MAYOR OF LONDON

The Mayor of London's submission to the government's 2025 Spending Review

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Introduction

The Mayor of London wants to work hand in hand with the government to help improve productivity and drive growth. That’s why this Spending Review submission is dedicated to how we can work in partnership to support the national growth agenda.

London is the engine of our economy. Our ambition is to harness the economic power and potential of our capital for the benefit of Londoners and the whole country.

The Mayor has ensured that work is already under way to support growth in London. This includes:

- preparing a new London Plan to align with the government’s planning reforms, seeking to make the best use of land to drive up housing development radically
- producing a London Growth Plan that will bring together City Hall, local councils, businesses and others under one clear vision and strategy for growth in the capital
- aligning London’s private, public and voluntary sectors, educational institutions, and trade unions around a missions-based approach to delivery, with a key focus on growth
- skilling up Londoners for jobs in the growing sectors of our economy.

The challenge now is to deliver a step-change in economic growth. To use the potential London has to drive growth across the country, we will require new investment and support from the government, and sustainable funding for London’s local authorities.

There also needs to be improved coordination of existing spending and programmes to deliver better value for money. This can only be achieved if they are controlled by the Mayor and local partners.

With the right investment and devolution of powers, the Mayor believes there is a huge opportunity to unlock growth; create new jobs across the country; attract international investment; and ensure London contributes more to the national economy and the Exchequer’s finances.

The Mayor is ready and willing to take bold and ambitious action to help deliver the change London and the country needs. But this can only be done if it’s part of a strategic partnership with government, based on shared priorities and investment decisions.

Priorities for driving growth

The proposed investment and devolution measures set out in this submission form an integrated approach that would increase both the pace and scale of economic growth in London and the UK.

We have five connected priorities that require additional support and investment from the government. These are as follows:

- **Transport investment** – to create jobs; unlock housing development; and stimulate investment in London and across the country. The government’s new planning reforms provide a real opportunity to increase housebuilding in London significantly, but this potential can only be realised if it’s combined with strategic transport interventions. This includes investment in new transport infrastructure projects, and the ‘metroisation’ of non-Transport for London (TfL) overground services in London. Annex 1 summarises our proposals in this area.

- **Housing investment** – to get more housing delivered at scale, create more construction jobs, boost productivity, and provide homes for workers in the growing sectors of our economy. Our proposals for housing investment are set out in Annex 2.

- **Investment to keep London safe** – to not only boost neighbourhood policing and tackle crime, but also to ensure London is always seen (domestically and globally) as a city in which people want to come to live, work, study, invest or start a business. Annexes 3 and 4 set out the funding requirements for policing, crime prevention and London Fire Brigade (LFB).

- **Reform of our skills system to focus on the needs of employers** – to reduce the skills gaps in London and boost productivity and growth. One of the biggest constraints holding back London’s growth is the size of our city’s skilled workforce. London’s growth plan will identify new opportunities for growth, but the government can help by allowing the Mayor to reform the skills system to meet the needs of employers. Our ambitious proposals for skills reform are in Annex 5.

- **Investment to deliver London’s growth plan** – to deliver a range of pro-business interventions, create new jobs and increase growth in the industries and sectors of the future. Our proposals for this (excluding the areas of the growth plan covered above) are set out in Annex 6.

London's contribution to growth

London is a crucial part of the national economy, as set out below:

- We are the UK's only global city – with 9m residents (13 per cent of the UK population), which is projected to rise further, around 6.4m jobs,[1] and 20m international visitors each year.[2]
- Our annual net contribution to the national government is at a record £43.6bn, helping to fund public services nationally.
- London is the only region contributing more to the Treasury than it did before the COVID-19 pandemic.
- London currently contributes just under a quarter of the UK's GVA, making it the UK's largest economic region by a distance.
- London provides about 18 per cent of the country's total number of workforce jobs.
- London has run a fiscal and trade surplus since the mid-2000s. This has helped to offset the deficits incurred by other UK regions, and to fund public services nationwide.

Over the last eight years, the Mayor has done everything possible to support growth. This includes building more affordable housing; supporting businesses; training up Londoners; securing significant inward investment; boosting tourism; and helping to create over 330,000 good jobs.[3] This has helped to ensure that London still attracts talent and investment from around the world; and is at the forefront of some of the fastest-growing sectors in the global economy.

However, we are facing some huge challenges that mean we cannot take London's future growth for granted. While London remains by far the most productive region of the UK,[4] productivity has fallen by 2.6 per cent since 2008 (having grown by 30 per cent in the previous decade).[5] This accounts for almost half of the UK's recent productivity drop. Productivity in London is now lower than other major cities, such as Paris and New York, and has had the lowest productivity growth in the UK since 2008.[6] This has been driven by a combination of factors, including the lack of affordable housing.

Our capital is therefore at a crossroads, and the different potential paths have major implications for the government's growth agenda. With the right investment and support, we can use London's potential to deliver national growth and an increase in the surplus generated for the Treasury. But without this, productivity will likely continue to fall; and London's ability to be the economic engine for the country will be diminished.

