**Briefing from the Mayor of London and London Councils to the**

**London All Party Parliamentary Group**

**A London devolution deal**

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The Mayor of London and London Councils are seeking a new devolution deal from the Government to help London government drive economic growth and better represent the people they serve. This briefing paper sets out the case for a new London devolution deal for which we are seeking your support.

***Why does London need a new devolution deal?***

* London government desperately need new powers to invest a larger share of the income we generate in our economy to unlock further growth, rapidly up skill our labour force to meet current and future skills challenges, help long term unemployed Londoners get back into work; improve transport links for the growing numbers of commuters our businesses rely on; and deliver a housing policy that can boost the supply of much needed homes and that reflects the unique circumstances of London and its housing market.
* Various nationally-managed services need improvement if London is to deliver more growth. Southern rail is causing misery, and commuter lines won’t cope with increased housing demands, particularly in south London. Too much surplus public sector land is being left idle. New school places greatly lag demand. Polluted air is shortening Londoners’ lives. London’s property taxes could hardly be more inefficient and unfair. Londoners furthest from the labour market need support and better skills to get them back into work. Londoners – both residents and businesses - want the Mayor and local authorities to fix these problems.
* The Autumn Statement on 23 November is a vital opportunity for the Government to commit to devolving further powers that we need to take on this challenge. This would provide a platform for the long-term task of supporting Government to ensure that London can meet the challenges of Brexit and growth.

***London is unique and needs its own devolution deal***

* **London is the powerhouse of the UK economy**

London’s economy is around £370 billion per year and accounts for 22.5% of UK national income. Over the last decade London has contributed more than £12 billion each and every year (over and above what it spends) to the UK’s public finances. In

addition, London has accounted for 43% of all jobs growth nationally in the four years to 2014.

* **When London succeeds, so does the rest of the UK economy**

Our net exports of around £28.5bn boost the UK economy. 51% of international visits to the UK are to London, and London is the gateway to the rest of the UK, where visitors spend £641 million. London’s international orientation directly benefits the rest of the country. In addition, London imports around £405.2bn worth of goods and services from the rest of the UK. There is a strong correlation between London’s growth and the rest of the UK – the reverse would be true if London’s growth was at its expense.

* **London is growing faster and more than any other big city**

In 2015 it became bigger than ever before. It is now approaching a population of 9 million and is forecast to exceed 10 million in the 2030s. We need new powers to match this era of growth and London requires investment to grow, enabled by fiscal devolution. London also needs the financial resources to enable it to deliver excellent public services for a bigger city.

* **The scale of this challenge is unique to London so we need a tailored response led by London’s government**

London government, given more freedoms, is best placed in key areas of policy to drive economic growth and development.  Spurring growth through urgent measures to increase investment in housing, skills and infrastructure are needed. Business, big and small, trust London government – and want London government to run more of the global city they work in.

* **The problems in London are acute and substantial. In particular, the uncertainty caused by Brexit amplifies the need to do everything we can to support London’s growth**

London’s economy relies more on skilled migrant workers than any other city in the UK. 40% of Londoners were born outside the EU. Substantial Brexit risk to financial services with potential net job loss of 35k (or double that if related services are taken into account), according to CityUk. 81% of businesses in London feel less optimistic about the UK economy, with 75% ranking uncertainty over the UK’s role in Europe as their top concern. And nearly half of London’s businesses say that the result of the EU referendum will have a negative impact on their investment plans.

* **We support investment in other growth areas like the Northern Powerhouse, Midlands Engine, and smaller cities**

We recognise that investment and growth must not be seen nationally as a zero sum game, where investment in one place must be at the expense of others. If investment yields growth and there are ways of recycling that growth to finance the up-front

investment, then regions and cities should support each other. Hence we are working with the rest of the south east to develop our mutual investment priorities and why we support the work of the Core Cities and the Centre for Cities in promoting growth across the UK’s urban areas.

* **Investment in London’s transport and housing will produce high returns for London and the Exchequer**

Evaluation of past schemes like the Jubilee Line and its extension demonstrate very high levels of benefit and benefit to cost ratios and appraisals of present and future schemes including Crossrail 1, Crossrail 2, and the Bakerloo Line Extension show high levels of benefit and strong benefit cost ratios. New approaches to appraisal that take account of dynamic effects, over time, across the whole city system suggest potentially even higher gross benefits for these schemes - as well as for housing investment.

