

AGENDA

Meeting Economy Committee

Date Thursday 5 March 2015

Time 10.00 am

Place Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

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Members of the Committee

Jenny Jones AM (Chair)

Fiona Twycross AM (Deputy Chair)

Tony Arbour AM

Gareth Bacon AM

Andrew Dismore AM

Stephen Knight AM

Dr Onkar Sahota AM

A meeting of the Committee has been called by the Chair of the Committee to deal with the business listed below.

Mark Roberts, Executive Director of Secretariat
Wednesday 25 February 2015

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: David Pealing, Committee Officer; Telephone: 020 7983 5525; Email: david.pealing@london.gov.uk.

For media enquiries please contact: Lisa Lam; Telephone: 020 7983 4067; Email: lisa.lam@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

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Certificate Number: FS 80233

**Agenda
Economy Committee
Thursday 5 March 2015**

1 Apologies for Absence and Chair's Announcements

To receive any apologies for absence and any announcements from the Chair.

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat

Contact: David Pealing, david.pealing@london.gov.uk, 020 7983 5525

The Committee is recommended to:

- (a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;**
- (b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and**
- (c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).**

3 Minutes (Pages 5 - 46)

The Committee is recommended to confirm the minutes of the meeting of the Committee held on 15 January 2015 to be signed by the Chair as a correct record.

The appendices to the minutes set out on pages 11 to 45 are attached for Members and officers only but are available from the following area of the GLA's website:

www.london.gov.uk/mayor-assembly/london-assembly/environment

4 Summary List of Actions (Pages 47 - 52)

Report of the Executive Director of Secretariat

Contact: David Pealing; david.pealing@london.gov.uk; 020 7983 5525

The Committee is recommended to note the completed and outstanding actions arising from previous meetings of the Committee.

5 Action Taken Under Delegated Authority (Pages 53 - 66)

Report of the Executive Director of Secretariat

Contact: David Pealing; david.pealing@london.gov.uk; 020 7983 5525

The Committee is recommended to note recent action taken by certain Economy Committee Members under the authority delegated to them, namely:

- (a) The Chair, in consultation with party Group Lead Members, agreed the arrangements for a stakeholder engagement event with business on climate change risks (the details of which are attached at Appendix 1 to the report);**
- (b) The Chair, in consultation with party Group Lead Members, wrote to the Deputy Mayor for Business and Enterprise on topics arising from the Committee meeting held on 15 January 2015 (as attached at Appendix 2 to the report); and**
- (c) Fiona Twycross AM, as the Assembly's previous rapporteur on food poverty, agreed letters to stakeholders based on the recommendations made in the Committee's report *A Zero Hunger City* (copies of the letters are attached at Appendices 3 – 5 to the report).**

6 Supporting Microbusinesses in London (Pages 67 - 68)

Report of the Executive Director of Secretariat

Contact: Simon Shaw, scrutiny@london.gov.uk; 020 7983 6542

The Committee is recommended to note the report as background to putting questions to experts and other stakeholders on supporting microbusinesses in London, and note the subsequent discussion.

7 Apprenticeships in London (Pages 69 - 74)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, scrutiny@london.gov.uk; 020 7983 6542

The Committee is recommended to:

- (a) Note the Mayor’s response to the Committee’s work on apprenticeships in London, as set out at Appendix 1; and**
- (b) Note the initial follow-up proposals to its work on apprenticeships, as set out at Appendix 2, which will be subject to a decision by the Committee as part of its 2015/16 work programme.**

8 Climate Change Risks to the London Economy (Pages 75 - 108)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, scrutiny@london.gov.uk; 020 7983 6542

The Committee is recommended to note the report summarising the responses from stakeholders to the Committee’s summary report on climate change risks to the London economy.

The appendices to the report set out on pages 77 to 107 are attached for Members and officers only but are available from the following area of the GLA’s website:
www.london.gov.uk/mayor-assembly/london-assembly/environment

9 Internships in London (Pages 109 - 114)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, scrutiny@london.gov.uk; 020 7983 6542

The Committee is recommended to note the Mayor’s response to the Committee’s work on internships, as attached at Appendix 1 to the report, and notes the follow-up actions taken by the Committee, as detailed at Appendix 2 to the report.

10 Economy Committee Work Programme (Pages 115 - 122)

Report of the Executive Director of Secretariat

Contact: Simon Shaw, scrutiny@london.gov.uk; 020 7983 6542

The Committee is recommended to:

- (a) Note the record of its work in the 2014/15 Assembly year; and**
- (b) Delegate authority to the Chair, in consultation with party Group Lead Members, to agree the indicative work programme, including the topics for the first two meetings, for the 2015/16 Assembly year, subject to a decision of the London Assembly at its Annual Meeting to re-establish the Committee.**

11 Date of Next Meeting

Subject to confirmation at the London Assembly's Annual Meeting on 13 May 2015, the next meeting of the Committee is scheduled for Thursday, 18 June 2015 at 10.00 am in Committee Room 5, City Hall.

12 Any Other Business the Chair Considers Urgent

Subject: Declarations of Interests

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

- 2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests¹;**
- 2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**
- 2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

- 3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

¹ The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Member, LFEPA; Member, LB Bexley
John Biggs AM	
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Victoria Borwick AM	Member, Royal Borough of Kensington & Chelsea; Deputy Mayor
James Cleverly AM	Chairman of LFEPA; Chairman of the London Local Resilience Forum; substitute member, Local Government Association Fire Services Management Committee
Tom Copley AM	
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Roger Evans AM	Committee of the Regions; Trust for London (Trustee)
Nicky Gavron AM	
Darren Johnson AM	Member, LFEPA
Jenny Jones AM	Member, House of Lords
Stephen Knight AM	Member, LFEPA; Member, LB Richmond
Kit Malthouse AM	Deputy Mayor for Business and Enterprise; Deputy Chair, London Enterprise Panel; Chair, Hydrogen London; Chairman, London & Partners; Board Member, TheCityUK
Joanne McCartney AM	
Steve O'Connell AM	Member, LB Croydon; MOPAC Non-Executive Adviser for Neighbourhoods
Caroline Pidgeon MBE AM	
Murad Qureshi AM	Congress of Local and Regional Authorities (Council of Europe)
Dr Onkar Sahota AM	
Navin Shah AM	
Valerie Shawcross CBE AM	Member, LFEPA
Richard Tracey AM	Chairman of the London Waste and Recycling Board; Mayor's Ambassador for River Transport
Fiona Twycross AM	Member, LFEPA

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority; MOPAC – Mayor's Office for Policing and Crime]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at
 - (i) a meeting of the Assembly and any of its committees or sub-committees; or
 - (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions
- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

- 3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.
- 3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.
- 3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.
- 3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.
- 3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here:
<http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality>.
- 3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.
- 3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

- 4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985
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List of Background Papers: None

Contact Officer: David Pealing, Committee Officer

Telephone: 020 7983 5525

E-mail: david.pealing@london.gov.uk

MINUTES

Meeting: Economy Committee
Date: Thursday 15 January 2015
Time: 10.00 am
Place: Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:

www.london.gov.uk/mayor-assembly/london-assembly/economy

Present:

Jenny Jones AM (Chair)
Fiona Twycross AM (Deputy Chair)
Tony Arbour AM
Gareth Bacon AM
Andrew Dismore AM
Stephen Knight AM
Dr Onkar Sahota AM

1 Apologies for Absence and Chair's Announcements (Item 1)

1.1 There were no apologies for absence.

2 Declarations of Interests (Item 2)

2.1 The Committee received the report of the Executive Director of Secretariat.

2.2 Resolved:

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 Resolved:

That the minutes of the meeting held on 9 December 2014 be signed by the Chair as a correct record.

4 Summary List of Actions (Item 4)

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 Resolved:

That the completed and outstanding actions arising from previous meetings of the Committee be noted.

5 London Enterprise Panel and Deputy Mayor for Business and Enterprise (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on the work of the London Enterprise Panel (LEP) and its Working Groups to the following invited guests:

- Stephen Howard, LEP Member and Co-Chair, LEP Small and Medium Enterprise Working Group (SMEWG);
- Kit Malthouse AM, in his capacity as Co-Deputy Chair of the LEP;
- Emma Stewart MBE, LEP Skills and Employment Working Group (SEWG) Member; and
- Sue Terpilowski OBE, LEP, SEWG and SMEWG Member.

5.2 A transcript of the discussion is attached at **Appendix 1**.

5.3 At 11.05 am the Chair adjourned the meeting to allow the panel of guests to change. The meeting reconvened at 11.08 am.

5.4 For the second part of the main discussion the Committee put questions on the Mayor of London's economic priorities to the following invited guests:

- Mark Kleinman, Assistant Director – Economic and Business Policy, GLA; and
- Kit Malthouse AM, in his capacity as the Deputy Mayor for Business and Enterprise.

5.5 A transcript of this discussion is attached at **Appendix 2**.

5.6 During the course of both discussions, Members heard that the Deputy Mayor for Business and Enterprise would undertake the following after the meeting:

- To provide the Committee with the number of part-time jobs in the GLA group created during the Mayoral term;
- To write to the Lord-in-Waiting, the Lord Papat, regarding unpaid internships at Parliament;
- To share with the Committee the London & Partners business plan and budget as soon as it had been agreed within the GLA's decision making framework; and
- To follow up with Government the work being done following the publication of the Deputy Prime Minister's report *Banking on Women* into access to finance for women in business.

5.7 **Resolved:**

- (a) That the report and discussion be noted; and**
- (b) That authority be delegated to the Chair, in consultation with party Group Lead Members, to write to the Deputy Mayor for Business and Enterprise to follow up on points raised during the discussion.**

6 Internships in London (Item 6)

6.1 The Committee received the report of the Executive Director of Secretariat.

6.2 **Resolved:**

- (a) That the summary of internships survey findings, as attached at Appendix 1 to the report, be noted; and**
- (b) That the wording of the letter to the Mayor on internships, as attached at Appendix 2 to the report, be agreed.**

7 Climate Change Risks to the London Economy (Item 7)

7.1 The Committee received the report of the Executive Director of Secretariat.

7.2 **Resolved:**

- (a) That the report summarising the views and information received during the investigation into climate change risks to the London economy to date, as**

agreed by the Chair under delegated authority, and as attached at Appendix 1 to the report, be noted; and

(b) That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree, and to undertake any follow-up work from, the output of the investigation into climate change risks to the London economy.

8 Food Poverty (Item 8)

8.1 The Committee received the report of the Executive Director of Secretariat.

8.2 **Resolved:**

That authority be delegated to Fiona Twycross AM, as the previous rapporteur on food poverty in London, to write letters to key stakeholders regarding current efforts to tackle food poverty in the capital, following on from the recommendations made in the Committee's report *A Zero Hunger City*.

9 Economy Committee Work Programme (Item 9)

9.1 The Committee received the report of the Executive Director of Secretariat.

9.2 **Resolved:**

(a) That the work programme be noted; and

(b) That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree the output of both the Committee's financial services discussion event and the Committee's investigation into personal problem debt in London.

10 Date of Next Meeting (Item 10)

10.1 The date of the next meeting of the Committee was confirmed as Thursday 5 March 2015 at 10.00 am in Committee Room 5, City Hall.

11 Any Other Business the Chair Considers Urgent (Item 11)

11.1 There were no items of business that the Chair considered to be urgent.

12 Close of Meeting

12.1 The meeting ended at 12.07 pm.

Chair

Date

Contact Officer: David Pealing, Committee Officer
Telephone: 020 7983 5525; Email: david.pealing@london.gov.uk

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Economy Committee – 15 January 2015**Transcript of Item 5: London Enterprise Panel and Deputy Mayor for Business and Enterprise – Session 1**

Jenny Jones AM (Chair): That brings us to today's main item, the London Enterprise Panel (LEP) and the Mayor's economic priorities. We have a number of guests today and we are going to do it in two parts.

Stephen [Howard], I am told it is the first time you have ever been in front of an Assembly Committee. Perhaps everybody would like to say just a few words, but, Stephen, do you want to start?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): Chair, thank you. Members, thank you for giving us the opportunity to have this conversation with you. My name is Stephen Howard. I am a Member of the LEP and Co-Chair of the Small and Medium Enterprise (SME) Working Group. My day job is Chief Executive of Business in the Community and prior to that I spent much of my working life leading global businesses. I was Chief Executive Officer (CEO) of two London-headquartered but global manufacturing companies. I am a London resident and a long-time employee of City businesses and so I have some experience with the local economy.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): I am Sue Terpilowski. I have a number of hats. My main one is that I am on the LEP. I also sit on the SME Working Group (SMEWG) and the Skills and Employment Working Group (SEWG). I am also the London Policy Chairman of the Federation of Small Businesses (FSB) and I lead nationally for the FSB on business rates. I have a London business. I have had the business for 27 years. We are based in Hackney - and so a lot of these things are very relevant to me - and I live in the London Borough of Redbridge. I am affected all the way around.

Emma Stewart MBE (Member, SEWG): Hello. My name is Emma Stewart. I, too, wear several hats. I sit on SEWG. As my day job, I am Director of the Timewise Foundation, which supports families in London to get access to better quality flexible jobs. We have around 60,000 London residents on our books currently looking for work. Then I also Chair the London Child Poverty Alliance, which is a network of voluntary sector organisations championing living standards and child poverty in London.

Jenny Jones AM (Chair): It sounds like a huge workload. We also have the Deputy Mayor for Business and Enterprise sitting in with us.

Kit Malthouse AM (Co-Deputy Chair, LEP): I am slightly early, sorry. I thought I would sit in, just in case you needed me.

Jenny Jones AM (Chair): You are very early, but it is obviously a pleasure. We are going to try to keep the questions quite short and we are hoping for answers to be fairly pithy as well. If you agree with the person who has just spoken, you can say you agree with them. It means we can get as much information as possible from you while you are here. Thank you for coming.

How is the LEP supporting the SME sector in London?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): As you know, Chair, the primary focus of the LEP is jobs and growth and our focus within the SMEWG is jobs and growth as well. As we look at the five principal priority areas that we can try to make a difference - access to finance, affordable workspace, trade

and export support, business support more generally and the Business Improvement Districts – how can we nurture, grow the numbers and provide practical tools and guidance that SMEs can use to be successful?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Obviously, it seems they are the key elements. What we decided was that we had to go for some things where we could achieve something with limited time and a limited remit. Our remit is strategy. It is not deliverables. We felt those were where we could actually add most value.

Jenny Jones AM (Chair): Of course, in London, you talked about affordable accommodation. Obviously, that is extremely difficult. There are high business costs and high costs of living and so that must impact on those enterprises quite badly. Is that so?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): It does. As Sue has said, we think about how best to use our limited resource and access to say, “Where are the places we can be innovative and additive and create leverage out there?” As we think about affordable workspace, part of our job can be to help people understand what is available, what is out there and how you can use simple mapping tools and other things to identify where space is, but then to think perhaps a bit more systemically about the implications of the conversion of what has been commercial space into residential space and the pressure that that can put on businesses, particularly small business and small and growing enterprises in the city centres.

Jenny Jones AM (Chair): Indeed. Apparently, the Government is doing a review of business rates. Have you responded as the LEP to that?

Kit Malthouse AM (Co-Deputy Chair, LEP): We have not, no. I do not think the Government has actually issued any kind of consultation document for us to respond to yet.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): It has.

Kit Malthouse AM (Co-Deputy Chair, LEP): Has it? All right. It is probably in the works, then.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): We have until the end of this month to get it in. It is out there.

Kit Malthouse AM (Co-Deputy Chair, LEP): All right. I have not seen anything yet and so we have only a couple of weeks.

Jenny Jones AM (Chair): Get a move on.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): As the FSB, we have. As the FSB, we are meeting with the Treasury to talk about it. I am very versed on business rates issues. Both on a London level and on a national level, this is something that is very important, particularly in London. Most London businesses now are finding their business rates are more than their rent. This is not sustainable because, with rents, you can have an argument with your landlord and it can go up and down. With business rates, it has only one trajectory and that is always up because it goes up by a minimum of inflation, if nothing else. Therefore, it is really affecting London more than any other area.

London had a 130%, on average, increase in business rates in the last revaluation. We in London went up an awful lot, whereas the northeast went down. That is one of the problems the Government has. This focus on the north means that it is not going to do much about the south, which is actually suffering. If we get another 130% increase at the revaluation in 2016, it means business rates in London will have gone up 260%.

Jenny Jones AM (Chair): Are you finding that SMEs can actually take on apprentices? Is there enthusiasm for that at the moment?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): It actually leads from the previous question. What we are finding with our members is they have an appetite to take on an apprentice, but what they are doing is downsizing in space because they cannot afford it and therefore they do not have the desk-space for the apprentice. Because growth is obviously now a really big issue, what they are finding is that they are actually being inhibited by business rates to grow because they cannot afford to take the accommodation and give the space to the person. It is not that they do not want the person. It is that they do not have the physical desk-space.

Jenny Jones AM (Chair): It is money as well as space?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Yes.

Emma Stewart MBE (Member, SEWG): In our work, we have noticed that there is confusion around whether it is feasible to have part-time apprenticeships or not. The current guidance from the Mayor is to not advocate that necessarily because there is a risk of zero-hours contracts and exploitation of workers. Having said that, on the flipside in relation to enabling small businesses to have the flexibility to be able to take on particular groups who need flexibility in the way they work, which would also accommodate the space function, part-time apprenticeships could be of value. It is a conversation that needs to be had with the Mayor to rethink how the guidance is put out. Obviously, it has to work for both the business and the individual, but we think in our organisation that there is real value in repositioning the benefit of part-time apprenticeships.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): The other thing we are working on is shared apprenticeships. Maybe two companies take on one apprentice and share them on a two- or three-day basis or something similar to that. Then you have the other issue of who takes liability and responsibility and who pays all the National Insurance and everything else, but we do think that could be another solution where you would then share an apprentice between two companies. It is a similar thing to yours but it is actually making it more viable.

There is a lot of work that needs to be done on apprenticeships to make them smarter. However, one of the big factors that we got back in the last two surveys is that there is an appetite out there particularly from the very small micro-businesses to take apprentices, but they just physically at the moment cannot accommodate them.

Jenny Jones AM (Chair): You mentioned part-time jobs. You talked about the exploitation of workers, but on part-time jobs is there any movement there at all?

Emma Stewart MBE (Member, SEWG): Yes. The SEWG has been debating not just the need to consider how to support individuals back into work but how to facilitate conversations with employers to effectively stimulate more businesses in London to provide more quality flexible and/or part-time jobs. All the evidence suggests that actually there are a number of people working in part-time jobs in London, the majority of whom are on low pay, and there are even fewer part-time vacancies explicitly advertised from day one. The evidence suggests, as I know that you have looked at previously, that this has a huge knock-on effect of locking out people who cannot work 9.00am to 5.00pm five days a week, predominantly women with caring responsibilities and also older workers and people with health and mental health conditions.

We are looking now at is European Social Fund (ESF) commissioning to include a provision for providers to stimulate activity with employers to help unlock flexible jobs. Having said that, with my Timewise hat on, we would welcome more movement on the original pledge from the Mayor to create 20,000 part-time jobs in London. We feel that that needs additional investment outside of an ESF strategy. That is about how the Mayor takes a leadership role in communicating the value of a flexible additive to the labour market to employers in London.

Jenny Jones AM (Chair): When you say 'more resources', do you mean it just has not been resourced properly so far, that particular pledge?

Emma Stewart MBE (Member, SEWG): I do not think it has been resourced to the extent to achieve the target that is required.

Jenny Jones AM (Chair): It is not going to hit the target unless something happens on that? OK.

Andrew Dismore AM: A couple of questions from me. One of the things that I have picked up in my area is broadband and the lack thereof. To what extent is that an issue that you would get involved in? I certainly cannot get any sense at all out of BT, which does not even answer emails anymore. Is that something you get involved in and what are you doing about it?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Broadband is a massive issue, particularly in London. There are pockets where the problem is that Virgin is not in there and BT has no incentive to do anything about it. That is because it is high business. The areas that have the super-fast broadband cabinet and the thing that you can use is where there is a good mix of residential and business in the area.

If you take my business, which is in Tech City in Shoreditch right by Old Street roundabout which has one of the slowest broadband speeds in the country, until I used a £3,000 voucher and got myself super-fast broadband put in through a land-based system. The problem is that the bit of Tech City I am in is just all business. There is no residential. BT would not give a date at any time in the next three or four years as to whether we might see it and there is no incentive for them to do it. It has no real competition apart from the Remote Area Broadband Inclusion Trial that has suddenly come in. That is a problem and it is a massive issue across London. People do not perceive it to be, but there are definitely areas that have no broadband or very limited broadband of the quality you need to do business. I was trying to submit my tax return online and after 20 minutes the computer just gave up because it was not getting the connectivity. That is ridiculous.

Andrew Dismore AM: What is the LEP doing about it?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): We had a strategy group where we actually got everybody together across the road at London & Partners (L&P) to start the dialogue. The problem is that it is a commercially-driven problem. How do you solve a commercially-driven problem when there is no incentive for that commercial entity to do anything about it? We can talk and we can issue dialogue but I am not sure, unless there is a better intervention by the Government with the voucher scheme and somehow getting over this anticompetitive issue, that we are going to really do something about it. There is no competitive reason for them to do anything.

Jenny Jones AM (Chair): There is nothing the Mayor can do?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): There is nothing anybody can do. We have all tried. We have tried for two years. All we can do is keep bringing it to the forefront so that BT gets embarrassed into doing something. That is the greatest thing --

Jenny Jones AM (Chair): I would have thought the Mayor could help there.

Andrew Dismore AM: They are unembarrassable.

Kit Malthouse AM (Co-Deputy Chair, LEP): We are in a slightly odd position in London. It is not like if you go to the beautiful county of Hampshire, for instance. The County Council --

Andrew Dismore AM: Take somewhere at random, yes.

Kit Malthouse AM (Co-Deputy Chair, LEP): Somewhere entirely at random. The --

Jenny Jones AM (Chair): You are standing as the putative Member of Parliament for North West Hampshire --

Kit Malthouse AM (Co-Deputy Chair, LEP): The County Council has a comprehensive plan to cover 95% of the entire county - rural as well - because it is deemed at a European level that there is a significant market failure there and they can do it. Here, we run into all sorts of state aid problems because effectively in London we have a duopoly between Virgin and BT. If we say, "We are going to give you, BT, the money to do all of this", Virgin will cry foul and vice versa.

Therefore, we have had to, after some time and lots of advice from lawyers, come up with this voucher scheme. There is £25 million, of which we have spent something like £6 million or £7 million so far, available for businesses. The issue is marketing and advertising it, which we were not actually given any money for as part of the £25 million. The LEP has been putting its hand in its pocket to market that. Critically, grouping small businesses together, which Sue did --

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): That is what we did.

Kit Malthouse AM (Co-Deputy Chair, LEP): You get one block with 10 or 12 businesses and say, "Look, if you all apply for your £3,000 or £3,500, it will give us a fund of whatever, £40,000, which means we can get the whole building done". There is a project ongoing trying to group businesses together and to market it that way.

