

General Election 2024 – Central London Forward policy priorities

About Central London Forward

Central London Forward (CLF) is a partnership of the 12 central London local authorities¹. We work together with our member authorities and others to support inclusive and sustainable growth in central London; so our economy thrives, and our residents benefit from the opportunities this creates.

Context

The next Government will face a challenging economic and fiscal environment. The UK has experienced a deep cost of living crisis. The economy has just emerged from recession and growth is forecast to remain anaemic. Debt has risen to historic highs. There are multiple pressures on public spending. Restoring growth will be vital if we are to ease the squeeze on living standards, and provide the funding public services need.

Central London has a strong and dynamic economy, and it plays a vital role in driving prosperity for the whole of the UK. The area has the highest productivity of any part of the UK, with world-leading clusters in the sectors of the future, from professional services to life sciences, from green finance to culture and creative ([ONS, 2023](#)). The 12 local authorities that make up Central London Forward are home to over **3.4 million jobs** – over one in ten jobs nationally – providing high quality employment opportunities for residents across London and beyond ([ONS, 2023](#)). The Central Activities Zone – which sits within central London – accounts for almost **a tenth** of UK economic output ([CLF, 2022](#)).

Central London's economy is inextricably linked by supply chains 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, local economies across the UK benefit too**.

Central London makes a major contribution to UK public finances. In 2022, the tax revenue generated in London was **£38bn** larger than public spending in the region, making it one of only two regions with a net fiscal surplus ([ONS, 2023](#)). The 12 central London boroughs collect 23% of England's business rates revenue ([DLUHC, 2022](#)). This means that **when central London thrives, the UK's public finances benefit too**.

However, central London also faces very real challenges. While central London has a thriving economy, productivity growth has stalled in recent years. This slowdown is a significant factor in the UK's economic stagnation ([Centre for Cities, 2024](#)). **Re-booting productivity growth in central London will be vital to driving growth nationwide**.

While London's economy is dynamic, it is also highly unequal with far too many Londoners struggling to benefit from the opportunities available locally. The capital has the second highest levels of poverty of any part of the UK, and the majority of the 12 central London boroughs are in the most deprived 20% of local authorities nationally ([JRF, 2024](#); [CLF, 2022](#)). While the levelling up agenda focused on tackling inequalities between regions, it overlooked the stark inequalities within regions. **London needs levelling up too**.

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

Central London Forward and our member authorities are committed to working in partnership with the next Government to drive inclusive and sustainable growth in central London. Below we set out our six policy priorities for the next Government. These include free and low-cost measures which could have a positive impact on growth, alongside some higher cost measures which could have a transformative impact on growth.

1. Ensure sustainable funding for local government.

Local authorities play a vital role in supporting their communities, providing essential public services, and driving local growth.

However, local government has seen among the largest declines in funding of any part of the public sector since 2010. London boroughs have been hit particularly hard, with a larger decline in per person funding and spending than those in any region ([IFS, 2019](#)). Analysis by IFS shows local government funding in London is **17%** lower than estimated relative need ([IFS, 2023](#)).

Local authorities in central London are facing significant and growing financial pressure. The 12 CLF member boroughs faced a total projected gross overspend of **£185m** in 2023/24. Approximately £58m of this is adult social care, £46m is children's social care, £60m is for temporary accommodation and £21m is for other services (London Councils, 2024).

The next Government should:

- **Provide long-term funding settlements** – Local authorities should receive capital and revenue settlements of at least three years, and Government should reduce the use of competitive bidding for small pots. These changes would require no additional funding, but they would reduce waste, and enable local authorities to plan, ensuring better value for public money;
- **Restore local government spending power** – Government should set a goal of restoring spending power to 2010 levels within two Parliaments, as part of a decade of local renewal. Government should commit to providing local authorities with year on year real terms increases in funding until this is delivered;
- **Embrace fiscal devolution** – Alongside greater funding from central government, local authorities should be enabled to raise and retain more revenue locally. Local authorities should be able to adjust or add additional council tax bands, in order to raise revenue in a more progressive way. Local authorities should be enabled to introduce an Overnight Stay Levy. Government should explore the potential to devolve the £500m of Vehicle Excise Duty paid by Londoners to the capital;
- **Reform business rates** – Any changes to business rates should seek to rebalance the burden between bricks and mortar city-centre businesses and online retailers, and to ensure local areas are able to retain more revenue. This would not represent an additional cost, but it would support thriving town centres, and incentivise and reward local authorities for supporting local growth;
- **Deliver a long-term funding solution for adult social care** – which relieves pressure on local authorities, improves pay and conditions for the workforce, and ensures decent quality care.

2. Keep London moving

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, almost four times the figure across the UK (15%) ([DfT, 2023](#)).

Passenger numbers have continued to recover robustly following the pandemic. TfL was expecting to deliver an operating surplus by the end of March 2024, with transport revenues covering the day-to-day costs of managing the network ([TfL, 2023](#)).

However, as with all major transport networks, TfL will need ongoing support with capital funding to maintain the existing network, and invest in future growth. The current funding deal with Department for Transport runs until March 2025, leaving TfL with no certainty of ongoing capital funding. The National Infrastructure Commission recently described the current short term deal as a 'sticking plaster', and called for a long-term capital funding deal for TfL ([National Infrastructure Commission, 2024](#)).

