

The Policy Institute  
at King's

KING'S  
*College*  
LONDON

# London 2030 and beyond

*Report of the King's Commission on London*



**MARCH 2018**

## About the Policy Institute at King's

The Policy Institute addresses complex policy and practice challenges with rigorous research, academic expertise and analysis focused on improving outcomes. Our vision is to contribute to building an ecosystem that enables the translation of research to inform policy and practice, and the translation of policy and practice needs into a demand-focused research culture. We do this by bringing diverse groups together, facilitating engagement between academic, business, philanthropic, clinical and policy communities around current and future societal issues.

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# INTRODUCTION



## About the Commission

The King's Commission on London was convened in February 2016 by the Policy Institute at King's College London. As stated in King's *Vision 2029*, King's is a civic university at the heart of London. The project was conceived as a time-limited, multi-disciplinary investigation of the major challenges faced by the university's home city. The Commission was designed to connect research by world-leading academics at King's with oversight from high-profile figures and experts from across the capital. By bringing together figures from the worlds of academia, business and policymaking to consider these challenges, our aim is to offer practical solutions that could improve the lives of Londoners in the years to come.

The Commission has been jointly chaired by Lord (Andrew) Adonis, Visiting Professor at King's College London and former Transport Secretary, and Professor Tony Travers, Director of LSE London. The Commission has consisted of London leaders in business, government, think tanks and academia. The full membership of the Commission is:

**Lord Adonis and Professor Tony Travers**  
(Co-chairs)

**Sir Mark Boleat**  
Deputy Chairman, Policy and Resources Committee, City of London Corporation

**Lady Victoria Borwick**  
Former Deputy Mayor of London

**Deborah Bull CBE**  
Assistant Principal (London), King's College London

**Constantin Cotzias**  
Director, Bloomberg Europe

**John Dickie**  
Director of Strategy and Policy, London First

**Rt Hon Dame Margaret Hodge**  
MP for Barking

**Abubakar Issa**  
(student representative)  
Department of European and International Studies, King's College, London

**Alexander Jan**  
Director, City Economics, Arup

**Cllr Claire Kober OBE**  
Chair, London Councils, and Leader, London Borough of Haringey

**Roger Madelin CBE**  
Director, British Land plc

**Brian McAuslan**  
(student representative)  
Department of History, King's College London

**Baroness Neuberger**  
Senior Rabbi, West London Synagogue and Crossbench Peer

**Hon Mike Rann**  
Former Premier of South Australia and Visiting Professor, The Policy Institute at King's College London

**Ben Rogers**  
Director, Centre for London

**Justine Simons**  
Deputy Mayor of London, Culture & Creative Industries

**Colin Stanbridge**  
Chief Executive, London Chamber of Commerce and Industry (LCCI)

**Professor Anthea Tinker CBE**  
Institute of Gerontology, King's College London

**Simon Walker CBE**  
Non-Executive Director, Department for International Trade, and former Director-General, Institute of Directors

**Professor Alison Wolf**  
(Baroness Wolf of Dulwich)  
King's Business School and The Policy Institute at King's College London

**Professor Charles Wolfe**  
Head of the School of Population Health and Environmental Sciences, King's College London





ANDREW ADONIS

## Foreword from the Co-Chairs

The King's Commission on London has focused on two issues which, during the lifespan of our work, have rightly risen to the top of the public's agenda: healthcare, especially in primary healthcare; and skills, with a particular emphasis on apprenticeships and further education. To a degree, this focus replicates some of the depth of expertise at King's College London; but it also reflects a sense held by the Commission at its foundation that these were vital issues for London, but often overlooked or neglected. The Commission has welcomed the opportunity to redress the balance, as well as to seek to make progress on these challenges.



TONY TRAVERS

In focusing on these issues, the Commission has scrutinised key challenges for London at a critical point in its history. At any time, an 'ancient and modern' metropolis such as London faces challenges and choices. However, the shock of the UK's referendum vote in June 2016 has been as profound as any event since the Second World War. No one can be certain of the outcome of the Brexit negotiations, and it may take a generation to work out their final effects. Separately, there are threats to globalisation and liberal democracy in other parts of Europe and beyond. Looking ahead, it appears likely a revolution in the automation of work will change the labour market and employment at least as much as the shift from manufacturing to services which occurred in the capital between the 1950s and the 1980s.

A single report about London can never address the broad range of policy issues facing the city. London is so extensive and so complex that each neighbourhood, community, public service and company is an element in an apparently-infinite whole. The challenge for the King's Commission was how to approach London in a way that offered new analysis and insights. Hundreds of reports are published each year about the capital and its boroughs, rightly taking into consideration numerous issues, including most obviously housing, transport, culture and education, as well as the impact of Brexit on London, which has spawned a new micro-industry of research and conferences, books and papers, blogs and broadcasts.

From the outset we were clear that we wanted both to concentrate our efforts on specific issues, and simultaneously look at issues that reflected King's expertise. To this end, we elected as a group to consider the capital's economy and demographics, health (both NHS provision and public health) and post-school skills and further education offering. On the economy, we felt it was essential that this was considered as part of the Commission's work, not only because of Brexit, but also because of the growing debate within Britain about the need to 'rebalance' the economy.

We had a different, but no less important rationale in selecting health and further education. First, although of great importance to London and its population, neither health nor further education and skills receive anything like the public policy attention given to, say, housing or transport. While Lord Darzi's 2014 *Better Health for London* report remains an excellent exposition of the challenges facing London's health services, we felt that further effort was required given the complexity and difficulties facing all parts of the capital's health, public health and care provision. On further education, we were concerned at the very significant skills shortages in neighbourhoods with low employment participation. In our view, an analysis of the problems afflicting post-school non-university education would allow us to consider an under-reviewed part of civic life.

## Foreword from the Co-Chairs (continued)

We also considered the relationship between London and its wider surrounding region, the greater South East. There has been surprisingly little research or, frankly, government action across this wider region. We believed that further analysis was required, and some initial work in this area was conducted alongside the main focus of the Commission's work. It is included as an annex to this report for information and is available at [goo.gl/qQrRUw](https://goo.gl/qQrRUw).

London's population, employment and economy continue to grow. Its tax yield remains of profound importance to the provision of public services throughout the country. But there is always a risk of complacency. Other great cities have, in the past, fallen from global prominence to become insular backwaters. While we see no immediate evidence that London is faltering, we do see signs that should make borough, London-wide and national policymakers pay attention. Uncertainty about the future, the need for significant infrastructure investment and globalised security threats are among a number of challenges which, if badly handled, could send London from an upward to a downward trajectory.

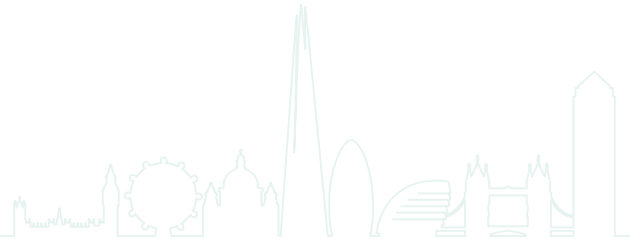
Indeed, we believe that London and the rest of the UK continue to be bound together not only by economic interest, but by history, culture and common values. It is possible for the whole of the country and its capital to grow together. This parallel growth should be the core objective of the government's industrial strategy. We hope the analysis, deliberation and conclusions in this report will add new dimensions to the debate about complex, tolerant, resilient, brilliant, thriving London.

We would like to thank all our fellow Commissioners for their extensive work and support and the Policy Institute at King's for setting up and running the Commission, especially Tony Halmos, the Director of the Commission.

We are also grateful to the Mayor of London for his support for the Commission, both with the assistance of various officers at City Hall with our work and hosting the launch of our report.

**Andrew Adonis**  
**Tony Travers**  
Co-Chairs  
King's Commission on London  
March 2018





TONY HALMOS

## Foreword from the Director

The King's Commission on London was set up in February 2016. From the outset, our vision was to take a long-term view to 2030 and to explore some of the key future challenges facing London. Our ambition was to identify particular pressures and to utilise the best available evidence to propose ways of mitigating some of the ill effects that these might entail. I hope that this report can make a significant contribution towards that aim.

I would like to thank Arup, Bloomberg LP, British Land plc, City of London Corporation, Golden Bottle Trust/Hoare Family Trusts and Sir Harvey McGrath for their financial support for the Commission.

I am grateful for the extensive support for the work of the Commission from both the Policy Institute at King's and King's College London as a whole. At the Policy Institute, I would particularly like to thank the two former Directors, Professor Jonathan Grant and then Professor Jennifer Rubin, for their encouragement and support; Dr Sarah Rawlings, Interim Director of the Policy Institute, and her colleagues Emma Kinloch, Impact and Engagement Manager, and George Murkin, Communications Manager, especially for their work on the final report and its launch; and Dr Samantha Gross, Head of Administration, for her advice and assistance on finance and resources. I would also like to extend my thanks to Dr Jack Brown, Research Assistant, and Dr Benedict Wilkinson, Interim Deputy Director of the Policy Institute, for their support for, and detailed input to, the whole project throughout.

In addition, I would also like to thank the contributors to the three main strands of the Commission's work: Cambridge Econometrics and SQW for their report to the Commission on the scenarios for London's economic prospects in 2030, Professor Alison Wolf and her team for their report on the agenda for post-16 non-university education and skills in London, and Professor Charles Wolfe and his team for their report on health policy in London.

I would also like to thank the hosts of our two site visits, Victoria Hills, Chief Executive, Old Oak and Park Royal Development Corporation, and her colleagues; and Mark Smith, CEO, Tom Fogden, Dean, and their team at Ada National College for Digital Skills; together with Cllr Claire Kober, Leader, Zina Etheridge, Chief Executive, of Haringey and their colleagues.

I am also grateful to Dr Clare Gerada, former chair of the Council of the Royal College of General Practitioners, and Peter Lauener, former chief executive of the Institute for Apprenticeships, for meeting the Commission to discuss their respective policy areas, as well as John O'Brien, Chief Executive of London Councils, and his colleagues for their assistance, and Tom Kibasi, Director of IPPR, for his advice on aspects of health policy.

**Tony Halmos**

Director

King's Commission on London

March 2018

## Executive summary

The King's Commission on London has brought together representatives of the worlds of academia, business and government in London, in order to consider the medium-to-long-term challenges faced by the capital. It has commissioned economic and demographic research on the possible implications of Brexit, and applied the findings to its considerations on its two primary chosen policy spheres of health and skills in London.

In examining the possible implications of Brexit, and other factors, for the future of London's demographics and economy, the Commission considered four potential scenarios involving different global and national policy shifts. With London a net tax exporter to the rest of the UK, and the capital's fate inherently intertwined with the nation as a whole, the Commission considered the most beneficial outcome for all to be an open international environment and a pro-London national policy (Scenario 4 in the report).

London's present economic and population growth is far from guaranteed. Achieving an open trading system, with flexible migration rules and provisions for London's thriving service economy, is crucial to its continued success. Complacency must be avoided, and London's challenges dealt with, if the capital is to continue to prosper economically. Those challenges that are particular to London will require London-specific policy responses. The Commission believes that accelerating the devolution of both decision-making and funding powers to a London level will improve the capital's ability to provide such responses, and particularly so when it comes to health and skills.

### Health

London's healthcare system is extremely complex, and is the product of a long historic process of changing commissioning and provision structures. The creation of the London Health Board in 2013 was a step in the right direction, but more can and must be done to ensure that the health of Londoners is at the heart of decision-making across all policy spheres in the capital. Better integrated care is also needed across the board, with particular emphasis on improving primary healthcare provision in the city.

The Commission recommends that the Secretary of State for Health and Social Care:

- ♦ reintroduce deprivation funding to incentivise better primary healthcare in deprived communities, with a focus on London-specific factors
- ♦ provide sustainable funding for innovative cross-London academic research which addresses the complexities of urban healthcare.

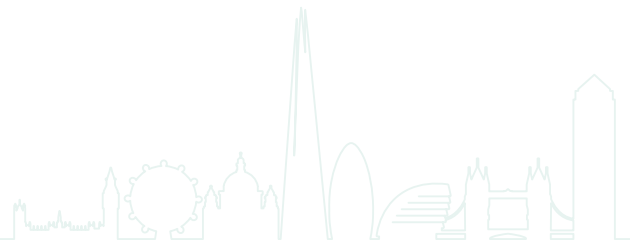
The Commission recommends that the Mayor and the boroughs work together to:

- ♦ strengthen and consolidate London-wide structures for planning and managing health provision
- ♦ establish a pan-London strategic body with the authority and the budget to focus on clinical networks, joint planning of services and the transformation of care, as well as providing resources to develop academic research and public health provision
- ♦ lead a programme of improved intelligence for prevention and care through the use of data linked across different social and care platforms, and encourage the health academic community to engage more with London-wide data initiatives
- ♦ support better-integrated and innovative approaches to health promotion.

It recommends that 'London partners' (the Mayor, the NHS in London, Public Health England and London Councils and the boroughs):

- ♦ use the upcoming devolution of certain health powers to London to consider redeveloping primary care premises into larger, borough-wide primary care facilities, with a broader range of co-located facilities





- encourage the use of Section 106 planning obligations, potentially including the community infrastructure levy, to help redevelop primary care premises
- pool resources into a London-wide health and public health function to provide world-class data gathering and analysis, supported by a pan-London research body with executive powers to maximise the contribution London can offer. These powers should reside with the Mayor.

### **Skills**

Many of the challenges faced by London in the area of skills are shared with the rest of the country, but there are several specific issues relating to the city's particular economy and demographics. Devolution to London in the area of skills provision is forthcoming, in the form of the Adult Education Budget, and this should be very much welcomed. However, the Commission believes there is much that can be done to improve skills provision for Londoners, specifically with regard to Advanced Learner Loans, further education colleges, apprenticeships and construction.

The Commission recommends that national government:

- press ahead with the full and unconstrained devolution of the Adult Education Budget to London in 2019/20
- allow a proportion (based upon London's population in relation to the rest of the UK) of any unspent apprenticeship levy funds to be allocated to the Mayor and the boroughs to supplement skills funding – particularly relating to apprenticeships – in London.

In addition, the Commission recommends that the Mayor and the boroughs work together to:

- increase access to part-time adult learning, and improve the provision of Advanced Learner Loans in order to facilitate this
- introduce a coordinating board to improve the volume and specialisation of adult education provision across London
- directly allocate Adult Education Budget funds to individual providers to meet specific current and emerging skills needs, consider funding selected colleges in key areas to cover development and pre-opening costs, and subsidise the first few years of a new venture
- collect and release data relating to Londoners' ability to find and travel to courses covering levels 3 and 4 in sectors important to the economy
- set aside part of adult education funding to subsidise non-award-bearing courses which respond directly to new industries and rapidly changing skills needs
- use apprenticeship contracts and payments which are under their control to help shift the balance of college provision towards high-skill and skill-shortage areas
- establish an Apprenticeship Levy Council, comprising members from the boroughs, London businesses, colleges and City Hall, as a body to monitor and assist companies in delivering their plans about how to spend their levy
- convene an expert group to consider how Section 106 planning requirements and practice might best be amended in order to ensure that apprenticeship recruitment can operate at city-wide level, not at specific borough level
- consider directly developing a number of major GLA-backed construction apprenticeship schemes.

# PART 1

## *London in context*





Photo: istockphoto.com/Moussa81



London is a prosperous and flourishing mega-city, but there are no guarantees that it will remain so. It faces considerable threats, not least the uncertainty generated by Brexit, which has the potential to jeopardise both the city's economic future and its status as a truly global capital, open to all. Nevertheless, there are a range of policy challenges that would confront the city irrespective of this upheaval – from housing and transport, to terrorism and even flooding. This section gives a brief overview of London's current status and highlights some important areas of concern.



# PART 1: LONDON IN CONTEXT

The King's Commission on London has undertaken its work at a remarkable moment in London's history. London is thriving, but faces serious and complex threats. There is considerable political change: the EU referendum result of 2016 will affect the country for years to come. London voted to stay in the EU while the UK as a whole voted to leave; no other region of England voted to remain. For good or for ill, leaving the EU will change Britain. London, as an international mega-city, is likely to experience the consequences of the upheavals that lie ahead in a rather different way to the country more generally.

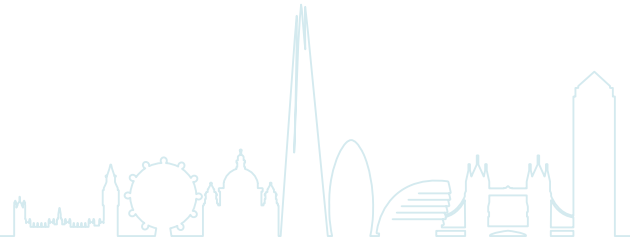
On the other hand, despite these transformative political changes, some things remain in stasis. Power is still concentrated in Westminster and Whitehall, with far less local autonomy available to sub-national government in England than in federal states such as the United States. Perhaps this is not surprising, as more than 95% of all UK government receipts are derived from taxes set by the national government. London, a city of almost 9 million people, has far less local power than Paris, New York, Berlin or Tokyo. Successive governments have transferred powers to the centre or to nationally appointed agencies, while Whitehall appears to hoard power. Moreover, devolution to Scotland and Wales (whose combined populations and economies are smaller than London's) has not emboldened central government to transfer equivalent law-making and tax-raising powers to the capital. Steps towards increasing devolution to London are being taken, but while these measures are welcome, they still leave London far short by national and international standards.<sup>1</sup>

Despite the unique combination of political turbulence and systemic stasis, London's economy continues to grow. While the financial services sector has grown at a slightly slower rate in the past year or so, London remains a leading global financial centre. Other particularly significant sectors in the London economy include: professional, scientific and technical services; information and communication; and real estate.<sup>2</sup> The steady decline in manufacturing over recent decades (only about 8% of London employment is now in manufacturing), has been offset by London's booming service sector. The London economy is bolstered by its inherently international nature. Compared to other regions and nations of the UK, it has both a high proportion of foreign-owned and international trading businesses, and a heavy dependence on access to world markets, both within the EU and outside. Relatedly, London's labour market depends heavily on immigration from both EU and non-EU countries for low- and high-skilled employment.

