

**Question 1:** What are the key benefits – for the economy, investment, innovation, productivity and public finances – of shifting to a multi-polar growth model, in which our major cities are key players in the nation's economy?

**Answer:** *Not proposing to answer this question.*

**Question 2:** What does the international evidence show about the role of cities in driving growth and catalysing innovation? What are the key success factors that we can learn from?

**Answer:** *Not proposing to answer this question.*

**Question 3:** What is the relationship between public service reform and economic growth at city level? How can more effective demand management – through public service reconfiguration and integration for instance – help to drive social and economic productivity? Can this enable our cities to become more financially sustainable?

**Answer:** *Not proposing to answer this question.*

**Question 4:** How can decision making and responsibility for public policy and public services be better aligned with the reality of local labour markets? How can policies around employment support, childcare, skills policy, welfare strategy and economic development better reflect the needs of local people and businesses?

**Answer**

London is the sixth wealthiest city in the world and provides one-fifth of the UK's Gross Domestic Product. However, London is a city of deep economic inequalities and deprivation. It has a higher rate of unemployment than any other English region and, according to the charity 4in10, 650,000 London children live in poverty, a figure 12% higher than the national average. Furthermore, four London boroughs (Hackney, Tower Hamlets, Newham and Islington) sit in the top ten most deprived boroughs in England.

Labour Members of the London Assembly believe that decentralising a raft of powers over education, skills and childcare policy to the strategic city-level would generate significant improvements in London's economic performance and enable it to meet these challenges.

On education, we believe in principle that greater responsibility for overseeing education should be devolved to the Mayor and the Greater London Authority. This would more easily facilitate the response to changing patterns of demand for school places such as those recently seen in London that have been caused by a growing number of families with children choosing to stay in the capital. Furthermore, we question whether the Department for Education genuinely has the capacity to properly oversee the growing number of free schools and academies. We believe city-level oversight of schools would be a more efficient means of regulation.

On childcare, there is clearly a case for a local approach that reflects the circumstances of London's labour market and population characteristics. London has the lowest rate of parental employment in the country and has a specific problem of unemployment among lone parents, with London's Poverty Profile finding that just 41% of lone parents in inner-London and 46% in outer-London are in work. This is due to a number of factors, including

the higher cost of childcare in London and the greater number of jobs employed on irregular hours. Furthermore, a significant proportion of London's large migrant population (both domestic and foreign migration) lacks access to 'informal childcare' provided by family members or neighbours. Furthermore, the higher costs of providing childcare in London mean that the current funding rates, based on national averages, are insufficient in London. Many institutions therefore find it difficult to deliver their statutory childcare responsibilities. Decentralising control over childcare in London to the Mayor could help to ensure a childcare system that responds to these unique circumstances and supports parents into work.

On skills policy, Labour Members support decentralising skills policy and funding to the Mayor. More than £650 million was spent on adult skills training in the financial year 2010/11 and, with particular regards to apprenticeships, we believe strategic, city-level direction could deliver an approach that is more focused on the skills needed in the local labour market. Furthermore, city governments (and in London in coordination with the boroughs) are better placed to provide leadership in engaging with local businesses on these issues due to their proximity and existing relationships with employers. In London, greater decentralisation of skills powers would also provide a strong compliment to the Mayor's capital expenditure programmes and allow for a tighter alignment of both.

On welfare, while Labour Members of the Assembly welcome the London Finance Commission's recommendation that the government should consider devolving housing benefit to the Mayor, the most urgent issue with regards to welfare policy is the lack of national recognition for the local circumstances of London. Most notably, the setting of national limits and caps on Local Housing Allowance (LHA) entitlement is causing severe problems in the capital and eroding the mixed communities that are London's hallmark. While decentralising powers over welfare could lead to more efficient administration of welfare, it is clear that the biggest current problem has not been caused by the lack of devolution, but by the government's decision to ignore calls for a London-weighting in welfare.

However, there are parts of the welfare system that should, in part, be devolved to the Mayor. For example, Community Care Grants and Crisis Loans, devolved to local authorities in April 2013 following the abolition of the Discretionary Social Fund, should contain an element that is reserved for strategic, city-wide, use in areas like London where mobility over local authority border is common for certain groups. This is necessary in places like London, where the devolution has resulted in strict residency criteria being applied to funds, meaning that vulnerable groups such as rough sleepers now find it difficult to secure funding once they cross local authority borders. In a continuously built up city region spanning multiple local authority areas, there is a need to have capacity for an emergency welfare response that spans across – but works in conjunction with – council boundaries.

**Question 5:** How can growth in other English cities complement London's economic success? What should be the interrelationship between devolution, growth and reform strategies in London and in our other major cities?

### **Answer**

Labour Members of the London Assembly would caution against an overly simplistic view of London as economically successful. Due to the high concentration of financial services providers and civil service posts, London has weathered the recent economic uncertainty better than other parts of the country. However, London is an increasingly polarised city.

