

LONDON

ENTERPRISE PANEL

Date of meeting: **29 October 2014**

Title of report: **An Economic Development Plan for London - proposed themes and priority areas**

To be presented by: **Representatives from London First and McKinsey & Company**

Cleared by: (Director) **Fiona Fletcher-Smith, GLA Executive Director - Development, Enterprise & Environment**

Classification: **Public**
Appendix 2 reserved from publication [contains information relating to the early formulation of strategy]

1 Executive Summary

- 1.1 This report provides an update on work to date in developing a new Economic Development Plan (EDP) for London and introduces the proposed themes and priority areas which, following extensive consultation, have been identified as the basis for the Plan.
- 1.2 London First and McKinsey & Company will lead a discussion at the meeting inviting feedback on the themes and priority areas before the final EDP is submitted to the LEP for approval at its meeting on 17 December 2014.

2 Recommendation

- 2.1 That the proposed economic themes and priority areas that will form the basis of the London Enterprise Panel's new Economic Development Plan for London be endorsed. The final Plan will be considered for approval by the Panel at its next meeting on 17 December 2014.

3 Introduction and Background

- 3.1 On 26 November 2013, the London Enterprise Panel (LEP) agreed to develop a business-led Economic Development Plan for London, with the project management undertaken by London First. Subsequently, at its meeting on 7 January 2014, the LEP established a time-limited Working Group to oversee this work.
- 3.2 Taking as its basis the population forecasts in the London Plan to 2036, the EDP will propose a number of priority areas for action to support jobs and growth over this period, and will provide an updated evidence base for future LEP decisions. It is envisaged that future revisions of the Mayor's statutory Economic Development Strategy will have regard to this work.
- 3.3 Following a competitive procurement process, the EDP Working Group appointed McKinsey & Company to support the development of a robust, data-driven analysis of the London economy. The consultancy and other out-of-pocket costs of the project are being funded by London First the GLA and the LEP.

4 Economic Development Plan Objectives

4.1 The Plan's objectives for London to 2036 are to maximise:

- economic growth (GVA);
- jobs, across the skills and income spectrum; and
- economic resilience, i.e. a diversification of sectors and competitive strengths.

4.2 The work recognises that, while London's success has historically been largely unplanned, there are areas where targeted interventions will deliver better outcomes. The EDP seeks to identify the areas where such interventions will make the biggest positive difference to London's economy; to draw attention to the areas where London's growth potential is greatest; and to assist London government and others in allocating their scarce economic and advocacy resources.

5 Scope

5.1 The EDP is largely consistent with existing Mayoral strategies, and in particular the Economic Development Strategy, the London Plan and Transport Strategy. It is also aligned with the Housing Strategy and its development has dovetailed with, and references, the Mayor's London Infrastructure Plan 2050.

5.2 **The EDP's focus is on identifying actions to drive jobs and growth.** It is not an overall strategy for city management and does not seek to provide a plan to tackle other key issues for the city, such as environmental issues or social inclusion.

6 Approach

6.1 The initial research focused on five key areas:

- sectors for future growth;
- innovation and entrepreneurship;
- infrastructure;
- governance and the business climate; and
- human capital.

6.2 The work also undertook an analysis of current and future trends that are likely to affect London's economy.

6.3 The initial findings were tested across London's business and political stakeholders and wider communities, to ensure that final recommendations are business-led, robust and really make a difference to London's future economic growth.

7 Consultation Process

7.1 The LEP Working Group will have met six times during the course of the EDP's development, along with observers from the GLA, Transport for London, London & Partners and London Councils. In addition, the project has benefited from the guidance of a broad Advisory Group that includes trade associations, government representatives (central and local), think tanks, the education sector, trade unions and contiguous Local Enterprise Partnerships. Membership of both Groups is listed in Appendix 1.

7.2 In developing the EDP, London First and McKinsey have also engaged with a wide cross-section of London stakeholders, including:

Business

- Over 200 businesses have been consulted over the past seven months to ensure that the final EDP is business-led and commands strong and broad buy-in. Bespoke consultation sessions have been held with large, medium and smaller businesses.
- The EDP was presented to the LEP's five sub-regional meetings during summer 2014.

London government

- The Mayor and relevant Deputy Mayors have been consulted.
- Representatives from McKinsey presented the EDP findings and tested proposals with the four other LEP Working Groups throughout Sep/Oct 2014.
- The Greater London Assembly's Economy Committee have also provided their views following a hearing with London First.
- All of London's boroughs have been offered briefings (ongoing), and the work was presented to London Council's Regeneration Committee after the local elections in May 2014.

Central government

- Targeted consultations have been held with relevant departments

Public engagement

- An early draft of the analysis was published on the GLA's website for public comment (June – mid-September 2014)
- The emerging findings were presented to the GLA's Economy Committee on 17 July 2014.

8 Emerging Findings

8.1 A high level summary of work to date can be found in Appendix 2. In essence, the Plan identifies three economic themes for action:

1. Sustaining our strengths: The global hub

London needs to sustain its unique appeal as the first choice destination for global business, talent and visitors by reinforcing strengths in financial and business services, deepening links to emerging markets (particularly Asia) and protecting its historic "openness".

2. Cementing our potential: The innovation workshop

London must build on nascent strengths in technology and innovation, developing its technical skills base and digital infrastructure and providing scale up support to high-potential SMEs, in order to diversify growth.

3. Addressing the challenges that accompany success: The city that works

London must address the pressures of a highly competitive labour market, rapid population growth, and lack of autonomy relative to peer cities. This will require greater powers and speed of decision-making, bolder infrastructure development (particularly housing and transport), and a focus on employability for all Londoners.

8.2 Also, and in a similar vein to the Mayor's recent Growing Together report, the EDP will seek to emphasise the economic linkages between London and the rest of the UK.

9 Equality Comments

9.1 Not applicable.

10 Risks Arising/Mitigation

10.1 The risks are being managed by London First as part of their agreement to project manage this activity. However, GLA officers are working very closely with London First counterparts to mitigate any risks.

11 Financial Comments of the Executive Director Resources

11.1 The costs of preparing the EDP are to be met from London First (£200,000) and budgeted contributions from the GLA (£50,000) and the LEP (£50,000).

12 Next Steps

12.1 The LEP is invited to contribute to the development of recommendations for action at the LEP meeting on 29 October 2014, with the final report due to be presented at the 17 December LEP meeting. In addition, the project team would be very happy to discuss the work in detail with any Members ahead of the December meeting.

12.2 The intention is to launch the EDP in January 2015 at an event to which LEP members will be invited.

12.3 Clearly, effective implementation of the EDP action plan is critical to success. Recommendations for governance structures, resources and monitoring arrangements are currently under development and will be included in the final report. They will take into account the outcome of the current review of the LEP's governance.

Appendices:

- Appendix 1 – LEP EDP Working Group and Advisory Group Members
- Appendix 2 – Economic Development Plan: Summary of the emerging narrative [reserved from publication as it contains information relating to the early formulation of strategy]