Central London Forward

Central London Forward – Representation to HM Treasury ahead of Autumn Statement 2023

About Central London Forward

Central London Forward (CLF) is a partnership of the 12 central London local authorities[1]. We work together with our member authorities and with others to support inclusive and sustainable growth in central London; so our economy thrives, and our residents benefit from the opportunities this creates.

Summary

In the Autumn Statement, Central London Forward call on the government to:

1. Ensure a long-term sustainable capital funding deal for TfL.
2. Re-introduce tax-free shopping to attract visitors and drive growth.
3. Devolve employment support to build a system that works.
4. Take urgent action to prevent a rise in homelessness.
5. Work with local government to deliver retrofit at scale.
6. Level up funding for local government.

Context

Central London is vital to the UK's prosperity and future growth.

The 12 local authorities that make up Central London Forward are home to 3.2m jobs (ONS, 2022), and to world-leading clusters in the sectors of the future, from fintech and life sciences to the culture and creative sector. The Central Activities Zone – which sits within central London – alone accounts for almost a tenth of UK economic output (CLF, 2022). Central London's economy is inextricably linked to regional economies across the country. Every £1 of consumption in the capital generates 24p of production elsewhere in the UK economy (GLA Economics, 2020). This means that **when central London thrives, the rest of the UK benefits too.**

Central London makes a major contribution to UK public finances. The 12 central London boroughs account for 23% of England's business rates revenue (DLUHC, 2022). Despite the impact of the pandemic, London generated tax revenue of £22,093 per person in 2021, compared to a UK average of just £13,708 (ONS, 2023). This means that **when central London thrives, the UK's public finances benefit too.**

However, central London also faces very real challenges. London has the second highest levels of poverty of any region or nation in the UK, and the majority of the 12 central London boroughs are in the most deprived 20% of local authorities nationally (JRF, 2023; CLF, 2022). This shows that **London needs levelling up too**.

Central London has a vital role to play in delivering on the Prime Minister's priorities of growing the economy, and reducing national debt. Central London Forward and our member authorities are committed to driving inclusive and sustainable growth in central London, and to working with government to deliver this.

[1] Camden, City of London, Hackney, Haringey, Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

In the Autumn Statement we call on the government to:

1. **Ensure a long-term sustainable capital funding deal for TfL.**

An effective transport network is vital for the success of central London's economy. Over half (54%) of people working in London take public transport to get to work, compared to just 15% nationally (Department for Transport, 2023).

London's transport network became heavily reliant on fare income in the run up to the pandemic, as central government grant funding reduced. The pandemic led to a significant decline in fare revenue, which necessitated a series of short-term funding deals between Transport for London (TfL) and Department for Transport (DfT).

The current funding deal is due to expire at the end of March 2024. TfL is on course to achieve an operating surplus by the end of the current funding deal, with transport revenues covering the day-to-day costs of managing the existing funding network (TfL, 2023). The funding deal makes clear that TfL is not expected to solely finance major capital enhancement and renewals from operating incomes (TfL, 2022).

The Elizabeth Line has shown the transformative impact of investments in London's transport network. The line increased rail capacity to central London by **10%**, bringing **1.5m** additional people within a 45-minute journey. It carried **150m** passenger journeys in the first year, and it is already the busiest railway in the UK. Further capital investment – such as the Bakerloo Line Upgrade and Extension – could have a similarly transformative impact, driving growth, unlocking housing delivery, and supporting the transition to net zero (Central London Forward, 2021).

Recommendation: *Central government should ensure TfL has a sustainable long-term funding settlement beyond April 2024 to enable maintenance of the existing network and investment in future growth.*

2. **Re-introduce tax-free shopping to attract visitors and drive growth.**

The VAT Retail Export Scheme allowed non-EU visitors to the EU to recover the VAT on purchases they make on the high street. The scheme was withdrawn in 2021, leaving the UK as the only country in Europe not to offer tax free shopping.

