

APPG for London meeting on London's needs from the Spending Review

Meeting date: Wednesday 30 April

Location: Portcullis House

Chairs: Florence Eshalomi MP, Peter Forune MP

Speakers:

- Cllr Claire Holland, Chair of London Councils and Leader of Lambeth Borough Council
- Manny Houthi, Chief Executive, Trust for London
- Matthew Fell, Director of Competitiveness, BusinessLDN

Also in Attendance:

Luke Taylor MP

Dawn Butler MP

Joe Powell MP

Danny Beales MP

Andrew Rosindell MP

Daniel Francis MP

Julia Lopez MP

Summary of the meeting

Florence Eshalomi MP opened the meeting by outlining the opportunity that the upcoming Spending Review presents. Noting that seven boroughs have applied for Exceptional Financial Support, she questioned the extent to which EFS can continue to be considered “exceptional”. She argued that for London to remain a competitive and open city and for the London economy to grow, helping the government to reach their growth target, investment in London local government must be increased.

Cllr Claire Holland, Chair of London Councils and Leader of Lambeth Borough Council, emphasised the importance of opportunities to come together and have a strong London voice. She highlighted that London is one of the most deprived regions in the country when accounting for housing costs, with some of the highest rates of child poverty, and more than half of all homeless households being London families.

Holland argued that the Spending Review is a pivotal moment for London and the country, stating that the question we must be asking is what do we need as London from the Spending Review to drive growth not just in capital, but across the country.

Holland outlined two key barriers to growth in London:

1. **Housing crisis.** Cllr Holland stated that London is at the epicentre of a national housing crisis, with one in 50 Londoners being homeless, and one in 21 children. Holland noted both the devastating human and economic impact of homelessness, with boroughs spending £4m a day on temporary accommodation (TA). She argued that building more homes is key to turning the situation around, and the Spending Review presents an opportunity for increased investment in housebuilding that goes further than the positive steps seen in the Affordable Homes Programme. Cllr Holland called for investment in infrastructure, such as the DLR to Thamesmead, the Bakerloo Line Upgrade and Extension, and the West London Orbital, with the potential to unlock more than 60,000 new homes and create 30,000 jobs. She also emphasised the need to restore sustainability to HRAs so councils can build more homes and invest in their existing stock, as well as the need to unfreeze Local Housing Allowance rates.
2. **Local government finance.** Cllr Holland stated that boroughs are facing a perfect storm with more than a decade of structural underfunding, rising need and a rising complexity of need, and increased costs of delivering services, resulting in a crisis in local government finances. She said boroughs do not have the resources to fund statutory services, forcing an overspend of £800m last year and a financial gap of £500m this year, largely driven by spending on homelessness, adult social care (ASC), and children's social care (CSC). Seven boroughs are now reliant on EFS to balance their budgets, which she argued is not a sustainable solution to structural funding problems as it leads to increasing debts and reductions in strategic capacities. Cllr Holland said that allowing the current situation to continue is a threat to growth. In order to solve the local government finance crisis, Cllr Holland argued that moving away from competitive bidding and towards multi-year settlements is necessary but not sufficient. She proposed funding to deal with immediate pressures on TA, ASC, and CSC, alongside investment in prevention to reduce the long-term demand and cost of delivering services.

Cllr Holland discussed the importance of the distribution of local government funding to ensure funding reform matches resource needs. She stated that the IFS currently estimates a 17 per cent gap between assessed need and actual funding in London, the largest shortfall of any region in England. She also emphasised the importance of ensuring that funding reform does not become divisive between inner and outer London to ensure the capital as a whole gets the funding it deserves.

Cllr Holland welcomed the move towards factoring deprivation in the funding formula and called for the use of measures that account for housing costs. She also emphasised the need to use up-to-date population figures, the need to separate Relative Needs Formula for homelessness spending, and the need to have a formula for CSC that encourages investment in prevention.

