

Annual Report 2007



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for London**

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DEVELOPMENT
AGENCY

MAYOR OF LONDON

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics form a basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit is funded by the Greater London Authority (GLA), Transport for London (TfL) and the London Development Agency (LDA).

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Foreword

The past five years have been exciting ones in London. We have seen a new city government, the introduction of major initiatives like the Congestion Charge and the building of foundations for our city's sustained future success through new strategic policies and frameworks, and major initiatives like Crossrail. Perhaps most exciting of all, the very way we view and think about the city has changed. GLA Economics has been at the forefront in all these developments.

Five years ago, GLA Economics was set up to provide the GLA Group with good, careful and accurate analysis to inform policy-making and decision-taking. It is difficult to believe now, but at that time, we were explaining the trends behind London's growth and economic change in the capital to a sometimes sceptical audience in Government and beyond. That these are now widely understood, and the underlying analysis accepted, is largely due to the unit's excellent work.

GLA Economics has charted London's tremendous economic success. I am clear that maintaining that success means taking effective action in three linked fields. First, it means maintaining the strength of the capital's economy - without this there will not be the resources to deliver our other objectives. Second, it is vital that all Londoners share in their city's success - if not, quality of life will break down and support for the city's international openness will be lost. Finally, success must be sustainable in the long term - challenges to this, like climate change, must be understood and responded to. As this report makes clear, GLA Economics' work has been of real benefit in helping the GLA Group make progress across all of these themes.

The unit has played an important role in helping us understand the forces driving our city's success. Its work has charted the importance of globalisation in underpinning London's economic success and the challenges and opportunities it poses, publishing in-depth analyses of key sectors like financial services and exploring the importance of the key emerging markets. It has also made sound economic arguments to the case for major infrastructure projects central to the capital's future prosperity, like Crossrail and the Thames Gateway Bridge. This year has also seen the completion of GLA Economics' work on a part of the economy of importance to every Londoner and to many of those who visit here - retailing.

GLA Economics has also made a major contribution to policy-making in the area of social policy and tackling exclusion. Its authoritative work on London's Living Wage has focussed attention to the issue of poverty wages in London. This is increasingly making a real difference in pay negotiations as more employers recognise the business case for paying a living wage. The unit is also playing an important part in our work on housing policy and on skills and employment.

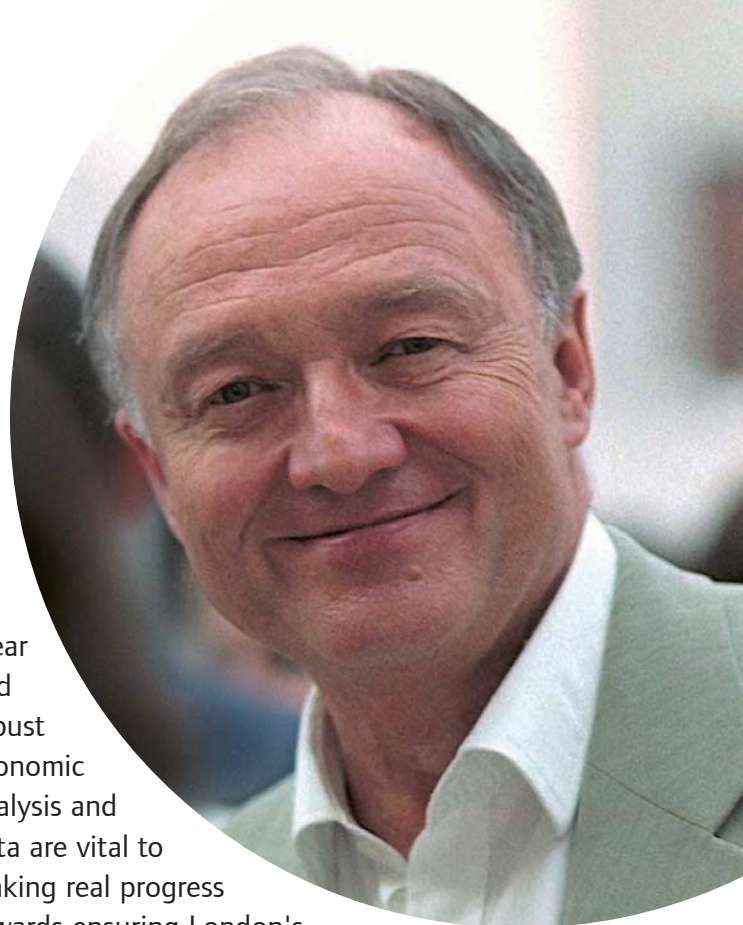
Clear and robust economic analysis and data are vital to making real progress towards ensuring London's growth is sustainable in every sense of the word. GLA Economics has been at the centre of the GLA Group's work on climate change, and to the development of my Climate Change Action Plan. It has also supported Transport for London's work on the establishment of London's low emission zone.

While the unit has helped take forward all these key policy areas, it has also kept up the regular flow of information about the London economy that is indispensable to policy-makers and decision-takers. I am particularly pleased that it has established itself as the authoritative source of information and commentary about what is happening in London's economy.

As this Annual Report makes clear, GLA Economics has no intention of resting on its laurels. It outlines an ambitious work programme for the next year in the key areas I have set out above and in meeting the other challenges that will face one of the most successful global economies - and one of the most exciting cities - in the world.

I am delighted to commend this report. GLA Economics has been an integral part of our success over the past five years; it will have much to do in the next five, as we work towards 2012.

Ken Livingstone
Mayor of London



The range of activities that we undertake continues to expand and so do we. This year has seen the establishment of a second location for part of the team. Our two main sites are in City Hall and in Palestra, the new headquarters for the LDA. We think it is important that the economists have the opportunity to exchange ideas and work effectively as a team; we hope these two locations make this possible.

Matthew Waite is the Senior Economist who has taken charge of the team based in the LDA, while Christopher Lewis looks after the economists in the GLA. Margarethe Theseira manages our research partners, especially building up our expertise in economic geography while Duncan Melville is Deputy Chief Economist. I am especially grateful to the management team for making possible the expansion of our workload, while maintaining a high quality of publications and to Margarethe for continuing to relieve me of the day-to-day burden of administration of the Unit.

As I meet others interested in the London economy, I frequently get congratulated on the quality of our regular publications and the usefulness of our research. None of this would happen without a committed team at all levels.

For me, the year held several highlights. The range of events that we produce is impressive and require a lot of behind the scenes work from Daryl Rozario to ensure their smooth running. The most memorable seminar for me this year was the one I presented at with my head bleeding, having just fallen off my bike; at least I now always wear a helmet!

Another highlight has been the establishment of a better way of thinking about detailed long-term projections. Duncan Melville has been responsible for developing our triangulation methodology to try and unpack the influence of demand, sites and transport capacity on employment projections.

It is essential to mention Crossrail – still the project which takes more of my own time than any other. While the Crossrail Bill is going through Parliament, this only gives the power to construct the railway. As important is the debate on how to fund it and we are undertaking both analysis and facilitating discussion of these important issues.

Of course, there are lots of other pieces of work that I have enjoyed being involved with this year. Thinking about the Western extension to the Congestion Charge zone, reviewing the Stern report on climate change, and reviewing London's tax exports are just a few issues where members of the team have done excellent and challenging work.



It is important not to lose sight of blue sky research and the importance of academic input. I value our relationship with the Centre for Advanced Spatial Analysis (CASA) at UCL and the opportunity this affords to consider wider issues of how to model cities and urban development as well as the role of transport infrastructure. Many of the important areas of policy that we consider are under-researched and we need help to develop new models and tools of analysis.

Cities are dynamic and exciting places that do not stand still. In economic terms they are far from equilibrium. Modelling approaches and techniques which allow for this phenomenon are still in their infancy and we will be making our own contribution to their development.

Finally I would like to thank all staff within GLA Economics and everyone inside and outside the GLA with whom we have worked over the past year.

Bridget Rosewell
Consultant Chief Economist, GLA Economics

Introduction

Welcome to the fifth annual report from GLA Economics. We were established in May 2002 to provide high quality analysis and information about the economic issues facing London. GLA Economics is jointly funded by the Greater London Authority (GLA), Transport for London (TfL) and the London Development Authority (LDA) to provide a sound economic evidence base for investment and policy decisions made within these organisations. The LDA fund additional posts within GLA Economics that enable them to have economists from GLA Economics based in the LDA organisation. The purpose of these additional economists is to further improve the effective use of economic analysis within the LDA.

GLA Economics has always covered a wide variety of research areas to cover the wide ranging policy areas of its funding bodies. Additional powers for the Mayor and the GLA were announced by the Department of Communities and Local Government on 13 July 2006. These give the Mayor new powers on housing and adult skills in London; a strengthened role over planning in the capital; and additional strategic powers in a wide range of policy areas including waste, culture and sport, health, climate change and appointments to the boards of the functional bodies. Consequently, the focus of the unit is not only on monitoring and understanding London's economy in its local, national and international context but we have further broadened our research interests to include issues related to skills and housing supply. The research topics are agreed and prioritised by the unit's funding bodies.

The work of GLA Economics is governed by a service level agreement between the GLA and TfL and the LDA. A steering board comprising representatives from the funding bodies oversee GLA Economics' work and met on a bi-monthly basis. This group agrees the unit's work programme and priority research areas.

This report covers the period April 2006 to March 2007. This report fulfils a requirement of the service level agreement between the funding bodies of GLA Economics to clearly show what the unit has achieved in the previous financial year.

Within this report is a summary of the research projects undertaken by the team, along with the unit's finances and a brief overview of projects that are planned for the coming year.

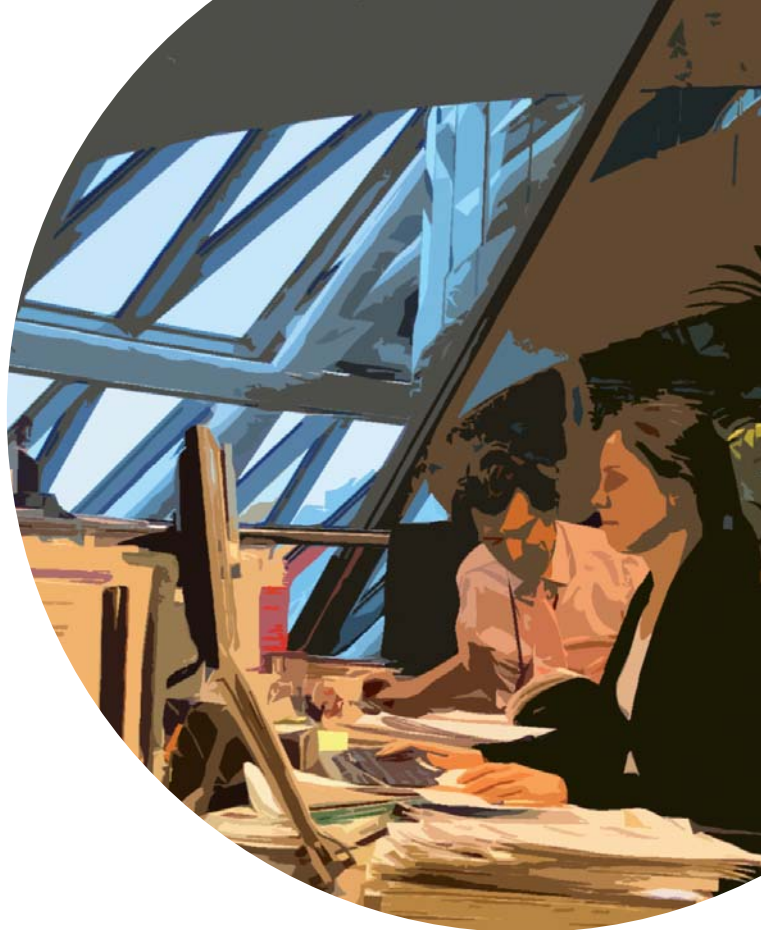


Staff

Bridget Rosewell of Volterra Consulting Ltd. is the unit's consultant chief economist. During 2006/07, there were a number of changes within the staffing of GLA Economics. We gained an additional international economist and a trainee housing economist post and had changes of staff to five of our posts.

Over the course of the year the team helped develop the LDA's Local Area Tourism Impact (LATI) model, which produces estimates of tourism activity at the borough level. In order to cover this and other related tourism work along with a greater focus on inward investment and trade, Stephen King, who worked for us in a temporary capacity early in 2006, was recruited to the new international economist post in July 2006.

To help with the evidence base surrounding the housing policy of the GLA, Sandeep Sankoli was appointed as a trainee housing economist in September 2006 via a two-year Positive Action Training Highway (PATH) scheme. PATH National Ltd is a skills development agency. The trainee housing economist post has been jointly financed by GLA Economics and the GLA Housing and Homelessness team. While working at the GLA, Sandeep (as part of the PATH scheme) is also studying part-time for a postgraduate degree.



