



Only 75% of what Londoners pay in taxes is returned to the capital in government spending. Last year, London sacrificed over £12 billion of its income - the equivalent of over £1,700 for every man, woman and child in the capital.

And not all Londoners are rich. Higher incomes are in part off-set by a higher cost of living. Unemployment in London is 4% higher than the national average. Of the twenty most severely deprived districts in England, fourteen are in London.

Londoners receive relatively poor public services. Funding of some key public services in London is less, in real terms, than for the rest of the UK.

Should London subsidise the rest of UK to such an extent that it suffers itself? Is it good economics? After all, there are projects, such as the renovation of the London Underground, which do desperately need investment.

A London mayor must secure the popular mandate to demand a better deal for London. This will, the author shows, benefit not just London but the nation as a whole.

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CENTRE FOR POLICY STUDIES

# A Better Deal for London

JEFFREY ARCHER





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CENTRE FOR POLICY STUDIES  
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## INTRODUCTION

LONDONERS FACE THE LONGEST HOSPITAL waiting lists in Britain. They suffer the highest levels of violent crime. They have the lowest school exam results. The heaviest road congestion. The scrappiest public transport system, and the worst pollution.

We are repeatedly told there is not enough money to bring London's underground system up-to-date. There is never enough money to police the neighbourhoods properly. And yet, every year it is estimated that Londoners paid out more than £12 billion to the rest of the UK. That is nearly twice as much in one year as is needed for the complete modernisation of the tube.<sup>1</sup>

In spite of considerable obstacles, London is still a great city, a centre of economic dynamism. London's GDP is greater than Sweden's. London employees are 28.8% more productive than employees in the rest of the UK.<sup>2</sup> Why are Londoners being unfairly penalised for their success?

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<sup>1</sup> The Government's recent proposals (20 March 1998) on the restructuring of London Underground do not address its real problems. According to the two leading independent experts in this area, the system requires a total of £7 billion of new investment over the next 5 years. The Government's proposal (to provide £365 million over the next two years and to allow private investment in the Underground) does little to tackle the extent of the problem (for example, the backlog of repairs is in itself estimated to cost £1.2 billion); nor has the Government explained what incentive the private sector will have to invest such sums. See Stephen Glaister & Tony Travers, *Governing the Underground*, LSE, 1997.

<sup>2</sup> Centre for Economic and Business Research and Observatoire de l'Economie et des Instituts Locales: *Two Great Cities*, 1997, p. 41.

## LONDONERS PAY MORE

LONDONERS PAY MORE TAX than do citizens in any other region of the UK. But only 75% of the money collected in tax from London is spent on London: Londoners are over-taxed.

Higher incomes earned by Londoners have to be offset against a considerably higher cost-of-living. One must also take into account the extra cost of transportation in an over-crowded capital, as well as other 'quality-of-life' issues.

Furthermore, poverty in London is consistently underestimated. The four most deprived districts in England are all in the capital.<sup>3</sup> Of the twenty most deprived, *fourteen* are in London. Unemployment in London, currently reported as 2% above the national average, is in truth 2% higher still. Sloppy methods of measuring London's unemployment rate account for this distortion.

The average Londoner's gross income is 22.6% higher than the national average.<sup>4</sup> However, much of this is needed to pay for the higher cost-of-living in London.<sup>5</sup> The differential in earnings

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<sup>3</sup> Office of National Statistics (ONS), *Focus on London 1997*, 1996, p.86. The most deprived boroughs, according to a measure based on 14 separate indicators, were Newham, Southwark, Hackney and Islington.

<sup>4</sup> Centre for Economics and Business Research (CEBR), *London's Contribution to the UK Economy*, LCCI 1996, p.27.

<sup>5</sup> The Reward Group, *The Regional Comparison in Cost of Living Survey*, September 1997. To maintain the same standard of living as their

## A BETTER DEAL FOR LONDON

between people engaged in similar occupations within and outside London is 20.3%. The table below shows how, when correspondingly higher tax and NI contributions are taken into account, Londoners' purchasing power is only 9.9% above average:

**Table One**

**Comparison of Earnings:  
London employee compared to UK employee**

	(£ per annum, 1995)		
	Londoner	Other UK	Differential
Gross wages with adjustment for occupational composition	21,202	17,624	20.3%
Tax	4,029	3,170	
National Insurance	1,866	1,508	
Net wages	15,307	12,946	18.2%
Purchasing power at London prices	15,307	13,930	9.9%

Source: Centre for Economics and Business Research, *London's Contribution to the UK Economy*, LCCI 1996, p27.