[1] Office for National Statistics (ONS), Workforce Jobs (December 2024)
[2] See: VisitBritain, Inbound visits and spend: annual, regional, 17 May 2024
[3] GLA Economics, Monitoring the employment impact of mayoral programmes and initiatives, 15 May 2023
[4] Output per hour worked was 26.2 per cent above the UK average in 2024.
[5] ONS, Regional and subregional labour productivity, UK: 2022, June 2024
[6] Centre for Cities, Capital losses: The role of London in the UK's productivity puzzle, March 2023

This is particularly the case when it comes to housing. With the new planning reforms combined with national investment in transport and housing in London, we could boost housebuilding to levels not seen since the years following the Second World War. But without this support, the housing crisis will persist, hitting productivity and growth further.

We have already seen a positive step-change in the way the government is working with London to promote growth. But this is a long way from mission accomplished. There's so much more we could and should do by implementing the ambitious proposals set out in this submission.

By working together – central government and City Hall – the Mayor believes we can help usher in a new era of prosperity that will deliver significant growth, fund public service improvements, and improve the quality of life for Londoners and people across the UK.

Summaries of our priorities for investment and reform are set out in the next section of our submission, which are explained further in the annexes.

London's priorities for investment and reform

Investing in London's transport network (Annex 1)

London's continued success and growth depends on a safe and efficient transport network. Transport investment provides jobs; stimulates investment in London and beyond; and enables the delivery of housing at scale across the city. However, years of underinvestment and short-term funding have impacted our ability to maintain the existing network and deliver vital new infrastructure.

The investment set out in Annex 1 – including a multi-year settlement, [redacted] and £150m a year for major road assets – is essential to realising the government's growth ambitions for the UK.

The investment opportunities we have identified will increase business productivity and investment; break down barriers to employment; unlock housing development; support the UK supply chain; and boost the construction sector whilst allowing TfL to progress on making London a greener, safer, and more accessible city. Even with the inclusion of new infrastructure projects to fully support the government's missions, TfL would still be funding nearly 60 per cent of its capital programme from its own sources. No other transport authority in UK comes anywhere near this.

Delivering new infrastructure

- To support UK economic growth, we are seeking the government's support to progress three of the most urgent infrastructure projects:
  - Docklands Light Railway (DLR) extension to Thamesmead
  - Bakerloo line extension (BLE)
  - West London Orbital (WLO).

- Jointly these schemes, alongside the 'metroisation' of suburban rail services through devolution, could unlock over 100,000 new homes very quickly, and create a similar number of new jobs, based on the national planning policy framework this government inherited. Planning reforms could see these projects unlock significantly higher levels of housing. This supports the government's ambitions for economic growth and delivery of 1.5m new homes (more information on our housing priorities are set out in Annex 2).
- The DLR extension to Thamesmead alone has the potential to unlock up to 30,000 new homes and thousands of jobs.

- London wants to work in partnership with government to develop the right funding mechanisms to accelerate the delivery of these schemes, which will drive growth. We can together create a pipeline of improvements to connectivity, capacity, growth and housing in London into the 2030s.

Renewing and improving the existing network

- Investment in London’s existing transport network offers the greatest opportunity to deliver growth and jobs quickly. Replacing life-expired assets with modern technology will boost connectivity and unlock thousands of homes, by delivering far-reaching capacity improvements across the city.
- TfL needs an average of [redacted] As well as threatening the reliability of TfL’s core services, a failure to fund this investment programme adequately would put at risk many of the 100,000 jobs supported annually across the UK through TfL’s supply chain – [redacted].
- Some £150m per annum from the government, over six years, is vital to help fund the renewal of strategically important major road assets and avoid unplanned closures of economically critical road links – such as the Brent Cross flyover and the Rotherhithe Tunnel.
- Investment is needed to accelerate delivery towards a fully zero-emission bus network by 2030, which would stimulate the industrial strategy for bus manufacturing in the UK, whilst showcasing the UK’s role as a world leader in green technologies.
- Removing barriers to employment and inclusion by improving the physical accessibility of the London Underground and London Overground through funding step-free access schemes.

TfL’s analysis suggests that this investment programme would have an £119bn impact on GDP between now and 2090 (2024 prices), and would contribute significantly to the Exchequer – increasing Treasury income by £48bn. The average additional undiscounted tax take over the 60-year period would be at least £1.3bn per year. This is an increase of at least 3 per cent on London’s current annual £43.6bn fiscal surplus. The overall benefit-cost ratio of 2.9:1 is ‘high’ on the Department for Transport’s (DfT)’s value-for-money categories.

Funding proposals

The proposals above are summarised in the table below.

Table 1: Transport – growth bids over the Spending Review period

Transport (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	Cap	Rev	Cap	Rev	Cap
DLR Thamesmead		70		145		170
Feasibility work for: WLO, BLE & metroisation	12		12		16	
ZE buses		95		105		106
Step free access		89		300		424
Major road renewals		99		150		150
[redacted]		[redacted]				
[redacted]		[redacted]		[redacted]		[redacted]
TfL Employer NIC costs	35		35		35	
Transport total	**47**	[redacted]	**47**	[redacted]	**51**	[redacted]

Delivering homes for London (Annex 2)

The Mayor shares the government's vision for a rapid increase in housing supply, with London contributing towards its goal of 1.5m homes this Parliament.