Thus, London is properly described as a 'global economic capital'. It also plays a leading role as a world cultural centre. Its theatre, artists, cinema, film-making, museums and media sectors are all world-leading. This success in turn attracts additional business and tourism, benefitting Londoners overall through its impact on employment and productivity. These benefits do not just accrue to London, but help the whole of the UK, both directly, from 'supply chains', and indirectly, through tax transfers.

As a result of our commissioned research and the above considerations, the Commission has been minded to consider how economic and public service policy might be adapted to ensure that the profound changes which lie ahead are met with solutions that work for the city and its people, and also for the benefit of the wider UK. It goes without saying that much of what we suggest in this paper could, and possibly should, apply to the UK's other metropolitan regions, such as Greater Manchester, the West Midlands or the Liverpool city region, and doubtless others.

Evidence received and subsequent deliberations have convinced us that it is unlikely that national government can deliver adequate policy prescriptions for the management of the London economy or, indeed, for skills and health provision, which are sensitive to the needs of a city that is so distinct from the rest of the country. Solutions must be found that adapt the existing machinery of government and resource use so as to allow London's government to control the delivery of provision and secure appropriate policy for residents and businesses.



## Challenges and threats

Looking ahead to 2030 and beyond, it is clear that London as a global city will be particularly impacted by changes affecting the country more generally. Leaving the EU, increasing automation within the labour market and continuing pressures affecting public finances will require nimble public policy responses. Political uncertainty at the national level is another challenge. Brexit will potentially reduce the supply of migrants, affect the terms of trade for business and alter global perceptions of Britain. It may also alter relations between the nations and regions of the UK as public opinion adapts to the new realities of changed regional economies. There will be several years of uncertainty about the outcomes of the UK's renegotiation of its international position, not only with the EU27, but also with other countries and trading blocs. Central departments have been surprisingly slow at putting forward policy proposals to ensure Britain's continued prosperity post-Brexit, even where there is no need to wait until the negotiations are complete. For example, migration policy, skills and post-school training are areas where it would have been relatively easy for the government to publish proposals to deliver more effective policy for the post-Brexit era.

Rapid increases in automation within the labour market are likely to produce substantial shifts in the demand for particular forms of employment. It is difficult to predict transitional or longer-term impacts of such automation on the economic structure or employment potential of London, or indeed any other part of the UK. London, with its vast and adaptable service economy may be relatively well placed to deal with such changes, though there appears to be little preparation within government for any impacts as and when they occur.

The UK's public finances are under persistent pressure, and the future capacity of the state to meet rising demands for services from a fixed tax base well below that of many other European countries is becoming increasingly uncertain. Unless there is an increase in trend growth nationwide, austerity is likely to continue for the foreseeable future. Moreover, the UK government has found it hard to produce mechanisms that would allow a larger amount of private capital to be invested in the nation's infrastructure. London, in particular, has an ongoing need for investment in its housing, transport and public realm. National government is currently under pressure to 'rebalance' the economy by increasing investment in the Midlands and the North. Unless London finds new ways to fund major projects, there is a risk that its economic potential will be held back by under-investment.

If public policy cannot adapt to London's particular needs, the UK as a whole will suffer. The capital and its surrounding regions pay significantly more in tax than they receive in public expenditure: there is a net tax 'export' to the rest of the UK.<sup>3</sup> Few challenge the fairness of such within-country redistribution, but there is a clear risk that if London's economy were held back or accidentally damaged, then any resulting loss of tax potential would harm the country as a whole. London and the Greater South East's massive private sector is one of the largest agglomerations of economic activity in the world. It seems highly unlikely that it could be replicated anywhere else in the country.

Although London's fate is absolutely tied to that of the UK as a whole, the capital also faces distinctive challenges and threats which reflect the particular nature of its economy, its politics and its labour market. At the heart of this is a broad question of ensuring **quality of life** for Londoners. On the one hand, London is a vibrant, exciting place in which to live, with a growing economy that offers fulfilling employment opportunities for many. However, a significant minority face high costs, low incomes, poor housing, inadequate public transport and relatively poor health prospects. Policymakers for the city need to take into account all aspects of the lives of Londoners.

## PART 1: LONDON IN CONTEXT

There are, of course, more specific challenges. Most pressing, and closely related to London's economic success, is the **housing** crisis. The city has insufficient homes to meet growing demand, and while London has always faced housing pressures of some kind, this pressure has reached serious proportions in recent years, as a combination of comparatively high economic and employment growth and a relatively low level of house building has resulted in acute affordability issues for younger and lower-income purchasers or renters. Some major decisions will need to be made in the next few years about fundamental solutions to this challenge.

New approaches, including regarding the density, scale and location of new developments, have been raised in the recently published draft London Plan, but given that the Plan has not yet been finalised, its impact remains to be seen. Types of change which are not proposed in the Mayor's Plan include imaginative changes to the Green Belt to potentially deliver additional land, changing the planning system to give greater weight to those not 'well housed' and an explicit proposal to allow London local government, whether the boroughs or City Hall, to borrow to build substantially more social housing.

Despite the surprising softening of demand for London's **public transport** in 2017, there is a broad consensus that investment is still needed for the city to continue to thrive. The substantial capital investment in recent years – both on the Tube upgrade programme and major new projects such as Crossrail/the Elizabeth Line – is welcome. However, it remains likely that the growing population will put greater strain on the capacity of the city's various transport networks.

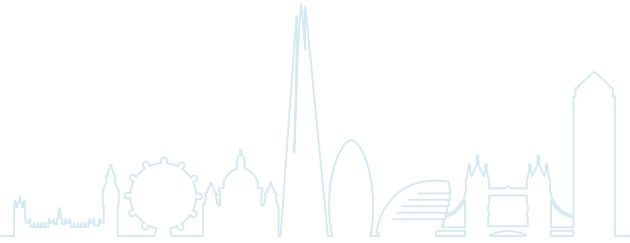
Meanwhile, the substantial backlog of maintenance and improvements, built up over many decades before the current upgrade programme began, is still some way from being completed. In addition, Transport for London's finances are under severe pressure, with an operational deficit of nearly £1 billion predicted for 2018-19, at a time when TfL's central government subsidy, once worth £700 million a year, is being withdrawn entirely.<sup>4</sup> It is still not clear if there will be the necessary funding commitment, both to complete the upgrade programme and to carry out necessary new projects that will ensure the transport network as whole remains fully fit for purpose.

Related to public transport is the growing concern and challenges around **air quality**. There has been progress, and new policies on diesel emissions and other measures are to be welcomed. But the delivery of additional transport infrastructure and the further regulation of different vehicle types will not occur instantly. It is essential that progress is maintained.

More broadly, there is concern about whether the provision of other **public services** is sufficient to meet the needs of the capital's growing population. Crime and policing, social care, parks and open spaces, economic development and regeneration programmes all face severe and continuing budget pressures, alongside the more specific and unique challenges faced by each individual service. Great improvements have been made in recent years in the quality of primary and secondary **education** in London, and the capital has long been home to several world-leading universities. However, there is still more to be done if London is to deliver and sustain fully effective education provision. In particular, the difficulty of providing individuals with the skills needed by the evolving London economy continues to be substantial. The reform of further and adult education, which will be considered in detail in this report, could play a significant role in addressing this issue (see Part 2.3).

The most risky or difficult policy areas currently facing London, unsurprisingly, include the UK's planned **departure from the European Union** and its impact on London. The economic analysis carried out for the Commission (which is set out in Part 2.1) makes clear that the impact of Brexit – together with other economic and policy variables which might impact the capital – depends heavily on the outcome of the eventual deal struck between the UK government and the EU. It is





not yet possible, therefore, to be sure of the outcome for London. But the potential long-term risks are clear. In addition, in the short term, the uncertainty of the outcome of the Brexit negotiations is a substantial risk in itself, as evidenced by individual firms in the financial services sector and other areas announcing they will have to consider relocating certain activities during 2018.

London continues to face severe difficulties in other policy spheres. One of the major risks to its ability to continue to grow and prosper is the availability of **supplies of energy and other utility services**, especially electricity. The existing electricity supply network is near to capacity. Given the functioning of the national regulatory regime, which restricts the ability of the utilities to invest in the future provision of new supply, there is real concern that demand could exceed supply at peak periods in the future. This problem is likely to be compounded by the imminent expansion of demand in the capital for recharging points for electric vehicles. The ‘future supply’ issue also affects other utilities. New business start-ups are affected by a lack of **high-speed broadband** in some parts of London. Progress has been made on this recently, but the issue needs resolving more comprehensively.<sup>5</sup>

A further challenge to London’s success stems from the difficulties of achieving effective **public involvement in decisions** affecting local communities. Large-scale developments, in particular, have become increasingly contested, for a number of reasons. London’s government will have to work even harder than in the past to manage opposition to major schemes.

**Terrorism** is another key threat. Any terrorist attack will undermine confidence in London’s global reputation, whether as a place to live and work or to do business. Tourism, and thus cultural facilities, are particularly exposed to economic shocks. The specific policy challenge for London is, firstly, the scope for improved programmes to strengthen community cohesion and reduce the prevalence of extremist views and, secondly, the need to ensure that the security services and the Metropolitan Police Service are sufficiently funded so that they have the appropriate resources, skills and knowledge to tackle this issue.

The risk of **flooding**, while less prominent, also needs monitoring and addressing. The building of the Thames Barrier provided substantial protection against any flooding from a surge tide in the North Sea and the Thames estuary, but it is not a definitive solution. The predicted impact of climate change is likely to see rising sea levels. In addition, there are periodic flooding threats from the west, because of rising water levels in the upper Thames, and from the north, due to flash flooding and run-off of water through northern London. The city’s emergency planning authorities have long worked with these threats and there is reasonable confidence that current plans are sufficient to minimise risk, at least in the short term. More broadly, it is essential to keep under regular review the level of **resilience** and preparedness to deal with ‘unknown unknown’-type crises and threats such as occasional civil disorder.

In parallel to these challenges and threats to London’s future prosperity and wellbeing is the real risk of **complacency**, particularly in the areas on which this Commission has focused, namely healthcare and skills provision. There is a tendency, given the capital’s long-term success in meeting challenges, risks and threats, to assume that it will always be possible to do so in future. But great world cities have risen and fallen in the past, and there is no automatic guarantee that London’s current global status will endure. If we are to guard against accidental decline, it is essential that all levels of London’s government are ‘hard-wired’ to assume that the challenges and threats outlined above (and others) are considered. Physical and practical machinery for ensuring resilience will continue to be required. City Hall and the boroughs have the leading role in continuously reviewing the kinds of threats London faces, and they must respond appropriately to avoid decline.

# PART 2

# *London's future*



For London to continue to thrive, its economy must be strong and its citizens healthy, equipped with the education and skills needed to live fulfilling and productive lives. This section looks primarily at Londoners' health, the non-university education and training that is available in the capital, and the policies in these important areas. It recommends reforms to help build on the city's strengths in health and skills. It first sets the scene for this analysis with an examination of London's economic future, and possible scenarios for how this may unfold up to 2030.



## PART 2: LONDON'S FUTURE

London faces numerous challenges, many of which garner significant attention, and some of them are the focus of other commissions and research projects. The King's Commission on London aims to be distinctive, to have the potential to make an innovative contribution to London's longer-term future to 2030 and beyond, and to focus on areas where King's has world-leading researchers and expertise. In establishing the Commission, we decided to focus on a number of challenges which, in our view, tend to receive somewhat less attention, but are no less pressing and no less important than those which have greater traction.

With this in mind, the Commission selected health (specifically primary care and public health) and further education for consideration and analysis. Without progress on these issues, London will not only be less healthy and less skilled, but less successful.

To inform this work, we commissioned Cambridge Econometrics and SQW to prepare a detailed economic analysis of the key scenarios for London's economy, demographics, employment and trade in 2030. These scenarios are intended both to form the backdrop for the work carried out by the Commission on health and further education, and to provide useful guidance to policymakers more generally. Their detailed report is published online at: [goo.gl/qAMi6v](https://goo.gl/qAMi6v)

### 2.1: London's economic future

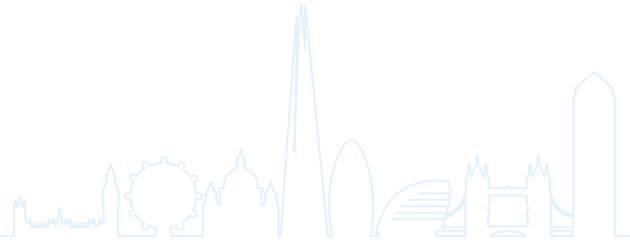
The UK's decision to leave the European Union, the election of President Trump, the aftermath of the financial crisis – including problems in the Eurozone – have combined to create a mood of uncertainty in politics and economics. Nobody seems clear on the long-term consequences of these factors, though most agree that the assumptions that have underpinned the British economy for the last 25 years will change in significant ways. This climate makes future-gazing more difficult but also more necessary.

In London's case, its future may look very different from its present, not least because it has benefitted especially from the existing economic order. London's success over the last quarter-century has taken place within the policy context of Britain's membership of the EU, its commitment to international trade and a broadly pro-business regulatory culture. In order to fully understand London's future challenges, we need to better understand how London might fare under new conditions.

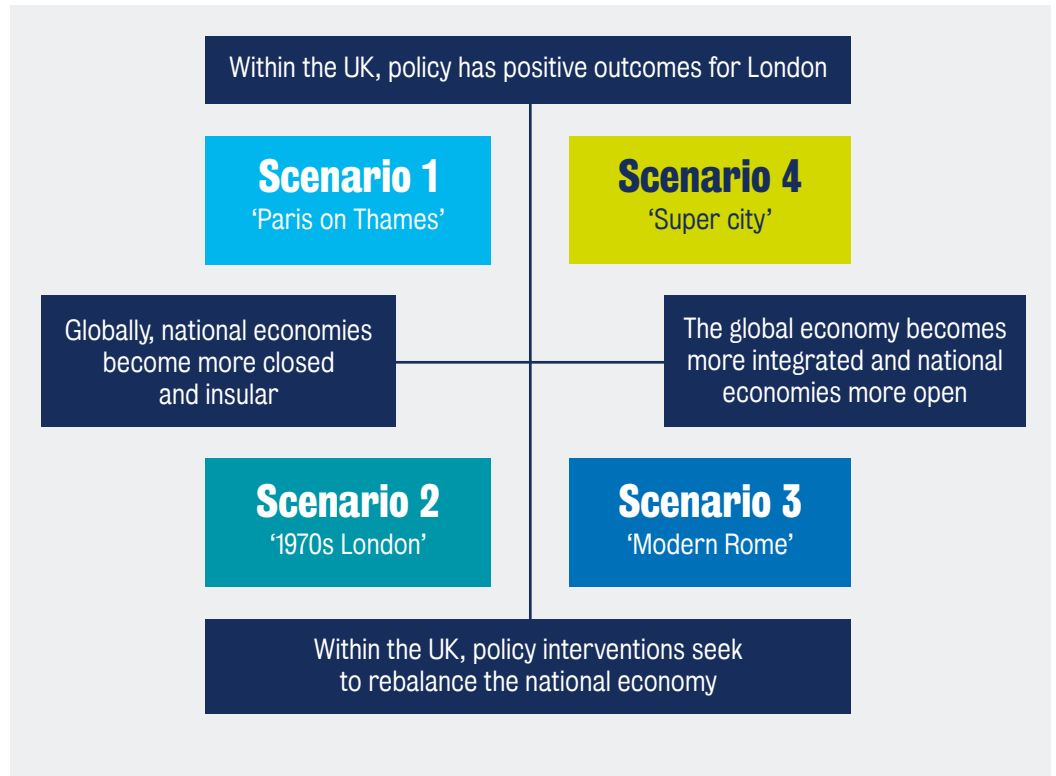
#### About the scenarios

To do this, we developed four scenarios. The method adopted to construct the scenarios had several stages. The process started by agreeing on two policy axes: the role of the UK within the global economy (which will have consequences for London) and the role of London within the national economy. These two axes allowed us to establish four quadrants, which were then stress-tested against previous work (particularly post-EU referendum studies<sup>6</sup>), as well as through a series of consultations with a range of individuals and organisations with professional views on London's future.

The **horizontal** axis shows the effect of global public policy on London. In part, this reflects economic uncertainty about the outcomes of the Brexit negotiations. Although the government seems to have concluded that the UK will leave the single market and the customs union, and also wishes to avoid a 'cliff edge' for business, it is not at all clear what arrangements might be put in place to replace or replicate them (if any), and whether a transitional arrangement can be agreed. By 2030, the UK's trading position with the EU (currently its largest trading partner) may therefore range from one that is only a little less close than it is now to one in which the UK's exports have no privileged access to the EU market.



**FIGURE 1: THE SCENARIOS FOR LONDON'S ECONOMY 2030**



Linked to these trade negotiations is the issue of migration, which is also on an uncertain trajectory. It seems clear that the Brexit vote was motivated at least in part by a desire to reduce migration,<sup>7</sup> yet migration has largely been driven by a demand for labour among British firms that domestic workers have been unable to meet. It may well be the case that in a post-Brexit world demand will remain, though foreign workers may see the UK as a less attractive destination when it is out of the EU and/or the value of sterling is reduced. Foreign direct investment, which has been a big part of London's economy in recent years, is likely to be affected by the interaction of trade policies, regulation and the availability of skilled labour.