GLA Economics Staff	
Consultant Chief Economist Bridget Rosewell	
Senior Manager Margarethe Theseira	Senior Economists Duncan Melville Christopher Lewis Matthew Waite
Marketing and Publications Manager Daryl Rozario	Economists Lubomira Anastassova-Chirmiciu Alan Freeman Kathryn Grant Ioannis Kaplanis Stephen King Simon Kyte Richard Prothero Elizabeth Smart Leticia Veruete-McKay Alan Wood
Administrator Julie Hill	Trainee Economists Katerina Angelopoulou Sukhdeep Dhillon Andrew Harker Sandeep Sankoli

Aishah Afzal joined us as an economist in January 2007 on a temporary basis funded by the GLA to recompense for time spent on UNISON duties by Alan Freeman.

Three economists, Adarsh Varma, Rachel Wilson and Patricia Seex left the team. Adarsh and Rachel moved on to new employers whilst Patricia is on secondment to the Institute for Public Policy Research. To replace them we welcomed Simon Kyte who joined us in September 2006, Alan Wood joined in January 2007 and Ioannis Kaplanis in April 2007. Alan and Ioannis are based in the LDA building and Simon in the GLA.

Anindita Ghosh, GLA Economics' administrator left the GLA in October 2006 to begin a post-graduate degree. Caroline Mortimer temporarily filled the administrator post between October 2006 and January 2007 until our permanent replacement, Julie Hill, started working with us.

Daryl Rozario became GLA Economics' Marketing and Publications Manager in July 2006. He replaced Rebecca Ryan who had held the job on a temporary basis from April 2006.

GLA Economics participates in the GLA student placement scheme from which two trainee economist posts have been recruited each year. From September 2005 to August 2006 Kamaldeep Dhaliwall and Rupika Madhura undertook these training positions. In September 2006, two new trainee economists, Andrew Harker and Sukhdeep Dhillon, started their one-year placement with us.

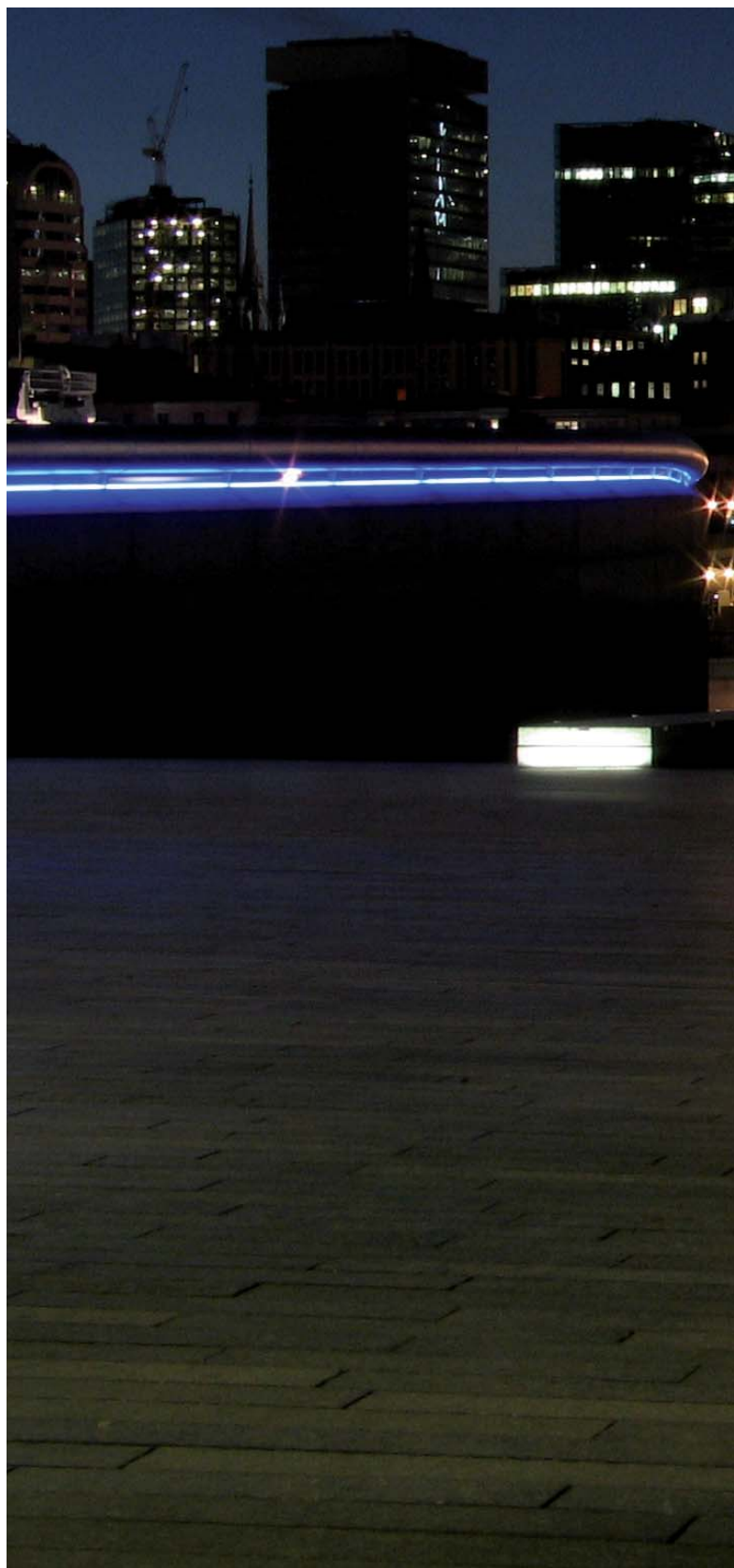
We also recruited a trainee economist to be based at the LDA. Over the last year, Rajesh Gami completed his placement with the LDA and was replaced by Katerina Angelopoulou. Rajesh has worked with GLA Economics in a variety of guises since September 2003; we thank him for his work and wish him well with the next phase of his economics career.

Tim Heinemann joined GLA Economics as a summer intern for three months (June – September 2006). He worked on issues surrounding business tourism in London as part of his studies.

For all of those who have worked with us over the past year we thank you for your contributions to the unit and wish you well for the future.

In the coming year

Since the beginning of 2007, the team has been involved in the development of the evidence base for the adult skills and employment strategy on behalf of the London Skills and Employment Board. In order to service the on-going analytical requirements of the Board a new labour market economist is due to start with the team at the beginning of June.





Work Streams

The work of GLA Economics is diverse. This section outlines the major work streams during 2006/07.

Monitoring the state of London's economy

Globalisation and its impact on London's economy

Globalisation has become an increasingly important 'context' for London's economy. Not that globalisation is a new phenomena – London has been trading with the rest of the world for centuries, and has always benefited from the exchange of people, ideas, goods and services that this entails. However, the pace of globalisation has increased dramatically in recent years, with the growth of new technologies and the reach of global financial and commodity markets. Globalisation brings with it both challenges and opportunities for London. London competes not only with New York, Paris, Frankfurt and Tokyo – but increasingly with Shanghai, Moscow, Mumbai and other emerging centres. London's pool of talent can play an important role here, by exporting their expertise (for example, in the fields of law, accountancy, business development, and even economics!) and developing mutually beneficial relationships. With London's positive approach to change, innovation and immigration, the opportunities for growth in this global economy are impressive.

Over the past year, GLA Economics has been involved in preparing briefings on globalisation and related issues for several key audiences – including a House of Lords debate and a Treasury Select Committee review.

GLA Economics has also produced in-depth analysis for its own readership. For example, a comprehensive chapter on globalisation – and its role in the financial services sector in particular – was included in the Autumn 2006 *London's Economic Outlook*. Additionally, the team have been continually responding to requests for data and analysis from the Mayor's Office and other teams around the GLA Group.

Emerging markets

GLA Economics has provided support to the LDA's Emerging Markets Unit on various economic issues. This included overseeing some work that looked at the opportunities that the emerging markets create for London. This work explored how the GLA group can help to maximise the benefits from future growth of emerging markets.

Further bespoke analysis of key emerging economies was undertaken as necessary to help inform the Mayor's activities in these markets. Other work to better understand London's international trade position fed into the UK Trade and Investment's strategy for London.

We helped the LDA commission Oxford Economics to produce a report giving base line emerging markets indicators.

Employment projections

Long-term employment projections are required by the GLA group to inform its various policies and programmes. In the past year, Volterra Consulting has updated GLA Economics' London-wide long-term employment projections. These numbers underpin the draft Further Alterations to the London Plan that are currently in the course of adoption.



There are several alternative methodologies that could be used to project long-term borough-level employment numbers. GLA Economics has developed a method to combine three different approaches for long-term borough-level employment projections based on trend projections, business site availability and transport accessibility measures. In October 2006, we published a working paper to explain the detail of this methodology and the latest set of borough employment projections using this approach was published in February 2007.

London's Economy Today

Policy makers need a timely interpretation of the latest economic developments in the capital to inform their decision-making processes. GLA Economics collates a wide range of economic indicators covering London, the United Kingdom (UK) and the international economy.

GLA Economics releases a monthly electronic newsletter called *London's Economy Today*. This e-zine provides an overview of the current state of the London economy and each issue has an interpretation of the latest economic developments. Discussion articles are also included each month to give a preview of the latest research findings from GLA Economics. Subscriptions to *London's Economy Today* have steadily increased and now stand at 2,100. We celebrated our fiftieth edition in October 2006.

London's Economic Outlook

Twice yearly, GLA Economics produces *London's Economic Outlook: The GLA's medium-term planning projections*. These reports contain:

- An overview of recent economic conditions in London, the UK and the world economies with analysis of important events.
- The consensus forecast – a review of independent forecasts indicating the range of views about London's economy.
- GLA Economics' forecast for output, employment, household expenditure and household income in London.
- An in-depth assessment of a topic of particular importance to London's medium-term future.

During 2006/07 *London's Economic Outlook* included articles concerning: globalisation and London's financial services sector; and forecasting London's economy.

Snapshot

Two editions of the *London Economic Development Snapshot* have been produced this year in July 2006 and January 2007. The aim of the *Snapshot* is to identify and review the progress of London's economy against the strategic objectives of the Mayor's Economic Development Strategy and provide a basis on which the LDA can review the priorities for London's economic development.

Sub-regional economic analysis

Over the past year, GLA Economics has produced sub-regional Snapshot reports, which illustrate the performance of each of London's five sub-regions against the EDS objectives where statistics are available, both for the existing sub-region boundaries and those proposed as part of the review of the London Plan. Economic profiles of each of London's boroughs have also been produced.

London modelling

GLA Economics sponsored Andrew Crooks through an Economic and Social Research Council (ESRC) studentship. Andrew researches economic sketch planning using complexity theory at the Centre for Advanced Spatial Analysis, University College London. His research uses ideas from complexity theory (e.g. emergence and positive feedback) to explore urban issues in the wider context of the problems facing a world city such as London.

He explores two separate urban issues: that of segregation (both residential and business) and secondly that of firm and residential interaction in the form of a bid rent style model. These are being exploited through the development of a number of spatial simulation models utilising and extending the Repast agent-based modelling toolkit.

The models are used to represent dynamic processes of change within the urban environment at different geographical scales where global patterns emerge from the local interactions of individual agents.

Bridget Rosewell has been exploring modelling strategies for urban development and its implications for infrastructure requirements. She has presented on the minimum conditions for urban existence at conferences in Oxford and Los Angeles.

Budget and Pre-Budget Report briefings

Over the last year GLA Economics has continued to produce an assessment of the spring Budget and autumn Pre-Budget Report (PBR). These assessments focus on the national economic and fiscal outlook and the implications this will have for public spending in the UK and London.

In addition, the implications for London of policy announcements in the PBR and Budget are assessed and commented upon. In 2007, alongside the Budget, the Treasury published its second report on the London labour market. The Treasury report included reference to GLA Economics' *Current Issues Note 12: Why are there so few part-time jobs in London?* written by Andrew Harker, one of our trainee economists. GLA Economics summarised and assessed the Treasury report on behalf of the GLA Group.

In the coming year

GLA Economics Research Fellowship in Urban Systems

GLA Economics are sponsoring a fellowship with the Centre for Advanced Spatial Analysis, University College London to improve our understanding of land use – transport modelling. The post will work alongside the Tyndall Centre which currently is focussed on an integrated assessment of climate change for Greater London and the Thames Gateway. It is intended that the GLA Group and other public sector bodies will use the model to inform a variety of policy debates, and to help define relevant roles involving transport and movement in Greater London. The post will research key problems of urban change in a world city using London as the focus, and will address issues involving house prices, segregation, employment and unemployment as well as issues of inward investment, economic regeneration and the developing of financial service locations using state-of-the-art techniques of GIS analysis.

Shortlisting for this post is underway and it is anticipated that the selected candidate will start in summer 2007.