Clearly, because Londoners earn more, they pay more income tax. However, not so obvious is the fact that they pay a higher *effective rate* of income tax. This is because much of the extra income is offset by the higher cost-of-living, while the progressive rate of income tax makes no adjustment for this. To maintain the same standard of living, one must earn more in London; and yet those higher earnings at the same time attract the higher levels of tax.

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provincial counterparts, Londoners need to earn between 13.4% and 26.9% more than the UK average.

## LONDONERS PAY MORE

Table 2 compares three pairs of earners, inside and outside London, each with equivalent housing, family, car and domestic arrangements. "Required income" is defined as the income required to maintain equivalent standards of living. In each case, the Londoner ends up paying more tax.

**Table Two**

**Required Income and Tax Incidence  
Comparison of three earning levels**

	£ per annum, 1996					
	Average Family		Well-off Family		Rich Family	
	London	Other UK	London	Other UK	London	Other UK
Required income	17,257	13,843	29,835	25,035	90,031	77,980
Extra income required in London	3,414		4,800		12,051	
Mortgage interest relief	359	359	359	359	359	359
Married allowance	134	134	134	134	134	134
National insurance	1,458	1,149	2,112	2,112	2,112	2,112
Income tax	2,588	1,769	5,698	4,455	29,550	24,948
Total tax & NIC	4,076	2,918	7,810	6,567	31,662	27,060
Total deductions as % of required income	23.6%	21.1%	26.2%	26.2%	35.2%	34.7%
Extra tax and NIC paid by Londoners	1,158		1,243		4,602	
Extra tax as a % of earnings	6.7%		4.2%		5.1%	

Source: Centre for Economics and Business Research, *London's Contribution to the UK Economy*, LCCI 1996, p27.

## LONDON'S POOR ARE POORER

POVERTY IN LONDON IS MORE widespread than is generally understood, with the gap between the richest and poorest significantly wider than in the rest of the UK. This explains why a higher than average proportion of Londoners experiences genuine hardship, even though earnings in London are higher than the national average. In 1994/95, 35% of London households had a weekly income above £475, compared with 28% in England.<sup>6</sup> At the other end of the spectrum, 22% of London households had an income of less than £125. While this is a similar proportion to the rest of the country, the higher cost-of-living in London means that these households suffer greater hardship than those in other parts of the country.

A recent, but significant, cause of hardship is London's high rate of unemployment. Until the 1990s, London's unemployment rate was well below the national average. In January 1983, for example, the UK unemployment rate was above 10%, while London's rate was below 8%. But in the restructuring of London's economy, new jobs in the financial and service sectors never fully compensated for the halving of jobs in manufacturing. London has shed jobs even during times of economic expansion. Today, according to the official figures issued by the ONS, London's unemployment stands at 5.9% compared to 5.3% nationally.<sup>7</sup>

<sup>6</sup> Joseph Rowntree Foundation, *Inquiry into Income and Wealth*, 1995, quoted in King's Fund, *Transforming Health in London*, 1997, p.5.

And in recession, London was hit much harder than the rest of the UK. London's long-term unemployment is particularly serious: in 1995, 42% of all London's unemployed had been so for over one year, compared to 36% nationally.<sup>7</sup>

**The effect of commuters on the unemployment figures**

An additional source of concern is that London's true unemployment is much higher than the official Government-defined rate. This is because of the way the figures are calculated.

The official unemployment rate is calculated by dividing the number of people reporting as unemployed in a given region by the total of the number of people employed plus the number unemployed. The number employed is estimated by surveys of businesses within that region.

But a large number of people work in the capital who do not live there: commuters make up approximately 600,000 of the total London work force of 3,150,000. *This means that the official calculation does not compare like with like.* On one side of the equation – the unemployed – it assesses the base of residents in London; on the other side – the total number of employed and unemployed – it includes all those working in London who reside outside London. This distorts the figures, showing lower-than-actual unemployment among Londoners (and higher-than-actual unemployment in the adjoining regions).

In contrast, the Labour Force Survey uses the International Labour Organisation definition of unemployment. This is based on the economically active population resident in each area and so gives a more accurate picture.

Table 3 shows how the true level of unemployment should be calculated.

<sup>7</sup> King's Fund, op. cit., 1997, p.5.