The **vertical** axis concerns UK public policy. The current government has talked about both 'rebalancing' the economy and regional devolution. Enhanced decentralisation of the UK's governance system could provide London with greater freedoms, flexibilities, resources and capacity. Related to this, permitting local areas (e.g. city regions) to retain a larger proportion of local receipts from property taxes, business taxes and local services, could allow London to receive the full benefit of its tax base. Relaxing restrictions on planning policy for housebuilding could benefit those areas where local housing provision is a major constraint, holding back home ownership and the ability of people to live near to where they work. Another constraint on London's growth and attractiveness is transport infrastructure. National government continuing with proposed projects such as Crossrail 2, HS2, and the Thames Estuary 2050 Growth Commission will further improve employment rates in London and help ensure that the city benefits from high-skilled, high-productivity activities in its surrounding areas.

## PART 2: LONDON'S FUTURE

**FIGURE 2:** DESCRIPTIONS OF THE SCENARIOS FOR LONDON'S ECONOMY 2030

### Scenario 1: 'Paris on Thames'

The UK becomes a more inward-looking economy, with higher trade barriers, a relatively weak currency, the loss of some businesses to the EU and reduced foreign investment. Exports decline and international migration falls. Some of London's key economic sectors such as finance and tech move away from London to the EU. Nevertheless, London, and central London in particular, continue to attract significant resources, both public and private, and talent. Much of this talent is drawn from the rest of the UK, reflecting more stringent immigration policies.

Domestically, however, London is not disadvantaged. The idea of 'rebalancing' turns out to be more rhetoric than reality, and the emphasis switches towards supporting the UK's one global city. Major transport and infrastructure projects go ahead, increasing capacity, and reduced migration and slower overall population growth take some of the strain off public services. The combination in this scenario has a certain resemblance to modern Paris and thus provides its name.

### Scenario 2: '1970s London'

Domestically, London is disadvantaged by policy developments. A 'disorderly' Brexit leads to some parts of London's more distinctive industries leaving, such as finance, tech, and the creative sector. There is a decline in foreign direct investment and sharp reductions in international migration. Scotland, Wales and Northern Ireland go their own way politically, with the result that London returns to being the 'capital of England'. It loses its distinctiveness and gains an economy and demography that more resembles the rest of England.

National political pressure to do something about 'left-behind' areas and a need to compensate for lost EU regional funding leads to a transfer of public spending away from the capital. Skills policies fail to provide the flow of domestic talent to replace the loss of international migrants, further hampering London's economy. Historically, this is very similar to London in the 1970s and thus provides a suitable name.

### Scenario 4: 'Super city'

London takes advantage of domestic and international success. The city continues to grow, assisted by increased devolution of tax and spending powers. Major transport and infrastructure projects go ahead. A strategy at national level of low business taxes and deregulation leads to London enhancing its competitiveness. Free trade agreements are negotiated with key markets. Continuing economic problems in Europe mean that the EU becomes less important to London's economy overall, while links with emerging economies strengthen.

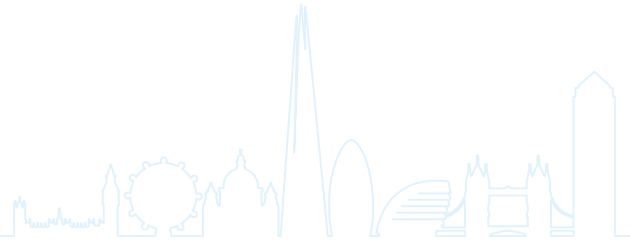
London remains a very expensive city – with high wages and high house prices. It maintains and even enhances its status as one of the world's greatest (and most expensive) cities, able to draw leading businesses and world-class talent. Although success brings its own strains, London's infrastructure and transport improve as new schemes get built and tech innovations come into effect. The cultural and creative sector also thrives. London acts as the 'engine' pulling the wider UK economy forward. It is thus a word-class 'super city'.

### Scenario 3: 'Modern Rome'

The UK maintains an outward-looking economy and manages to negotiate reasonable trading terms with the EU, as well as new free trade agreements with others. London's key industrial sectors that need global talent and international export markets continue to thrive. There are declines in some individual sectors but London maintains its overall status as a world-leading city. International migration remains high in practice, as jobs are still created in London.

Domestically, however, the city's growing population puts further pressure on its public services and housing. A relative lack of infrastructure investment leads to worsening congestion and poorer public services. London becomes even more a city of the rich, where private money is used to navigate and compensate for the deterioration in support from public services. London is still a very important city, with a great history to draw on, but one with a public infrastructure that is fraying and a place in the global economy which is under pressure. Modern Rome represents a close analogy to this mixture of circumstances.

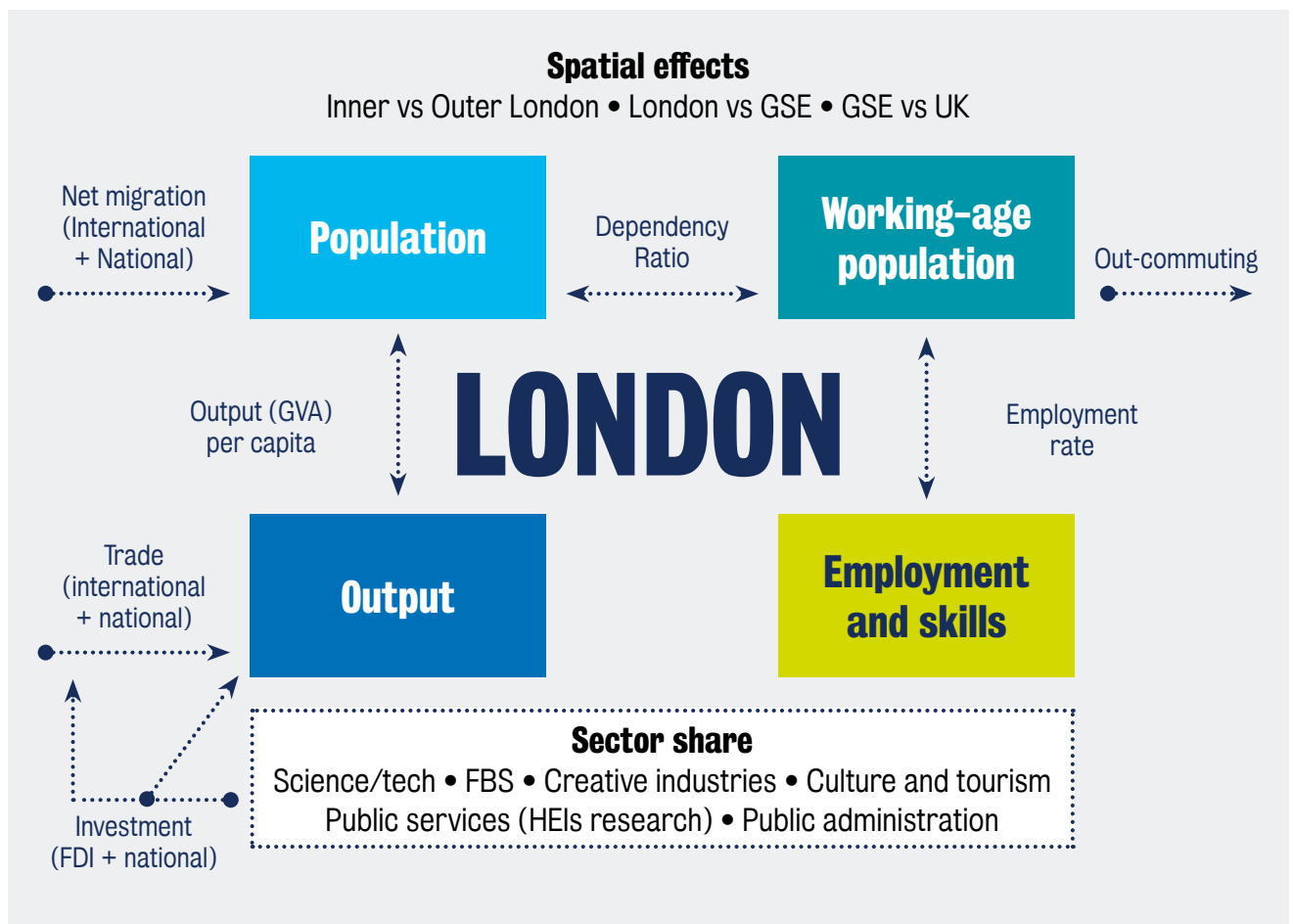




### Quantifying the scenarios

Clearly, it would not be possible to develop an all-encompassing economic model to develop these scenarios numerically. The degree of complexity and uncertainty in capturing the cause-and-effect of an as yet unknown post-Brexit world is too great to simplify in a set of abstract economic and demographic relationships.<sup>8</sup> Instead, a framework to consider likely outcomes was constructed based on past trends of London's economy. It also acts as a sense-check against future trends; key ratios between indicators such as employment rates, productivity and population density; and shares of activity such as the distribution of production and employment across sectors and the split between inner and outer London. The following tables should be regarded as assumptions rather than projections, although the results are not independent of one another as they are linked through the following framework:

**FIGURE 3: FRAMEWORK FOR QUANTIFYING THE SCENARIOS**



At the core of our model is the assumption that net migration levels will largely determine the size of the total population and working-age population. In Scenario 4, both international and domestic migration move in London's favour to boost the population, particularly that of working age. Scenario 2 presents an opposite case, where London becomes relatively less attractive for migrants and performance is worse on all metrics. Scenarios 1 and 3 represent offsetting policy forces for domestic and international migration, with the result that the working age to population share is broadly neutral in both cases. Table 1 summarises the assumed demographic performance across each of the scenarios, based on these arguments, existing ONS sub-national projections, GLA population projections and historical trends.

## PART 2: LONDON'S FUTURE

Indicator	2000-15	2015	Value by 2030			
	(pp change)		Scenario 1	Scenario 2	Scenario 3	Scenario 4
UK population share (%)	1.0	13.3	13.5	12.5	14.5	15.5
UK working-age population share (%)	1.4	14.7	14.5	13.5	15.5	16.5
WAP/total population (%)	0.8	68.1	67.0	65.0	68.5	70.0
Net migration (% London pop)						
– National	0.3	-2.2	-1.0	-4.0	-3.0	-0.5
– International <sup>9</sup>	0.5	2.6	1.5	1.0	3.0	3.5

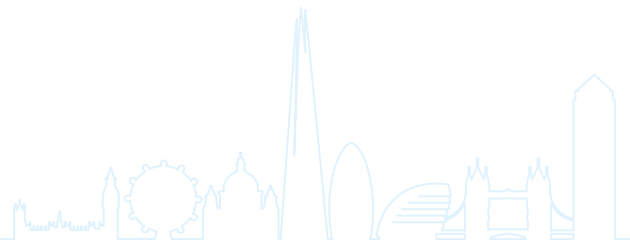
**TABLE 1: LONDON'S DEMOGRAPHIC PERFORMANCE BY 2030**

Table 2 shows how London's share of employment and output has increased over the past 15 years. Again, our assumption is that these trends would accelerate in Scenario 4, leading to London accounting for almost a fifth of UK employment and over a quarter of output by 2030. Output would rise at a greater rate than employment, leading to a further widening of the productivity gap with the rest of the country. Although London's employment rate has not changed over the past 15 years, some increase might be expected as the prosperity of the city brings more jobs and lower unemployment. Scenario 2 moves things in the opposite direction, as the business environment worsens and higher-value jobs leave the city, pushing London's relative position back to where it was in the early 1990s. Scenarios 1 and 3 fall somewhere in between, with Scenario 3 seen as a relatively more positive outlook due to maintaining the city's attractiveness for international high-value business, which is the core of its prosperity.

Indicator	2000-15	2015	2030			
	(pp change)		Scenario 1	Scenario 2	Scenario 3	Scenario 4
UK employment share (%)	1.0	16.5	16.0	14.0	17.5	19.0
UK output share (%)	2.7	22.4	20.0	18.0	25.0	27.0
Relative productivity (UK=100)	8.3	136.1	130.0	125.0	140.0	150.0
Employment rate (%) <sup>10</sup>	0.0	93.7	93.0	90.0	93.0	95.0

**TABLE 2: LONDON'S ECONOMIC PERFORMANCE BY 2030**

The increasing share of employment (and output) taken up by knowledge-intensive business services (e.g. many of the highly productive sectors in London) is expected to increase further in Scenario 4, largely at the expense of the remainder of the economy, with public services remaining broadly stable, as seen in Table 3. Scenario 2 sees a reversal of this position as the attractiveness of London declines and business relocates either abroad or elsewhere in the UK, where the costs of doing business are lower and supporting infrastructure has improved. Scenario 3 remains broadly positive to these sectors, though less so than in Scenario 4 due to increased costs of doing business (through worse supporting infrastructure), while Scenario 1 is broadly neutral to the private services sector and favours some increase in other areas of the economy such as public services.



Share of London employment (%)	2000-15	2015	2030			
	(pp change)		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Knowledge-intensive business services (KIBS)	3.4	28.3	27.0	24.0	30.0	35.0
Other private services	-2.1	39.6	41.0	45.0	40.0	36.0
Public services	2.8	21.5	23.0	18.0	20.0	21.0
Rest of economy	-2.1	9.6	9.0	13.0	10.0	8.0

**TABLE 3: LONDON'S  
SECTORAL  
PERFORMANCE  
BY 2030**

### Recommendations

As this analysis shows, for London to continue to achieve its greatest potential (for the wider UK as well as itself) through to 2030 and beyond, it needs policymakers, both in national and London government, to aim for the most economically advantageous scenario – number 4 in this framework. London is a net economic contributor to the rest of the UK, and its failure to continue to grow and prosper is likely to harm, rather than help, other regions across the UK. While there are issues with London's continuing national dominance, the Commission believes that Scenario 4 remains the most beneficial of those envisaged.

As the Commission suggested earlier in this report, one of the most serious threats to London's future success is complacency – the assumption that London will continue to thrive, come what may. We believe there is complacency at present: the city's economic success – and thus its ability to maintain current levels of contributions to the UK economy as a whole – is not a right; it is a product of the policy and regulatory context in which London operates. This will be significantly endangered if policymakers across the UK, especially in the national government, fail to guard against economic risks. At the core of all our recommendations, including those specific recommendations on health and further education, is that **complacency – an attitude that 'London will always thrive and grow' – needs to be avoided at all costs.**

In practice, the Commission sees this as meaning that policy needs to be directed by both the Mayor of London and by national government, holistically, towards **achieving an open trading system** with both Europe and the rest of the world, pressing for **flexible immigration rules that meet the specific needs of the London labour market**, and **negotiating extensive provisions for London's services sector, including financial services, to continue to access world markets without impediment.** We also see it as requiring continued, full, long-term support from national government for vital infrastructure and other projects, and a secure plan to provide the necessary funding both to complete these projects and to subsequently maintain and upgrade them, as needed.

In our view the best way to achieve this is **for national government to continue and accelerate the devolution of more responsibility and funding powers to London's government**, so that it can, far more than at present, exercise its own discretion over how best to ensure the success of this approach.



## PART 2: LONDON'S FUTURE

### 2.2: Delivering a healthier London

Health is central to the future success of any global city. A population of healthy people can fulfil their potential, shape and make use of opportunities for meaningful work, and contribute positively to their communities, the economy and to society more generally. A healthy population, as well as being a good thing in its own right, also generates economic growth and social value to a community. In a broader sense, it is also a signal: the state of public health in a city is a barometer of the health of the city itself.

London's vibrant, diverse, and comparatively young population enjoys universal, comprehensive, high-quality and pioneering healthcare. With that in mind, the Commission welcomes the many successful efforts to improve the health of Londoners in recent decades. Progress has been palpable and London scores well on many international rankings of health indicators.<sup>11</sup> This both drives and is driven by London's relative prosperity, its key position in global markets and its privileged economic position. There are significant benefits for Londoners in the city's thriving medical and health research sector, which attracts international leaders and inward investment.

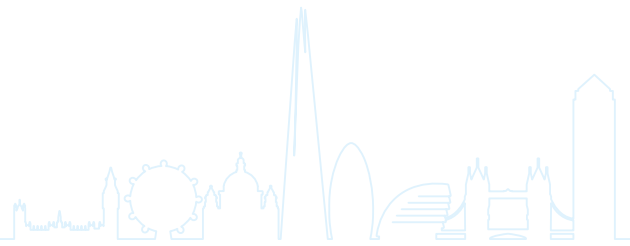
However, the Commission also recognises a number of serious challenges that need to be addressed if London's health is to continue to improve. London's health infrastructure, particularly its primary healthcare systems, is stretched and needs updating. We need urgent thought on how to pay for health and social care as demand rises and costs escalate – especially for an ageing population. There is also a strong case to be made for strengthening research capacity and investing in digital technologies.

The Commission views addressing both the underlying causes of ill health, as well as the risk factors that make ill health in individuals more likely, as the critical focal point for London's future health. Moreover, while the health of Londoners has improved, the highest risk factors for ill health – smoking, high blood pressure, obesity, poor diet and a lack of exercise – are still persistently prevalent.<sup>12</sup> London, like any major city, also has serious inequalities: its population has deep divides along socio-economic, ethnic and cultural lines. These and other disparities (often termed 'upstream' social determinants of health) all influence individual health and wellbeing.

Ultimately, the Commission recommends a focus on the structure of London's health system on the one hand, and a wider focus on the causes of ill health on the other. The former will require not only changes to how the system is organised, but greater resources for strengthening it, too. The latter will require a move beyond traditional elements of health policy, into other areas, including action to reduce inequality, secure and improve the environment, and enhance social capital.

