

London's Calling: Unlocking Productivity in the Capital

All-Party Parliamentary Group for London inquiry

BusinessLDN submission, May 2026

BusinessLDN represents over 170 leading businesses in London 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.

BusinessLDN welcomes the opportunity to respond to the APPG for London inquiry on productivity and growth. We are submitting evidence that draws on our recent Growth Commission recommendations, which deliberately have a sharp commercial lens and are focused on what business leaders know will make a difference.

The ideas we put forward in our Growth Commission report and in this submission are predominantly the views of larger employers in the capital. Others are better placed to speak for the entrepreneurial ecosystem that plays such a vital part in London's dynamism.

The big picture should focus on cross-cutting issues

The backdrop to this APPG inquiry into productivity and growth is that the UK is stuck in a low growth rut. And with the capital responsible for almost a quarter of the UK's GDP¹, maximising London's potential will be vital to achieving the UK's growth mission.

Longstanding issues around low investment and productivity have been added to with employment challenges, especially for young people, with London experiencing the highest rates of unemployment of any region in the UK. And the highly centralised approach to tax and regulation in the UK means that – as things stand – there are relatively limited levers for London government to pull that will make a difference.

To address these challenges, the work of the recent [BusinessLDN Growth Commission](#) considered cross-cutting issues facing all firms, foundational issues such as housing, and measures to boost specific growth sectors. Some of the cross-cutting issues that we identified included:

- Putting an end to needless and damaging uncertainty over future policy, with the nascent 10-year infrastructure pipeline an illustration of what 'good' looks like.
- Keeping under review our tax system's overall competitiveness and emphasising stability and simplicity in the tax system, with fewer sector-specific tax changes and other piecemeal taxes, as these are ultimately more damaging to growth prospects than straightforward increases in general taxation.

¹ ONS regional GVA data

- Streamlining and simplifying sclerotic systems, such as land use planning rules, that suffer from a lack of coordination, create substantial deadweight costs and act as a brake on investment and growth.
- Reducing centralisation, putting London in control of its own destiny, with further devolution – particularly greater fiscal devolution – helping to get projects delivered at speed, more in tune with local need and delivered in a more joined-up way.

Our deliberations concluded that action on these cross-cutting issues would be more likely to dramatically shift the dial on growth across the capital, with action on sector-specific issues being a further accelerant to growth.

Many of these issues are explored in the themes identified in the APPG's productivity and growth inquiry consultation. We believe that two issues merit further discussion, tax and housing.

Addressing tax competitiveness, stability and simplicity

To address tax competitiveness issues, the BusinessLDN Growth Commission proposed establishing an Office for Tax Competitiveness, tasked with constantly reviewing where UK taxation structures could be refined to boost investment, jobs and growth.

Its job would be to identify where the UK is hurting itself by being out of kilter with – or falling behind – other international jurisdictions, to publish research and analysis, and to put forward recommendations to the Chancellor to inform fiscal decisions.

We have suggested that priority tasks would include reassessing 'non-dom' reforms, examining the case for the reintroduction of VAT-free shopping for international visitors, as well as reviewing the bank levy, stamp duty on property and share transactions, and supporting the Government's manifesto commitment to replace the business rates system.

The impact of housing on talent and competitiveness

No analysis of the capital's growth and productivity story would be complete without an examination of the foundational issue of housing supply and cost, which for London is critical to retaining talent and maintaining competitiveness.

Our BusinessLDN Growth Commission set out a detailed range of measures aimed at speeding up housebuilding. These included proposals to accelerate the supply side reforms put in place around planning, ideas to maintain momentum to resource the Building Safety Regulator, and suggestions for ensuring the Emergency Measures for housing designed to ease costs and planning requirements make a difference right now and last for long enough, which the GLA has recently acted on. We also argue the case for delivering well-designed, short-term support on the demand side, such as reforms to Stamp Duty Land Tax and/or a modernised version of the Help-to-Buy scheme.

Facilitating and scaling innovation

The capital's capacity for constant reinvention is a testimony to its strengths in innovation. The foundations for innovation ecosystem lie in the sheer breadth and depth of the London marketplace and its talent. This has led to some of London's biggest innovation success stories in recent times, which have often been the result of a fusion of sectors with examples such as Revolut, Starling and Wise in FinTech; Mulitverse and FutureLearn in EdTech; and the likes of Impax Asset Managment in Green Finance.

Some of the cross-cutting issues identified in the BusinessLDN Growth Commission report that would help boost innovation in the capital include:

- Stepping up the pace of regulatory responsiveness when the Government accepts an issue in principle and there is a consensus, for example by making better use of legislative vehicles such as a regular London Bill in Parliament, or better still by providing greater devolution of such regulatory powers.
- Extending full capital expensing to reflect the needs of today's London economy by including intangible assets such as software, digital and AI licences.

The BusinessLDN Growth Commission also identified some sector-specific measures to boost innovation.