**Table Three**

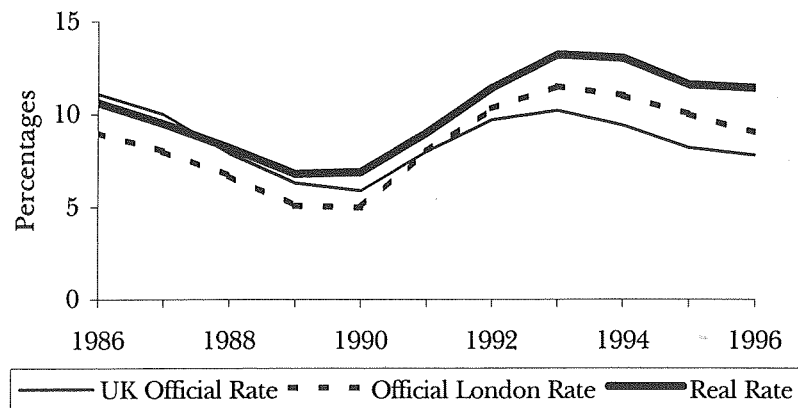
**Employment and Unemployment in London and the UK**

	London	United Kingdom
	(thousands, 1994)	
Total Population	6,967.5	58,394.6
Those aged between 16 and pensionable age	4,459.2	35,879.1
Economically active population (B)	3,490.5	28,153.3
of which employed	2,543.0	21,713.8
of which unemployed (A)	432.8	2,586.8
Net commuting (C)	615.6	
Employment within region	3,158.6	21,713.8
Official unemployment rate(A/B+C)	10.5%	9.2%
True unemployment rate (A/B)	12.4%	9.2%

Source: Centre for Economics and Business Research, *London's Contribution to the UK Economy*, LCCI 1996, p.27.

The following chart shows how the official unemployment rate for London has, for the last ten years, significantly deteriorated in comparison to the rest of the country; worse still, its real level has also been significantly under-estimated.

**Calculation of Unemployment Rates in London**



Source: Office of National Statistics, *Focus on London 1997*, 1996, p66.

This distortion has a significant effect on resourcing. Firstly, the incorrect unemployment rate for London helps mask London's problems and contributes to an exaggerated view of London's wealth. Secondly, the data is also fed into the formulae which are used to calculate the level of central government funding to local boroughs; thus, the official (but incorrect) unemployment figure helps to determine the "Personal Social Services" and "other services" budgets of the Standard Spending Assessment (together these two budgets account for 36.5% of the total SSA).

There are undoubtedly areas of great wealth in London, but there are also many districts of great poverty. Such stark contrasts as, for example, between the City of London and neighbouring Spitalfields in Tower Hamlets, cannot be found anywhere else in the United Kingdom.



## LONDONERS PAY MORE... AND GET LESS

IN SPITE OF PAYING MORE to the Treasury, both in absolute and in proportional terms, and in spite of the highest levels of poverty anywhere in the country, with all its attendant problems, Londoners receive a lower level of public services than the rest of the UK.

### Health Care in London

Health care in London is below average for the nation, as can be seen from several key indicators. Hospital waiting lists over 12 months are 50% longer.<sup>8</sup> The average GP list in London is 2,038, compared with 1,887 in England.<sup>9</sup> London has 6% fewer Finished Consultant Episodes than the rest of England.<sup>10</sup> 4% fewer children receive their immunisations by their second birthday.<sup>11</sup>

Infant mortality, still births and perinatal mortality are all significantly higher in London than in the rest of England.<sup>12</sup> It is of special concern that, although all rates in all regions of the country have improved between 1981 and 1995, London's rate of

<sup>8</sup> ONS, op. cit., 1996, p117 It is not possible to gain access to figures that show health spending on London compared to the rest of the UK; these secondary indicators are the most effective way of estimating regional patterns in health care.

<sup>9</sup> ONS, op. cit., 1996, p.118.

<sup>10</sup> Information provided to the author by the Department of Health.

<sup>11</sup> ONS, op. cit., 1996, p.120.

<sup>12</sup> Office of National Statistics, *Regional Trends* 1997, p.91.

improvement is relatively slower. In 1981, infant mortality was better than average at 10.7 per 1,000 births in London compared to 10.9 for England. By 1995, it was worse than average at 6.3 compared to 6.1 deaths per 1,000 births.