The lack of a tax-free shopping scheme puts London at a competitive disadvantage compared to other major tourist destinations, with a negative impact on both the number of tourists coming to London and the UK, and the amount of visitor spending.

A tax-free shopping scheme could deliver a significant boost to the UK's visitor economy, attracting more international visitors, driving GDP and employment growth, and delivering net benefits to the Treasury:

- Analysis by CEBR found that in 2023, a tax-free shopping scheme could have increased GDP by **£10.7bn**, supporting **201,000 jobs**, and generating additional net income of **£2.3bn** for the Treasury, a gain of £1.56 for every £1 refunded to tourists (CEBR, 2023)
- Analysis by Oxford Economics in 2022 found that a tax-free shopping scheme could increase GDP by **£4.1bn**, supporting **78,000 jobs** and increasing tax revenue by **£350m** (Oxford Economics, 2022).

Recommendation: *Central government should introduce a digital tax-free shopping scheme for international visitors to drive the growth of the visitor economy.*

3. Devolve employment support to build a system that works.

Despite the strength of the local economy, London has among the highest unemployment rate of any region or nation of the UK (ONS, 2023). Nationally commissioned employment support programmes have traditionally been less effective in the capital.

Local authorities in central London already play a vital role in helping residents into decent work. Every one of the 12 central London local authorities has a local employment service. Despite the pressure on local government finances, last year central London boroughs services invested **£22.7m** into these services, supporting **20,250** residents.

Central London Forward manages employment and skills programmes on behalf of the 12 central London boroughs, including the devolved Work and Health Programme. Last year, Central London Forward's employment programmes supported **7,958** residents into work.

There is a strong case for devolution of employment support:[2]

- Local services are better able to **adapt to local needs**. The nature of local economies and the needs of local jobseekers vary significantly from place to place. Local government is well-placed to understand and respond to these needs.
- Local services offer the best opportunity to **integrate services**. Supporting people into work – particularly for those furthest from the labour market – often requires helping people overcome multiple complex barriers to work. Locally delivered services are better able to break down policy silos and deliver holistic support.
- Local services offer the best opportunity to **engage employers** and to link supply-side interventions with demand-side interventions. Local authorities have a good understanding of their local economy, and strong relationships with local employers.

In the Spring Budget, the government announced Universal Support, a new employment programme which is due to succeed the Work and Health Programme and provide support to economically inactive people with a disability.

The Spring Budget also unveiled Trailblazer Devolution Deals with the Greater Manchester Combined Authority and the West Midlands Combined Authority at the 2023 Spring Budget. These included further devolution of employment and skills support (DLUHC, 2023).

- ***Recommendation:*** *Government should devolve the Universal Support programme to local authorities, in a way which allows genuine flexibility to adapt support to local needs.*
- ***Recommendation:*** *Central Government should open discussions with London government about a trailblazer devolution deal for the capital, including further devolution of employment and skills powers.*

4. Take urgent action to prevent a rise in homelessness.

London faces a homelessness crisis. A recent survey of boroughs found there are nearly **170,000** homeless residents, including over **83,000** homeless children. This means that **one in 50** Londoners are now homeless. With a lack of alternative housing available, boroughs are estimated to be spending **£300m** annually on temporary accommodation, and homelessness services in London face a deficit of over **£240m** this year (London Councils, 2023).

The major drivers of homelessness in the capital are the lack of availability of social housing, and a lack of availability and affordability in the private rented sector.

London has seen a significant decline in the availability of private rented properties. The average number of quarterly listings last year was **41%** lower than 2017 in London, compared

[2] See for example IES, 2023; Work and Pensions Committee, 2023

to a decline of 31% nationally. London has also seen a steeper rise in rents. After a decline at the start of the pandemic, private rents in London increased by almost a third between February 2021 and February 2023, reaching a level **20%** higher than pre-pandemic (Savills and LSE Consulting, 2023).

