

# SOUTHERN POWERHOUSE

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TRUE DEVOLUTION FOR  
LONDON AND THE  
SOUTH EAST



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## EXECUTIVE SUMMARY

Devolution in England will take on a different aspect to that found in the other nations. Instead of an English Parliament and corresponding English Executive, proposals for reform will largely centre on the ‘city-region’. These wider conurbations that spread out from our cities supply approximately two-thirds of the nation’s GDP. With all parties campaigning on English devolution in this form, the new role of city-regions will likely be determined in the next parliament. Indeed, the Chancellor recently announced that he would champion devolution by establishing a ‘Northern Powerhouse’ from amongst the cities of the North.

With London in particular, it is true that the Capital has received a dose of devolution, but these powers are now redundant and incapable of preparing the city for the 21st Century challenges that it alone faces in the UK. By the end of the decade, the Capital’s population is expected to reach nine million and by 2030 its population is likely to be more than ten million – giving it the status of mega-city. The additional pressures that such a surge in population brings will undoubtedly affect London’s ability to effectively manage its housing, jobs, transport and public service demands.

Not only this, in order to compete in the emerging ‘Global Race’, London will need to become part of a larger ‘Thames City-Region’, formed of all the major conurbations in the South East. This half-trillion pound new ‘Southern Powerhouse’, if granted sufficient powers, would make the city-region the third largest city economy in the world.

Below are a set of recommendations for political, fiscal and economic reform that should be implemented in the next round of devolution reform.

1. **Enact fiscal devolution as swiftly as possible in the next parliament:** London has already made its fiscal devolution demands to the Government. The full suite of property taxes that London needs should be devolved to the Capital at the earliest opportunity after the General Election. As part of this, it must be ensured that the London boroughs, which provide a sizeable proportion of the national tax receipts for property taxes, receive the greatest amount of revenue from further fiscal devolution.
2. **Establish an independent Budget Office for London:** As part of the devolution process, it is inevitable that the Mayor of London and the GLA will be granted additional fiscal powers. In response to this, the London Assembly, the main body that scrutinises the Mayor on his budget, should also be strengthened. For this, the Assembly will require additional administrative and scrutiny resources. A new independent Budget Office for London, answerable to the Assembly, would ensure that the budgetary process is more accountable and that the Assembly is better resourced to carry out its scrutiny role.
3. **Allow the Assembly to veto all Mayoral strategies and Plans:** One key power that the Assembly currently possesses is the ability to veto certain Mayoral strategies if it secures a two-thirds majority. But this mechanism does not currently apply to local planning, transport and criminal justice policy. In order for the Assembly to effectively challenge the Mayor on Plans and strategies, the power to veto should also be extended to the Mayor’s Police and Crime Plan, tube fares and interventions on large planning decisions.
4. **Increase the number of Assembly constituencies and abolish PR:** The proportional representation system used for the Assembly means that almost half of all Members do not have a constituency link. Without formal links to communities, those List AMs are not in a position to directly champion certain localities. In order to maximise links between Assembly Members and localities, the PR system should be scrapped and the number of constituency Members increased to counteract the loss of ‘List’ Members. In addition, rather than create a new system from scratch, it is preferable to ensure that the new Assembly constituencies are coterminous with the 32 London boroughs.

5. **Introduce a Mayoral Right to Recall:** Recall mechanisms are common place in many other Western countries in various guises, including Canada, Switzerland and the US. With recall mechanisms, if a certain proportion of the electorate choose to trigger a recall action, a referendum is scheduled that amounts to a public vote of confidence in the current Mayor. Such a mechanism could vastly improve local democracy in London and ensure that Londoners would not have to wait up to four years in order to rid themselves of an ineffective Mayor.
6. **Permit London, in partnership with county councils, to create new Garden Suburbs:** The population of London is due to reach 9 million by 2020 and 10 million by 2030. Such a surge in resident population will put a strain on the ability of London to match population growth with housing growth. It will also be increasingly difficult to build the necessary numbers of housing within the confines of Greater London due to land and space constraints. As such, much of London's future housing needs will have to be met outside what is currently considered to be the Capital's boundaries. London should, therefore, be granted powers to create new Garden Suburbs in partnership, and only in partnership, with those county councils that surround the city. Such an arrangement would also have to ensure that the proceeds of growth and tax uplift are fairly shared.
7. **Grant TfL control over all London rail lines and major commuter routes:** It is a well-known anomaly that South London is considerably underserved by Underground services. As such, Transport for London does not have the influence required to ensure Londoners have the transport services they need. It is totally reasonable, especially in light of emerging population trends, that TfL be granted control of all rail routes that operate in London to improve service and connectivity. Also, and given that London Overground will very shortly be responsible for some mainline services running out of Liverpool, it is as equally reasonable to suggest that TfL be granted control over other major commuter routes as well.
8. **Create a Super-LEP to spur-on economic development in the South East:** London and the wider South East of England combined operate as the engine of the UK economy. Together they account for roughly a third of total GDP. Yet, there does not exist a strategic means of co-ordinating economic development in the region. Combining the 7 Local Enterprise Partnerships in the area would create a combined pot of development funding of over £1.1bn. This is a substantial sum of monies that could be utilised to make the South East of England the most prosperous region in the World.

Only by implementing comprehensive reform of London's governance and tax powers will Londoners have received a fair deal from devolution. If Scotland, Wales and Northern Ireland are all handed additional freedoms, then so should Britain's Capital. Further, establishing a Thames City-Region would enable the creation of a 'Southern Powerhouse' that would give the South East a say in London's growth and prosperity.

