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**Dee Doocey AM**  
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**Date:** 16 MAR 2012

Dear Dee

**Response to Report from the London Assembly Economy, Culture and Sport Committee**

Thank you for your report entitled 'The Mayor's role in economic development'.

Promoting jobs and growth in London's economy, and thereby ensuring the continued prosperity of the capital, is one of my main priorities as Mayor. As such I welcome your report, which highlights a number of the challenges and opportunities that we are currently facing in London with regard to the economy and economic development policy. In this letter, I seek to respond to your points with regard to the changes to my powers, changes to funding and my role as strategic lead for economic development. In the Annex, I respond in more detail to each of your recommendations:

**Changes to the Mayor's powers**

As you rightly point out the last 18 months has been a period of change with regard to my powers as Mayor and the economic development funding and policy landscape more generally. These changes include providing me with direct control over the budget of the Homes and Communities Agency (London), the ability to create Mayoral Development Corporations and the folding in of the London Development Agency to the Greater London Authority. I have welcomed these changes to my powers which will improve my ability to make joined up strategic decisions about major infrastructure investments in housing, transport and economic development.

I have also welcomed new policy developments including the Local Enterprise Partnerships and Enterprise Zones. London has successfully secured an Enterprise Zone in the Royal Docks and the Government and I are keen to establish one in the Vauxhall, Nine Elms and Battersea Opportunity Area linked to the Northern Line Extension and Battersea Power station. The London Enterprise Panel, recently appointed, met on 21 February to provide advice on strategic decisions related to economic development. One of the Panel's first priorities will be to explore develop a route map to obtaining further strategic powers as well as developing an action plan for improving skills and employment support to meet the needs of Londoners and London's businesses. This would ensure that the powers enjoyed by the LSEB would be strengthened rather than diminished.

## Funding for economic development in London

While from 1 April 2012 the LDA will no longer exist, I have a number of sources of economic development funding available to me, including the Mayor's Regeneration Fund targeted at regenerating those areas worst affected by the civil disturbances in August 2011 and the Outer London Fund focused on improving the character, quality and economic vitality of high street places.

The GLA, advised by the London Enterprise Panel (LEP), will also be able to allocate a £41m share of the national Growing Places Fund, along with the uplift in the business rates from the Enterprise Zone in the Royal Docks. This income will provide a future funding stream for the LEP. In advance of this income coming through (in 2013/14) the GLA will work with the LEP and others to explore the potential to borrow against this future income stream.

At the present time, we are still working to establish the exact details with regard to how much income we are likely to receive from the Enterprise Zones. In the meantime, the table below summarises the specific funds available to the GLA over the short to medium term for investment in regeneration and infrastructure.

Regeneration and investment funds available	Total (over 3 years 2011/12 onwards)
Outer London Fund	£50m (£10m Round 1, £40m Round 2)
London Enterprise Fund	£20m
Mayor's Regeneration Fund	£50m
Growing Places Fund	£41m
Enterprise Zones (income from business rate uplift)	TBC

In addition, I will continue to draw down the maximum possible European Funds and will seek to use these funds along with any others available to complement investment in capital projects.

With regard to the GLA's budget more generally, as you know I have recently concluded my final draft budget for 2012/13 (<http://www.london.gov.uk/who-runs-london/greater-london-authority/budget-2012-13>).

I am also engaging with the government's proposals for business rate retention contained in the Local Government Finance Bill currently being considered by Parliament. The details are still uncertain at this stage, but should provide a mechanism for local authorities, and the GLA Group itself, to retain a significant share of business rates growth for reinvestment.

## The role of the Mayor in providing a strategic lead for economic development

As Mayor I have a statutory role to promote economic development in London. I published my revised Economic Development Strategy (EDS) in May 2010. This Strategy provides my long term (20 year) vision for the London economy, providing a strategic overview of the economy and future strategy.

Our intention was to publish an implementation plan soon after publication of the EDS, but given the speed and scale of the changes that have taken place over the course of the last 18 months we decided against doing this to ensure that we, and our partners, are not bound by specific actions which may become undeliverable (e.g. due to changing governance structures, powers and funding). Nevertheless, now that the landscape is more settled, GLA officers are developing a new implementation plan for publication soon.

Finally, with the Government, I have ensured that London is well placed to weather current economic turbulence and continue to grow. Investment in our transport system is reaching historic highs; London is creating new apprenticeship places at a faster rate than any other region, supporting growth and opportunity; I am investing in regeneration projects across the capital; and we will provide the digital infrastructure that the city needs in order to compete globally. Along with many other measures, I am carrying out work with various partners to meet the economic strategy objectives that I set for the capital in May 2010.

Yours ever,

A handwritten signature in blue ink, appearing to be 'Boris Johnson', written in a cursive style.

**Boris Johnson**  
Mayor of London

Enc.