I have to say that in the outer 'doughnut' of London we have something like 85% or 90% super-fast broadband. Even quite close in, if you go just north of Camden Town, for instance - the north of London, as I know - you can get 120 megabytes. It is in the centre where it is medieval and, as Sue says, where it is largely commercial. They cannot flog you football, films and everything in the centre and therefore they cannot make money.

The other problem we have with it is that when small businesses do get broadband they complain that the running cost is expensive. Because you are not buying the footie and the films and all the rest of it, they sting you for a few hundred quid a month rather than whatever, £30 or £40, a month that consumers would pay.

Jenny Jones AM (Chair): It is a very interesting topic and we have --

Andrew Dismore AM: It is a very important one, actually.

Kit Malthouse AM (Co-Deputy Chair, LEP): We have tried very hard and everywhere we get to, it is effectively driven by the lawyers and the BT thing.

Having said that, if you remember, as part of Tech Week, Virgin is digitising 30,000-odd homes in the east around Hackney, Shoreditch and all of that. It is opening up slowly, but we are really at the mercy of their timetable.

Andrew Dismore AM: Can we or can the Mayor, when giving planning permission for developments, make it a condition that new builds are connected to super-fast broadband? We have a site up in Mill Hill, a brand new housing estate, with hundreds of flats going up and no broadband.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): We say it should be a fourth utility.

Andrew Dismore AM: Absolutely.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Our campaign is that it should not be regarded as anything else other than the same as water and electricity. In planning, it should be. That is exactly what the FSB is campaigning on.

Kit Malthouse AM (Co-Deputy Chair, LEP): Currently, as I understand it, that is not an enforceable planning condition.

Fiona Twycross AM (Deputy Chair): This is a really significant issue for a lot of businesses. I was told yesterday of a story about somebody who is in the business of making films and has to upload films. He cycles from his office to his home to use the good internet and back again in order to do that. It is not a marginal issue for these businesses.

With the issue of the duopoly and preference for one very profitable company over another in terms of giving them incentives or state aid, could there not be some way of helping both of them to do what is essentially their duty in delivering what a lot of people would regard as an essential service now?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Not without duplication. If you gave BT, say, my road - Paul Street - then Virgin will cry foul, "They have the better businesses and we only have Scrutton Street". You would have to give both Paul Street and therefore you are spending double the money and that is the problem. If it was a state-owned company, you could say to BT, "Just go and do it".

Fiona Twycross AM (Deputy Chair): The easiest solution in terms of market intervention would be to specify that it is a fourth utility and make them have a public duty to provide?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): That is it.

Jenny Jones AM (Chair): Or nationalise BT.

Kit Malthouse AM (Co-Deputy Chair, LEP): If there is a statutory requirement, who is the statutory requirement on? BT does still have some current statutory requirements, like it has to maintain telephone boxes. Nobody uses them and it is slightly bonkers and BT would love to get rid of them because they cost a lot - in London they are for prostitutes' cards and they cost a lot of money to clean out. The truth is: who do you put the onus on? BT? They would say, "Hold on. That is a bit unfair. Why is Virgin not shouldering some of it?"

The truth is that the Government and the Department for Culture, Media & Sport and everybody are sitting in rooms, sweating over this with lawyers and all the rest of it. The voucher scheme was the best way we could

find around it that did not require state aid and so, for the moment, we are pushing that out. As I say, we have done quite a few businesses now. We have £7 million or £8 million out there. We thought the scheme was going to come to an end in March 2015, but in fact it has been extended for another 12 months. It is really now about us promoting this thing and getting the money out as fast as we can.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): The scheme is very popular with our members and they are now seeing it. Once two or three of us did it and we are now telling people, it is getting traction out there. The problem is, as you say, the ongoing cost that is putting some businesses off. Particularly if they are in licenced premises where they only have the certainty of maybe seven or eight months left of their lease, to sign a 12-month contract on a very high figure is more of a problem and an issue. The more we can raise it and the more everybody talks about it, then this embarrassment factor that London is not connected has some traction.

Jenny Jones AM (Chair): I use phone boxes sometimes. I use them to do radio interviews on my mobile phone. They are soundproof with all the traffic.

Kit Malthouse AM (Co-Deputy Chair, LEP): Do you make those anonymous heavy-breathing calls so that they cannot trace the number?

Stephen Knight AM: Just on this issue, it strikes me that a bit of regulator stick rather than incentive carrots might be the answer, given these are highly profitable companies.

Anyway, I wanted to move on to a slightly different area. The cost of space has been raised and I just wondered whether or not there is evidence of the effect on this that the huge number of offices being converted into residential flats under the new permitted development rights is having.

Kit Malthouse AM (Co-Deputy Chair, LEP): Absolutely.

Stephen Knight AM: Would you say that there is evidence that business costs are being driven up by this policy in London and the poor effect that that is having on London businesses?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): I can give you an example of my office, which is in Shoreditch. My lease is up at the end of June and my new rent will be 130% more than I am paying now because, around that area, a lot of the warehouses are being converted into flats. The landlords, because of the shortage of property, now have the opportunity to put the rents up. Literally, the properties are lasting about four or five hours in the marketplace and are being snapped up because there is just such a shortage. We are moving out. For the first time in 27 years I am not going to be in central London and that is a criminal shame. However, it is just market forces.

The thing is that most micro and small businesses like the scruffy, 'un-glass' tower buildings. We are not conventional and going into a glass tower type of building. Down the road in Broadgate, half the floors are empty, but that is not where we want to be. We do not want to be in that sort of accommodation. We get the vibe off working together. Where I am now, four or five of us work together on projects. That is the vibe we want and the atmosphere we want to be in. That is being forced out because of the flats and a shortage of affordable space - although I would call some of those 'semi-affordable' with £500,000 at Old Street roundabout for a studio flat - is coming into force. It is really having an effect on London and it is having an effect on the accommodation and particularly hitting the micro and small businesses.

Stephen Knight AM: I wonder if there is any kind of quantitative evidence on this yet. Maybe it is early days, but it is important if we are lobbying the Government that we can point to the devastating effects this is having on businesses.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): London Councils have some great stats on this and we have joined in their letter. If you want the evidence, they have produced it all. We have all written to Eric Pickles [Secretary of State for Communities and Local Government].

Kit Malthouse AM (Co-Deputy Chair, LEP): Yes, the Mayor has.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): The LEP has written. The SMEWG has written. We have written as the FSB. Every single business group has. The Mayor has written on his own. We had a very bland reply because there was no --

Stephen Knight AM: This is something which certainly this Committee lobbied on before it happened and everybody lobbied on before it happened that it was going to be a bad thing in London. Now that we are getting the evidence of the impact it is having on businesses, it strikes me that it might be worth us following that up and making sure that we take a position, perhaps, as part of --

Stephen Howard (Member, LEP and Co-Chair, SMEWG): The evidence is showing, as you have heard, that it is disproportionately impacting on smaller businesses and start-up businesses. In fact, the things that are likely to be the jobs-growth engine going forward. Also, it is hitting hard artist communities and some of the other creative hubs, which are part of the economic vibrancy of the city and also part of what makes it a wonderful place to live and work. To the extent that we end up with either dark neighbourhoods or too-homogenised neighbourhoods, we lose some of the cultural vibrancy that is part of what makes this city special.

Stephen Knight AM: We are told in our briefing that SMEs employ over half of those in private-sector employment in London, which I find interesting because I had previously seen it portrayed the other way around and that London was the only region in the country where most people in private-sector employment were with larger employers.

Is there a trend one way or the other? It is about 50:50, but does anyone know whether in recent years there has been a trend towards a bigger proportion of London's employment being in SMEs or in large employers? If so, what is the reason behind that? Does anyone know?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Yes, SMEs are taking up the vacuum and the vacuum is being created by partly the Government's policy of moving some of the backend office work out of London and a lot of the public sector jobs started to go. That started the trend. Add to that the BBC moving out, which was a vast amount of jobs around White City. Deutsche Bank has just announced that it is taking all of its backend jobs out of London. It is the backend jobs of the large corporates in London that are the high-volume jobs. Those have all left and exited out of London and therefore the vacuum is being filled by the SME community inside.

Stephen Knight AM: Is it the case that there are more people who perhaps are being made redundant from large employers and setting up as self-employed consultants and getting jobs with other large companies? Nevertheless, the employment model that they are under has changed, which categorises them as small businesses rather than --

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): There is an element of that that has happened with the redundancies in the public sector where the same person is being re-employed but as a self-employed person. The big difference is that backend jobs are leaving London. Those are the jobs that most Londoners tend to fill and one of my big fears is that we are getting to a state where we have very highly qualified jobs in London and the medium jobs and the low-end jobs are the ones that are exiting out and they cannot afford to stay. My big theory as a person is that what jobs that Londoners can actually have that we need to be able to fulfil.

Jenny Jones AM (Chair): Is there actual growth in the SME area or is it just comparatively?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): SMEs are starting to grow, without doubt. We are seeing that in all our trends and all our stats. The good thing is that for the last three quarterly surveys that we have done people are saying they are thinking about or are starting to take on more people.

Stephen Howard (Member, LEP and Co-Chair, SMEWG): The other interesting dynamic on employment is that we talk an awful lot, appropriately, about young people who find themselves out of education, employment or training. When we think about the 50 to 64-year-old bracket, there are over a million in this country who are economically inactive and do not want to be. Either because of downsizing or changing environments or whatever, they find themselves out of work and want to be and need to be in work. Where are those jobs coming from? Increasingly, those are in SMEs, start-ups and other things. If we think about the skills challenges we face as a city and as a nation, there is an awful lot of skill in that age bracket as well. As we think about what we can do to both reskill and re-engage those people, along with the 15,000 returning service people that are coming in, there is a lot of talent out there that can help.

Emma Stewart MBE (Member, SEWG): We are seeing in our business that the nature of how SMEs are recruiting is changing and it has been changing over time. The nature of the way businesses are working and functioning and, again, looking at how agile and flexible they are means that many SMEs are now thinking more about output, thinking more about hours as opposed to thinking about, "I have to take a full-time person on at X salary".

The challenge of that flexibility for London is managing it at both ends of the spectrum so that there is not a cluster of low-paid, zero-hour, temp-type contracts but actually encouraging SMEs to think about flexibility from a permanent perspective. It is certainly the rhetoric and a lot of it is coming from big businesses doing this as well. Flexibility has always been very strong in small businesses, but with the growth in jobs there is a recognition that they could be done in a slightly different way, which can build more potential for growth because you are not having to invest too much upfront and you can start earlier.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Also, part of the issue is that people are encouraging people to be self-employed and giving them the work in-house because we have a massive elephant in the room that nobody talks about and that is pensions. That is something that really scares people. I have never in my life in the FSB had such an email box full of people concerned about this pension issue and what it is going to do for staffing.

Kit Malthouse AM (Co-Deputy Chair, LEP): Do you mean the compulsory pension thing?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Yes.

Kit Malthouse AM (Co-Deputy Chair, LEP): Yes, it has taken lots of SMEs by surprise, including mine.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): They are absolutely petrified by it because of the cost implications.

Stephen Knight AM: The next area was around support for small businesses more generally and certainly support around auto-enrolment [in a compulsory pension] is something I want to come to in just a second.

I was going to start off by saying that we have been told that one of the changes in the package being looked at is that the originally proposed business club project that the LEP was going to support has been cancelled and the funding put into other things. Could someone tell me why that was cancelled and what the consequences are going to be of that particular bit of work not happening?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): As I mentioned in the beginning, we looked at the places where we could add the most value. This is a confusing marketplace out there. Organisations, particularly small organisations, are overwhelmed with places to go and things to do and people who are trying to sell them something. When we looked at what the original thinking was for the business club and then more specifically at where we could add the greatest value, the idea was changed a bit and focused on a different sort of web portal and access tool.

What we are calling the new London Growth Hub, which aligns with the central Government's national Growth Hub programme, is a web-based tool that will provide signposting support to people who give advice and support and will help find where funders and financiers and other options are. That is a challenge. We are going to talk about that in a bit and the funding opportunities. There is the workspace map that we talked about as well: Where are the pockets? Where are the hubs? Where are the opportunities out there? Where are people like you gathering so that you can maybe begin to shape your own thinking about where the right place is for you to grow your business or when you outgrow your bedroom and you are going to move into an accommodation that can employ ten people? Also, there is a series of video case studies. This is all being launched as part of the LEP's website tool.

Stephen Knight AM: You are happy that that website tool is providing the package of advice or is at least signposting to the right range of advice and support that SMEs need?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): That is certainly the intention. It is just in its launch stage now and so we will have to monitor this.

Stephen Knight AM: Do you think there are any gaps in that? As you said, there are lots of people offering advice and support to small businesses, everybody from the banks to the chamber of commerce and various different organisations. I guess the key thing is identifying the gaps in all of this and, as you say, the signposting.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Our job was more to put everything together in one place because there are probably about 100 different websites you could go to and you can get bits everywhere. Our idea was to actually try to be a magnet and say, "This is all that is available out there", with hyperlinks back out again. People then could at least find the information in a coherent place.

We have done a lot of work on this in the Working Group. Over the last nine months, we have really homed in on what is going to be some quite good and useful for London. It is in phase one. We have eight phases. We are going to get to eight, but at least let us get one out. One would be a good step in the right direction. We looked at the prototype yesterday and I was really pleased with it because it is starting to do that. If we can actually just do that and harness the good that is out there and get people to know where it is, it is going to be a major step forward.

The other thing that we are going to be working on is a calendar, which is going to bring together everything that is happening in London. If you suddenly find yourself in Ealing, you can click on it and see what is happening that day that you might be able to go to so that you can make more from your day. Those are some really good, positive things that are starting to happen. It will evolve and there is a programme behind it and - believe you me - we are going to make sure it is delivered because one of the real things in our Group that we are really passionate about.

Stephen Knight AM: Sometimes when you are bringing everything together, it is at that point that you can see where the gaps are.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): That would be stage two.

Stephen Knight AM: I have just wondered whether you have identified any gaps in what is out there that need to be filled in terms of business support.

Stephen Howard (Member, LEP and Co-Chair, SMEWG): One of the gaps that we identified early on was around the financing and funding. That was what led us to put LEP funding into the co-investment fund that we have talked about. This is something that is designed to attract other investment and funding as well, not just the Government but private equity and private investment funding, to fill a need and to begin that. We hope that we can do that as well as we, through our vantage point, can spot places where there either is market failure or an opportunity to do something a little different. That is where our role is, not to try to replicate what is already being offered.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Nobody has replaced the hands-on support of Business Link, but it is not going to be replaced.

Stephen Knight AM: Indeed. I wonder if I can then move to the pension issue and auto-enrolment. You mentioned earlier that your mailbag is full of firms that are struggling with it. What is the picture across London in terms of SMEs being able to cope with auto-enrolment?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): There are two issues. One is coping with and understanding the complexity of becoming your own pension expert. That in itself is an element.

However, the big fear is the cost implication. Whatever year it hits you, you have 3% extra on top of your wage bill. Either you have to have a conversation with your employees, "This year, your wages are going down 3%", which is not a conversation people want to have - "You are not going to get a pay rise because I have this 3% to pay" - or the businesses will have to find between 5% and 6% or whatever the inflation is with the pension increase, which is a massive hike to the bill.

Kit Malthouse AM (Co-Deputy Chair, LEP): It is worth just mentioning that you also have to break it to your employees that their take-home is going to be lower because they have to make a contribution, too.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Yes. Particularly in London with obviously fare rises and everything else, even though we might be in deflation, it still a big pot of money that we do not have. That conversation is a difficult conversation to have and that is the bit that really scares them. "How do we sit down and have this conversation with our staff without looking like being a mean boss?" What we are seeing if we look at the Australian model is that 3% is not going to be enough. If we are really realistic, we are going to be looking at somewhere close to 10% that the employers are going to have to pay to make this really work, which is where Australia is heading. If you add that to the wage bill, you are stopping probably two

people being employed because the money has to be found from somewhere within the company. At the moment, as business rates, rents and everything else go up, there is only finite money in that pot that can be divvied up. Therefore, staff are the logical thing that are going to have to be cut.

Kit Malthouse AM (Co-Deputy Chair, LEP): I know one of the issues you want to talk about later is wages and what the pattern of wages is. My sense is that this is very much contributing to wage stagnation because people are substituting this for wage rises. Particularly small businesses, although they are going to start to be affected only over the next 12 months or so, are preparing for it now by holding down wage rises so that when the 3% comes in – and of course they have an expectation that the Government will ramp it up over time – it is absorbed already. That is holding wage settlements down.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): They are saying to some people, “We can employ you but not as an employee, go self-employed and then we will employ you because we will not have that liability”.

Stephen Knight AM: Obviously, SMEs are companies up to 250 employees. Presumably, a proportion of those will already have some pension arrangements, particularly at the larger end. What proportion of the medium-sized firms already had some pension arrangements?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): I do not know, actually. I do not think anybody does know because it is a commercially sensitive thing. As I said, it is probably going to hit those with 50 or fewer employees more than any other factor because those are the ones that probably have a pension scheme – if they have one at all – that is only for the owners of the company and most of them tend to own their own building. It is not a proper pension, if you like, but a way of managing their costs.

As I said, there are two factors to it. You have the factor of the physical cost and what that is doing to it, and also therefore they are saying, “Can I take on this extra person if I have this looming and all of the extra costs?” It has that effect. However, the big one is how you can have that conversation and that is where a mentoring programme or something is going to help. We are looking with the FSB to see what we can do to facilitate that. We are going to get only a small proportion of the population, but nobody wants to talk about it.

Stephen Knight AM: The big issue is that firms are not really geared up to manage a 3% cost increase on their staffing bills?

Kit Malthouse AM (Co-Deputy Chair, LEP): It is already very often their biggest overhead.

Dr Onkar Sahota AM: Access to finance is very important for SMEs and there have been many initiatives to increase this but, when you ask the SMEs, they say it is still a big problem. Can you tell us what the problems are and what the obstacles are in accessing finance for SMEs?

Stephen Howard (Member, LEP and Co-Chair, SMEWG): The issues are across the board. Some are struggling for working capital and are loathe to give up equity in their businesses at this point of the cycle. Others are finding access to that investment and equity investment is the challenge.

We looked at where we as the LEP could play a significant role in helping facilitate and deal with some of these market shortcomings: we decided that it was this equity co-investment fund. There is enough flexibility built into the modelling to allow for some other kinds of finance and loan work as well. How do we use the limited resources that we have to create an active fund? How can we attract co-investment along with that? The idea is to try to get three-to-one ratio: For every £1 of LEP money that goes in, close to £3 of private sector

funding and other matching support will go in. The fund has been launched, we have our first investments being made as we speak and the programme is ongoing.

It is an area that, like all the other things we are doing, is relatively new for us. We need to watch it. We need to monitor it. We need to make sure that we are getting the kinds of outcomes that we are looking for and that we are helping the right kinds of businesses. We have a focus on tech and FinTech [financial technology] and other things in the early stages because there is an appetite for it out there and a number of very interested parties. However, as we think about how the opportunity can grow and about some of the other sectors that we may want to think about prioritising, we will keep a watching brief on that.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): That is a great answer from the LEP's perspective and it was the best-value piece we did a lot of research into.

From an SME's point of view, still, working capital and working cash flow are the big issues and that is where the banks have no appetite to help the micro- and small end of businesses.

Dr Onkar Sahota AM: Is it because the banks seem to think that the risk is too much for them?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Yes, and also it sits in the wrong part of their balance sheet for them and their strategy and obligations now. There is an element of feeling almost sorry for the banks here. Overdrafts sit in the wrong area of their balance sheet. If I have a £40,000 overdraft, even if I do not draw down a penny for the whole year, they have to say that I have had £40,000 out every day in their balance sheet, even though they have not lent it. Therefore, their risk factors are so high that they cannot make those decisions. They are trying to move everybody out of overdraft situations. That means that if you go into invoice discounting or something like that, you are giving away all your capital, whereas you might have only dipped into your overdraft two or three days in the year. That is why they have this problem. Therefore, access to working capital is a major issue.

Also, as we come out of recession, companies do not have the assets and do not have the books to generate growth and to get the loans to actually grow. If there is a high investment and you need to buy something like equipment or whatever, you are not getting the good leasing deals and you are not getting access to the finance because the books are not good enough. That is the problem.

Jenny Jones AM (Chair): I can hear some dissent on my right.

Kit Malthouse AM (Co-Deputy Chair, LEP): I should declare an interest as somebody who is involved in the equipment-leasing business. It is what my business does. That is not my impression of the industry.

In fact, equipment leasing in particular has rocketed, partly because of what Sue has just said. People are switching banks and switching from unsecured lending, which has much higher capital requirements on their balance sheet, to secured lending. Real interest rates on equipment finance have dropped like a stone and so the rates are much better.

Having said that, you have to work quite hard to get security on non-standard equipment. If you are a catering business, in the good old days you used to be able to finance all your knives and forks. You needed 1,000 knives or 1,000 forks or whatever and you could finance them. It is quite hard to finance them these days. For standard lathes, diggers and identifiable chunks of equipment, the market though is very strong at the moment.

Jenny Jones AM (Chair): Do you want to respond to that?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): It probably is, but do not forget that in London we do a lot more with service businesses, in which it is not a tangible thing like that.

Kit Malthouse AM (Co-Deputy Chair, LEP): Yes. It is a different market.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): It is a different market to what Kit is talking about.

Kit Malthouse AM (Co-Deputy Chair, LEP): However, invoice financing has taken off - you are right - as a substitute. The security requirements now are so stringent by banks because they are so risk-averse, largely, I have to say, because the conditions that are put on them to access the funding for lending money are actually quite strong, too. It means that people who are in the mid-level - or what you would call mid-prime rather than sub-prime or prime - find it harder than they used to to access money.

Fiona Twycross AM (Deputy Chair): Are there particular groups that find it harder to access finance for their businesses?

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): Service companies.

Fiona Twycross AM (Deputy Chair): In terms of demographics, are there any differences between men and women, people from different backgrounds or --

Jenny Jones AM (Chair): Emma is nodding.

Emma Stewart MBE (Member, SEWG): If I can say personally, as a woman owning a business, I found it harder to get access to finance.

Fiona Twycross AM (Deputy Chair): Yes. Are there any studies done that? Obviously, with the importance of SMEs and people --

Emma Stewart MBE (Member, SEWG): The last one that I know of was about eight years ago. I could check, but there has been some work done by the Government Equalities Office relatively recently, but certainly women's barriers to access to finance are multiple. Some revolve around business perception but some also revolve around women's own approaches and lack of confidence or necessarily lack of networks in order to be able to do it.

Fiona Twycross AM (Deputy Chair): Yes, I have some more general questions on the devolution of employment and skills. I just wondered, maybe starting with Emma, whether in light of the agreement in Manchester how London can continue to build a case for further devolution of employment and skills programmes?

Emma Stewart MBE (Member, SEWG): Through the work of the SEWG, there has been a conscious debate for working towards London being able to have more responsibility for the employment skills programmes. The approach that the Skills Group is taking is to use the Growth Deal that London has to run some pilots in a similar way to the way that Manchester is. This is effectively to test out some approaches for particular groups and to look at how services can be co-developed, co-designed and co-delivered and, within that, to look at how devolution can work at a regional level, a sub-regional level and a localised level.

