

RSA City Growth Commission: Evidence from London Councils

Introduction

1. London Councils represents all 32 London boroughs and the City of London. We are committed to fighting for more resources for the capital and getting the best possible deal for London. We develop policy, lobby government and others, and run a range of services designed to make life better for Londoners.
2. Over the past year London Councils and the Mayor of London have worked to advance the case for financial and wider devolution to the capital. We have built on the foundations of the London Finance Commission and looked to establish joint arrangements in support of greater growth and reformed public services.
3. We have joined with the Core Cities to launch a new campaign – City Centred – that argues for fiscal devolution to cities across England. We are also directly supporting the RSA's City Growth Commission in its work to explore how the next stage of devolution might unlock growth and drive public service reform.
4. This submission addresses the following areas, which respond to the Commission's call for evidence:
 - i. **Organising Public Services.** - We believe there is strong evidence which demonstrates that devolution to London would lead to greater growth and improved public services.*
 - ii. **Fiscal Devolution** –We fully support the recommendations of the London Finance Commission and believe fiscal autonomy to be a critical foundation of greater growth.*
 - iii. **The Geography and Governance of Devolution**
We propose robust governance mechanisms, that take account of the need to align governance with functional economic areas and represent the interests of place and communities.*
5. These areas provide evidence which speak to the lines of inquiry set out by the Commission, in particular: the question of the relationship between public service reform and economic growth and the question of how decision-making and public services can be better aligned with the reality of local labour markets.

Overview

6. Local authorities are committed to working together and aligning efforts across the public sector, working closely with business, to release growth and deliver real change in the prospects for London and the overall UK economy.
7. While the economy appears to be showing some signs of recovery, the Government's programme of deficit reduction continues to impact significantly on local government. Between 2010-11 and 2014-15, principal funding for local government will have reduced by close to 40 per cent in London. At the same time, London's growing and ageing population places increased pressure on local services and infrastructure, most notably within education, housing and social care.
8. In response to the challenge of declining resources and growing service demands London boroughs have made savings by sharing services, joining up procurement and expanding the use of targeted commissioning.
9. Devolution would enable the further steps we need to take in meeting these challenges: fiscal autonomy would free up local leaders to make long term investments in infrastructure vital to growth; wider freedom to create locally integrated public services would improve outcomes and save money.
10. Crucially, devolution would not only support the continued delivery of public services in a tough fiscal climate, it would also help ensure our cities remain competitive with leading cities from across the world.
11. England is one of the most centralised countries in Europe and control over public expenditure remains tightly controlled by Whitehall. Policies and programmes led from the centre continue to take precedence over locally developed interventions, despite evidence that such approaches often fail to achieve comparable levels of success.
12. While London government retains barely 7 per cent of all the tax paid by London's residents and businesses, New York controls 67 per cent of its funds and Paris 83 per cent. This disconnect between the levers that could promote growth and those whom are locally positioned to make the best judgements, risks fundamentally undermining the nation's potential for growth.
13. Government should trust local leaders to make the right decisions over that which they know best and allow the most efficient part of the public sector to lead the way in delivering better, more integrated and cost effective service interventions.

Organising Public Services

14. Public services provide an essential platform for economic growth, and their reform and improvement has been prioritised by London local authorities. They have demonstrated an ambitious approach to public service delivery through Community Budget pilots and its successor the Public Sector Transformation Network; the Troubled Families programme; and adult social care and health integration. In developing these initiatives, London authorities have become acutely aware of the wasted opportunities and ineffective use of resources caused by short-term national programmes operating in silos. In contrast, we believe that Local leadership of place by councils is key to coping with public finance austerity and finding new ways of working across local public services to drive growth, tackle dependency, create jobs and reduce offending.
15. There is strong evidence to suggest that local devolution would lead to better services than nationally driven programmes and increased growth overall.
16. It is apparent that the Work Programme has consistently failed to deliver for London with only 13 per cent of participants achieving a sustained job outcome. In contrast, programmes run and commissioned locally are achieving much better results.
17. For example, the London borough of Ealing's Vtalent scheme, a volunteering programme aimed at people aged 16 – 24, has achieved a sustained job outcome rate of 55 per cent. Similarly, Brent in 2 Work is an arm's length employment agency run by the London borough of Brent aimed at the council's most vulnerable residents. It has achieved a sustained job outcome rate of 40 per cent.
18. Current restrictions on local authority housing revenue accounts mean that stock-holding boroughs are unable to optimise their investment and delivery programmes. If the housing investment were brought in line with the prudential code for borrowing London local authorities would be able to build nearly 14,000 new homes.
19. To help deliver practical solutions, we are currently working with groups of boroughs to develop a tailored package of proposals to reform public services and increase growth. This package focuses on addressing two pressing challenges for London's economy; increasing the number of people moving from welfare into work and increasing housing supply:
 - The proposals around welfare, work and skills are designed to mobilise all relevant partnerships across the Capital and its localities, to provide an integrated and responsive programme that tangibly increases the number of people moving from welfare into sustainable work.
 - The housing proposals are designed to mobilise all relevant partnerships across the Capital and its localities, to best co-ordinate initiatives and drive a significant and sustained increase in housing supply.
20. This initiative sits alongside work to advance the recommendations of the London Finance Commission and we are keen to use appropriate vehicles, such as the Growth Deal process to take forward a mature conversation with Government.