While rents have been increasing, the Local Housing Allowance (LHA) – the amount in benefits that a household in private rented accommodation can claim to cover housing costs – has remained frozen since April 2020. This means fewer properties are affordable for the 300,000 Londoners who rely on the LHA to cover their housing costs. Analysis by JRF of Valuation Office Agency data found that just **2%** of properties in central London were affordable within the LHA in September 2022, the lowest proportion of any part of the UK (JRF, 2023). Analysis by Savills shows that between January and March 2023, just **2.3%** of properties listed for rent on Rightmove were affordable within the LHA, down from one in five (18.9%) in 2020/21 (Savills and LSE Consulting, 2023).

Continuing the freeze in the LHA will lead to a further increase in homelessness, with negative impacts both for households and for local authority finances.

- ***Recommendation****: Government should increase the LHA at a rate higher than private rents, to increase the number of homes in the private rented sector that are affordable for households on benefits and prevent a further increase in homelessness.*
- ***Recommendation****: Government should increase the Discretionary Housing Payment and the Homelessness Prevention Grant to enable local authorities to support households at risk of homelessness.*
- ***Recommendation****: Government should provide capital funding to local authorities to buy properties being sold by private landlords, in order to increase the stock of social housing and prevent a further increase in homelessness.*

5. Work with local government to deliver retrofit at scale.

Every one of the 12 central London local authorities has set an ambitious net zero target. Decarbonising housing will be vital if we are to deliver on these targets. London's housing stock is responsible for **a third** of all carbon emissions.

London boroughs face two main challenges in delivering retrofit - a lack of funding, and a lack of capacity in the market.

Delivering retrofit will require significant investment. Retrofit London has estimated the cost of bringing all properties to an average of EPC B would be **£98bn**, or £26,000 per property affected. Much of this cost will be borne by private owners and private landlords, though this will require sufficient incentives and support in place. However, much of the cost will need to be borne by the state, including costs relating to social housing. The funding available for retrofit is complex and insufficient; the main grant scheme, the Social Housing Decarbonisation Fund, is worth just £3.8bn.

Delivering retrofit will also require a significant expansion of the workforce. Analysis commissioned by Central London Forward found that retrofit of homes and commercial properties in central London would require **148,000** person years of labour. There will be a particular demand for a number of occupations, including scaffolders, roofers, glaziers and building envelop specialists. For each of these occupations, the additional demand generated by retrofit exceeds 20% of the current workforce, requiring a significant expansion in these trades.

At present, the pace of retrofit activity, and the scale of investment – both public and private – remains limited compared to the volume of work required. With investment in retrofit limited, the number of people taking part in training to develop the skills needed to undertake retrofit is also modest. The skills system is designed to respond to demand – both from potential learners and from employers. In the absence of significant investment in retrofit, demand from learners and employers for this training remains limited.

- ***Recommendation****: Government should increase funding to deliver domestic retrofit, including through expanding and accelerating the Social Housing Decarbonisation Fund.*
- ***Recommendation****: Government should work with local authorities in a number of areas – including central London – to develop social housing retrofit pilots. Working with local authorities, housing associations, and skills providers, these pilots could stimulate the demand side, setting out a pipeline of work, and bring together demand and supply by upskilling local residents to deliver at scale.*

6. Levelling up funding for local government.

Local government has seen among the largest declines in funding of any part of the public sector since 2010.

Local authorities in London have been hit particularly hard, with a larger decline in per person funding and spending than in any other region over the last decade. Local authorities in London have been hit particularly hard, with a larger decline in per person funding and spending than in any other region over the last decade (IFS, 2019). Recent analysis by IFS found that local government funding in London is **17%** lower than estimated relative need. Even if you account for differences council tax levels, London receives **7%** less than relative need (IFS, 2023).
The Spring Budget announced a welcome and much-needed increase in local authority funding. However, even after this increase, funding for London boroughs remained almost a fifth below 2010 levels.

Recommendation: *Government should increase local government funding in real terms next year to protect local services from further cuts.*

Recommendation: *Government should return to long-term funding settlements of at least 3 years to give local authorities the ability to plan and deliver best value for public funding.*