Cllr Holland closed her remarks by pointing to the Spending Review as an opportunity for London to move away from short-term problem solving to investment in rebuilding public services. To do so, she highlighted the need for investment, stability in local government finance, and collaboration across London, with the Mayor, businesses, and the voluntary sector. She encouraged attendees to join London Councils in making the case to government for supporting London to improve residents' lives and drive growth across the country.

Manny Houthi, Chief Executive of Trust for London, stated that a quarter of all Londoners live in poverty, with the key driver being housing costs. He said that Londoners in poverty spend 54 per

cent of their income on housing, compared to just 11 per cent of those not in poverty. As such, he called for a clear commitment to building affordable homes in the Spending Review.

Drawing on research by the GLA, London Councils, and Trust for London, Houthi stated that a one per cent increase in housing affordability in London over ten years could boost the capital's economy by over £7bn.

Houthi argued that the decrease in poverty in London was not the result of improving conditions, but because of gentrification and the lack of affordable neighbourhoods for low-income Londoners.

He stated that solving this housing crisis is a long-term task, but there are short-term actions that can be taken to relieve the crisis, beginning with linking the Local Housing Alliance to real housing costs. Moreover, he called for government to commit to ensuring essentials for the 70,000 Londoners living in TA: cooking facilities, information, Wi-Fi, laundry, and storage.

Houthi also highlighted the importance of reducing everyday costs for low-income Londoners, stating that the poverty premium costs Londoners a combined £368m a year. To relieve these pressures through low-cost actions, Houthi asked for the government to improve promotion of tariffs with targeted outreach and require providers to actively engage with low-income Londoners.

Houthi argued that reductions in costs must also be accompanied by the protection and raising of incomes, and thanked campaigners for a real living wage for their work. He asked for the extension of this through the Employment Bill whilst also recognising that disabled Londoners need protection too. As such, he called for real investment in tailored employability schemes.

He also raised concerns about tackling child poverty, citing the impact of the two-child limit which effects 200,000 children, stating that the removal of the limit would lift 40,000 Londoners out of poverty.

Houthi said that the retreat from funding by central and local government has left a gap that the voluntary sector cannot fill, forcing organisations to narrow their criteria to manage demand. He stated that the voluntary sector must be seen as a core delivery partner for national missions.

Matthew Fell, Director of Competitiveness for BusinessLDN, explained that BusinessLDN, like most organisations, had finalised their submissions to the Chancellor before the imposition of global tariffs by the US. He stated that the tariffs have made the growth mission harder to achieve, with the IMF reducing its growth forecasts for the UK to 1.1 per cent in 2025.

Fell said that the fundamental task in London and across the UK is to drive up investment, productivity, and growth, and the conditions that would be beneficial to economic growth in the capital three months ago before the tariffs remain true of today.

Fell argued that the Spending Review presented an opportunity for the government to align public spending with measures to support growth and to ensure that spending choices are aligned with the industrial strategy and the London Growth Plan. He said that the Spending Review should ensure an increase in public spending crowds-in, rather than crowds-out, private investment.

Proposing specific measures for practical delivery, Fell outlined four areas of spending measures:

1. **Deliver rapid payback.** Fell called for an injection of momentum into the economy through measures such as restoring VAT-free shopping for international visitors, abolishing VAT on

retrofitting, and removing stamp duty on share transactions to bolster London's attractiveness as a home for global capital.

2. **Increase efficiencies to speed up decision-making.** Fell proposed investing in Local Planning Authorities to tackle shortages in skills and capacity, devolving National Careers Funding to London, and continuing plans for an integrated financial settlement for the capital from 2026/27.
3. **Unlocking private investment.** Fell suggested the bolder use of Tax Increment Financing models to unlock major London transport and housing developments, as well as committing to the long-term funding needed for the revenue support mechanism to establish a domestic Sustainable Aviation Fuels industry.
4. **Long-term certainty.** Fell argued that long-term certainty was necessary for businesses to have the confidence to invest, such as the establishment of a long-term funding deal for Transport for London. He said that this included funding for the Metropolitan Police so that resources can be focused on tackling theft and retail crime, as well as ensuring that London Councils are sufficiently funded to maintain vital services that contribute to the capital's "economic plumbing".