Measuring world cities

GLA Economics continued working in this area. We commissioned and published an interim dataset covering 34 European cities, which will be used for benchmarking within the GLA group. GLA Economics continue working collaboratively to develop comparable city indicators. Following our participation in the Urban Audit experts meeting last year we presented a joint paper with Paul Cheshire from the London School of Economics at the OECD territorial indicators meeting in November 2006.

In partnership with IAURIF, the statistical office of Ile de France, we have developed a set of indicators comparing London and Paris. We are now working with IAURIF in the METREX (the Network of European Metropolitan Regions and Areas) economic indicators group to extend this collaboration to an initial representative selection of 15 European cities.

Global imbalances

GLA Economics has researched evidence on the current trade and financial imbalances in the global economy with primary attention given to the much publicised US current account deficit. This evidence will be published in the form of a working paper which will also investigate some of the possible implications for the London economy arising from global imbalances.

Sector studies

Retail

In October 2006, the GLA Economics publication *Retail in London* was published. This brought to a conclusion a two-year period of research by GLA Economics on the retail sector within London. Over this period, ten detailed reports on particular aspects of the sector – ranging from the West End and international comparisons, through employment trends and delivery issues to the challenges facing smaller retailers – were published.

The final *Retail in London* report summarised the major findings from GLA Economics' research programme on the retail sector. The report demonstrated in clear terms the scope and scale of retailing in London. Of every £10 spent by Londoners, almost £4 goes to the retail sector whilst nine per cent of Londoners work in the retail sector. Additionally, with over 40,000 shops in London, the retail sector plays a key part in sustaining the capital's network of over 1,300 town centres as well as being a key part of London's offer to visitors from outside the city.

Retail will play a vital part in London's future growth and development. The aim of the retail research programme was therefore to provide an evidence base for future policy and action for the London region. The results of this research are available in the eleven published retail reports available for download on the GLA Economics website
http://www.london.gov.uk/mayor/economic_unit/workstreams/retail.jsp

The Mayor established a Commission to look into the issues facing the West End, chaired by Ian Henderson of Quintain developments. Bridget Rosewell was a member of the Commission that included both private and public sector representation. The Commission's report was published in November 2006 and recommendations are now being considered for further action.

Sector review

Analysis of employment data is a very useful tool for understanding the wider economy and in assessing the sense and implications of policy. For example, understanding that business service employment in London has been rising for the past 30 years whilst manufacturing employment has been declining is a first step towards understanding the changes to the London economy that have been taking place over this time.

To inform a review of sectors policy at the London Development Agency, GLA Economics conducted research analysing employment in the London economy on a sector-by-sector basis. The aim of the research was to unlock some of the employment data that is available for London to provide greater detail than is often available. For example, the chapter on business services presents data that provides evidence supporting the fact that London specialises in this sector whilst also providing a breakdown of the sector which shows that the actual jobs within it range from high-skilled jobs such as lawyers and accountants to lower-skilled occupations such as industrial cleaners. This research will be published during 2007.

The analysis in the report followed the format of the Standard Industrial Classification (SIC). The SIC is used for classifying business establishments and other statistical units by the type of economic activity in which they are engaged. Analysing the data in this way allows for ease of comparison between: the data in the report; current and future employment data published by the GLA; and data and reports produced by other organisations both in London, nationally and even globally.

Tourism

In conjunction with the LDA, GLA Economics has analysed and published the first borough-level results from the Local Area Tourism Impact (LATI) model. The model provides robust estimates of tourism activity that are consistent and comparable across boroughs and with London-level data from the principle national surveys. Such comparable data has in the past been lacking, and its availability will help to improve the evidence base for tourism policy and aid in measuring the success of the Mayor's London Tourism Vision 2006-16.

The results and methodology of the LATI model have been communicated to the boroughs firstly through a set of borough specific reports and secondly through a series of presentations – each with a sub-regional focus. The reports and presentations have helped boroughs to clearly identify the scale and characteristics of tourism in London, and in many cases to realise and highlight the contribution that tourism makes to their local economies.

In order to improve the understanding of the London visitor experience, the LDA has also recently introduced a new London Visitor Survey (LVS). Initial work was concentrated on the design of a survey questionnaire that would yield the information necessary to help inform and develop the marketing and promotion of London as a visitor destination to both overseas and domestic tourists. Care was taken to ensure the survey provided information not only concerning central London areas, but also the outer parts of London and their levels of business and VFR (visiting friends and relatives) tourism.

In the coming year

Creative industries

This year saw the launch and implementation of the Department for Culture, Media and Sport (DCMS) Creative Economy Programme (CEP). GLA Economics participated strongly in the evidence working group of this programme and has been providing input to the forthcoming Green Paper which is expected to set a UK framework for creative and cultural policy, with significant implications for London.

GLA Economics will release its 2007 creative industries update in due course. GLA Economics extended its work on area microdata, publishing its dataset on the extranet and using it in the 2007 update to study links between London's creative industries and the City.

With the LDA Creative Industries Unit and the GLA Culture Team we will now build on the CEP and the 2007 update. We will develop a framework for evaluating creative and cultural policies in London, and have initiated sector-specific studies of music and fashion in London.

The 2007 creative clusters conference will be in London, and GLA Economics is working with the GLA's Culture Team and the LDA to present a strong London presence at the conference.

Tourism

In the next 12 months the LDA and GLA Economics will publish the second year of estimates from the LATI model and develop the model further, including incorporation of the LVS as a key input. Analysis of the LVS will be provided to support the effectiveness of activities to promote London as a visitor destination.

GLA Economics will look to work closely with the bodies responsible for tourism intelligence at the national level, namely the Department for Culture, Media and Sport and Visit Britain. Input will also be provided to cross regional development agency work, which aims to co-ordinate and improve the quality of tourism data available at all levels.



Influencing Government

Implementation of Allsopp review

Over the course of the year GLA Economics has worked with the Office for National Statistics (ONS) and the Regional Development Agencies (RDAs) to help develop an ONS Regional Presence in London – a key part of the Allsopp Programme. The intention is that each ONS Regional Presence team (one team for each English region) will work with regional institutions and others involved in data collection and assimilation to improve the quality of regional data. The Regional Presence teams started work at the end of March. They are based with our economists at the LDA and GLA Economics will be working closely with the team over the year ahead to influence its work programme in order to improve the quality of economic data in London.

Eddington review

2006 saw the long-awaited publication of the Eddington Review of public transport. GLA Economics published a response to this in its monthly *London's Economy Today*.

Broadly, GLA Economics is supportive of the Eddington recommendations. However, in many areas, the recommendations do not concern London – and do not go far enough in tackling London's bottlenecks. In particular, minimal mention is made of Crossrail, and its importance to the whole UK economy.

We certainly look forward to debating and working with transport advisors and central government policy makers to refine the analysis and increase the overall relevance of the report for London's transport network and economy.

London's tax export

Discussion of regional disparities in the UK has stimulated a debate about the level of public spending in each region, compared to the taxation they pay. GLA Economics has calculated estimates of the difference between tax revenues and public spending in London, which is known as London's tax export. More tax has been collected from London than the amount received in public spending in the region. Investing in the capital's infrastructure underpins its economic success, thus further public investment in public services would strengthen this tax contribution to the rest of the country. Over the last year, GLA Economics has continued to improve the methodology used to estimate revenues in London. Improved and more refined estimates will help to promote higher investment and public spending in the capital especially in the 2007 Comprehensive Spending Review.

Modernising the sustainable investment rule

The Government has established a framework of rules governing national fiscal policy, including the sustainable investment rule, which places a 40 per cent ceiling on the ratio of public sector net debt to GDP. In November 2006, GLA Economics published a short report (*Current Issues Note 10: Investing for Britain – Modernising the Sustainable Investment Rule*) arguing for a modernisation of this rule. The existing framework of rules has improved the management of the public finances and served the UK well. However, reform is now necessary in order to allow the Government to undertake sufficient public investment to meet the long-term needs of London and the UK more generally, whilst maintaining fiscal discipline. Our report set out the case for such a reform, including assessing potential arguments against increasing the public debt to GDP ratio, and set out some options that such a reform could take.

2007 Comprehensive Spending Review (CSR 2007)

Over the past year the GLA has actively engaged with the Government with regard to CSR 2007, in order to present the case for London receiving the necessary public spending and investment to support its continued economic vibrancy, enhance the quality of life of its residents and tackle its social divide. If the necessary public investment for London is not forthcoming then national targets across a range of policy areas will not be met. GLA Economics has played a leading role in this engagement with the Government alongside other parts of the GLA group. We helped draft the Mayor's report on CSR 2007; *Invest in London: Invest in Britain, Why the 2007 Comprehensive Spending Review must deliver for London*, which was sent to cabinet ministers, MPs and other opinion formers.

In the coming year

The announcement on the distribution of public spending from CSR 2007 has been delayed from July 2007 to autumn 2007. GLA Economics will continue to contribute to the ongoing GLA dialogue with the Government on CSR 2007 in order to make the case for London.



Housing economics

In July 2006, following the review of the GLA's powers, the government announced it would make the Mayor of London responsible for the capital's housing strategy and for deciding the broad distribution of investment in affordable homes. This means that the Mayor will:

- take on the roles and responsibilities of the London Housing Board
- prepare and publish a statutory housing strategy and a strategic housing investment plan for London, setting out the priorities to meet the housing needs of all Londoners
- decide the broad distribution of the affordable housing part of the 'regional housing pot' in line with the strategy. In short, the Mayor will decide how public money for new affordable housing will be spent.

Having a statutory housing strategy will ensure that it is fully integrated with other Mayoral strategies, in particular the London Plan, transport, social, economic development and environmental strategies.

In the summer of 2007, the Mayor will publish his draft housing strategy, together with his first strategic housing investment plan setting out his approach to investment to support the delivery of new homes. These will be supported by an update of the GLA's housing evidence base.

GLA Economics is supporting the housing and homelessness team by providing an economic evidence base and analysis. Bridget Rosewell chairs the Housing Markets and Supply Group. This group aims to develop the evidence base to understand what public sector policies could be implemented or changed to encourage more supply of new housing within London.

GLA Economics (together with the Housing and Homelessness Unit) recruited a new trainee housing economist to the team in September 2006. Sandeep Sankoli has been dividing his time between the two GLA teams – and the London School of Economics, where he is studying for a Master's in Housing Economics.

With the help of other economists and policy advisers, Sandeep has worked on several housing-related fronts. The evidence base for the forthcoming Mayor's Housing Strategy has been overhauled, updated and markedly improved. GLA Economics has also commented on several drafts of the Mayor's Housing Strategy, and the initial consultation paper. The economics of land supply in London (a crucial factor behind London's lagging housing supply response) has been reported on. Work has begun on updating previous work done on London's housing submarkets.

Additionally, new techniques have been learned which could be put to future use. London has a very diverse housing market, where geography plays as big a role as any 'pure' economic factor. Thus, several of GLA Economics staff attended a course on 'Geographically Weighted Regression' (GWR) techniques. This is a new way of studying spatial economies, and one that has special relevance to the study of land and house prices.

In the coming year

Housing submarkets analysis

GLA Economics published *London's Housing Submarkets* in 2004. This analysis helped to identify areas in London with similar housing attributes. In the coming year we intend to extend this analysis by updating the existing model with the latest data and new sources of information. This study will provide a clearer picture of housing patterns in London as we envisage analysing an increased number of variables that can affect housing demand in a localised area including retail outlets, attractions and other leisure amenities.

Barriers to institutional investment

GLA Economics has started an exciting new piece of work in the housing field: looking at sources of investment for residential property, and the role of institutional investors (pension funds, insurance companies and so on) in particular.

With a background of consistently rising house prices and rents, we are exploring why institutional investment has remained predominantly interested in commercial, rather than residential, property. We have already met with the British Property Federation to explore this issue, and we are organising a further round table discussion with their membership to pinpoint what it is that the GLA can do to increase the amount of capital flowing into London's housing, and its privately rented stock in particular.

Given the decline of public sector house building, it is imperative that the quantity and quality of private rented stock in London is both maintained and enhanced. GLA Economics believes that institutional funds could play a key role in this regard and, together with the potential investors themselves, will explore the role of affordable housing trusts and Real Estate Investment Trusts further.



Environmental economics

Climate change

Work was undertaken with the GLA's Strategic Policy and Evaluation Team looking at trends in carbon emissions in both the developed world and the rapidly developing economies as well as various scenarios of contraction and convergence in emissions and the implications for London's international role. There are currently very substantial differences in per capita emissions between the developed and developing world with 10 countries emitting two thirds of the world's CO₂ emissions.