## INTRODUCTION

The next parliament will almost certainly be the 'devolution parliament'. Scotland will be granted Devo-Max, Wales offered a new political settlement and Northern Ireland bestowed greater fiscal freedoms under a revised power-sharing agreement. But despite devolution reform being clear for most of the Union, there exists a penumbra of uncertainty surrounding the status of England in the new, federal United Kingdom.

The fragmentation of the UK has been further spurred on by the thoughts and feelings engendered by the Scottish referendum. Despite the victory of the 'no' camp, the general public's imagination has been piqued by the prospect of greater devolution, and all major political parties have pledged to pursue constitutional reform in the next parliament.

Devolution in England will take on a different aspect to that found in the other nations. In the largest constituent of the UK, there have been few calls for an English Parliament and a commensurate English Government. Instead, proposals for reform largely centre on the administrative unit of the 'city-region'. Our largest cities and the wider conurbations that spread out from these provide approximately two-thirds of the nation's economic output. Granting additional powers to the municipalities is the next logical step, following on from similar reforms and initiatives such as Growth Deals, City Deals and Local Enterprise Partnerships.

Yet, and despite progress being made in this regard, it still remains true that the powers entrusted to our city-regions are weak in comparison to those devolved to the nations of Scotland, Wales, and Northern Ireland. With all parties campaigning on English devolution, this debate is likely to be resolved in the next parliament. Indeed, the Chancellor recently announced that he would champion devolution by establishing a 'Northern Powerhouse' from amongst the cities of the North.

In late 2014, the Government announced that Greater Manchester will be handed control of the £22bn budget for public spending for that area. This is part of a wider programme to boost the fiscal and political clout of England's 'core cities' (the eight largest cities in England excluding London). But whereas much has been discussed regarding these 'core cities', so far, little has emerged from central government on the future status of the UK's most valuable asset: its capital and largest city – London.

It is true to say that London has received a dose of devolution over recent decades, but the political and fiscal power that London has at its disposal is inadequate to equip the city for the 21st Century challenges that it alone faces in the UK. By 2020, the capital's population is expected to reach nine million and by 2030 its population is likely to be more than ten million – giving it the status of mega-city. The additional pressures that such a surge in population brings will undoubtedly affect London's ability to effectively manage its housing, jobs, transport and public service demands. No other city or region in the UK will need to cope with such pressures. Because of this, London will require a new political and fiscal settlement.

This report will detail what form devolution must take in London if the Capital is to succeed both as an international city and as a place in which to live and work, recommending a raft of fiscal and political reforms in the process. The London city-region, which factors in the need of the wider South East, will also be mapped that highlights how London should work more closely with the surrounding counties.

## THE NEED FOR FISCAL DEVOLUTION

When viewed from a global standpoint, London is a metropolitan superpower by any measure. Greater London is Europe's largest, and the world's third largest, urban economy, laying a larger role in Europe's economy than New York does in North America. London has a higher proportion of graduates than any other major city; it attracts more foreign subsidiaries than any urban area in the world; it is ranked third for global headquarters; possesses the world's third leading tech hub; and has six of the top 100 universities – more than any other city.<sup>1</sup>

Given its international clout, it is completely unsurprising that London is, culturally, economically and politically, also Britain's leading city. Its nominal GDP is \$546.4bn,<sup>2</sup> which is about one quarter of the total UK's economy. Considering that it only comprises roughly one eighth of the UK population, the Capital is clearly punching above its weight.

Despite the positive economic consequences of being a leading national and global city, London's success has also engendered problems. As a leading international city, London attracts many people from across the world to live and work. The latest projections estimate that there will be a 37 per cent increase in population from 2011 to 2050, with an average estimate of the resident population of 11.3m (even by as much as 13.4m).<sup>3</sup> Further, London has this year passed its 1939 peak of 8.6m, and will be 10m by 2030.<sup>4</sup> A resident population in excess of 10m will classify London as a mega-city.<sup>5</sup>

A larger total population will obviously mean a larger working population. Workforce jobs, that is those located in London regardless of residence, will likely increase to 6.3 million by 2050 from roughly 5 million today. On top of this, there are many international visitors to London. Last year there were over 15 million visitors to London, which will inexorably rise to 21 million by 2022.<sup>6</sup>

All of this puts a significant strain on the economy and public services in the Capital. For instance, over the next few decades, demand for public transport is likely to increase by 50 per cent, and, for the Underground and rail networks specifically, this is likely to increase by 60 and 80 per cent respectively.<sup>7</sup> In addition, energy demand is likely to increase by 20 per cent and water consumption by 21 per cent by 2050.<sup>8</sup>

The surge in population will also mean that 600 new schools and colleges will need to be built, and at least 49,000 additional homes will be required every year until 2050.<sup>9</sup> The additional need for space and homes will ultimately impact on deprivation in the Capital. Parts of the city are as poor as anywhere in Britain and London has the largest concentration of deprivation of anywhere in the UK.<sup>10</sup>

In light of all the additional pressures, it is obvious that London will need to be equipped with the tools needed to meet these surging demands. It must be empowered to confront the issues that it alone in the UK will face. Transferring more powers to the UK's only metropolitan superpower would follow the ongoing international trend of decentralisation that has occurred over the last decade.

1. [http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607\\_Brightest\\_Star\\_WEB.pdf](http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607_Brightest_Star_WEB.pdf) p.20

2. ONS Regional GVA 2013

3. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.7

4. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.7

5. It must be noted that the wider conurbation surrounding London is already a mega-city (at around 15 million). The statistic above is purely in reference to Greater London.

6. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.8

7. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.9

8. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.9

9. [www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf](http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20%E2%80%93%20consultation%20document.pdf) p.10

10. [http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607\\_Brightest\\_Star\\_WEB.pdf](http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607_Brightest_Star_WEB.pdf) p.26

A new global picture is emerging in economic literature that highlights that future productivity and creativity gains in developed economies will be led by our metropolitan areas, and it will be city-regions that will drive our growth.<sup>11</sup> These regions are our largest cities and the surrounding conurbations that spread out from them. By 2030, it is expected that 60 per cent of the world's population will be situated in city-regions, and together these will generate approximately 80 per cent of the world's economic growth.<sup>12</sup>

It is, therefore, disappointing that London is an international outlier when it comes to fiscal autonomy. In contrast to most major cities, it relies heavily on central government transfers for its funding. In total, 73.9 per cent of its income is received through grants, which compares unfavourably to New York (30.9 per cent), Berlin (25.5 per cent), and Paris (17.7 per cent).<sup>13</sup>

Such a lack of localism in Britain is worrying. London requires further devolution for two key reasons. Firstly, it needs the ability to integrate public services and utilities more effectively. Greater control of investment and taxation would enable London to better cope with its interconnected, growing and complex systemic demands. Secondly, London needs to perform a supporting role to other city-regions on the UK, and it can only provide opportunities and investment if unfettered from constraints of national government control.<sup>14</sup>

In answer to this lack of fiscal freedom, the London Finance Commission, a joint initiative by the Mayor of London, Greater London Authority, London Councils and the London Assembly, released a report on the subject titled *Raising the Capital*. There were a number of recommendations to national government in the report, but it is the taxation and financing reforms that stand out. The Commission argued that the full suite of property taxes should be devolved to the London level. These are council tax, business rates, stamp duty land tax, annual tax on enveloped dwellings and capital gains property development tax. This would include both the revenues and the ability to set the rates at which these taxes are levied.<sup>15</sup> The report further proposes that, for investment and infrastructure purposes, London government should also have the freedom to establish 'Enterprise Zone' -style interventions.<sup>16</sup>

Even though the GLA should receive additional powers and financing, this in no way should exclude the London's boroughs – especially given the fiscal climate all local authorities currently exist within. Decreasing government funding and increasing demographic pressures have ensured that the Capital's 32 boroughs will likely spend half on public services by the end of this decade than they did at the start.<sup>17</sup>

The boroughs themselves are unlikely to be able to be able to confront and overcome the challenges alone. If action is required below the GLA, London-wide level, then it will probably overlap and cross borough boundaries. As such, if the boroughs are to assume additional powers following further devolution, they will need to organise themselves through enhanced formal and informal partnerships, or risk being squeezed out of the decision making process. The formation of informal London sub-regions, such as the West London Alliance or the Tri-borough Partnership, is the logical solution to this.<sup>18 19</sup>

In many circumstances the GLA and its functional bodies are those best equipped to deal with many of London's problems, but boroughs, in partnership, can also take on board some of the

11. [http://www.thersa.org/\\_data/assets/pdf\\_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.pdf](http://www.thersa.org/_data/assets/pdf_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.pdf) p.16

12. [http://www.thersa.org/\\_data/assets/pdf\\_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.pdf](http://www.thersa.org/_data/assets/pdf_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.pdf) p.16

13. <http://www.london.gov.uk/sites/default/files/Raising%20the%20capital.pdf> p.35

14. <http://www.london.gov.uk/sites/default/files/Raising%20the%20capital.pdf> p.36

15. £12.2bn was raised by London from these taxes in 2013/14 according to this report.

16. <http://www.london.gov.uk/sites/default/files/Raising%20the%20capital.pdf> p.11.

17. The Society of London Treasurers, *Capitalising on the Boroughs*, p.5.

18. A partnership between the London boroughs of Barnet, Brent, Ealing, Harrow, Hillingdon and Hounslow.

19. A partnership between the London boroughs of Hammersmith & Fulham, Kensington & Chelsea and Westminster.



burden of service, housing, or infrastructure delivery. In terms of raising taxes, the London boroughs of Westminster, and Kensington & Chelsea, raise more stamp duty between them than Scotland, Northern Ireland and Wales combined. It would therefore be grossly unfair not to adequately compensate the boroughs in any new fiscal deal with Central Government. With some revenues, like those generated through business-rates, there is a strong justification for devolving them to borough level in full.

## THE NEED FOR POLITICAL DEVOLUTION

It is a matter of pride that the Mayor of London has, by some distance, the largest direct electoral mandate of any politician in the UK (and the second biggest in Europe after the French President). But it has been integral part of London Government, since its re-establishment in 2000, that the Mayor is held to account between elections through an elected chamber: the London Assembly.

The London Assembly is the elected watchdog, comprised of 25 Assembly Members, that examines how effective the Mayor's policies, decisions, and activities are. The London Assembly champions Londoners, investigates issues that affect life in the Capital, and finds ways of improving the city through a system of committees and panels.

As has been argued above, further fiscal and financial powers must be devolved to London, but if additional powers are to be conferred to the office of Mayor, then so too must greater political powers be granted to the Assembly; not to do so would be to jeopardise the ability of Londoners to hold the Mayor to account, and could undermine democracy. Indeed, it could be argued that a lack of sufficient accountability already exists. The Greater London Act, Localism Act, and Police Reform and Social Responsibility Act all bestowed greater powers to the Executive, but comparatively few to the Assembly. It is therefore of paramount importance that the next round of devolution reforms prioritises the Assembly.