Housing delivery – in London and nationally – is currently far below where it needs to be, as a result of challenging macroeconomic factors and policy decisions by the previous government. This has had a significant impact on London's and the UK's affordability and attractiveness as a place in which to live, work, study and invest in; and has a negative impact on economic growth.

Local authorities, registered providers of affordable housing and developers have a range of urgent issues that need addressing before they can participate in the mission to hit the government's ambitious housing targets.

Building more homes will help London deliver growth by attracting and retaining the workforce it requires; improving productivity; and addressing the unacceptable human and financial cost of homelessness and temporary accommodation.

The Mayor is willing to be bold and use the forthcoming London Plan review to prioritise housing and economic growth. This will revitalise parts of London and create thousands of jobs.

The Mayor is offering to support additional development across the city through a revolving fund to unlock stalled and strategic sites. This includes enabling up to 43,000 new homes by 2039; delivering up to 30,000 new homes at Thamesmead and Beckton; and continuing to drive the regeneration of the area around the HS2 station at Old Oak Common. The Mayor seeks a £2.3bn contribution from the government over five years, up to 2030-31, to establish this fund.

The Mayor is working with London Councils, housing associations, the Ministry of Housing, Communities and Local Government (MHCLG), and the wider sector on:

- an ambitious new Affordable Homes Programme (AHP) to deliver affordable housing from March 2026
- a package of measures to rebuild the financial resilience of the affordable housing sector so it can resume high levels of delivery, whilst delivering essential improvements to fire safety and building maintenance
- funding for the Mayor and London's local authorities, working together, to deliver the government's forthcoming homelessness strategy and achieve the Mayor's vision of an end to rough sleeping.

The Mayor is also working with MHCLG on how the GLA can support the government to accelerate the pace of remediation of unsafe cladding from buildings in London. It is important to recognise, however, that the GLA and LFB are not currently funded to perform the role that the government wishes them to play (as also set out in Annex 4). Therefore, funding will need to be identified from within MHCLG's wider budget, to implement its National Remediation Action Plan to enable this.

Funding proposals

The quantified proposals above are summarised in the table below. This does not include amounts for affordable housing; tackling rough sleeping and homelessness; and building remediation. These continue to be discussed with MHCLG and other partners.

Table 2: Housing and planning – growth bids over the Spending Review period

Housing and planning (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
City Hall Developer (incl. £2bn revolving fund)	8	738	5	473	6	534
Of which: Thamesmead and Beckton site infrastructure to support development		*0*		*1.5*		*72*
London's Planning and Delivery Service (ATLAS London)	2.5		2.5		2.5	
Housing total	**10.5**	**738**	**7.5**	**473**	**8.5**	**534**

Keeping London Safe: Funding the Met Police (Annex 3)

The mission to keep everyone who lives, works and visits London safe should be a crucial part of the government's mission for growth. The Mayor is clear that a safe London is vital to the economic success of the UK. To accomplish that mission, the Metropolitan Police Service (the Met) needs sustainable funding to boost officer numbers, continue its modernisation and fight crime. It is important to note the following:

- Safe communities are more attractive to domestic and international investors, as businesses seek stable environments to thrive and grow.
- When people feel safe, they are more likely to engage in work, innovation and education, leading to increased productivity.
- Safety ensures that public infrastructure such as transport, schools and healthcare can function without disruption.

London is the UK's only global city. Its population – now at 9m - has risen rapidly and this is projected to rise further. In addition to this, during daytime hours London's population swells, with a significant number of commuters, tourists and business travellers in the city each day.

The Met, as a capital city police service, bears the pressure of most national policing activity, as well as major events such as royal occasions, large-scale sporting events, and significant protest activity. With that comes a unique and growing demand on policing in London, with the total number of recorded crimes the Met has had to respond to increasing year-on-year.

However, the Met has been underfunded for over a decade. Between 2010 and 2024, government funding of the Met increased by only 2 per cent, reflecting (in real terms) a £1.1bn reduction.[7] Furthermore, the Met has delivered over £1.2bn gross savings since 2012-13; and it is no longer possible to close financial gaps for current services through efficiencies alone. The Mayor's draft budget indicates that a range of 'tough choices' (effectively reductions in policing services and headcount across staff and officers) are now required and will need to be implemented in 2025-26.

The Mayor has supported the Met's funding requirement every year since the start of his Mayoralty, by: raising the council tax precept by the maximum allowed each year; providing business rates funding; funding 1,300 more officers than would otherwise be affordable; and providing funding for 500 additional police community support officers (PCSOs). The Mayoral share of all police funding has increased from 19 per cent, when the Mayor was elected, to 25 per cent.

With the support of the Mayor and this government, the Met is reforming. In January 2025, the Met was moved out of the regime, set by His Majesty's Inspectorate of Constabulary

[7] Based on the latest ONS inflation CPI rate, November 2024

and Fire & Rescue Services (HMICFRS), of enhanced monitoring (Engage). This was underpinned by transformational improvements (including a faster 999/101 call-handling response; and improvements in tackling child exploitation, public protection and violence against women and girls (VAWG)); and driving higher standards. The pace and investment in these must continue.