The Stern Report entitled *The Economics of Climate Change* was published in November 2006. The report concluded that the costs of early mitigation are far outweighed by the costs of not acting. GLA Economics published *Current Issues Note 15*, also entitled *The Economics of Climate Change*, in March 2007. This reviewed Stern's choice of a low discount rate and assumptions, which led to this conclusion. The Current Issues Note suggested that the insurance principle might provide a more convincing case for mitigation. Whilst it is important for economists to consider the cost of this insurance, the uncertainties around climate change and the long time horizons involved mean that it is extremely difficult to come to a purely 'economic' decision as to how much mitigation action should be undertaken. As a result, there is a need to examine individual projects on a case-by-case basis and to consider a 'climate change payback' as well as more traditional forms of investment analysis.

Environmental effectiveness of cities

GLA Economics' work on the environmental effectiveness of cities was presented at a conference on 'Design and public policy: markets for congestion and carbon trading' at the University of Essex in January 2007. The presentation included data that showed that, on a per capita or per unit of GDP generated basis, London is an environmentally effective UK region. London is also taking a strong, international lead in tackling its existing environmental problems: for example, by the innovative introduction of congestion charging and by being at the forefront of low/zero carbon residential developments.

Climate Change Action Plan (CCAP)

London has committed itself to deep cuts in greenhouse gases – particularly, carbon dioxide – and the GLA Group itself can be a major player in making some of those reductions. Improving efficiency is central to London's Climate Change Action Plan. GLA Economics took part in the consultation process to make certain that opportunities for financial benefits were fully exploited and made extensive comments on the draft CCAP.

Working with other organisations

GLA Economics has maintained its existing strong links with the Environment Agency and has attended training on the Resources and Energy Analysis Programme (REAP) model in Bristol alongside representatives from other English regions who are also on the Sustainable Consumption and Production Network (SCP-net). REAP, developed by Stockholm Environment Institute, can be used to calculate greenhouse gas emissions associated with consumption activities. REAP was used to establish London's carbon footprint for the recent 'State of the Environment' report and GLA Economics advised on the technical specification. GLA Economics continues to assess and critically appraise methodological developments in the model, particularly in light of London's very individual characteristics vis-à-vis other English regions.

GLA Economics is also keeping track of developments in the field of climate change by maintaining links with the London School of Economics and with the London Accord. The London Accord is a co-operative initiative sponsored by the City of London and BP to assess investment in climate change initiatives.

GLA Economics has also attended forums associated with the Green Fund and with a 'low carbon future green co-operative'. GLA Economics has provided advice and support to the Green Grid project and attended various seminars held by the Institute for Public Policy Research (IPPR).

In the coming year

Environmental economics – financing new environmental technologies

GLA Economics is now focusing on the financial and research and development aspects of technologies for the mitigation of, and adaptation to, climate change. With the European market carbon price low there is often very little stimulus to furthering these technologies resulting in relatively low penetration of many renewable energy technologies in the UK. Of particular interest is replacing conventional electricity generation with more local Combined Heat and Power (CHP) which could contribute to very significant carbon reductions in London.

In terms of finance, London benefits enormously from the presence of its unique financial and business services sector which can take an international lead in creating new markets and mechanisms. The Barclays Capital 'Equity Gilt Study' (February 2007) suggested that energy and climate change issues could dominate global financial markets over the next quarter of a century. London has an opportunity to position itself as the pre-eminent global centre for financial products and services related to the environment. It already has an international lead in carbon trading and a very significant environmental consultancy sector. London's insurance sector also has a variety of new opportunities and challenges with new energy technologies requiring insurance, changing patterns of claims, shifts in underwriting risk and higher premiums.

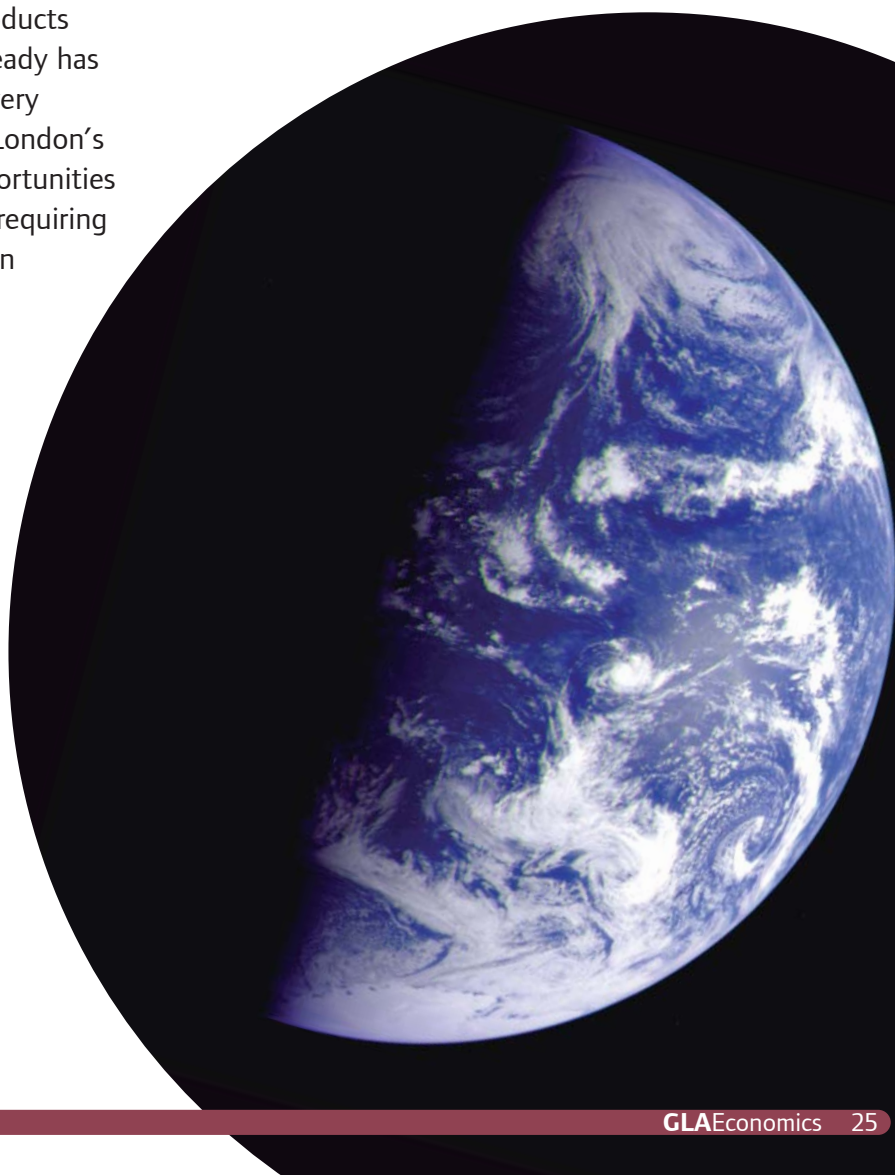
Emissions based charging

London's congestion charge (and its westward extension in February 2007) has been seen as setting an international standard. Over the coming year Transport for London will be taking the lead in looking at opportunities for emissions-based charging and GLA Economics is assisting with regard to the potential economic and business impacts of such policies.

This work will include the interactions with the new EU carbon emission standards, how the vehicle manufacturing industry might change, examining the longer term trends of the UK vehicles market and looking at impacts on emissions other than CO₂ since encouraging a major switch to diesel would raise some of these. Critical to whether London's policies are a stimulant to the development of the market for low emissions vehicles will be the speed of technological development in fields such as fuel cells, biomass and hybrid engines and the market conditions surrounding these technologies.

BAK Basel Quality of life forum

In June 2007 GLA Economics will be represented at BAK's International Benchmarking Forum in Basel, Switzerland. In particular, we will be the 'discussant' on the results of an international survey on urban 'quality of life for internationally mobile, highly qualified manpower'. BAK has argued that quality of life is a factor in regional growth and is important, not just to individuals, but also to firms in their locational decisions.



London Plan

During the last year, GLA Economics has continued to spend a considerable amount of time on work in support of the review of the London Plan. GLA Economics assisted the London Plan team with the drafting of Further Alterations to the London Plan to ensure that they incorporate the latest evidence and research on London and that any revised and new policies included in the review reflect this evidence base. This draft document was sent to the London Assembly and the GLA group organisations for consultation in May 2006. GLA Economics assisted the London Plan team in responding to and amending the draft document in the light of the London Assembly's comments prior to the document being sent out for public consultation in September 2006.

Since September, we have continued to work on issues surrounding the London Plan. In particular, we have undertaken considerable work on employment projections for and assessing the economic performance and prospects of different parts of the London economy, most notably suburban outer London. In addition we have assisted the London Plan team in an advisory capacity on research, notably studies of land use in London, to help ensure that such research helps build a robust economic evidence base for the forthcoming examination in public of the Further Alterations to the London Plan.

Duncan Melville, our Deputy Chief Economist, has led the work in this area. In order to ensure that adequate resource and expertise was earmarked for this important work area, Ryan Emmett, Principal Economist from Colin Buchanan and Partners, has been assisting Duncan.

Environmental targets in Further Alterations to the London Plan [FALP]

The GLA Environment team is trialling a study on how Integrated Resource Management (IRM) can be used to look at the impacts of FALP strategies and GLA Economics is assisting with this in an advisory capacity. The IRM approach, used in conjunction with sustainability appraisal techniques, provides a decision support capability to assess performance outcomes of sustainability objectives.

GLA Economics also attended a forum on the London Office Policy Review as this was connected with the environmental implications of FALP for London's offices. It is important that the Further Alterations to the London Plan have the right impact not only on 'newbuild' but also on the retrofitting of London's existing office stock.

GLA Group Convergence – Research and Analytical Services

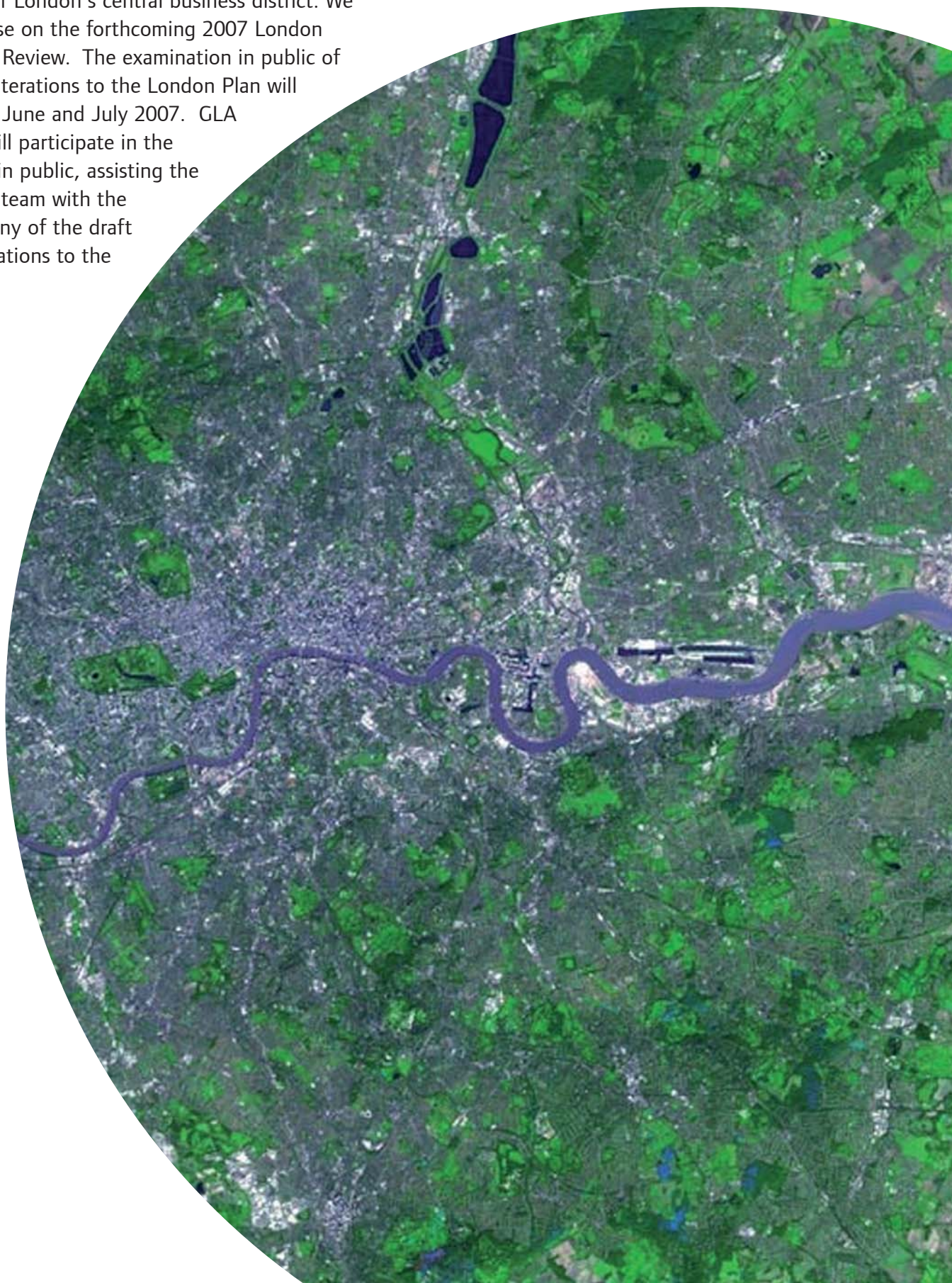
The Mayor is keen to ensure that the GLA Group understands and shares his vision for London and turns it into reality. As part of this, he has established a number of work streams under a wider convergence agenda that aim to:

- Promote good practice in the delivery of services
- Strengthen existing collaboration
- Enable more effective communication channels
- Enable more efficient use of scarce resources
- Ensure that the GLA Group remains fit for purpose in a fast changing environment.