## STRENGTHENING THE LONDON ASSEMBLY

The primary means through which the Assembly holds the Mayor to account is through the budgetary process. The Assembly has the ability to submit and recommend an alternative budget to the Mayor and the GLA and can also reject the Mayor's budget with a two-thirds majority. The only element of the budget the Assembly can reject is the revenue element and not capital expenditure.<sup>20</sup> The bodies that the Assembly can amend the revenue budget for are: the Mayor's Office; Transport for London (TfL); the Mayor's Office for Policing and Crime (MOPAC); the London Fire and Emergency Planning Authority (LFEPA); the London Legacy Development Corporation (LLDC); and the Assembly itself.

However, since the introduction of the Localism Act 2011, the Mayor has been given further responsibilities over economic development in London. The Mayor now has total control over capital expenditure and prepares the capital budgets for TfL, MOPAC, LFEPA, the LLDA and the GLA (including Crossrail). The reforms that bestowed these additional powers to the Mayor did not bestow similar powers to the Assembly. The latter is consulted on the capital spending plan, but has no formal powers with which to reject or amend.

In order to increase the levels of accountability within London government, the next round of reforms should make it possible for the Assembly to reject and amend the Mayor's capital budget by a two-thirds majority in the same way it can currently with the revenue budget. This will ultimately also include the prudential borrowing limits, grants and transfers to and from the GLA and the functional bodies.

<sup>20</sup> Currently £1bn, but likely to increase when further infrastructure and housing powers are devolved.



Simply allowing the Assembly to scrutinise the Mayor once every financial year is not enough. Many of the issues surrounding the scrutiny of the London Executive are administrative – the Assembly lacks the funding or staff to hold to account the Mayor on a regular basis. This is a situation that is likely to be exacerbated once the Mayor and the GLA receive additional powers and funding.

In answer to this deficiency, it seems reasonable to recommend that the Assembly's scrutiny abilities be enhanced through an increase in administrative capability. For this, an independent Budget Office for London (BOfL) should be established. This would operate in a similar fashion to the National Audit Office (NAO), which holds central government bodies to account. This would equip the Assembly with the resources needed to better hold to account a mayoralty that has increased fiscal and political powers. The Communities and Local Government Select Committee is also very supportive of this idea.<sup>21</sup>

The Assembly already has its own reserved section on the budget, but at £7.2m, this is relatively small. Of those additional funds that are transferred as part of the next devolution process, a relatively small amount of those funds could be directed towards this new body in order to increase the degree of scrutiny that occurs within the Assembly. To provide some context, the National Audit Office has a budget ten times that size, at £71m,<sup>22</sup> doubling the current Assembly budget would not require unmanageable amounts of funding, but could drastically improve the scrutiny capabilities of the body.

Alongside additional powers and staffing, there are three areas where current Assembly powers need strengthening: local planning, transport policy, and criminal justice policy. Under the Localism Act, the Assembly has the power to veto mayoral strategies if it secures a two-thirds majority. However, this power does not extend to the Mayor's Police and Crime Plan, tube fares, or to large local planning decisions. This, therefore, exempts some very important elements of the Mayor's strategy from appropriate scrutiny and short-changes Londoners who expect the Assembly to be able to hold the Mayor to account on such issues. This lack of oversight should be rectified by legislation at the earliest possible opportunity in the next parliament, and the Assembly should receive the veto over a much wider set of policies.

Further, as part of this shift in power from the London Executive to the Assembly, the latter should also be granted legislative functions over licensing, trading and environmental issues. Much of this is still directly controlled by Westminster through primary legislation. Devolving local issues to London would ensure a more efficient process, empower the Assembly further and reduce the current burden on the Westminster Parliament, allowing it to focus on national issues.

## DEMOCRATIC REFORM

Proportional representation has been an integral part of London Assembly elections since the inception of the body. The election of the Assembly is conducted using the Additional Member system. Under this, 14 Assembly Members (AMs) are elected for specific constituencies and an additional 11 are 'List' Members chosen using the D'Hondt method. Under the latter, AMs are allocated based upon overall London votes in a proportional fashion.

With no constituency link, it is hard to see how those List AMs can truly reflect the views of the Londoners they represent if they are not directly elected by them. Given this, it would be preferable if all AMs were constituency representatives with direct connections to specific localities, and that the Additional Member system was scrapped. This alone would reduce the total number of AMs and diminish representation for Londoners and it is therefore necessary to create a larger number

21. <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomloc/213/213.pdf> p.22

22. <http://www.nao.org.uk/wp-content/uploads/2014/06/NAO-annual-report-2013-141.pdf%20p.73>.

of constituencies to counter this. Rather than create a new system from scratch, the new Assembly constituencies should be made coterminous with local government boundaries as defined by the 32 London boroughs.

In addition to re-drawing the boundaries and scrapping the List system, this report recommends that the power of re-call be introduced for the Mayor. Recall mechanisms are commonplace in many other Western countries in various guises, including Canada, Switzerland, and the US.<sup>23</sup> Under these mechanisms, if a certain proportion of the electorate (normally five per cent) choose to trigger a recall action (often due to Mayoral impropriety, criminality, or corruption), a referendum is scheduled that amounts to a public vote of confidence in the current Mayor. Such a mechanism could vastly improve local democracy in London and ensure that Londoners would not have to wait years to rid themselves of an ineffective Mayor.

## THE NEED FOR A LONDON CITY-REGION

Global trends indicate that future productivity and creativity gains in developed countries will almost wholly depend on the success of metropolitan areas. By 2030, it is likely that over 60 per cent of the world's population will reside in urban areas, which combined will generate roughly four-fifths of global GDP. What is absolutely crucial to this success, however, is that these city-regions have strong and accountable governance structures, as it has been indicated that those metropolitan areas that evidence fragmented governance structures evidence productivity levels that are six per cent lower.<sup>24</sup>

To London's detriment, the Capital is not part of a formal regional governance structure as its competitors New York (New York State), Paris (Ile De France) and Berlin (Brandenburg) are. This is in large part down to the history of the English county system and how the development and expansion of London was largely defined by changes to this system. There has not yet been a formal recognition, through comprehensive governance structures, of London's wider city-region.