#### London's health system

In too many respects, London's health system seems to be stuck in the 1950s. There are aspects of the system which are world-class and pioneering, but there are also those which are archaic, convoluted, and no longer fit for purpose. In particular, the Commission notes that the structures for the provision, management and funding of health services in London are astoundingly complex. Greater London's health 'architecture' consists of 65 statutory organisations that commission health services, comprising 33 local authorities and 32 clinical commissioning groups (CCGs), which are currently transforming into fewer 'sustainability and transformation partnerships' (STPs). In addition, there are a further 300 provider NHS Trusts, around 1,500 GP practices, 29 acute NHS trusts, not to mention the nine mental health trusts, numerous primary care providers, and the thousands of health and social care provider organisations in the private and third sectors.

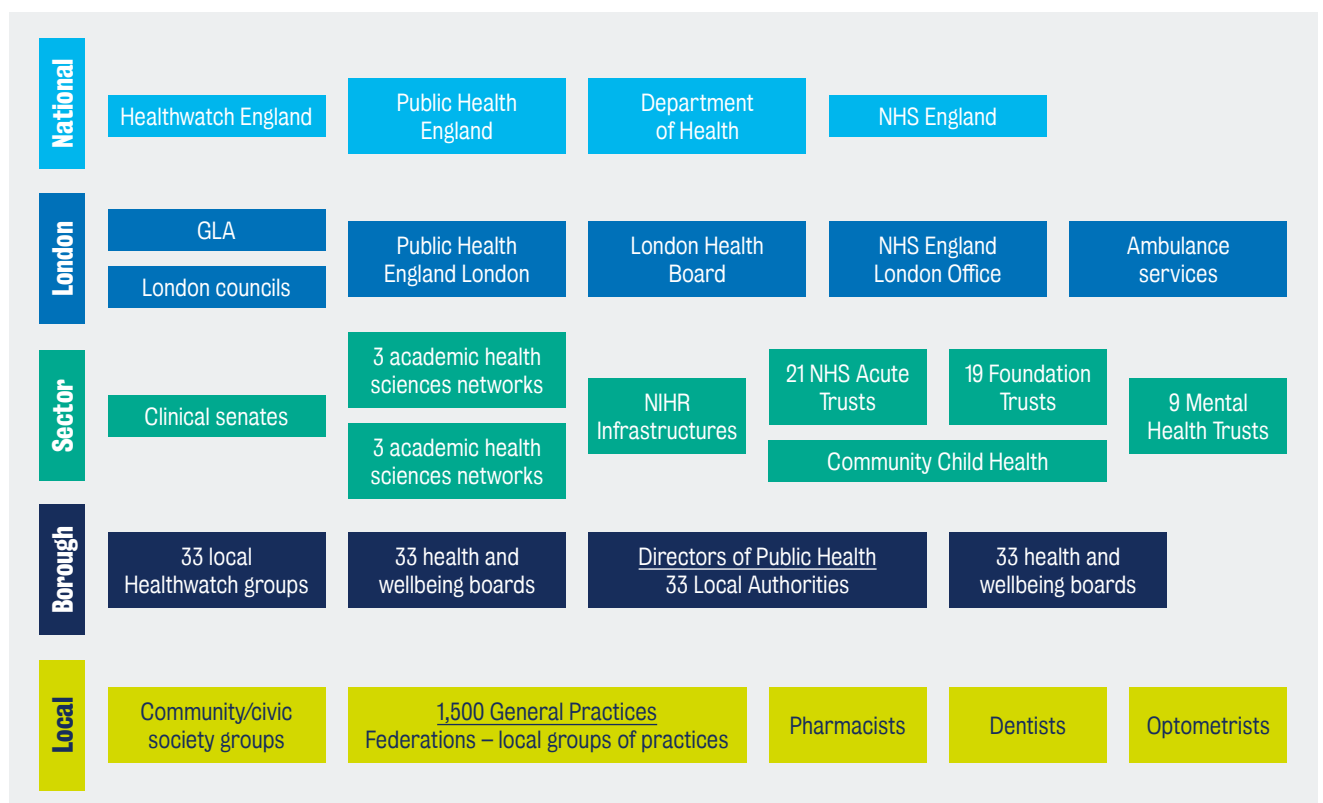


The Commission sees this as particularly worrying because accountability and responsibility are hard, if not impossible, to locate within the myriad structures. For instance, responsibilities for key policy areas that also affect the health of Londoners (such as housing, transport, education) are split between central government, the Greater London Authority, the boroughs (which have long had responsibility for environmental health, and since the 2012 Health and Social Care Act, responsibility for health improvement), as well as a number of national statutory and other stakeholders which have a regional interest, including Public Health England, for which London is one of its four national ‘regions’.<sup>13</sup> Cutting across this hierarchical structure are influential organisations such as the Medical Royal Colleges and Faculties.

We are not the first to point this out. Although it focused more on health initiatives than service reconfigurations, Lord Darzi’s 2014 report, *Better Health for London*, commissioned by then Mayor of London Boris Johnson, made a similar point, recommending the establishment of the London Health Board.<sup>14</sup> Originally established in 2013 and chaired by the Mayor, with representation from boroughs and the health sector, Lord Darzi’s call for greater leadership in London’s health meant that the Board was refocused in March 2015, bringing together the Mayor, borough leaders, NHS England (London), clinical commissioning group (now STP) leaders and Public Health England London.

The Board focuses on areas where strategic leadership can unblock some of the delivery challenges that the health and care system faces. It has had its successes: the Board has played a major role in pressing for the recent Memorandum of Understanding (MoU) on health devolution to the Mayor and more local levels.<sup>15</sup> The Commission welcomes this, and views it as a key first step for driving faster progress on health improvement.<sup>16</sup> However, the Commission also sees elements of the MoU as challenging, both politically and administratively, and the governance aspects of health devolution will need further work.

**FIGURE 4: KEY ORGANISATIONS INVOLVED IN LONDON’S HEALTH SYSTEMS**



## PART 2: LONDON'S FUTURE

However, since the abolition of the London Strategic Health Authority in April 2013, there has been no single recognisable body providing *overall* health leadership and accountability in London. The London Health Board may have provided strategic direction to the system, particularly over health devolution, but it is not accountable for the performance of the system. For the Commission, this is deeply concerning. The situation is particularly acute for primary care, which despite the growth of GP Federations and closer ties between primary and secondary care,<sup>17</sup> still has no accountable leader to take overall responsibility for primary health services in London.

The Commission recognises that London's fragmented and complex system reflects the number of organisations responsible for health and for mitigating the numerous causes of ill health. But it also causes the Commission serious concern that the system is so complex that it seems intractable to policymakers and unnavigable to patients. Investing in improved governance will be essential for strengthening health and social care in London, given that systems are currently constrained by historical legacies, and mired in fragmented, complex and constantly changing commissioning and provision structures. The ability to deliver high-quality healthcare to Londoners in the future will require robust data infrastructures, investment in partnership working, and a continued strong role for city government that incorporates health in all policies.

### Primary healthcare policy and funding

London benefits from the same universal, accessible and comprehensive primary care service as the rest of the UK, but there are many weaknesses compared with the national situation. London performs less well on indicators of prevention, and has higher admissions for emergencies than the rest of the UK.<sup>18</sup> Moreover, it seems that in the near future London's primary care will lose experienced GPs to retirement, as a higher percentage of those working in London are over the age of 55.<sup>19</sup> Difficulties in recruiting GPs nationally, and a significant drop in GPs in London, may seriously threaten the city's primary healthcare services in the coming years.

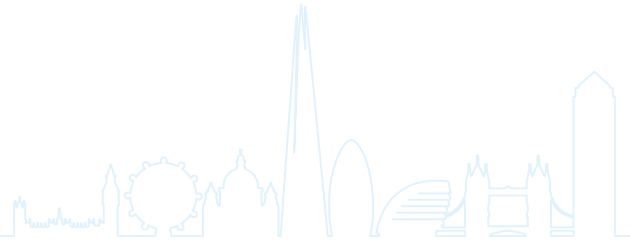
The Commission is concerned that current figures from Care Quality Commission (CQC) inspections show that 17% of practices in London are deemed 'inadequate' or 'requiring improvement', set against a national figure of 10%.<sup>20</sup> Although inspection methodology has come in for some criticism, higher rates of CQC 'failure' do suggest that there is a London-specific problem in terms of the quality of primary care serving some communities.

In too many respects, the system is caught up in the 1950s. As the King's Fund put it in 2012: 'one in five practices are single-handed and the ratio of practice staff to GPs is lower than in other parts of England ... [and] some parts of London have relatively fewer GPs per head of population'.<sup>21</sup> London's particularly high land value costs have been linked to the city's comparatively older GP workforce, as well as the higher prevalence of single-handed practices.<sup>22</sup>

Many premises are not fit for purpose: it is estimated that 44% of all practices are in urgent need of refurbishment, and that 34% require rebuilding. One third of practices are inaccessible for people in wheelchairs. Funding the necessary works would clearly be costly – a building programme is estimated to require £1 billion – but it is vital that we consider how best to upgrade London's GP surgeries.<sup>23</sup>

The General Practice Five Year Forward View (GPFV) was published in 2016 by NHS England, and was based on the health service's more generic policy statement, the NHS Five Year Forward View (5YFV). Although 5YFV promises to fully fund £10 billion of additional expenditure on health, there are significant concerns about the delivery of the vision described in GPFV. For the Commission, this is concerning: primary care and community care have been under-resourced in comparison to hospitals (particularly in London with its large teaching





hospitals).<sup>24</sup> For instance, the funding of primary care has declined by 6% in real terms between 2005/6 and 2013/14. Over the same period, workload increased by 16%.<sup>25</sup> London primary care has been particularly hard hit with high staff and property costs while funding has been set according to national formulae without London weighting.

In addition, existing incentives fail to help London's most deprived communities. Between 1990 and 2004 the national GP contract included 'deprivation payments', which were available to primary care teams working with the most deprived communities. In 2004, the contract ended these payments, replacing them with morbidity-related payments. The consequence is that primary care in deprived areas is subject to even greater pressure, contributing to poor health among Londoners, increasing health inequalities, hampering recruitment and retention of primary care staff and contributing to the poor condition of the primary care estate in London.

### **Digital health**

A major risk to the potential to improve health in London is the relative under-development of systems for linking data. There is currently no source of combined health data for the city – something that is desperately needed. A few examples of available linked data exist for primary care: Lambeth DataNet, Tower Hamlets Clinical Effectiveness Group (now covering four CCGs), and recently, NW London Data Warehouse.<sup>26</sup> The last of these is arguably the boldest current model targeted to health in London. The scheme covers all 380 GP practices, all mental health trusts and hospitals in seven CCGs/boroughs, and social services. Anonymised data is extracted and placed into a data warehouse hosted by the Commissioning Support Unit. Data can be re-identified for 'direct patient care' but is anonymised for public health research purposes.

At present, there are several initiatives and bodies that are looking into deriving value from data collected across the London boroughs, such as: the London Office of Data Analytics,<sup>27</sup> the London Datastore, the EU Horizon 2020 Sharing Cities project,<sup>28</sup> the Borough Data Partnership, and the London Office of Technology and Innovation. London is a partner in the newly established Medical Research Council's Health Data Research initiative. The Commission supports these innovative initiatives. It is clear that the ability to capture, analyse and apply data is central to innovation in cities. But too little of this is directly and strategically targeted towards health.

For delivering much-needed integrated care, the Commission recommends the establishment of an effective data 'warehouse', so that patients can be tracked as they cross the boundaries between primary care, secondary care, social services and community care. Clearly, this would need some form of responsible agency to oversee the collection of health data, as well as its analysis.

This data capture should include metrics relating to inequality – age, gender, ethnicity, area deprivation, occupation, education, socio-economic status – so that resources and services can be targeted appropriately. In doing this, there will be a pressing need to understand and potentially increase citizens' trust in the system and their knowledge of how their personal data is being used within it. Developing tools that they can use to view their own data and gain a better understanding of the health issues affecting them and their local community would help. An educational effort to increase data literacy in the population would also be beneficial, helping to prepare people for their role as data producers and the decisions they will have to make around their data privacy.

### **Tackling the drivers of ill health**

While London's health and mortality rates have improved as a consequence of its relative prosperity, its position as a global health centre, a health research and knowledge hub, and the efforts of its healthcare professionals, there are still pervasive and persistent challenges.

## PART 2: LONDON'S FUTURE

The prevalence of the highest risk factors for ill health – smoking, high blood pressure, obesity, poor diet and a lack of exercise – is concerning.

Moreover, inequality – manifested through poverty, lower levels of education, insecure housing, unemployment and a variety of other vulnerabilities – is damaging to health and wellbeing.<sup>29</sup> Despite London's overall affluence, social inequalities are deep and enduring, underpinned by inequalities in employment, housing, access to welfare services, and discrimination. These inequalities are visible on any walk around the city, with great affluence existing right alongside extremes of poverty. Children living in the wealthiest areas have health outcomes that match some of the best in the world, while those living in the most deprived areas have a higher incidence of poor health and poor health outcomes at every stage of their life course. For working-age people, inequalities continue. According to HMRC data, the average annual income among income tax payers in London in 2014-15 was £44,000. Income tax payers resident in Kensington and Chelsea had the highest annual incomes, averaging £158,000, and those in Newham the lowest, averaging £25,400.<sup>30</sup> Just over a quarter of people working earned less than the London Living Wage of £9.40 an hour, and 10% earned less than the National Minimum Wage of £6.70 an hour.<sup>31</sup>

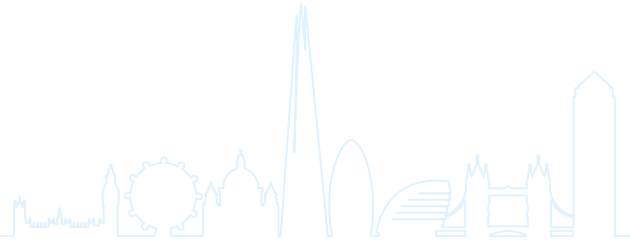
The Commission views addressing both these public health challenges, and related inequalities, as critical to London's future health. Doing so will mean looking to policy areas often regarded as beyond the health remit, such as transport, air quality and education, as well as at groups which are particularly vulnerable. While the Commission recognises that some of these issues are outside the Mayor's control, we believe that it is possible to do more to develop a stronger 'culture' of good health in London.<sup>32</sup>

### Research excellence

The UK has an outstanding track record in biomedicine, and London hosts four major universities, of which two are in the top five in the world for health sciences. The city boasts the second largest number of top 100 universities globally in both medicine and life sciences. These universities are located in three quadrants of London (NW, NE, SE), and are integrally linked with some of the largest NHS foundation trusts in England. South West London and Outer London have no major universities with biomedicine and health strengths, and there is less than optimal collaboration with Inner London and the strength that could afford. London has three of the six nationally accredited Academic Health Science Centres (AHSCs) (NW, NE, SE) that bring together universities and partner NHS trusts with the aim of innovating healthcare through discovery science, experimental medicine and health services research. The health benefits of AHSCs remain unclear, yet they are the only mechanism to bridge the divide systematically between universities and the NHS.

London is at the forefront of research that has the potential to transform the lives of Londoners (and the rest of the world), if systematically adopted across patient groups and populations. These areas of innovation include genomics, the emergence of immunotherapy for cancer and other major diseases, new insights into the biology of psychiatric disease, and the digital revolution. London universities and their NHS partners are major beneficiaries of funding from the Medical Research Council, Wellcome Trust and National Institute for Health Research, as well as the Association of Medical Research Charities and the EU. The research is also increasingly conducted through international collaboration, with such work having almost doubled in the last decade.

Over the same period the NIHR has awarded £10 billion in research for patient benefit, and London has received the lion's share of this income. Overall, the infrastructure for research in the city has been transformed over this period, yet it still is essentially fragmented across the four quadrants, with no overarching body with executive powers to maximise the contribution London has to offer globally.



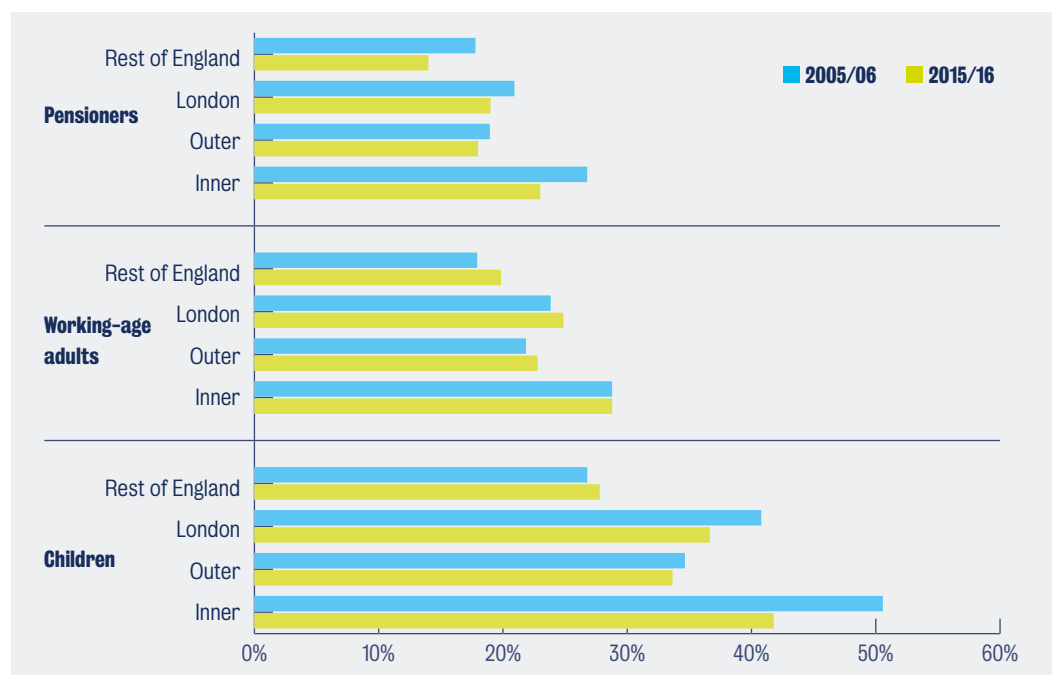
Despite this concentration of excellence and research resources, there remains a tension between the aim of working in partnership across London and institutional rivalry and the way NHS services are funded by patient flows. There are good examples of true collaboration, such as the development of the Crick Institute, which brings together universities, NIHR biomedical research centres and Crick scientists. Other initiatives aimed at harnessing the wealth and growth agenda have focused on the commercial aspects of biomedical and clinical research through MedCity, which promotes life sciences investment, entrepreneurship and industry in the greater south east of England, yet competes with other initiatives with the same aims through the NIHR. Ultimately, coordination and collaboration between institutions needs to become the norm if London – and the world – is to maximise the benefits of the city’s unique grouping of universities performing world-leading medical research.