### Education in London

London's education provision is poor. London pupils score significantly below the national average, at every level tested. It is particularly worrying that the lowest-achieving London boroughs are heavily over-represented at the bottom of the national league tables. For example, Table 4 shows the results of SAT tests for children aged 11. London boroughs fill five of the bottom six places.

Table Four

#### Key Stage 2 Test Results in English, Worst-performing LEAs

	% of children passing, aged 11
Tower Hamlets	47%
Hackney	48%
Newham	48%
City of Kingston-upon-Hull	50%
Greenwich	50%
Southwark	50%
Southampton	51%
Newcastle upon Tyne	51%
Barking and Dagenham	52%
Lambeth	52%
Leicester	52%
Sandwell	52%

Source: Department for Education and Employment

This disadvantage carries through to London's adults, as can be seen in Table 5: five London boroughs are in the bottom ten places for adult literacy, and none of the top ten.

**Table Five**

**Adult Literacy in England:  
Bottom ten education authorities**

% of adults with low or very low literacy, 1997	
Tower Hamlets	24.4
Knowsley	22.3
Newham	21.8
Barking and Dagenham	21.6
Hackney	21.5
Leicester	21.0
Southwark	20.9
Corby	20.8
Sandwell	20.7
Liverpool	20.5

Source: Basic Skills Agency, *Adult Basic Skills*, March 1998.

With spending per pupil in London 18.7% (primary) and 15.2% (secondary) higher than the average for England and Wales,<sup>13</sup> it would be unfair to claim that London's low educational achievement is solely a result of underfunding. Nevertheless, it should be remembered that much of the extra spending covers the increased cost of London teachers. Nationally-negotiated pay scales set the starting salary of a London teacher at 13.3% more than that of teachers in the rest of England and Wales. It is obviously more difficult to attract good quality staff to teach in London as the weighting only covers half of the extra costs of living in London (see Table 2; in order to achieve the same

<sup>13</sup> Audit Commission, *Local Authority Performance Indicators 1996/97*, 1998.

standard of living, the average family needs to earn 24% more in London than the equivalent family living outside London). In order to attract staff, most London schools resort to additional inducements, particularly awarding "responsibility points" on top of the pay-scale. This means that the wage bill of London schools is far higher than that for schools in the rest of England.<sup>14</sup>

Thus, while the general perception is that London's schools are relatively well-resourced, the real picture is more complicated.

**Policing in London**

The many exceptional security issues in the capital inevitably attract higher funding for the area; however, the high ratio of civilian staff to police officers suggests that Londoners do not receive the policing levels they need.<sup>15</sup>

It is widely accepted that, with a squeeze on resources, constabularies have tried to cut costs by following a policy of dealing only with what they consider to be serious crime. They tend to investigate only those crimes which are likely to result in a conviction in the courts. Guidelines from the Crown Prosecution Service (CPS), considerably tightened in recent years in order to improve conviction rate statistics, have a strong influence on how police time is allocated.

Consequently, lower-level crime – such as theft – is unlikely to be investigated at all. Faced with insufficient resources, constabularies will seek to cut costs by delegating as much traditional police work as possible to lower paid civilian staff. This

<sup>14</sup> When considering the allocation of extra funds to London's schools, one must also take into account firstly, the much higher proportion of E2L (English as a second language) pupils in London than in the rest of the country; and secondly, the higher proportion of special needs pupils in London.

<sup>15</sup> ONS, *Regional Trends*, 1997, p.124. London has 521 civilian staff for every 1,000 officers on ordinary duty; the equivalent figure for the United Kingdom is only 398.

is a highly controversial policy which has yet to be publicly debated. Should not London be able to afford a decent level of low-level policing?<sup>16</sup>

Underfunding of the CPS also costs Londoners dearly.<sup>17</sup> Because of the higher levels of crime in London, there is considerably more case-work for prosecutors. The London legal profession also commands significantly higher fees. However, CPS funding levels do not make up for this. Thus administrative staff, rather than lawyers, now handle more and more case-work. Errors in basic checking and review often lead to cases collapsing before they reach the courts. And the prosecution case is more likely to rest on civilian witnesses rather than on professional evidence, with less likelihood of securing a conviction. The percentage of Crown Court convictions in 1995 in London was 70.3, compared to 79.1 in England and Wales.<sup>18</sup> In the light of the stringent guidelines determining whether or not to prosecute, that is a serious discrepancy. It means more criminals going free in London. Violent crime is 27% higher in London than in the rest of England.<sup>19</sup>

Here is the central problem for London's public services: moderately higher levels of funding do not cover the increased cost of labour in London. As a result, those providing services will tend to be either of lower quality or experience, or they will be working under greater stress. While in profit-making ventures London is able to afford the nation's 'best and brightest', in public services London must make do with lower-paid staff. London is penalised for its economic success.