Fiscal Devolution

21. London Councils fully supports the conclusions of the London Finance Commission. These endorsed the principle that funding arrangements for London should allow London government to make additional self-determined investments in its own infrastructure, both to cater for predicted growth and to promote additional growth.
22. London's councils are acutely aware of the challenges the Capital faces in the years ahead as a result of demographic change and historic under-investment in infrastructure. However the current system of local government finance leaves us compelled to appeal to central government for resources to tackle these problems.
23. Local leaders, like the people who elect them, are keen to give the priority required to building new railways, schools, waste facilities and homes. To make a reality of these aspirations, we need to shape a devolved taxation system that can respond quickly to local priorities and the diversity of the city.
24. The London Finance Commission made a number of specific recommendations for devolution which we fully support, noting that in each case any devolved taxes would be offset by reductions in government grant:
 - i. **Business rates:** should be fully devolved to London government, including the timing of revaluations and the freedom to determine issues such as tax-breaks and discounts.
 - ii. **Council tax:** should be retained locally and London government should have the freedom to hold periodic revaluations.
 - iii. **Other property taxes (including stamp duty):** should be devolved to London government which would have responsibility for their operation and impact.
 - iv. **Borrowing ceilings:** on the GLA group should be removed and the government should pledge to place no further borrowing restrictions on boroughs
 - v. Government should distinguish between borrowing that will be used to promote growth or reduce public expenditure and thus be repaid, and other kinds of debt.
 - vi. **Restrictions:** around tax increment financing should be relaxed
 - vii. **Fees and charges:** boroughs should be able to fully recover costs, including an exemption on nationally set charges
25. We believe that financial devolution in the specified areas would form a critical platform, releasing our elected local politicians to not only set the priorities within the city, but also to take swift action when where it is most effective.
26. Greater fiscal autonomy for London is also vital to long term planning, management and investment of resources that will be required to tackle some of the entrenched, complex issues that our communities face.

The Geography and Governance of Devolution

27. London government – the Mayor and boroughs – is currently engaged in the process of developing a number of governance principles around fiscal and wider devolution to the capital.
28. Broadly, we believe that boroughs and groups of boroughs have a key role in identifying the needs of local businesses and delivering aligned policy interventions to match the requirements of local labour markets. While city-wide governance structures can play a role in developing and co-ordinating strategy, operational decisions should be taken by those closest to London's functional economic areas.
29. The prospect of tangible devolution that will support economic growth is crystallising plans and ambitions for new arrangements that allow for pan-London co-ordination and the mobilisation of all relevant partners to deliver through groups of boroughs. The fruits of this work, which continues at the time of making this submission, will provide a platform for devolution built on borough groupings.
30. For example, employment and skills programmes could be brought together with welfare management schemes to create an integrated city-wide framework. Groups of boroughs working in partnerships could then analyse the employability support needs of their local area in line with labour market opportunities and employer requirements delivering or commissioning tailored programmes that address these needs.
31. Boroughs could also set up and manage local one-stop employment, skills and welfare management gateways to assess claimants' employment needs and their ability to make and maintain a claim for Universal Credit. Their wider role in commissioning and delivering services would enable local authorities to offer wrap-around support packages that maximise the potential for up-skilling and moving into some or more work.
32. As we move to greater collaboration within the context of a devolution and City/Growth Deal agenda, we recognise that this evolving governance framework may need more formal underpinning, so that we can jointly deliver a sustainable approach to effective devolved governance in London. Fiscal devolution to the capital would require: greater assurance that risks might be managed; greater certainty that the interests of all partners were protected; a firm sense that arrangements could not be easily unpicked, were robust enough to survive deadlock or disagreement; and, clear evidence that no part of London government would be disadvantaged by devolution.
33. We believe that fundamental questions of governance can only be answered by elected leaders, accountable to Londoners, responsible to business. As such, the approach in the capital has seen London boroughs and the Mayor consider the development of governance arrangements that bring together London government. We are in discussion with the Mayor of London on these issues as part of the work both to follow up the London Finance Commission report and to support the Growth Deal submission.

Conclusion

34. The Commission's call for evidence comes at a critical time; London's ambitions for fiscal and wider devolution are clear, yet we cannot advance sufficiently until Government engages in a mature conversation on co-designing a new settlement that delivers for London and the country as a whole.
35. There is increasing evidence to show that local leadership of services will improve upon national delivery and better fit the needs of London's economy. Devolution is not an end in itself, but the beginning of a process by which public services and the economy as a whole can be developed to respond to the challenges of the 21st Century.
36. We look forward engaging in the future work of the Commission and hope its deliberations will add weight to our calls for a new devolutionary settlement that reflects the opportunities of freeing local leaders to achieve their ambitions and drive growth through sustainable partnerships.