### Children and young people

It is widely acknowledged that the foundations of health are laid in early life. Adverse experiences when young lead to increased risk of poor development and diminished life chances.<sup>33</sup> By contrast, positive experiences promote healthy development and better life chances. For example, a child’s initial development, measured as early as 22 months, predicts educational attainment much later in life and is also linked to longer-term health outcomes.<sup>34</sup> What London will look like in 2040, then, will greatly depend on how well we provide for, and look after, London’s children today.

The city’s population is relatively young, and this looks set to continue. London currently has a higher proportion of children under four years old than the national average, as well as a much larger proportion of 25 to 44-year-olds than the rest of England (the average age of a new parent in the UK is now 30 for mothers and 33 for fathers).<sup>35</sup> Much more therefore needs to be done to support the capital’s child health system and services. There is a mismatch between health needs, which are increasingly about chronic conditions, and the health system, which is increasingly about urgent care.<sup>36</sup> And despite the focus on urgent care, quality is variable, funding limited, and demand continues to rise.<sup>37</sup> The result of this mismatched system is reduced quality of life and increased costs, which mount as young people move into adulthood.

**FIGURE 5: POVERTY BY AGE GROUP**



## PART 2: LONDON'S FUTURE

As well as a systemic focus, the Commission also calls for greater attention to the causes of ill health in childhood. The evidence shows that the greatest risk to future ill health derives from poverty and deprivation. This is particularly worrying for London. As Figure 5 above shows, poverty inequalities are greatest for children, both between London and the rest of England and between Outer and Inner London. Indeed, it is estimated that 37% of London's children live in poverty (30% of those living in working families; fully 70% of those living in workless families).<sup>38</sup> The knock-on effects of child poverty include obesity, smoking during pregnancy, lack of breastfeeding, poor uptake of immunisations and poor mental health. For instance, in London, by the age of five, 22% of children are overweight or obese, and by the age of 11, this figure rises to nearly 39%.<sup>39</sup> This is also costly: in London alone, childhood obesity was estimated to cost the NHS between £29 million and £156 million in 2007/8.

Like the rest of the country, London is struggling with these challenges. A better system is needed to effectively optimise health, prevent disease and maximise wellbeing, one that includes policies which address the numerous factors that contribute to ill health for young people, both immediately and later in life.

### **An ageing population: long-term conditions and multi-morbidity**

While London's population is relatively young compared to the rest of the UK, projections suggest that because London's citizens are living longer and are beginning to reside in the city for longer, the number of older residents is increasing. The number of Londoners aged over 90 is expected to increase by nearly 250% by 2039.<sup>40</sup>

The challenge for London, as for the rest of the UK, is that the risk of suffering a long-term condition increases with age, so as the city's population gradually gets older, demand will rise for an already stretched primary healthcare system. Many long-term conditions are treated through 'self-management plans' in which patient and health professional set out an agreed strategy for the patient. Although self-management plans have been a successful intervention, they require considerable resources from the primary health system – indeed, some calculations suggest they form the bulk of the workload in primary care.

In short, if London both ages and grows, the incidence of long-term conditions and multi-morbidities – which are both resource-intensive – is likely to grow, and with it the demand for treatment. Ultimately, it looks set to seriously stretch primary healthcare and entail further costs.

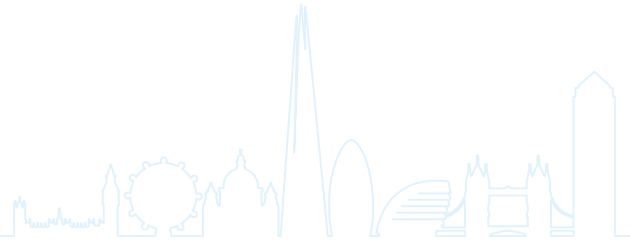
Further concern comes from the fact that deprivation is a driver of multi-morbidity, with populations in the most deprived decile experiencing multiple long-term conditions some 10 to 15 years earlier than those in more affluent areas. With 27% of Londoners living in poverty, pockets of high deprivation in an otherwise prosperous city will be characterised by multi-morbidity.

At the heart of both issues is that current health and social care provision remains focused on a 'single disease model' of care. The Commission sees a real need to manage long-term conditions and multi-morbidity by moving towards strategies that support care by generalists, in close partnership with specialist colleagues. Commonly termed 'integrated care', this management strategy for multi-morbidity is being piloted across several sites in London, in initiatives such as Tower Hamlets Together,<sup>41</sup> South London Integrated Care,<sup>42</sup> and NW London Whole Systems Integrated Care.<sup>43</sup> While these are a good start, more needs to be done.

### **Mental health**

Cities have long been linked to risks for mental health, with urban environments, for instance, associated with a greater risk of psychosis.<sup>44</sup> Comparing London with the rest of the UK suggests higher incidence and prevalence of mental health problems than elsewhere in the country:





- The prevalence of common mental disorders (i.e. depression, anxiety, etc.) is higher in south London compared with the UK overall.
- The incidence of psychotic mental disorders (i.e. schizophrenia, affective disorders with psychotic symptoms, etc.) is high compared with both other areas in the UK and in Europe, in particular among some migrant and minority ethnic groups (e.g. around five times higher in black Caribbean vs. white British populations).
- The prevalence of mental health problems among adolescents is higher in London samples than in UK national samples.

More recently, research has focused on how particular urban settings can protect, initiate or exacerbate mental health, and how urban planning can foster mental wellbeing. Availability of green space, walkability of neighbourhoods, the built environment and access to cultural facilities can all help promote mental health. However, more research is needed on how these factors impact at more local area levels in London.

The relatively higher need for mental health services in London compared with elsewhere in the country means such services are even more stretched and under-resourced, putting pressure on social services and other agencies or organisations that struggle to respond to the needs of people they work with. There is, for instance, a need for mental health outreach for the homeless. And schools often face difficulties in achieving successful referrals for young people in distress to child and adolescent mental health services. There is, in effect, a vicious cycle: greater need and under-resourced health, social, and other services leading to poorer outcomes and, in turn, even greater demands on services. In short, we need a more imaginative and joined-up programme of prevention and treatment of mental health issues across London.

### **Pollution**

London has historically been at high risk from health-damaging pollution, and a driver of policy action to mitigate risks. In view of widespread public concern about the health effects of air pollution, in 2002 the Mayor of London launched an Air Quality Strategy, entitled Cleaning London's Air. This strategy set out policies to move towards the point where pollution no longer poses a significant risk to human health. The primary focus of the strategy is the reduction of pollution from road traffic, since this is the main source of the pollutants of concern from within the city. A reduction in London's road traffic emissions was to be achieved in two ways. Firstly, through a decrease in the number of vehicles on the road, and secondly through reduced emissions from individual vehicles. To help achieve the first aim, the Mayor introduced a congestion charging scheme in central London in February 2003,<sup>45</sup> which has been shown to reduce both pollution<sup>46</sup> and road injuries.<sup>47</sup> One of the measures to tackle the second aim was a London-wide Low Emission Zone, which was introduced in February 2008. In October 2017, a Toxicity Charge ('T-Charge') on older, more polluting vehicles in Central London was introduced by the current Mayor. This is to be superseded by an 'Ultra Low Emissions Zone' in 2019. Plans have also been announced for London's bus fleet to produce zero emissions before 2037, part of a broader process of reducing emissions from the city's road transport – for instance, the push for zero-emissions taxis and private hire vehicles.

Maintaining the progress of these initiatives will depend on continuing to build a more pro-health transport system – one which is accessible, safe and minimises pollution. Compared with other global cities, London has a relatively good record on many of these transport characteristics, with a well-integrated public transport system, lower levels of car use, and a good record on road safety. London already has the lowest levels of car ownership and use in the country.<sup>48</sup> Additionally, the numbers of pedestrians, cyclists and car occupants killed or seriously injured on London's roads declined by 42%, 8% and 60% respectively in 2015 compared to the period 2005-2009.<sup>49</sup> This was in a context of cycling trips almost doubling over that period. However, there were still 66 pedestrian deaths and nine cyclist deaths on London's

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roads in 2015, and there are ambitious plans for a 'Vision Zero' approach to safety, which aims for zero road deaths in London by 2041.

However, there are potential risks to a healthy future in terms of the environment. For instance, there is the inherent complexity of transport and other systems, and thus unpredictability of the effects of changing single elements within the system. There is also the complexity of public health contractual arrangements, commissioning and accountabilities: if London has a relatively strong city governance, at local level public health practitioners (including public health specialists and the wider public health workforce, e.g. traffic engineers) are working within constrained financial settings and dangerously fragmented systems which often lack clear accountabilities. The recent move of public health back to local authorities was an excellent first step towards fostering a less medicalised approach to urban public health,<sup>50</sup> but cuts to budgets have eroded the direct control public health professionals have over health promotion and other programmes.<sup>51</sup> Increasingly, these professionals have to work within complex commissioning and contractual arrangements which involve partnerships with a range of statutory, private and third sector organisations. The effects here may not be as significant as, for example, with housing, but they seriously constrain the ability of local government to implement health in all policies.

### Recommendations

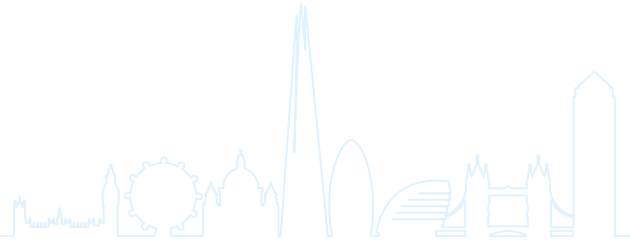
Currently, one of London's most important assets is the emergence of city-wide governance and coordinating structures through the Mayor's office, which has direct control over some contributors of ill health (e.g. pollution and transport) and a coordinating role over others through the London Health Board. Improving governance at appropriate levels will be essential for strengthening health and social care in London, given that they are currently constrained by historical legacies, and mired in fragmented, complex and constantly changing commissioning and provision structures. An ability to mitigate these risks will require robust data infrastructures, investment in partnership working, and a continued strong role for city government that incorporates health in all policies.

It will be similarly crucial to reorient public health from the existing focus on the risky behaviours of Londoners, particularly those in vulnerable populations, to a 'health in all policies' focus. There are numerous health gains which can be achieved through 'upstream' activity – namely, by focusing on social inequalities, obesity and opportunity – that will have significant health benefits, and help to prevent health issues manifesting in the first place.

London's healthcare should be transformed so that there is investment in services that are coordinated at inter-sectoral and intra-sectoral levels, across the entirety of a Londoner's lifetime. This will require recognition of the distinct needs that people have at different stages of their lives. A step change in integrated care is needed, and significant transformation and investment in primary care. London has a unique mix of historical legacies (which are both assets and risks) in its healthcare estates, management and funding. However, like the rest of the UK, London's major challenge is paying for increasing costs of health and social care. Moreover, budgets for the NHS, social care and public health are separate, operated by different public institutions and with different charging regimes. These difficulties will be exacerbated in future scenarios that have differential growth in older populations relative to young people in work, where there is negative economic growth, or deteriorating public services. To be sure, these political and economic issues will be key for all scenarios. Like other global cities, we will be (more or less) subject to global economic and market forces as well as national considerations. Our recommendations therefore focus on research, policy and practice that informs the implementation and evaluation of new models of care and other ways of addressing complex policy problems.

### Governance

The Mayor of London should **strengthen and consolidate London-wide structures for planning and managing health provision**, including exploring the extent to which further



devolution of health funding to London would be realistic and effective in driving improvement. London's elected government clearly has an important role to play in this, as well in fostering a 'health in all policies' approach at borough level by working across borough public health departments and advocating for greater protection of public health budgets.

The Mayor of London should also establish a **pan-London strategic body with the authority and budget to focus on clinical networks, joint planning of services and transformation of care**. Such a strategic body should also **focus on providing resources to develop academic research and public health provision** to inform London-wide innovation and commissioning.

### **Primary healthcare**

The Secretary of State for Health and Social Care should **urgently reintroduce deprivation funding** to incentivise better primary care in deprived communities, and to compensate for additional primary care workload in London and beyond. Within the city, there should be a focus on London-specific deprivation and factors such as refugees and asylum seekers, homeless patients and a lack of English language skills.

The Commission welcomes the proposed devolution to London of powers regarding estates and capital in healthcare. **'London partners' – the bodies to whom these new powers are to be devolved, namely the Mayor of London, the NHS in London, Public Health England and the boroughs – should consider using this as an opportunity to plan for and invest in the redevelopment of premises in primary care, with a view to establishing larger, borough-wide primary care facilities, with a broader range of co-located facilities.**

The Secretary of State for Health and Social Care should also **consider permitting premises redevelopment in primary care. This could be done by promoting the use of payments forming part of planning obligations** (Section 106, Town and Country Planning Act, 1990) and the Community Infrastructure Levy (Planning Act, 2008). It would be right, however, to acknowledge that such contributions can only be used once.

### **Pan-London research**

Local authorities and the NHS should **pool resources in a London-wide health and public health function** to provide world-class data gathering and analysis. This could be ably supported by a **pan-London research body with executive powers to maximise the contribution London can offer**. The Commission recommends that this should reside with the Mayor. There would be further advantage in investing in health services and public health research through collective harnessing of the assets of London higher education institutions, with potential for a consortium of leading health universities.

### **Data infrastructures**

There is an urgent need for the Mayor of London, possibly through the Mayor's Chief Digital Officer, to **lead a programme of improved intelligence for prevention and care** through the use of data linked across different social and care platforms. This should include incentivising the health academic community to engage more with London-wide data initiatives such as the London Office for Technology and Innovation and the London Office for Data Analytics to ensure health is central to data initiatives. A key element will be developing a consistent data set, with standards for child and adult health data definitions, to enable analysis.

### **'Upstream' health policy**

The Mayor of London and the boroughs should **support better-integrated and innovative approaches to health promotion**. For example, healthy lifestyles supported through sustainable partnerships that bridge gaps between schools, families and communities and promote access

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to affordable healthy foods where it is most needed. This must be performed not only more effectively but on a much wider, cross-London and cross-service scale.

Another example could be developers and public health bodies working closer together to incorporate into new developments 'active living', access to green spaces and parks, social interaction and other elements benefitting physical and mental health. An example of this approach is the planned new development at Canada Water, being developed by British Land. Working with the borough council, Southwark, and the local CCG, the developer is formulating plans for a new health centre on the site, as well as wider healthy elements in the plan, including safe and active walking routes, social interaction and access to green spaces.

### **Support the development of methods and capacity for public health research for global cities**

The Secretary of State for Health and Social Care should provide **sustainable funding for cross-London public health academic research** to foster innovative research approaches which focus not on single interventions and outcomes, but instead on how cities as complex systems, themselves embedded in other complex systems, can be shifted towards 'healthier' states. The Commission encourages the Mayor to foster international comparative health research on big city health and invest in health services and public health research, with potential for a consortium institute of leading health universities to develop capacity for systems research and evaluation.

## **2.3: Post-16 non-university education and skills**

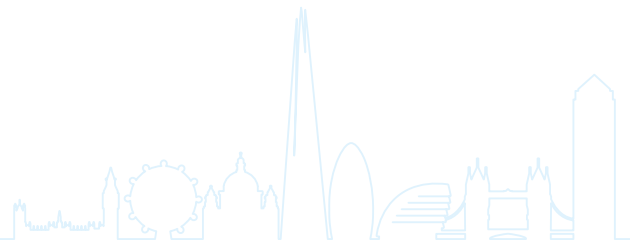
London's 'human capital' – its skills and the capacity of its workforce – will be at the heart of the city's economic future. In many ways, London today enjoys both unprecedented and unrivalled access to such capital. Other individual cities and regions have greater strengths in individual areas, or do a better job of educating all their residents. But it is hard to think of anywhere which comes close in terms of the number and variety of highly skilled individuals currently involved in the economy.

While London contributes significantly to the nation's 'gross value added' relative to its population share, it also has an employment level which has been consistently below the UK average since at least the early 1990s. In the first quarter of 2017, the employment rate in Barking and Dagenham, and in Kensington and Chelsea, was 67% – seven percentage points lower than for the UK as a whole.<sup>52</sup> Even without Brexit, which is likely to have a direct and substantial impact on certain sectors' recruitment, the quality of the city's education and training system will be central to London's ability to flourish and ensure productive employment for more Londoners. Many London workers have completed much or all of their initial education and training in the city, and reskilling, and continuing skill development are vital. Moreover, as highlighted in Part 2.1 of this report, some post-Brexit scenarios for London are expected to see a significant drop in international migration, with the associated loss of migrant workers. The very real possibility of this outcome makes the improvement of skills training for current Londoners even more essential.