<sup>16</sup> The experience of New York (in particular Mayor Giuliani's broken window campaign) has been that all levels of crime are reduced by taking all levels of crime seriously.

<sup>17</sup> Evidence for underfunding of the Crown Prosecution Service in London is anecdotal; official figures are unavailable.

<sup>18</sup> ONS, op. cit., 1996, p.128.

<sup>19</sup> ONS, op. cit., 1997, p.117.

## THE TRUE PICTURE

PRECISE FIGURES IDENTIFYING GOVERNMENT SPENDING by region are not available for large segments of the public finances. For the purposes of this study, it has been impossible to gain access to a regional breakdown of spending on health, transport or the criminal justice system. It is therefore difficult to make a judgement about the distribution of vital resources.

If London is to have its own local government structure, it is essential that the inflow and outflow of local taxpayers' money should be recorded accurately.

No one would suggest that the inflow and outflow of government revenue and expenditure should be balanced for every region in the United Kingdom. But how can a regional government body approach central government for, say, investment assistance on a major infrastructure project, without knowing whether the area represented is a net contributor or a net beneficiary of the Exchequer? How can central government judge the merits and otherwise of competing regional bids without knowing how much a region already benefits or otherwise from central government spending patterns? And how can electors know whether their prospective representatives are in a position to demand a reallocation of some central taxpayer funds?

It is, therefore, necessary that the Treasury facilitates calculations of government expenditure and income on a regional basis. We need to know the true picture.

## A 25% SUBSIDY TO THE UK

OFFICIAL STATISTICS ALLOCATE only 71% of government expenditure by region.<sup>20</sup> London's subsidy to the nation cannot, therefore be calculated directly. It can only be estimated.

The Centre for Economics and Business Research (CEBR) has undertaken this complex task, using the computer model of the Paris-based research institute, L'OEIL. Under this model, the UK national budget is divided into nearly six hundred items of expenditure and revenue. Relevant socio-economic data (or 'proxies') are used to allow the computer model to estimate the proportion of each item of revenue that is paid by Londoners and the proportion of each item of expenditure as it effects London.

Government expenditure can be allocated either on a 'flow' or 'benefit' basis. The flow approach measures where the money is spent; the benefit approach measures who actually gains from the expenditure. For example, on a flow basis all the expenditure on salaries for the Royal Navy's command facilities at Northolt goes in the plus column for London, because that is where the money is actually spent. However, the whole UK benefits equally from its defence force, and therefore on the benefits basis the expenditure is distributed equally across the whole population.

<sup>20</sup> CEBR, op. cit., 1996, p31.

Table Six

## Contribution of Greater London Employees

	£ millions at current prices, 1993-94	
	Flow estimate	Benefit estimate
Londoners' payments to the public sector	47,878	47,878
<i>as a % of London's activity-based GDP at market prices</i>	42.4 %	42.4 %
Londoners' share of government expenditure	37,569	33,664
<i>as a % of London's GDP</i>	33.3%	29.8 %
Londoners' net contribution to national budget	10,309	14,214
<i>as a % of London's GDP</i>	9.1%	12.6%
<b>Londoners' subsidy to the rest of the UK</b>	<b>21.5%</b>	<b>29.7%</b>

<sup>1</sup> Centre for Economic and Business Research and Observatoire de l'Economie et des Institutes Locales, *Two Great Cities*, 1997, p. 158.

Table 6 shows figures for calculations for both methods. Considering London's role as the centre of government, it is not surprising that London appears less disadvantaged by the flow analysis than by the benefits analysis. But in either case, (21.5% by flow, 29.7% by benefits), London loses out considerably.

Averaging the flow and benefits estimates, the CEBR calculations show that, in 1993-94, London received in spending less than 75% of its contribution to the Treasury. London subsidised the rest of the UK by approximately £12 billion.<sup>21</sup>

The extent to which the nation's taxation is weighted against London's interest can be seen in the case of the Unified Business Rate. With its introduction, the tax link between boroughs and local businesses has been broken. London's business rates now make a substantial contribution to the nation's finances. Just one borough – Westminster – will next year

<sup>21</sup> Soon-to-be-published figures are expected to show that the subsidy has increased significantly since 1993-94.

contribute £544 million through the Unified Business Rates.<sup>22</sup> London as a whole will lose 42% of its business rates, subsidising the rest of the UK to the tune of £1.2 billion (see Appendix A for a full listing of the UBR contribution made by each London borough to central finances).