The government has set out crucial missions for crime and policing, and the Mayor knows that London must be at the forefront of delivering them. The way to achieving this is as follows:

- The Met needs an officer level of 38,000, to reverse the declining ratio of officer per 1,000 residents.
- The Met must continue its reform journey. This involves delivering cultural change to embed the values of policing by consent; fixing its foundations to organise and deploy its workforce in an optimal way; and community crime-fighting, making a difference in the highest-crime, lowest-trust communities.
- The Met must increase its investment in technology, to maximise the efficiency and operational benefits of developments such as automation and AI.
- The Met must invest in its estate. Since 2010, the Met’s estate has reduced from 620 operational buildings to around 200, with nearly 50 per cent of all employees accommodated in buildings that do not meet a ‘good’ quality standard. If nothing else changes, in the next decade up to half of the Met’s current buildings will be closed as a result of no longer being habitable or legally compliant.
- The Mayor’s Violence Reduction Unit (VRU) delivers a significant prevention role, and ongoing funding for this is also essential.

Funding proposals

The proposals above are summarised in the table below.

Table 3: Policing and crime prevention – growth bids over the Spending Review period

	2026-27		2027-28		2028-29		2029-30		2030-31		Steady State
OFFICER NUMBERS											
FTE officers number at year end	32,350		33,762		35,175		36,587		38,000		38,000
FTE staff number at year end	12,506		14,129		15,753		17,376		19,000		19,000
COSTS £m											
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	
Cost of growth officers	54		163		272		381		489		544
Cost of growth staff	52		156		260		364		468		520
Estates		TBC		TBC		TBC		TBC		TBC	
Investment in Digital, Data and Tech.		TBC		TBC		TBC		TBC		TBC	
Violence Reduction Unit	3		3		3		3		3		3
Policing and crime total	**109**		**322**		**535**		**748**		**960**		**1,067**

Keeping London Safe: Funding London Fire Brigade (Annex 4)

LFB is the UK's largest fire and rescue service. It protects and serves a diverse population of 9m London residents, which is projected to rise further, and more than 20m visitors every year.

A properly funded fire service is a critical enabler of London's growth agenda, and must be able to respond to multiple, simultaneous emergencies. At the same time, LFB must build on existing transformation successes designed to equip LFB for 21st century challenges. Without the key funding we need, we run the following risks:

- LFB will be unable to play its central role in protecting the UK economy from the potentially devastating costs of fire – with the risk being most acute in London, due to our status as an economic and business hub, a major tourist city, and the host of global events. Safety is critical to supporting business growth throughout the capital.
- LFB's role in ensuring the safer delivery of new homes and supporting new infrastructure will be diminished.
- London will suffer reputational damage as a safe place in which to live, work, study and invest in.

LFB already operates in a challenging global city landscape – one that is not comparable to anywhere else in the UK, and constantly evolves. Despite this, years of funding cuts means LFB is receiving £150m less funding this year, in real terms, compared to 2010.

LFB has £28m of savings planned for 2025-26. The London Fire Commissioner's (LFC's) view is that further savings now would have to come from the frontline (82 per cent of spend is operational, and it is not possible to make further cuts from non-operational spend). LFB is therefore facing a huge cost challenge over the Spending Review period, which could threaten safe, sustainable economic growth in London.

The government's current funding assumptions are insufficient for the critical needs of the service. The Mayor has already made significant investment in LFB, and continues to fund the organisation above the level expected by the government. However, he has reached the limit of his ability to step in.

It is vital that LFB is provided with sustainable, long-term investment. This will ensure it can continue to save lives, protect property and deliver long-term growth benefits by making London a safer, more resilient place for all.

This should include:

- baselining funding for specific programmes (including Protection, New Dimensions and Pensions Grants), moving away from uncertain annual grant determinations
- uprating funding by inflation, to enable LFB to plan for the medium-to-long term

- allocating capital funding in recognition of LFB's need to: replace fire engines and other equipment sustainably; and keep fire stations in good condition, including the costs of achieving options for decarbonisation, and providing appropriate facilities for female firefighters
- allocating ringfenced revenue funding for post-Grenfell Tower Inquiry (GTI) improvements, particularly around operational training (LFB is currently using £20m of its own reserves to kickstart this; however, these will be fully expended by the end of 2025-26, and a sustainable funding source will be needed from 2026-27)
- recognition from the government that funding decisions must take account of realistic pay settlements above the currently budgeted 2 per cent
- ensuring that the increased employer costs of firefighter pensions arising from the recent revaluation by the Government Actuary's Department are covered in full.

Funding proposals

The proposals above are summarised in the table below.

Table 4: Fire and rescue – growth bids over the Spending Review period

Fire and rescue (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Existing budget gap	13		13		13	
Programme funding	2		2		2	
Training	14		15		19	
Pay award and pensions	7		8		8	
Employer NIC compensation	7		7		7	
Capital funding		23		16		19
Net zero investment		7		7		4
Total	**43**	**30**	**45**	**23**	**49**	**23**

Reducing London's skills gap (Annex 5)

The Mayor can deliver significant growth if the right building blocks are in place for the capital to supply its key sectors with the talent they need.

Some of London's growth sectors have major skills shortages, including the creative and construction sectors. Around two-thirds of London employers say they need to upskill their workforce; and a third of small business have identified skills as their greatest barrier to growth.