The pilots are focusing on a number of areas. They are focusing on looking at an Employment and Support Allowance work programme pilot. The pilot is in west London and looking at mental health service users and also looking at how to work with the Department for Work and Pensions around the Flexible Support Fund. The LEP's perspective is to take a staged approach: to trial, to learn, to review and to push on that, which I personally would agree with.

As a reflection on it, though, as a personal perspective from having been around the employment skills market for over ten years, the challenge the LEP will face and the SEWG will face is that devolution is potentially a good thing on the basis that, if it happens, we also address the complexity of the system. You can still have a devolved system that is ridiculously complex. The challenge of pathways and entry-points for individual people looking to upskill or get back to work or move on in work could still exist if you do not address the complexity of the system in that approach. That is very much about how the different divisions of London's skills and employment holders - namely London Councils, the GLA and the Skills Funding Agency - work closer together. The aspiration to have an integrated system has been around for a very long time, but the implementation is very challenging, particularly working with the boroughs.

The other thing I would say is that, looking forward, London has particular labour market challenges and therefore there is value both in looking at particular groups that are excluded from London's labour market - women are a classic example; older workers are another - and also looking at the nature of work not just in terms of moving people into work but on in work. Again, the issue of in-work poverty is incredibly significant in London with older professional workers and I am pleased to say that the SEWG is looking at leveraging some ESF money to trial some career progression pilots and to try to tackle some people who are working but just need an opportunity.

Sue Terpilowski OBE (Member, LEP, SMEWG and SEWG): The other thing I would like to add is that one of the bits of work we are really focusing on in the SEWG is trying to map forward the jobs in London and then trying to use that to influence both schools and further education colleges to make sure we upskill Londoners for the jobs that are available. There is a classic thing that London really does not have a problem filling jobs. London has a problem filling jobs with Londoners. That is a big difference and it is a separate challenge.

What I have been passionate about and what I think the group is passionate about is really ironing out and identifying where those jobs are. What are the jobs that London is going to have three, five or ten years hence from now and how can we get the system to upskill our people to be able to do those jobs? That is a crucial element and that will then start really helping if we need some people like that and if we can start to join that lot up together.

Fiona Twycross AM (Deputy Chair): Do you have any comments on what Prospects [contractor] will bring to the new National Careers Service and how that can be strengthened to push some of that?

Emma Stewart MBE (Member, SEWG): Through the SEWG, there has been engagement with Prospects. There was a schools inquiry and I know there is a schools summit lined up.

The challenge with looking at how to devolve a careers service for London is that the current national contract is volume and is not looking necessarily at quality of provision. I have talked about this before, but at the moment it is incredibly challenging for national providers to deliver the outputs that they are required to do with the budgets that they have. If London is going to tackle a careers service, it needs to be looking at more innovative approaches that are online through social media and leveraging the potential for voluntary input from businesses in terms of pro bono or corporate social responsibility-type support. It needs quite a different approach to the one that is working at national level because we know from all the evidence that the National Careers Service has significantly struggled. For London to make it work, it has to work very differently.

Fiona Twycross AM (Deputy Chair): Would further devolution be part of that solution?

Emma Stewart MBE (Member, SEWG): Absolutely. An interim measure needs to be to really look at how London and the SEWG can really push Prospects, which is holding the contract, to model some of the ideas that we want to take forward. At the moment, what you cannot do is go from what we have now to a brand new thing that has not been trialled and tested. The challenge is that we are working with a national contractor with a series of outputs that have been centrally driven. That is a conversation that is ongoing to try to trial some new ways within that. There is some additional money that the SEWG can leverage in, again, looking at ESF and other programmes to maybe facilitate some of those trials. We are really keen to push for that to happen because, otherwise, we are not moving forward on it.

Jenny Jones AM (Chair): All right. Thank you. Emma, Sue and Stephen, thank you so much for your contributions. It was very valuable.

Kit Malthouse AM (Co-Deputy Chair, LEP): On Emma's [Stewart] point earlier, I have emailed you, Chair, on a report and action plan that was put in place in early 2013 about women's access to finance and what the effect of it is in business. It is a national thing and I might be able to follow up and see where they have got with it. It was a Nick Clegg [Deputy Prime Minister] thing and so it may well have run into the sand, but I will follow it up and see where they have got to.

Jenny Jones AM (Chair): Thank you so much.

Economy Committee – 15 January 2015

Transcript of Item 5: London Enterprise Panel and Deputy Mayor for Business and Enterprise - Session 2

Jenny Jones AM (Chair): We are now joined by Mark Kleinman, who is the Assistant Director - Economic and Business Policy at the GLA and Kit Malthouse is still here. Gareth, you are going to talk about the global economy.

Gareth Bacon AM: Thank you, Chair. Kit, the UK and London's economies are in increasingly rude health, it is probably fair to say. However, the global economy is potentially not. There is a whole load of instability, particularly in the Eurozone, which we are not immune from. Are you confident that London is well placed to ride out the storm?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes. As you say, London's economy is doing OK at the moment. We are certainly outstripping growth on the rest of the UK. They reckon - though it is hard to say because we do not get quarterly figures for London, just annual ones - that we are running at something like 3.2%, 3.4% or 3.5% GVA [value of goods in one area]. The UK as a whole is three or four points behind that. Obviously, that is driven by expansion in services, property, construction and those types of things. Nominal output is running at about 4% - unadjusted for inflation - growth, which is pretty good.

There are some drags, though. You are right that the Eurozone is a drag in every sense - having said that, the nature of London's economy is that it is much more global, perhaps, than other cities. The rise of the American economy is seeing us pretty well. The flow of inward investment to London - and we are always in the top two city/regions in the world for foreign direct investment - also stimulates a lot of activity.

There are a few things that still hold us back as well that are internal. We definitely have a skills issue in a lot of the high-tech industries that we attract and that are growing. Something like 27% of all new jobs in London now are in science and technology. We do not necessarily have the home-grown skills base to fulfil them. There is some uncertainty about how the fiscal environment going forward often chokes off domestic investment.

For instance, if you cast your mind back to the three or four months up to Christmas, we had a slight flattening in the economy in the run-up to Christmas and certainly some of the retail sales figures coming out show that. My particular view is that the forward guidance the Bank of England is reputed to have employed turned into a sort of forward chaos. We had the Governor and various other members of the Bank of England giving speeches at dinners and interviews which gave differing forecasts on what was going to happen to interest rates going forward. The yield curve was all over the place. There was a lot of volatility in the exchange rate. That choked off a lot of domestic investment, if you like, in non-property industries.

We are doing OK, yes. They always used to say that the best quarter is the quarter before the crash, but as long as we are preparing for it - which is what we are trying to do certainly at City Hall and I know the national Government is - then things look set fair. It is interesting that the job market, which I know you talked about, is doing pretty well. We are at our highest employment level ever, albeit there are some issues within that that we need to slice and dice. Yes, I am broadly happy.

There are some industries that are shooting the lights out - hospitality and all that kind of stuff - largely off the back of us reaching the top of the league table on tourism, which is doing particularly well. Financial

services and support services are doing very well. Technology and science are doing pretty well and obviously construction, as you can see from the cranes growing like Topsy. Yes, we are OK.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): If you look at the GLA Economics forecast and the economic outlook, the most recent ones project continuing growth in output and employment. As ever, they benchmark that against a range of alternative forecasters and so you get some people above and some people below, but it is all broadly a consistent pattern.

The only other thing to mention - dare I mention it in a room full of politicians - is of course political risk, which is something that investors all keep talking about. That is because always before a general election there is a little bit of a slowdown of investment decisions and when you go through the election and the cycle picks up again. We could have a prolonged period next year in terms of potential other elections and a possible referendum on Europe and all the rest of it. There is that factor that is a little bit different than in previous cycles.

Gareth Bacon AM: On the question of jobs and particularly the Mayor's involvement in that: it was a manifesto pledge, as you know, to create 200,000 jobs over the mayoral term. A recent Investment & Performance Board (IPB) [internal GLA recommendation-making body] paper indicated that 95,000 had been created in 2012/13 and 2013/14.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): That is right.

Gareth Bacon AM: They fully expected - I think the wording was - at least 105,000, which would fulfil the pledge by the end of the mayoral term. What is in train? What is the Mayor, or what are you, doing to make those 105,000 happen?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): The truth is that what I am doing is not an awful lot because many of those jobs were tied to existing capital programmes: Crossrail, the housing programme and some of those issues. A lot of the reason that much of it is back-ended - or certainly my understanding is that much of it is back-ended - is obviously that the deployment of that capital takes some time. For instance, if you look at things like the money that is going into the Elephant and Castle regeneration, it has taken some time to get off the blocks and will start to really ramp up in terms of development now. At Crossrail, I do not know when the peak of employment is. It is probably at about it now and will start to build up with building the stations coming up.

On the 105,000, I - like you - am reliant on the forecast that GLA Economics is giving us that it is there or thereabouts. It is largely driven by, if you like, the contracting programme, which says, "OK, you get whatever, a year or 18 months or something, to put something into a contract", and then there is a period of build-up and then suddenly the employment arrives. I would say that the reason that they are saying 'at least' is that there are some notable members of the GLA family that have yet to return any figures for what they are likely to generate.

Tony Arbour AM: Name them.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): For instance, we have not had any figures from the Mayor's Office for Policing and Crime yet. For those of you who know north London and, Andrew [Dismore AM], as I am sure you will know, for instance, there is an enormous building being built at Colindale on the Hendon site, which obviously is employing lots of people. It is about £80 million that they are spending on a building there. We have not had any returns on what employment that is generating yet.

Tony Arbour AM: Yes, I wanted to come in on this precise point. It sort of relates to uncertainty and the absence of a settled airport policy. How is that holding back prospects?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is interesting. To be honest with you, Tony, the debate has gone a bit quiet. In the last couple of years in this job, certainly in most meetings of businesspeople that we had or businesspeople whom we met, it became an issue. People would mention it. It was a sort of 'meme' - to use the modern word - that was running through business. It seems to have faded a little now. I would expect that some of the developments at Heathrow - Terminal 5 now open and the refurbishment at Terminal 2, the one that they have spent billions on and has just reopened - and all that kind of stuff is helping. It seems to have faded a little and I think everybody is now waiting to see the conclusion of the Davies [Airport] Commission. Businesses have generally recognised that nothing is going to happen this side of the election and so let us talk about other things.

Andrew Dismore AM: It is on the question of jobs and Kit [Malthouse] mentioned Colindale. Coincidentally, I was knocking on doors in Colindale on Saturday afternoon at random and this woman gave me a hard time. She is working part-time, is low paid and is not allowed to take another job because the employer will not let her because she will not be available when it wants her and all the rest of it. She is a typical of a lot of the problem with these new jobs. Yes, there are plenty of new jobs, but for a significant proportion - retail and you mentioned hospitality, which is doing very well - the businesses may be doing well, but it is not filtering down to the employees who are stuck in these zero-hours, part-time, low-paid contracts.

If we look at the London Living Wage, the voluntary practice is not really working. There are 490 accredited organisations and 20,000 people have benefited since 2011, but there are now 800,000 people in low pay who are not. What is going on about trying to get these people into a decent level of income? The Mayor said he was going to write to 100 chief executives to encourage them, but how many of those letters or approaches have actually translated into employers paying the London Living Wage?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Just to slice it slightly on part-time jobs, I know you asked earlier and there was a manifesto pledge that we would run a part-time jobs campaign. The truth is that such has been the strength of the growth in part-time jobs that I am not sure it has been that necessary. Since 2008 we have seen something like 300,000 part-time jobs come in the job market anyway and about a 23% growth up to about 1.6 million part-time jobs now in London, which is contributing - you are right - to the overall rosy employment picture.

There is, though, a problem - I agree with you - about low pay and you are right that we have been pushing hard on the London Living Wage. We do, though, maintain the view that it should be a voluntary thing. We think that that has the added benefit of recreating the moral obligation between employer and employee. We have had some success.

The issue, though, with the job market in London is that we are still in a bit of a mismatch in that, while there are lots and lots of job opportunities, there are obviously lots and lots of people and our population is growing quite strongly. We do get a lot of migration into the city. That means that while it is often hard for employers to get the skills they need, for the lower-paid, less-skilled jobs perhaps it is easier to find people, which means that naturally wage rates tend to be a bit lower.

The good news on that is that although if you look at wage rates across the piece in London, there has been general stagnation or low growth in what they call the elementary occupations, which are those ones at the lower level generally occupied by younger people. We are starting to see a bit of an uptick. They reckon that growth in wages at that level has been about 3% or so over the last year or so. We are also seeing, obviously, a

big expansion in our student population. People working part-time and students working part-time in elementary occupations has grown as well.

Jenny Jones AM (Chair): Have you just said that because other people have created part-time jobs the Mayor does not have to honour his pledge? Is that what you have told us?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, I am not saying that. I am saying that --

Jenny Jones AM (Chair): That is what you said, though, isn't it?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, I am not saying that, necessarily. I am saying that we are holding and waiting to see. We decided that such was the rate of growth of part-time jobs - because it is all about the deployment of finite resources - that actually, in an atmosphere where part-time jobs were growing like Topsy anyway, we are better off with a finite resource for the moment putting extra resource - which is what we have done - into the apprenticeships programme, which is very much targeted at particular groups where you are covering the skills gap as well. We thought that was a better use of resources in the interim.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): Can I just add, in terms of part-time working there is a hearts-and-minds issue. We are signed up for Timewise, but we could probably do a lot more in terms of actually spreading the benefits to employers about employing part-timers. However, when we look at the numbers, we do not have enough firms paying the London Living Wage at the moment. We do not have enough firms offering apprenticeships. We have focused at the quantitative end of it on those. It does not mean part-time is not important, but we know just in terms of pure numbers that that is a slightly more positive picture than in the other two sectors.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is not as if we have done nothing. We have a project ongoing which is part of our Smart Cities programme. It is a platform that allows people who have a small amount of time or packets of time to be matched with people who need packets of time. If you need somebody three hours a week, you should in theory be able to come to this platform and find somebody who has three hours a week at the time that you need it.

Jenny Jones AM (Chair): Are the jobs created by the GLA group more or less likely to be part-time? They are less likely at the moment?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): The number for jobs created by the GLA group is full-time equivalents (FTE) and we have this argument before with Stephen [Knight AM] about what the definition of a 'job' is. The definition of a 'job' that we have settled on, although Stephen does not agree, is an FTE post for at least 12 months. That is the definition of a 'job' that we have set.

Jenny Jones AM (Chair): Have you done any analysis on this and just how many jobs there are that are part-time and whether it is --

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): We have done analysis for the economy as a whole. We need to be a bit careful about avoiding saying that part-time jobs are both good and bad at the same time. What we do not know enough about - and the economists are doing more work on this - is understanding how and why the part-time is different in London than in the rest of the country because it certainly is. On the one hand, we want to support people in a career sense who want to have part-time working as part of a career strategy, which we touched on earlier. On the other hand, we want to be

alive to the fact that if a lot of jobs being created are part-time and low-pay and, in the example that Andrew [Dismore AM] gave, actually prevent people making up their income in other ways, it is something that we would want to know more about and possibly target that.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): On the jobs market, the different definitions of employment I found confusing and so I asked the GLA Economics to produce something to slightly clarify what is actually happening in the jobs market.

Jenny Jones AM (Chair): Does it include human resources (HR) data on just how many new part-time jobs there are since --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): There is nothing in there about part-time jobs, no. It is just the overall number.

Jenny Jones AM (Chair): Could we have some figures on that? Obviously, it is a source of concern for us. It is a mayoral pledge. We have to scrutinise it.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It depends what figures you want. As I said, the Office for National Statistics (ONS) produces figures on part-time jobs for London on an annual basis and so we know from the last time we had numbers that, as I say, there has been 23% growth.

Jenny Jones AM (Chair): This is specifically GLA-created jobs.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): GLA part-time jobs?

Jenny Jones AM (Chair): Yes.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): We do not count within the GLA group - as far as I am aware but I can check - which jobs are part-time and which jobs are full-time. What we do is look at what the sectors are and make the assumption that they are broadly similar --

Jenny Jones AM (Chair): You must do!

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We can try. We can have a go. We will talk to GLA Economics and see what they can do.

Jenny Jones AM (Chair): How can we judge if the Mayor has delivered on his pledge, which it is our job to do, if you do not keep the records and you do not give data?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): The pledge was that we would deliver whatever it was, 200,000-odd, jobs. We have said that that is an FTE job. That might be two part-time jobs. Two half-time jobs makes a full-time job. We are not counting a part-time job as one job.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): There is no part-time jobs target for the Mayor's own spending within the GLA group. There is an overall part-time jobs target in the manifesto for the economy as a whole. As I said, for the reasons we talked about earlier, we are reasonably confident that --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): That will be exceeded.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): -- that will be reached because of the general strength of the labour market.

Jenny Jones AM (Chair): We need to see some figures on that, quite honestly.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): All right.

Jenny Jones AM (Chair): Thank you.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Just for clarity because we have had this argument before, would you mind, Jenny, dropping me a line just asking exactly what you want? Then we will try our best to get it.

Jenny Jones AM (Chair): Yes, absolutely.

Andrew Dismore AM: Copy one of the earlier letters that said the same thing.

Stephen Knight AM: It was just on the part-time issue. The issue is that clearly there are lots of part-time jobs around in the economy but, as you say, they are the low-paid jobs. The issue particularly for parents is that better-paid work is often not available in part-time form. Persuading employers to make medium and more senior jobs part-time is the critical bit that is needed in terms of employment for parents in particular. That is where the serious target is needed. It is not so much the total number of part-time jobs because every supermarket is employing lots of low-skilled, low-waged part-time workers, but that is not what is needed, actually. What is needed is part-time work higher up in the economy and we need targets around that. That is where the problem is. I am seeing nods, but there is no target in place, presumably?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Other than exhorting employers, it is quite hard to know how we would achieve that. As we said before, we find ourselves in a position of exhorting employers to do an awful lot of stuff. We are exhorting them to do the London Living Wage and apprenticeships. There is all sorts of green stuff, Jenny, which we exhort them to do. We are generally exhorting them to be good citizens. We could certainly add this to the list of exhortations, but they get a little bit weary with some of this stuff. Given the growth in part-time jobs, the growth has been across the piece, although largely weighted, as I say, at the elementary jobs.

Let us have a look at the numbers. You are quite right, Jenny. Let us analyse the numbers and see what has actually happened. In the jobs growth generally, while there has been a lot of growth in the elementary jobs, we have seen professional managerial jobs grow very strongly. They are in the lead, along with elementary jobs. Within that, there will be an element of part-time as well. We will have a look and see what we can work out.

Dr Onkar Sahota AM: Kit, one of the things you said was that the risk was that there was not enough home-grown talent and home-grown skills. This was one of the problems you identified for us going forward. One of the big sources of workforce in this country is students coming to higher education. Give them a job and they will continue to stay here.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes.

Dr Onkar Sahota AM: Yet the signal we are sending out is that England is not a country where people can come in and have immigration rights. What is the impact on the university sector of this policy of getting people to get a visa to come into this country to learn and also the impact on the people who have a degree

then being forced to leave the country, which will deprive London and the rest of the country of a skilled workforce?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is quite a frustrating situation for us. I sit on a thing called the International Education Council, which is a group set up by the Ministers at the Department for Business, Innovation & Skills (BIS) to look at education export. An export is also foreign students coming to study here and to work here. They bring billions of pounds into the economy and into our universities and all the rest of it.

We did some research into what the problems were and the primary thing that is a deterrent to people is just us having the conversation. The education sector and the Home Office lobbing grenades at each other over the barricades was putting a lot of people off. There was one particular event that caused a problem. If you remember, the year before last there were problems at London Metropolitan University. They had a very strong population there from India and from Pakistan. A lot of those students were left high and dry and had to be absorbed - pleasingly, in the end - by others. That put a huge amount of people off. We have seen a drop. Albeit our international student population has grown, we have seen a drop-off of students from that part of the world for that reason.

There is absolutely no doubt that the post-study work visa debate is a big disincentive because a lot of people want to come and then access that. I have to say I have some sympathy with Sir James Dyson's [British inventor] stance, which is to ask why we are training all these people and giving them the best that our academics can offer and then not saying, "Why do you not do your bit for the economy for a while afterwards", but actually sending them all back to their countries of origin.

We have pressed quite hard for particular sectors to be favoured within the visa system for that reason. We did float this idea of having a thing called a 'London visa', which would favour the tech science and engineering kinds of sectors. That was knocked back by the Home Office. Having said that, they did allow us to have specific industry visas. We got one for technology where if enough points can be awarded - Tech City is handling it, although we are helping them - to somebody with special talent to be in the country and then they can make an in-country visa application to stay. We are talking to the Home Office about extending that into fashion, design and life sciences, which are the areas where we need people. Certainly the recent backwards-and-forwards between the Home Office and Treasury about the post-study work visa is not helpful.

I have to say with my London & Partners (L&P) hat on that my team over there, which is tasked with getting more international students coming in, slightly tear their hair out at the optics of it around the world. It is still the case that over half of the start-ups in Silicon Valley are foreign students coming out of Stanford and it is, if you like, a captive discovery population that we should be wary of allowing to disperse across the rest of the world.

Dr Onkar Sahota AM: Of course, the other thing has been, Kit, that the bad experience of students coming over from the Indian subcontinent has been a failure of the regulatory system of this country allowing colleges to be set up and poorly regulated. Students have come in with faith and are now suffering there. Have we looked at the regulatory system of our universities and colleges?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Certainly that is the Home Office's stance. The Home Office has worked its way through, frankly, all of the English language colleges, the 'Buckingham Palace School of English' sort of thing, which were handing out visas. It has worked its way through that. We are reaching beyond the kind of politicking of it and we are reaching a good level now. Certainly the universities and colleges have an understanding now that are no surprises, tighten things up. We have talked certainly to BIS and to the Home Office about whether effectively a good reputation will buy you

more trust, if you like, on the system, whether there could be differentiation between those types of colleges and the Imperial Colleges and all the rest of those. Obviously the colleges are nervous about that separation, but we can get some sense through it.

Having said that, we are seeing some areas of strong growth, for instance, with students from China, albeit there is a relatively low level compared to India or other parts of the world is growing very strongly. However, also, we are in a competitive situation and so, if you look at North America, particularly Canada, it decided that this is part of the market it wants to go for, has sorted out its system and is very much marketing itself at people who historically would have come to the UK. Therefore, it needs work.