Margarethe Theseira has been co-ordinating the convergence agenda for the research and analytical services workstream. This has involved her drawing together a team of research leaders from each of the GLA Group organisations to help identify where there are opportunities for closer working between the organisations. Margarethe has been working alongside Annabel Davies (head of Information Services at the GLA) to establish a data and information audit for GLA Group resources. She has also helped to organise a series of presentations to enable sharing of the research remits of each of the organising members to identify research topics of mutual interest and potential for joint procurement of resources.

In the coming year

We will continue to assist and advise the London Plan team. We will continue to assess the economic performance and prospects of different parts of the London economy in particular with work on the importance of London's central business district. We will also advise on the forthcoming 2007 London Office Policy Review. The examination in public of the further alterations to the London Plan will take place in June and July 2007. GLA Economics will participate in the examination in public, assisting the London Plan team with the panel's scrutiny of the draft Further Alterations to the London Plan.



Transport economics

Extension of the Congestion Charging Zone

The existing congestion charging zone was extended westwards on 19 February 2007. In the run up to go-live GLA Economics worked with TfL's Congestion Charge Impacts Monitoring Team to undertake detailed analysis and surveys of the western extension zone in order to provide a clear understanding of pre-charging characteristics and trends. For example, the industrial structure of the zone in terms of jobs and types of businesses, rates of business formations and deformations, and trends in the retail and tourism sectors as well as in the commercial and residential property markets. This has involved both in-house research and managing external consultants. It has enabled us to gain an understanding of the baseline characteristics and establish a monitoring framework for the extended zone from which any post charging impacts can be monitored.

As part of the research programme, GLA Economics worked with retailers located inside the zone to undertake a customer exit survey to gain an understanding of the relationship between travel mode and wider daily shopping trends and how these may be affected by congestion charging. A post Western Extension Zone (WEZ) go-live phase of this survey will be carried out in autumn 2007. We have also worked with a retail data provider, SPSL Limited, to create a retail traffic index for WEZ that measures retail footfall. This provides a pre-charging time series for retail traffic in WEZ with which to compare post-charging trends. GLA Economics also assisted TfL to structure a questionnaire for a suite of traffic surveys using roadside interviews. These surveys will be repeated in autumn 2007 and will provide information about car trips into the extension zone by origin, destination and purpose, including any changes from pre-charging trends. All this research will feed into TfL's Central London Congestion Charging Annual Impacts Monitoring Report due this summer.

Low Emission Zone

Following public and stakeholder consultation on proposals for a London-wide Low Emission Zone in early 2006, the Mayor published his Revisions to the Mayor's Transport and Air Quality Strategies to allow for a Low Emission Zone (LEZ) in London. Transport for London prepared detailed proposals for the proposed London LEZ in the form of a Scheme Order. GLA Economics assisted TfL in procuring and managing consultants to carry out an economic impact assessment (EIA) which was needed to feed into the stakeholder consultation. The consultation ran between November 2006 and February 2007. The analysis examined the impact of the proposed LEZ on affected sectors (including small businesses, coach operators, bus, haulage/distribution operators and public, voluntary and community transport services), as well as on the business community as a whole in London and the UK. A non-technical summary of the report is available on TfL's website <http://www.tfl.gov.uk/assets/downloads/lez-economic-impact-assessment-non-technical-summary.pdf>. GLA Economics also inputted to the proposed LEZ economic impacts monitoring strategy, which sets out the framework and methodological approach for monitoring the economic and business impacts that could arise following the proposed LEZ.

Crossrail

The Crossrail Bill has been progressing well through parliament. However, the funding and financing issues remain unresolved – even while the economic and transport case for Crossrail strengthens and gathers support daily.

GLA Economics has been working to promote the Crossrail scheme, and also to facilitate meetings between key decision makers and private sector players – to discuss how to meet the funding gap. The team has found that the funding gap is not as insurmountable as the Treasury may at first fear. It is easily afforded within the Treasury's own net debt projections, and in just a short time the fare revenues pay for the scheme – and provide a surplus to pay off the up front capital costs. The funding gap exists only for the construction phase. In the long run, it is much more important that the UK gets the transport infrastructure it deserves and needs to remain successful. Without Crossrail, London cannot meet the growth embodied in the London Plan – and its central clusters will falter. Economic activity will not relocate to other regions – but to other global financial centres.

Already, the costs of delaying the Crossrail decision are becoming apparent – as a paper produced jointly by consultants Volterra Consulting Ltd and Colin Buchanan Partners shows see

http://www.volterra.co.uk/Docs/Cost_of_delay.pdf

GLA Economics is doing all it can to make sure that the crucial funding and financing decisions are taken.

Thames Gateway Bridge

Since its inception GLA Economics has provided economic analysis to TfL and the LDA regarding the proposed Thames Gateway Bridge. This included the *Thames Gateway Bridge Regeneration Statement* (July 2004). The Thames Gateway Bridge Public Inquiry finished in May 2006 and the Inspector's report is currently with the Government.

Heathrow study

GLA Economics commissioned Colin Buchanan and Partners to provide an independent desk-based review of the assumptions and conclusions of the Department for Transport White Paper on the Future of Air Transport in the United Kingdom (published in December 2003). Colin Buchanan and Partners were also asked to review the wider economic benefits of various options for airport expansion in the South East. This work was commissioned as an input into the consideration of the issues surrounding the expansion of Heathrow.

Transport and Economy model

A growing economy means growing transport demand. Improved transport connections benefit the economy. It is important that policy makers understand the wider impacts of the transport changes they introduce. This is no simple task. GLA Economics commissioned Colin Buchanan and Partners to develop a simple model as a first step to understanding the dynamics of interaction between transport demand and the economy within London in 2005. In developing the Transport and Economy Model (TANDEM) our aim has been threefold:

1. To think about the relationship between transport changes and the economy over the long term
2. To create a framework that is as simple to understand as possible
3. To be transparent about the inputs and assumptions that have been used and open to exploring their impact.

Over the past year, Colin Buchanan and Partners have further developed the TANDEM model. One of the key lessons that we have learnt is the importance of developing our understanding of how crowding is likely to impact upon economic growth in London. We have expanded the TANDEM model in the following ways:

1. Increasing the number of zones modelled
2. Assessing the source of the elasticities
3. Adding agglomeration bonuses in central London
4. Adding crowding penalties in central London
5. Adding exogenous employment growth.

The model has been used to provide Transport for London with a scenario-testing capability that will be used to inform revisions to the Transport Strategy in the coming year.



In the coming year

Crossrail

Crossrail will remain on the agenda for many years to come, but 2007/08 will be a crucial time in its progress. With the Bill due to pass through Parliament and gain Royal Assent within the year, the only remaining barrier will be the funding and financing decision.

GLA Economics will continue its work in this regard – both in private discussions, and as part of the very public campaign. We will continue to facilitate the ‘Funding Infrastructure Working Group’, which draws together the expertise and political influence of key figures from the CBI, London First, TfL, the LDA, Merrill Lynch, KPMG and others.

Congestion charging

In the coming year GLA Economics will continue to work with TfL in monitoring the business and economic impacts of congestion charging in the extended zone to feed into TfL’s Central London Congestion Charging Annual Impacts Monitoring Report. The research programme this year includes the second phase of the retail customer exits surveys, which will be carried out in the autumn, as well as the second phase of the roadside interviews in the western extension. These surveys will enable us to pick up any changes in retail shopping habits and traffic travelling into the western zone since charging was extended. Work is also beginning on assessing the potential economic impact of the possible vehicle emissions-influenced congestion charging scheme.

Transport and Economy Model

In collaboration with colleagues from TfL, GLA Transport team and the LDA, GLA Economics will develop a specification for the next phase of this essential model.



Development Economics

Productivity and innovation

During the year, GLA Economics produced *Working Paper 19: Innovation in London* looking at an apparent paradox with regard to London's economy.

Productivity in London is the highest of all the UK regions; output per worker was 17.7 per cent higher in London in 2005 than in the next most productive region, the South East, and 22.5 per cent higher than the UK average. However, according to central government's measures of innovation, London's innovation performance is mixed. Given that economic theory suggests a positive relationship between innovation and productivity, London's seemingly contradictory performance against these two sets of indicators raises questions about the nature of innovative activity in the region.

One of the principle reasons why central government is interested in the level of innovation in each of the regions is because of the identification of innovation as a driver of productivity.

The paper argues that central government's measures of innovation do not capture all innovative activity undertaken in London because they are biased towards capturing innovation in manufacturing rather than services. The paper suggests that in an increasingly services-dominated economy, the most effective way of capturing all innovative activity will be through survey measures.

European Regional Development Fund (ERDF)

Economic input was provided in writing the socio-economic rationale for the Operational Programme (OP) for the European Structural Funds and in establishing the ex ante framework for the performance indicators. The socio-economic analysis formed the evidence base for the strategy and key priorities proposed under the OP.

The ERDF is a structural fund that aims to provide business support to struggling Small and Medium Enterprises (SMEs), that are largely owned by ethnic minority groups, women and/or disabled people.

The objectives of the ERDF are twofold: firstly the fund is set up to complement the European Structural Fund (ESF), which addresses labour market issues regarding the low skill base of certain groups within London. The ERDF's role is to help create sustainable employment opportunities for otherwise marginalised groups. Secondly, the fund tries to foster innovation amongst the SMEs that it helps, with the objective of mainstreaming these businesses into London's high-value knowledge economy. The purpose of the socio-economic analysis was to find evidence for the poor performance of the targeted SMEs and to show how this was related to particular market failures, such as issues with credit markets that lead to problems in accessing finance. A critical part of the analysis was to establish a clear framework for identifying these failures, because ERDF's purpose is not to prop up SMEs simply because they are struggling. Instead it is to identify those enterprises that are capable of innovating and achieving economic growth and providing support to them in areas where the market imposes barriers.

The competitiveness of the Greater South-East (GSE)

Analysis was undertaken to provide evidence for the competitiveness of the GSE. This was to inform a regional presentation on the subject that was to be delivered to a wide range of external stakeholders later during the year.

The principal output of the work was the delivery of statistical evidence and analysis of key findings on performance indicators such as labour productivity and GDP growth. This workstream also included explanatory work on the use of technical economic concepts to ensure the audience was able to accurately interpret the evidence provided.

LDA targets and prioritisation process

Support has been provided to the LDA's business and corporate planning processes in an attempt to ensure that LDA interventions address clear market failures in a way that provides good returns to LDA investment. GLA Economics has worked to develop a methodology for prioritising investments between competing needs for consideration by the LDA. Continued support has also been provided to the LDA in developing its target framework, in order to make it reflect more accurately the objectives of the Mayor's Economic Development Strategy.

London 2012 Olympic and Paralympic Games

GLA Economics has provided input to the development of the impact evaluation framework for the Games. The framework should allow for a clear consideration of the overall benefits from the Games, in their widest sense, and what the short/medium/long term effects are likely to be.

