

The APPG for London as a global city – Call for Evidence: Fostering London’s position as a leading global city

Who we are

Central London Forward (CLF) is a partnership of the 12 central London local authorities. We cover Camden, City of London, Hackney, Haringey Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

We work together with our member authorities and with other stakeholders to support inclusive and sustainable growth in central London; so that our economy thrives, and our residents benefit from the opportunities this creates. CLF supports coordination and collaboration across the sub-region, we conduct research and help shape policy development, and we manage large-scale employment and skills programmes in central London.

1. The current landscape

1.1 From your organisation’s perspective what is the significance of London’s world city status?

London is a global city and will play a crucial role in the government’s vision of Global Britain - in ensuring that the UK is open, outward-looking and confident on the world stage. London is the best-known city in the UK and contributes enormously to the UK’s soft power.

London is home to world-leading industries. From digital tech to green finance, law to the creative industries, life sciences to higher education, London has clusters in many of the industries that will be crucial for our economic future. These industries compete internationally for investment, but they are connected to clusters across the UK. London’s advantage in these areas delivers benefits for the whole country.

London role as the UK’s most well-known world city means that it acts as the ‘shop window’ the rest of the UK, highlighting internationally what the whole country has to offer. Every year, London draws in millions of visitors to the UK. Before the pandemic there were 1.6m ‘London+’ visitors each year – people who visited both the capital and somewhere else across the UK – spending over £641m annually in the UK’s regional economies ([London and Partners, 2015](#)).

London’s world city status is therefore vital both to driving the economic recovery, and to delivering on the government’s vision of ‘levelling up’ and creating a Global Britain.

1.2 What challenges and opportunities does its status and role as the UK’s world city create?

Being a world city brings enormous opportunities for the capital.

London is the home to world-leading industries, which provide unparalleled employment opportunities for our residents.

London’s role as a magnet for international tourists is crucial to the capital’s economy, and to that of the UK as a whole. Tourism and the night time economy contribute £36bn annually to London’s economy, and employs 700,000 people ([GLA, 2021](#)).

However, being a world city also brings challenges for the capital. First, while the capital benefits from international investment, the very high cost of housing poses a challenge for Londoners. London's boroughs are focused on building sufficient homes – including affordable and social homes – to meet London's needs, so that people growing up in the capital can continue to live here.

Second, while London's economy is strong, the labour market is highly competitive. While there are enormous opportunities in the capital, Londoners with lower levels of qualifications tend to have lower levels of employment and earnings compared to similarly qualified residents of other regions. Supporting Londoners to develop the skills, qualifications and experience they need to access the opportunities in our economy is crucial to ensuring inclusive growth.

Third, the large number of international visitors to central London places significant pressure on the capital's transport infrastructure. Improving London's transport network was a vital part of the capital's rise to become a world city, and maintaining the network is crucial to maintaining this status. This means it is vital that London government and central government are able to find a solution that secures the financial future of Transport for London.

Fourth, central London is more reliant on international tourism than any other part of the UK ([Resolution Foundation, 2021](#)). This leaves the capital highly vulnerable to reductions in global travel as we saw during the pandemic, when London was harder hit than any region or nation of the UK.

2. Challenges facing London's global city status

2.1 What are the challenges facing London's global city status, and what impact (if any) do they have on your organisation?

While London remains a preeminent global city, there are several key challenges to this status.

Brexit poses a challenge to London's role as a global city. London's labour market had the highest proportion of EU nationals of any region or nation of the UK before Brexit, and businesses in the capital are particularly likely to cite a decline in EU workers as a factor in growing skills shortages ([Central London Forward, 2021](#)). Ensuring the UK remains open, outward-looking and confident on the world stage – as set out in the government's Global Britain agenda – will be vital for the capital remaining a preeminent global city.

The **COVID-19 pandemic** has hit London particularly hard. The UK has seen a larger economic shock from the pandemic than most advanced economies, and the capital has seen a bigger impact on employment than any other region or nation of the UK. While central London's economy is recovering, it faces ongoing challenges from changes in commuting patterns and lower international tourism. Supporting central London's economic recovery – including through supporting a resurgence of international tourism – will be vital to supporting the UK-wide economic recovery.

London's continued role as a global city and an economic powerhouse requires an effective and efficient **transport system**. Transport for London's finances have been hit hard by the decline in passenger revenue during the pandemic. Securing Transport for London's finances will be crucial to ensuring the maintenance of services, and continued investment in the future of the network.