Fiona Twycross AM (Deputy Chair): I just wanted to ask, going back partly to the low pay issue but to sort of broader capitalisation issues in the workforce, about particularly zero-hours contracts. A few months ago I had a meeting, a sort of roundtable, not just with trade unions, who obviously have long-term campaigns highlighting issues around them, but with people who run businesses, people representing businesses and other people who are interested in zero-hours and capitalisation. There was a sense to me that across the board everyone had an unease about the extent to which they were prevalent within the London workforce and obviously there were different views on how you could solve that. I just wondered what work you were doing to look at the extent of zero-hours in London and what the impact is on the economy, on skills training and on people's ability to get on.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We are not doing any specific work, I have to say, on zero-hours contracts at the moment. Anecdotally, I have obviously heard both sides. I have spoken to employees who like zero-hours contracts and for whom the flexibility works, and so whether we need to stamp all over it, I do not know.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): There are people for whom it does make sense. We have a large student population, for example.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): If you look at the thing, we have 25% of our 18-to-24s are students for whom a zero-hours contract may work with the flexibility that allows them backwards and forwards and so I am not entirely convinced they are totally evil things. Having said that, you are certainly right that the weight of it is on the side of this as a negative, but I do not think we have done any specific work on zero-hours contracts.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): No, we have not. The only other thing to say in relation to this - not quite the same issue, but it is related - on the London Living Wage is that there will be a focus on the hospitality sector in 2015, but we are very pleased that Chelsea Football Club signed up just before Christmas. Remember Chelsea is also a hospitality employer, like all the clubs. They have hotels and restaurants and so on. With that and a number of other initiatives, we are beginning to move into that sector and so we could possibly look at zero-hours contracts as part of that.

Fiona Twycross AM (Deputy Chair): It would be useful because we do not really have a clear sense of how prevalent they are. It is one of the issues: when you are looking at how much of an issue it is, we do not actually know precise figures and we do not know who are affected. You are right that probably students do prefer them, but we cannot base a whole workforce policy around what suits students.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, no.

Fiona Twycross AM (Deputy Chair): It would be very useful if you could do some work on it because at the moment the whole risk of zero-hours contracts falls on the employee and the example Andrew [Dismore AM]

gave earlier of the person he spoke to on the doorstep was of somebody who clearly was tied into a zero-hours contract.

Jenny Jones AM (Chair): This is clearly your area.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I am happy to have a look at it.

Stephen Knight AM: It is clear that the Mayor's target of 250,000 apprenticeship starts by 2016 is not going to be achieved now and the Mayor was pretty clear on that at the Budget and Performance Committee meeting yesterday. I wonder what more you are doing to accelerate the numbers, given that it is such a challenging target to achieve in light of the fact that numbers seem to be dropping at the moment of apprenticeship starts rather than going up, which is what they need to do.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is certainly tough, tougher than it was, and, as the Mayor said yesterday, we think part of that might be the fact that the general employment market for young people is much better than it was. On the chart that I have shown you, obviously the International Labour Organization rate has fallen by a very significant amount, a third, maybe towards a half, and the claimant count for young people is down by well over a half. We suspect that there are quite a lot of other routes to employment that young people are going for rather than apprenticeships. While that is great for them, collectively it is not totally brilliant for us because obviously there is the skills element that apprenticeships bring.

Stephen Knight AM: Do you have actual evidence that people are advertising for apprenticeship places and not finding people applying? In the past we have looked at companies saying they advertise for an apprentice and they have hundreds of applicants. Do you think it has gone from hundreds to 50 or something?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, it depends on the sector. If you are in a white-collar industry, then you will have no problem finding apprenticeship applicants. If you are in hospitality, then you definitely have a problem and people wanting to go through hospitality. We have spoken, for instance, to the British Hospitality Association. We are doing what they call a 'big conversation' with them, which is where they have pledged a certain number of jobs and apprenticeships and work experience into the thousands for us, but part of the challenge is changing the perception of young people about the hospitality industry - young people and indeed their parents - that if you go into the hospitality industry, there is a career progression. You might start at the bottom, but you could end up as the vice-president of Europe for InterContinental Hotel Group. They have a suspicion that you go and you will spend your life peeling spuds. The same, I have to say, is true of construction. There is an issue in particular industries where the perception is difficult for young people and we are trying to change that.

Having said that, this is often an equation about cost and effort. You asked what we are doing to try to push it out. I do not know if you have seen on the Tube our University of Work marketing programme that is out at the moment. It has cost us quite a lot of money to get that out and promote it both to employers and employees. We have secured more money from BIS. If you remember, we had some money from the London Enterprise Panel (LEP) last year to double the allowance from £1,500 to £3,000 and that saw a blip in applicants. We have now secured money from BIS to do that again and so it is now particularly for small and medium sized enterprises (SME) £3,000. We are holding the hands of quite a lot of employers now. We have an employer programme. The Employer-Led Apprenticeship Programme. There is a lot of work going on, and indeed, we put more resources from central and LEP funds and European Regional Development Fund and European Social Fund monies into the programme to try to push it out. Nevertheless, the target is going to be hard to reach, not least because if you look at this chart, the market that we are looking at in terms of applicants is shrinking quite fast.

Stephen Knight AM: Although of course you get a new cohort each year coming out of schools.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We do.

Stephen Knight AM: I am interested about the advertising and the marketing campaign because you are right that the big issue with apprenticeships is perceptions, but actually changing perceptions is about leadership and about marketing and everything else. I just wondered why there was not a marketing campaign two years ago. Why has it taken until now?

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): No, there was. The other part of the picture is that in the early stages - and just remember that starts are still running at double or more the level they were four years ago - and in order to hit the target, they would have to increase beyond that still further. That is the part that we think we are probably not going to reach, but there is still more than double the rate of five years ago.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Just on the marketing, do not forget we are not the only people who market. The National Apprenticeship Service has been marketing nationally and that includes a lot in London. In the past, we have contributed to their campaigns and get a mayoral strapline on it and we participate in that, but in London we are very much riding shotgun to the National Apprenticeship Service. There have been movements in their organisation and funding at a national level about which we have lobbied hard and come out of quite well. That probably caused a little bit of hiatus and that is why we have decided to do our own marketing campaign this time. There were two marketing campaigns previously.

Mark Kleinman (Assistant Director - Economics and Business Policy, GLA): There were two before and this one because we have moved on really from the larger firms to the SMEs. This campaign has been designed very much with the SMEs. The Federation of Small Businesses and others, as you heard from Sue [Terpilowski, London Policy Chair], had very clear views about the earlier phase of the marketing. While they looked good, they did not necessarily appeal to their group; they appealed to the larger firms and so this is very much been geared around attracting interest from SMEs. They will also need some hand-holding - as Kit firm does - because in a smaller firm you do not have a professional HR department and there are real costs borne by those firms, which is why the £3,000 help for each apprentice really helps.

Stephen Knight AM: If Kit is right that the real problem is there are not enough young people coming forward to fill these apprenticeships, then it is not so much encouraging the small businesses to take them on but it is about encouraging young people that this is a positive and a fruitful course of career choice.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, it is both. Correct me if I am wrong, Mark, but I would say we probably have a shortage of people and of businesses in the white-collar end and a shortage of candidates at the elementary end and at the hospitality and construction end. That is the mismatch for us. We are working on both from different ends of the telescope.

Stephen Knight AM: One of the key issues that this Committee raised in its report, as you will remember, was around career advice for young people.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes.

Stephen Knight AM: Of course, that is largely left to schools these days, which are not desperately well-equipped to advise on the vocational side.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes.

Jenny Jones AM (Chair): I visited a manufacturing SME this week where the managing director had actually started at 16 as an apprentice and his enthusiasm for the business was indescribable and understanding every single aspect of the whole process. It was quite impressive.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): The thing about SMEs - and I speak with a bit of experience - is that obviously for small companies, particularly micro-companies, it is actually a huge burden. If you are a retail shop with maybe two or three employees, an apprentice represents 20% to 25% of your workforce. It is a huge amount of management time to design something for them and train them and all the rest of it and so, beyond the price, the cost and the benefit to the business, there is an element of - I do not know - civic responsibility required from small businesses to take it on because, in a small business, you are often having to hew your living with your bare hands on a daily basis. To stop doing that and to spend time on an apprentice has a big impact and so persuading them that in the strategic life of their business and the city it is a good thing to do is a bit tougher than the chief executive or the senior partner at KPMG, who just says, "yes", and hands it off to the HR department.

Jenny Jones AM (Chair): If some are made compulsory, which is one way forward, then it has to be --

Tony Arbour AM: What was that?

Jenny Jones AM (Chair): Compulsory for some companies.

Tony Arbour AM: Really?

Jenny Jones AM (Chair): Yes. I am just throwing things out here.

Tony Arbour AM: We have made a note of it for when the Prime Minister comes!

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We are a carrot administration, not a stick administration, Jenny, as you know.

Jenny Jones AM (Chair): Perhaps it needs to be a bit more balanced.

Stephen Knight AM: A bit more firm stick, I am sure.

You will be aware that this Committee published a report on internships in London back in December. We are still awaiting your formal response but I wonder if you can tell us whether you agree with the central issue that interns working for at least four weeks with a particular employer should be paid at least the National Minimum Wage and of course preferably the London Living Wage. What is your view on that?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes. I guess my only quibble with it would be whether it is four weeks or six weeks. It is a time thing. When does work experience become an internship? In the good old or bad old days, an internship was effectively when you went to get experience of a particular sector. You had no skills in that sector and so you went free, effectively. Some internships used to pay your expenses, travel and all the rest of it. I recognise that that favours particular socioeconomic groups --

Stephen Knight AM: Indeed.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): -- but at the same time I have to balance that against the fact that if you make all internships pay, a lot of them just will not happen. The balance of that is about time. Whether it is four weeks or six weeks, I do not know. To be honest with you, Stephen, it is about a balance between how many it would choke off and how many it would allow.

Stephen Knight AM: Whether it is four weeks or six weeks, as you say, is a matter of judgment, but there is the principle here that we do not allow people and employers to --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I do not think longer-term employment that is unwaged is healthy at all, no.

Stephen Knight AM: Indeed. I suppose the question is what, if anything, the Mayor is going to do to help address this issue in London.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Obviously, our internship programme here and in the GLA group is paid the London Living Wage and all that kind of stuff and so we play ball and obviously we will try to promote that amongst the public sector generally. We do not have any stick to deal with that and I guess this would have to go on our now-lengthening exhortation list.

Stephen Knight AM: An exhortation from the Mayor and good practice from the Mayor and statements from the Mayor can provide leadership.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I think so. Having said that, one of the areas that could provide greater leadership is obviously the House of Commons, where there are still routinely unpaid internships advertised from all political parties, I have to say, and maybe we could start with them.

Stephen Knight AM: Probably fewer than there used to be --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Fewer, but still.

Stephen Knight AM: -- in terms of unpaid, but you are quite right.

Jenny Jones AM (Chair): Another of our recommendations was that they should all be advertised openly rather than you are getting the internship through somebody you know who knows somebody who needs an intern. That is something we do hear.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We certainly do, yes. That is why the time limit matters. I do not know. If a member of your family asked if your niece or nephew could come and work shadow you for two weeks, Stephen, presumably you would say yes. You would not say, "I have to advertise that on the internet and see if there is anybody else with greater skill or value or more deserving than my nephew or niece".

Jenny Jones AM (Chair): I think we were talking four weeks.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, but that is where a time limit --

Stephen Knight AM: A paid internship or a long-term intern.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Below whatever, four or six weeks, you would say you can do a friend a favour and take their child in as work experience, but above that you would say it has to be advertised openly? I do not know if any of you employ members of your family as researchers or other people's family or friends.

Jenny Jones AM (Chair): I actually asked a question in the House of Lords yesterday about these two recommendations and got a complete brush-off and so if you would please write to the Minister --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I am happy to.

Jenny Jones AM (Chair): -- and say how supportive you are of these two recommendations, it would be great.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): As they say, we will take that away and consider it, yes.

Stephen Knight AM: We look forward to your formal response to our --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes. No, we will come back to you. We will. As I say, the only issue is about whether it is four weeks or six weeks and, to be honest with you, I do not want to be too bureaucratic about it, but this is about where the graphs cross. If it is four weeks, is it going to choke them all off, and will six weeks mean they all stay? We need to have a think about that. The effort of analysing that graph and the cost might be too much to justify it and we will have to put our finger in the air, but we will come back to you soon. Unless you did the work; I do not know.

Fiona Twycross AM (Deputy Chair): This is not just a finger-in-the-air sort of figure for four weeks. We did not just come up with it. The Institute of Directors actually recommended the four weeks.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): All right.

Fiona Twycross AM (Deputy Chair): It is what Intern Aware, an organisation I am sure you are --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I have to confess I have not read the appendices and so I will have a look at the data and we will come back to you.

Fiona Twycross AM (Deputy Chair): I think that 65% of businesses support the four-week limit and only 12% oppose it and so it is quite an established figure. If you or the Mayor were to start having a slightly longer figure, you might look slightly off where the --

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): All right, we will have a look and we will come back to you shortly. I promise.

Tony Arbour AM: I have a question to you, Kit, on this, which is probably nothing to do with you but which is how are you planning to overcome current barriers to further devolution? This relates particularly to employment and skills. I suspect there is not a lot that could be done here that could be devolved from here to the boroughs. Much as I would like it to happen, I cannot imagine what there is that you do which could come.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): That is not necessarily true. There are two levels of devolution and so you are quite right to mention Manchester. This is, we think, a micro-step

forward. There are little crumbs of comfort in the favour that has been given to Manchester which we can grasp and say, "Me too", not least on trade - you are right - employment skills and all that kind of stuff. I guess in terms of City Hall/London borough skills, it is really about a sort of joint venture. The way the Government has rather in some ways, I guess, ham-fistedly done it is through the New Homes Bonus settlement, which is that we get the New Homes Bonus money. We have to bung it out to the boroughs, but effectively there is a negotiation between us about how it gets spent with mutually-assured destruction, which is that if we cannot agree between us, then the Government just takes the money.

We have a strange incentive to do it and we have tried in that negotiation to get the boroughs to focus their spending on the areas that the LEP is concerned about and its priorities, and one of those is skills. Many of the boroughs are exercised about skills and some of the projects that have come forward as part of that are skills-based. Next to that we have obviously our Growth Deal, which involves some devolution of further education (FE) money, largely capital, for spending. We have taken bids on that from boroughs, FE colleges and combinations of the two about what they want to do on their FE projects, premises, capital programme, much of which will be weighted towards skills.

One of the priorities, as you know, that the LEP has is science and technology and so we encouraged applications to come through for science and technology, whether that was labs or study units or technology-based things. Unfortunately, not enough volume came through as part of the bids, but some did. What we hope is in subsequent bid rounds that more and more will come. We are getting some devolution at the moment on that spend, but also on the New Homes Bonus. It is forcing, if you like, City Hall and the boroughs to work together and find shared and common objectives by the structure of it. It is not ideal because we would much rather be in charge, but that is the way it runs. There are conversations going on now about a second Growth Deal, which would involve yet more devolution and us having proven to national Government that we can play nice.

Tony Arbour AM: You are really talking about not so much devolution from here to the boroughs and, in fact, what you have described does not sound like devolution at all because effectively what you are saying is, "We hold a pot here. Please bid for it".

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No.

Tony Arbour AM: That is what it sounds like.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, it is not that, actually. The way it works on the New Homes Bonus is that we effectively have a gun to each other's temples on the money. Richmond has a New Homes Bonus - I do not know; I am plucking a figure out of the air - of £6 million. We have that money and we are duty-bound to give it to Richmond. Richmond has to tell us what it is going to spend it on and we can say yes or no and there is a negotiation. If Richmond says, "We do not agree with you. That is it. We are never shifting", and we say the same, the money is lost to us and to it.

Tony Arbour AM: That is still not proper devolution.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is not proper. No, I agree.

Tony Arbour AM: Devolution is when you raise the money and you keep it.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is not proper devolution, you are right, but at the same time what it is doing is overlaying local priorities with strategic city priorities. For instance, what we are very keen to try to promote is for boroughs to work together. You have a growing life

sciences cluster in and around the Institute of Cancer Research in Sutton. That does not just affect Sutton; it affects the boroughs that surround it unless they are engaged in that skills debate, in that life sciences cluster from Croydon around to Merton and all the rest of it and working together on that, because people cross - I know, Tony, you rarely do - borough boundaries to work and play.

Jenny Jones AM (Chair): He has crossed the Channel!

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): He does occasionally cross the river. An FE college that is in Croydon will be feeding skills into the centre in Sutton and so we need boroughs to recognise the strategic.

Tony Arbour AM: The way you have described it, even with the mutually assured destruction is a bit like bidding for Transport for London (TfL) money. The money is available and so you put in a bid for something you do not really want because you think there is a chance of getting a piece of the action.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): It is similar to the TfL money with one big difference, which is that the boroughs can, if they want, deny the money to City Hall as well. It is not like it is your £6 million. If you do not agree with us and we refuse to agree, we do not get the money for anything else. We lose the money too and so the money would get lost to both of us. It is, as I say, a mutually-assured destruction.

Tony Arbour AM: I am pleased to hear you say that you think the way ahead is for the boroughs to work together on this in putting in a joint bid because it is incredibly feasible to imagine that a borough in a particular year has not any particular demand for it but next door might.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Exactly right. That is exactly right.

Andrew Dismore AM: I was going to ask you about MedCity, which is in my patch. I am going to ask you about it and particularly about jobs. Obviously these are pretty high-skilled jobs which potentially attract a lot of foreign workers and high-skilled workers. How we can try to develop careers in MedCity and Tech City and in the life sciences and knowledge quarter?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, you are right that obviously the primary jobs will be high skilled, but do not forget that the location of these businesses here provides huge amounts of spin-offs in lots of other professions. Every pharmaceutical firm that locates its headquarters in London requires an accountant, a lawyer, a caterer and a cleaner. It is all that good Reaganite trickle-down stuff, which is why we want as much foreign direct investment as we can. The long-term objective is that we can create this, if you like, headquarters culture and research culture in and around London and the southeast that in time that will mirror financial services. If you look at JP Morgan, it has its head office here with lots of high-paying jobs and all this and spin-offs, but it also has its back office in Bournemouth. JP Morgan is the largest private sector employer in Dorset. This is just to give you the long term.

Andrew Dismore AM: Yes. This is not really answering the question though, is it, Kit? What I am asking is how we get those high-skill jobs in MedCity, for example, for Londoners? Not the trickle-down effect.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, I understand. You are linking back to the previous question, which is about FE and the education system. What we have tried to do is say, "Look, MedCity is at the start of its journey. It is getting huge and enthusiastic take-up. Life sciences companies seem to be arriving on a daily basis. The universities are there already, but you, the FE sector, needs to recognise that this is going to happen and through your capital bids and your programmes and expansions into

the future, we want you to recognise that this is a skill shortage that is going to need to be filled over the next 5, 10 or 15 years". We have seen some of that in Tech City. A lot of FE colleges now are providing courses that they were not before on coding and all the rest of it. We have Tech City apprenticeships being provided by Hackney College.

A lot of them are moving into that sector, but we are at a strange transition now where the FE colleges are moving from a random situation where they responded to demand from young people of what they were interested in and where they wanted to go, to responding to demand from businesses. That mismatch or not mismatch but the transition period that we are in at the moment means that we cannot quite say that we have the full suite of training taking place, although I hope in the next two or three years it will be there. Then the glide path of both MedCity and the skills available in the city will coincide.

Andrew Dismore AM: Looking at these spatial clusters - we have two or three now, I suppose. Is there a risk that the impact of these could get diluted if you get more of them? In other words, everybody knows about Silicon Valley and that is that. Now we have MedCity and the Knowledge Quarter is sort of half MedCity, half other things that I do not know about there. Is there a risk that if we start to do more of this sort of thing - Tech City as well - that the impact becomes diluted? And, if not, do you have any other ideas about 'cities' you want to create?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): No, I do not think so. The idea is that London should have as broadly-based an economy as possible. We were very and are still very heavily weighted to financial and professional services. That caused us problems in 2008, although pleasingly not as big problems as everybody predicted it would. We already have clusters of excellence, large and small, which happily co-exist. In fact, one of the big pluses of London that lots of companies and investors and people coming to work here tell us about is the convergence opportunities. For instance, we have the largest financial tech incubator in the world in Canary Wharf now going into its third floor and, because of the convergence between financial services and technology, they can access the companies they need at a higher level here easily.

Similarly, technology and life sciences coming together is critical. We have a very strong visual special effects cluster in Soho and in the rest of the city and obviously a very strong film industry now. Anybody who wants to build some film studios around London, they would be full. All our film studios, Pinewood and all the rest of it, are full now for the next ten years with James Bond and Star Wars Industrial Light & Magic, which just landed in Soho, wants to be there because of the crossover of technology and design. We are acknowledged to be one of the design capitals - if not the design capital - of the world.

Andrew Dismore AM: Is the branding therefore necessary or not? I suppose you could say there are other roles that have been developed, a 'Law City', but it would not have been branded that way. Do you think giving these places these brand names is helpful or not?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, I do. I do think for particular industries it is. Yes, I do, not least for the industry itself. You have to remember, particularly if you look at life sciences, we went through a period and we have had this strange phenomenon where we have in and around London five of the top ten life sciences universities in the world, probably the largest conglomeration of scientific research on the planet, an incredible discovery engine, and yet we had seen a receding of the pharmaceutical industry from the UK. Sanofi, Pfizer, they had all retracted. I do not think it was anything other than a general sense that the UK was just too difficult and it was not worth being there.

MedCity is reversing that now, so we have a lot of them coming back and saying, "Actually, we had discounted the fact that the next new product may come out of London and UK and maybe there is a cluster there that is

worth us being part of". Some of that works. It is not necessarily just about naming the cluster. For instance, London has grown very strongly on the fashion scene. London Fashion Week now rivals Milan and Paris. We do not have a 'Fashion City', but just Fashion Week itself and the activity around Fashion Week is enough to draw that industry together. They are generally useful. You want a lot of chocolates in your box.

Jenny Jones AM (Chair): We heard earlier that businesses are being driven out because they do not want the high-rise glassy offices. You must be concerned at that. You talked about a diverse economy.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We are concerned about that. We have kicked off this work programme. This is a complicated issue. There are a number of factors and much of this is the price of success and it is certainly the case that in my - whatever it is - 25 years in London, industries have migrated around London because of changes in price. When I first came to London, Kings Road [Chelsea] was kind of scruffy independents and now it is all chains and there are no scruffy independents there at all. They have all migrated to Floral Street around Covent Garden, which was then scruffy. Now that is all chains and has become premium and so they migrated to Shoreditch and around Spitalfields. Now that is all becoming rather smart, they are migrating over to Dalston. That is --

Jenny Jones AM (Chair): Perhaps it has gone too far and we are actually losing now some of the vibrancy and interest.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I am not sure. There are two things. We have actually still lots of scruffy space, it is just not in Zone 1, and we have lots and lots glossy space. The issue we find is the in-between stuff when you are a growing business and the graph of what you need and what you can afford does not cross.

Having said that, we are seeing a change in the model of business. When I first started in business, we had to have a lockable office. We had filing cabinets with chequebooks in and things like that that we needed to keep secure and we wanted our own space. Now your business is this [holds tablet computer], very largely, and so we are seeing a huge rise in these co-working spaces. We have whatever, 70-odd, now in London, which is more than the whole of Spain, where you just need a hot desk. You can work in an open office with lots of other businesses in these collective spaces, which is a changing model of operation, particularly for small businesses, which we are trying to encourage as much as we can because you might as well take advantage of the fact that most businesses are paperless now or lots of them are.

Fiona Twycross AM (Deputy Chair): What do you consider to be your recent successes during your chairmanship of L&P?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): My recent successes in my chairmanship of L&P, rather than the great litany of successes? I do not think I personally have had any successes at L&P; it has very much been a team effort.