To ensure we are maximising the potential of London's labour market, we are proposing a radical reform of the skills and employment system in London. This would focus on the needs of employers, reducing skills gaps and boosting productivity and growth.

In order to do this, the Mayor will need: funding for adult skills increased in line with demand; London to control the Growth and Skills Levy generated in the city; and new freedoms to be devolved to the Mayor to spend existing grant money much more flexibly, and take over the running of some services currently managed by the Department for Work and Pensions (DWP).

Through our proposals, the GLA can deliver:

- an additional 100,000 Londoners, per year, to gain the higher-level skills that businesses need through greater aligned skills provision; this will create a net present value (NPV) of £6.9bn
- at least an additional 20,000 Londoners, per year, into jobs addressing employer skills gaps; this will create an economic benefit of £432m and a fiscal benefit of £314.4m each year.

This will be done by unifying the capital's disparate careers, skills and employment services; and transforming them into a single city-wide Inclusive Talent System, led by newly formed Employer Boards. This will:

- enhance data sharing and collaboration between the skills, careers and employment elements, enabling a more agile and coordinated response to economic shifts and evolving workforce need
- shape skills provision, including curricula, apprenticeships and work-based learning, to meet employer needs
- strengthen careers provision, particularly providing insights on emerging job opportunities in key growth sectors
- better focus the capital's employment support programmes, with a particular aim of addressing work readiness skills gaps.

To deliver on these bold proposals, we need the government to work in partnership with the GLA, and to:

- devolve all services and funding to the capital for adult skills, employment support, and careers services (including governance of the new jobs and careers service and 16-19 skills provision in London)
- uplift the Adult Skills Fund (ASF) in real terms
- establish a locally led, pan-London careers service
- put in place outcome data-sharing agreements with London; this will enable the GLA to make better commissioning decisions, based on robust data, in relation to which services are most effective at reducing skills gaps across the capital.

This is a bold approach – with a similar method already having been successful in Ireland – and will generate significant economies of scale and huge national economic benefits. GLA analysis concludes that devolution of all services would produce an NPV of £18.7bn[8] in economic benefits each year, due to the increased accumulation of skills across the capital.

Funding proposals

The proposals above are summarised in the table below. The table does not include funds to be devolved, which are discussed in Annex 5.

Table 5: Skills and employment – growth bids over the Spending Review period

Skills (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Increase in ASF (as grant has been frozen since 2019)	113		113		113	
Growth and Skills Levy	808		808		808	
Immigration Skills Charge Devolution	221		221		221	
Skills total	**1,142**	**0**	**1,142**	**0**	**1,142**	**0**

[8] GLA modelling predominantly based on the economic returns to further education qualification achievement, as in: Department for Education (DfE), Measuring the Net Present Value of Further Education in England 2018/19, May 2021

Funding London's Growth Plan (Annex 6)

For London to make the maximum possible contribution to government's growth agenda – in addition to investing in transport, housing, safety and skills as the foundations for a thriving economy – more direct intervention and investment to unlock economic development, support businesses and promote key growth sectors is also required. Without this, it will not be possible to drive productivity and growth at the pace that is needed.

The forthcoming London Growth Plan[9] will set out our strategy to achieve this, highlighting in particular that London needs to strengthen and scale up its activity in three key areas:

- **Supporting growth sectors:** London is home to globally competitive finance and professional services and creative industries sectors, and cutting-edge businesses at the frontier of innovation. Since 2016, the Mayor's investment of £122m in London & Partners' (L&P's) activities has added £2.2bn GVA,[10] with 52,000 jobs created or supported, but additional and long-term support is needed to scale up this support and turbocharge growth.
- **Unlocking growth places:** London has a strong track record of attracting billions of pounds of investment into new commercial centres and innovation districts, including those at King's Cross, Battersea, White City and Stratford. The forward pipeline is strong, but additional funding is needed to strengthen London's investment promotion capacity, support project development and unlock supporting infrastructure.
- **Growing the visitor economy:** London is one of the world's leading visitor destinations, and the key tourist gateway to the UK. The Mayor's Let's Do London campaign in 2021-23 achieved a return on investment of 26:1 and secured £508m in additional tourism spend; while London's major sporting and cultural events programme contributed £2.5bn contribution to the economy from 2017-21[11] (including Euro 2020). While London will continue to seek opportunities in these areas, without dedicated funding it will be impossible for the capital to achieve its full potential.

A stable, long-term Growth Fund is needed, resourced at a level that is proportionate to the scale of London's economy and its world-city status. Recent funding sources for economic growth and development (such as the growth funds administered by the Local Enterprise Partnership (LEP); the Levelling Up Fund; and the UK Shared Prosperity Fund (UKSPF)) were time-limited and constrained in terms of flexibility of use. Moreover, allocations from these sources have either been getting smaller or no longer exist, and London has been excluded from some key programmes and funding streams – for example, in relation to Investment Zones. Securing a consistent revenue source is

[9] To be published on 27 February 2025. More information: London Growth Plan.
[10] L&P, How we measure our impact, last updated 13 January 2025
[11] L&P (London Convention Bureau), The impact of major events on London's economy

essential to enable the Mayor to deliver the capital’s Growth Plan and maximise London’s contribution to the national economy.

