

A CITY FOR ALL LONDONERS

Economy Workshop
23rd November 2016, 9.30 – 13.00

Devolution Table 8 Session 1

Facilitator in bold – facilitator comments in bold

Respondents in regular text

These notes are a summary of the conversation

Session 1, Table 8

Facilitator, James Lee, Greater London Authority

Richard Lee, Just Space

Susannah Wilks, Cross River Partnership

Rachel Laurence, New Economics Foundation

Mubin Hack, Trust for London

Andy Chapman, Economy for the Common Good UK

Luke Rigg, Greater London Authority

Jonathan Kay, London Borough of Brent

There are a few questions I want to address, but first, to provide some context, we are now facing a national picture which will be driven by Brexit, and within that context, there are two developments we are looking at. One is how taxes and infrastructure can align better with service delivery, and controlling the income that is raised through the city. The second is looking at London within the context of the greater UK. With that in mind, the main questions I would like to address today are: What do you mean by devolution? How do you think this differs from the current offers, if at all? What areas/powers do you think London government should have devolved? How should any 'devolution deal' for "London take into account the rest of England/UK? What should be the priorities for stronger fiscal powers? What, if any, governance changes would you want to see? Should London look to become self-funding?

We like to make a distinction between decentralization and devolution, which is the specific agenda we've been seeing in the past few years and has had political objectives that are not necessarily shared by people who think decentralisation is a good idea. Decentralization should make the economy work better for the people in the city, and on the other hand make the productivity of that region higher in terms of GDP. How do you build an economy that does that and how do you put people in those jobs? We understand decentralization is how the economy works for the existing infrastructure, but what does a good economy look like for that

city? Secondly, how do you generate that higher GVA? It's an opportunity in London to discuss mainly the first point, because we already have a high GVA.

There's also a kind of democratic aspect to this as well. It seems to be true that there's a general feeling at large that people feel disconnected from the decision-making apparatus of government agenda. Anything that helps bring citizens closer to the provision of taxation is a good thing.

It is about democracy, and giving people feeling they have some control. It's also an opportunity to be more agile in terms of raising taxes and how to reduce taxes to stimulate growth in some sectors. To try and get changes at the national level is very difficult, but at London you can do that more easily. Devolution isn't just about fiscal matters but other policies as well. So if you want to have influence over living wages and such, it has to happen at a local level. London is different from other cities and can lead the way for others such as Bristol and Manchester.

My faith in democracy has been wounded quite recently after what happened in the US. I think there's an issue around other parts of the UK. If there is a great devolution, tax-raising powers at the London level, it is a question of which ones and there's an issue around how much London needs to contribute towards the wider country and economy. In other countries, Spain and the case of Catalonia for example, there's a justice question for what a fair split is, what is equitable fare?

Just Space is also very keen on what you've just said. My generalized comment on devolution is asking devolution in whose interests? As a community network, our interest is if devolution is really about handing powers over to the Mayor, is it sufficient, or in terms of handing power over to the local level, is it sufficient to hand it over to the Mayor then local authorities? We would raise the governance question. Secondly, it has to be about more than taxation, surely. It has to be about public confidence. Whilst I understand what Rachel said about what might be driving things in English cities, devolution also means what is happening in Scotland and Wales, as well as the social agenda in terms of devolution of powers and what that means for the economic agenda (Agree x3).

We need to take small first steps, as we haven't even accomplished these things in London yet. So we need to walk before we run and unite behind London devolution, then step out to even further.

We can't unite if we're not there, that's the problem.

There is a path forward you could start to sketch out in terms of central government and large scale fiscal powers. If there were a collective commitment in the future towards doing things in London that does involve community rather than just the usual suspects, you can imagine things in which ways can be done that give community people and citizens, businesses, and elected representatives the opportunity to have a say but also requires them to assume responsibility. That's the crucial thing, not just giving people a voice but giving them responsibility. You can imagine setting up little projects. There isn't really a template for how to do this, but we do know how to engage multiple stakeholders, and we can set up small projects and see how people respond with the intent of working collaboratively and creating something together.

Two thoughts: in relation to whether this is linear, from my work this year analyzing what has and hasn't been going on in devolution and what's possible, it's become clear that once you set

terms in devolution agreement you get locked into path-dependency. So whatever we decide the activity looks like down the road five years, we have to determine what London can do in terms of policy now.

On the point about different devolution deals, how would you critique them in terms of how they fulfill what you see as devolution?