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 could have a similarly transformative impact. The Bakerloo Line Upgrade and Extension represents the next big opportunity for the capital. The project could create tens of thousands of jobs, unlock **20,400** homes along the length of the extension, and boost GVA by **£1.5bn** ([Hatch, 2024](#)).

While the cuts to HS2 have reduced its potential impact, completing the line to Euston, and re-developing the station, will be essential to improving connectivity, delivering new homes and creating jobs. The regeneration of Euston could create **34,000** jobs, unlock **2,500** new homes, and contribute **£41bn** to the UK economy by 2053 ([Metrodynamics, 2024](#)).

The next Government should:

- **Provide a long-term capital-funding deal for TfL** – This should provide certainty for TfL, enabling maintenance of the current network, supporting additional step-free access works, and unlocking improvements in streets and public spaces to promote walking and cycling. The funding deal should also enable investment in future infrastructure projects to drive growth. While this would represent a significant capital cost, it would be vital for driving growth in the capital;
- **Deliver the Bakerloo Line Upgrade and Extension** – Working with TfL, London Government and London businesses, Government should help develop a funding deal to unlock this transformative infrastructure project;
- **Complete HS2 to Euston and safeguard future extensions** – The existing tunnelling contract for the Old Oak Common to Euston section must be delivered. Government should work with businesses and London Government to develop a plan to finance and deliver this through the proposed Development Corporation. Any delivery structure for the regeneration of the Euston quarter must have a clear leadership role for local government. Future network connections beyond phase one of the project should be safeguarded to enable potential extensions.
- **Regulate micro-mobility** – This should enable London to harness the benefits of micro-mobility, whilst preventing street clutter and ensuring safety.

3. Build more homes and tackle homelessness.

London faces an acute and escalating housing crisis.

Buying a home is increasingly out of reach for many Londoners, with the average house in London costing **13.9** times median salary, compared to a ratio of **8.4** nationally ([ONS, 2023](#)). Rents have risen rapidly, with the average rent for a one bedroom property in 2022/23 being

equivalent to **46%** of median pre-tax pay, a figure higher still in central London ([Trust for London, 2023](#)).

The capital has seen a growing homelessness emergency. This has been driven by a lack of affordability and availability in the private rented sector, the shortage of social housing, and restrictions in housing benefit. One in 50 Londoners – **170,000** in total – are now homeless ([London Councils, 2023](#)). The decision to increase Local Housing Allowance at the Autumn Statement 2023 was welcome. However, if the LHA does not continue to increase in line with private rents in the future, it will again lead to an increase in homelessness.

The homelessness crisis is not just a social emergency, it is a growing cost to the public purse, and an escalating threat to the financial stability of local authorities in the capital. With a lack of alternative housing available, boroughs spent an estimated **£300m** annually on temporary accommodation ([London Councils, 2023](#)). The 12 boroughs that make up Central London Forward faced an estimated overspend on temporary accommodation of **£60m** in 2023/24.

Building more homes – and more council homes – could deliver a significant boost to the economy. Recent CEBR analysis shows that building 90,000 social rented homes would add £51bn to the economy over a 30 year period ([CEBR, 2024](#)).

The next Government should:

- **Increase capital investment in housing** – Local authorities should be supported to increase the number of new affordable and social homes delivered through additional grant funding. Local authorities should also be supported to purchase homes on the open market in order to re-build stock and reduce temporary accommodation costs;
- **Reform planning to kick-start development and housebuilding**. Compulsory purchase powers should be strengthened to better enable land assembly. Local authorities should be given greater powers to require developers with planning permission to build-out, in order to prevent land-banking. Funding for local authority planning functions should be restored to at least 2010 levels, in order to support effective consultation and prompt decision-making. This should be delivered through a combination of greater flexibility on planning fees, and increases in grant funding;
- **Link LHA to private rents** – The Local Housing Allowance should be permanently linked to the 30th percentile of private rents in order to prevent an increase in homelessness;
- **Improve standards in the private rented sector** – By banning Section 21 ‘no fault evictions’, legislating for a Decent Homes standard in the private sector, and giving local authorities more flexibility to licence landlords. Government should also work with local government to spur institutional investment in the private rented sector to expand availability

4. Boost the visitor economy

Central London is the UK’s leading tourist destination, and the visitor economy is a vital driver of prosperity both locally and nationally.

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 tax-free shopping puts London at a disadvantage in attracting tourists and spend compared to other major tourist destinations. Recent analysis shows per capita spending by non-EU visitors in the UK fell significantly following the withdrawal of tax-free shopping, while it continued to increase in France, Spain and Italy ([Financial Times, 2024](#)).

A tax-free shopping scheme could deliver a huge boost to the UK's visitor economy, attracting more visitors, driving GDP and employment growth, and delivering net benefits to the Treasury. Analysis by CEBR last year found that tax-free shopping could increase GDP by **£10.7bn**, supporting **201,000 jobs**, and generating additional net income of **£2.3bn** for the Treasury ([CEBR, 2023](#)). Analysis by Oxford Economics in 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](#)).