What I like to think I have done in the last couple of years with L&P is to focus the organisation down on doing a few things extremely well rather than a large number of things to a sort of moderate degree. When I went on the Board, it became clear to me that L&P was falling into the trap that a lot of organisations do, quite understandably, which is trying to please everybody all the time. For a company that has quite limited resources and has to therefore make a big impact with quite small resources on a very big economy, you really have to focus. Putting in place the strategy that we did last year had broadly four focuses, culture, science and technology, life sciences, North America effectively on foreign direct investment that has paid big dividends. The fact is that we are now getting record tourism numbers; we are getting record foreign direct investment now and their participation in MedCity, Tech City, the fastest-growing hub and the largest in Europe.

L&P has beaten every target certainly over the last couple of years other than - and this has been the failure, if there is one, or the one where I am less happy - the commercial income. Commercial income we have undershot a little. Hopefully over the next couple of years Dot London will absorb that, but the main achievement is that L&P seems to be in a better place than it was. It is performing well; it is doing what it is supposed to do. It is growing in importance in the public sector, in other words, all the borough leaders know now what it is and participate with it. Certainly in the private sector it is getting greater and greater purchase and around the world. I said to them on my first day that where I wanted to get to was a place that when other cities were bidding or looking at something and they knew L&P were bidding, they just would not bother, and we are getting to that situation.

Fiona Twycross AM (Deputy Chair): Obviously people are potentially knowing a bit more about L&P around the world, but we know quite little about how it actually operates. We do not have a lot of information about how the money is spent and it appears that there is a tacit acceptance on the part of the mayoralty that in order for the organisation to work well, it must not be exposed to too much scrutiny. How fair do you think that is?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I do not think that is fair. Look, you have to remember that this is an organisation with a Board and so the Mayor has appointed a board of people of skill and standing and integrity and they do the governance, if you like, of the organisation. You sent us a letter about transparency. We are responding to that and we are certainly more than willing to share with you policy and what we do and all that kind of stuff.

Fiona Twycross AM (Deputy Chair): The business plan?

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We can share the business plan with you, but we have to do this thing in the right order, because the business plan has not yet been shared with the GLA or the IPB or all that kind of thing. What we are trying to talk to the GLA about is who gets to see what when, because we could show you a business plan now, but the GLA and IPB might change it and then we would have to come back, so there are some practicalities. But within the remit of saying, "Look, the Mayor has appointed a Board. You trust the Board to apply these policies and here are the policies", but if you have a problem with the way the system is run, then you are effectively saying you have a problem with the Board. That is a conversation you have to have with the Mayor.

I have been Chair of it or whatever for rising a couple of years now. It works very well; it is performing well. The policies, which we are happy to share with you, are very modest and in line and in many ways tougher than the GLA policies on things like expenses and all that kind of stuff, and the Board is of high standing. We are very lucky to have the people we have on the Board, frankly, who show up and seem enthusiastic. We are happy to meet you halfway, but we need to be careful that this is an organisation which is not just seen as a department of the GLA. That is the issue.

Fiona Twycross AM (Deputy Chair): You can go quite a lot further without us assuming that it has to be treated like a department of the GLA, but when the GLA is paying for 69% of the operating budget, it just seems a bit much that when we are examining the Mayor's budget we do not get the opportunity to actually get a sense of what that money is going on.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): As I say, we are happy to share the business plan with you, and within that we can give you broad expenditure lines, "We are spending X on ...". We do, for instance, spend quite a lot of money on marketing. That is our job. We are the overseas promotion agency and so we spend money on overseas promotion. We get quite a lot of stuff in kind from New York and

all the rest of it and we can certainly give you those kinds of things, "This is our staff number. These are our ..." and all that. We could give you all of that.

Fiona Twycross AM (Deputy Chair): One of the other things is that obviously TfL has a single point of contact for Assembly Members who want to raise questions and that might be helpful for L&P as well.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): Yes, of course.

Fiona Twycross AM (Deputy Chair): There is an issue about perception, and while there is such a feeling of lack of transparency and almost an extreme unwillingness - and that was highlighted by the Budget and Performance Committee in terms of how willing the organisation has been to open up to scrutiny - we have quite a long way to go on that.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I have to tell you I am not unwilling, but I have never been called as the Chair of L&P to any committee in two years.

Jenny Jones AM (Chair): An oversight, I am sure.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): I have never been called to any committee as the Chair of London & Partners. L&P will come to any committee that you want them to come to and answer the questions as well as they can, just like any other part of the GLA, but I have never been called. I am happy to come and talk to you about it, not least because it is doing incredibly well, and so I am willing to come and boast and talk about some of that stuff. We will reply to the letter. We are appearing in front of the Budget Monitoring Sub-Committee next week, to talk about these issues? We will tell you as much as we can within that remit, that we have a commercial Board which we trust and which is of standing and that they have a job to do that you do not need to duplicate.

Fiona Twycross AM (Deputy Chair): We do not know that.

Kit Malthouse AM (Deputy Mayor for Business and Enterprise): We have policies which we are happy to share and you can see. The way it would work is we will share our policies with you and we will share the broad budget with you and you then say, "These policies are OK; the budget looks OK. We now trust the Board to make sure that that is what happens".

Fiona Twycross AM (Deputy Chair): I think people would feel happier if we had the budget. That would help.

Jenny Jones AM (Chair): Thank you. We have come to the end of our questions. I would like to thank our guests for their valuable contributions.

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Subject: Summary List of Actions

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

1.1 This report sets out the actions arising from previous meetings of the Economy Committee.

2. Recommendation

2.1 **That the Committee notes the completed and outstanding actions arising from previous meetings of the Committee.**

Actions arising from the Committee meeting on 15 January 2015

Item	Topic	Status	For Action
5.	<p>London Enterprise Panel and Deputy Mayor for Business and Enterprise</p> <p>Authority was delegated to the Chair, in consultation with party Group Lead Members, to write to the Deputy Mayor for Business and Enterprise to follow up on points raised during the discussion.</p>	<p>In progress.</p> <p>Following consultation, the Chair wrote to the Deputy Mayor on 4 February 2015. Further information can be found at Agenda Item 5 (Action Taken Under Delegated Authority).</p>	Deputy Mayor for Business and Enterprise
7.	<p>Climate Change Risks to the London Economy</p> <p>Authority was delegated to the Chair, in consultation with party Group Lead Members, to agree the final output from the Committee's investigation into climate change risk, and to lead follow-up on this output.</p>	In progress.	Chair

Item	Topic	Status	For Action
8.	Food Poverty Authority was delegated to Fiona Twycross AM, as the previous rapporteur on food poverty in London, to write letters to key stakeholders regarding current efforts to tackle food poverty in the capital, following on from the recommendations made in the Committee's report <i>A Zero Hunger City</i> .	Completed. Fiona Twycross AM wrote to stakeholders, as detailed at Agenda Item 5 (Action Taken Under Delegated Authority).	N/A
9.	Economy Committee Work Programme Authority was delegated to the Chair, in consultation with party Group Lead Members, to agree the output of both the Committee's financial services discussion event and the Committee's investigation into personal problem debt in London.	In progress.	Chair

Actions arising from the Committee meeting on 9 December 2014

Item	Topic	Status	For Action
5.	Investigation into Personal Debt During the course of the discussion, Members requested the number of people who paid their Council Tax, rent and/or business rates by credit card in Lambeth.	Completed. The information can be found at Appendix 1 .	London Borough of Lambeth
	The Chair agreed to write to the Department for Business, Innovation and Skills to find out if they intend to commission a further assessment of the illegal money lending national project, as they had previously done in 2010.	In progress.	Department for Business, Innovation and Skills

Actions arising from the Committee meeting on 4 November 2014

Item	Topic	Status	For Action
4.	Investigation into Personal Debt Robbie de Santos committed to provide the monetary impact of problem debt on public and social services in London.	In progress.	Robbie de Santos, Senior Public Policy Advocate, StepChange.

Actions arising from the Committee meeting on 23 October 2014

Item	Topic	Status	For Action
5.	Climate Change Risks to London Economy Authority was delegated to the Chair, in consultation with party Group Lead Members, to agree the output of the Committee's investigation into the economy impact of climate change.	In progress.	Chair

3. Legal Implications

3.1 The Committee has the power to do what is recommended in this report.

4. Financial Implications

4.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:

Appendix 1 – Council Tax payment details, from London Borough of Lambeth.

Local Government (Access to Information) Act 1985 List of Background Papers: None.	
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**Further information provided by London Borough of Lambeth following
the Economy Committee meeting held on 9 December 2014**

Credit Card Payments for period: 01.02.13 to 01.02.15

Service	Number of Payments
Rent	5,244
Council Tax	13,893
NNDR*	706
Total	19,843

**National Non-Domestic Rates*

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Subject: Action Taken Under Delegated Authority

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 This report sets out recent action taken by certain Economy Committee Members under delegated authority.

2. Recommendation

- 2.1 **That the Committee notes recent action taken by certain Economy Committee Members under the authority delegated to them, namely:**
- **The Chair, in consultation with party Group Lead Members, agreed the arrangements for a stakeholder engagement event with business on climate change risks (the details of which are attached at Appendix 1);**
 - **The Chair, in consultation with party Group Lead Members, wrote to the Deputy Mayor for Business and Enterprise on topics arising from the Committee meeting held on 15 January 2015 (as attached at Appendix 2); and**
 - **Fiona Twycross AM, as the Assembly's previous rapporteur on food poverty, agreed letters to stakeholders based on the recommendations made in the Committee's report *A Zero Hunger City* (copies of the letters are attached at Appendices 3 – 5).**

3. Background

- 3.1 Under Standing Orders and the Assembly's Scheme of Delegation, certain decisions by Members can be taken under delegated authority. This report details those actions recently taken.
- 3.2 At its 23 October 2014 meeting, the Economy Committee delegated authority to the Chair, in consultation with the party Group Lead Members, to agree the arrangements for a stakeholder engagement event with business on climate change risks, and it was held on 5 December 2014.

- 3.3 At its meeting on the 15 January 2015, the Committee delegated authority to the Chair, in consultation with party Group Lead Members, to write to the Deputy Mayor for Business and Enterprise to follow up points raised at during the discussion at that meeting.
- 3.4 On 12 September 2012, the GLA Oversight Committee appointed Fiona Twycross AM as rapporteur on food poverty in London. The report on food poverty in London, *A Zero Hunger City* was published March 2013. Subsequently, authority was delegated to Fiona Twycross AM by the Economy Committee, at its meeting on 15 January 2015, to write letters to stakeholders following on from the recommendations made in that report.

4. Issues for Consideration

- 4.1 The Chair agreed, in consultation with party Group Lead Members, the arrangements for a stakeholder engagement event with business on climate change risks, the details of which are attached at **Appendix 1**.
- 4.2 The Chair, in consultation with party Group Lead Members, wrote to the Deputy Mayor for Business and Enterprise following on from the discussion that took place at the meeting of the 15 January 2015. A copy of that letter is attached at **Appendix 2**.
- 4.3 Fiona Twycross AM agreed letters to stakeholders based on the recommendations made in the Assembly’s report *A Zero Hunger City*. Copies of these letters are attached at **Appendices 3 – 5**.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in the report.

6. Financial Implications

- 6.1 There are no direct financial implications to the GLA arising from this report.

List of appendices to this report:

- Appendix 1: Climate Change Event Outline (December 2014)
- Appendix 2: Letter from the Chair to the Deputy Mayor for Business and Enterprise, 4 February 2015
- Appendix 3: Letter from Fiona Twycross AM to Age UK London, 18 February 2015
- Appendix 4: Letter from Fiona Twycross AM to the Trussell Trust, 18 February 2015
- Appendix 5: Letter from Fiona Twycross AM to the London Food Board, 18 February 2015

Local Government (Access to Information) Act 1985	
List of Background Papers: None	
Contact Officer:	David Pealing, Committee Officer
Telephone:	020 7983 5525
E-mail:	david.pealing@london.gov.uk

Climate change investigation – business engagement event

London’s Living Room, Friday 5 December.

Joint event between Economy Committee and Team London Bridge BID (Green Network)

Chair: Jenny Jones

Agenda:

8.00 Registration / breakfast

8.30 Introduction from Chair

8.35 Panellists:

- Simon Hughes, Environment Agency
- Catherine Howarth, Share Action
- Tom Clarke, Centre for Cities
- Daniel Dowling, PwC

9.15 Questions and comments from attendees

10.00 Networking

10.30 ends

Range of organisations invited to provide stalls.

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LONDON ASSEMBLY
Economy Committee

Kit Malthouse AM
Deputy Mayor for Business and Enterprise
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Date: 4 February 2015

Dear Kit

London Assembly Economy Committee - 15 January 2015

Thank you for attending the Committee's meeting on 15 January. During the meeting you committed to coming back to the Committee on a number of issues, which I have set out below.

1. Part-time jobs

The Mayor's manifesto included a commitment to campaign for 20,000 part-time jobs for parents (Boris Johnson, 2012, *Growing the London Economy*). We note the recent GLA Economics publication *Part-time employment in London*, which looks at how part-time jobs have fared over the recent past. Given the manifesto commitment applies to the period from 2012, please could you provide the Committee with:

a) *An analysis of the part-time jobs market in London since 2012*

Please include information on the types of new jobs created, for example by sub-sector and level of pay. Please could you set out an explanation of how this analysis led to the decision of "holding and waiting to see" whether the Mayor should run a part-time jobs campaign. Additionally, the GLA Economics publication highlights the continued lower part-time employment rate for women with dependent children. Therefore, could you set out why you are not currently running a campaign which could have addressed the lower part-time employment rate of women with dependent children? We have noted plans to offer support to assist parents to move into employment in the European Structural Investment Funds London strategy, but this is distinct from a campaign.

b) *An analysis of the number and type of part-time jobs within the total number of jobs created by GLA programmes since 2012 (as part of the 200,000 target)*

As part of previous correspondence and discussion with the Committee both you and the Mayor have set out the number of part-time jobs created through GLA programmes by applying a standard percentage to the total number of jobs created. However, please provide us with the absolute numbers of part-time jobs by type created within GLA programmes since 2012.

c) *An analysis of the number and type of part-time jobs in the GLA Group since 2012*

During the 2012 election campaign, the Mayor publicly stated that he hoped to create 7,500 jobs in the GLA group (for example www.mumsnet.com/bloggers/guest-blog-boris). Given the Mayor's plans for a 'hearts and minds' campaign aimed at employers to promote part-time jobs, the GLA should be able to clearly set out its own record in promoting part-time jobs. Please include number of part-time jobs created, the net change in part-time positions and the pay grade of these roles (or a similar grading of seniority).

d) *The Timewise programme*

We were pleased to note that the GLA has been involved in the Timewise programme, which aims to increase the amount of flexible working arrangements offered by employers. Please could you set out the GLA's experience of this scheme to date, both the benefits and any challenges. We would also be keen to hear of any plans to expand this to other functional bodies within the GLA group.

2. Casualisation and zero hour contracts

The Committee welcomes your commitment made at the meeting to examine the issue of casualisation and zero-hours contracts in the capital. Please could you set out how you plan to study the extent, and consequences, of zero-hours contracts and wider labour market casualisation in London?

3. Internships

During our meeting you said that you agreed with the idea that interns working for a certain period of time or more should be paid. We acknowledge that at the time of our meeting you were unsure of the exact threshold which should be set. We were therefore disappointed that the Mayor's response to the Committee's recommendation on this point did not provide us with a more definite response. So please could you provide us with a clear view on this specific issue?

We welcome the Mayor's commitment to commission research into the role of internships in London. Please could you provide us with further details of the scope of this research and timings for when this research will be commissioned and completed?

At the meeting you also committed to writing to the relevant government minister, having considered the Committee's recommendations. Please could you let the Committee know when this letter has been sent?

4. Women's access to finance

At the meeting you agreed to find out what work is being done following the publication of the Government's report *Banking on Women* into access to finance for women in business. Please could you provide us with the outcome of this follow-up work?

I would be grateful for a response by **4 March 2015**. Please copy in Simon Shaw, the Committee's Scrutiny Manager.



Jenny Jones AM
Baroness Jones of Moulsecoomb
Chair, Economy Committee

cc Mark Kleinman, Assistant Director - Economic and Business Policy , GLA

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LONDON ASSEMBLY
Economy Committee

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By email

Date: 16 February 2015

Dear Samantha

Food poverty in London

Almost two years ago the London Assembly published *A Zero Hunger City: Tackling food poverty in London*. The report set out a number of recommendations to address food poverty in the capital directed at the Mayor and London Food Board, London boroughs and Health and Wellbeing Boards, schools and food aid organisations.

I led the original investigation on behalf of the Assembly, and I am now following up on the report on behalf of the Economy Committee. I am therefore writing to you for an update to inform any further work the Committee may undertake in this important area.

Following welcome assistance from Age UK London in gathering evidence, the report highlighted food poverty and malnutrition among older people in the capital. Therefore, please could you set out:

- your current assessment of food poverty among older Londoners;
- any progress in tackling this in the last two years; and
- any outstanding challenges, or barriers to further progress.

The original report can be found at: <http://www.london.gov.uk/mayor-assembly/london-assembly/publications/a-zero-hunger-city-tackling-food-poverty-in-london>.

I would be grateful for a response by 20 March 2015. For any queries in the first instance please contact Simon Shaw on the contact details below.

Best wishes


Fiona Twycross
Deputy Chair, Economy Committee

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LONDON ASSEMBLY
Economy Committee

Chris Mould
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By email

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Date: 16 February 2015

Dear Chris

Food poverty in London

Almost two years ago the London Assembly published *A Zero Hunger City: Tackling food poverty in London*. The report set out a number of recommendations to address food poverty in the capital directed at the Mayor and London Food Board, London boroughs and Health and Wellbeing Boards, schools and food aid organisations.

I led the original investigation on behalf of the Assembly, and I am now following up on the report on behalf of the Economy Committee. I am therefore writing to you for an update to inform any further work the Committee may undertake in this important area.

I would be grateful if you could set out:

- your current assessment of food poverty in the capital;
- progress in tackling food poverty in the last two years; and
- any outstanding challenges, or barriers to further progress.

For ease, I have appended the Committee's original recommendation to food aid organisations.

I would be grateful for a response by 20 March 2015. For any queries in the first instance please contact Simon Shaw on the contact details below.



Fiona Twycross
Deputy Chair, Economy Committee

Recommendation 5 – Emergency food aid organisations

Emergency food aid organisations should regularly analyse their client breakdown and proactively seek out groups that face barriers to accessing emergency food aid, including older people.

Food aid organisations should identify ways to systematically triage service users and liaise with statutory authorities to ensure people can access the support to which they are entitled.

For example, data from food bank clients indicates that older people are not accessing food banks in the numbers that would be expected given the risk of food poverty among this group. There are certainly specific reasons why food banks are by their nature less accessible to older people; therefore models for reaching this group should be explored and successes shared.

LONDON ASSEMBLY
Economy Committee

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By email

Date: 16 February 2015

Dear Rosie

Food poverty in London

Almost two years ago the London Assembly published *A Zero Hunger City: Tackling food poverty in London*. The report set out a number of recommendations to address food poverty in the capital directed at the Mayor and London Food Board, London boroughs and Health and Wellbeing Boards, schools and food aid organisations.

I led the original investigation on behalf of the Assembly, and I am now following up on the report on behalf of the Economy Committee. I am therefore writing to you for an update to inform any further work the Committee may undertake in this important area.

The Committee has noted recent welcome progress, for example in establishing the two flagship boroughs and the opening of London's first community shop. I would be grateful if could you set out:

- your current assessment of food poverty in the capital;
- progress on initiatives led by the London Food Board, or of which the board is a key partner, in the last two years; and
- any outstanding challenges or barriers to further progress.

For ease, I have appended the two original recommendations made to the London Food Board and the Mayor.

I would be grateful for a response by 20 March 2015. For any queries in the first instance please contact Simon Shaw on the contact details below.



Fiona Twycross
Deputy Chair, Economy Committee

Recommendation 1 – The London Food Board

The London Food Board should take on strategic responsibility for addressing food poverty in London – aiming for a Zero Hunger City. This responsibility should be included in a new revised London Food Strategy and implementation plan. This should be in place by September 2013.

This strategic oversight would require monitoring both the prevalence of, and the response to, food poverty in London. The Board should take the lead in bringing together the public, private and third sector organisations from across the capital.

The London Food Board's strategy should include:

- monitoring the risk factors for food poverty, including implementation of welfare reform and low income and regularly sharing this knowledge with local and national government;
- facilitating greater sharing of intelligence and good practice with a wide range of agencies – including boroughs, the education and health sectors and the police;
- ensuring the response to food poverty in London addresses the needs of all groups, including older people;
- working with partners, including the commercial sector, to establish sustainable funding models for free breakfast clubs in schools; and
- publishing a paper on the possible models for delivering universal healthy school meals in London.

Given the importance of access to healthy school meals for all, the Food Board should explore the different models for funding this. Sustain has recently proposed a model for funding universal school meals via a duty on sugary drinks. Such proposals should be seriously considered by the London Food Board and government.

Recommendation 2 - The Mayor

The Mayor should champion working towards a Zero Hunger City.

The Mayor should review the resources available to the London Food Board's programme to ensure it has the capacity to take a strategic lead in working with partners to explore the extent of and address food poverty among older people.

The Mayor should, as a minimum, take an active role in calling on government to agree eligibility for free healthy school meals for all families in receipt of Universal Credit.

The Mayor should seek funding from government and other agencies to help boroughs fund Universal School Meals.

The Mayor's work in the education sector, including his championing of new free schools, should include a coordinated approach to promoting healthy school meals across the capital. This should be linked into the Healthy Schools London Programme.

Subject: Supporting Microbusinesses in London

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 This paper provides background for the Committee's meeting on the topic of supporting microbusinesses in London.

2. Recommendation

- 2.1 **That the Committee notes the report as background to putting questions to experts and other stakeholders on supporting microbusinesses in London, and notes the subsequent discussion.**

3. Background

- 3.1 A microbusiness is defined as a business employing between 0-9 employees with either a turnover, or a balance sheet, of approximately £1.5 million or less. In 2014, there were an estimated 900,000 microbusinesses in London, accounting for 96 per cent of all small- and medium-sized enterprises (SMEs - businesses employing less than 250 employees) in the capital. The vast majority of microbusinesses in London – as in the rest of the UK – are non-employing businesses (78 per cent). Of the employing microbusinesses in London, two-thirds employ between two and four employees.
- 3.2 The Mayor seeks to support SMEs through a number of initiatives led by both the GLA and/or the London Enterprise Panel (LEP). Mayoral and Government policy on microbusinesses is mostly directed at high potential, high risk, high growth start-up companies. However, while high-growth firms create the most jobs in the capital, it is 'everyday' small businesses that provide work for the people who need it most. For example, according to research by the Federation of Small Businesses, the unemployed who enter the private sector are more likely to work in these types of businesses than anywhere else.¹
- 3.3 Two important issues affecting the survival of microbusinesses in London are: availability of affordable workspace; and access to skills and advice to manage general business requirements, for example, tax and accounting.

