BUSINESS LDN

SPRING BUDGET SUBMISSION

February 2023

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Our organisation

1. BusinessLDN (formerly London First) is a campaigning business membership organisation made up of over 170 members spanning a wide range of economic sectors. Our mission is to make London the best city in the world in which to do business, working with and for the whole UK. We campaign to tackle today's challenges and harness the power of our cross-sector membership to shape the future of the capital. We support business to succeed – locally, nationally, and globally.

2. We welcome this opportunity to make representations to HM Treasury on behalf of London's business community in advance of the 2023 Spring Budget. While the economic volatility seen in the Autumn of last year has largely settled down, firms across the country face a challenging mix of high energy costs, inflationary pressures and rising interest rates. Many firms' balance sheets remain stressed from the pandemic. These factors, coupled with skills and labour shortages across a range of sectors, mean that action is needed to support businesses and economic growth, with the capital playing a central role in driving the recovery.

3. BusinessLDN recognises that the Government will have to make difficult decisions on both taxation and public spending. Our submission focuses on key short-term measures to support businesses through the immediate difficulties, alongside longer-term measures which will deliver sustained growth. Together these measures would help ease the cost-of-living crisis, tackle the skills shortage, and cement London's position as a global player, working with and for all parts of the UK.

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ENTERPRISE

4. The energy bill support package the Government put in place to help businesses through the winter was welcome. However, energy costs remain extremely high and unless prices have fallen sharply by March, **further measures of support targeted at those sectors most in need will be vital to sustain otherwise viable firms.**

4. BusinessLDN welcomed the business rate relief extension announced by the Government for vulnerable sectors, such as retail and hospitality. **However, we urge the Government to increase the rateable value threshold below which small businesses receive 100 per cent rates relief from £12,000 to at least £28,000 in London. This would provide support for businesses struggling with high costs ahead of the revaluation taking effect in April.** We also call for fundamental reform of the whole business rates system, including full devolution of business rates tax policy to London and other cities and regions of England.

5. London is home to the most start-ups and universities in the UK which are a key driver of economic growth and help create the jobs of the future. Many rely on Research and Development (R&D) tax credits to develop cutting-edge technology and create high-skilled jobs in developing sectors, such as the green economy. The cut to R&D tax credits for smaller companies, announced at the Autumn Statement, undermines the Chancellor's ambition for the UK to be the next Silicon Valley. **The Government should reverse the cut to R&D tax credits for smaller firms and reduce the complexity of the application process.**

6. With European cities such as Paris and Milan introducing measures to boost tourism, the Government should act to maintain the UK's competitiveness. Re-introducing the VAT Retail Export Scheme and Airside tax-free shopping would attract more tourists to the UK and provide a welcome boost to the tourism and hospitality sectors, so badly hit by the pandemic. Pre-pandemic, one in every two pounds of retail spend in the West End came from international visitors. Analysis from the Association for International Retail suggests that the re-introduction of the scheme would attract an additional 1.6 million visitors in the first full year, spending an extra £2.1 billion. The total economic impact of the boost in foreign visitor numbers and spending across the country would be 4.1 billion annually, which would support 78,000 jobs across the UK. Furthermore, while the direct cost to the Treasury is set to be £590 million, tax-free shopping is expected to generate additional economic activity worth £940 million in tax take, leaving a net positive impact to the Treasury of £350 million. **The Government should ask the Office for Budget Responsibility to carry out an independent review of the full impact of tax-free shopping and remove the current Sunday trading restrictions on international shopping centres, such as the West End and Knightsbridge.**

7. The shortage of housing, in particular affordable housing, is a systemic and acute challenge to London's competitiveness.

8. Housing associations are currently facing a particular set of challenges which will restrict their ability to build new affordable homes: dealing with building and fire safety works; and retrofitting homes to improve their energy efficiency. These challenges, coupled with rising

build cost inflation and the increased cost of debt, are compounded by the changes made by the Government to the existing rent settlement.

9. The Government acknowledges that its proposed changes to the rent settlement will leave registered providers, “with less money to invest in providing new social housing, improving the quality and energy performance of their existing homes and providing services to tenants”[1]. Having set the 7% cap on the increase in social housing rents, **the Government must outline how the sector can address and potentially make up, over time, the lost income from their business plans. The Government must stop unpicking existing rent settlements and establish clarity, as soon as possible, about future rent settlements**. **This undermines the ability to leverage greater private investment into affordable housing.**

10. To speed up the planning system and help address the housing crisis **the Government must enable more resources to go into planning departments**. The number of planners, especially experienced planners, in local authority planning departments, is at an all-time low and this is severely hampering the planning process and directly contributing to the delays affecting planning applications and ultimately, delivery. With the workload of local authority planners set to increase further through the implementation of design codes, biodiversity net gain, carbon assessments and building safety considerations at planning stage, an injection of additional resource is urgently needed to ensure we get back on track with getting development permitted, so it can be built out to meet need.