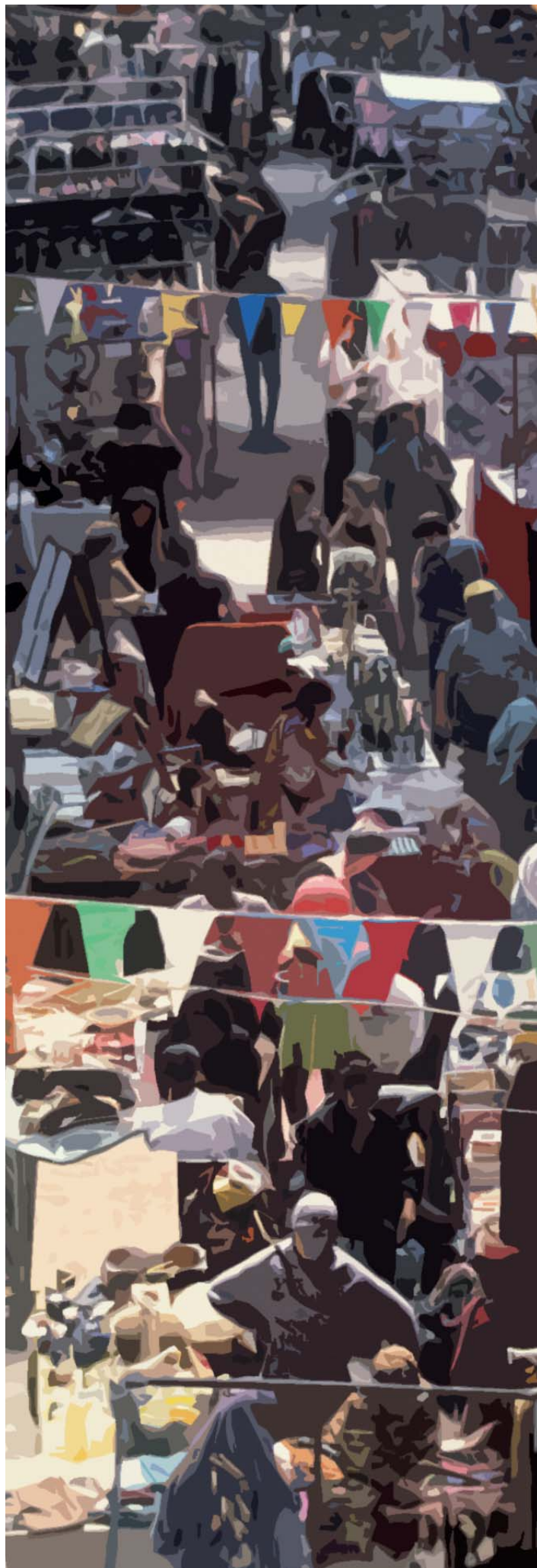
In the coming year

LDA priorities

GLA Economics will continue to develop the methodology for prioritising investments between competing needs for consideration by the LDA.

Land holdings

GLA Economics will be assisting Transport for London with the development of their property strategy. They will be presenting an economic overview for London at a workshop of the property strategy team in May 2007 and helping to develop techniques for ensuring that TfL optimise land holdings for social as well as economic gain.



Labour market economics

Skills

The London Skills and Employment Board (LSEB) has been established to provide leadership in improving adult skills and employment in London. It is chaired by the Mayor of London and is employer-led to ensure that its work is driven by the needs of employers and that skills provision meets the existing and future needs of the London workforce.

The LSEB is tasked with developing a strategy for adult training in London and ensuring its implementation. The LSEB appointed the LDA to lead on the development of the strategy, with a final strategy to be produced during the second half of 2007. The Economic Analysis team at the LDA (part of GLA Economics) was asked to produce an extensive evidence base covering the London labour market to inform the development of the strategy and the LSEB's future discussions. This evidence base was completed and distributed to LSEB members in April 2007.

This major piece of work is key to establishing priorities for skills investment in London. The evidence base puts the issues of London's skills and training needs into the wider economic context of recent and forecast changes in London's economy. Chapter 1 examines the changing demand for labour in London and highlights the shift in London towards higher skill jobs. Chapter 2 examines labour supply, focusing on how London currently meets the skill needs of its employers and the role of young Londoners. Chapter 3 examines the difficult problem of worklessness in London, highlighting the barriers that can lead to individuals being out of employment. Finally Chapter 4 examines the role of the public sector in addressing market failures in skills provision.

The evidence base has been very well received and is feeding into all other research streams being carried out to inform the development of the LSEB strategy.

Living Wage Unit

The Living Wage Unit issued its third report in March 2007 and set the London Living Wage for 2007/2008 at £7.20. This year, the unit did not establish a youth wage, in line with advice received on recent age discrimination legislation. The report incorporated improvements in the methods used to estimate child care costs and in the reliability of its housing cost estimates.

GLA Economics presented to a number of audiences during the year and has become an important information provider and reference source for the growing number of institutions implementing, or considering implementing, the Living Wage.

Patterns of low pay in London

The Mayor established the London Living Wage in 2005 to tackle poverty by targeting the earnings of low paid employees in the capital. Over the past year, the Living Wage Unit in GLA Economics has undertaken research to understand better the patterns of low pay and wage inequality in London. The Living Wage Unit identified the characteristics associated with low pay. Low pay is defined as earnings less than the London Living Wage. Young people, women, those working part-time and those living in Outer London, among other characteristics, are associated with low pay. In addition, wage inequality in the capital is higher than in the rest of the UK. Moreover, London employees at the bottom of the earnings distribution have not kept up with the general wage growth seen between 1997 and 2006. The Living Wage Unit will continue to undertake research in other areas of interest to the GLA Group relevant to the issues of the Living Wage and low pay.

Worklessness

In September 2006, GLA Economics together with the LDA published a report surveying the extensive literature on what types of interventions work (and those that do not) with regard to helping workless people move into employment. The report was intended to help inform policy development in London but can also be applied more generally to national welfare to work policy.

The report concluded that job search assistance is effective for those who have skills or recent work experience that makes them fit the immediate requirements of employers. Direct employment or job creation schemes are found not to be effective at helping people back into work. They represent poor value for money. Subsidised jobs can suffer from having high rates of substitution, that is the people to whom subsidies are attached tend to replace unsubsidised workers. Typically only one net additional job is produced for every seven to ten subsidised jobs. However job subsidies targeted on the more disadvantaged can be successful and will tend to substitute such workers for more job ready workers. This both helps to tackle poverty and social exclusion, and has economic benefits as it expands the effective supply of labour available to employers. Successful training programmes have a strong work focus with a content relevant to the local labour market and employer needs. Classroom-based training without an associated work experience element is much less effective.

This review of the evaluation literature is an important contribution to the ongoing debate on welfare to work policy because it reaches rather more positive conclusions about the effectiveness of work-focussed training programmes than the consensus that came out of similar reviews in the 1990s.

Women in London's economy

For the third year running, GLA Economics has made a major contribution to this area of work. For the *Women in London's Economy* report, (launched by the Mayor at the Women in London's Economy conference held in February 2007), GLA Economics looked at the demand side of the economy and how different family units' spending power and consumption patterns vary within London and how this contrasts with the rest of the UK. We also undertook a detailed analysis of the number of Londoners, particularly women who earn less than a living wage. We provided an update on pay figures and the gender pay gap.

In the coming year

Living Wage Unit

The Living Wage Unit is further improving the methodology for London Living Wage estimates, concentrating on better estimates of the cost of childcare for part-time workers as information becomes available. We hope also to continue our programme of incremental improvement in the quality of housing cost data.

The unit will continue to research and deepen its understanding of the causes of low pay in the capital, including a study on whether low paid jobs are stepping stones to better jobs. We seek to understand whether London's low-paid remain in low salaries for a specified period, become workless or move to higher wages.

Women in London's Economy

GLA Economics is currently undertaking an ambitious research project to understand the supply of part-time workers in London compared to the rest of the UK. This follows work on the demand side, in terms of occupational and industrial groups. We will be testing theories surrounding the cost of childcare, education and skills, and transport and accessibility. As well as a comprehensive literature review and policy examination, the work will also include primary research based on micro datasets from the Labour Force Survey. As this survey tracks tranches of respondents over a number of quarters, we have been able to construct a fairly large 'panel' dataset. This type of data allows us to control for numerous unknown and unidentifiable factors that could influence behaviour - this is not possible using cross-sectional or time-series data alone.



Events

Our economists work on a variety of subject areas that impact the capital. In order to effectively communicate this economic research to policy makers and others, we have presented our work at a number of seminars and conferences at City Hall and elsewhere over the past year. Our events have been as popular as ever and we are indebted to all those speakers both within and external to the GLA who have helped make them such a success.

GLA Economics' hosted events

London and the Local Economy

London is a world city and leading financial centre; London is a city of villages; London is a set of suburbs strung out along the railway lines; London has the worst poverty and deprivation in the country. All of these statements are true and so trying to develop an overall understanding of what makes London tick in all its variety and glory is an uphill struggle.

The GLA Economics' hosted seminar 'London and the Local Economy' brought together some of the ways in which we are undertaking this struggle. Bridget Rosewell opened the seminar by setting the context in which we are trying to understand the complex processes that create cities, including the idea of agglomeration and how things join together. Ellie Cooper from Volterra Consulting Ltd. Presented on the economic geography of London and the South East, where the similarities and differences between wards in these areas were analysed and discussed. Andrew Crooks from University College London explored the use of agent based modelling to simulate urban change and how this leads to a better understanding of how cities work. Baljit Bains from DMAG, gave an overview of London's changing demography and finally Jeremy Skinner from the GLA used the City East project as a case study of thinking about locations within a part of London. The seminar was chaired by Margarethe Theseira from GLA Economics.

Worklessness Seminar - What is behind London's high rate of worklessness?

In June 2006, GLA Economics held a seminar exploring explanations of London's high rate of worklessness and policies to try and tackle this problem. Professor Paul Gregg of Bristol University and member of the Chancellor of the Exchequer's Council of Economic Advisors looked at welfare to work policy and set out some ideas for improving employment outcomes in London. Pam Meadows, former Chief Economist at the Department of Employment, now current director of Synergy Research, presented the results of her work for GLA Economics which showed that much of London's high rate of worklessness was due to the particular characteristics of London's population, but that there was also a specific London effect. Declan Gaffney, Policy Advisor on Social Inclusion in the Mayor of London's office, spoke about child poverty in London; why London, especially Inner London, had higher child

poverty rates than nationally and how this was linked to the operation of the London labour market. Jeff Masters, Policy Advisor at HM Treasury, presented on the results of the Treasury's own research into the London labour market which produced similar findings to Pam's but with a larger role for a specific London effect if one distinguished between Inner and Outer London. Duncan Melville chaired the event.

London and the International Economy – Trading with the world

This seminar explored how London continues to service the world as a centre for international trade. Experts outlined the changing relationships between London and its new and old trading partners – the trends, the impacts and what this means for London's economy to 2026. Speakers at this seminar included Yael Selfin, Senior Economist with Price Waterhouse Coopers who discussed the current structure of London's economy and how the changing face of the world will shape it in the future. Duncan Melville from GLA Economics explored what makes a city a 'world city' from the London perspective. We were also pleased to welcome Dr Gerard Lyons, Chief Economist and Group Head of Global Research from Standard Chartered Bank. Gerard discussed the global issues facing London in the future. Bridget Rosewell chaired the seminar.



Retail in London

Retail has a significant impact on London's economy. Almost £4 in every £10 spent by Londoners goes to the retail sector. Retail accounts for around nine per cent of London's employment making it one of London's largest sectors.

As a result it is important that in setting policy there is a good understanding of London's retail sector and its workings. This seminar provided an overview of a wide-ranging body of research into various aspects of London's retail sector carried out by GLA Economics. As well as this overview, the seminar looked in more detail at the issues of regeneration, competitiveness and logistics. Speakers included Bill Boler, Director of Underserved Markets, Business in the Community; Bridget Rosewell, Consultant Chief Economist, GLA Economics; Matthew Waite, Senior Economist, GLA Economics, Ian Wainwright, Freight Co-ordinator, TfL; and Richard Prothero, Economist, GLA Economics.

Bill looked at: barriers for using retail to regenerate areas; what works and what doesn't work; and comparisons in the experience of retail in regeneration between the USA and the UK. Bridget discussed the contribution retailers make to the overall success of the UK economy. Matthew chaired the event and provided an overview of GLA Economics' research on the retail sector. It touched on the retail offer in London, how retail in London has changed over time and what the future of retail in London might look like. Ian introduced TfL's freight strategy. He outlined the reasons it is required, key proposals of the Freight Plan for London and potential impacts on retailers. Richard concluded the seminar by looking at the servicing and delivery issues that affect retailers in London including a review of evidence, an outline of current trends and a discussion of retailers key concerns.

Success, Strategy and Sectors

This event investigated our understanding of London's sectors and industries and how the public sector might best intervene to enable the future growth of London's economy. Traditionally, London's sectors are described using statistically-defined groupings of activities – the seminar provided more detail behind such classifications to try and build a better understanding of trends over time and the resulting structure of London's economy. This consideration also looked at the spatial characteristics of London's sectors and industries. The seminar aimed to develop a better understanding of how and why the public sector might intervene to support London's sectors or industries, and considered what the most effective use of public resources might be.

Bridget presented on the changing structure of London's economy and considered how high value activity is concentrated. She reviewed where occupations are centred and how this is different from where industries are located. Paul Ormerod, Director of Volterra Consulting shared his research findings that there are a wide variety of industrial structures that are capable of generating local employment growth and economic success. By implication, it is the nature of the companies within each industrial sector that is important, rather than the type of industrial sector. He argued that the present policy emphasis on the 'knowledge-based' sectors is therefore misplaced; a successful local economy can in principle be built upon almost any industrial structure. The seminar concluded with an interactive session from John Glen, Senior Lecturer Economics and Director of full-time MBA, Cranfield School of Management where he examined the role for the public sector in supporting the various sectors of London's economy. The primary economic justification for public sector intervention in a market economy is to correct market failure. It examined the nature of market failure in the context of sector policy and endeavoured to identify appropriate public sector interventions to correct that market failure. This session had delegates discussing market failures and what they thought the appropriate public sector response should be. Matthew Waite chaired the event.