The current city-boundaries of the Capital were decided upon over 60 years ago. In 1957, the then Prime Minister Harold Macmillan, established the Royal Commission on Local Government commonly known as the Herbert Commission. A key plank of the Commission's proposals was that a 'Greater London' should be established to approximate the built-up area that had spread from the historic core governed by London County Council.<sup>25</sup> It was this re-drawn London that formed the basis for the Greater London Council (GLC), the GLA's predecessor.

The Commission was quick to highlight that the complex and parochial set of institutions that grew out of London's medieval core has become redundant. Instead a new authority was required that catered for London as it stood at the time and for the future. It was through such a process that the London County Council itself was first established, as well as the first pan-London body: the Metropolitan Board of Works.

The GLC itself was abolished in 1986 because of governance issues relating to conflict with the London boroughs and lacking the necessarily levels of independence from central government. But the GLC's failure did not negate the need for a pan-London government body. The GLA was thus created alongside the institutions of the Mayor and the Assembly to answer this need.

But the time has now come, due to growing population pressures, for the role of the GLA to be reviewed the extent of London's influence examined. Many of London's transport, housing, and economic issues are often significantly impacted by areas that are situate outside the confined

23. [http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607\\_Brightest\\_Star\\_WEB.pdf](http://centreforlondon.org/wp-content/uploads/2014/10/CFLJ2607_Brightest_Star_WEB.pdf) p.77

24. [http://www.thersa.org/\\_data/assets/pdf\\_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.p11](http://www.thersa.org/_data/assets/pdf_file/0009/1548090/Final-Report-Unleashing-Metro-Growth.p11)

25. Need ref

of Greater London. Given London's changing needs and growing challenges, it is reasonable to suggest that, as when the Herbert Commission was established, the remit of the GLA and associated institutions should be assessed. The likely outcome is that London will, in a collegiate manner, need to exert greater influence over policy decisions outside of the M25.

## EXTENDING LONDON'S HOUSING POWERS

By mid-Century, it is very likely that the population of London will have increased to 11.3 million (a 37 per cent increase). This will understandably put a significant strain on housing in the Capital. In order to keep pace with this level of growth, 49,000 homes would need to be built every year until then.<sup>26</sup> Such a number is significant, because on current best measures London is delivering 42,000 homes every year,<sup>27</sup> and there is some indication that there is a struggle to hit current targets.

In addition to the problem of achieving persistent housing delivery, London has a fairly significant problem with land and space. Much of London is 'green' space and even though sizeable amounts of brownfield land exist, much of this has either been developed on or signposted for development. London is enjoyed historic success in utilising post-industrial and disused land for house-building, but as a result of the large amounts of green space and parks in the Capital, there will soon come a time when there simply isn't enough land in London on which to build new homes.

With a fast approaching limit to the space on which to build housing in Greater London, demand will soon need to be met outside the city and in the 'commuter belt'. One particular model that has been advocated is that of the Garden Suburb. London has one such development already, Hampstead Garden Suburb, a 5,000 home development in Outer London designed in 1906 to meet London's growing housing demand, particularly coming from those on low to middle incomes.<sup>28</sup> 'Garden' developments like Hampstead are purpose-built and designed developments that have at their heart a number of critical distinctions to standard developments, such as good utilisation of green space, an attractive built environment and good transport connections.

The Government has already given a commitment to building such developments in the South East in order to increase housing supply in a manner that improves the lives both of the incoming occupiers and the current residents of a respective area. Under Government plans, these types of 'garden' development must evidence the following in their plans:

- Strong vision, leadership and community engagement;
- Mixed-tenure homes and housing types that are affordable for ordinary people;
- A strong local jobs offer in the development itself, with a variety of employment opportunities within easy commuting distance of homes;
- Beautifully and imaginatively designed homes with gardens, combining the very best of town and country living to create healthy homes in vibrant communities;
- Generous green space linked to the wider natural environment.<sup>29</sup>

Current estimates predict that at least 40 'garden' developments of over 10,000 homes will be required over the next few decades,<sup>30</sup> many of which will need to be built outside the boundaries of Greater London. So far, only one such settlement in Ebbsfleet has been approved by HM Treasury.<sup>31</sup> Many more of these developments will be required if London and the wider South East are to meet growing housing demands.

26. <https://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20Consultation.pdf> p.10

27. [https://www.london.gov.uk/sites/default/files/Housing%20Strategy%202014%20report\\_lowresFA.pdf](https://www.london.gov.uk/sites/default/files/Housing%20Strategy%202014%20report_lowresFA.pdf) p.5

28. <http://www.hgstrust.org/the-suburb/the-suburb.shtml>

29. <https://www.gov.uk/government/news/government-offers-support-for-locally-led-garden-cities>

30. <http://www.policyexchange.org.uk/media-centre/press-releases/category/item/40-new-garden-cities-needed-to-meet-housing-demand-say-prize-finalists>

31. <https://www.gov.uk/government/consultations/ebbsfleet-development>

At present, these new settlements can only be approved by the Government after applications from local councils. This flies in the face of devolution and because of the fragmented nature of governance in the South East, is non-conducive to having these developments approved and built. A preferable means of creating new Garden Suburbs and meeting London's housing demand would be to devolve the ability to establish these to London and the South East.