¹ www.fsb.org.uk/policy/assets/publications/fsb_2012_back_%20to_work.pdf

4. Issues for Consideration

- 4.1 The Committee will discuss the issues affecting the survival of microbusinesses in London with a panel of expert guests, including:
- Benedict Dellot, Senior Researcher, The RSA; and
 - Dr Jessica Ferm, Senior Teaching Fellow, The Bartlett School of Planning and the Faculty of the Built Environment, University College London.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

None.

Local Government (Access to Information) Act 1985
List of Background Papers: None
Contact Officer: Simon Shaw, Scrutiny Manager
Telephone: 020 7983 6542
E-mail: scrutiny@london.gov.uk

Subject: Apprenticeships in London

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public.

1. Summary

- 1.1 This paper sets out for noting the Mayor's response to the Committee's report on apprenticeships in London.

2. Recommendations

- 2.1 **That the Committee notes the Mayor's response to the Committee's work on apprenticeships in London, as set out at Appendix 1.**
- 2.2 **That the Committee notes the initial follow-up proposals to its work on apprenticeships, as set out at Appendix 2, which will be subject to a decision by the Committee as part of its 2015/16 work programme.**

3. Background

- 3.1 In October 2014, the Committee published *Trained in London: Creating more apprentices to support the London economy*. The Committee wrote to the Mayor for a response to a series of recommendations, centred on the development of an Apprenticeship Action Plan for London. The full report can be found on the London Assembly website at: www.london.gov.uk/mayor-assembly/london-assembly/publications/trained-in-london.

4. Issues for Consideration

- 4.1 The Mayor has now responded to the Committee's report. A copy of this letter is at **Appendix 1**. **Appendix 2** sets out the Committee's original recommendations, the Mayor's response and, where relevant, potential follow-up action that could be taken by the Committee.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1 – Response from the Mayor of London to *Trained in London*, 9 January 2015

Appendix 2 – *Trained in London* - summary of progress on recommendations

Local Government (Access to Information) Act 1985
List of Background Papers: None
Contact Officer: Simon Shaw, Scrutiny Manager
Telephone: 020 7983 6542
Email: scrutiny@london.gov.uk

MAYOR OF LONDON**Baroness Jones of Moulsecoomb AM**

Chair, Economy Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA031114-0950**Date:** 09 JAN 2015

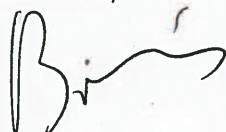
Dear Jenny

Thank you for your letter of 28 October 2014 inviting me to provide a response to the recommendations to the London Assembly Economy Committee's report 'Trained in London: Creating more apprentices to support the London Economy'.

While I am pleased to hear that the Committee shares my vision of increasing the number of apprentices in the capital, I am very disappointed at your report's unfairly negative description of the impact that my London Apprenticeship Campaign has had. Rather than London "falling behind" as the report argues, the capital has seen apprenticeship starts grow at a faster rate than other regions since 2010, more than doubling the number starting only four years ago. The dip in the most recent numbers is part of a national trend and the age category where numbers have decreased is predominately among the over 25s, rather than younger people. This is also all in the context of increased employment numbers, including for young people, and the lowest claimant count on record.

Please find enclosed my response to the report's recommendations.

Yours ever,



Boris Johnson
Mayor of London

Enc.

Cc: Kit Malthouse AM, Deputy Mayor for Business and Enterprise and Deputy Chair, London Enterprise Panel
Harvey McGrath, Deputy Chair, London Enterprise Panel

Specific Responses to the Recommendations of the London Assembly Economy Committee's report on apprenticeships in London

Recommendation	Response
1) The LEP should set out an Apprenticeship Action Plan (AAP) that brings together all the Mayoral initiatives in one document.	The LEP/GLA will produce an Apprenticeship Action Plan, bringing together all the Mayoral initiatives by Spring 2015.
2) The AAP needs to have measures tailored for different sectors and different sizes of businesses. To inform the AAP, the LEP should seek to establish why some sectors generate more apprenticeships per 100 employees than others (e.g. business against tourism and ICT) and whether there is a need for targeted initiatives for working with large firms to boost apprenticeship starts to levels typically seen in competitor countries. Retail and tourism are two areas where the LEP should assess why apprenticeship levels are below the London average. The LEP should also establish whether large firms' use of interns or graduate trainee programmes may be impeding their use of apprenticeships.	The LEP/GLA's Apprenticeship Action Plan will include planned activity to engage with different sectors of London's economy, including small businesses and sectors such as retail, tourism and hospitality. In addition the LEP/GLA will commission two pieces of research around the evidence base for apprenticeship levels in different sectors in London's economy and examine the impact of London firm's use of internships aiming to do this by Spring 2015. However, it is key that the plan remains flexible.
3) The AAP needs to be based on a detailed assessment of the impact of government reforms. The LEP should therefore collate data from the London Trailblazers on how the first stage of the reform process is affecting the market, with findings used to inform the Apprenticeship Action Plan.	The LEP/GLA will continue to engage with government over the Trailblazer programme, and liaise through Transport for London and the Metropolitan Police Service both of which are involved in Trailblazers, to understand and monitor the potential impact of the government's reforms.
4) To inform the AAP the LEP should commission a survey of SMEs to identify any issues that have arisen following implementation of the government reforms which are preventing them taking on new or repeat apprenticeships. The LEP should assess the demand and perceived value of the Mayor supporting the establishment of a peer learning hub.	Following the implementation of the government's funding and standards reforms the LEP/GLA will assess the need for any further survey work of businesses and whether additional learning tools are required.
5) The AAP should set out the total amount of GLA and Government funding available to resume the uplift of the AGE and the timescale over which it is available. The Plan should also set out what conditions will apply to accessing the grant and whether businesses that have already accessed it once will be allowed to access it again.	The GLA and Skills Funding Agency have published information on the funding, timescale and conditions placed upon the AGE uplift to be available from January 2015. This will be included in the AAP.
6) The AAP should set out initial proposals for an enhanced role for the Mayor in supporting the development of a pan-London careers advice service for young people. There should be a clear timetable and enough detail to provide enough material for an effective consultation.	The GLA and LEP are currently undertaking a review of careers services in London and are planning to present proposals for a Careers Offer in London by summer 2015.
7) The AAP should also set out more developing proposals for engaging with the Higher Education sector, especially the Russell Group, to ensure that more Higher-level apprenticeships are offered in London universities.	The LEP/GLA has persuaded government to release additional funding to support Higher Apprenticeship provision in London. We will review whether more measures are needed, to best benefit young Londoners.

Committee's recommendation	The Mayor's response	Potential Committee follow-up actions in 2015/16
<p>Recommendation 1 The LEP should set out an Apprenticeship Action Plan (AAP) that brings together all the Mayoral initiatives in one document.</p>	<p>By spring 2015, the Mayor has agreed that the GLA/LEP will produce an Apprenticeship Action Plan, bringing together all the Mayoral initiatives.</p>	<p>The Committee could review the APP once it is published.</p>
<p>Recommendation 2 The AAP needs to have measures tailored for different sectors and different sizes of businesses. To inform the AAP, the LEP should seek to establish why some sectors generate more apprenticeships per 100 employees than others (for example business against tourism and ICT) and whether there is a need for targeted initiatives for working with large firms to boost apprenticeship starts to levels typically seen in competitor countries. Retail and tourism are two areas where the LEP should assess why apprenticeship levels are below the London average. The LEP should also establish whether large firms' use of interns or graduate trainee programmes may be impeding their use of apprenticeships.</p>	<p>The AAP will include planned activity to engage with different sectors of London's economy, including small businesses and sectors such as retail, tourism and hospitality.</p> <p>By spring 2015 the GLA/LEP will also commission two pieces of research examining apprenticeship levels in different sectors in London's economy.</p> <p>However, the Mayor emphasised that the plan should remain flexible.</p>	
<p>Recommendation 3 The AAP needs to be based on a detailed assessment of the impact of government reforms. The LEP should therefore collate data from the London Trailblazers on how the first stage of the reform process is affecting the market, with findings used to inform the Apprenticeship Action Plan.</p>	<p>The LEP/GLA will continue to engage with government over the Trailblazer programme, as well as liaise with Transport for London and the Metropolitan Police Service (who are part of the programme).</p>	<p>The Committee could ask for an update on the LEP/GLA's views on the Trailblazer programme.</p>
<p>Recommendation 4 To inform the AAP the LEP should commission a survey of SMEs to identify any issues that have arisen following implementation of the government reforms which are</p>	<p>Following the implementation of the Government's funding and standards reforms, the LEP/GLA will assess the need for any further surveying of businesses and whether additional learning tools are required.</p>	<p>The Committee could request an update on the LEP/GLA's views on whether further work is required.</p>

Committee's recommendation	The Mayor's response	Potential Committee follow-up actions in 2015/16
<p>preventing them taking on new or repeat apprenticeships. The LEP should assess the demand and perceived value of the Mayor supporting the establishment of a peer learning hub.</p>		
<p>Recommendation 5 The AAP should set out the total amount of GLA and Government funding available to resume the uplift of the AGE and the timescale over which it is available. The Plan should also set out what conditions will apply to accessing the grant and whether businesses that have already accessed it once will be allowed to access it again.</p>	<p>Information on the funding, timescale and conditions placed upon the AGE uplift will be included in the AAP.</p>	<p>The Committee could review the APP once it is published, to ensure this is included.</p>
<p>Recommendation 6 The AAP should set out initial proposals for an enhance role for the Mayor in supporting the development of a pan-London careers advice service for young people. There should be a clear timetable and enough detail to provide enough material for an effective consultation.</p>	<p>The GLA and LEP are currently undertaking a review of careers services in London and should present proposals for a London Careers Offer by summer 2015.</p>	<p>The Committee could invite the GLA and LEP to present their proposals to the Committee.</p>
<p>Recommendation 7 The AAP should also set out more developing proposals for engaging with the Higher Education sector, especially the Russell Group, to ensure that more Higher Apprenticeships are offered in London universities.</p>	<p>The LEP and GLA have persuaded government to release additional funding to support Higher Apprenticeship provision in the capital.</p> <p>The Mayor stated that there will be a review of whether more measures are needed, but did not given a timeline for this review.</p>	<p>The Committee could seek an update from the Mayor on his views on whether more measures are needed.</p>

Subject: Climate Change Risks to the London Economy

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 This paper proposes that the Committee note the responses from stakeholders to the Committee's summary report on climate change risks to the London economy.

2. Recommendation

- 2.1 **That the Committee notes the report summarising the responses from stakeholders to the Committee's summary report on climate change risks to the London economy.**

3. Background

- 3.1 The Committee is currently investigating the potential impact of climate change on London's economy. The terms of reference for this investigation are as follows:
- To map the likely effects of climate change on the London Economy; identifying the sectors most at risk and the likely effects on jobs and prosperity;
 - To establish best practice amongst the business community, in terms of risk assessment and adaptation strategies; and
 - To make recommendations addressing the risks from climate change to the London economy to the London Enterprise Panel and the Mayor, and potentially other representatives of London Government where appropriate.
- 3.2 On 5 December 2014, the Committee published a report summarising the views and information received so far in the investigation. Following publication of the report, the Chair wrote to a number of key stakeholders seeking information on their own organisation's plans in relation to climate change, as well as their views on the London economy's wider response to the impact of climate change.

4. Issues for Consideration

4.1 The Committee has received responses from a number of stakeholders, as follows:

- The Environment Agency (**Appendix 1**);
- The Investment Association (formerly the IMA) (**Appendix 2**);
- London & Partners (**Appendix 3**);
- The London Climate Change Partnership (**Appendix 4**);
- London Councils (**Appendix 5**);
- The National Association of Pension Funds Limited (NAPF) (**Appendix 6**); and
- The Prudential Regulation Authority (**Appendix 7**); and
- The Mayor of London (**Appendix 8**).

4.2 At its 15 January 2015 meeting, the Committee delegated authority to the Chair, in consultation with party Group Lead Members, to undertake follow up work on this climate change investigation. These responses will be considered as part of a final output to be drafted as part of the Committee's 2015/16 work programme.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1 – Response from the Environment Agency

Appendix 2 – Response from the Investment Association (formerly the IMA)

Appendix 3 – Response from London & Partners

Appendix 4 – Response from the London Climate Change Partnership

Appendix 5 – Response from London Councils

Appendix 6 – Response from the National Association of Pension Funds Limited (NAPF)

Appendix 7 – Response from the Prudential Regulation Authority

Appendix 8 – Response from the Mayor of London

Local Government (Access to Information) Act 1985
List of Background Papers: None
Contact Officer: Simon Shaw, Scrutiny Manager
Telephone: 020 7983 6542
E-mail: scrutiny@london.gov.uk

creating a better place



Jenny Jones, AM
 Chair, Economy Committee
 London Assembly
 City Hall, The Queens Walk
 London, SE1 2AA

Our Ref: LT/010/15

Date: 16 January 2015

Dear Jenny

Key Questions: Economic Impact of Climate Change

Thank you for your letter Re: Key questions: Economic impact of climate change dated 25 November 2014. May I also thank you once more for inviting me to speak at last month's Green Network breakfast seminar. It was a great opportunity to discuss and share ideas around how businesses in London can adapt to the challenges that climate change presents.

To address the questions you raise in your letter, regarding how businesses in London can respond to the economic risks of climate change, I have tried to cover them in the order you raised them.

On your first question, which asks what steps should be taken at a London-wide level, to help map the supply chain dependencies in the city's economy; The National Adaptation Plan (HM Government 2013: The National Adaptation Programme Making the country resilient to a changing climate) states that '*It is up to businesses to decide individually what level of risk they can accept*'. At a strategic level, the London Climate Change Partnership has mapping of interdependencies and critical pathways as one of its objectives.

As I mentioned in my presentation at last month's seminar, there is plenty of help and guidance on offer to businesses in London, via the Environment Agency's *Climate Ready services*. The Climate Ready Support Service, led by the Environment Agency, provides advice and support to the public, private and voluntary sectors to enable them to adapt to a changing climate. The London Climate Change Partnership, as part of Climate UK¹, supports our Climate Ready service and is involved in the development of a number of tools that can help businesses to identify and assess the risks that climate change and severe weather events present. The Climate UK website hosts a guidance document entitled '*Assessing and Managing Climate Change Risks in Supply Chains*'.

The document contains within it, a 5-step framework, for all sizes of businesses and different sectors, which helps identify new risks, increase resilience and identify business opportunities, within supply chain structures. Accompanying this framework are five real-life case studies that give examples of how this framework has been put into practice by companies. <http://climateuk.net/resource/supply-chains-adaptation-guidance>

¹ Climate UK is the national umbrella organisation for the Climate Change Partnerships. The London Climate Change Partnership is part of this network and will be the relevant branch for assistance in London.

Ergon House, Horseferry Road, London, SW1P 2AL
 Tel: 01189535908
<http://www.gov.uk/environment-agency>

The guidance has been used by many firms, including ASDA, who have used it to test their own supply chain resilience, details of which are published in their 2014 report 'The challenge of a changing climate' [Asda: changing climate report](#)

On your second question of how small businesses could be better supported to take the necessary steps to identify climate change risks to their businesses, and develop adaptation strategies: As mentioned at last month's seminar, there is a host of information and guidance available to small & medium enterprises (SME's) via the Climate UK website. Small businesses can register for the free Business Resilience Health Check Assessment. This interactive online tool is designed to help small businesses gauge how vulnerable they may be to extreme weather events by taking a multiple choice questionnaire. On completion of this assessment, a bespoke report and individual action plan is produced. This plan suggests which actions should be taken to help make a business become more resilient to climate change. <http://businessresiliencehealthcheck.co.uk/>

Climate Ready are presently working in partnership with Business in the Community and Federation of Small businesses to encourage further action with SME's to increase their resilience to Climate Change. More information on these projects can be found by contacting the Business Resilience lead Kylie Russell at kylie.russell@environment-agency.gov.uk

In addition to the tools and guidance highlighted above, we actively encourage businesses (big and small) situated in areas at risk of flooding, to register for Flood line Warnings Direct. Flood line Warnings Direct is our free 24 hour warning service for properties at risk of flooding from main rivers. When we issue a flood warning, we send registered properties and businesses in the flood warning area a message via text, email or phone so they are aware of the potential for flooding and have time to act accordingly. Businesses can sign up for our flood warnings via the GOV.UK website here: <https://www.gov.uk/sign-up-for-flood-warnings>

The London Enterprise Partnership (co-chaired by the Mayor of London) has a number of priorities including skills and employment, enhancing competitiveness of London's SME's, and investing in London's infrastructure (including business workplaces). With this in mind, there may be an opportunity for LEP investment programmes, for example the European Structural and Investment Funds 2014 – 2020, to help raise awareness and understanding of SMEs, to the potential risks and opportunities of climate change.

On your final question which asks what steps could be taken to enable monitoring the take-up of adaptation policies; We support the ambition for monitoring the take-up of adaptation measures by business as part of a London-wide monitoring and evaluation framework. Monitoring and evaluation are an essential element of adaptation planning for London. The Mayor's London climate change adaptation strategy recognises climate risks and the need for London to be more resilient. However it does not identify a full range of indicators to help monitor and evaluate adaptation actions which makes it difficult to measure effectiveness.

Ideally, a fuller range of indicators could be monitored and evaluated to inform decision making at a London scale of what adaptation actions will be needed at certain climate change scenarios. For example, how do we make London safe and tolerable during more frequent hotter summers? This type of flexible adaptation planning is the approach we have set out for long term planning for tidal flood risk in the Thames estuary (TE2100), with the backdrop of uncertainty of climate change impacts.

Ergon House, Horseferry Road, London, SW1P 2AL
Tel: 01189535908
<http://www.gov.uk/environment-agency>

The GLA and the London Climate Change Partnership are well placed to lead on developing a London monitoring programme, and to pioneer this city-wide approach. The Adaptation Sub Committee (of the Committee on Climate Change) are developing a national set of indicators which should provide an overall picture of how sectors are progressing, and could provide the basis of a London monitoring and evaluation framework. However the resource to develop, implement and maintain a London programme will be considerable, and will need the commitment of major stakeholders. With a remit to take a strategic overview of all sources of flooding, we welcome the opportunity to contribute to the development of this type of approach.

At the seminar, you spoke about the positive impact of the Thames Barrier and its associated defences, not just managing flooding, but also on giving confidence to people who live and work in London. I'd be very happy to arrange a visit to and tour of the Barrier for you and your colleagues, if you felt that would be of interest.

Thank you again for your letter and I hope my response is helpful to you. Please do not hesitate to get in touch if you wish to discuss this matter further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Hughes', with a stylized, cursive flourish at the end.

Simon Hughes
Deputy Director London
Environment Agency

RECEIVED
12 JAN 2015

THE
INVESTMENT
ASSOCIATION
MAKING INVESTMENT
BETTER

Baroness Jones of Moulsecoomb
Chair, Economy Committee
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London SE1 2AA

The Investment Association

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Date: 09/01/2015

Dear Lady Jones

RE: Economic impact of climate change in London

Thank you for your letter of 25 November 2014.

In early January, the IMA became The Investment Association. Our change of name reflects our wider remit since we incorporated the Investment Affairs division of the Association of British Insurers (ABI) last summer. The merger consolidated the industry's focus on the interests of institutional investors as major shareholders in UK-listed companies, and has positioned the industry to deepen and broaden its focus in a number of long-term stewardship matters.

Climate change is clearly rising up the agenda as a material investment risk for investors. For general context, I refer you to our survey of adherence to the FRC's Stewardship Code, which provides a detailed review of practices on an annual basis¹. The survey of 2014 practices will be published this May, however the 2013 report found investors ranked environmental issues in the top 10 of most important issues for engagement, as well as in the top 10 most frequently addressed issues.

You will also be aware that a number of specialist umbrella organisations exist with the primary focus of promoting the integration of climate change and other environmental, social and governance (ESG) factors into institutional investment². These have often been the natural home for institutional investors' contribution to the broad lexicon of climate change, and will also assist the London Assembly's investigation.

Taking account of the diversity of approaches from a commercial and investment strategy perspective, and the specialist initiatives referred to above, climate change has historically been considered on an individual member basis, rather than through the Investment Association. However, drawing on feedback from our Corporate Governance and Engagement Committee,

¹ See: http://www.theinvestmentassociation.org/assets/files/surveys/20140501-01_stewardshipcode.pdf

² For example, the UNEP Financial Initiative, UN-backed Principles for Responsible Investment, the Carbon Disclosure Project, The UK Social Investment Forum, and the Institutional Investor Group on Climate Change.

which comprises 14 leading investment managers, we summarise responses to your specific questions below.

Supporting adaptation

- **Fundamentals:** The Committee believes that investors can play an important role in driving investments in companies that are positioned to provide adaptation solutions. However, consistent with fiduciary duties, the conditions for investment need to be right. The merits of any investment will ultimately be decided by financial fundamentals (e.g. growth prospects, Government and International policies and regulatory stability, and risk and return etc.).
- **Client demand:** The merits of an investment will also be subject to demand from, and the requirements of, institutional asset owner clients. Individual clients have differing investment objectives and risk appetites governed by the specific parameters agreed under the Investment Management Agreement. Therefore, without significant support from asset owners, investing in riskier new technologies necessary for adaptation may not meet the set investment criteria.
- **Integration and engagement:** Committee members stressed the importance of highlighting the key risks relating to climate change in their investment processes and engaging with their investee companies on how these risks are being managed, mitigated and incorporated into long-term strategic decision-making. Ultimately, this is with the intention of reflecting these aspects in company valuations. This was generally adopted across the investment process, firm-wide, and not limited to specific products or silos.
- **Product & service innovation:** Committee members referred to a notable increase in the number of products they are offering to their clients with a specific investment strategy to identify opportunities in climate change-related areas, for example water, renewable energy, resource efficiency and sustainability thematic funds. Others offered tailored segregated mandates for clients with a specific carbon budget or strategy. There is also evidence of innovation in reporting to clients on the climate change exposure of funds' portfolio holdings, with some disclosing the total carbon emissions of investee holdings. Some, however, commented that there was limited client demand for such solutions.

Identifying the scale of this risk and managing it effectively

- **"Stranded assets" debate:** An increasing number of members are actively considering the risks associated with the impairments of investee companies' fossil fuel assets under a carbon-constrained environment. However, many see this as part of their normal analysis of a company's business model and future prospects. While climate change is perhaps unique in its complexity, the term "stranded assets" is in some way an expression of long-standing thinking and analysis of assets across the value chain.
- **Spectrum of risks:** There are, of course, also numerous risks that might cause the impairment of assets that investors will consider, as recent Brent crude prices serve to demonstrate. So investors will consider the full spectrum of risks, balancing shorter-term market dynamics and geo-political factors with longer-term risks such as technological innovation/replacement and concerted government policy action on climate change. This spectrum of risks is actively considered in the work of members in the integration and engagement referred to above. For some investors this has led to the conclusion that the risks outweigh the prospective returns, as recent high-profile divestments have demonstrated.

