

London First Partner Perspective – Ian Powell

Can we support UK growth while balancing the UK budget?

Whichever political party forms the next government will have to address the very pressing question of how to deliver policies which will move the UK back towards a balanced budget while supporting long term economic growth. Many of the business leaders I speak to are concerned that the scale of the public sector deficit could lead to decisions being taken which will affect their ability to generate revenues and, in turn, taxes. There is a danger that short term fiscal pressures could impact the very investment which will drive sustainable economic growth.



For this reason, I was happy to co-chair with Stuart Fraser, Chairman of the City of London Policy and Resources Committee, the London First steering group which developed the timely new report, *Supporting UK growth while balancing the budget*.

There is, in the view of this London First steering group, a way to achieve targeted reductions in public spending whilst securing investment in key sectors of the economy. Our report took a very pragmatic approach to this daunting challenge. We identified four key themes for the new government and gave our thoughts on practical steps that could be taken to address them.

First we must improve the efficiency of public spending. This is an area where we believe private sector expertise can combine with public sector experience to yield significant savings to the public purse.

Second we set out the case for a much more robust cost benefit analysis framework for major spending decisions across the whole of government. Crucially this process should also address the economic impacts of not proceeding with a particular project to gauge the wider economic impacts. This kind of cost benefit analysis is common to most major public companies and would have a profound effect on the way that public sector spending decisions are prioritised.

Our third area of focus was the case for investing in London which already contributes up to £19bn annually more in tax than it receives in public spending. We make the case to at least maintain planned transport and other infrastructure investment. The proposed spend of £36bn through to 2017 is substantial but modest compared to the scale of London's overall contribution to the UK economy. I know from firsthand experience that we face serious competition from other capital cities which are already making much more substantial investments in an effort to unseat London as the world's leading financial centre. We cannot afford to slip any further behind our main competitors in the quality of life and liveability stakes.

Finally we looked at the UK's tax regime. Our message here was very straightforward. The temptation to look to balance the books by raising taxes should be avoided given their negative impact on short-term recovery and long-term competitiveness. Capital and highly talented professionals are now more mobile than ever before and we need to make a compelling case for London to keep both.

We don't pretend that any of this will be easy but our report does offer an approach that will support the growth and competitiveness of London and, as a result, of the UK economy as a whole.

Ian Powell is Chairman and Senior Partner of PricewaterhouseCoopers LLP