11. BusinessLDN welcomes Chris Skidmore’s emphasis in the 2023 Net Zero review to use infrastructure to unlock net zero opportunities as well as the recommendation to develop a cross-sectoral infrastructure strategy by 2025 to support the building and adaptation of infrastructure for electricity, hydrogen, and other fuels and networks that underpin the green economy. **We urge the Chancellor to expedite the implementation of new business models for innovative low-carbon technologies by introducing subsidies and grant funding for businesses that aim to develop these technologies through research and development.**

12. We would also like to **see the Government agree a price support mechanism, based on the contracts for difference model (CfD) used for offshore wind, to accelerate a domestic sustainable aviation fuels industry**. The UK is risking losing its competitive advantage to airports such as Amsterdam Schipol if Government fails to listen to the increasing ESG pressures from investors and consumers on the importance of accelerating decarbonisation, while missing the opportunity to create sustainable jobs across the UK.

[1] www.gov.uk/government/consultations/social-housing-rents-consultation

EDUCATION

13. London's labour market is characterised by substantial inequalities. More Londoners hold higher qualifications than in any other region or world city, with 58% of the city's working age population educated to graduate level or higher in 2020, according to ONS data. And yet unemployment and in-work poverty in the capital has consistently been above the national average for many years, with those in minority ethnic groups, the disabled, and young people disproportionately affected. Our report, *Tackling Labour Skills Shortages*, sets out a series of recommendations that would help create a simpler and more effective skills system, and reduce barriers to support the economically inactive to access employment and skills opportunities.

14. In terms of creating more effective routes to support more people into work, **we urge Government to reform the Apprenticeship Levy**. **Extending the deadline for spending Levy funds from two to three years; enabling larger employers to transfer more funds to SMEs (from 25% to 40%); and allowing Levy funding to be spent on pre-employment training and the wage costs of new apprentices from priority groups**, **would all have a material impact on the number of apprentices hired.**

EMPLOYMENT

15. Parents and carers in London face the highest childcare costs in the UK. When the impact of London's high housing and travel costs are added into the equation, the affordability and availability of childcare is a barrier for many parents and carers to enter or return to the labour market at a time when many firms are experiencing skills shortages. For example, the cost of a part-time nursery place for a child under two years of age in inner London has risen by 19% from £154 per week in 2017 to £184 in 2022, according to the Family and Childcare Trust. While the Government makes 30 hours of free childcare per week for 3–4-year-olds available, and provides tax free childcare for all, this is only available if both parents are working. This can act as a block on the ability of parents (mainly mothers) and carers to return to work in the early years, when the cost of childcare is often particularly prohibitive. **The Government should undertake a comprehensive review of childcare provision focused on ways of reducing costs while increasing availability, to enable parents and carers to return to employment, thereby boosting labour market inclusion.**

EVERYWHERE

16. Continued government support for rail investment and the Chancellor's recent confirmation that HS2 will run to the original endpoint of Euston are both welcome, but current investment remains below the level required to facilitate economic growth in the UK's cities and meet our net zero targets.

17. Constant speculation on the scope of HS2 must stop. This is a significant cause of the inflationary and cost pressure that such debates claim they are seeking to address. **HS2**

needs to be delivered in full – alongside Northern Powerhouse Rail – if the benefits are to be realised. Alongside the creation of much needed additional capacity across the rail network, the value of HS2 is in large part derived from offering city centre to city centre connections. This is what passengers and businesses alike will expect, and what is required if HS2 is to fulfil its promise as a catalyst for growth, levelling up, and additional investment.

18. We welcome the acknowledgement from all sides that central government will need to continue to play a role in helping Transport for London to meet its future capital investment needs. Whilst local and private sector contributions will be critical to many of these projects, few are likely to be fully unlocked without central government support. **We appreciate that there is further detail to be worked through and a full funding settlement is unlikely at this stage, but we hope that the Treasury will take this opportunity to send clear and positive signals to Transport for London (TfL) and the private sector about their intentions regarding the capital investments London needs to thrive and continue to support the UK economy**. This means indicating a readiness to work with the Mayor and TfL to deliver the signalling upgrades on the Piccadilly Line and to develop a sustainable plan for future investments like the Bakerloo Line extension, the DLR to Thamesmead, the West London Orbital, and eventually Crossrail 2 - all of which would deliver powerful levelling up and housebuilding outcomes.

19. London, like other regions in the UK, would be better served by greater devolution of decision-making, which is vital to support growth across the country. Local leaders know best how to use funding to solve the issues that hold the local economy back. London is the beneficiary of several government funds, including the Future High Streets Fund, the Community Renewal Fund and the Levelling Up Fund. In London, this totals more than £650m. **The Government should allow regional authorities to consolidate these pots to drive growth and to enable investment to be targeted where most needed** - from skills to transport projects - which will support growth and prosperity across the UK.