- In financial services, where we advocated:
 - Speeding up the deployment of insights gained from sandboxes, regulatory sprints and public-private partnership forums around innovative areas such as digital assets and AI so that they translate into tangible actions and initiatives to remove barriers and support growth.
 - Helping fintech start-ups to scale and established financial services firms to increase efficiency and innovation by developing a National AI Financing Strategy to attract investment and simplifying listing rules to attract investment in AI and energy projects.
- And in life sciences, where we recommended:
 - Embracing "platform regulation" to speed up approving drug trials, so that only the modified components of new drugs that share a common backbone need approval, rather than every element requiring authorisation from scratch.
 - Making London and the UK a more compelling destination for life sciences companies by enhancing access to the NHS. This could be done by putting in place the necessary governance to ensure trusted, high-quality access to data, patients and clinicians, all of which can ultimately support better innovation and health outcomes.

- Using medicine drug pricing to better incentivise locating of critical and large-scale “Phase 3” clinical trials in London and the UK, as is the case in other markets such as Germany.

Investing in infrastructure

Transport is a vital enabler of sustainable growth, connecting people to jobs, businesses to markets and supporting housing delivery. However, London’s ageing transport network requires significant investment to keep pace with a growing population, unlock development sites and maintain its international competitiveness. More broadly, crowding in private investment at scale will be essential to deliver the infrastructure London and the UK needs.

There have been several welcome recent policy developments regarding London’s infrastructure: a long-term funding settlement for Transport for London; the funding required to deliver the Docklands Light Railway (DLR) extension to Thamesmead, in partnership with the private sector; and Government backing for improving London’s international connectivity, including at its major airports.

London’s global links play a central role in supporting the UK’s economic growth. The capital’s international ports provide the critical infrastructure that allows businesses to trade, export, and collaborate internationally, while supporting growth sectors that rely heavily on international reach.

BusinessLDN’s recent ‘Pathway to Delivery’ report sets out four priority areas where government action is critical to ensure that the £53.5 billion plus of private investment that is planned across London’s global ports including at Heathrow, Gatwick, Stansted, London St. Pancras Highspeed and at London Gateway & Logistics Park is delivered:

1. More joined-up working across Whitehall and between national, regional, and local government to avoid delays and ensure consistent policy signals.
2. Better aligning regulatory frameworks with the Government’s focus on growth, ensuring that regulators enable timely delivery while maintaining independence.
3. Continuing to evolve the planning system so major projects can progress efficiently, with fewer delays and greater certainty.
4. The fiscal environment must remain internationally competitive, ensuring that tax and business rates regimes do not undermine investment.

Priorities for domestic transport across and around the capital include:

- Providing political backing and committing sufficient funding to build momentum behind the Bakerloo Line Upgrade and Extension, which will support an estimated 107,000 new homes and 150,000 jobs along the whole route.

- Issuing a formal statement of intent to explore delivery of the West London Orbital - akin to the statement made about the DLR extension made in the Spending Review - which will support up to 15,800 new homes in West London and act as catalyst for economic development.

Fast, secure and reliable digital connectivity is essential to underpin economic growth and realise the productivity gains expected from AI. Because of this, mobile and fixed communications networks are now critical national infrastructure.

London's digital infrastructure is being constrained by regulatory frameworks that create uncertainty, weaken investment incentives and reduce the pace of delivery required to support growth.

To address these challenges, our recommendations included: ensuring the London plan reflects the modern-day needs of digital infrastructure; better mapping of city-level data on fibre coverage in London; making more use of public assets to support shared infrastructure solutions in high-demand areas; and boosting AI-driven services and next-generation connectivity by modernising net neutrality rules.

Data centres are a critical component of the UK's digital infrastructure, underpinning economic growth, public services, and the adoption of artificial intelligence. In London they are particularly important for high-growth, data-intensive sectors such as financial and professional services, life sciences, telecommunications, and web-based applications that rely on low-latency services and large volumes of on-demand data transfer.

To support the growth of these vital data centres, ensuring that sufficient levels of low-carbon electricity generation and grid infrastructure are developed alongside new data centres so that these energy sources can be fully utilised will be important. We also believe that it would be beneficial for data centres that have secured planning permission and have confirmed power connections to be granted preferential consenting powers to expedite the approval of lengthy transmission connections and reduce delays in grid integration.

Skills

London's key competitive advantage is its people². The Oxford Economics Global Cities Index shows that London's high placing in the ranking can be attributed to its stand-out performance as the world's leading city for human capital, due to its numerous world leading universities, diverse labour force, and large pool of international headquarters.

Ensuring national and regional initiatives such as the Industrial Strategy, the London Local Skills Improvement Plan (LSIP) and the Mayor's Inclusive Talent Strategy work effectively together to match skills development with the needs of London's high-growth sectors is vital, along with improving mobility and access to talent globally.