The **levelling-up agenda** could pose a challenge to the capital. There is a strong case for levelling up across the UK, in order to tackle the inequalities that we see in every region of the UK. The Prime Minister has emphasised that levelling up does not mean levelling down London and the south east, and he has acknowledged the deep inequalities that exist in the capital too ([Prime Minister, 2021](#)). However, recent grant schemes such as the Levelling Up Fund and the Community Renewal Fund have seen London receive far less funding than other regions, and the government's infrastructure strategy talks of pivoting investment away from the capital ([HMT, 2020](#)). Instead of just shifting investment away from the capital, levelling up must mean tackling inequalities in every region, and devolving powers to locally accountable leaders in order to drive growth.

London faces growing **competition** from other world cities such as Paris, New York and Tokyo is growing over time. The capital risks being unable to keep up in terms of affordability, employment, safety and congestion ([Centre for London, 2020](#)). Key to retaining London's competitive international offer is improving the quality of places and investment in crucial infrastructure to increase connectivity and accessibility ([Central London Forward, 2021](#)).

London's strength and role as the UK's world city is **place-based**, and it cannot be taken for granted. It relies on the capital remaining a place in which people want to live and work and visit. London boroughs play a crucial role as place-makers; whether that be in maintaining the public realm, providing the public services that the city needs to keep running, or developing the homes and commercial space the city needs. London boroughs need the powers, funding and freedoms to continue to do this.

2.1 To what extent does the 'levelling up' agenda present challenges for the capital's global pre-eminence as a world city?

There is a strong case for levelling up livelihoods and opportunities across the UK, and for addressing the stark inequalities across the country. The Prime Minister has emphasised that the inequalities within regions are just as stark as those between regions, and he has highlighted the particularly deep inequalities within the capital ([Prime Minister, 2021](#)).

However, there is a risk that the levelling up agenda could present a challenge to the capital's role as a global city, as well as for our economic recovery. Some actions taken as part of the levelling up agenda have disadvantaged the capital. London received significantly less investment per capita from both the Levelling Up Fund and the Community Renewal Fund. The government's infrastructure strategy talks of pivoting investment away from the capital ([HMT, 2020](#)).

Recent polling shows Londoners would support the government's levelling up agenda if it meant that the rest of the country had the chance to improve its quality of life. However, most Londoners also believe that the city's problems are not getting the support needed from the government ([Centre for London, 2021](#)).

If levelling up focuses on shifting investment away from the capital, this could hamper London's economic recovery, and undermine our role as a global city. This would have negative consequences both for the capital and for the whole of the UK.

The UK's economy is not a zero-sum game – London's success brings success for other parts of the country. Supporting a strong and sustainable recovery in central London will be crucial to driving growth across the whole of the UK and repairing the nation's public finances after the pandemic.

3. Opportunities

3.1 From your perspective, what are the opportunities facing London's global positioning?

London is home to world-leading clusters which compete internationally but benefit the whole of the UK.

The green economy is an area of particular interest to central London local authorities. Central London has world-leading clusters of green tech and innovation focused around our higher education institutions, and green finance focused around the City of London. London is the leading city globally in terms of decarbonisation and growth of the green economy among the global top 10 countries ([Centre for London, 2020](#)).

As the world focuses its attention on addressing the climate emergency, national government should harness the expertise and innovation in the capital in the green economy to accelerate climate action through cross-sector collaboration.

Research commissioned by CLF shows that there are already a quarter of a million green jobs in the capital. The transition to net zero will see rapid growth in the sector, with the total number of green jobs doubling by 2030, and reaching 1 million by 2050 ([WPI Economics & IES, 2021](#)).

London government is keen to work with central government to deliver the transition to net zero, and to ensure Londoners are able to access the opportunities that this will create.

3.2 To what extent have some of the key developments in the past year – such as the pandemic, changes to our global trading relations and changes to other areas of government policy – brought about opportunities facing its world city status?

While London's economy and residents were significantly impacted by the pandemic, its appeal as a place to live and do business remains. London was voted the most admired and trusted city in 2020, ahead of its competitors for investment attraction, cultural vibrancy, visitor appeal, talent base and innovation ([Centre for London, 2020](#)).

London's future economic prospects remain strong, and London government has a plan for growth. CLF has been working with our local authority members, with partners across London government, with businesses and other stakeholders to develop a shared London Recovery Framework ([London Councils & GLA, 2021](#)).

London has an opportunity to build back better from the pandemic. Local government is committed to working in partnership with national government, businesses, and other key stakeholders to deliver a strong, sustainable and inclusive recovery, and a just transition to net zero which benefits London residents, the wider UK and international visitors.

4. London and other parts of the UK

4.1 How does London's relationship with other parts of the UK affect its global city status?

London is not separate from the rest of the UK – it is an integral part of it. London's international attraction relies to a large extent on the UK remaining a place where people want to visit, to work and to invest.

A significant proportion of visitors to London also visit other places across the UK. Before the pandemic there were 1.6m 'London+' visitors each year – people who visited both the capital and somewhere else across the UK – spending over £641m annually in the UK's regional economies ([London and Partners, 2015](#)).