Economics: from theory to reality. An event for students studying A Level Economics

A first for GLA Economics, in March 2007 we hosted an event for aspiring economists. Stephen King, Kathryn Grant, Leticia Veruete-McKay and Simon Kyte (all from GLA Economics) presented at this seminar aimed at A Level students whilst Margarethe Theseira chaired the session. This event enthused both visiting students and our staff so much that we have agreed to offer two work placements for A level students in the coming year.

Working group meetings

GLA Economics continued to host fortnightly meetings for staff in the GLA, TfL and LDA that cover the latest news on global and local economies, present new economic indicators and include a short presentation from GLA Economics staff or an invited guest speaker.

The list of speakers and titles of presentations to the GLA Economics Working Group during the period April 2006 to March 2007 was as follows:

Name	Organisation	Title
Richard Prothero	GLA Economics	Retail in London
Kamaldeep Dhaliwal	GLA Economics	Older People in London's Economy
Elizabeth Smart	GLA Economics	London's Economic Outlook: London Forecast Spring 2006
Pam Meadows	Synergy Research and Consulting	What Works with Tackling Worklessness?
Adarsh Varma	GLA Economics	The Case for Land Value Taxes
Leticia Veruete-McKay and Alan Freeman	GLA Economics	The London Living Wage
Duncan Melville	GLA Economics	Borough-level Employment Projections
Denise Burke	London Development Authority	Childcare Affordability Programme
Patricia Seex	GLA Economics	The London Economic Development Snapshot
Tim Heinemann	GLA Economics	Business Travel in London's Economy
Rachel Wilson	GLA Economics	Innovation
Duncan Melville	GLA Economics	Economics of Cities
Kathryn Grant & Margarethe Theseira	GLA Economics	Women as Consumers
Leticia Veruete-McKay and Alan Freeman	GLA Economics	Patterns of Low Pay in London
Elizabeth Smart	GLA Economics	London's Economic Outlook
Duncan Melville	GLA Economics	Why Fiscal Rules Matter: The Case for Reforming the Sustainable Investment Rule
Alan Freeman	GLA Economics	World Cities
Sam Moore	Oxford Economics	London's Opportunities in Emerging Markets
Tim Craine	London Development Research	Who Buys New Market Homes in London?
Bill Lines and Doug Barrow	Maritime London	London's Maritime Services Sector – at the Heart of Global Trade
Paul Ormerod & Matt Salisbury; Kathryn Grant	Volterra Consulting; GLA Economics	Forecasting London's Economy
Richard Prothero	GLA Economics	New Ways to Analyse Sectors and Employment in London
Duncan Melville	GLA Economics	The 2007 Comprehensive Spending Review
Kathryn Grant	GLA Economics	The Economic Case for Crossrail
Paul Buchanan	Colin Buchanan & Partners	Valuing Public Realm Improvements

Research Advisory Board

GLA Economics continued to host their Research Advisory Board meetings where influential figures from

the private sector, academia and other government agencies offer advice on key areas of economic and social interest to London.

Name	Organisation	Title
Adarsh Varma	GLA Economics	Land Value Taxes
Margarethe Theseira	GLA Economics	GLA Economics Business Plan 2006-2008
John Hollis and Baljit Bains	GLA DMAG	Recent Migration
Duncan Melville	GLA Economics	Borough Employment Projections to 2026
Kathryn Grant	GLA Economics	The Economic Case for Crossrail
Simon Kyte	GLA Economics	The Stern Report and the Economics of Climate Change: A Critical Appraisal



GLA Economics' participation in external events

Women in London's economy

Margarethe Theseira continues to represent GLA Economics at meetings and events related to this research area. She presented at the Women in London's Economy conference in February 2007 and attended the Mayor's business breakfast meeting for senior executives. She also presented the research findings at the Royal Geographical Society International Annual Conference in August 2006.

London's labour market challenges

Covering similar themes to the GLA Economics worklessness seminar, Duncan Melville, presented on London's employment and skills challenges to the inaugural meeting of the London Skills and Employment Board in December 2006 chaired by the Mayor of London. This was followed by a similar presentation on London's labour market challenges to a seminar organised by the London Child Poverty Commission in January 2007.

Department of Communities and Local Government (DCLG) City seminars

DCLG held two seminars on aspects of the economics of cities in 2006-07. In July 2006, they held an internal seminar to help familiarise their urban policy staff with city economic issues. GLA Economics presented a wide ranging introduction to this topic covering why cities exist, the historic rise of cities and their link to the development of the modern economy and the take off in economic growth, the future prospects for cities, and practical tips for analysing city data.

In January 2007, they held a seminar on comparing city economic performance. GLA Economics presented stressing that robust assessment of city economic performance was dependent on the existence of comparable measures of performance across cities. However these currently did not exist due to the lack of a generally accepted international standard for defining cities. We explained the work we were doing in various international forums to try and advance the development of such definitional standards.

Employment projections

In December 2006, Duncan Melville presented on our long-run employment projections to a seminar of officers from the London boroughs and other interested parties organised by the London Plan team. He explained the method underlying our borough-level employment projections and discussed the method with Professor Ian Gordon of the London School of Economics who has written a report on our employment projections for the North London Strategic Alliance.

TUC London Living Wage seminar

In September 2006, Duncan Melville accompanied the Mayor of London's Director of Economic and Business Policy, John Ross, to present on the London Living Wage to a seminar at Congress House organised by the South East Region of the TUC (SERTUC). Duncan explained how the precise level of the London Living Wage is calculated, how it differs from the national minimum wage and the future work of the Living Wage Unit within GLA Economics.

Presentation to researchers at Government Office for London (GOL)

Margarethe Theseira was invited to present about GLA Economics and the unit's research programme to a group of GOL researchers.

London Economic Panel

The London Economic Panel is a group of senior business leaders who meet twice a year to discuss London's economy. They represent a range of London's business sectors and meetings have been chaired by Sir Stuart Hampson, John Lewis Partnership. The London Economic Panel met on 17 July 2006 and 16 January 2007 to assess the current state of the London economy. To assist the London Economic Panel with their deliberations Bridget Rosewell made a presentation at the July meeting and Christopher Lewis (GLA Economics senior economist) made a presentation at the January meeting. The presentations updated the panel on the state of London's economy.

Bank of England

The Bank of England's Agency for Greater London holds four economic briefings a year around the time when each Inflation Report is published. Alongside the Bank of England's London regional agent Wendy Hyde, Bridget Rosewell presented at the economic briefing on 15 August 2006. Meanwhile, Christopher Lewis (GLA Economics senior economist) presented alongside Wendy Hyde on 21 February 2007. Bridget Rosewell and Christopher Lewis' presentations updated the audience of Bank of England London regional contacts on the capital's economic performance. The economic briefings are held at the Bank of England's conference centre.

South London learning partnership seminar

On behalf of GLA Economics, Leticia Veruete-McKay participated at the 'Local Pathways to Prosperity' seminar organised by South London Learning Partnership in September 2006. The seminar aimed to help delegates better understand Local Area Agreements (LAA) and examine strategies to support the delivery of LAA targets for promoting economic development. She gave a joint presentation on using data and statistics more effectively at the local level in London. This practical workshop focused on the various economic indicators available from different data sources including Neighbourhood Statistics and the Labour Force Survey. To inform policy and make better decisions to deliver LAA, the workshop stressed the need for evidence base derived from statistically reliable data.

Presentation to UNISON awayday

London region UNISON held an awayday at City Hall on 16 June. Alan Freeman and Leticia Veruete-McKay gave a presentation on the work of the unit and on the living wage.

Creative industries presentations

Alan Freeman presented on 29 March 2006 about the GLA local area dataset to FOCI study group on creative industries. He also made presentations about the London and UK film industry to a visiting delegation from Shanghai. On 7 November 2006, he presented to Creative Clusters conference, Newcastle about 'Mapping Creative Business in London: Where do London's creative businesses locate?'

World cities and sector data presentations

Alan Freeman gave a presentation to a technical experts group on territorial indicators, OECD Paris in November 2006. He also presented about the measurement of world cities at a seminar organised by the DCLG. On 6 March 2007, Alan presented to Regional Development Agency (RDA) practitioners on the benefits and pitfalls of including international benchmarks in the Regional Economic performance (REP) Public Service Agreement (PSA) target's measurement. Bridget Rosewell gave a presentation of the sector data to the Chairs and CEOs of LDA, East of England Development Agency (EEDA) and South East of England Development Agency (SEEDA) in March 2007.

London and the Comprehensive Spending Review

Bridget Rosewell represented the Mayor's Office at a presentation with TfL to HMT on issues facing London in advance of the Comprehensive Spending Review (CSR2007). Discussion focused on transport investment, the role of financial and business services and borrowing constraints.

Paddington Business Improvement District (BID)

Bridget Rosewell presented to the Annual General Meeting of the Paddington BID on both the London and local economy.

New West End company

Bridget Rosewell presented to a management board meeting of the New West End company on the state of the London economy and the prospects for the West End.

Chief Financial Officers summit

Bridget Rosewell presented on the London economy to this conference of Finance Directors of major UK companies.

Cross river partnership away day

Bridget Rosewell presented to this group on issues facing central London both North and South of the Thames and facilitated a brainstorming discussion on the policies that this public private sector partnership could develop.

In the coming year

London's financial services

GLA Economics will be continuing its analysis of this important sector. In the coming year, we will be hosting a conference on the competitiveness of London's financial services sector, and the challenges (and opportunities) it faces in a changing world. Both internal and external speakers will address issues as wide-ranging as globalisation, emissions trading, the FSA and the EU, and global stock exchange consolidation. We hope to reach a broad audience, encompassing public policy makers (crucially, from HM Treasury, the Bank of England and the Financial Services Authority), consultancies, the big five accountancy firms and 'magic circle' law firms, the banking sector and supporting financial and business services companies, from the very small to some of London's largest companies.

GLA Economics international conference

GLA Economics' third international conference will take place on Thursday 22 November 2007 at London Zoo. The focus of the conference will be on 'Cities work but could work better'. We will explore, amongst other issues: why cities exist?; what they need for efficiency as workplaces and living places?; is there an optimum size?; do cities such as London have a built in trajectory of growth and decline?; and how do we incorporate environmental issues? As well as our Consultant Chief Economist, Bridget Rosewell, presenting, we are delighted to have Jo Valentine, Chief Executive at London First, opening and chairing the event, Professor Paul Cheshire, from the LSE, talking about European Cities and Professor Tony Venables, Chief Economist at DFID, speaking on Developing Cities.



Publications

GLA Economics produces a number of publications throughout the year. We endeavour to reach as wide an audience as possible, informing people of our research and analysis. Our publications are freely available to download from our website at http://www.london.gov.uk/mayor/economic_unit/

E-newsletter

London's Economy Today

London's Economy Today is the unit's monthly e-newsletter featuring the most up to date information on the state of the economy. For more information about *London's Economy Today* please see page 16. To join the mailing list, please email glaeconomics@london.gov.uk or call 020 7983 4922.

Reports

A Fairer London: The Living Wage in London – April 2007

This is the third annual report from a programme of research by the Living Wage Unit into issues related to the Living Wage and poverty in London. It presents an update of the London Living Wage for 2007 and looks at what threshold might be considered as constituting poverty level wages in the capital. It reviews the most recent steps being taken to implement the London Living Wage since the last report in the GLA group.

Transport and Economy Model – March 2007

Employment growth is dependent on an appropriate transport structure and there is a dynamic link between economic growth and transport. A Transport and Economy Model (TANDEM) has been developed to examine the relationship between transport change and the economy over the long term. It is a simple model with transparent inputs and assumptions. This work was commissioned by GLA Economics and completed by Colin Buchanan and Partners Ltd.

Women in London's Economy – February 2007

The 2007 Women in London's Economy (WILE) report is the most comprehensive yet in considering the position of women in the capital's economy. This year the report begins to look at the demand side of London's economy, considering women as consumers and how expenditure varies by family type. The report is available in its full format or as a summary document

London Economic Development Snapshot – January 2007

The Snapshot is a series of six-monthly reports which give an overview of the progress made in delivering the objectives of the Economic Development Strategy (EDS), Sustaining Success. As well as formally outlining

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Our research forms a basis for policy and investment decisions facing the GLA Group

London's

progress

against each EDS

objective, the Snapshot aims

to provide a means to check the priorities for London's economic development and to act as a catalyst for economic development activities across London where appropriate. The latest issue (4), which was published in January 2007, shows that London's employment rate remains more than 5 percentage points below that for the UK as a whole - the largest gap between the two employment rates since at least the early 1980s when London's employment rate was higher than the UK's. As a result, improving the employment rate remains the priority for London's economic development.