² <https://www.oxfordeconomics.com/global-cities-index/#top-cities>

Detailed measures designed to get more Londoners into better, higher-paying jobs by better matching training provision to employer demand are set out in the London [Local Skills Improvement Plan](#) and [Progress Report](#), which is co-led between the GLA and BusinessLDN, with BusinessLDN the lead employer representative body working in partnership with CBI London, FSB London and the London Chamber of Commerce and Industry. Specific digital skills proposals are set out in the associated [Advanced Digital Skills](#) report.

Broader recommendations to boost skills across the capital include:

- Giving greater clarity on the major announced funding reforms on apprenticeships, the lifelong learning entitlement and knowledge transfer funding to enable Higher and Further Education institutions to plan and invest with greater confidence and certainty.
- Accelerating plans for high-quality careers advice, including an all-ages London Careers Service by releasing the funds required to help Londoners navigate current and emerging training offers, such as apprenticeship units, and ensure they are supported to enter priority, high-growth sectors.
- Setting out a detailed roadmap to ensure the transition from the Apprenticeship Levy to the new Growth & Skills levy increases the flow of funds spent on skills and crowds in more private investment in training. The flexibilities in the new system must give businesses confidence to invest in the skills they need, including at entry-level to tackle high levels of youth unemployment and reskilling at higher levels to address changing skills needs.
- Introducing a tax credit mechanism for employers to incentivise a significant step-up in training for their employees, as the pace of change and need for continual re-skilling ramps up in an era of AI.
- Bringing back the Local Skills Improvement Fund to support universities' ability to create new courses that deliver against the skills priorities identified through the Local Skills Improvement Plan. This would include investment in facilities, equipment and staff training.

Devolution

Economic growth in London is inhibited by a lack of local access to financial mechanisms and tools to meet the city's potential. Despite London government having a good record in managing investments, central government retains de facto authority over relatively modest projects, such as extensions to the Docklands Light Railway, as it controls the purse strings.

Notwithstanding the Government's Devolution Bill and moves to put in place an integrated financial settlement for London that give the Mayor more freedom to prioritise spend from consolidated funding streams, this degree of central control has particularly damaging impacts on London. Whilst true of other city-regions, in the capital high land values could support innovative financing and capable delivery bodies such as Transport for London already exist. So, the boroughs and the Mayor could, if given greater autonomy, work with private investors to deliver greater investment in infrastructure and other development, in turn driving up GDP and productivity.

Proposals for how further devolution could be used to help drive up growth in the capital and elsewhere developed through the BusinessLDN Growth Commission include:

- Making greater use of development corporations – national, mayoral or locally-designated – to allow temporary use of planning, compulsory purchase powers and other policy tools to speed up development.
- Making it easier to introduce area-specific tax increment finance arrangements, such as those that partially funded the Northern Line Extension to Battersea through retention of taxes from development enabled by the extension. This would reassure the Mayor and/or boroughs that planning permissions and development lead to additional tax yields, which can be held locally for, say, 25 years to help pay for infrastructure. Further details on these ideas can be found in the recent BusinessLDN report [Generating land value to grow London](#).
- Handing the Mayor of London and other Mayors new powers to fast-track key projects through deeming them Regionally Significant Infrastructure Projects.
- Creating better incentives for pro-investment policies at the local level, with potential reforms including:
 - Introducing a significant element of business rates (or its successor tax) retention for local authorities, coupled with offsetting year one reductions in grants, so that they have an incentive to take politically challenging decisions in the short term, knowing that they reap the benefits, through increased tax receipts, of adopting pro-investment and pro-growth policies over time.
 - Giving London-level government the ability to introduce Tax Increment Finance (TIF), Land Value Capture (LVC) and Enterprise Zone (EZ) schemes with appropriate prudential governance oversight, rather than requiring approval on a case-by-case basis from HM Treasury. Examples of where this could be deployed include infrastructure projects, such as the Bakerloo Line extension, which would deliver major boosts to housing. This would build on the medium-term proposal above designed to make it easier to introduce area-specific TIF schemes.

Delivering Inclusive Growth

Despite the capital's many successes, a quarter of Londoners live in poverty after housing costs are considered, productivity growth is much lower than many international rivals, and London has a higher rate of unemployment³ than any other UK region coupled with more acute challenges around youth unemployment.

On the face of things, ensuring the benefits of growth are shared through the pursuit of inclusive growth or good growth is unarguably the right thing to do. But we should be mindful of the risk of being overly prescriptive about what constitutes the "right kind of growth" or trying to load too many objectives onto the growth agenda as this could result in little or no growth. This would ultimately be a poorer outcome for everyone, with growth being required to pay for public services, create jobs and deliver a sustainable rise in living standards.

Our view is that the best approach to ensuring that growth that is inclusive is to ensure that all Londoners have access to the education and training that equips them with the skills they need to play a full part in London's growth story. This should be backed up with a robust competition regime that spurs innovation, choice and contestability, and by fair and proportionate taxes to ensure that all firms are contributing to the public services that all Londoners depend on to thrive.

BusinessLDN
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³ ONS Labour Market in the Regions of the UK, April 2026