- **Complexity:** I refer you to some of the reports on "stranded assets" published by our members³. These do not point to a black-and-white scenario. The risk of impairment to assets varies significantly between different types of fossil fuels (and even between different types of the same fossil fuel) and over varying time-spans. In addition, company level diversification is an important consideration, for example: a coal miner may also mine uranium (used in cleaner nuclear energy); an oil and gas major may be involved in tar sands but also investing in adaptation solutions (such as CCS) and/or involved in procuring gas (a cleaner alternative); car manufacturers make both traditional fuelled vehicles and are investing in electric cars; utility companies may have a portfolio that includes coal fired power stations, wind farms and nuclear energy. This may serve to spread climate risk.
- **Concerted government action:** While many Investment Association members publicly advocate for strong domestic and international climate change and clean energy policies⁴, the challenges around reaching agreement in Lima have left greater doubts over the outcome of the COP in Paris 2015. Without significant government support for a low carbon future, investors are left with uncertainty and instability around future investment risks and opportunities. While recent research has invigorated the debate about stranded assets, and this is to be welcomed and supported, our members believe that more long-term modelling is required on the climate and economic effects of different policy interventions.

As I noted by way of introduction, the recent merger of the ABI's Investment Affairs division will enable the industry to focus on a wider range of stewardship-related matters. We will be reviewing this focus during 2015. If you have any questions on the above information or would like to discuss these topics more broadly, please contact Phineas Glover on 020 7831 0898 or phineas.glover@theinvestmentassociation.org.

Yours sincerely,



Daniel Godfrey
Chief Executive Officer

The Investment Association represents UK investment managers. We have over 200 members who manage more than £5 trillion for clients around the world, helping them to achieve their financial goals. Our aim is to make the investment process better for clients, companies and the economy so that everyone prospers.

³ See Standard Life Investments: http://www.standardlifeinvestments.com/WP_Stranded_Assets_White_Paper/getLatest.pdf and Threadneedle Investments: The Energy transition and the stranded assets debate – an investment risk or opportunity?

⁴ See the Global Investor Statement on Climate Change: <http://www.iiqcc.org/files/publication-files/GISCC2Dec2014.pdf>

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London & Partners
6th Floor
2 More London Riverside
London SE1 2RR

Baroness Jones
Chair, Economy Committee
London Assembly
City Hall
The Queens Walk
London
SE1 2AA

Wednesday 21 January 2015

Dear Baroness Jones,

Promoting London firms in the climate change adaptation sector

Thank you for your letter of 25 November 2014.

Also, thank you for inviting London & Partners staff to your recent workshops on the adaptation economy. My Head of Strategy and economist both attended and they gave very positive feedback.

The adaptation economy is of interest to us in our role of attracting foreign direct investment; attracting investment for development and regeneration projects; and supporting the Mayor's export programme.

We would welcome further research into this sector, which would help us to quantify the scale of the opportunity and understand the business drivers better. This would, critically, allow us to develop compelling propositions, with clear cost benefit analysis, which can be used to influence commercial decision making.

We will, therefore, speak to the relevant teams in the GLA which might be able to assist with these matters, as well as help to identify opportunities to attract further investment in, and promote London expertise relating to, the adaptation economy.

Finally, however, I would want to point out that our three-year strategy, as agreed with the Mayor, focuses the majority of our limited resources on two sectors of the London economy (amongst other things), namely digital technology and life sciences.

Yours sincerely



Gordon Innes
CEO, London & Partners

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Baroness Jones of Moulsecoomb AM

London Assembly
City Hall
The Queen's Walk
London
SE1 2AA

15 January 2015

Dear Jenny

Re: Key questions: Economic Impact of Climate Change

Thank you for your letter of 17 November 2014, and for the opportunity to provide further response to your investigation into the economic impacts of climate change in London. Please find my answers to your questions below.

Opportunities for London firms and the role of LCCP and London & Partners in supporting them

London already has distinctive capabilities in the Adaptation Economy, with opportunity areas mirroring the sectors it already excels in, including the Finance and Built Environment sectors. LCCP has been supporting London businesses to increase their capacity in adaptation since its inception in 2001. For example, we have carried out a demonstration project on retrofitting buildings which, whilst demonstrating the cost savings of integrating retrofit work into routine refit, has highlighted skills gaps and captured learning¹. We have also worked with the private sector to develop expertise on the adaptation options for commercial property², and undertaken research on the value of urban climate data in partnership with the insurance sector³.

The Greater London Authority and LCCP have completed a report on London's Adaptation Economy, which has not yet been publicly released. The report aims to better define, measure, assess and predict the adaptation economy. It also provides a baseline to identify opportunities for the Mayor and others to foster sustainable economic growth in sectors that increase London's resilience to extreme weather. The primary focus is for the year 2012/13 but the research also includes historical

¹ For more information on how we worked with contractors, architects and housing providers to gather the lessons learned, please see our report on the Barking and Dagenham project:

<http://climatelondon.org.uk/publications/yshcc/> and our follow up leaflets on the business case for holistic retrofit and dos and don'ts: <http://climatelondon.org.uk/publications/retrofitting-london/>

² See <http://climatelondon.org.uk/publications/londons-commercial-building-stock/>

³ Our report, co-funded by Lloyds of London and the Met Office, identified a large economic opportunity for better management of urban climate data: <http://climatelondon.org.uk/publications/observing-london/>

analysis back to 2008/09 and growth forecasts to 2020/21. The report found that although still relatively small, London's Adaptation Economy has been growing throughout the recession period at a rate that has outpaced other sectors and is forecast to continue expanding rapidly. We also found that in London there is more opportunity for business to provide adaptation goods and services in the Built Environment and Professional Services sectors than there is nationally. Once the report has been published I will be pleased to provide you with a copy.

This week, LCCP and GLA are jointly holding an Adaptation Economy workshop. We will convene a group of around 20 experts on business, innovation and climate change from various sectors to discuss the findings of the report and identify the key opportunities and barriers to increasing London's market share. Once we have received this feedback, we will be publishing a report in Spring 2015, which will include our recommendations on the ways in which LCCP, London & partners, and others can support the growth of the Adaptation Economy in London.

Supporting small businesses to adapt

The public sector, including the Greater London Authority, procures the services of a large number of small businesses. One concrete action the GLA and other public sector bodies could take would be to ensure that its procurement criteria explicitly require evidence that the businesses are resilient and have considered adaptation. The London Climate Change Partnership has recently welcomed LHC as a new partner and will be working on updating procurement guidelines to include adaptation. Strong support from London's government would be very beneficial in getting these new guidelines adopted.⁴

The Greater London Authority and London Enterprise Panel could also assist in increasing the resilience of small businesses through their control and promotion of through European structural funds that support small businesses. Emphasis on adaptation as an important part of sustainability would not only raise awareness but also direct funded activity towards adaptation.

Businesses of all sizes can access free information and support online by visiting the Climate UK Business Resilience Health Check (www.businessresiliencehealthcheck.co.uk) which was created in partnership with the Environment Agency and Business in the Community. The Greater London Authority and its partners could assist by promoting this resource through its networks and via the London Enterprise Panel.

Monitoring of uptake of adaptation measures among London businesses

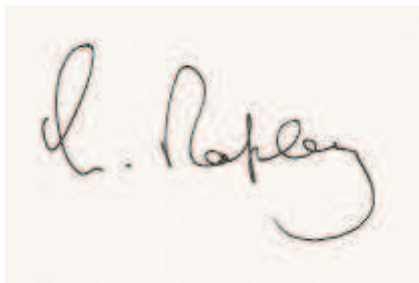
For larger companies, reporting via the Carbon Disclosure Project (CDP) may be an effective way of keeping tabs on uptake of adaptation measures. In their 2014 report, [Protecting Our Capital](#), CDP reported on the adaptation activities of 207 cities worldwide, including London. The report highlighted evidence that in many cases governments and businesses share the same adaptation issues and goals, and that there is significant opportunity for collaboration.

⁴ For more information on LHC and their new membership of LCCP, please visit our website: <http://climatelondon.org.uk/news/lhc-plans-to-help-lccp-deliver-its-vision-for-londons-future/>

However, while trends among larger businesses will be picked up by the CDP reports, the activities of smaller businesses will not be captured. As highlighted in your letter to me, smaller businesses may have less capacity to engage with climate adaptation and so will be slower to take up actions. The Adaptation Sub Committee will provide an overall picture of business resilience and adaptation as part of its reporting process to Government. Many of the datasets used may be able to be broken down to a London level.⁵ In order to get a picture of how small businesses are doing it may also be beneficial to engage with the Federation of Small Businesses to explore the option of monitoring via their membership.

I welcome the London Assembly's continued interest and support on this issue, which is of vital importance to the future prosperity and success of London as a global economic centre. Please do not hesitate to get in touch if I can be of further assistance.

Yours sincerely

A handwritten signature in black ink on a light-colored background. The signature is cursive and appears to read 'C. Rapley'.

Professor Chris Rapley CBE

**Chair
London Climate Change Partnership**

⁵ For further information on the draft indicator set selected by the Adaptation Sub Committee, please visit the Committee on Climate Change website: <http://www.theccc.org.uk/media-centre/consultations/>

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Support for business adaptation to
climate change

Contact: Jennifer Sibley

Direct line: 020 7934 9829

Email: jennifer.sibley@londoncouncils.gov.uk

Date: 16 January 2014

Dear Jenny

Thank you for your letter dated 25 November 2014 on support Boroughs can provide to businesses on climate change adaptation.

London Boroughs are well-placed to support local businesses with climate change adaptation, with their multiple interactions and local knowledge of business priorities and needs. We believe that environmental services in particular could be in a position to support businesses as part of their regular environmental health work, as these officers visit premises and will be able to assess physical risks. On-going borough work on employability and skills with businesses could mean boroughs are already able to identify the skills gaps in their local economies and work with businesses, colleges and apprenticeship providers to address this. We believe this will be transferable to industries affected by climate change, and industries that will be vital in ensuring that London can adapt to climate change.

London Councils contacted Boroughs asking for examples of where they provide support to businesses in adapting to climate change. Some of these examples are summarised with more information in Appendix A to this letter. Separately Boroughs are also active in encouraging businesses to become more sustainable and reduce their impact on their environment, as this makes financial sense as well.

London Boroughs are experiencing financial significant constraints, and the support that boroughs can provide to their businesses will always be dependent on having the resources and expertise to do so. However, where they can, Boroughs are committed to helping their business community adapt and prepare for climate change.

If London Councils can be of further assistance to the Economy Committee's investigation, please do get in touch. We are happy to pass on to the Committee any further examples of borough work in this area, as we are made aware of them.

A handwritten signature in black ink, appearing to read "Claire Kober".

Cllr Claire Kober
Portfolio Holder for Infrastructure and Regeneration

London Councils, 59½ Southwark Street, London SE1 0AL Tel: 020 7934 9999
Email info@londoncouncils.gov.uk Website www.londoncouncils.gov.uk

Appendix A – Examples of boroughs undertaking work with businesses to help them adapt to climate change

LBs of **Enfield, Waltham Forest, Lewisham and Haringey** are delivering Retrofit London, a project that will support small businesses specialising in green building products, construction and property management to become more efficient and more able to win contracts by gaining accreditation, developing supply-chains and getting more information on contract opportunities.

The **City of London** adopted a climate change adaptation strategy in 2007, identifying the risks to its businesses of climate change, and ways to mitigate these. It provides a climate change adaptation checklist for major infrastructure projects, and has run a series of seminars for the last 10 years for businesses on supply chain impacts and resilience. The City has produced guidance and case studies for businesses on flood risk and encourages the creation of green roofs and walls in its planning policies. Together with Zyen Ltd it provides open source reports and analysis on climate change.

LB **Islington** has an Islington Sustainable Energy Partnership (formerly the Islington Climate Change Partnership) which supports businesses that want to reduce their energy use, improve their environmental performance and support their local community. The Partnership is led by businesses and has won awards for its approach. Since 2008 partnership members have reduced their carbon emissions by over 19% and have saved £2.6m. Small businesses can receive support through the Green Light North London project.

In **LB Barking & Dagenham**, the Greening Business Programme provides free advice and support to small and medium- sized businesses or voluntary organisations who want to save money or go green. It is part-funded by the European Regional Development Fund (ERDF) and supported by the London boroughs of Merton, Wandsworth, Richmond, Kensington & Chelsea and Barking & Dagenham. Businesses are paired with a Relationship Manager who can identify aspects of the business that can become more sustainable.

The Fit for Legacy team at Barking & Dagenham also offer support to businesses in securing tenders, by helping businesses create strong environmental policies that are needed to be competitive and win contracts.

LB **Redbridge** has run a Green Business Redbridge Scheme since 2012 which aims to raise environmental awareness and promote sustainable business practices. The Environment Team helps businesses to write environmental policies and provides free energy use surveys. Businesses can apply for bronze, silver and gold level certification.

Case Study: Fit for Legacy helps Anchor Green create an environmental policy and action plan that secures them a new contract win and a business award!

Anchor Green Limited is one of the UK's fastest growing environmental services companies specialising in the recycling of municipal, commercial, and industrial waste, with a huge presence in metal recycling. Founder and Director, King Chukwuedo was referred to Fit for Legacy (FfL) from the business support team at the London Borough of Barking and Dagenham, as King wanted to learn more about accessing contract opportunities to support his business growth strategy and improve his chances of winning bids.

The team at FfL conducted an in-depth business needs analysis and recognised that they needed to work closely with Anchor Green to ensure they better understood the increasingly exacting requirements and steps of tendering.

The key focus was on ensuring King had all relevant business policies and supporting documentation in place, and that this was fully understood right across Anchor Green. King attended a training session on "Procurement and How to Win Contracts" as well as various environmental and other key policy workshops. As a company with a stated commitment to the sustainability of the environment, it was paramount that Anchor Green had a comprehensive and robust environmental policy in place, which demonstrated its own internal values as well as its commitment to its customers. FfL worked closely with King to ensure that this was his strongest asset, and to allow him to increase his competitive edge in the marketplace.

As a consequence of being able to demonstrate to a new buyer that they now had in place an environmental policy and operational action plan which was vastly superior to any of their competitors, Anchor Green were able to secure a large contract win, which also meant they were able to create a new local job to help them fulfil that contract. Anchor Green also won the prestigious 'Green Business of the Year' award at the 2014 London Borough of Barking and Dagenham Business awards.

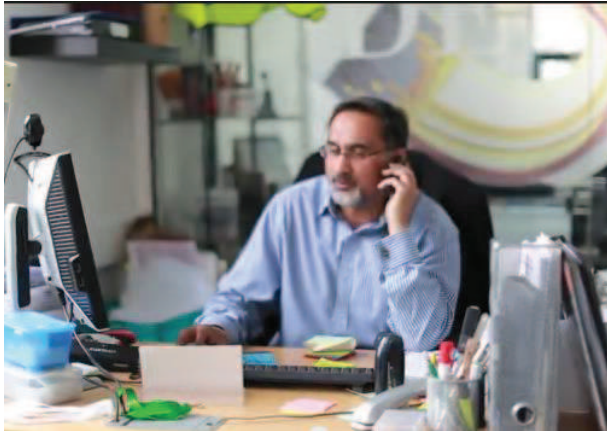
"We knew we had to grow the business and create new revenue streams. We also wanted to be in a better position to compete for contracts. FfL made the steps of tendering clearer and, with these new policies in place, we are now taken more seriously as a business supplier when we go for contract opportunities".

King Chukwuedo – Director of Anchor Green Ltd



Prontaprint Barking (Barking & Dagenham)

Barking business shows how printing can sometimes be green



Sominder Panesar, Director, and his staff at Prontaprint's new office

One of the latest organisations to benefit from our Greening Business programme is **Prontaprint Barking**. Prontaprint is a family-run printing service, covering every aspect of design and print.

Through the services of Business Relationship Managers Project provided by London Borough of Barking and Dagenham the need to focus on the sustainability aspects of the business was identified. This was suggested to achieve cost savings, increase profitability, competitiveness and the profile of the business.

Prontaprint was signposted to Greening Business Project because they were about to move premises and wanted to make sure that their new business unit was set up and managed in an environmentally friendly way.

The Greening Business Adviser carried out an assessment of Prontaprint's premises and identified several issues specific to the printing business which would make the business more sustainable. In addition, the Adviser carried out a review of the building site of the new premises to make sure that environmental improvements could be planned at an early stage.

Firstly, she suggested a better way of securing hazardous waste – all the printer ink etc. The waste had previously just been left outside, but the Adviser recommended that it be clearly labelled and locked in a cabinet before it was collected. Paper waste was already minimised and embedded in staff culture, but the Adviser supported the business to do the same with its packaging. It now offers an ECO range using less packaging as well as recycled paper.

Changes relevant to other types of business were also implemented, for example, replacing the water cooler with its disposable plastic containers and cups with a

plumbed-in system of filtered water to the tap. The use of LED lighting and presence detectors was also recommended and subsequently implemented in the toilets and corridors, along with other energy-saving devices to minimise electricity, heating and water waste.

The Adviser then helped Prontaprint develop an Environmental Policy, which would demonstrate their environmental commitment to their staff, customers, suppliers and sub-contractors. It is hoped that this commitment will encourage others to follow Prontaprint's good environmental example, as well as increasing the number of their customers.



Sominder with his Greening Business certificate

Sominder Panesar, Director of Prontaprint Barking, said of Greening Business:

“Sustainability is a core value in my business style and Prontaprint Barking has embedded energy efficiency and environmental protection into the organizational culture. I believe that, even if you are already environmentally aware, receiving support from a qualified adviser can always lead to further improvement. Our participation in the Greening Business programme has led to a reduction in energy costs and by recycling our waste paper we are awarded financially for the waste paper off-cuts. We have invested in eco-solvent machines which use non-aggressive solvents and do not spread any harmful VOCs in the working environment as well as being friendly to the external environment.”

For more information, please see <http://www.prontaprintbarking.com>

The Greening Business Programme:

The Greening Business programme provides free advice and support to small and medium-sized businesses or voluntary organisations who want to save money or go green. It is part-funded by the European Regional Development Fund (ERDF) 2007-2013 and supported by

the London boroughs of Merton, Wandsworth, Richmond, Kensington & Chelsea and Barking & Dagenham.

Your business could also benefit from the project like Prontaprint, if it's based in the Borough FREE of charge.

For further enquiries, kindly contact our business relationship manager on 020 8724 8295 and karthik.durgaprasad@lbbd.gov.uk



Securing the future of pensions

Jenny Jones AM
 Chair, Economy Committee
 City Hall
 The Queen's Walk
 London
 SE1 2AA

RECEIVED
 16 JAN 2015

15 January 2015

Dear Baroness Jones,

Economic impact of climate change in London

The NAPF is the voice of workplace pensions in the UK. We speak for over 1,300 pension schemes that provide pensions for over 17 million people and have more than £900 billion of assets. We also have 400 members from businesses supporting the pensions sector.

We aim to help everyone get more out of their retirement savings. To do this we spread best practice among our members, challenge regulation where it adds more cost than benefit and promote policies that add value for savers.

We are grateful for the opportunity to input in to your investigation into how London can respond to the potential impacts of climate change on London's economy, in particular the role that can be played by pension funds.

You are absolutely right to assert in your letter that investors can play an important role in this important agenda by supporting the businesses in which they invest to take the necessary steps to adapt to these new challenges to their business models.

For context, I would like to firstly draw to your attention the results of our annual survey of our largest pension fund members with respect to their approach to engagement with investee companies. The results from our 2014 survey, which constituted members representing in excess of £400bn of assets under management, were clearly encouraging:

- 94% agreed that institutional investors (including pension funds) have stewardship responsibilities which include engaging with companies and voting shares.
- 90% also agreed that extra-financial factors – including environmental, social and governance factors – can have a material impact on the fund's investments in the long-term.
- Finally, not a single respondent disagreed with the statement that active consideration of risks to a company's long-term sustainability, such as environmental, social or governance factors is compatible with its fiduciary duty.

These results I hope illustrate that pension funds are continuing to grasp that there are emerging risks to their investment portfolios which, as with climate change, may materialise over the longer time horizon over which pension are typically investing.

The NAPF's own Responsible Investment guide which was published in March 2013 describes how the possible long-term financial implications of risks such as climate change are becoming increasingly apparent and therefore are of particular relevance to long-term investors. In addition, we explain how pension fund beneficiaries on the whole want to retire with a good pension and into a world characterised by a healthy environment, vibrant economy and peaceful society. The assets therefore that pension funds own and have oversight of can play an important role in determining the future society member's face and thus, the real value of their retirement income.

It is equally important however, to acknowledge the limitations pension funds have in influencing this agenda:

1. Firstly, pension funds in the UK are commonly fairly small, have limited resources and commonly delegate day-to-day investment decision making to investment managers.
2. Secondly, over the past decade or two, as many pension funds have matured the proportion of their assets invested within equities, UK equities in particular, has been on a downward trend – this figure currently sits at around 10%.

Steps taken by pension funds

Pension funds traditionally have a very wide range of investments across all asset classes and in all geographies. Trustees as fiduciaries have a responsibility to the fund's members to ensure that the pension promises are able to be met; for many funds this will include beneficiaries whom may not be retiring for many decades to come. Pension funds will therefore commonly work with and through their investment managers and advisers to try and ensure that all material risks within their portfolios are understood and subsequently, as far as is feasible, managed and mitigated.

As the results of our Engagement Survey demonstrate, pension funds' expectations of their investment managers in this area are increasing. More questions are being asked during the manager selection process and more time is being spent holding their agents accountable post appointment with respect to how they have engaged with individual companies, exercised their voting rights and more broadly managed the risks to their investments.

There is undoubtedly a transition taking place; the level of detailed analysis which is being produced by brokers has advanced drastically in recent years. In response the level of understanding across the investment industry is growing; in turn pension funds are asking more questions internally and externally of their investment managers. Equally, many energy companies themselves are also going through a transition and many of the larger companies are now significantly reducing their exposure to coal, or indeed exiting their coal assets entirely.

Engagement by investors is a core driver of this and engagement extends from pension funds as the providers of capital through their fund managers to the investee companies.

To further assist this conversation, the NAPF recently established a series of Stewardship Accountability Forums to provide pension funds of all sizes with the opportunity to collectively question the senior figures within leading asset management firms about their approaches to being good stewards of their assets. These Forums are designed to equip pension funds to be able to more easily ask the difficult questions of fund managers and ultimately press for the highest standards of stewardship in the interests of their beneficiaries. It is envisaged that issues such as the efforts fund managers are taking to understand and mitigate climate risks would be raised within these Forums.

In terms of shifts in portfolios going forward, maturing pension funds in particular, are giving ever greater attention to investment in infrastructure, and clearly renewable infrastructure will be a part of that. Indeed the NAPF has played a core role in creating the Pensions Infrastructure Platform (PIP). The PIP is a not-for-profit, infrastructure fund, by pension funds and for pension funds, aligned to the long-term interests of the UK pension funds who will be its main investors. This is the first time UK pension funds have combined to create such a financial entity in the UK.

Whilst many trustee boards are giving much thought to their level of carbon exposure and risk, any response is not immediately straightforward and naturally the appropriate response will vary dependent upon the size of the fund, its liabilities and its investment approach. A rapid response, for example exiting all oil and gas stocks could mean severe losses of revenue likely over a sustained period of time. Given the composition of the FTSE index in the UK such an approach could be particularly problematic and complex for UK pension funds. A balanced approach is thus needed.