Questions

Dawn Butler MP asked if there was a definitive list of asks that BusinessLDN could share, to which Fell responded he was happy share.

Peter Fortune MP asked how AI will change the landscape of London businesses. Fell responded that many companies are using AI to increase efficiencies to reduce costs. He added that AI could open interesting opportunities to pursue growth, such as tapping into new markets and expanding market shares. In particular, Fell highlighted the need to invest in the skills agenda and move discussions away from just how to get people into the world of work towards how to upskill workers.

Joe Powell MP stated the need to speed up the building safety regulator in London, as it has more high-rises which require more approvals. However, he said that there was a lack of access to building safety funds, and therefore insufficient capital to do so. He asked if London Councils shared this view and whether boroughs should be doing more housebuilding themselves and purchasing TA, pointing to the lowering quality of TA.

Cllr Holland responded that boroughs are building houses but faced a viability challenge in that they need support to increase affordable housing. She welcomed Right to Buy receipts and stated that public finances need to be pooled to attract private investment. Holland questioned the sustainability of Housing Revenue Accounts and highlighted the difficulty London councils face when trying to borrow. She also said that boroughs were exploring new ideas for TA purchasing but currently lack the capital and need additional support to do so, calling for an end to rent freezes that can cost boroughs large amounts of money.

Andrew Rosindell MP stated that outer areas of London are not part of the capital and do not receive the value and services from which inner London benefits, proposing the need for radical reform of the operation of Greater London. He argued that there should be alternative options for devolution other than remaining part of Greater London, such as Havering becoming part of Essex. Additionally, Rosindell called for the abolition of the Greater London Assembly, criticising the additional layers that it creates. He said that money should be invested in boroughs themselves, where leaders are truly in touch with their residents.

Cllr Holland responded that the proposal by London Councils for shared decision-making with the GLA would help get better value for public money alongside better outcomes for residents. She stated that London Councils is a strong voice for both inner and outer London, and that they work closely with colleagues in Havering to address their specific needs.

Daniel Francis MP, as an outer London MP, added that councils across inner and outer London have received EFS and stated that there are opportunities for working across the capital to improve efficiency in areas, particularly with growing demands on ASC and CSC. Cllr Holland welcomed the opportunity for improved collaboration.

A resident from Wandsworth representing low-income single mothers expressed her concern for the reduction of the RTB grant. She called for further consultation with residents and the reversal of the decision. Peter Fortune assured that this would be fed back to government. Houthi stated that he appreciated that the reduction of the RTB grant had been a difficult decision to make but support the abolishment of RTB.

Cllr Richard Diamonds said that demand on children's social care, SEND, and SEND transport is increasing exponentially. He expressed concerns about the restructuring of the NHS and implications for ICBs in south London, particularly when funding ends. Cllr Holland responded that the whole SEND system needs considering and that the LGA recognise that children's social care has risen to a level to which schools and local authorities cannot cope. She added that boroughs are working closely with NHS London to develop solutions that work for everyone.

Cllr Helen Denis shared the view that TA should be a key focus in the Spending Review. She also said that difficult questions were being raised about the closure of schools as families are leaving London and argued that it was important to incentivise family sized homes. Cllr Holland agreed.

A resident representing a residents' association in Hackney called for the establishment of a hereditary body for housing associations. She stated that residents' associations need a national body to support the professionalisation of current volunteers. Cllr Holland responded that she was interested in taking the conversation forward and said that councils need to constantly review and develop relationships with TRAs. She pointed to the opportunities for collective learning and best practices that collaboration presents to ensure the voice of tenants are strong.

Eshalomi closed the meeting by thanking speakers and attendees and highlighted the importance of continuing to make the case for London in the Spending Review.