While the visitor economy is a major asset to central London, the concentration of visitors places significant pressure on local public services. In many major tourist centres, local authorities raise revenue from visitors through an Overnight Stay Levy (OSL). These allow local government to promote the visitor economy, and to manage its impact locally. The Scottish Government is currently legislating to allow local authorities to introduce an OSL.

The short term let sector is an important part of central London's visitor economy. However, there are concerns the rapid growth of the sector has aggravated challenges with housing availability. Listings grew by **378%** between 2015 and 2020. There are now over **40,000** entire homes listed for short term let on Airbnb in central London ([Inside AirBnB, 2023](#)). The sector is under-regulated, and there is evidence of widespread breaching of the 90-night limit, and anti-social behaviour linked to short-term let properties ([House of Commons, 2022](#), [GLA, 2020](#)). Government recently announced plans to introduce a register of short-term let properties. But there are significant loopholes in the proposed approach ([Evening Standard, 2024](#)).

The next Government should:

- **Re-introduce tax-free shopping.** The digital scheme should apply to all tourists, both from the EU and beyond. The scheme would attract visitors and boost spending, delivering a significant positive impact on growth and on Treasury revenue.
- **Empower local authorities to introduce an Overnight Stay Levy.** An OSL should only be introduced once the visitor economy has sufficiently recovered. Rates should be capped at a reasonable level, and applicable to all overnight accommodation, including short term lets. Revenues should be retained locally in order to invest in promoting tourism, improving local infrastructure, and managing its impact locally.
- **Introduce a compulsory registration system for short-term lets.** The proposed short term let register should apply to all properties available for short term let, irrespective of whether they are available for let for over 90 days. Local authorities should be able to require planning permission for a property to be redesignated as a 'C5' property for short term let. The scheme could be self-funding, based on registration fees paid by property owners.

5. Devolve employment support, skills, and business support, to build a system that works.

Despite the strength of the local economy, many Londoners struggle to access the opportunities available in their city. London has deep inequalities in access to work, with disabled Londoners, those from ethnic minority/Global Majority backgrounds and other groups being less likely to be in work. Nationally commissioned employment support programmes have traditionally been less effective in the capital.

Despite the capital having the most highly skilled workforce of any part of the UK, many employers struggle to access the skills they need. These large skills gaps are a major drag on productivity and growth in the capital ([Central London Forward, 2023](#)).

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 over **20,000** residents. Central London Forward manages employment and skills programmes on behalf of the 12 central London boroughs, including the devolved Work and Health Programme. Over the last two years, Central London Forward's employment programmes supported over **11,000** residents into work.

There is a strong case for devolution of employment support ([IES, 2023](#); [Work and Pensions Committee, 2023](#)):

- 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.

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

The next Government should:

- **Devolve employment support**. Employment support programmes including Universal Support should be devolved to sub-regional partnerships of local authorities in the capital. Joint governance arrangements should be put in place for Jobcentre Plus, so that local authorities can co-direct the service, and full devolution should be trialled in a local area;
- **Continue the UK Shared Prosperity Fund beyond 2025**. The fund should be increased so that it at least matches the EU funding it replaced, and local areas should be given greater flexibility over how they can use the funding;
- **Move toward multi-year, single-pot employment and skills fund**, building on the Trailblazer Devolution Deals. Such a fund should give local areas greater certainty, flexibility and control;
- **Reform the Apprenticeship Levy into a Skills Levy**. This should give employers more flexibility on how they can use their funds. Local areas should also be given the ability to focus investment on priority skills, industries and groups.
- **Empower local areas to drive local industrial strategies**. Government should work in partnership with local government in London and elsewhere to develop local industrial strategies to boost productivity and drive growth. This should include exploring the potential for further devolution of business support.

6. 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 homes and buildings will be vital if we are to deliver on these targets. London's housing stock is responsible for **a third** of all carbon emissions.

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 ([London Councils, 2021](#)). Much of this cost will be borne by private owners and private landlords, though this will require policy certainty, smart regulation and 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 for social housing – the Social Housing Decarbonisation Fund – is worth just **£3.8bn** nationally over 10 years, a fraction of the anticipated cost. Moreover, the Fund is based on competitive bidding, not need, leading local areas to waste time and resources fighting over limited resources.

Retrofit also represents a major growth and job creation opportunity. 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 ([Wholelife Consulting, 2023](#)).

The next government should:

- **Provide long-term policy certainty to drive retrofit.** This should include an ambitious national mission relating to decarbonisation of homes and buildings, backed up by clear and consistent incentives for homeowners and private landlords as part of a Net Zero Investment Plan, consistent regulation, and a national communications campaign;
- **Introduce a devolved social housing retrofit programme.** Government should increase investment in the decarbonisation of social housing, and work with local areas to deliver an ambitious social housing retrofit programme. This would allow local government to bring together the demand side with the supply side, setting out a pipeline of work, and training up the workforce we will require to deliver retrofit. Funding should be allocated based on need and partnership agreements with government, rather than on competitive bidding.

Central London Forward, May 2024