Can the higher earnings in London justify this level of subsidy? One must not forget that, in many respects – health, crime, education, traffic congestion and pollution among them – Londoners face greater problems than the rest of the UK. Is it time to ask for some proportion of this subsidy to be reclaimed to help fund urgently needed projects in the capital?

## INVESTING IN SUCCESS

ONE SHOULD NOT THROW good money after bad. So too is it wise to invest in success. No business would consider it sensible to undermine its core operations in order to subsidise its failing subsidiaries. Quite the reverse: investing in success creates more success. Whatever the form of investment – and experience shows that the private sector should be involved in order to achieve the best results – London requires capital-intensive improvements to its infrastructure. This investment would benefit the whole nation.

The London Underground is in desperate need of modernisation and the bus system also suffers from a lack of long-term investment and planning. London is a first-rate business centre served by a second-rate public transport system. One of the principal drawbacks for new businesses locating in London is the problem of severe traffic congestion. London's traffic problems and the resultant pollution not only frustrate Londoners and harm their health; it also makes London less attractive to international business. This can only harm the country as a whole.

Yet in spite of London's contribution to the rest of the nation, there is still not enough money to improve London Underground – where it is most desperately needed.

Transport experts and politicians are now telling Londoners that if they want a decent public transport system, they will have to pay an additional tax in order to drive in their own city. Is not the solution to London's transport problems rather closer to hand?

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<sup>22</sup> Information supplied by the London Chamber of Commerce and Industry.

## THE ROLE OF THE NEW MAYOR

THERE HAS BEEN NO PROPER VOICE for London for nearly two decades: this explains, at least in part, why London subsidises the rest of the country to such an extent. No one has had the platform to draw attention to Londoner's problems, and to dedicate themselves to the fight for the interests of the capital. The creation of a directly-elected Mayor of London can change that.

The role and influence of an elected mayor for London has not yet been generally understood. Some have suggested that the mayor will not be given enough power. Others have questioned why a new mayor is needed when there are already borough mayors and the Lord Mayors of London and Westminster.

The real power and role of an elected mayor derives from the mandate he or she receives from the electorate. The London mayor will receive more votes than any politician in the history of this nation. The electorate will be 74 times larger than that of the average MP. A few thousand voters elect the Prime Minister to the House of Commons. A Prime Minister is chosen not by the people, but by his party.

The mayor of London will be directly elected not by a few thousand, but by millions. He will be voted mayor of London by the people of London, not by any political party. That will give him a unique authority and independence.

The mayor will not be running London in a day-to-day, hands-on way. His or her role will be strategic, setting the direction for others, and holding them accountable to achieving

the aims of that strategy. The value of the mayor to London will depend on how well he or she understands and takes advantage of this new form of political power. A successful mayor will not provide nuts-and-bolts control, but leadership and the enforcement of accountability.

Consider the relationship between the London Mayor and the Commissioner of the Metropolitan Police. The mayor will have no direct role in running the police force. However, if the mayor is elected on a manifesto with a central and explicit commitment to a particular style of policing, it would be difficult for the Commissioner to ignore that mandate. The mayor would expect to have a close working relationship with the Commissioner, seeing him at least once a week, and holding him accountable for policing the capital in line with policies voted for by Londoners.

The fact that the mayor will make a significant number of appointments to the Police Board, which in turn will appoint and oversee the Commissioner, will obviously add to the mayor's influence. But, even without power of appointment, the mayor could expect real co-operation. The role of a London Police Commissioner who had publicly lost the confidence of the London Mayor would be untenable. The mayor's mandate will be the principal source of his power.

That mandate will also give the mayor power to fight for London's interests, with (and if necessary, against) the national government. Can a Prime Minister ignore the views of five million people, if they have expressed themselves unambiguously in their choice of mayor?

That is why a mayor can fight for a fairer distribution of resources for London, and expect results. A candidate who builds his platform on crusading for fairness for London will, by winning, put significant pressure on the government to give London a better deal. A government that ignores the people of the capital will find its own authority undermined – and its electoral position threatened.