Heathrow Economics Study – November 2006

GLA Economics commissioned Colin Buchanan and Partners to provide an independent desk-based review of the assumptions and conclusions of the Department for Transport White Paper on the Future of Air Transport in the United Kingdom (published in December 2003). Colin Buchanan and Partners were also asked to review the wider economic benefits of various options for airport expansion in the South East. This work was commissioned as an input into the consideration of the issues surrounding the expansion of Heathrow.

Retail in London – October 2006

This publication includes analysis of: London's retail offer – investigating the West End, town centres and out-of-centre retail to get an impression of the retail landscape across London; changing trends in retail; and the future of retail in London.

What works with tackling worklessness? – September 2006

London has a higher proportion of its working age population who are not in paid work than any other region of the country. 'What works with tackling worklessness?' is a comprehensive and timely review of evidence to help tackle this problem. The report looks at the effectiveness of policies to help workless people get and keep paid employment. The report finds that help in presentation and job search, sometimes referred to as 'work first' initiatives, are the most effective and cost-effective interventions for people who have some recent work experience or some skills or qualifications. People with severe or multiple barriers to work may need combinations of more intensive support which are expensive and take longer for the benefits to emerge.

London Economic Development Snapshot – July 2006

Issue 3 of the Snapshot highlights that London's employment rate fell over the whole of 2005, but increased over the first quarter of 2006, and is now 5.3 percentage points below the UK. London's GVA per worker has grown at a similar rate to that for the UK over this economic cycle and at a faster rate than that for the UK over the last year. The number of overseas visitors to London grew in the year to December 2005 compared to the same period a year earlier.

A Fairer London: The Living Wage in London – May 2006

This report publishes the 2006 Living Wage for London at £7.05 an hour. This figure reflects the needs of Londoners to ensure they are paid enough to ensure a decent standard of living.

Forecasts

London's Economic Outlook: Autumn 2006 – October 2006

The GLA's medium-term planning projections for London suggests that London's Gross Value Added (GVA) should grow at 3.1 per cent in 2006 and at 3.0 per cent in 2007 and 2008. London is likely to see above trend growth in employment throughout the period 2006 to 2008. London household spending will probably grow more slowly than GVA throughout the forecast period. Household spending is also forecast to grow more slowly than household income in 2007 and 2008.

London's Economic Outlook: Spring 2006 – April 2006

The GLA's medium-term planning projections for London suggests that GVA will grow at 2.7 per cent in 2006 and will also have a growth rate around that level in both 2007 and 2008. Employment growth is expected to be 0.8 per cent in 2006 and 2007 before picking up in 2008. London household income is expected to grow slower than GVA and household spending throughout 2006 to 2008.

Working Papers

Working Paper 21: The GLA's interim metro area dataset – April 2007

This new GLA economics report on the economic performance of 35 European cities should be the GLA group standard for benchmarking and evaluation. It is one of the most complete datasets available, covering population, employment, output and productivity from 1980–2005. London's GVA growth comes sixth in Europe after Dublin, Helsinki, Oslo, Stockholm, and Madrid.

Working Paper 20: Employment projections for London by sector and borough – February 2007

This working paper provides employment projections for London as a whole and for 12 key London sectors. It updates the equivalent projections made in Working Paper 14 (2005). It also includes trend-based projections for London's boroughs. These trend-based projections feed into the production of GLA Economics' unified or triangulated borough employment projections but they are not in themselves an update of these triangulated projections.

Working Paper 19: Innovation in London – February 2007

This paper highlights an apparent paradox between London's high rate of productivity, when compared with the rest of UK, and its relatively poor performance on some government measures of innovation. The report suggests that the nature of London's economy, and its industrial structure, is likely to be an explanatory factor in the relatively poor performance on some innovation indicators, particularly expenditure on R&D. It suggests that in order to more effectively measure the level of innovation in London, survey-based approaches, like the Community Innovation Survey, should be used.

Working Paper 18: Borough employment projections to 2026 – October 2006

Working Paper and four technical papers (listed below) outlining how the Greater London Authority borough-level employment projections are generated. These projections run to 2026.

Technical Paper 1 – Trend based employment forecasts for London by borough

Technical Paper 2 – London Employment Sites Database Technical Note and Results

Technical Paper 3 – Employment Growth and Distribution

Technical Paper 4 – Data Issues: How data errors and corrections from Experian Business Strategies are dealt with in the GLA's employment triangulation process

Working Paper 17: Why distance doesn't die: Agglomeration and its benefits – June 2006

This working paper explores the role of spatial concentration in generating economic benefits and making possible the range of activities that London exhibits. It begins by defining what agglomeration means and moves on to explore the mechanisms of how agglomeration happens and the persistence of agglomeration over time.

Current Issues Notes

Current Issues Note 15: The economics of climate change – March 2007

The Stern Report, published at the end of 2006, whilst widely welcomed, is now facing criticisms both from some members of the climate science academic community and from some economists. This note concentrates on the economic criticisms.

Current Issues Note 14: Patterns of low pay in London – March 2007

The Living Wage Unit has looked at patterns of low pay in London. Low pay is defined as earnings less than the London living wage. Young people, women, those working part-time and those living in Outer London (among other characteristics) appear to be low paid employees.

Current Issues Note 13: Updated borough-level employment projections to 2026 – February 2007

This note presents a set of updated borough-level employment projections for 2006, 2011, 2016, 2021 and 2026. These numbers should be used for planning and policy purposes within the Greater London Authority (GLA) group. Bodies outside of the GLA group needing employment projections of this sort are free to use these figures.

Current Issues Note 12: Why are there so few part-time jobs in London? – February 2007

The industrial structure of London has very little impact on the share of part-time work. The structures of Inner and Outer London and the surrounding area do not seem to substantially affect their respective part-time employment levels. Differences in occupational structure and size band structure seem not to be the main causes of London's low share of part-time work.

Current Issues Note 11: Historical revisions to the GLA workforce employment series – December 2006

GLA Economics publishes, each year, a dataset of workforce employment in London. This current issues note explains the revisions that the GLA has made to its own data series and the reasons they were made.

Current Issues Note 10: Investing for Britain – Modernising the Sustainable Investment Rule – November 2006

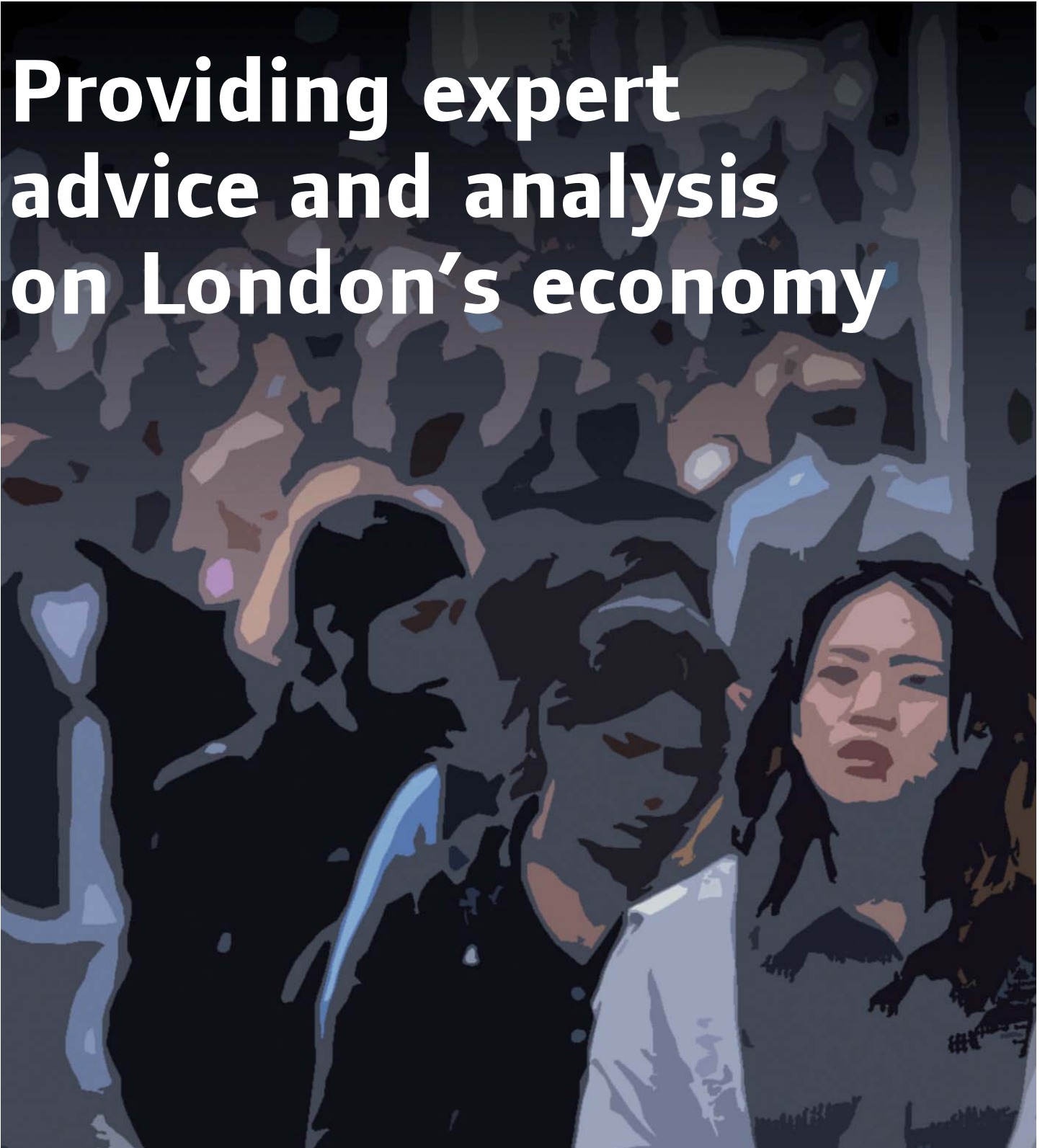
This paper sets out the case for modernising one of the Government's fiscal policy rules – the sustainable investment rule. The framework of these rules has improved the management of the public finances. However, rigid adherence to the current precise formulation of the sustainable investment rule could prevent or delay the investment needed to address long-term policy challenges, which the Government has itself identified.

Current Issues Note 9: Borough employment projections to 2026 – May 2006

This current issues note presents a set of borough level employment projections for 2006, 2011, 2016, 2021 and 2026. These numbers have been calculated using a new methodology called triangulation, which combines projections produced on three bases: trend projections, projections in line with expected changes in transport accessibility, and projections in line with expected availability of business sites. This note briefly explains the new methodology.

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Finances

GLA Economics is jointly funded by Transport for London, the London Development Agency and the Greater London Authority. This section gives an overview of the unit's finances for the year 2006/07 as provided by the Greater London Authority.



Financial summary 2006/07

The net expenditure figure for GLA Economics during financial year 2006/07 is	£323,373
The final net budget for 2006/07 is	£593,400
Therefore the net underspend for 2006/07 is	£270,027
The gross expenditure budget for 2006/07, excluding carry forward from the previous year was	£1,589,064
During the year TfL and LDA have been invoiced based on a budgeted spend of £1,146,864 with the GLA contributing the remaining £442,200.	

The split of the gross budget is shown below:

	Gross budget	% share
TfL contribution =	£573,432	36
LDA contribution =	£573,432	36
GLA contribution =	£442,200	28

Based on the underspend figure of £270,027 the carry forwards are as follows:

2006/07	Carry forwards	% share of gross budget
TfL	£97,442	36
LDA	£97,442	36
GLA	£75,143	28
Total	£270,027	

These funds will be available to spend in next year's budget

Financial statement 2006/07

	Actual £'000	Budget £'000	Variance £'000
Expenditure			
Employee Pay	608	727	-119
National Insurance	58	69	-11
Super	86	104	-18
Allowances	5	1	4
Employee Temps	21	0	21
Staff Costs - Pay	778	901	-123
Travel	2	1	1
Hotels/Lodgings	0	1	-1
Subsistence	0	1	-1
Training Courses	6	0	6
Conferences & Seminars	2	5	-3
Staff Costs - Non Pay	10	8	2
Accommodation	2	0	2
Catering	6	7	-1
Publications Printing	13	21	-8
Publications Design	1	36	-35
Stationery	1	1	0
Books	0	1	-1
Data Purchase	36	51	-15
Consultancy	332	376	-44
Couriers	4	1	3
IT Software - Purchase	8	28	-20
Corporate Subscriptions	54	47	7
Supplies & Services	456	569	-113
Operational Buildings Charge	262	262	0
Service Charges	262	262	0
Total Expenditure	1,508	1,740	-232
Income			
Fees & Charges	-1,147	-1,147	0
Other Income	-38	0	-38
Total Income	-1,185	-1,147	-38
Net Expenditure	323	593	-270

These figures are subject to audit.

Note: the service charges above do not reflect additional buildings and management support service costs borne by the GLA.



Other formats

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

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Chinese

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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