The Commission views the most pressing issues as being related to post-16 further education (FE) and skills, rather than higher or secondary education. In both higher and secondary education, London has had major successes: as a hub for research universities, it is among the best in the world, and London's success in improving state schools, especially up to and including GCSE results, is well-documented.<sup>53</sup>

However, the Commission does see areas for real concern in the FE system. There has, for instance, been a near-disappearance of technician-level courses and qualifications and

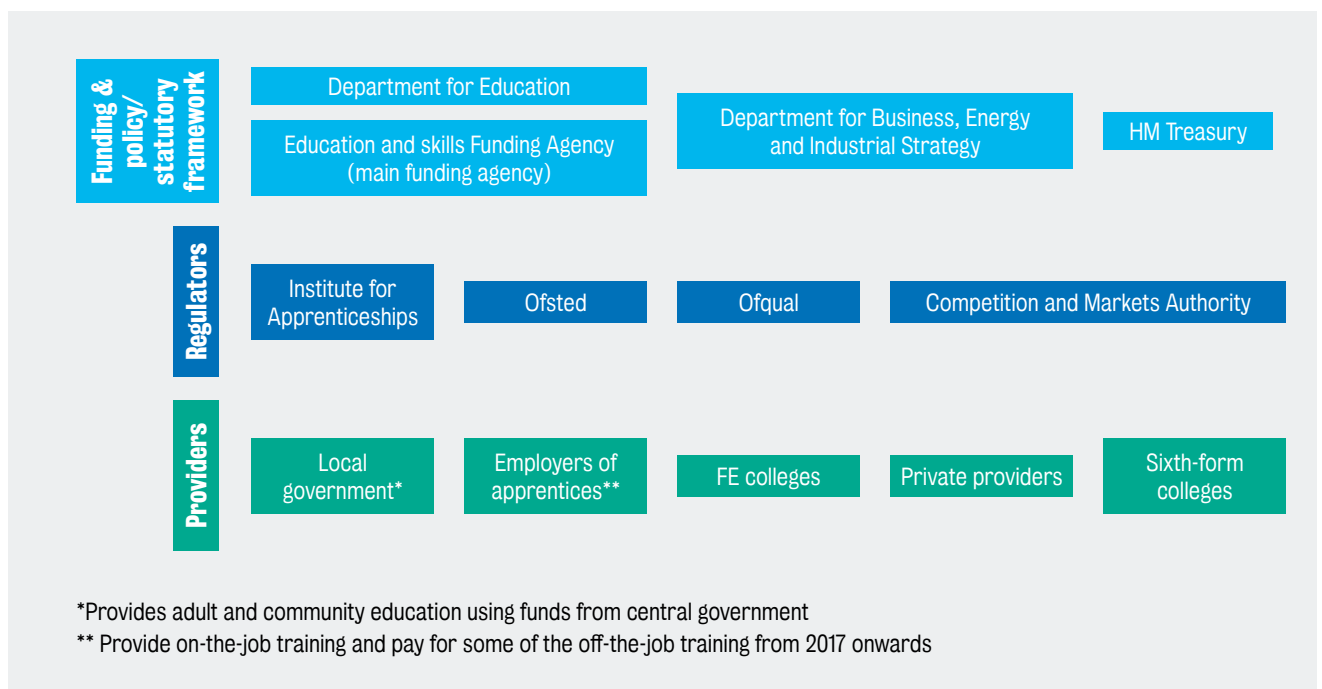




a lack of specialisation in FE colleges. There is the wider unresponsiveness of the system which means London has relatively fewer apprenticeships than the rest of England, and that employers' demand for specific skills is not matched by the provision of specific courses in the colleges. Of particular importance is the well-known, but still unresolved, lack of construction apprenticeships. At a more general level, there is much to be concerned about over the state of the skills system itself, particularly with respect to strategic direction. These are real issues, with implications for the future of London's economy and productivity, and they will need a pan-London set of solutions. Figure 6 below illustrates the confused and disparate nature of the many organisations responsible for the sector and the absence of strategic direction.

The proposed devolution of the Adult Education Budget to London in 2019/20, to which the Chancellor of the Exchequer committed in the Autumn Statement 2016, provides an extremely welcome opportunity for London to address these issues. The Commission believes that the devolution of this approximately £400 million annual budget, which is subject to 'readiness conditions', must proceed.<sup>54</sup> However, devolution of funding in itself is not enough. The Commission has conducted wide-ranging interviews with providers of adult education and training, and with London employers, as well as commissioning new analyses of education and training data. The following analysis draws on these to identify the obstacles to a first-class skills system and make recommendations for improvement.

**FIGURE 6: KEY ORGANISATIONS INVOLVED IN DELIVERING SKILLS TRAINING IN LONDON**



### There are shortages in technicians and in technician-level awards

Although London is no longer a centre for traditional manufacturing, it has a significant number of people employed in technical or 'associate professional' occupations (19% for London compared with 14% in the country as a whole).<sup>55</sup> Many of these occupations require highly specialised skills, and traditionally, training for them was delivered through technician-level courses and qualifications – levels 4 and 5 in the current National Qualifications Framework. Despite the demand for these skills, and despite the fact that hundreds, possibly thousands, of technician-level qualifications are approved for funding and delivery in government-funded institutions, the vast majority are never delivered to anyone.

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Part of the problem is supply: the number of institutions providing level 4 and 5 awards has fallen fast. Level 5 awards were a central part of the mission of polytechnics; as the polytechnics have become full universities, so the provision of these courses has fallen. Attempts in 2000 to deliver comparable courses as 'foundation' degrees through higher education institutions were briefly successful, but since 2009, foundation degree numbers have fallen sharply (by almost 40% between 2009-10 and 2013-14). Some private providers do provide level 4 and 5 awards, but they are overwhelmingly concentrated in business subjects.<sup>56</sup>

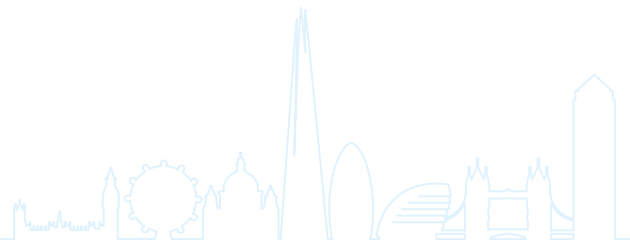
The other part of the problem is demand: fewer and fewer students find enrolment on level 4 and 5 courses attractive. They are drawn instead to university education because there is ample uncapped provision of degree courses, and readily accessible funding for any bachelor's degree. In 2014/15, the number of students who graduated with full taught degrees from UK universities was 80 times higher than those who completed college-taught courses for technician-level awards.

Is this a problem for employers? In the past, level 4 and 5 awards had a high market value, and even now some retain good 'brand recognition' and reputation.<sup>57</sup> However, overall, employers are reporting that the realm of vocational qualifications is convoluted and unclear. This, combined with the growing numbers of graduates in the labour market, has seen firms increasingly hiring graduates to do technician-level jobs which do not require a degree. This might, in theory, lead to greater productivity, but this does not appear to be the case. On the contrary, graduates' expectations are not met; employers find that they enter without many of the specific practical skills which are central to these technician roles; and there are high levels of churn, as employees leave.<sup>58</sup>

This is not specifically a London problem. Skills shortages are reported by businesses across the country, with particularly severe shortages reported in skilled trade and technician occupations.<sup>59</sup> In fact, some key groups of London employers have been relatively well served in the technician area by the continuing strength of provision in the accounting technician area. In other London sectors, however, employers are certainly facing serious technician shortages – notably, in the newest and most innovative sectors, such as biotech.<sup>60</sup>

The declining provision of, and student demand for, technician education is compounded by the Advanced Learner Loan system, which has gradually been rolled out in recent years. The system covers almost all non-degree awards at level 3 and above for adults (originally those aged 24 and above but now everyone 19 and above). Since 2013, government policy has been to move adult (19 and above) learners away from courses funded wholly or in part by government grants and towards loan-funded courses, both at university, with degree loans, and in further education, through Advanced Learner Loans. However, Advanced Learner Loans are made on different and less favourable terms than those made to university students,<sup>61</sup> and their introduction has been associated with a major fall in the number of higher-level sub-degree qualifications taken in non-university institutions (including FE colleges).<sup>62</sup>

London has been directly affected. Figures made available to the Commission by the GLA show the total number of Advanced Learner Loan borrowers aged 24 and above residing in London in 2015/16 was 19,620.<sup>63</sup> A majority of these were taking courses in either health and/or care (36%), business and administration (22%), or leisure, travel and tourism (11%). The fourth largest group was construction, which enrolled only 9%, and only 3% were in IT – both areas in which London has acute skills shortages. Moreover, although it is not possible to accurately identify the number of level 4+ qualifications in the detailed GLA data, we know that nationally only 5% of the money disbursed for Advanced Learner Loans in 2015/16 was for awards at level 4 or above.<sup>64</sup>



Taken together, these trends in the Advanced Learner Loan figures are cause for real concern. In the Commission's view, London can expect a serious shortfall in the supply of qualified individuals for technician and related occupations at level 4 and above. This is likely to be exacerbated by expected migration policy changes. The underlying cause of the skills challenge lies with national policies for funding higher education, which need reform in this area. Although a matter of national policy, the Commission sees potential advantages in allowing people to have direct control over their universal tertiary fee entitlement, and be able to use it as and when they wish throughout their lives. This would create a strong incentive for young people to take shorter, labour market-related courses in the knowledge that they can, when and if they wish, also enrol to retrain at the 'same level' – currently largely precluded by national policy – or put their credits towards a full degree, and call on their outstanding entitlement to do so when they wish.

This would require an ambitious and considerable set of changes to national policy, which the Commission recognises will need time, thought and resource. In the meantime, there are modifications to Advanced Learner Loans which need to take place at the London level. These loans can be made much more attractive by reworking their repayment terms. There also needs to be greater clarity for prospective students about which loans are available and for which courses. The Commission would also like to see the administration of the Adult Learner Loans improved: in the last year or two, the central funder, the Education and Skills Funding Agency, appears to have been unable to respond appropriately to well-founded requests from providers who wish to increase their loan allocation in response to labour market demand. Instead, it has largely followed historical allocation patterns.<sup>65</sup>

### **Further education colleges and private training providers**

Current and emerging skills shortages are largely the result of financial incentives which encourage provision of, and enrolment in, full degrees rather than tertiary (level 4+) provision. However, other factors are also at work. The ease with which employers have been able to recruit skilled workers from outside the UK may have played a role in recent documented falls in their willingness to spend money on training.<sup>66</sup> Highly directive central government policies for the provision and funding of training and vocational education at lower levels (mostly levels 2 and 3) have further eroded links between supply and labour market demand.<sup>67</sup> And developments in general education for 16 to 19-year-olds have altered the nature of FE colleges so that employers are no longer primary stakeholders. The bulk of FE funding and activity now relates to full-time 16-19 education.

The result is not just that key workplace skills are in short supply; it is that the 'supply system' overall is in very poor condition, and ill-suited to increasing the supply of skills. Vocational and technical education and training can, in essence, be delivered either by state institutions, or by private companies. And it can be paid for by either the state, by individual employers, or by individual students and trainees. Successive English governments have favoured the idea of introducing competition into the system by encouraging private providers to offer government-funded training, usually paid for on a per-qualification basis, and awarded by an external 'awarding body'. The qualification must be on an approved government list, and payment is in sizeable part contingent on whether the student passes and obtains the award. As it stands, this system is hugely complex and multi-layered.

This set of developments has three major implications for the skills system:

- For FE colleges, post-19 skills development is currently a low priority.
- Private providers for whom this is 'core business' have moved into this sector in large numbers, responding to both an FE focus on young people and a funding system which encourages their entry. Many – though not all – are small and specialised.
- 'Payment by results' on an individual, per-student basis encourages both provider groups, public and private, to focus on courses and qualifications where investment requirements are relatively low and where it is easy to expand or contract numbers depending on market conditions.

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The result is that the skills training and education ecosystem has been progressively narrowed, and high-quality programmes in high-skill areas have shrunk. Some of this can be explained by occupational changes; but some of it is the consequence of the funding system, and of using private providers to create competition. In practice, this exacerbates the tendency to develop narrow provision because, as small specialists, they have very little cushion, and no wide range of in-house expertise on which to draw for new types of course or skill. But the system is risky for colleges, too. They also work with very little financial cushion, and in an environment of enormous policy uncertainty and flux. It can be hard simply to maintain quality provision in existing specialisms: to create new ones, in a context of huge uncertainty, is a big decision, even for a large institution which can spread risks.

Thus far, we have been describing a national system of which London is merely a part. London is both distinctive and also even more dysfunctional: it has a very large number of colleges which compete with each other. It has an enormous range of occupations and employers and its citizens travel widely for their education. This is highly evident in the FE sector, where colleges recruit across a very wide area.<sup>68</sup> A London college has very little idea about what new courses its numerous and sometimes distant rivals may be about to introduce, or where the latter are likely to pull out of an area. It is therefore likely to be extremely cautious about new ventures, and far more likely than most non-London colleges to find that student enrolments which would make courses viable in a few locations have been spread over so many that all or most of them do not run. Add to this a fast-growing population of young people – by no means standard across the country – and London's distinctive incentive structure is clear.

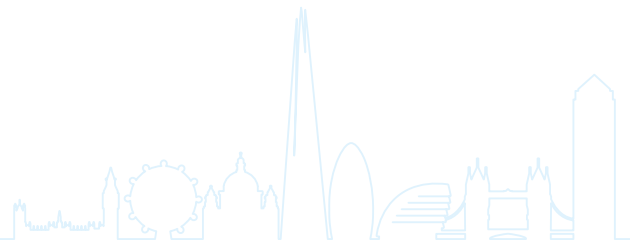
In our view this is why London FE colleges have generally not been heavily involved in apprenticeships. It is also why so many have few or no specialisms, even though these seem the best way to generate quality, and, indeed surpluses, and why those that do specialise are largely long-established, (the Ada National College for Digital Skills in Haringey being a notable, and highly promising, exception to the norm). The risks and uncertainty associated with any new venture, but especially one with expensive up-front specialist staffing and equipment requirements; the growing market for full-time 16-18 education; and the high levels of progression to higher education of the city's 18-year-olds, all incentivise a focus on full-time classroom-based teaching. BTECs, delivered as a route to higher education, have been the key growth area for London FE, not technical, skills-oriented provision or apprenticeship.

The IT industry, for instance, which is clearly central to London's future economy, provides a clear example of the way in which the current system fails to respond to market forces. A recent report by the Coalition for a Digital Economy, funded by small and medium-sized developers, highlights the fact that, in software development, there is an acute shortage of good coders and developers. They point out that:

(m)any current funded university (IT) routes have poor employment outcomes, while courses that are highly successful in the market cannot attract Government funding. This is a clear distortion of employer and consumer preferences, and the apprenticeship system could be used to change this.<sup>69</sup>

Some of the obstacles are, in fact, found within the apprenticeship system, which rests on a standards development process which can be quite slow, and was until recently tied to formal qualifications that have gone through a slow development and governmental approval process. However, the current situation also reflects the perverse incentives and 'negative externalities' created by the current London college structure. The Ada National College for Digital Skills, mentioned above, appears to be making clear and commendable progress in providing high-quality apprenticeships, but this has just begun, and is a product





of a central government initiative. Its very exceptionality highlights the structural problem which results in: (i) very few adult IT awards being made (see above), (ii) an absence of the college sector from specialist but non-award-bearing courses for adults – which are core to the IT sector’s professional development – and (iii) the emergence a number of small, excellent, but expensive private sector ‘boot camps’ for coders, which can themselves only partially meet demand.

### **London’s apprenticeships: under-provision and mismatches with the labour market**

Compared to the rest of the country, London has relatively low overall apprenticeship uptake, and, as noted above, FE colleges are generally less involved in provision. As also noted, there are evident skill shortages in sectors which require intensive on-the-job training – most obviously in construction – and London employers are likely to face growing problems, exacerbated by the likely consequences of Brexit for immigration. This mismatch weighs not only on employers, but also on young people who do not proceed to higher education with strong academic results, and who are strongly disadvantaged by the unevenness of current provision. In 2017, an apprenticeship levy was introduced for all employers with pay bills of over £3 million a year, and the content of apprenticeships is being transformed by employer groups developing national standards.<sup>70</sup> However, it is not clear that these changes will impact on London’s particular challenges.