Depending on the economic and labor market outcomes you're trying to achieve, the sectors you want to support also differ. So if you want to expand in the tech sector, for example, that determines what you want to invest in, in terms of labor force – whether that is importing the labor from somewhere else, building the housing that those people would want, or creating schools. You have to think long term, even 30 years down the road.

Is that something central government should be pinning London or other area governments down on? Should they be setting provisions over time frames or allowing local areas to set their own priorities?

Clearly that's not on the agenda for this central government. I think it's important for the negotiation that the Mayor does with central government, and we would say that the devolution arrangement has to put in place a housing arrangement in addition to things around tax. Surely this is the biggest issue around living cost. It feels to Just Space that a housing devolution bill has to be seen as just as important as the control over taxation, and that would be the best way to gain widespread support in London.

This raises a question, if you were sitting on the other side of the negotiation table and represented central government and were talking to Manchester, Birmingham, et cetera, what would you be trying to achieve? What is the government motivation in all of this? I think if we're able to understand what they're trying to achieve it would mean-

Greater productivity. There are extremely good civil servants who genuinely want the same things everyone here wants, but if you look at the kind of rhetoric, such as in Manchester which got to the bottom of what the red lines were in government in terms of closing the UK trade deficit by making the rest of the country productive, that is relevant in London. It implies we've already ticked that box so now we set the terms for what we want out of devolution. Where are there real strings being pulled in the treasury?

So we've got housing as one area that should be more ambitious in terms of devolution. What are other areas?

In terms of tax side, the amount of focus on property based taxes is rather narrow. The government is missing something in terms of the amount of tax people would pay. No one is tackling that. It's disproportionately affecting property-reliant industries, and many new industries aren't reliant on it, so the government is missing the opportunity to reinvest on skills, infrastructure, and other things. Non-property based taxation regimes is very 21st century.

Would you want to see London change to that or that being set nationally?

I think London should use that to change what it asks of central government, because then responsibility would be spread and there would be more tax revenue to reinvest. So then they wouldn't be worried about losing so much control and we could ask for a greater amount to be kept in London.

It's residential property in particular. Also looking at labour, apprenticeships, internships, minimum wage policies, we should get a better culture relation on that.

Looking at the decentralization of plans, that has been an interesting omission. Devolution in the current agenda is about transferring power, but if you look at where the economy sits, SMEs struggle to access development to grow and the problem is how the banking system in the UK has been centralized. We don't have small and medium banks which is different from Germany or the United States. The banking sector there works in a really different way and puts much more money into those smaller businesses. Is that something the Mayor of London has a power over, to do something to decentralize those big banks?

It's interesting to note that during the Industrial Revolution, there was a Manchester Stock Exchange, and in contemporary times in Birmingham, there was a contribution fund that was based in London. So London has had built in advantages. How can London then become more of an asset to the rest of the country? That's something I'd very much like to get your views on.

Whatever ends up being devolved in London, we shouldn't just think of ourselves as some city-state but also our relationship to those who have and haven't had devolution. There is a social equity and social justice point, as we do have responsibility to the rest of the country. There are real advantages for us in developing relationships in a cooperative way with other cities who are dealing with these same devolution and decentralization issues.

That's a really good point. It's quite interesting how London is seen as a unified entity from the outside. People don't always realize the complexities of the economy here. Yes, the GVA is great, but we also have high rates of unemployment and other issues that aren't so apparent from the outside.

Some of the national instances include what has been done in Cardiff with production moving there, which has been a huge boost for their economy. We've become kind of xenophobic Londoners. It should be about how we're involved with the rest of the world.

I don't know whether the others feel this, but whenever I hear the "London is the greatest city in the world" language, it seems arrogant. I'd rather see an element of humility, because as well as success, we do have a number of problems here. Do we really feel that the current type of growth model is desirable and sustainable? Surely one of the big issues around Brexit was many parts of England feeling they don't like the way things are going in terms of economic development.

Some of the issues we're touching on – national and potentially global – have to do with the way Western capitalism works. Any sort of devolution package should look at some simple things. The housing devolution issue can be linked to supply issues. In terms of businesses, is there some way that we can be thematic if the money is being taken from certain sectors, to spend it in a way that is linked. Also about productivity, the argument has to be won economically and socially.

The central government will want to produce taxes rather than increase them at the moment.

Just talking about the new business rate system, some businesses will see their rates go up 180% on the first of April. So how is that sustainable? They don't pay proportionally the same contribution. It's not a fair distribution of tax among the commercial sector.

Devolution allows you to reform property taxes and allow fairer burden sharing, rather than introducing or increasing the rate of tax. But clearly business feels that they are seen as a cash cow. After the last evaluation in 1991, there have been advances.