## FIGHTING FOR LONDON - AND BRITAIN

FIGHTING FOR A BETTER DEAL for London would not contribute to the break-up of the nation. It is right that the nation's capital should have someone arguing specifically for its cause. But the argument for greater investment in London is based on a national perspective as well as on a Londoner's viewpoint.

Proper investment in London's infrastructure would provide a lasting economic benefit to the nation as a whole. There would also be a non-economic benefit. A recent opinion poll showed that 76% of respondents believed that most new home-building should be on brown-field sites.<sup>23</sup> The desire, clearly, is to leave the countryside "unspoiled". But this laudable aim is directly undermined by underspending in our cities, and especially by underspending in the capital. More affluent city workers are attracted to the countryside. It is now so easy to live in a village, taking advantage of the many benefits of subsidised rural life (for example, by sending children to a small village school), while maintaining a city salary and avoiding the less pleasant realities of inner-city life. No wonder developers are so keen to build on green-field sites.

Unless we do something about London's problems of crime, pollution, transport and health, the temptation to emigrate from

the city to the green-belt will continue apace. That will harm not only the countryside, but the city as well.

"A Better Deal for London" should be the rallying cry for all Londoners now working for the creation of new government for the capital, as well as for all those who live outside London and who wish to support both the traditional character of the countryside and the renewal of city life.

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<sup>23</sup> Gallup, reported in the *Daily Telegraph*, 7 March 1998.

## CONCLUSION

LONDON IS THE MOST IMPORTANT region in the British economy, with a productivity per employee 28% higher than the rest of the nation. It provides a massive subsidy to the rest of the United Kingdom: only 75% of what Londoners pay in taxes is returned to the capital in government spending. Last year, London sacrificed over £12 billion of its income.

The standard-of-living of individual Londoners is exaggerated. Higher incomes are in part offset by a higher cost-of-living. Official unemployment figures distort the reality: unemployment in London is actually 4% higher than the national average.

There is proportionately far greater poverty in London than in the rest of the United Kingdom. Londoners receive relatively poor public services. Funding of key public services in London (such as health, education and the police and criminal justice system) is less, in real terms, than for the rest of the UK.

It is unjust to expect London to subsidise the UK to such an extent that it suffers itself. It is also bad economics. We should not undermine the nation's capital, but back it. For the sake of the finances of the whole country, we should therefore invest properly in London's infrastructure.

A London mayor should fight for justice. By making his platform a crusade for a better deal for London, and then winning, a mayor can realistically expect to gain for the capital a fairer share of Government spending. As a first step, the mayor

## CONCLUSION

should ensure full Government disclosure of all public finances on a regional basis, so that the degree of redistribution can be accurately assessed.

Although the mayor should focus on fighting for the interests of Londoners, this will in the end benefit the entire nation, and not just economically: we must renew life in the city if we are to preserve the countryside.



## APPENDIX A

### Net Contributions to the Non-Domestic Rate Pool, 1998

	Contribution to National Non- Domestic Rate Pool (£ million)	Received from National Non- Domestic Rate Pool (£ million)	Net Receipt from National Non- Domestic Rate Pool (£ million)
Barking & Dagenham	34	34	0
Barnet	60	68	8
Bexley	36	48	12
Brent	58	54	-4
Bromley	50	64	14
Camden	174	40	-133
City of London	526	1	-525
Croydon	72	72	0
Ealing	72	64	-8
Enfield	58	57	-1
Greenwich	33	46	14
Hackney	39	42	3
Hammersmith & Fulham	65	34	-31
Haringey	39	47	8
Harrow	39	46	7
Havering	40	50	10
Hillingdon	179	54	-125
Hounslow	82	44	-38
Islington	95	38	-56
Kensington & Chelsea	87	34	-52
Kingston-upon-Thames	43	31	-13
Lambeth	53	57	4
Lewisham	32	52	21
Merton	39	39	0
Newham	43	50	6
Redbridge	33	50	16
Richmond upon Thames	36	38	3
Southwark	82	51	-32
Sutton	33	38	5
Tower Hamlets	97	38	-60
Waltham Forest	33	48	15
Wandsworth	46	58	12
Westminster	587	43	-545
Metropolitan Police		148	148
LFCDA		55	55
<b>London Total</b>	<b>2,996</b>	<b>1,733</b>	<b>-1,262</b>

Source: London Chamber of Commerce and Industry

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