



The Mayor's Draft Economic Development Strategy for London

The Mayor of London's draft Economic Development Strategy aims to establish a fairer, more inclusive economy in the capital that creates and supports growth across all London's sectors. Should boroughs wish to respond directly to the draft strategy, the consultation is open until 13 March 2018.

Overview

The draft Economic Development Strategy (EDS) sets out how the Mayor aims to ensure that all Londoners can benefit from economic growth across the capital. The strategy will provide a framework for the London Economic Action Partnership's upcoming activity in supporting businesses across London to grow and prosper.

The draft EDS identifies a number of key themes to address in order to achieve continued economic growth across the capital that all Londoners can benefit from. These are:

- **A fairer, more inclusive economy** – including better educational opportunities for all, a lower cost of living, fairer pay and employment practices, better health and less poverty.
- **Creating the conditions for growth** – through enhanced workspace, better transport and infrastructure, more innovation and better skills, and by encouraging enterprise and entrepreneurship.
- **Supporting London's sectors** – including smart services, life sciences, tech and digital, and the cultural, creative and tourism industries.
- **Delivering the Mayor's vision** – through partnership work and support from everyone with a stake in London's economy.

The Mayor states that he will work with communities to ensure they also feed into policy development and delivery, whilst continuing to work with London boroughs, the wider South East region and other UK cities to support growth both locally and nationally.

He also uses the draft strategy to make the case for further devolution to London. London Councils' response to the draft EDS consultation will ensure that the role of boroughs and their expertise are key components towards delivering the strategy's vision.

Analysis

Fair and Inclusive Economy

The Mayor commits to work with London schools, colleges, providers, businesses, universities and boroughs to develop London's world class education provision, as well as establishing a coherent and accessible all-age careers advice and guidance offer. The strategy also introduces plans to create more opportunities for all by addressing gender and ethnicity inequalities in education. The strategy aims to increase uptake in Science, Technology and Maths (STEM) subjects, particularly among underrepresented groups. London government – the Mayor and the boroughs – will also continue to make the case to government for sufficient funding for London's early years, schools and colleges.

In addition to creating more educational opportunities, the strategy aims to establish a fairer, inclusive economy through lowering the cost of living, introducing fairer pay and employment practices, addressing health and poverty inequalities, and promoting safer local communities. The Mayor plans to achieve this by:

- Increasing the supply of affordable housing and making private renting and childcare more affordable.
- Addressing causes of financial exclusion and increase financial literacy among young people.
- Introducing a Good Work Standard for London to promote high employment and procurement standards, whilst establishing London as a Living Wage city.
- Addressing food insecurity and increasing access to healthy affordable food.
- Promoting social integration and maximising the role of community participation, active citizenship and volunteering in the process of inclusive economic growth.

Creating Conditions for Growth

The Mayor wishes to establish a business environment that creates the right conditions for good economic growth across all of London, to address inequalities within the capital. This is to be achieved by increasing innovation and skills across all sectors, through tailored skills provision that meets the needs of businesses and trainees in London, as well as enhancing the provision of affordable workspace. The Mayor will also make the case to government for London's share of the Apprenticeship Levy to be devolved and for the business rates system to be reviewed. The EDS suggests that opportunities to increase the threshold for small business rate relief and introduce industry exemptions should be explored.

In order to ensure there's enough work space to meet needs of growing economy, vibrant local economies are to be developed outside of central London and investment in new transport capacity will be encouraged. The Mayor identifies the following additional areas of focus in order to create the right conditions for good growth in London:

- Increase and improve space for business and work, including establishing a wide range of different and affordable workspaces and retaining sufficient industrial land.
- Adopt a Healthy Street Approach to help tackle road congestion and pollution.
- Lobby Government for the investment needed to enable economic growth from CR2 and use new schemes to unlock development, homes and jobs.
- Protect and enhance London's Natural Capital and promote a circular economy approach to waste and material management.
- Use the Adult Education Budget (AEB) (devolved to London from 2019/20) to tailor skills provision to London's needs and support progression into and within work.
- Increase the number of high quality apprenticeships and use the Skills for Londoners Capital Fund to improve quality of learning facilities.
- Promote enterprise and entrepreneurship by attracting overseas investment help high-growth businesses expand through the Business Growth Programme, while supporting start-ups through the Growth Hub.

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Supporting London's Sectors

The EDS aims to support all sectors in the capital, including those that are well established as well as the emerging, high-growth potential industries. The Mayor wants to ensure that London's tech-driven sectors have access to the skills and infrastructure they need in order to grow and possess the support necessary to turn their ideas into products.