4.2 To what extent do you agree that an increasing anti-London sentiment poses a threat to its pre-eminence as a world city?

It is important not to over-state the prevalence of anti-London sentiment across the UK. Polling has found that the majority of non-Londoners are proud of their capital ([Centre for London, 2020](#)), and London remains one of the most popular cities in the UK ([YouGov, 2021](#)).

However, there is clearly some anti-London sentiment. This is often linked to perceptions that London's economic success does not benefit local economies across the rest of the UK, something which has the levelling up agenda has played into ([Centre for London, 2020](#)).

This perception – that London's success does not benefit the rest of the UK, or worse still – that London is in competition with the rest of the UK – risks undermining the relationship between the UK and its capital, and impact on London's role as a pre-eminent world City.

4.3 How should London position the role of its global city status on a national level?

It is crucial to emphasise that London's role as a global city benefits the whole of the UK.

London's role as a global city is crucial to attracting in visitors and investment which benefit not just the capital, but the whole of the UK too.

First, many of the visitors attracted to London go on to visit elsewhere in the UK, with direct benefits for local economies. Every year before the pandemic, there were 1.6m 'London+' visitors who visited both the capital and somewhere else across the UK – spending over £641m annually in the UK's regional economies ([London and Partners, 2015](#)).

Second, London's economic success benefits regional economies too. This is because London's economy is not apart from or in competition with the rest of the UK economy – it is an inextricable part of it. London's economy is highly connected to the regional economies of the UK, with every pound of consumption or investment in London generating 24p of production is generated elsewhere in the UK ([GLA Economics, 2020](#)). When the capital thrives the rest of the UK benefits too, and when the UK's towns and regions prosper, so does London.

Third, London's economic success is also important to driving investment in infrastructure and public services across the UK. The central London economy makes a substantial contribution to the nation's public finances. In 2019/2020, the 12 CLF local authorities alone collected over £6 billion in business rates which equates to 24% of England's business rates ([DLUHC, 2021](#)). London generated a net surplus to the Treasury of £36.1bn, equal to £4,030 per Londoner ([ONS, 2021](#)). This contribution will be crucial as our economy recovers from the pandemic, and to supporting the investment that we need to see as part of levelling up.

To combat this anti-London narrative Centre for London is conducting a piece of research – which CLF is supporting, focused on the role of the capital within the levelling up agenda ([Levelling Up London, Centre for London, 2021](#)).

London can play a vital role in supporting levelling up across the UK. London has a strong and dynamic economy which is inextricably linked to regional economies across the country. Growth in London creates demand for goods and services from other parts of the UK, and London's contribution to the Treasury helps fund investment in public services and infrastructure elsewhere. London's growth helps all regions and vice versa; London is an ally in levelling up all parts of the country.

5. Policies and initiatives

5.1 *How can national and local policy-making address the challenges you have identified?*

5.2 *In your view, what must happen to foster and build on London's leading global position?*

Addressing the challenges we have highlighted and building on London's role as a leading global city will require partnership between central government, London government, businesses and other stakeholders.

Reviving international tourism will be crucial both to ensuring London remaining a global city, and to supporting the recovery of the capital's visitor economy. This will require active promotion of the capital abroad, supporting the recovery of international transport, and making sure London remains an attractive place to live.

Reintroducing the VAT Retail Export Scheme could help boost international tourism. Overseas visitors to London spent approximately £15.73bn in 2019, which generates huge benefits for the capital's economy and the UK as a whole. The VAT Retail Export Scheme ended on 1st January 2021, meaning the UK is now the only country in Europe not to offer tax free shopping to international visitors. This risks driving tourism away from London to other global cities outside of the UK. We urge government to reintroduce the VAT Retail Export Scheme and develop a digital version of the paper-based claims system to incentivise tourist spending across the whole UK.

Ensuring London retains an efficient and effective transport network will be crucial to the capital remaining a pre-eminent world city. Central government and London government will need to work together to ensure sustainable finances for Transport for London which enable continued transport connectivity and investment in the future of the network.

Further devolution of powers and funding to the capital could help London remain a world city. As part of the levelling up agenda, government is exploring further devolution of powers to local leaders. London boroughs are keen to explore the potential of further devolution – particular around employment and skills support – in order to drive inclusive growth.

Beyond the immediate recovery, supporting and facilitating investment in infrastructure in London will be vital to ensuring sustainable growth in the medium to long-term. CLF, along with member authorities and key stakeholders, has identified a list of physical infrastructure projects that could deliver the most benefit both locally and nationally through boosting growth, unlocking the delivery of more homes, and supporting our transition to net zero ([Central London's Infrastructure Priorities, 2021](#)).