I'd like to talk about those parts of the transport infrastructure that aren't under the control of TFL, like the southeastern trains. It would make sense to have as much of that under TFL's management as possible. So that includes the Overground Rail, roads, and so forth.

I think you're touching on something interesting about devolution being just London or a wider area. Thinking of the inter-land of those home counties and how we interact with that.

Picking up on Rachel's point, if productivity is the dominant issue, when it comes to getting significant shifts in fiscal powers in London, what would be your ways of assessing success? What would be your priorities?

Reducing unemployment in London.

Inclusivity or fairness. University of Manchester has done some really good work at looking at rates of poverty, inclusiveness, supply chains, and the way money is flowing around small and medium business sectors, the bad side of gentrification where you end up with one set of the population existing separately from the other, and looking at how much the construction of one site benefits another.

Other cities in Europe have adopted the common good as a way to assess how the country is doing, looking at not just companies but the municipality itself in the area. So this involves looking at what's happening to finance, supply chains, citizens, and looking at in each case of identity contribute to the common good or not. It results in a score that is audited which you can then use as a basis for tracking progress. London absolutely could become a common good city if it wanted to.

I think it would be great if the GLA could host a workshop or seminar on this subject. At this table, there are at least three of us who have produced a lot of indicators. In our community led plan, we suggested twelve indicators, and two of those are about fairness ratios. Can we minimize the gap between the top 10% and the bottom 10%?

You can have a small number of outcomes you're trying to achieve that break into a larger number of indicators.

In all of this, it can't be some kind of technocratic experiment but something that the greater public can understand.

Just a word of caution: whatever indicators are devised is the causality issue. Things happen, there's a lot of impacts and outside factors, and how do you ensure there's not any leakage? It's not about making new indicators but looking for those that are already out there.

I would add that focusing just on GVA is confusing a means with an end. The whole objective of government policy should be to improve life for citizens. While financial matters are important to everyone's lives, they're kind of an intermediary thing. People need housing, food, good quality of life, and GVA doesn't speak to that. If productivity is what you care about, it should be noted that there is a lot of evidence that if you bring the workforce within a company closer to the decision making, you increase productivity. By extension, if you bring people in a region

closer to control of resources and the public sphere of what is going on, you will get greater levels of cohesion, less friction from things like protesting, because you have a greater level of buy-in or common ownership.

The happiness indicator.

The standard of London which measures housing costs, childcare, et cetera, indicates who can actually live in London.

We've come up with three points from this discussion. The first is that governance can be devolved around involving people and allowing them to shape and share responsibility.

This has got to reach out and be understood.

It's not sufficient to just say it's the Mayor, the local authorities, but in the long term who actually does make the decisions? Communities, and not just community organisations, but people who are involved in the process.

The community sector is ready to go, but reaching the public would require a longer term plan, I agree.

Also, it's not just about GVA, but understanding that high GVA doesn't necessarily mean a well-functioning community.

Inequality is a strong word. Justice is another.

I like the point about how taxation is not just about housing, but also about services.

Table 8 Session 2 Devolution

Facilitator in bold - facilitator comments in bold

Respondents in regular text

Session 2, Table 8

Facilitator, James Lee, Greater London Authority

Mary Vine-Morris, AoC

Ilinca Diaconescu, London Gypsy and Traveller Unit

Rosaline Lauth, PHE

Luke Rigg, GLA

Janaki Mahadevan, London Borough of Newham

Just to provide a bit of context: The Mayor, Sadiq Khan, has reconvened the London Finance Commission and the main argument is that London should have devolved to leverage more control in infrastructure. In the context of Brexit, London needs a larger range of tools now to plan for the future in these uncertain times. One thing that is being developed further is service devolution, and the second is London within the UK context. We've had three oral evidence sessions, with one in Manchester and Birmingham. Those included local government think tanks and local businesses. I thought we'd kick off with a general question of what we mean by devolution.

I'm coming from a local authority perspective and I think we see a really centralized system in the UK where a lot of financial levers are held in the center, which in some ways makes sense. But compared to other countries around the world, devolution is an opportunity to use experience to allow the space to innovate. Devolution is about shifting power to local or Borough level, and subsidiarity. Local authorities then have a responsibility to look at communities and see how they can develop further. In terms of what the current offer is, we still see government talking about devolution in quite rigid terms that doesn't meet those expectations. So in work programs there can be much more done. Local authorities have the space to design something better to get finance, get the levers, and deliver in house. It should be true innovation and flexibility.

