BUSINESS
LDN

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

10 September 2024

Dear Chancellor,

BusinessLDN submission to the Autumn Budget

BusinessLDN speaks for over 170 leading businesses in London, spanning a wide range of economic sectors. We strive to make London the best city in the world in which to do business, working with and for the whole UK.

Improving productivity to accelerate growth must be the key economic priority for the Government. It is the only sustainable way to improve prosperity and fund the investment our public services need. So business strongly supports the Government's growth mission.

London remains an economic engine for the whole UK, contributing 28% of UK jobs, 25% of the UK's output and 21% of the UK's total tax revenues. Yet despite its economic heft, a quarter of Londoners live in poverty after housing costs are considered. Annual productivity growth is now far lower than our global competitor cities and is significantly lower than in the previous decade.

Our submission focuses on:

1. Championing devolution to enable London to fire on all cylinders
2. Embracing a mission-based approach to growth
3. Reforming tax and regulation to make London a more attractive place to invest
4. Tackling acute housing shortages
5. Investing in transport to connect people to jobs
6. Leveraging private sector investment in the infrastructure the capital needs
7. Getting more Londoners into jobs
8. Supporting the transition to net zero

In making our submission, we are mindful that public finances remain under pressure. Our recommendations focus on proposals that deliver 'quick wins' at no or low cost, suggestions for better use of existing funds and ideas for targeted public spending that can unlock and leverage private sector investment.

Yours sincerely,

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Champion devolution to enable London to fire on all cylinders

There is a strong business and economic case for increasing devolution to London and other City Regions so that they have the tools to fire on all cylinders. The advantages include being able to operate at speed through local decision making, being more in-tune with local priorities, and being more likely to spot 'join-up' opportunities between silos, for example across housing, transport and decarbonisation.

And yet despite recent changes, England remains one of the most centralised democracies in the G7. Deploying the advantages of devolution could help to deliver on some of the UK's most pressing national challenges. On growth, by creating the incentives to grow revenue streams on a lasting basis. On housing, by being more in-tune with local demographic need. And on infrastructure, by a better ability to join-up various economic & social infrastructure.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Grant London a 'level 4' trailblazer devolution deal, giving it powers, responsibility and fiscal autonomy on a par with Greater Manchester and the West Midlands. Critical component parts of this deal are a single settlement along the lines of a departmental settlement, a long-term 10-year time horizon, and full autonomy over business rates.

The Government should make better use of existing funding by:

- Consolidating various government ring-fenced pots – totalling more than £650 million in London across the Future High Streets Fund, the Community Renewal Fund and the Levelling Up Fund. This would streamline complex and expensive bidding processes, while also delivering better returns on spending across the UK.

Embrace a mission-based approach to growth

The Government has adopted a mission-based approach, focused on long-term objectives and outcomes. Its priority mission is growth. This approach is strongly supported by business.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Apply a mission-based approach and systems-thinking to granular growth challenges. As an example, by applying systems-thinking it is possible to significantly boost London and the UK's exhibitions sector.

Case study: deploying a mission-based approach to boosting business events and visitors to the capital

Events and their associated visitors make a significant contribution to London and the wider UK economy each year. It's a £1trillion global industry. There is potential to significantly increase its economic contribution using a mission-based approach. Here's how:

When event organisers are choosing their host city the destination is often selected to further the objectives of the event. Each event has its own community of practice and the message as to why the location aligns to this should be clear. The city should be able to demonstrate a connection between its business/academic/skills infrastructure and the value that the event delivers for the UK. So, the first step is to mobilise soft power, create a sense of welcome and embrace the community. Ministerial letters of welcome and addresses can go a long way.

Second, there are the practical aspects of organising an event from delivery of goods to VAT regimes for those organisers and exhibitors based overseas as well as delivering smooth and efficient visa application and acceptance protocols for those visiting and working at the event.

And third, walk in the shoes of the delegate experience. Create a sense of welcome from the moment they arrive in the UK. Make access easy, including at the border, and ensure it is simple to travel and get around the capital when events are running.