Political commitment

More broadly, there are of course existing investor groupings such as the Institutional Investors Group on Climate Change (IIGCC) to which a significant number of the larger pension funds are members. The IIGCC's membership represents investments worth in excess of £7 trillion. This sizable coalition of investors is a strong signal that many very large investors recognise climate change as a risk to their long-term portfolios; wish to understand these risks; share best practice and engage with policy makers in different markets to encourage putting in place the policies that would lead to a shift to a lower carbon economy.

Most importantly, investors globally will rightly be looking at the Paris climate conference later this year for a clear signal that there is firm international political commitment to act. The evidence over the past year or two has understandably knocked confidence in this regard.

The 2014 Global Investor Statement on Climate Change set out steps that institutional investors (both asset owners and asset managers) can take to address climate change, and called on governments to support a new global agreement on climate change by 2015, in addition to national and regional policy measures. Strong political leadership with more ambitious policies are needed in order for institutional investors, including pension funds to scale up their investments in areas such

as renewable energy, energy efficiency, sustainable land use and climate resilient development, thereby benefitting beneficiaries, and society as a whole.

As always we would be very happy to discuss further with you any of the points we have raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Will Pomroy', with a long horizontal flourish extending to the right.

Will Pomroy
Policy Lead: Corporate Governance & Stewardship
NAPF



Baroness Jones of Moulsecoomb
City Hall
The Queen's Walk
London SE1 2AA

Andrew Bailey
Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority
T 020 7601 4293
andrew.bailey@bankofengland.co.uk

29 January 2015

Dear Baroness Jones,

Thank you for your letter of 25 November. While we have unfortunately missed your event of 5th December, my colleagues here at the PRA would be interested in learning more about your findings.

As you mentioned, in your letter, the PRA accepted an invitation from Department for Environment, Food and Rural Affairs (Defra) in April 2014 to complete a climate change adaptation report, focused on insurance. We are grateful for your input into this report per our consultation meeting with the London Assembly Economy Committee at the PRA last September. We expect to deliver the completed report to Defra by July, which will then be subject to a consultation period, before being published.

In your letter, you also made reference to London firms having invested significant resources in fossil fuels which are at risk of falling in value as a result of government action to mitigate climate change, or of the growing divestment movement. The Bank's latest correspondence on this issue can be found in Governor Carney's letter to the Environmental Audit Committee in October (available on the Bank's website, along with further details on our work in this area, as per the link below).

<http://www.bankofengland.co.uk/pru/Pages/supervision/activities/climatechange.aspx>

As you may already be aware, the issue was also discussed at the recent Treasury Select Committee hearing on the Bank's Financial Stability Report (14th January 2015).

Thank you also for your question regarding the banking industry. At this stage our work around this topic remains focused on insurance as we prepare to deliver our report to Defra by July.

Yours sincerely,

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a small dot above the 'i' in Bailey.

Andrew Bailey

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Baroness Jones of Moulsecoomb AM

City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA011214-3493

Date: 23 FEB 2015

Dear Jenny

Re: Key questions: Economic impact of climate change

Please accept my apologies for the delay in responding to your letter of 25 November 2014 about the Economy Committee's investigation into how London can respond to the potential impacts of climate change on London's economy. I believe London's resilience to extreme weather today and further climate change in the long-term is critical to our quality of life, our position as a world city and an important element of our economic security.

My Climate Change Adaptation Strategy identifies the key climate risks to London and provides a framework to start managing these.

Your investigation has raised some profound questions, some of which I am able to answer now and some that will require further consideration before they can be fully responded to. In the meantime, I hope that the following points are helpful to your investigation.

How is the need to respond to climate change risks being incorporated into the (LEP's economic development) strategies?

As you are aware, the LEP has chosen to focus on four priorities: skills and employment; digital, creative, science and technology sectors; micro, small and medium-sized enterprises; and infrastructure. To date, the LEP has focussed on embedding climate resilience into the infrastructure element of its work as climate change is more apparent over the lifetime of infrastructure. As you know, my infrastructure Delivery Board is leading on this for the LEP.

Whilst the 'Enabling Infrastructure' report¹ that is part of my draft Infrastructure Plan strongly recognised the need to ensure that infrastructure is designed, located and managed to take account of our changing climate, many consultation responses highlighted that the main Plan document should be stronger on this. I will ensure that the risk and opportunities presented by our future climate is clearly addressed in the updated Plan.

MAYOR OF LONDON

What steps do you think should be taken at a London-wide level to help map the supply-chain dependencies in the city's economy?

While an understanding of supply chain dependencies across multiple sectors could be valuable, it would be a very complex task to undertake and the results likely to become quickly out of date. It therefore could turn out to be an expensive piece of research without a useful output in practice. I will ask the London Climate Change Partnership to review whether there are discrete pieces of research that could be undertaken to help the city become less vulnerable to the impacts of climate change given London's many global supply chains.

What steps do you think should be taken by regulators and investors to identify the scale of this risk and manage it effectively?

The Mayor's climate and energy programmes are set up to help build London's low carbon economy and coordinate activity aimed at attracting inward investment. London has had significant success in encouraging sectoral clustering, for example, in the creative and cultural industries, and the legal and financial sectors, to help drive economies of scale. These already provide key strengths for London in the low carbon economy, having diversified their offer to respond to the growing demand across the value chain for environmental goods and services.

It is now important for London firms to undertake long-term infrastructure planning across all sectors to both develop sustainable solutions and diversify within their portfolios – with the view to helping build low carbon markets in the capital. Regulators have a clear role to play also in providing the right framework; one that will help facilitate a diverse portfolio of low carbon generation technologies; and, an efficient and low-carbon range of generating assets across London.

How could smaller businesses be better supported to take necessary steps?

The LCCP is working with Federation of Small Businesses (FSB) to look at how to support micro, small and medium sized businesses in preparing for climate impacts (working with business-to-business organisations is a more effective channel than trying to engage them directly). Part of this work involves promoting the Climate UK Business Health Check. See <http://www.businessresiliencehealthcheck.co.uk/>.

What work is underway to assess the scale of any shortages (skills) and how can they be addressed?

The LEP recognises the key role that skills play in London's labour market, and in early 2013 a principal of a large east London further education college was invited to join the Panel as a permanent member.

The LEP welcomes the freedoms and flexibilities that skills providers in London use in planning to deliver the changing skills that employers demand. The UK Commission for Employment and Skills publishes data around regional skills demands - including skills gap vacancies - which providers use in their planning to build on dialogue with local employers.

Under the Government's Local Growth Deals, the LEP in London is now responsible for the Further Education Capital Investment Fund worth in excess of £120 million. The fund's prospectus – which promotes the Mayor's RE-FIT programme – welcomes applications that support investment in buildings and equipment that make energy and efficiency savings, as well as those applications to develop learning facilities in which Londoners can gain the skills that can contribute to the green economy. The LEP is also working with the Construction Industry Training Board to identify and start to address the skills shortages across the sector.

MAYOR OF LONDON

What are the main opportunities for London firms, and what role could you and L&P play in supporting them?

London has a strong concentration of expertise in the field of climate services. The capital is home to many of the world's leading engineering, architectural, professional and financial services companies. We have four of the world's leading universities and the Climate KIC. We therefore have pedigree in this growing field.

My officers have undertaken a research project with the London Climate Change Partnership to define, measure and predict the 'adaptation economy' (a subset of the Low Carbon, Environment Goods and Services' economy that looks at addressing the risks and opportunities from a changing climate). The research found that London is already a world leader in the adaptation economy, second only to New York. A workshop was held on the 15 January 2015 to agree the actions that will support London businesses secure a greater share of the estimated \$1.5trillion global market in this area. The workshop was chaired by Sue Perkins, a member of the LEP. Representatives from London & Partners also attended the workshop and are keen to promote London as both a safe place to do business and invest in and our skills and services in this field. I will provide you with a copy of the research and workshop findings when they are published.

Yours ever,



Boris Johnson
Mayor of London

Cc: Kit Malthouse AM, Vice-Chair, London Enterprise Panel
Harvey McGrath, Vice-Chair, London Enterprise Panel
Matthew Pencharz, Senior Adviser, Environment and Energy, Greater London Authority

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Subject: Internships in London

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 This paper sets out for noting the Mayor's response to the Committee's findings and recommendations with regards to internships in London.

2. Recommendation

- 2.1 **That the Committee notes the Mayor's response to the Committee's work on internships, as attached at Appendix 1, and notes the follow-up actions taken by the Committee, as detailed at Appendix 2.**

3. Background

- 3.1 The Committee has been investigating the extent of internships in the capital, as well as their accessibility to all young Londoners.
- 3.2 In December 2014, the Committee published the summary of findings from its investigation into internships in the capital and wrote to the Mayor with a series of recommendations. The full summary and letter to the Mayor can both be found on the London Assembly website at: www.london.gov.uk/mayor-assembly/london-assembly/publications/internships-in-london.

4. Issues for Consideration

- 4.1 The Mayor has now responded to the Committee's letter. A copy of the Mayor's response is attached at **Appendix 1**. **Appendix 2** sets out the Committee's recommendations against the Mayor's response and, where relevant, follow-up action taken by the Committee

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1 – Response from the Mayor of London on internships, 26 January 2015

Appendix 2 – Internships in London: summary of progress on recommendations

Local Government (Access to Information) Act 1985
List of Background Papers: None
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MAYOR OF LONDON



Baroness Jones of Moulsecoomb AM
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA031214-3685

Date: 26 JAN 2015

Dear Jenny

Thank you for your letter of 3 December 2014 about the Economy Committee's investigation into Internships in London.

Below is my response to the key findings of your work on Internships and four recommendations as outlined in your letter:

1) The Mayor should develop a policy position on internships and take a leadership role in promoting good quality paid internships in London.

I am supportive of having good quality paid internships in London that pay at least the national minimum wage, if not the London Living Wage (LLW), and am leading by example by ensuring that the Greater London Authority Group pay the LLW to all staff members, including interns and apprentices. My policy position remains to promote the London Living Wage to employers across London and to work towards making it the norm by 2020.

2) The Mayor should be part of an awareness-raising campaign on the rights of interns.

3) The Mayor should commission more research to understand the role of internships in London.

Given the lack of robust data on the extent of internships, I would be happy to commission research to better understand the role of internships in London, including what would be most effective to promote and/or raise awareness on internships and to explore the proposal for maximum length of time of any unpaid internships. Therefore, I do not suggest running a separate campaign on internships until more details on the issues are known, when I will re-consider.

MAYOR OF LONDON

If you require any further information or assistance do not hesitate to contact the lead policy officer in my Economic and Business Policy team, Forogh Rahmani on 020 7983 4111 or by email at Forogh.Rahmani@london.gov.uk.

Yours ever,



Boris Johnson
Mayor of London

Committee’s recommendation	The Mayor’s response	Committee follow-up actions
<p>Recommendation 1 The Mayor should develop a policy position on internships and take a leadership role in promoting good quality paid internships in London.</p> <p>The Mayor’s policy position would set out the benefits of paid internships for young people and employers. It would also include a key message that any internship longer than four weeks should be paid at least the National Minimum Wage. We welcome the GLA group’s policy of paying its interns the London Living Wage and this position statement should encourage other employers to pay interns the London Living Wage.</p>	<p>The Mayor gave his support to good quality paid internships in the capital that pay at least the National Minimum Wage, if not the London Living Wage.</p> <p>The Mayor highlighted how the GLA pays at least the London Living Wage to all staff, including interns and apprentices.</p> <p>The Mayor reaffirmed his commitment to promoting the Living Wage to London’s employers and making it the norm by 2020.</p>	<p>The Committee has since written to the Deputy Mayor seeking a clear Mayoral position on whether interns working longer than four weeks should be paid at least the National Minimum Wage.</p>
<p>Recommendation 2 The Mayor should be part of an awareness-raising campaign on the rights of interns.</p> <p>The Mayor should work with campaigning organisations, employer groups, professional bodies and others to raise awareness of the rights of interns to be paid the National Minimum Wage and promote good practice guidelines, for example UK Music’s recently-published <i>Internship Code of Practice</i>. Fundamental to this would be clearly stating the benefits for businesses of paying interns. To support this campaign the Mayor should harness the GLA group’s regular contact with employers and young people, as well as its web, press and social media presence.</p>	<p>The Mayor will not run a separate campaign on internships until more details on the issues are known. He will re-consider, once more information is available.</p>	

Recommendation 3

The Mayor should commission more research to understand the role of internships in London.

The Mayor’s research should examine the use of internships by demographics of interns, level of pay, sector, employer size and job outcomes. Helping to address the lack of robust data would also help the Mayor to decide how to target any further interventions on internships, beyond the two recommendations above, particularly for sector-specific work.

The Mayor stated that he would be happy to commission research to better understand the role of internships in London. This research would examine what would be most effective to promote and/or raise awareness of internships and explore the proposal for a maximum length of time of any unpaid internships.

The Committee has since written to the Mayor seeking further information on the commissioning of this research.

Subject: Economy Committee Work Programme

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 5 March 2015

This report will be considered in public

1. Summary

- 1.1 The Committee receives a report monitoring the progress of its work programme at each meeting. This report reviews the Committee's work in 2014/15. A report setting out an indicative work programme for the 2015/16 Assembly year will be agreed at the Committee's meeting in June 2015.

2. Recommendations

- 2.1 **That the Committee notes this record of its work in the 2014/15 Assembly year.**
- 2.2 **That the Committee delegates authority to the Chair, in consultation with party Group Lead Members, to agree the indicative work programme, including the topics for the first two meetings, for the 2015/16 Assembly year, subject to a decision of the London Assembly at its Annual Meeting to re-establish the Committee.**

3. Background

- 3.1 The Committee was re-established at the Annual Meeting of the London Assembly held on 15 May 2014 to lead on the Assembly's work in relation to economic development, wealth creation, social development, culture, sport and tourism. It will have met formally in public eight times between May 2014 and the end of March 2015. This paper sets out a brief record of the Committee's work programme for that period.

4. Issues for Consideration

- 4.1 The Committee launched an investigation into the **risks to the London economy from climate change**. The Committee held meetings on this topic in June and October 2014 with a range of guests from business and the climate change sector. In December 2014 the Committee published a report summarising the views and information received so far in the investigation. The report was launched at a business engagement event held at City Hall in partnership with Team London Bridge (the local Business Improvement District).

- 4.2 In July, the Committee questioned the Deputy Mayor for Business and Enterprise, Kit Malthouse AM and Dr Gerard Lyons, the Mayor's Chief Economic Advisor, on **matters of importance to London's economy** and Dr Lyons' report on **London's relationship with the EU**. The Committee subsequently exchanged a number of letters with Dr Lyons to clarify issues brought out by this discussion, including one received by the Chair on the 15 January 2015, as attached at **Appendix 1**.
- 4.3 The Committee continued to follow up on the Assembly's work on **food poverty**. In July 2014, the Committee submitted written evidence to the inquiry of the All-party Parliamentary Inquiry into Hunger in the UK. In December 2014, the All Party Parliamentary Group published *A strategy for zero hunger in England, Wales, Scotland and Northern Ireland*, echoing the Assembly's own call for a Zero Hunger London. The inquiry's evidence review also quoted the Committee's submission, in particular the need for strategic oversight of initiatives tackling food poverty. The Committee is currently seeking an update from key stakeholders on the current extent of food poverty in the capital and progress in tackling it.
- 4.4 In September 2014, the Committee were hosted by the **Bank of England** for a briefing on financial services regulation. In late March 2015 the Committee will host a discussion event on the **future of the capital's financial services**. A formal report from this event will be presented at the Committee's meeting in June 2015.
- 4.5 In October 2014, the Committee concluded its investigation into **apprenticeships** in the capital. The report's recommendations centred on a proposal for the Mayor to produce an Apprenticeship Action Plan. The Mayor accepted this recommendation; The Mayor's response to the report is considered more fully under Agenda Item 7.
- 4.6 The Committee investigated the issue of **personal problem debt** in the capital. The Committee held two formal meetings with key experts and stakeholders in November and December 2014. The Committee will publish the report from this investigation by late March 2015.
- 4.7 In December 2014, the Committee published a summary of findings from its exploration of **internships** in the capital. Based on this evidence base the Committee wrote to the Mayor with recommendations for action. The Mayor accepted the Committee's recommendation to conduct research into this issue; the Mayor's response to the Committee is considered more fully under Agenda Item 9.
- 4.8 In January 2015 the Committee met with members of the **London Enterprise Panel's SME and Skills and Employment Working Groups** and the **Deputy Mayor for Business and Enterprise**. The Committee discussed a number of issues including London's economic outlook, initiatives aimed at support for SMEs; devolution of skills and employment programmes; the Mayor's commitments on job creation, apprenticeship starts and the promoting the London Living Wage; the Committee's findings and recommendations on the issue of internships; and the work of London & Partners.
- 4.9 In March 2015, the Committee will examine difficulties faced by **smaller microbusinesses** in the capital. The background for the discussion is covered at Agenda Item 6.

Work Programme for 2015/16

- 4.10 Subject to agreement by the Assembly at its Annual Meeting on 13 May 2015, the Committee's meeting slots in 2015/16 are scheduled on the following dates:

Thursday 18 June 2015 at 10.00am	Tuesday 8 December 2015 at 10.00am
Tuesday 14 July 2015 at 10.00am	Thursday 21 January 2016 at 10.00am
Thursday 10 September 2015 at 2.00pm	Wednesday 24 February 2016 at 10.00am
Thursday 15 October 2015 at 2.00pm	Tuesday 15 March 2016 at 10.00am
Tuesday 24 November 2015 at 10.00am	

- 4.11 The Committee is recommended to delegate authority to the Chair, in consultation with Group Lead Members, to agree its indicative work programme for 2015/16, including the topics for the first two meetings following the Committee's re-establishment.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1 - Letter from Dr Gerard Lyons to the Chair, dated 23 December 2014

Local Government (Access to Information) Act 1985
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List of Background Papers: None

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MAYOR OF LONDON

**Jenny Jones AM**

Baroness Jones of Moulsecoomb
Chair, Economy Committee
Greater London Authority
City Hall
The Queen's Walk
London, SE1 2AA

Date: 23 December 2014

Dear Jenny

The Europe Report

Many thanks for your additional questions on the Europe Report. Please find enclosed my answers.

First, regarding reforms. In answering your question let me give some background so that you and the Committee understand our thinking and hence the approach we took. There were many different aspects to the Europe Report, of which the outside forecasting work was one, albeit important, component. The aim of the outside work was to have an independent econometric analysis to supplement the other elements of the Report, and act as an independent benchmark. Having taken that approach we then appointed Volterra, who are on the approved vendor list at the GLA. As this forecasting aspect of the work was independent it was not for us to tell them what specific reforms to include.

Moreover, the advice we received from Professor Paul Ormerod, who was to be one of the two main people overseeing the longer-term forecasts included in the Report, concurred with my thinking based on years of econometric forecasting. His comment to us was, "The idea that there is a unique one-to-one correspondence between inputs and outputs is a fundamental feature of conventional thinking about economics. As Harstad and Selten, for example, stated in the prestigious *Journal of Economic Literature* in 2013: 'The fundamental tool of neoclassical economics is an objective function that maps the space of all relevant decision variables into a real scalar'. Increasingly, this is seen as a limitation of the discipline. This is not to detract from its many achievements, rather to point a way in which economics can be developed even further. So there are several ways in which supply side reforms can be articulated, which would lead to the same output. I do not think it is useful to privilege one set over the others. This is also relevant to the point about self-employment and flexible working."

In addition, the challenge was even greater because trying to map out a one-to-one correspondence becomes more difficult the further ahead one projects. Yet, and as I explained in testimony to the Committee, any short-term analysis may tend to be biased towards the status quo, whatever it is, and in this case remaining in an as yet unreformed

EU. Thus, a longer term forecast horizon was needed to provide forecasts that best captured the four scenarios outlined in the Report.

As a result, we chose to look at forecasts based over a time period that could be generally felt as capturing a couple of economic cycles, hence a twenty year forecast period was chosen. Moreover, while the analysis was robust, the margin of errors in such forecasts means the outcomes should be taken as providing a broad guide to possible outcomes as opposed to likely pinpoint accuracy. Given this, the focus was then on capturing best what we felt would reflect the four different scenarios. Hence the focus on supply side reforms to reflect a reformed EU.

In regards to your point that included mention of self-employment and flexible working, there may well be some productivity gains to flexible working in specific firms, but it would be difficult to attempt to quantify this fully as vital to assumptions made on forecasting long-term productivity growth of a large national economy such as the UK or even a major city such as London, as opposed to say a single employer. Changes in productivity reflect many factors, and this is a current key area of debate within the UK, where there is a productivity puzzle, as productivity has been relatively low. Working practices may be one of many factors contributing to this. Indeed in the recent economic cycle, rising unemployment was not the outcome as many economists had expected, but instead employment rose and instead wages appeared to act as a shock absorber. There was a change in working practices, seen in higher numbers in part-time as well as in full-time work, and more people on zero hour contracts. Apprenticeships continued to rise, too. The Report showed that in a number of future economic scenarios, employment in London would continue to rise. With many competitive and innovative employers, and with high rates of new firm growth, this should mean that over the twenty year time horizon of the forecast, new working practices are inevitable. We are not assuming an abolition of workers' rights, or a race to the bottom to compete solely on low costs, far from it. The Volterra appendix in the Report makes clear that innovation is a key aspect of the positive growth forecasts. This should allow a healthy employment environment if the policy environment is sensible and hence two of the four scenarios were clearly more favourable.

This is linked into your second and third questions. An ongoing comment made by various businesses was the scale of regulation. I have called it a 'regulatory paradox', as the point was sometimes made that in isolation individual regulations were fine, but collectively there were problems particularly in terms of costs associated with a heavy 'weight' of rapid regulatory expansion. Another general point made was linked to the need to open up the service sector. The possible reforms came up throughout the process, both before Volterra's work and after. Also, the technical appendix contained some specifics linked to different sectors. The TUC made clear to us their view, which is on the record, and the importance of workers' rights. The TUC were keen for the posted workers directive to be reformed so that social taxes were paid in the domestic market in which people are working, which would mean NI being paid in the UK. They supported EU membership as long as it was seen by them as being in the favour of their members. We did not make any major assumptions about changing workers' rights, we only specified the need for the UK to secure a permanent opt out of the Working Time Directive (so maintaining the current arrangement) and the need to return other limited areas of concern to UK national control (such as health and safety).

MAYOR OF LONDON

We asked Professor Omerod to comment on your last question. His reply was, "It is precisely economic development and wealth creation which enhances both the environment and health. The connections, for example, between income per head and both life expectancy (positive) and infant mortality (negative) are established beyond any reasonable doubt." Whilst you may state that it is unacceptable that the Report does not feature a more thorough analysis on several non-economic areas, among them on health and environment, we have touched on several impacts of reform or exit on the environmental and health sectors in the Appendix.

Regarding your request that we undertake further work on the topic, if we were to do this, it would be a decision of the Mayor. That being said, we continue to monitor these topics and stay abreast of developments and aim to anticipate any key developments that will impact the London economy, and peoples' economic wellbeing.

Yours sincerely

A handwritten signature in blue ink that reads "Gerard Lyons". The signature is fluid and cursive, with a horizontal line underneath the name.

Dr Gerard Lyons
Chief Economic Advisor