Building on that from a health perspective, there are similar needs across the country, but at Borough level or at London level there are different health needs, so devolution is an opportunity to bring responsibility down to local or Borough level.

Where it's greatest risk exists is in passing problems to local level from the national level. Or disguising funding that has been cut to then allow smaller levels to take responsibility. There's a glamour about that that shouldn't be seen at face value.

That's come out in some of the oral sessions we've been to, that there's a fear that it's just shifting of responsibility to local level.

You need to look at two key things: as a global city, London has very level devolution, and is a very fragmented city with 32 Boroughs. TFL is a great example of what you can do if you

centralize leadership. Subsidiarity is a good principle, but also think about how you get the right decisions made from the people who actually live there rather than the businesses or people who are coming from different areas on London.

There's a good argument about trying to retain greater path of apprenticeship level. The reality is the rest of the country hasn't got all the talent we've got. I think we have to think on a larger level about the country, not just be selfish about keeping the best talents here.

One of the important things is allowing London to be more responsive to its particular circumstances and needs. There's a conflict between what the London Plan can do and the national policy framework and that doesn't address key issues London's communities are facing in terms of viability and housing concerns. These are coming up in different Boroughs, that you can't provide for communities because of viability issues. I wonder if devolution includes something about how the London Plan can address these negative impacts particularly in the frame of sustainable development and balancing social benefits with economy. It's also about having a broader view of what balanced regional development means, and having more dialogue between different cities.

Could you just summarize what you think should be devolved and at what level when it comes to sustainable development?

It includes what the London Plan and other Mayors' strategies can ask for in terms of new development, especially in big regeneration areas. The principle that dominates in these new housing zones is sustainability, affordable rents and work space, for example. People are asking for the GLA to make policies more suitable, but that needs to be supported by the right kinds of funding.

There's a couple of themes that might be helpful: when Boroughs are thinking about the growth of housing, for example, they don't have the power over when hospitals or schools get built, so how do we make sure everything happens jointly? It's important that we allow flexibility for London's economy to flourish. All the business years ago was in the West End, there's an ever shifting balance of where housing and business is. We have to make sure the economy can keep shifting and adapting, because it's just going to get faster.

When you look down on the ground level, in policing for example, the pan-London services aren't always responsive to local needs.

What's appropriate to be pan-London, and how do you avoid a dysfunctional national relationship to London? There does need to be some mobility for ground-up compensation, so that businesses don't end up having to deal with the nonsense of different planning requirements and different boundaries.

On the tax powers, property taxes specifically, do you think that the Mayor or the Boroughs can be more ambitious to have greater access to the tax London generates?

I don't think businesses taxes were mentioned on the slides, but there is potential there.

That could make a real difference as well in terms of accelerating some kind of business partnerships or development.

If you invest in a street scape, all the businesses there benefit but there's often not a mechanism to do that.

There's often complains that we've got too many taxes on high street. We don't have sufficient powers at the moment to stem those. It's about responsible businesses and those that create employment. The planning system is so permissive. In terms of finances, it's important to retain some sort of those funds. We've asked them to enforce the minimum living wage, but one in five people are not even paid the minimum wage. We're calling on a pilot scheme. There's lots of little things that will make a difference.

It would be useful to be done at sub-regional level, if you have expert enforcers.

There's a question as well around school areas. There has been a change in terms of public health moving to local authorities, and calls for increased powers. There's been a lifting of a grant which means greater flexibility at the local level in terms of where they put their spending but still have the mandate of responsibilities. It is a challenge thinking about health inequality, and looking at more prosperous areas and business retention, it may mean the risk of certain areas being able to spend more on health services than others.

It comes back to the conversations we have, as the power dynamic is us going hand in hand to government. How do we pick it apart? In terms of health, until you start pulling in budgets, devolution doesn't work. We need to recognize the fears of government, as essentially they have control over everything.

Is there value in London having a broader range of taxes available to it?

There could potentially be. You'd have to think carefully about how they'd work in practice and what the implications would be and thinking longer term for whether there's a potential for negative implications. I can't say what those would be.

It feels like business rates are a good place to start. One of the angles on it could be a means for making it easier for communities to reinvest in things that are of value to them.

You get local buy-in.

