

Jim McMahon OBE MP
Minister for Local Government and English Devolution
Ministry of Housing, Communities and Local Government
2 Marsham St
London
SW1P 4DF

14 August 2025

Dear Minister,

The Fair Funding Review's implications for London

I am writing to urge you to ensure that the Government's proposed reforms to local authority funding take into account actual local needs and costs.

As you may know, BusinessLDN is the capital's leading business membership group, representing [over 170 large employers](#) with the mission to make London the best city in the world in which to do business, working with and for the whole UK.

We support the aim of making the local government funding system simpler, more stable and fairer. Such reform is long overdue. However, we have serious concerns over the methodology being used in the version of the Fair Funding Review which is currently being consulted upon.

The spending context

London councils, and particularly inner London boroughs, have seen their real terms spending power squeezed significantly since 2010. To take the London Borough of Camden as an example, London Councils has calculated that its core spending power has fallen by 13% in real terms since 2010. Over this period the amount of locally raised resources, from council tax, has increased by 15% in real terms, and has moved from representing 28% of CSP in 2010 to 37% in 2025. Like other central London councils, Camden raises vastly more in business rates than it receives back from the Government in grants.

Coupled with the increased pressures around core statutory functions, such as social care, SEND and managing homelessness, councils are being forced into reducing spending on areas that affect the ability to attract investment and growth — such as development control and the timely and effective management of planning applications, environmental management, infrastructure improvements, street cleaning and refuse collection. It is vital that the Government's reforms ensure that local authorities are resourced to do both effectively.

Yet the analysis undertaken by the Institute for Fiscal Studies calculates that, under the funding formula proposals, the spending power of the inner west London councils would fall by a further 11-12% in real terms over the next three years, even with those authorities increasing council tax by the maximum level permitted by the Government.

To return to Camden, this would mean that the Borough's spending power will fall by a quarter in real terms since the last Labour Government.

Assessing need

The new formula must look at need and deprivation in the context of actual living costs. While London has high average incomes, it also has high housing costs. The ONS Family Spending in the UK survey shows Londoners spend 27% of their average weekly household bills on rents and mortgages, compared to an average of just 17% across the rest of England. Once housing costs are factored in, London has the highest rate of poverty of any region in the country, with one-in-four households living in poverty. Any new local government funding model must surely take this into account.

Overall, London Councils' analysis suggests boroughs in the capital will ultimately receive £700m less than they would under current funding arrangements. It would be deeply concerning if local authorities in the city were left without the resources they need to provide the basic services that their residents and businesses rely upon. This would undermine the perception of London as an attractive place to live, work and invest – and in turn, jeopardise the Government's growth mission and the ambition for the UK to be the most rapidly growing country in the G7.

We urge you to ensure that the Fair Funding Review 2.0 takes these factors into account and delivers a reformed system that works for London and the whole UK.

I would also like to take this opportunity to invite you to discuss this issue with senior business leaders and politicians at a BusinessLDN breakfast roundtable on local government funding at Labour Party Conference in Liverpool on Monday 29 September (09.30-10.30). If I may, I will ask my team to follow up with your office.

I am copying this letter to the Secretary of State for Business and Trade, and to Central London MPs and council leaders.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Dickie', with a horizontal line underneath.

John Dickie
Chief Executive