The Mayor should be allowed to retain 100 per cent of the growth in business rates (without a reset) to fund the London growth plan. This has already been devolved to the Greater Manchester Combined Authority and the West Midlands Combined Authority. Given that London is a devolved administration through the GLA Act 1999, it would seem perverse if other, newer Mayoral Combined Authorities had more devolution than the Mayor of London.

London has previously received this growth in 2018-19 and 2019-20, which generated approximately £180m for the GLA over two years (after allocating a proportion to borough finances). However, this depends on an acceptable outcome from the forthcoming business rates reset process and other reforms. It would not be possible to fund a Growth Fund if the core income from business rates that London relies upon for public services was under threat.

A second additional funding source to help deliver growth would be an overnight accommodation levy in London, similar to that recently introduced in Scotland. This would be particularly appropriate for boosting the key sectors related to London’s visitor and experience economy. Other European cities adopt a variety of approaches, which when modelled for London suggest that around £200m-£300m annual income is a reasonable expectation.[12]

The Mayor would also be open to other mechanisms to fund the delivery of the London Growth Plan, including through government grant or alternative fiscal devolution measures.

To make the desired contribution to the government’s agenda, the GLA is seeking an initial Growth Fund of at least £150m per annum (broadly equivalent to the combination of the GLA’s retained business rates income, and European funding in the years immediately before the pandemic). This is crucial given the ambitious nature of the London Growth Plan and the need to deliver early results. Depending on the source, however, we would expect future growth – whether from business rates or levy income – to increase the level of funding available over time.

[12] £305m is the midpoint of the range of options modelled in detail.

Overall summary of GLA Group funding

The GLA needs to maintain existing funding levels to keep London safe, moving and continuing to invest in growth. Any diminishing of resources through the business rate reset and baseline funding levels will reduce our capacity to keep contributing to the national growth agenda.

The Mayor is already having to use business rates to fund the Met and LFB beyond the previous government’s expectations to maintain essential frontline services. Due to the different funding arrangements for each body in the GLA Group and the difference in the scale of their budgets, and with transport fares and police grant ringfenced, the Mayor has limited scope to trade off priorities across functional bodies and reallocate budget accordingly. Annex 7 provides further information about the GLA Group’s finances.

Table 6 below quantifies the GLA Group’s overall growth bid as at the time of writing. Discussions with various government departments continue as part of the Spending Review process and this table will be kept up to date. The table does not include the following:

- Funding for affordable homes; tackling rough sleeping and homelessness; and building remediation. This is discussed in Annex 2.
- Funding to support London’s growth plan – sources for which could include business rates and an overnight accommodation levy, but with a minimum of £150m per annum needed for London to deliver on the government’s ambitions for growth. This is discussed in Annex 6.

Table 6: Summary of GLA Group growth bids (as at 9 February 2025)

	2026-27 £m		2027-28 £m		2028-29 £m	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Transport						
DLR extension to Thamesmead unlocking 30,000 homes		70		145		170
Feasibility work for: WLO, BLE & metroisation unlocking more homes and creating jobs	12		12		16	
Accelerate delivery towards a fully zero-emission bus network by 2030		95		105		106
Enable half the Tube network to be step-free		89		300		424
Major road renewals to support national productivity (devolving funding ending bidding process)		99		150		150
[redacted]		[redacted]				
[redacted]		[redacted]		[redacted]		[redacted]
TfL Employer NIC costs under funded	35		35		35	
Transport Total	**47**	[redacted]	**47**	[redacted]	**51**	[redacted]
Housing and planning						
City Hall Developer, inc. £2bn revolving fund to deploy grant, recoverable grant, loan finance or equity to unlock sites for development	8	738	5	473	6	534

	2026-27 £m		2027-28 £m		2028-29 £m	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Of which: Thamesmead and Beckton site infrastructure to support development		*0*		*1.5*		*72*
London's Planning and Delivery Service (ATLAS London) improving the pace of housing delivery	2.5		2.5		2.5	
Housing Total	**10.5**	**738**	**7.5**	**473**	**8.5**	**534**
Safety						
Policing						
Officers and staff uplift – to deliver an additional 7,000 police officers and increase ratio of officer/support staff (a total of 38,000 officers with associated support staff levels required) over six years (2028-29: 35,175 and 15,753)	106		319		532	
VRU – Investment in Prevention	3		3		3	
IT investment – to boost productivity		TBC		TBC		TBC
Estates		TBC		TBC		TBC
Fire and rescue						
Existing budget gap – to avoid frontline cuts and ensure safety, meet the building safety role, and implement recommendations from the Grenfell Tower and Manchester Arena inquiries.	13		13		13	
Programme funding built into core funding, reducing uncertainty	2		2		2	
Training – sustainable budget for training, particularly operational training building on Grenfell recommendations	14		15		19	

	2026-27 £m		2027-28 £m		2028-29 £m	
	Rev	Cap	Rev	Cap	Rev	Cap
Pay award and pensions – fully funded	7		8		8	
Employer NIC compensation fully funded	7		7		7	
Capital funding for Fire engines and to maintain the Estate		23		16		19
Net-zero investment		7		7		4
Safety Total	**152**	**30**	**367**	**23**	**584**	**23**
Skills						
Uplift the ASF to reverse the 2019 freeze and upskill an additional 90,000 Londoners annually	113		113		113	
Growth and Skills Levy – to maximise potential to address London’s skills and employment gaps through a unified, place-led model	808		808		808	
Immigration Skills Charge Devolution with potential to deliver 350,000 additional courses per year	221		221		221	
Skills total	**1,142**	**0**	**1,142**	**0**	**1,142**	**0**
Grand total	**1,352**	[redacted]	**1,564**	[redacted]	**1,786**	[redacted]

In most cases figures are provided in today’s prices, and we will work with government departments to ensure the relevant deflators are applied if required.