* **Devolution will enable London Government to reform and better integrate a range of public services**

This will put the focus on cost effective prevention rather than costly failure, help London in trying to manage the challenge of austerity and help us make London more productive

* **Finally, London does not present a threat to the integrity of the UK**

We are not aiming to be an independent country. But London is different from the rest of England and needs to be run differently. Devolution enables differences to be taken into account for London and everywhere else.

***What powers do we want to see devolved?***

The devolved powers we are calling for include:

* **Fiscal**

Fiscal devolution enables greater transparency, democratic accountability, growth incentives and tax reform. London businesses pay an increasing share of the county's business rates. For example, London's proposed business rate reforms show how they could be better managed to sustain growth and services in the capital, while protecting local government funding in the rest of the country. In the short term, the Chancellor should take additional measures to mitigate the impact of the 2017 revaluation, which will disproportionately affect London businesses, including many SMEs which would not be classed as "large" businesses elsewhere in the country.

* **Housing**

Housing is the single most important issue facing London. Fewer new homes are being started in London than a year ago and the Mayor is not able to begin conversations with housing providers until he is confident that funding will be available. A devolution deal that would include a share for London of the national affordable housing capital funding and some housing and planning flexibilities, including more flexibility for boroughs on the use of receipts, borrowing powers and planning fees, will help to deliver more much-needed homes.

* **Transport**

The Mayor is not accountable for the majority of rail services in south London, despite being accountable for the long-term growth and prosperity of the capital. Devolving suburban rail services to TfL will bring enormous benefits to rail passengers, giving them the standard of services they deserve and need. There is widespread public, business and cross-party support for the proposals, including from London Assembly, MPs, London Councils and local authorities outside of London (including Kent, Sussex and Hertfordshire councils). The Mayor’s business case demonstrates how TfL will protect the interests of passengers using long-distance services and safeguards have been developed to ensure no long distance service will be detrimentally affected.

* **Skills and Employment**

London needs a bespoke skills devolution deal that allows us to take a strategic, whole system, all age (post 16) approach, to reassure businesses and protect London’s economy. The skills system is simply not sufficiently responsive to the needs of London’s economy. Greater powers and responsibilities for London Government will deliver a system that better meets the needs of the capital’s businesses and those of all Londoners. This should include a Government commitment to ring-fence London’s unspent Apprenticeship Levy and replacement funding for the European Social Fund.

Last year the former Chancellor announced that funding for the Work and Health Programme would be devolved to London government. We now need to see this funding transferred to enable London boroughs to commission services according to the needs of local populations and we are seeking this commitment in the Autumn Statement.

* **Health**

The previous Mayor and London health partners signed a London Health Devolution agreement and we now need a commitment to take this forward. The new agreement should incorporate firm action on a range of health devolution propositions in relation to better management and use of departments and NHS estates, health and social care integration and prevention.

* **Criminal justice**

High levels of victim disengagement, offending and prolific reoffending cause harm and cost to the public purse. London faces unique criminal justice challenges and devolution of both budgets and responsibilities for the justice victim services would enable London Government to tackle issues such as the link between deprivation, vulnerability and an individual’s involvement in crime, make better use of existing resources and result in a safer London. A commitment from the Government to work with the Mayor on developing a suitable offer that agrees a memorandum of understanding would be the first step needed to make London safer for everyone.

***Your support***

**The Autumn Statement must be the start of an ongoing process of devolution**

* We are looking to the Autumn Statement to provide a commitment that Government will continue the process of devolving powers to London government to tackle the issues Londoners face as well as proving a platform for ensuring London can meet the challenges of Brexit and deliver growth in the years ahead.

**What you can do to support London devolution**

We need to continue making the strong case to the Government that London devolution will benefit the UK economy and improve the lives of millions. You can support this by:

* Raising the issue in parliamentary debates and oral questions
* Tabling Parliamentary Questions on London’s devolution asks including housing, fiscal, rail, skills and employment, health and criminal justice
* Writing to the Chancellor ahead of the Autumn Statement

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***For further information or briefing, please contact***

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