Adding on that point, I wonder how they relate to community infrastructure and the neighborhood portion of that. Boroughs can levy that contribution, but to make it relevant to communities, there has to be more transparency on how the bill is allocated and right now the mechanism is neighborhood forums. But not all areas have those forums or aren't at the place where they can make those decisions. It has to be rethought through a set of principles to allow the Boroughs to have more control over decision making. There are models of economic development and people in low and middle incomes having stakes and shares in local social enterprise - things like energy companies. There are a few examples of that in south London where community groups have created a program you can invest in to get shares and generate solar energy. Looking at the bigger infrastructure plan in 2050 and tackling big problems like climate change, there needs to be some sort of discussion about energy.

That's a good point about how you genuinely get community involved in the process, because the consultation has not been perceived as genuine. I live very close to Vauxhall and you walk down it and wonder if it's actually going to be a great place or just a place for foreign investors. I'm saying this as a developer. Reflect on what people say to you, and you'll make a lot of progress. But you need to have the community to agree amongst themselves first, which is not a simple process.

Coming to the governance issue, how can we improve?

There's a lot of work being done by the New Economics Foundation working in cities across the UK looking at communities and governments.

One thing that would help, which I've seen in Rotterdam as well, is starting from a high level to determine what it is you are and aren't open to. If everyone can accept that starting point, then you can start to have a sensible conversation. There's different ways of achieving high density housing for example.

I'm wondering also about the conversation about public lands that are available, and what deals will be made on that. Particularly, where this is framed as an opportunity area, there has to be a genuine process in governance that allows local people to be a part of decision making and have transparent info about what land is available and discuss what will be created there. It's one of the key mechanisms of delivering policy. What we see through our work with local community groups is the displacement of people.

Social media and current technology provide a lot of opportunity to consult with the public. In Copenhagen, they recently used a Facebook page to consult on what they wanted done with the cycle network. It's a quick way of getting local knowledge.

Going back to the point of London and the rest of the UK, how should any devolution encounter that?

That's interesting in the context of Brexit, because the EU has been a mechanism of redistributing wealth in an opaque way.

I've got a fear about trust in human nature, as lots of things that have happened recently have indicated an increasing selfishness in society. I think that's at the core of a lot of this, such as the local authority level bringing back resources only to their own level. The EU has been about not just redistributing wealth but about meeting a minimum level. We have to keep the greater good concept, whether that's within London and its communities, or London and the UK, or London and Europe.

In the previous group, someone came to the common group charter.

I think there's a lot of discourse around London being a globally competitive city, but maybe not so much about within the UK, not so much from local government anyway. That divides communities as well. Londoners feel in a way different from other communities. There are similar issues across the board, and there has to be opportunity to allow that dialogue between citizens across the country to understand what is happening in terms of investment and infrastructure, how economy operates, and how supply chain could be more responsive to what there is in other cities.

You're seeing increasing numbers of people commuting into London, so the population that's here during the day isn't necessarily who lives here. There's a blurred area of what is London and what isn't.

That's going to get bigger with Crossrail and Crossrail Two.

In Birmingham as well. Your point about trade as well as the relationships with the other Mayors is a very interesting one. Speaking about priorities of fiscal powers, if

London were to have more control over taxation, what would be the priorities for using those funds?

Could you say more about land value first?

So for example, TFL was going to look at transport alternatives in London. Where does the value increase happen in relation to transport development? Is there a way of recognizing that increase in value? It's practiced in different forms, through simple land value tax for example. The argument in favor of it is the more efficient use of land, perhaps leading to greater density in some areas versus others where there isn't as great a need for it.

The concern there would be that efficiency isn't the only measure, but has to look at social and economic benefits for local people, and people who live and work in that area. Obviously that includes the health impact as well. That has to be built in, in a more encompassing range of indicators.

It would be a small pilot area. Currently you've got groups who are adjusting to different kinds of taxation.

The priority would be in reinvesting in community.

You also have to consider what longer term effects of those communities would be. The older population is increasing and will have slightly different needs. Communities change over time. There are preventative measures that you could put in place.

There's an interesting aspect about that. Given the short supply of housing, there are also on the other hand the one or two elderly people in their own homes who feel lonely and don't have support. There's an opportunity to free up stock for those who need it.

One question at the end, should London vote to become self-financed? Not reliant on government?

Well we just talked about a city-state. Perhaps we should join the EU.

A longer term ambition, perhaps. So we've got to choose three key points to feed back on. What would be the first one? The point made earlier on was about when you start picking devolution deals is it really about local empowerment?

That's kind of a negative slant though. We should focus on how we go right. So start from the outcome you're trying to create and work back.

So if you're empowering communities, there's an important question about devolution to where: Where is it appropriate to London, or the sub-region or the region, and ensuring that each of those doesn't come with a top slice.

Third one?

The common good.

