

The Rt Hon Peter Kyle MP
Secretary of State for Business and Trade
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY
By email

19 November 2025

Dear Secretary of State,

We are writing as a collective of business leaders to express concern about how the Government's proposed local authority funding reforms will affect the ability of London councils to provide services that underpin investment and growth.

The Government's ambition to make the local government funding system simpler, more stable and fairer is long overdue and welcome. However, the methodology being used in the Fair Funding Review 2.0 risks exacerbating the unprecedented financial pressures that London councils, and particularly inner London boroughs, are facing.

Nearly a quarter of London boroughs are now reliant on emergency borrowing to balance their budgets – the highest rate of any region in the country. Collectively, boroughs face a funding gap of £1bn this year, having had to overspend by £800m last year to meet demands for their services according to [London Council's analysis](#).

The Government's proposed funding reforms are poised to make this unsustainable financial outlook even worse. Under the proposed formula, boroughs in the capital will ultimately receive £700m less than they would under current funding arrangements. Analysis by the Institute for Fiscal Studies shows that the spending power of 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.

Boroughs will of course prioritise their statutory responsibility to protect their most vulnerable residents, including adults and children in need of social care and homeless families. This means the impact of further funding constraints will inevitably hit visible services boroughs deliver and on which local businesses depend such as planning,

economic development, street cleaning and refuse collection. In turn, it would undermine the perception of London as an attractive place to live, work and invest.

We ask that you speak to the Secretary of State for Housing, Communities and Local Government to ensure that the Fair Funding Review 2.0 delivers a system that enables London to play a full part in delivering the growth mission, without jeopardising delivery of vital services across the capital.

Yours sincerely,

John Dickie, Chief Executive, BusinessLDN

Alex Jan, Chair of Central District Alliance BID

Ros Morgan, Chief Executive, Heart of London Business Alliance

Brendan Kerr, Executive Chairman and Owner, Keltbray

Faraz Baber, Chief Operating Officer, Lanpro

Dee Corsi, Chief Executive, New West End Company

Ian McDermott, Chief Executive of Peabody and Chair of the G15