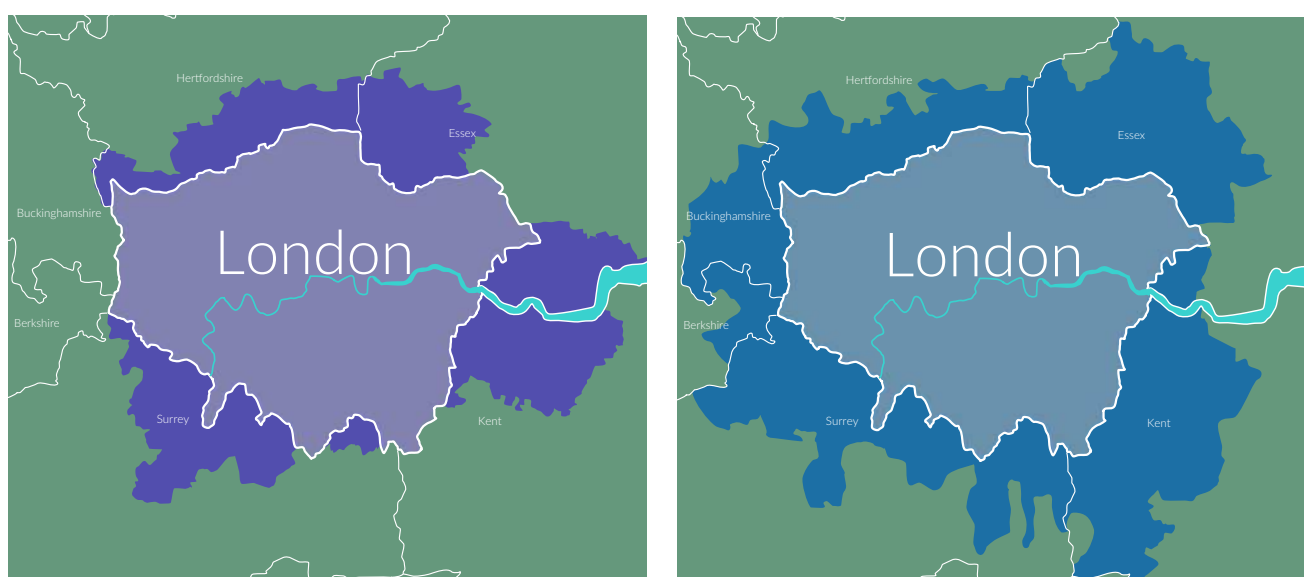
The imminent surge in the resident population will put a strain on the ability of London to match population growth with housing growth. It will be increasingly difficult to build the necessary numbers of housing within the confines of Greater London due to land and space constraints. As such, much of London's future housing needs will have to be met outside what is currently considered to be the Capital's boundaries. London should, therefore, be granted powers to create new Garden Suburbs in partnership with those county councils that surround the city. Such an arrangement would have to ensure that the proceeds of growth and tax uplift are fairly shared so neither the GLA nor the counties that surround London are short-changed. The principles of 'garden' developments would have to be adhered to so that attractive and green developments are designed that please current residents as well as incoming homeowners. This development would be funded through the revenues granted to London from the devolution of property taxes. Indeed, it seems fitting that the revenues generated from property should be used to build more homes.

## EXTENDING LONDON'S TRANSPORT POWERS

Alongside an expansion of housing powers that would permit Londoners to be housed outside the current boundaries of the Capital, there is also a strong case for increasing the remit of Transport for London (TfL), the extent of which already extends beyond Greater London.

Currently, of the Underground's 270 stations, 14 stations are located outside Greater London, of which, five (Amersham, Chalfont & Latimer, Chesham, and Chorleywood on the Metropolitan line and Epping on the Central line) are beyond the M25 London orbital motorway. On top of this, 71 bus routes travel past the GLA boundary to areas such as Buckinghamshire, Essex, Hertfordshire, Kent, Slough, Surrey, and Thurrock. In addition, Out of London's five major airports, three are situated outside its municipal borders.

As well as actual transport links, there of course many people that live outside Greater London that commute to the Capital to work. London's travel-to-work area extends well beyond the city's boundaries. The maps below highlight how this 'commuter belt' has itself expanded rapidly over recent years, and now comprises an area almost the same size as Greater London.



Left to Right: 2001 Census Travel to Work Area, compared to the 2011 Census commuter data

With London Overground shortly expected to assume responsibility for non-London Inner West Anglia services running out of Liverpool Street,<sup>32</sup> it is as equally reasonable to suggest that TfL be granted control over other major commuter routes as well. Given the commuter travel-to-work area designated above, it would be optimal if all stations within this area were transferred to TfL control at the earliest possible opportunity. Also, and because of close economic and cultural links, special exception should be made for cities like Reading and Brighton. By extension, Oyster and Contactless services should also be utilised on these particular routes to ease travel. Govia Thameslink have already hinted that they would like Oyster services extended to Gatwick and Luton,<sup>33</sup> so it is not unreasonable to suggest similar schemes for Brighton or Reading.

It is also a well-known anomaly that South London is considerably underserved by Underground services. As such, Transport for London does not have the influence required to ensure Londoners have the transport services they need. It is reasonable, especially in light of emerging population trends, that TfL be granted control of all rail routes that operate in London to improve service connectivity.

By increasing TfL's sphere of influence, their ability to reduce fares would be enhanced (the fares for TOCs are agreed between ATOC and the DfT – TfL has no say in this). London Overground, which operates a concession on mainline services within London, has been a success of recent years. Track, station, and connectivity improvements have all ensured that usage of Overground services have risen by 309 per cent since 2009.<sup>34</sup> Granting these lines to the Overground franchise could reap benefits for farepayers.