During the recession, London's relative strength has made it a more attractive destination for people looking for work. This has placed significant stresses on London's vital infrastructure, most seriously its increasingly inadequate supply of housing.

However, while investment in London – particularly its transport infrastructure – has helped to drive economic activity elsewhere, it is questionable whether this sufficiently offsets the damage caused to other towns and cities in the UK when they lose talented workers to London. This is something that should be considered in more detail and is an area for investigation on which more research is needed.

**Question 6:** What needs to change between Whitehall and our cities to multi-polar growth a reality? What does the Centre need to do to enable this and what economic and revenue levers do cities require?

### **Answer**

In London, the relatively limited autonomy (by international standards) that has already been devolved from central government has enabled the mayoralty to deliver policy responses that tackle London-specific problems and deliver economic progress. Perhaps the most notable example of this has been the introduction of congestion charging, which has targeted the economic inefficiencies caused by excessive road congestions and (in conjunction with other transport policy levers) generated substantial improvement in public transport provision – both in terms of capacity, reliability and journey times.

Furthermore, the creation of the mayoralty has produced a greater sense of strategic direction over future infrastructure requirements (most notably transport projects such as the London Overground and Crossrail) and a figurehead who can make the case with government for such investment. Despite recent setbacks elsewhere in the UK, and while Labour Members disagree with many of the current Mayor of London's decisions, the mayoralty has been an effective model that should be replicated across over UK cities.

In terms of additional powers for London, Labour Members particularly support proposals put forward by the London Finance Commission, and supported by the Communities and Local Government Select Committee, to devolve property taxes for reinvestment in building new affordable housing. With specific regard to Stamp Duty, given the correlation between house prices and Stamp Duty receipts it is reasonable to assume that cities (like London) that generate significantly above average levels of Stamp Duty are experiencing market failure caused by an undersupply of housing. It is therefore reasonable that those receipts should be returned to these cities specifically for the purposes of increasing the supply of affordable housing to mitigate this market failure.

Furthermore, recent Whitehall reforms to affordable housing policy have impacted differently on London than the rest of the country. While the new Affordable Rent tenure – affordable housing charged at 80% of market rent – will have a very limited impact on the affordability of 'affordable housing' for low-income households elsewhere, in London, the nature of its housing markets mean that such properties could ultimately require a household income in excess of £100,000 per year in some boroughs. This is clearly unaffordable.

Furthermore, differences in the operation of London's private rented sector compared to other parts of the country also suggest that wholesale housing powers should be devolved to the city, as they have been to the devolved institutions in both Scotland and Wales. This would help ensure that London can respond to its specific housing circumstances and continue to house low- and middle-income households that the city relies on.

The Government have already acknowledged through the Public Health Outcomes Framework the impact that wider determinants of health have on the stark inequalities that exist within London. Employment, housing, sustainable income alongside education and skills are all significant factors in reducing these inequalities and ensuring future growth

promotes health. In London, the Mayor currently has limited powers to reduce health inequalities through public health interventions, particularly in areas where pan-London approaches would be more beneficial than fragmented and differential approaches. To this end, there is a political consensus in London that the government's refusal to grant the Mayor's Health Improvement Board a statutory footing as part of the Health and Social Care Act was a wasted opportunity. Greater strategic leadership over health inequality, in addition to greater responsibilities to convene health providers should be devolved to the Greater London Authority to counterbalance the fragmentation the Health & Social Care Act has led to in uniquely metropolitan and interdependent geographies such as Greater London.

To achieve multi-polar growth, we must also consider coordination beyond the city limits and into the functional region. London's resident population currently stands at 8.3 million. However, its workday population is 9.4 million (excluding tourists), suggesting around 1.1 million people commute to work in the capital. While London is fortunate in that its strategic governance extends across an entirely built up city region, the abolition of Regional Development Agencies has made it much harder for the Mayor to coordinate with its relevant neighbours over vital issues such as housing that also have a significant bearing on London's own long-term economic success. Many local authorities outside of London have sought to coordinate with their neighbours through Local Enterprise Partnerships (such as the Sheffield City Region LEP). However, this Commission should assess and conclude whether this is an efficient enough means of coordinating economic development, transport and planning policy and whether a more formalised arrangement is required.

**Question 7:** What other practical, organisational, cultural and systemic barriers stand in the way of a fundamental shift in economic power to our cities and how can these be overcome?

**Answer**

The biggest barrier preventing a shift in economic power to cities is Whitehall's culture of centralisation. The most recent example of this is the government's decision to reject proposals made by the London Finance Commission regarding the devolution of powers, despite these proposals gaining cross-party support among the Communities and Local Government Select Committee. In some instances, such as the devolution of Stamp Duty receipts, the government's rejection of proposals for London stands in stark contrast to their willingness to devolve the same powers to the Scottish Parliament and Welsh Assembly.

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