London is to become a 'smart' and sustainable city, by incorporating smart tech into new developments and infrastructure and by making the capital carbon neutral by 2050. This forms part of the Mayor's wider desire to strengthen London's attractiveness to visitors and new businesses by improving the quality of amenities, digital infrastructure, and overall visitor experience, in order to support economic growth among industries reliant on tourism.

Other methods to support London's sectors highlighted within the draft EDS include:

- Establish a Smart London Plan that will help to advance urban services and improve access to digital services for residents and businesses.
- Improve the provision of affordable, creative workspace to protect London's culture, heritage and creative industries.
- Facilitate collaboration across sectors in order to meet healthcare challenges and support the growth of new life science developments.
- Encourage the use of low carbon and environmental goods by supporting businesses and residents to become more resource efficient.
- Maximise investment opportunities in Artificial Intelligence and Virtual Reality industries through the Mayor's Investment Showcase.
- Encourage London boroughs to produce their own night time economy and culture visions to coordinate actions at a local level.

The strategy also sets out how the Mayor will make the case to government to enable London's sectors to continue to trade with the Single Market and maintain access to European talent once the UK leaves the European Union.

Commentary

London boroughs will play an important role in delivering the final EDS once it is published by the Mayor in 2018 following the initial draft consultation period. In the draft strategy, the Mayor commits to work closely with boroughs, sub-regional partnerships, businesses and community groups to support growth and increase innovation and skills across the capital. More radical devolution to London government is referred to throughout the draft strategy in order to secure London's status as a global city, including devolution of:

- local stopping rail services
- the full suite of property taxes
- the Apprenticeship Levy
- a proportion of income tax and VAT generated in the capital
- powers to establish smaller taxes such as a tourism levy.

Much of the devolution called for in the draft EDS echoes the recommendations of the London Finance Commission's report, *Devolution: A Capital Idea*, which was published in January 2017.

Enhanced provision of office, retail and industrial workspace, as well as increased supply of affordable housing, are key areas of focus within the draft EDS. In order for both of these ambitions to be successful, planning authorities require the necessary freedoms to deliver and shape growth in their local area. The strategy rightly points out that evidence suggests London has lost necessary office space due to Permitted Development Rights, so this needs to be reviewed by government to ensure boroughs are able to ensure the provision of affordable workspace is sufficient for local growth. Similarly, greater flexibility in the use of local authority funds, such as the use of right to buy receipts and freedoms to set planning fees, would enable boroughs to better support land assembly for both housing and workspace.

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The strategy recognises that the Mayor and the boroughs lack the necessary influence over how taxes and revenues generated in the capital are invested. Cities should have more control over their own funding through stronger fiscal powers, in order to support investment in local infrastructure and skills provision. Devolution of the AEB to the Mayor from 2019/20 goes some way towards this, as it provides the opportunity for sub-regional groupings of boroughs to deliver a more tailored skills system that is more responsive to the needs of business and learners. However, further devolved powers over 16-18 skills provision, apprenticeships and careers guidance remain to be sought for London to deliver a system that promotes up-skilling, innovation, and local growth.

The Mayor’s commitment to address in-work poverty in London is welcome, as this is a growing problem. The focus on businesses creating good quality employment opportunities will be important, but so will providing effective support to individuals to upskill and progress in-work. Understanding what works in this area and exploring how the devolved AEB can support this will also be vital and should be included in the final strategy.

Inclusive growth and getting more Londoners into employment are central to achieving the EDS’ vision. The actions to achieve this focus on employers generating good quality jobs, as well as highlighting the support that exists in London through European Social Fund programmes and the devolved Work and Health Programme. The Mayor could be more ambitious and work with London Councils and other stakeholders to try and bring about further reforms to mainstream employment programmes, to make them more effective in supporting disadvantaged Londoners into work and to prevent people falling out of work should they experience health problems.

There is a strong sectoral focus within the strategy but relatively little is said about how these and other activities in the strategy will play out in different parts of London. While links to the London Plan are made, the strategy does not give a clear sense of how the Mayor sees different parts of London contributing to the strategy. A greater focus on this in the final strategy (particularly for outer London) is needed. Only within specific areas can the different elements of the strategy come together and make a difference.

This is very wide ranging strategy. The Mayor sets out 12 aims for London’s economy in 2041 and has committed to developing specific targets and measuring these within the final strategy. The Mayor should prioritise these aims and activities, focusing on those that will have the greatest impact and where he has most leverage to affect change.

In order to deliver on the draft strategy’s long-term ambitions and priorities for London, continued partnership work between the Mayor, London Councils, boroughs and sub-regional partnerships is required. This should include pan-London governance arrangements for services or budgets devolved to the Mayor as well as a collaborative approach in making the case to government for the resources London needs to compete globally.

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