Levels of apprenticeship provision, and patterns of entry, are difficult to track in London because a large number of national providers are headquartered here. Many statistical reports count apprenticeship starts in terms of where they are registered by the provider. For this reason, we have carried out a number of new analyses for this report, which look at people who are *London domiciled* – i.e. have a Greater London postcode.<sup>71</sup>

#### **Characteristic 1: London has a lower number of apprenticeships relative to its population than the rest of England.**

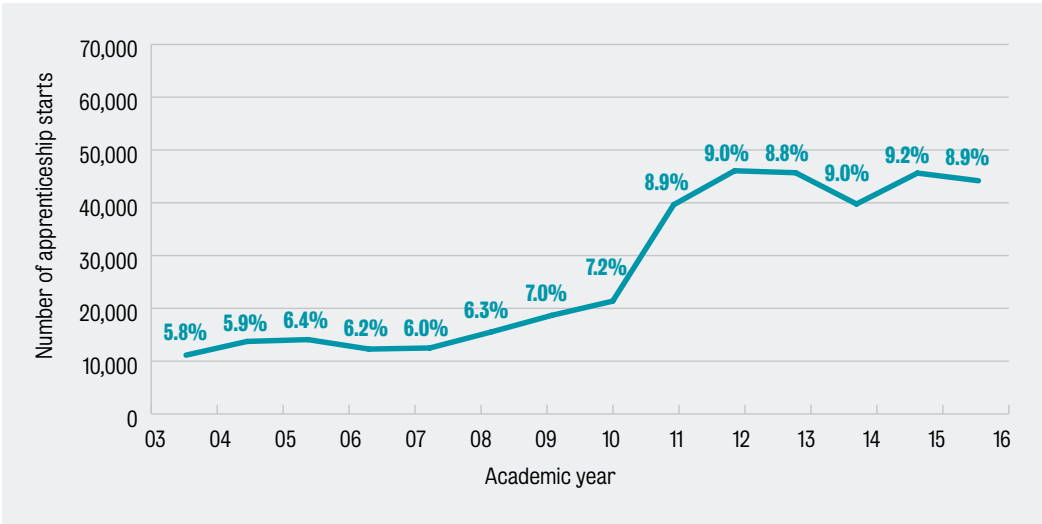
This is not just because ‘everyone is going to university’, although London does indeed have high rates of higher education entry compared to most other regions. On the contrary, very large numbers of young people (and especially boys) are not following academic programmes in years 12 and 13, and/or are not entering higher education thereafter – or starting apprenticeships.

If we look at young people, and especially young males, in the three years after they complete their GCSEs, the contrast is clear. Among those who did their GCSEs in 2012, 21% of males outside London start an apprenticeship at some point during the following three years. In London, the figure is only 11%. While this may in part reflect London’s service-heavy economy, a very high proportion of apprenticeships in recent years have themselves been in service sectors. Moreover, we know that apprenticeships – especially level 3 apprenticeships – have high returns in the labour market, and that these returns are higher for male-dominated occupations. The figures shown here mean that significantly fewer young London-domiciled males are receiving opportunities of this type than their contemporaries outside London.<sup>72</sup> For women, the corresponding figures are 10% in London, 16% elsewhere (and far more young women proceed to higher education).

Figure 7 below shows apprentice starts for all London-domiciled starters, for all the years where we can access data. It shows London’s consistent under-representation. During this period, London accounted for between 13% and 15% of the English population, and an even higher percentage of the UK’s total jobs (up to 17% by 2015).<sup>73</sup> Yet while the proportion of apprentices in London rose from 5.8% in 2003 to nearly 9% in 2016, Londoners were and remain significantly less likely to take up apprenticeships than the rest of the country. This is especially true of 16 to 19-year-olds but applies to older age groups as well.

# PART 2: LONDON'S FUTURE

**FIGURE 7:** PROPORTION OF ENGLISH APPRENTICESHIP STARTS ACCOUNTED FOR BY INDIVIDUALS WHO ARE LONDON RESIDENTS



**Characteristic 2:** London FE colleges are less involved in apprenticeships, as a group, than is the case for the rest of England taken together.<sup>74</sup>

Figure 8 shows the consistent under-representation of London Colleges among FE-registered apprentices, and the highly variable proportion of private-provider-based apprentices who are registered with London-based organisations. Many London domiciled apprentices are registered with London providers, but others are not. Large numbers of young people in London and the near South East/East cross regional borders in years 12 and 13: people come into London and people leave London (e.g. for Essex, Hertfordshire, Kent) to find the courses they want. Regardless of this, when looking at London’s *provision* of apprenticeships, it is clear that the capital’s FE colleges are far behind private providers in the number and proportion of apprenticeships they provide.

**FIGURE 8:** NUMBER AND PROPORTION OF APPRENTICESHIPS REGISTERED WITH A LONDON PROVIDER (AS% ALL PRIVATE PROVIDER STARTS/ALL FE COLLEGE STARTS RESPECTIVELY)

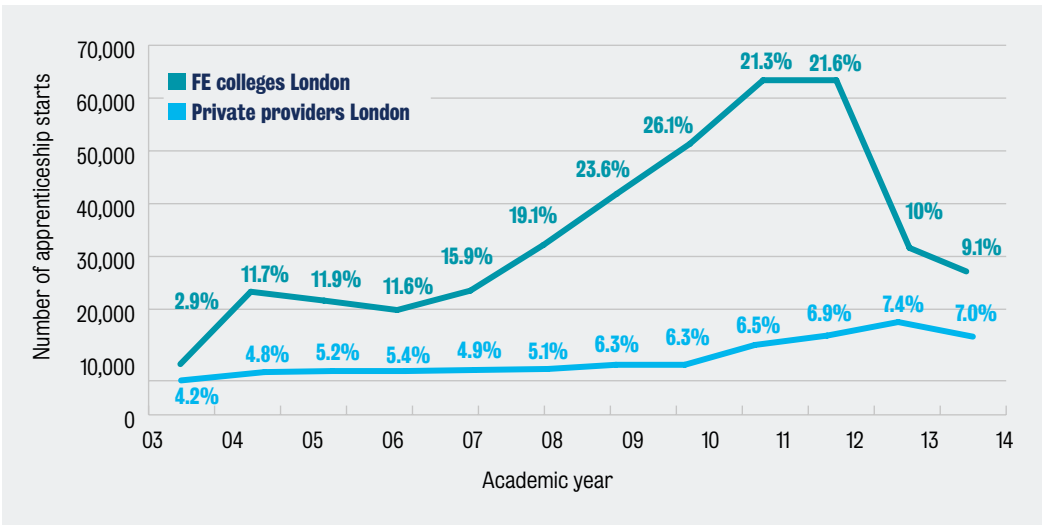
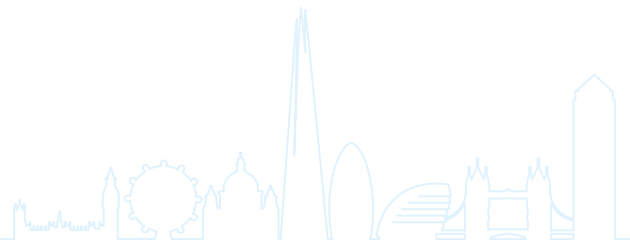
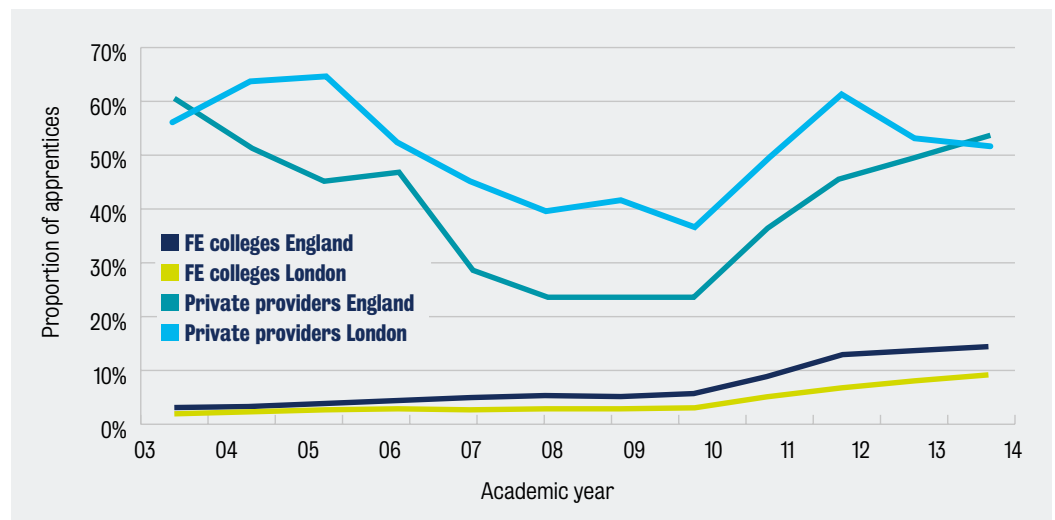


Figure 9 looks at the proportion of registered learners within the two sectors who are apprentices, comparing London with the rest of England. As one would expect, the proportion is much higher for private providers, who are almost entirely funded for vocational/workplace provision, whereas FE Colleges are very heavily occupied with 16 to 18-year-olds on full-time



programmes (A-levels, BTECs, full-time vocational and general ‘level 2’ provision) and also, in some cases, have large adult provision, mostly for basic skills and English for Speakers of Other Languages. The proportion of apprentices in London colleges is, nonetheless, significantly lower for London than for colleges in the rest of England.

**FIGURE 9:** PROPORTION OF REGISTERED LEARNERS WHO ARE APPRENTICES: FE COLLEGES AND PRIVATE PROVIDERS COMPARED, LONDON AND ENGLAND, 2003-14



### Construction: a special case

Construction is a major industry in London, and one that is currently booming. The most recent figures estimate that there were 335,000 construction jobs in London as of September 2017, an increase of over 50,000 jobs in the space of the last two years.<sup>75</sup> Research by London First in 2017 found that 30% of construction workers in London were born in the EU.<sup>76</sup> The British construction industry has, for the last 20 or so years, been enormously and increasingly dependent on skilled immigration, largely from the recent EU accession states of eastern Europe – first Poland, then more recently Romania and Bulgaria. This leaves the construction sector vulnerable should either of the anti-migration scenarios outlined in Part 2 of this report manifest themselves post-Brexit.

Even without Brexit, big London builders observe that a new generation of highly skilled, highly experienced EU migrant construction workers has not followed the old in anything like the same numbers, as the economy at home improves and the wage premium of working in England falls. At the same time, the role of the large companies has become ever more important, as the number of small builders plummets. The country is desperately in need of a major house-building programme, but as speaker after speaker observed in a recent parliamentary debate on the performance of large house builders,<sup>77</sup> without a major skills training programme, it is not clear who could actually build houses on the scale required, even if planning and finance barriers were demolished.

The challenge of maintaining high levels of quality training in construction has long been recognised. This is an area where skilled development must include large amounts of work experience if it is to be successful: it is deeply unsuited to full-time training in an institution, although equally, significant amounts of off-the-job training are vital. It is, in other words, the quintessential ‘apprenticeship’ sector. At the same time, it is – everywhere in the world – a sector characterised by large amounts of sub-contracting, sole practitioners, and, in the case of people working on sizeable projects, a good deal of geographical mobility, moving from site to site. All of this makes training difficult to arrange, which is why, when the Industrial Training

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Board network was abolished in the 1980s, removing levies from most sectors, the Construction Industry Training Board (CITB) was retained.

There is, today, general – indeed near-universal – agreement that the CITB has not performed well. The Farmer Review, carried out by the industry with government support, strongly suggested a major review of the CITB and reorganisation of the training levy structure and apparatus.<sup>78</sup> However, a government (DfE) review, in response to Farmer, concluded that there should not, after all, be any major change, and was content to call on the CITB to be more efficient and responsive<sup>79</sup> and a call to employers to show greater leadership.<sup>80</sup> The apprenticeship levy will add more money to the construction training pot, this time dedicated to apprenticeship training (as the CITB levy is not: it can be used for a range of purposes). But with no major changes in delivery mechanisms, it is hard to see how the needed growth in apprenticeships and skills will develop.

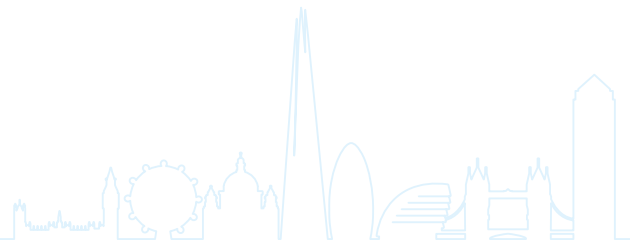
Table 4 below shows how construction apprenticeships in London compare with those nationally. For older apprentices, the *proportion* of apprenticeships in construction is almost the same as the national average (although this proportion is itself too low everywhere given the skill shortages in the sector). For young people, it is markedly lower. And these are proportions of *apprenticeships* – which, as discussed above, account for a smaller proportion of destinations for young people and a smaller proportion of the population, than in the rest of England. So relative to population, London is worse off – and especially so for young people.

In response to this situation, the Mayor has launched an ambitious and welcome programme to create construction academies in London, which will provide high-quality training facilities, accessible to trainees across the London area. However, this welcome improvement in the supply of training facilities will not in itself create or elicit an increase in supply in the form of trainees with the necessary apprenticeship contracts or other forms of employer sponsorship. Here, London remains in a very unfavourable situation.

As discussed in the section on FE colleges, in smaller cities, towns and rural areas, training facilities (mostly in FE colleges) retain a natural, ongoing link with local employers, many of them quite small and looking for ‘generalist’ training, rather than highly specialist construction skills. This is not the case in London. In addition, although London has looked to Section 106 agreements to support construction training, these are simply not working effectively as a source of apprenticeship contracts in the city – a fact fully recognised by a recent report submitted to the Mayor’s Homes for London Board.<sup>81</sup>

At present, not only do boroughs frequently demand that a certain number of apprenticeships be created as part of an agreement, they also demand that the apprentices be ‘local’, from that borough. Given the small size of boroughs, this is often hard to achieve. The large number of boroughs in London, which do not easily map onto ‘travel to work’, ‘travel to study’, or employer activity clusters, makes it extremely difficult for large companies to deliver apprenticeships in line with Section 106 agreements. But at the same time, the central importance of these agreements in the planning process soaks up the time and activity of the relevant personnel in large building and development companies. The London Councils recognise the problem, but existing solutions appear to fall short of accepting that the only way to overcome this ‘collective action’ problem is by making access to apprenticeships consistently London-wide and ensuring arrangements are made, involving the Mayor, to achieve this.





Sector	Overall (%)		Age group: 16–18 (%)		Age group: 19–24 (%)		Age group: 25 and over (%)	
	London	Rest of England	London	Rest of England	London	Rest of England	London	Rest of England
Health, public services and care	27.8	25.9	15.5	14.6	20.8	25.6	35.9	39.9
Agriculture, horticulture and animal care	1.4	1.7	1.7	2.9	2.6	1.8	0.6	0.7
Engineering and manufacturing technology	9.2	16.2	13.6	21.3	11.1	16.2	11.9	5.2
<b>Construction, planning and the built environment</b>	<b>3.1</b>	<b>4.3</b>	<b>4.4</b>	<b>8</b>	<b>3.9</b>	<b>4</b>	<b>1.2</b>	<b>1.7</b>
Information and communication technology	4.2	2.9	9.2	4.6	3.6	3.2	1.4	0.8
Retail and commercial enterprise	14.4	16.8	13.2	17.3	14.6	18.2	15.8	15.1
Leisure, travel and tourism	3.3	3	5.7	4.6	2.9	2.7	1.9	1.7
Education and training	2.4	1.5	1.7	1.2	2.6	1.1	2	2.8
Business, administration and finance	33.8	27.2	33.8	24.9	37.1	27	29.4	32.2

**TABLE 4:** PROPORTION OF APPRENTICESHIPS IN DIFFERENT SECTORS: LONDON (APPRENTICES WITH LONDON POST-CODES) AND REST OF ENGLAND COMPARED

### Higher education is rising, but part-time study is declining

London's universities are one of the city's great success stories. On most metrics, and in public perceptions globally, a cluster of highly ranked universities in London has, over the last 20 years, become increasingly visible, and very highly-regarded, in a way that has closed the gap with Oxford and Cambridge. This is good for London's economy, because research universities are major net contributors to the economy and an important immediate source of well-qualified graduates in a wide range of fields. There is obviously some nervousness about the impact of Brexit on research funding and on European teaching and research staff. However, international student applications currently remain healthy. Major changes in government funding of home students could, of course, impact these universities, but the top institutions seem generally well placed to continue making a major contribution to the professional and executive end of skills demand.

The post-1992 institutions, by contrast, are less well placed. The removal of the cap on student numbers, and the associated end to central government planning of admissions (with each university receiving a fixed allocation of home undergraduates) has hit some such London institutions. In London, as in the country as a whole, there has been a marked increase in the number of places made available in Russell Group and pre-1992 institutions, which have recruited at the expense of some of the post-1992 and new institutions.

London state schools have the highest rate of progression to higher education of all UK regions. 2013 figures for students entering higher education at age 18 (the most common age), by region, show 43% for London, 37% for the South East, and 34% nationally.<sup>82</sup> The most recent figures overall show that by age 30, 49% of English residents will have entered higher education, although with a huge gender gap: men are far less likely to participate than women.<sup>83</sup> UCAS reports that, in 2015, 18-year-old women were 35% more likely to enter higher education than men (with a 9.2% higher absolute entry rate). The London gender gap is 6.6%, so below the national average, but in London, too, it has been increasing in recent years. The gap is at its widest among young people from disadvantaged backgrounds, and has widened most among white people and young people from Pakistani backgrounds: indeed, in 2014-15 white male participation in higher education actually dropped.<sup>84</sup>

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All this paints a relatively positive picture about higher education in London, while suggesting the future may be tougher for some of the newer, post-1992 institutions. However, although higher education is not the primary focus of this section, the Commission would also highlight one national trend in higher education: there has been a major drop in the number and proportion of part-time university students, and a (related) drop in the number and proportion of older university students.

This change has been recent and rapid and is ongoing. It is certainly linked, in large part, to current government funding policy, and makes it harder for the London workforce to reskill in a changing economy. Post-1992 London universities are more affected, since they have traditionally registered more part-timers than the Russell Group. In addition, Birkbeck, a pre-1992 university which has put particular emphasis on part-time and older adult students, has faced a sharp decline in such applications. While the general increase in higher education was obviously likely to reduce the number of 'second-chance' applicants to university, it is generally agreed by commentators that the main reason has been changes in the government funding regime.<sup>85</sup> While wholesale change to higher education funding must be a matter for national policy, we do emphasise the importance of part-time degrees for skills development in the London economy. This is an area which needs scrutiny, and ultimately action, if part-time provision is not to disappear rapidly.