## EXTENDING LONDON'S ECONOMIC POWERS

London and the wider South East combined operate as the engine of the UK economy. Together, this wider region accounts for roughly a third of total UK GDP. The economic development of this area, at least from the public sector, is led by the Local Enterprise Partnerships (LEPs). These are joint local authority-business bodies established to promote local economic development.<sup>35</sup> There are 39 Local Enterprise Partnerships in existence to-date.<sup>36</sup>

Many, if not most, of the economic issues facing London and the South East are of such a nature that they dictate that the seven LEPs in the region should closely co-ordinate their economic development strategies. Such plans normally entail how the development monies are going to be used to create jobs, support businesses, train employees, and improve local infrastructure. Given the interconnected nature of London and the South East, adopting an atomistic approach to economic development in the area seems short-sighted.

There need not be a formal merging of LEPs, but a closer-working agreement that promotes co-operation and still permits LEPs to focus on purely local issues. Combining the funding of the seven LEPs in the area could create a combined pot of development funding of over £1.1bn.<sup>37</sup> This is a substantial sum of monies that, even if not combined in its entirety, could be utilised to help make the South East of England the most prosperous and productive region in the developed world.

To summarise, the better co-operation between LEPs, the expansion of TfL services, and powers to develop new suburbs of London would, if combined, go some way to developing the idea of a London city-region. The map below give an illustration of what that city-region may look like if taken in consideration the policy areas mentioned above.

32. <http://www.tfl.gov.uk/info-for/media/press-releases/2014/may/tfl-appoints-london-overground-operator-to-run-additional-services>

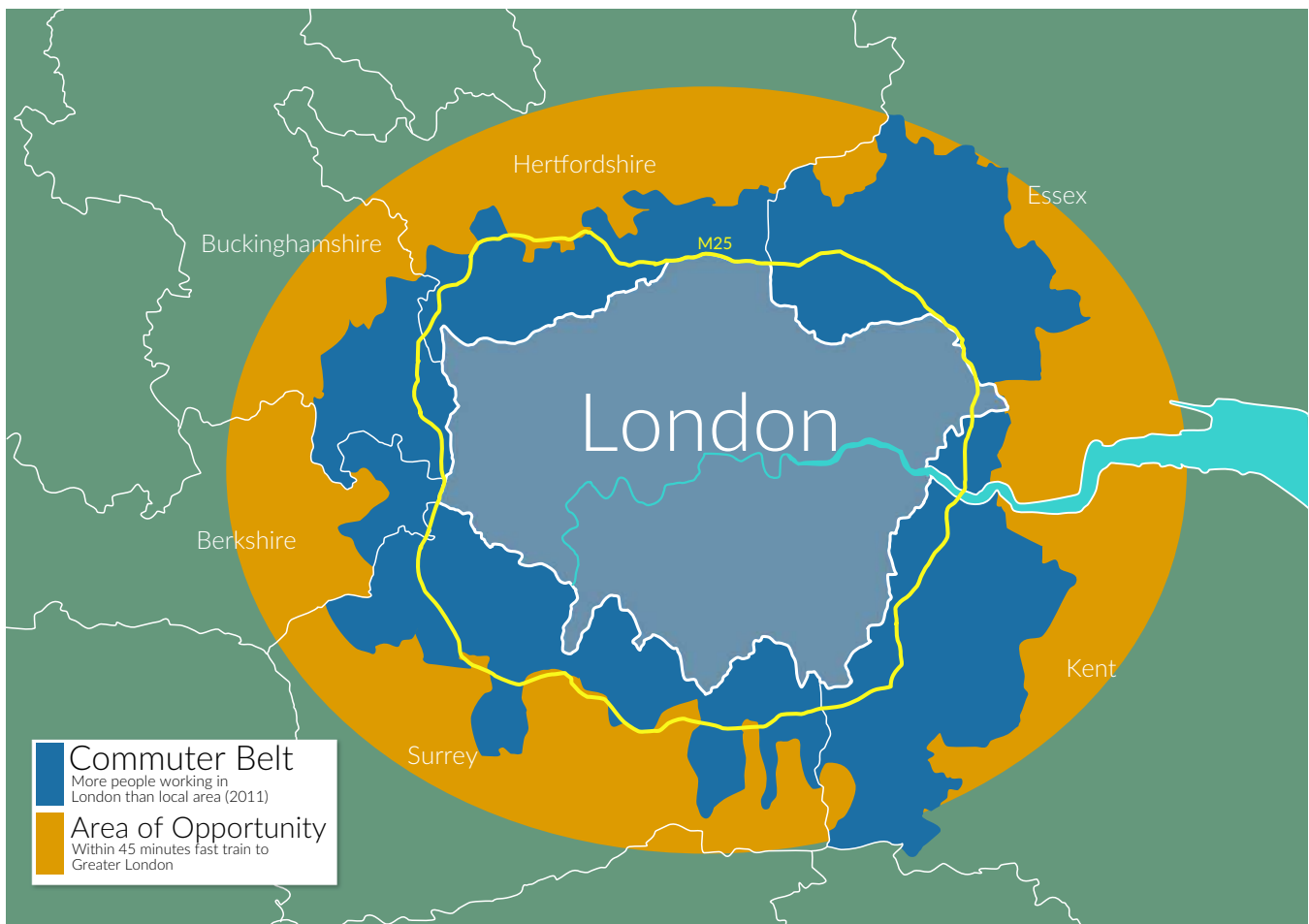
33. <https://www.london.gov.uk/media/assembly-press-releases/2014/12/get-govia-to-give-oyster-to-stanstead-and-southend>

34. <https://www.tfl.gov.uk/cdn/static/cms/documents/travel-in-london-report-7.pdf> p89.