Annex 1 – Investing in London’s transport network

Introduction

The government’s growth mission, and its commitment to increasing housing delivery, will not be achieved without investment in London’s transport system. The TfL network sees almost 3.6bn journeys a year; every sector of London’s economy relies upon it. The core network service must be maintained, and new infrastructure realised, to kickstart economic growth.

This section sets out the case for investment in London’s transport network over six years – from 2026-27 to 2031-32. This package of investment is aligned to the DfT’s priorities and is essential to the government’s housing and growth agendas.

TfL has submitted its own business case to government, and this submission reiterates London’s key investment needs as part of that wider business case.

Renewing and improving the existing network

Investing in London’s existing public transport network would bring the quickest impact for growth and jobs. This investment will keep services running reliably and bring significant increases in capacity – replacing life-expired assets with modern trains and signalling systems; boosting connectivity; and supporting up to 160,000 homes near stations across the capital.

This investment in the core network is also central to safeguarding TfL’s £11bn-plus annual UK-wide economic impact. This includes, for instance, the 100,000 high-quality supply-chain jobs supported per year in engineering, manufacturing and technology – of which nearly a third fall outside of London.

The requirement for renewal of TfL’s core assets remains consistent with the submissions for 2024-25 and 2025-26, with an average of [redacted] from the government for [redacted] (this is higher than previously, due to the profiles of additional projects covered over a longer timeframe and the impact of inflation).

This submission reiterates the case for existing projects: new trains on the Piccadilly and Bakerloo lines; trams; the DLR; TfL’s engineering fleet; and completing the 4LM signalling project. As well as threatening the reliability of TfL’s core services, a failure to fund this investment programme adequately would put at risk many of the 100,000 jobs supported annually through TfL's supply chain – [redacted]

As this case extends over a longer period, this submission incorporates other projects that are earlier in development. This includes [redacted].

£m	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The previous government left crucial issues unresolved. [redacted] This was noted by the previous government as a pressure that would need to be funded later, and TfL has always been clear that it must make this payment in 2026-27. If this is not forthcoming, TfL will have no alternative but to scale back investment elsewhere to meet this contractual commitment. TfL has also requested funding to allow it to make up the backlog in essential renewals investment, caused by the previous government's funding decisions.

Delivering new infrastructure to support UK growth

The Mayor has identified projects that, with government funding support, will deliver economic growth, homes and jobs, and support other missions with benefits across the UK.

New infrastructure to unlock homes and create jobs

TfL is seeking funding support to deliver the extension of the DLR to Thamesmead.

TfL is ready to work with government to pilot a streamlined planning approach. TfL is already pushing the scheme forward to Transport & Works Act Order stage. The scheme will also support housing-related infrastructure, which is set out in the housing section of this submission.

Additionally, 50 per cent funding (for feasibility work) to collaboratively push forward the development of a range of schemes – West London Orbital (WLO), Bakerloo Line Extension (BLE) and metroisation of the suburban rail network (enabled by devolution of services) – would create a pipeline of improvements to housing delivery, growth and connectivity in the capital into the 2030s. We are keen to work collaboratively with HM Treasury to identify innovative approaches to progressing these projects; and can accelerate towards delivery as soon as a funding strategy is agreed.

£m	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
DLR Thamesmead	70	145	170	185	230	35	835
WLO/BLE /metroisation scheme feasibility	12	12	16	-	-	-	40
Sub-total	**82**	**157**	**186**	**185**	**230**	**35**	**875**

Delivering a greener bus network

TfL can also deliver a greener bus network through support for cleaner vehicles and power infrastructure, accelerating progress to achieve a fully zero-emission bus network by 2030. We want to work with HM Treasury and other cities to develop a public sector-owned asset company, which would leverage finance to reduce cost and accelerate roll-out of zero-emission buses. As well as the direct carbon savings, this has the opportunity to catalyse the industrial strategy for buses in the UK, by providing the volume and certainty that manufacturers need to invest and innovate. This would benefit transport authorities across the country and create export opportunities.

£m	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Zero-emission buses	95	105	106	77	96	96	575

Making transport more accessible

Improvements to the reliability and connectivity of the public transport network help boost social mobility. However, the physical accessibility of the London Underground and London Overground lines still acts as a barrier to inclusion. Funding for London Underground accessibility schemes are currently not available via the government's 'Access for all' programme. 60 per cent of National Rail stations are already step-free, and we are seeking support that would enable TfL to make half the Tube network step-free, including a landmark scheme at South Kensington, a key tourist destination.