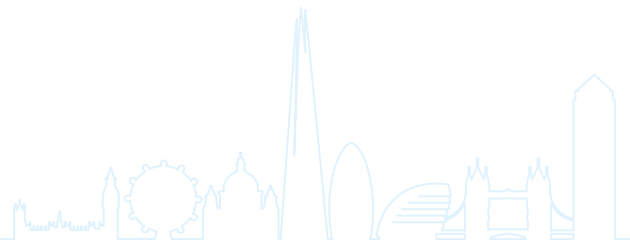
### Recommendations

London shares many aspects of its skills challenges, particularly relating to apprenticeships, with the rest of the country. However, London's economy, workforce and population are also facing some unique challenges when it comes to skills. Devolution of the Adult Education Budget to London will provide an excellent opportunity for the Mayor and the boroughs to consider how best to address some of these London-specific deficiencies in the city's skills offering. However, applying additional resources to the existing system as things stand risks being insufficient to facilitate much-needed improvements. In addition, this measure will not give the Mayor any new powers regarding apprenticeships. The Commission therefore specifically recommends policy changes for London in four main areas.

### Advanced Learner Loan reform

Preserving London's historic advantages in providing and strengthening access to higher-level non-university study by adults, including part-time employed adults, should be a priority for London's leaders. The fact that such qualifications continue to 'pay well' for adults who achieve them in middle age<sup>86</sup> underscores the value of reskilling in modern, fast-changing labour markets, of which London's is a prime example. As such, we recommend that the Mayor of London also pays explicit attention to the need to increase access to part-time adult learning.

The Commission also strongly calls on the Mayor and the boroughs to develop proposals to change how and when Advanced Learner Loans are allocated to providers, post-devolution. The proposals should focus on (i) improved procedures for allocating Advanced Learner Loan funds to providers, which will take into account both labour market and student demand. This will not only mean ensuring that prospective students across London can easily access courses in 'high enrolment' sectors; it will also mean that specialised courses may be targeted to a limited number of providers. Proposals should also focus on (ii) developing preferential repayment terms which will make Advanced Learner Loans more attractive. A final aspect is to develop (iii) a pooled UCAS-type application process operated by London's government. This will mean prospective students can see, on a London-wide basis, which providers are offering loan facilities for which courses, and can also, during 'clearing', find out which courses are running or have vacancies in the event that their first choice is not viable. The Mayor could usefully establish a limited number of Mayoral 'London Advanced Learner Loans', with more favourable terms, for those seeking to pursue further education in areas in which London has a shortage of workers, from biotech to construction and beyond.



### Further education colleges

London's government is not in a position to act unilaterally with respect to apprenticeship content and structure: apprenticeship standards are national, and are the preserve of the Institute for Apprenticeships. However, it will be possible, under proposed devolution, to address some of the obstacles created by the way adult education is paid for, and by the broader college and provider structure. **The Mayor and the boroughs should recognise the need to introduce a London-wide coordinating board to bring together the numerous bodies currently involved in adult education, because the current system does not provide adequate volume, or encourage specialisation where this is desirable.** In cases where specialist skill needs are spread over a wide area, and with a low total volume, or where expensive and up-to-date equipment is required, individual colleges cannot be expected to make the risky investment in building up specialist expertise on their own. Some of the old specialist colleges have made successful transitions while remaining specialist – London College of Printing, for example, while Westminster remains a nationally renowned catering college. But only very few, such as City and Islington, have created a new specialist department, while many have lost them or closed them down.

Clearly, then, the system needs change. The Commission therefore strongly backs the Chancellor's announcement in the Autumn Statement 2016 of **the devolution of the Adult Education Budget to London in 2019/20**, subject to 'readiness conditions' being met.<sup>87</sup> It is essential that this devolutionary measure goes ahead. The Commission then calls **for the subsequent direct allocation of some of these funds by the Mayor and the boroughs to individual providers to meet specific current and emerging skill needs.**

The Commission calls on the government **to collect and release data relating to Londoners' ability to find and travel to courses covering level 3 and 4 in sectors important to the economy.** There is an urgent need to identify the 'cold spots' in London, where transport links are poor, or where provision is low. Once adult education funding is devolved, the Commission also calls on the Mayor and the boroughs **to consider funding selected colleges in such areas to cover development and pre-opening costs, and subsidise the first few years of a new venture.** Developing this system will require decisions on how far there is a need to encourage a number of colleges to specialise as the sole 'provider' of a given form of technical training, and how far the objective is to build on existing provision across the city.

Finally, the Commission calls on the Mayor and the boroughs **to set aside part of adult education funding to subsidise non-award-bearing courses which respond directly to new industries and rapidly changing skill needs** (e.g. small software developers). This would provide a short-term solution for those areas in which there are no national qualifications (or full apprenticeship standards) and where these would take significant time to develop. These courses are likely to be relatively short, and may typically be funded partly by fees. Many will have a small but economically important market, and are likely to change in content rapidly. These courses are, by definition, not something that can be planned for. Allocations should therefore be on a competitive basis, using an 'open competition' model, and bids to a board established by the Mayor and encompassing key stakeholders.

### Apprenticeships

The current balance between private providers and colleges, and the presence of large private providers within London, has not prevented Londoners from being heavily under-represented in apprenticeships, and there are actual and looming skill shortages in the London economy. We believe that it would be **highly desirable for London's FE colleges to increase their apprenticeship provision**, and that without such greater college involvement, key skill shortages will not be addressed, and quality apprenticeship provision in London will not increase. But we also believe that this is unlikely without active intervention by City Hall and the boroughs. It is especially important in the case of construction, as discussed above.

## PART 2: LONDON'S FUTURE

Current reforms, including the introduction of the Apprenticeship Levy in May 2017 for employers with a wage bill over £3 million, are intended to restore an apprenticeship system which develops skills, responds to labour market needs and puts employers back in control. However, it is not yet clear whether this will occur. Overall apprenticeship starts have fallen significantly since the introduction of the levy:<sup>88</sup> it could be argued that this was likely to occur, given the short duration and low level of much pre-levy provision, but it will be unclear for some time whether they are being replaced, as intended, with higher-level apprenticeships. The London colleges we have spoken to do not seem to have experienced growth in demand directly linked to the levy, and there are two particular concerns emerging. Public sector organisations (notably local authorities) have been given numerical targets, even though it is generally agreed that the single most important reason for recent distortions in apprenticeship provision has been such targets. And it has been suggested that there have been recent cases where large companies are using 'degree apprenticeships' as a way to channel levy payments into what is, in effect, continuing professional development for their managers. While this is a response to national policy frameworks and incentives, we would hope that London's government would monitor this development and, if it proves to be an issue, consider ways to reverse it.

The Commission therefore calls on the Mayor of London and the boroughs to make apprenticeship development an immediate priority. We call on London's government to **help actively shift the balance of apprenticeship provision towards high-skill and skill-shortage areas, by using apprenticeship contracts and payments which are currently under their control to support greater college or equivalent provision in key areas.**

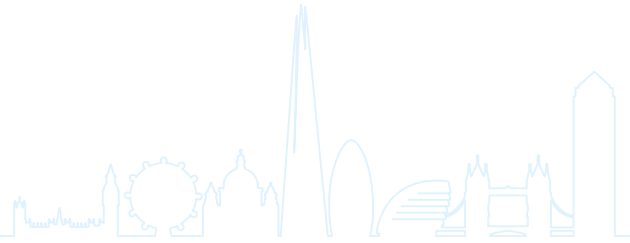
As with technical education more generally, there should be a revitalised city-wide planning process, which encourages colleges to specialise in certain areas, and earmarks funds accordingly. We suggest that **a proportional amount, based on London's share of the total population, of any unspent funds from apprenticeship levies paid nationally should be given to London's government for this purpose, to supplement non-levy apprenticeship funding.** In other words, in cases where the levy was not spent, in full or in part, these funds would be returned not to the Treasury but to City Hall to direct towards funding further skills provision and development across London. We also recommend that the Mayor establish an **Apprenticeship Levy Council, comprising members from the Boroughs, London businesses, colleges and City Hall, as a body to monitor and assist companies in delivering their plans about how to spend their levy.** Such a council would oversee the effectiveness of such expenditure plans, and provide advice as well as a service for brokering between different companies in different areas.

The Commission, as already noted, welcomes the devolution of adult education funding. It also recommends that, when this is complete, London boroughs should, with the Mayor, **announce that they no longer consider themselves bound by centrally imposed government targets for public sector apprenticeship numbers, but that they will instead allocate their apprenticeship levy funds in line with identified London-areas skill needs.**

Finally, the progress of 16 to 19-year-olds into apprenticeships **should be monitored in greater depth** and regularly benchmarked against national trends, and results made widely available to elected members as well as officers.

### Construction

We recommend that the Mayor convene an expert group to consider how **Section 106 requirements and practice might best be amended in order to ensure that apprenticeship recruitment can operate at city-wide level, not just at specific borough level.** This will only be acceptable to boroughs if they all sign up together, and this can probably only be achieved if the Mayor can sensitively involve them.



As already noted, we would encourage the boroughs and the Mayor to **break with numerical public sector apprenticeship targets, which are encouraging a continuation of ‘number-chasing’ in the public sector**, with levy money being used to deliver large numbers of short, low-skill, cheap apprenticeships in order to meet public sector numbers. Having done so, **the boroughs should be encouraged to consider recreating their old role as a major provider of construction training**. Many boroughs continue to carry out a good deal of direct activity, or have long-term relationships with contractors, and could create sizeable numbers of in-house construction apprentices, in the expectation that many would – as in the past – move into the general labour force rather than remaining in local authority employment.

Finally, we also suggest that the Mayor consider **directly developing a number of major GLA-backed construction apprenticeship schemes** which, though anchored in major development sites within London, explicitly develop ‘portable’ apprenticeships which allow young construction apprentices to move between employers and sites. It may also be important to improve the offer to young apprentices, using London funding and acknowledging the critical nature of construction skill shortages.



## PART 3

# *Conclusions*



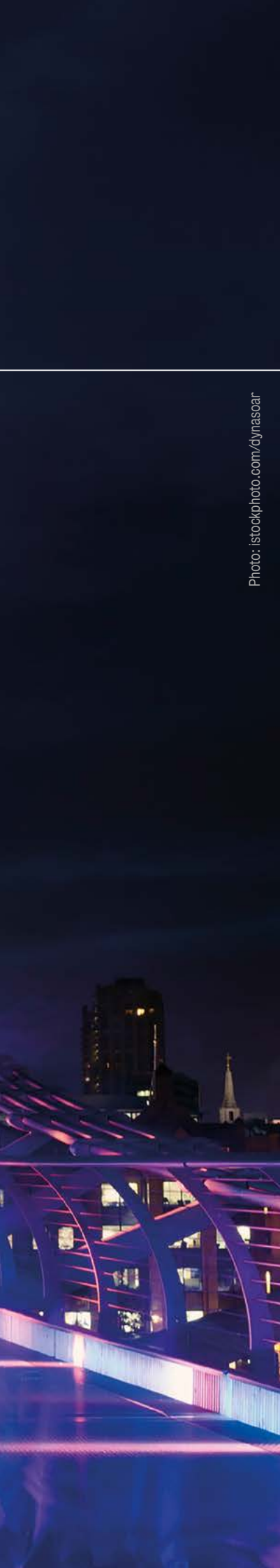


Photo: [istockphoto.com/dynasoar](https://istockphoto.com/dynasoar)



This section brings together the key strands of our work and sets out our overall conclusions. This report has sought to offer practical and achievable solutions to the challenges London faces, and we hope it proves a useful contribution to the debate.

## PART 3: CONCLUSIONS

The Commission has made recommendations about London's economy, health provision and further education. We have kept to the original spheres of interest determined when our work commenced. Against the tumultuous background of British politics since the EU referendum of 2016, our work has had to recognise that London's future is less predictable now than it has been for a number of years. The outcome of the Brexit negotiations will impact upon all aspects of Britain's economic and governmental future for generations to come.

In undertaking our work and deliberations, a common theme emerged. London is a massive and powerful city which operates within one of the most centralised democracies in the world. The Mayor and municipalities of a city of almost 9 million people have little control over many services, or over the tax resources generated within the city. This state of affairs is not conducive to good government.

Our analyses, separately, of health and further education led us to very similar conclusions: governance is fragmented, complex and unlikely to deliver optimal outcomes. Health provision, both within the NHS and the boroughs, has been subject to regular and ill-conceived reorganisations. There are dozens of semi-autonomous health and public health institutions in London, with very little clarity as to who is accountable for systemic coherence and delivery. As in other British cities, the demand for health provision is rising against a backdrop of constrained resources.

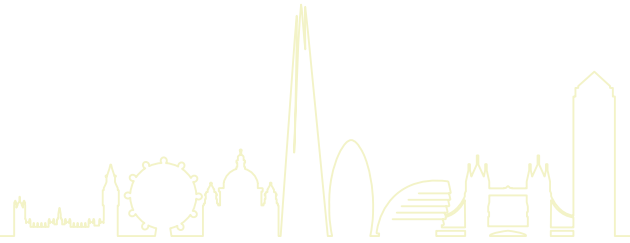
Post-school education, specifically non-university provision, is a jumble of institutions and funding streams. Successive national governments have given this element of the education system far less attention than schools and universities. Resources have been cut sharply in recent years. There is a cultural disconnect between Whitehall and the needs of those who benefit from (or potentially benefit from) further education and other skills training.

London is very different from other parts of the country and has different service needs. The same would be true of Greater Manchester or the West Midlands/Birmingham city region. Yet provision of health and post-school education is only being haltingly devolved. Ministers and civil servants overwhelmingly retain the power to determine institutional, operational and financial control. The hoarding of power in this way undermines the effective delivery of healthcare and an effectively trained workforce. This way of doing things brings all the disadvantages of centralised control with virtually none of the potential advantages.

Services already run by the Mayor of London and the boroughs offer significantly clearer accountability. If the Underground or buses fail, the Mayor is held responsible. Similarly, the performance of social care and refuse collection is widely understood to be a borough responsibility. In a recent opinion poll, strong net approval was shown for the quality of both City Hall and town hall provision.<sup>89</sup>

It is because of the defects in the design, governance and accountability of these services that we recommend a substantive transfer of responsibility for them to the Mayor and the boroughs. London politicians are in a far better position than even well-intentioned ministers and officials to deliver services appropriate for the city, its people and businesses. Even if the proposals in this report were fully implemented, devolution to London would be less extensive than what has already been achieved in Wales and Scotland.

The government of England remains over-centralised. It is as if successive UK governments cannot bring themselves to believe sub-national politicians in England are capable of delivering effective and efficient administration. In the context of the governmental and political situation nationally in 2018, sub-national government appears calm and effective.



We have also considered other matters of importance to London, notably its relationship with the wider South East and, separately, with the rest of the UK. London is not an island. Its economy and housing needs cannot be seen in isolation from the South East and East regions. There is an increasingly recognised interdependence between the great city and its surrounding areas. The draft London Plan recognises this reality. We support efforts towards closer coordination of policy and outcomes across the wider South East.<sup>90</sup>

Equally, London cannot be seen to turn its back on the rest of the country. There is always a risk in an internationally focused mega-city that many of its residents and businesses will appear more interested in New York and Shanghai than Newcastle and Swansea. The difference in London's EU referendum vote compared to the rest of England and Wales has reinforced a sense that there is a growing distance between the country and its capital. Centralisation means that all cities and regions have to compete for Whitehall largesse. In truth, London is a city of mass migration from all parts of the UK, with many Londoners emigrating each year for all corners of the country. The economies of London and other regions are powerfully interconnected. The misunderstandings and suspicion which sometimes characterise the rest of the UK's view of London are a bad thing, and efforts should be made to secure a more rational relationship between the capital and the rest of the UK.

Our report is not a blueprint for a radical reform to London's service provision or government. Rather, it is an argument for a practical series of changes which would deliver far greater local focus and accountability to the delivery of services and the management of the economy. More powers must be devolved to London so as to allow the Mayor and the boroughs to initiate a more metropolitan and locally appropriate set of institutions and policies for health and further education. Such arguments apply with equal force in other city regions. The UK government would have more time to think and improve the quality of its own delivery if it could be relieved of the minutiae of delivering local services in large and complex cities.

There have been many reports about the future of London. There will be many more. The city is so large, interesting and beguiling that it will always attract the attention of researchers and reformers. This report has the simple objective of achieving an important step towards further devolution for the betterment of the city and its people. Londoners deserve good government.



# PART 4

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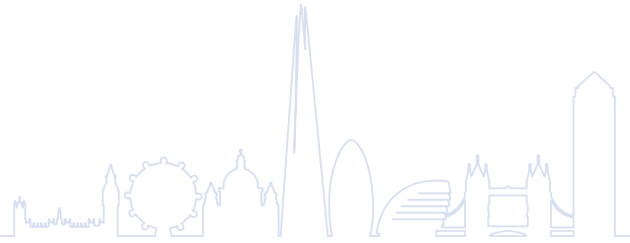




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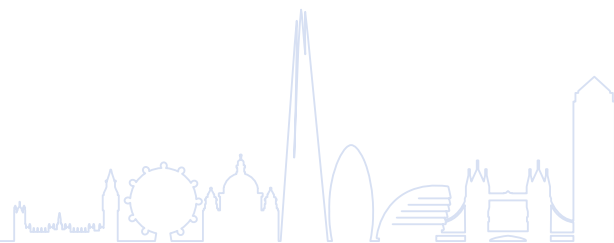




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