## **Annex : Response to Recommendations**

### **Recommendation 1**

*We recommend that in his response to this report, by January 2012, the Mayor set out his strategy for seeking to influence central government to make the case for London ahead of the next Comprehensive Spending Review. This should include his policy on securing powers and funding for skills and specialist business support in the capital.*

I have an ongoing strategy to influence and lobby central government to make the case for London. This is not limited to lobbying on specific milestones such as the Comprehensive Spending Review.

Indeed, not least as a result of our long running process of engagement and negotiation with Whitehall, London has already achieved key successes since the Committee reported, which were announced in the Government's Autumn Statement, including:

- Support from government for the extension of the Northern Line to Battersea (allowing the GLA, and local authorities to borrow against the Community Infrastructure Levy to support the scheme, and the consideration of a potential Enterprise Zone in the area, to enable business rate income to be available to fund borrowing).
- £130m for London's transport budget (limiting January fare increases to RPI+1 per cent), £80m for 130 new Southern Rail carriages, investment to accelerate improvements to junctions 23-27 of the M25, and £45m for the extension of smart ticketing across London and the South East.
- Investment from a £100m urban broadband fund to enable London to become a 'super-connected city' with 80-100 megabits per second superfast broadband.
- Commitments to explore options for additional river crossings (including Silvertown), tackling Junction 30 of the M25, a Lower Thames Crossing, and an open debate on London's future airport capacity needs (excluding a third runway at Heathrow).
- A share of the £600m fund to create 100 additional Free Schools by the end of this Parliament and a share of the additional £600m for school places available from 2012-13 to help local authorities with the greatest demand.

It would be premature now to establish a strategy for lobbying on the next Comprehensive Spending Review, given that government has set out its spending plans up to 2014/15. In the meantime I will be lobbying on an ongoing basis including in advance of the March budget.

The LEP has already made ambitious proposals to improve skills and employment support to meet the needs of Londoners and London's businesses, which will be developed in due course. Lobbying government for more powers on business support is not a priority, as I consider the rationalisation of such interventions to be appropriate at a time of austerity. However, I work with government to ensure national programmes meet the need of London businesses, and engage with large private sector partners to encourage their support of small enterprises.

## **Recommendation 2**

*We recommend that, in the Implementation Plan for his Economic Development Strategy, the Mayor should clearly explain the criteria that will be used in cases where the London LEP plans to spend these funds in other parts of London.*

The London Enterprise Panel is unique from other Local Enterprise Partnerships elsewhere in the country. Outside of London the other LEPs have to an extent replaced the Regional Development Agencies. In London, my office fulfils this role, under scrutiny from the London Assembly, which is why the London Enterprise Panel will have an advisory role only.

The London Enterprise Panel will advise me on the delivery of Enterprise Zones in London, and provide advice on the allocation of any funding made available to the LEP. Any criteria for allocating funds will be developed by the Panel working with me and the GLA within any guidelines from government. The GLA will be the accountable body for any funding available to the Panel, and therefore all expenditure will require project and programme approvals in line with the GLA's programme management framework.

I respond to your request for an implementation plan in more detail below, but this will be developed working with the London Enterprise Panel, once the Panel has had the opportunity to identify its priorities for any economic development funding available.

## **Recommendation 3**

*We recommend that by January 2012 the Mayor publish a detailed Implementation Plan for his Economic Development Strategy. It should contain proposals and options for the roles and objectives of the organisations with new responsibilities – including the GLA and the London LEP – and set out how activities assigned in the EDS to the LDA will now be taken forward; make clear how the GLA and the LEP will interact with each other and the existing bodies, including the boroughs and sub-regional partnerships; explain how the GLA and the LEP will add value to what existing bodies can achieve; and describe new mechanisms for pooling funding for housing and regeneration and other assets such as land.*

As stated in my response to recommendation 2, the London Enterprise Panel is distinctly different from others outside of the UK. The Panel will advise me as Mayor on key issues related to economic development. In particular, it is envisaged that the London Enterprise Panel will on action to:

- Provide strategic investment to support private sector growth and employment in London
- Promote enterprise and innovation and the acquisition of skills for sustained employment in London
- Protect and enhance London's international competitiveness.

The GLA is working on an Implementation Plan to be published soon. This plan will fulfil a number of these recommendations; it will establish the roles and objectives of the GLA with respect to the EDS, the London Enterprise Panel and other existing bodies. The Plan will be jointly agreed by the Mayor and the London Enterprise Panel.

However, it would be premature to make commitments as to which areas of economic development the LEP will take an interest in and how it will interact with the GLA and other bodies such as boroughs and sub-regional partnerships. This will be for the Panel to decide.

I do envisage that the LEP will clarify soon after its first meeting how it intends to interact with boroughs and sub-regional partnerships. London boroughs do, of course already have representation from three members on the Panel which are nominated by London Councils.