35. House of Commons Library, Local Enterprise Partnerships, p.3.

36. <http://www.lepnetwork.net/about-us/>

37. House of Commons Library, Local Enterprise Partnerships, p.19.



The map above demonstrates the current commuter belt, where more people in the area commute to London than work in the surrounding area, and the Area of Opportunity, which is comprised of those areas that are 45 minutes from London. It is in this Area of Opportunity where the bulk of future economic development should be focused; where new 'Garden Suburbs' should be built on brownfield; and where new transport links will be required to extend the current commuter belt.

This city-region, which could correctly be termed the Thames City-Region, should form the blueprint which all major economic, infrastructure, and housing strategies seek to move towards in the coming decades. Developing a regional approach to developing the South East is essential if the region's shared problems are to be met head-on.



## CONCLUSIONS AND RECOMMENDATIONS

The next parliament will almost certainly be the 'devolution parliament'. What is not so certain is the shape of devolution reform for the Capital. Britain's metropolitan centres will form our vanguard in the 21<sup>st</sup> Century's 'global race', but London is not currently equipped to overcome these future challenges. It's surging population, fragmented transport infrastructure and land constraints all mean that the powers of the London executive, the Assembly and the relevant bodies will need to be augmented. Not only this, London will need to become part of a larger 'Thames City-Region', formed of all the major conurbations in the South East, which will need to be forged if the region is to compete internationally.

Below are a set of recommendations for political, fiscal and economic reform that should be implemented in the next round of devolution reform.

1. **Enact fiscal devolution as swiftly as possible in the next parliament:** London has already made its fiscal devolution demands to the Government. The full suite of property taxes that London needs should be devolved to the Capital at the earliest opportunity after the General Election. As part of this, it must be ensured that the London boroughs, which provide a sizeable proportion of the national tax receipts for property taxes, receive the greatest amount of revenue from further fiscal devolution.
2. **Establish an independent Budget Office for London:** As part of the devolution process, it is inevitable that the Mayor of London and the GLA will be granted additional fiscal powers. In response to this, the London Assembly, the main body that scrutinises the Mayor on his budget, should also be strengthened. For this, the Assembly will require additional administrative and scrutiny resources. A new independent Budget Office for London, answerable to the Assembly, would ensure that the budgetary process is more accountable and that the Assembly is better resourced to carry out its scrutiny role.
3. **Allow the Assembly to veto all Mayoral strategies and Plans:** One key power that the Assembly currently possesses is the ability to veto certain Mayoral strategies if it secures a two-thirds majority. But this mechanism does not currently apply to local planning, transport and criminal justice policy. In order for the Assembly to effectively challenge the Mayor on Plans and strategies, the power to veto should also be extended to the Mayor's Police and Crime Plan, tube fares and interventions on large planning decisions.
4. **Increase the number of Assembly constituencies and abolish PR:** The proportional representation system used for the Assembly means that almost half of all Members do not have a constituency link. Without formal links to communities, those List AMs are not in a position to directly champion certain localities. In order to maximise links between Assembly Members and localities, the PR system should be scrapped and the number of constituency Members increased to counteract the loss of 'List' Members. In addition, rather than create a new system from scratch, it is preferable to ensure that the new Assembly constituencies are coterminous with the 32 London boroughs.
5. **Introduce a Mayoral Right to Recall:** Recall mechanisms are common place in many other Western countries in various guises, including Canada, Switzerland and the US. With recall mechanisms, if a certain proportion of the electorate choose to trigger a recall action, a referendum is scheduled that amounts to a public vote of confidence in the current Mayor. Such a mechanism could vastly improve local democracy in London and ensure that Londoners would not have to wait up to four years in order to rid themselves of an ineffective Mayor.



6. **Permit London, in partnership with county councils, to create new Garden Suburbs:** The population of London is due to reach 9 million by 2020 and 10 million by 2030. Such a surge in resident population will put a strain on the ability of London to match population growth with housing growth. It will also be increasingly difficult to build the necessary numbers of housing within the confines of Greater London due to land and space constraints. As such, much of London's future housing needs will have to be met outside what is currently considered to be the Capital's boundaries. London should, therefore, be granted powers to create new Garden Suburbs in partnership, and only in partnership, with those county councils that surround the city. Such an arrangement would also have to ensure that the proceeds of growth and tax uplift are fairly shared.
7. **Grant TfL control over all London rail lines and major commuter routes:** It is a well-known anomaly that South London is considerably underserved by Underground services. As such, Transport for London does not have the influence required to ensure Londoners have the transport services they need. It is totally reasonable, especially in light of emerging population trends, that TfL be granted control of all rail routes that operate in London to improve service and connectivity. Also, and given that London Overground will very shortly be responsible for some mainline services running out of Liverpool, it is as equally reasonable to suggest that TfL be granted control over other major commuter routes as well.
8. **Create a Super-LEP to spur-on economic development in the South East:** London and the wider South East of England combined operate as the engine of the UK economy. Together they account for roughly a third of total GDP. Yet, there does not exist a strategic means of co-ordinating economic development in the region. Combining the 7 Local Enterprise Partnerships in the area would create a combined pot of development funding of over £1.1bn. This is a substantial sum of monies that could be utilised to make the South East of England the most prosperous region in the World.

Only by implementing comprehensive reform of London's governance and tax powers will Londoners have received a fair deal from devolution. If Scotland, Wales and Northern Ireland are all handed additional freedoms, then so should Britain's Capital and engine of the economy.



## FEEDBACK

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