment (31%) one panel member felt strongly that this was something that firms saw themselves as doing, rather than government.

Business groups all mount resource intensive lobbies ahead of each Autumn Statement, Budget or General Election. London's four main business membership groups – CBI, FSB, London First and London Chamber - sit on Mayor Johnson's London Business Advisory Council (LBAC).

To help the Mayor build and promote the case for greater devolved funding, LBAC could identify and collate the London Strategic Infrastructure Projects (LSIPs) – whether new river crossings or underground extensions - that London businesses regard as essential to their future economic success and that of the capital.

RELEVANT LEVEL OF CONTROL

There was a clear divide over which level of London government should control any devolved revenues. **58% of councillors favoured London boroughs and 43% of business leaders supported Greater London Authority (GLA) control.** Londoners were more divided, with 31% favouring regional-level GLA control compared to 29% preferring power to lay with the boroughs. Interestingly, **20% of local councillors were open to groups of boroughs exercising control over devolved tax revenues.**

London Tomorrow panel members cautioned that any further devolution of power to London would have to be carefully calibrated between the GLA and London boroughs unless the whole structure of regional government was also revised. One panel member expressed concern about disrupting the balance of power between London's strategic level government at City Hall and London's borough councils. Another panel member cited the difficulties experienced by the former Greater London Council in sharing strategic and local governing powers with borough councils between 1965 and 1986.

"Greater powers to the Mayor of London could create a highly centralised system with disaffected boroughs that feel that they are being told what to do and have no role".

The Greater London Authority will have been in operation for fifteen years this May - as a new government takes office in Whitehall. This would be an opportune moment to review the capital's current devolutionary arrangements since devolution is a rolling 'process' - not a single 'event'.

To lay a sound foundation for any further devolution of powers and revenues, the new Government should institute a review of the GLA institutions, considering the future role of the assembly and the appropriateness of a formal consultative role for London business leaders.

INTER BOROUGH COLLABORATION



65% London councillors support increased cross-council collaboration despite reduced policy control

Polling results show that **65% of councillors would support increased collaboration between councils**, even if that resulted in losing control over strategic economic growth functions. Cost savings through jointly commissioning services (83%) were seen as the main benefit of collaboration, followed by efficiency savings through saved staff time (69%).

Greater Manchester is cited as the standard-bearer for collaboration between councils, yet panel members noted that this was after many long years of building consensus and agreement by various Council leaders around the Manchester area, something which other city regions have struggled to emulate. Panel members recognised Chancellor Osborne's 'devolution deal' with the Greater Manchester Combined Authority as evidence that Government was willing to devolve powers if it believed there was genuine effective partnership between local authorities.

London Tomorrow panel members reflected on the possibility of forming combined authorities within London. Some panel members felt the capital would not be able to tackle future challenges without joint strategic planning between boroughs. The idea of combined authorities was seen to have potential, with one panel member citing the success of the Tri-Borough Partnership in west London. The recent meeting of nine east London borough councils to explore opportunities to tackle mutual concerns over housing, employment and social care showed a willingness by boroughs to work more closely.

"Combined operations would provide greater efficiency savings and improve overarching planning capabilities in London. Unless we have this, we will not cope with the strain of a growing population".

One panellist felt the current two-level arrangement between the GLA and borough councils functioned well, but believed sub-London partnerships could work if there was broader consensus throughout London. Mechanisms of collaboration with local authorities surrounding London was deemed important to solving capacity issues within the capital.

Long standing collaboration between councils forming the Greater Manchester Combined Authority has benefitted the sub-region and will contribute to far-reaching future changes to English regional governance.

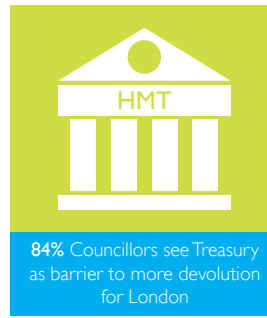
London boroughs are understandably protective of their unique local identities, however the creation of several 'mini' clusters of combined authorities coming together on matters of economic cooperation could be explored. Such combinations could vary in size and focus but would not compromise local identities.

SUMMARY OF RESULTS

LEVELS OF SUPPORT FOR LONDON DEVOLUTION



BARRIERS TO DEVOLUTION



REVENUES THAT SHOULD BE COLLECTED AND SPENT IN LONDON



PRIORITIES FOR SPENDING DEVOLVED REVENUE



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