None of this requires significant extra spending. But it does require the grip, co-ordination and willingness to engage that a mission-based approach can deliver.

Reform tax and regulation to make London a more attractive place to invest

Our research on 'London as a place to invest' undertaken in collaboration with EY shows that perhaps London's biggest strength is the breadth and depth of its marketplace. It's vital to maintain this.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Scrap stamp duty on share transactions to improve the attractiveness of the UK as a place to list and invest, in a move that would pay for itself.

- Restore VAT-free shopping for international visitors, recognising the broad eco-system of hotels, restaurants, museums, theatres as well as retailers that would benefit.

- Set out a tax roadmap to provide the certainty needed for long-term decision making:

    - Minimise 'cost base' taxes on business. Priorities should include reform of business rates which penalise high streets, and no increases to employer national insurance contributions, which act as a tax on jobs.

- Confirm investment incentives for the duration of parliament, with full expensing of capital and R&D tax credits particularly powerful levers for attracting globally mobile investment to the UK.

- Extend the concept of a tax roadmap more broadly, for example:

    - Set out the Government's preferred instruments for leveraging in private sector investment and the types of projects that they will be available for.

    - Publish a roadmap to deliver a much-needed transition from the Apprenticeship Levy in its current form and towards a more flexible Growth & Skills Levy to boost uptake and avoid a chilling effect on investment in training during the transition.

Tackle acute housing shortages

London is suffering from a chronic housing shortage. Net housing additions in the capital are averaging consistently less than 38,000 but the capital needs at least 66,000 new homes a year, creating a cumulative backlog that is leading to higher costs for Londoners. Boosting supply and reversing the stark drop in recent new starts is the only sustainable way to tackle the city's housing crisis, and to see these costs fall.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Provide long-term certainty about a future rent settlement, ensuring it is reflective of the costs that local authorities and housing associations are facing.

The Government should make better use of existing funding by:

- Providing long-term certainty and greater flexibility over the Affordable Housing Programme, ensuring the money is provided flexibly to reflect the cyclical nature of development.

Taken together, this long-term certainty would allow housing associations to plan with confidence for the future, adjusting their business plans accordingly, and potentially freeing up capital to purchase new homes. It should also help attract more private investment into affordable housing, bolstering the limited amount of public funding that is currently provided which, when the economy allows, must ultimately be increased to support a step-change in supply.

Invest in transport to unlock development, connect people to jobs, and boost UK supply chains

Transport is an enabler of sustainable growth and unlocks opportunity, connecting people to jobs across the country and firms to international markets. London's ageing transport network needs investment to keep the city moving as its population grows and to maintain its international competitiveness. This will require both improving services now and investing for the long-term in partnership with the private sector.

The Government should deliver targeted public investment to unlock a multiplier of private sector investment:

- Commit to a multi-year capital funding deal for Transport for London – similar to those already reached with Network Rail, National Highways and eight city regions across the UK – to enable London to plan its transport investments with certainty and support UK wide supply chains.

- Deliver a more strategic approach to river transport by encouraging closer collaboration between Transport for London, the Port of London Authority, the Maritime and Coastguard Agency and London's boroughs. This should encourage more efficient use of the river by providing further incentives to unlock private investment, such as enabling more relief on greener fuel technologies.

- Establish a price support mechanism to accelerate the adoption of Sustainable Aviation Fuels (SAF) based on the Contracts for Difference model used for offshore wind, to accelerate a domestic SAF industry and support the aviation sector.

Leveraging private sector investment in the infrastructure the capital needs

Much of the city's infrastructure is provided through regulated silos – energy, water, telecommunications. Yet many key issues facing the city, such as the provision of electric vehicle charging points or steps to boost resilience to frequent climate events and rising sea levels, do not fall neatly into any company or regulator's remit.

Given the state of the public finances, crowding in private investment at scale will be essential to deliver the infrastructure London and the UK needs. The Government's Infrastructure Finance Review estimates that half of the UK's £600bn infrastructure pipeline over the next ten years needs to come from private sources.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Government should establish funding models for new privately provided infrastructure, building on the success of the model employed by Thames Tideway Tunnel and the Contracts for Difference for offshore wind.

