

National Infrastructure Commission call for evidence – London's transport  
infrastructure  
IPSE response

January 2016

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**About IPSE:**

- The Association of Independent Professionals and the Self Employed (IPSE) represents the estimated 4.5 million individuals working for themselves in the UK.
- Over 97% of our 20,000 members work through their own limited companies
- IPSE also represents 48,000 self-employed construction workers through our relationship with leading construction contract and payroll providers Hudson Contract
- Research has shown that independent professionals allow businesses to promote innovation, maximise performance across peaks and troughs in demand, and create jobs by increasing the level of innovation and efficiency in the economy.

**London's transport infrastructure****1. What are the major economic and social challenges facing London and its commuter hinterland over the next two to three decades?****Housing**

With London's population expected to hit ten million by 2030, the development and provision of appropriate housing is clearly going to be a major challenge in the coming years. Welcome steps are being taken to address this, for example with the £103 million funding package announced by the Mayor of London in 2012 to support the development of 2,700 homes. Similarly, IPSE was pleased to hear the announcement from the City of London that it planned to build 3,700 new homes by 2025 on housing estates and other land it owns outside the Square Mile.

To ensure these projects are fit for the way people will work in the next two to three decades, IPSE believes government should ensure that new housing developments are equipped with fibreoptic broadband as standard. This will be particularly beneficial to the growing numbers of self-employed individuals in the labour market who are looking to strike out on their own and grow a business.

There are already 4.5 million individuals working for themselves, delivering flexible expertise to a wide range of businesses while enjoying the autonomy this way of working offers. As the [2013 paper](#) by Professor Andrew Burke illustrated, independent professionals allow businesses to promote innovation, maximise performance across peaks and troughs in demand, and create jobs by increasing the level of innovation and efficiency in the economy.

This focus on housing will provide a big boost for the UK's construction sector, where 2.1 million individuals work contributing £103bn, or 6.5% of total economic output, to the UK economy.

**Flexible workspace**

As the labour market continues to shift, with individuals choosing the greater autonomy that comes with self-employment, government will need to pay greater attention to where people work. Those working independently are increasingly opting to work in collaborative workspaces known as "workhubs" – there are an estimated 40 in London today.

Workhubs typically consist of hot desks, meeting rooms and high speed broadband. They also offer services such as IT and business support and other training programmes. This collaborative way of working provides a motivating environment, as well as helping to build a community of like-minded individuals. As research from the Brighton Fuse project has shown, this environment allows freelancers to more easily share ideas, innovate

and ultimately grow their business. It is however difficult, and often financially prohibitive to open and run premises.

Indeed one third of 18-39 year olds identify cost as a major reason why they do not use workhubs. Freelancers unfortunately do not benefit from the tax system in the same way most small businesses do. This is because small businesses with premises are exempt from paying business rates, yet those using workhubs are effectively forced to pay them indirectly. This is because they are typically a significant part of the operating cost of many workhubs, which are often run by collectives of self-employed workers.

As this way of working becomes even more common, the planning system may prevent the speedy rollout of workhubs. Identifying a site is one thing, but getting planning permission can be difficult. Reclassifying retail properties as office space has proven difficult for a number of workhub developers.

To support this way of working, IPSE believes action is needed in four key areas:

- Cut business rates for workhubs – small businesses with a rentable value up to £10,000 are eligible for 100% business rate relief – extending this to workhubs would ensure independent professionals are also effectively incentivised to develop and grow their business
- Incentivise the use of empty properties as workhubs – councils could easily address this blight by publishing interactive maps of disused buildings in the area. This would include the dimensions of the property, its rateable value for business rates and its previous use.
- Extend Permitted Development rights to allow empty premises to change their use – government should explore allowing empty retail premises (A1, A2, A3 & A4) over 500m<sup>2</sup> to be reclassified as B1 office space under permitted development rights.

## **2. What are the strategic options for future investment in large-scale transport infrastructure improvements in London - on road, rail and underground - including, but not limited to Crossrail 2?**

Transport connectivity is vitally important for the self-employed. IPSE survey data from 2015 found that independent professionals travel on average 1,775 miles each month to their place of work, while spending £8,056 each year on transport costs.

Investing in all forms of transport infrastructure is therefore vitally important in allowing freelancers the freedom to travel quickly, delivering flexible expertise to businesses of all sizes. When travelling by rail, policymakers can also go further in helping freelancers work on the move. Ensuring rail franchising agreements include a commitment to enabling WiFi across their networks will provide a productivity boost to the large number of freelancers who regularly travel into or from London.

## **4. What are the options for the funding, financing and delivery of large-scale transport infrastructure improvements in London, including Crossrail 2?**

As with all large infrastructure projects, greater effort needs to be made to open up the procurement process to smaller businesses and collaborations of independent professionals. Often it is only the very largest businesses who can compete here, given the onerous compliance requirements and very complex contracts.

But this does not always lead to satisfactory outcomes. The cost and complexity of large contracts can lead to delays and ultimately hit the public purse. For example, it was widely reported in 2015 that taxpayers could be hit with a bill for up to £700m after the government reportedly lost a legal battle with Fujitsu over a failed NHS

IT system. The Fujitsu Connecting for Health contract was part of the £12bn NHS national programme for IT, large parts of which have had to be abandoned at a cost estimated by the National Audit Office to be £2.7bn.

As important infrastructure projects are delivered in London over the next twenty years, government clearly needs to move away from its dependence on larger suppliers to deliver projects, instead effectively using the unique flexible expertise that independent professionals offer and the value they deliver for complex projects.

In delivering large infrastructure problems in London, government should build on its ambition that 1 in every £3 of government spend will be with SME. It should go further in breaking up contracts, committing to a sub-target that a quarter of spend within the SME ambition will be with microbusinesses including collaborations of independent professionals.

In addition, government should commit to publishing tender documents in an open source, editable format. This would allow microbusinesses to suggest revisions and flag up aspects of the contract which present difficulties.

It is of course inevitable that some large London infrastructure contracts will be awarded to larger businesses, but this doesn't mean independent professionals have no role to play. A Cabinet Office study has found that the fifty largest suppliers to government are responsible for 35% of government spending, and there must be a role to play for our smallest businesses further down the supply chain.

IPSE believes a greater onus must be placed on these large "tier 1" contractors to demonstrate how they will open up opportunities for subcontracting to the widest possible group. Tier 1 contractors should be expected to publish details of who they contract with in order to promote accountability.

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