- Devolve powers to London Government to enable the delivery of new infrastructure to boost growth and unlock development, such as the power to use Tax Increment Financing.

- Clarify the long-term policy on freeports, which are playing an important role in supporting trade and investment into the UK, alongside the welcome intent to invest £1.8bn in port infrastructure through the National Wealth Fund.

Getting more Londoners into jobs

London is a beacon for talent and opportunity. But behind its success lies a complex labour market with multiple inequalities and distributional challenges. Qualifications are higher than in any other UK region, yet the in-work poverty rate is one of the highest. There are more jobs in the capital than ever before, while economic inactivity is too high, and employers face acute labour shortages. To address these challenges, the Government should work with business to tackle barriers to labour market inclusion.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Ensure that Skills England recommits to the model of partnership between government, industry and educators - that has been successful in the Local Skills Improvement Plans (LSIP) - to develop a joined-up approach to skill development and migration policy.

- Set out a clear implementation plan on the New Deal for Working People, providing a timetable for introducing the changes, the windows of consultation and when legislation and the detailed secondary legislation will be put in place.

- Maximise the opportunities of the Growth & Skills Levy reforms by setting out a roadmap in consultation with employers and providers which signals to employers how quickly the current Apprenticeship Levy will be reformed and what levels of funding flexibilities may be introduced. The new system should help raise investment in training, help tackle youth unemployment which is now at a three-year high, and help young Londoners and those from disadvantaged backgrounds into work and training.

- Clarify the roll-out plans for the Lifelong Learning Entitlement and use it to stimulate the market for more modular training.

- Ensure the collaboration between Skills England and the Migration Advisory Committee delivers an evidence-based approach to migration, that supports the needs of the labour market especially in high-growth sectors. Expand the Youth Mobility Scheme and ensure visa costs and health surcharges are internationally competitive.

The Government should make better use of existing funding by:

- Devolving National Careers Service funding to London (and other Mayoral Combined Authorities) to enable greater ability to shape the service for local need and Londoners.

The Government should deliver targeted public investment when the finances allow to boost the labour market by:

- Establishing a roadmap to help deliver a stable financial framework for Higher Education. A financially strong, world-leading Higher Education sector is crucial to deliver the skilled workforce the UK and London needs to thrive. However, a long-running cash-terms freeze to tuition fees and tighter restrictions on international student visas has created a very difficult funding outlook for the sector. To ensure universities can continue to deliver high-quality provision and the best experiences for their students, the government should establish a roadmap towards a stable financial framework for the sector, including allowing tuition fees to be raised to better reflect the costs of delivery.

- Working with the private sector to improve the availability and affordability of childcare. Ultimately the Government should widen eligibility for the 30-hours of free hours childcare a week, make it available for all 52 weeks of the year and bring forward the increased funding to primary schools for wraparound care so that it is available from September 2025.

Support the transition to net zero

To meet its legally binding requirement to bring all greenhouse gas emissions to net zero by 2050, the Government should work with the private sector to encourage a market-led transition. London has an even more ambitious target to hit net zero carbon by 2030, and produces 40% of all UK emissions.

Policy certainty is essential to spur the investment needed to meet the UK's climate ambitions. The Government should provide a clear framework, backed up by appropriate incentives, to drive decarbonisation and green growth across multiple sectors.

The Government should deliver the following 'quick wins' and regulatory reforms at no or low cost:

- Back efforts by BusinessLDN and its members to establish a business-led UK carbon offset fund for the UK which would enable businesses who want or need to offset their emissions to do so with confidence, while supporting localised schemes that boost environmental and social improvements across the country and accelerating the transition to net zero.

The Government should deliver targeted public investment to encourage a market-led net zero transition:

- Develop the infrastructure necessary to support an energy transition to clean sources and encourage long-term investment from the private sector. This should include following through with the Connections Action Plan to reduce time taken to connect to the grid and investing in capacity upgrades to the transmission network to accommodate increased renewable energy input. Increases in bills to fund these investment costs would be more than offset by lower and less volatile energy prices over time.

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