£m	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Step-free access	89	300	424	356	181	2	1,352

Renewing major road assets

The pipeline of relevant road projects has been extended beyond the existing set of Major Road Network (MRN) projects and other live projects, with the ask based on 75 per cent of costs for future schemes. In the absence of this investment, there is a real risk that key structures such as the Brent Cross flyover and the Rotherhithe Tunnel will need to close, with severe knock-on consequences for the London economy. Devolving funding for major roads renewals, rather than continuing to rely on the lengthy bidding process through the MRN fund, would allow for far more efficient and rapid delivery of this essential investment.

£m	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Major roads	99	150	150	150	150	150	849

Benefits of transport investment on economic growth

TfL's analysis suggests the programme of investment set out in this submission is 'high' value for money for the taxpayer (with a benefit-cost ratio of 2.9:1). The predicted impact on GDP, between now and 2090, is £119bn (2024 prices, discounted to present value). This is likely to be a significant underestimate of the true GDP impact, since TfL's appraisal does not value all housing impacts or the productivity effects due to additional jobs in London. Given the UK tax regime captures about 40 per cent of GDP, this would increase HM Treasury income by £48bn (in present value terms, in 2024 prices) up to 2090. The average additional undiscounted tax take, over the 60-year period, would be at least £1.3bn per year. This represents an increase of at least 3 per cent on London's annual £43.6bn fiscal surplus.

Further, TfL's latest analysis shows the direct impact of its supply chain is significant, adding over £11bn of GDP in 2022-23 and 2023-24, and supporting more than 100,000 high-quality jobs per year in engineering, manufacturing and technology. Nearly a third of this activity and economic benefit is felt outside London, with around two-thirds of TfL suppliers being based outside the capital, and more than half (62 per cent) is with small and medium-sized enterprises.[13]

But long-standing funding gaps are putting this in jeopardy. In Goole, Yorkshire, Siemens Mobility has opened a huge new facility. This has created 700 direct jobs, and 1,700 supply chain and indirect roles; and Siemens has invested up to £200m to manufacture 94 new Piccadilly line trains. This would be at risk if TfL doesn't secure funding to progress the Piccadilly line trains, or to take up the contractual option to build new trains for the Bakerloo line, which is currently served by the oldest trains anywhere in the UK (they date from 1972). Without replacing them, the service on the line will deteriorate until closure is unavoidable.

Constraints on growth from housing can be unlocked by transport. Capacity upgrades to the existing network will support 160,000 new homes within 1km of stations. Growth

[13] TfL, Transport for London Supply Chain: Economic Impact Assessment 2023/24, November 2024

schemes will directly unlock at least 60,000 homes that would not come to market without the new transport infrastructure. These estimates are based on the planning assumptions this government inherited, and will increase significantly as planning reform is bedded in. This package of schemes would allow significantly denser development across large sections of London, allowing the city to get closer to meeting its assessed housing need.

More generally, investment in the public transport network in London, particularly the accelerated electrification of the bus fleet, would help achieve the industrial rejuvenation of the UK bus industry, while supporting the government's net-zero goals. Investment in improving the accessibility of the network through step-free access schemes would reduce barriers to employment and inclusion.

There is a strong correlation between deprivation, economic productivity and transport connectivity. The transport investment proposed brings significantly improved access to employment for many areas across London – 40 per cent of which are in the most deprived deciles. Reliable, safe, well-maintained public transport and public realm are also associated with lower crime rates, and make it safer – and feel safer – for women to use the transport network and access everything the city has to offer.

Summary of funding proposals over the Spending Review period

The proposals above over the Spending Review period are summarised in the table below.

Table 7: Transport – growth bids over the Spending Review period

Transport (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	Cap	Rev	Cap	Rev	Cap
DLR Thamesmead		70		145		170
Feasibility work for: WLO, BLE & metroisation	12		12		16	
ZE buses		95		105		106
Step free access		89		300		424
Major road renewals		99		150		150
[redacted]		[redacted]				
[redacted]		[redacted]		[redacted]		[redacted]
TfL Employer NIC costs	35		35		35	
Transport total	**47**	[redacted]	**47**	[redacted]	**51**	[redacted]

Annex 2a – Building more homes to grow the economy

Introduction

This section sets out how, in partnership with government, London can accelerate housing delivery to help meet the government's target to deliver 1.5m homes and stimulate economic growth across the country.

The shared commitment to higher levels of house building will address many of the city's challenges and drive economic growth. Currently, however, too many developments are stalled across the capital.

This submission sets out why the Mayor is requesting £2.3bn to unlock stalled sites; and to bring forward key strategic sites. Building on existing Opportunity Area analysis, City Hall is acting in advance of funding to identify a broad pipeline of development sites, as well as opportunities to support the government's ambition for new towns. Planning reform alone is not enough to unlock these sites, and doesn't reverse the cost inflation seen in recent years. Public investment is required to close viability gaps and bring forward sites that the market alone won't deliver.

This work shows that a £2bn revolving fund would unlock a further 23,000 homes by 2029, and 43,000 by 2039. An additional £135m for infrastructure to support the development unlocked by the DLR extension to Thamesmead would support delivery of up to a further 30,000 new homes. A further £170m is needed for land acquisition and infrastructure within the Mayoral Development Corporation area at Old Oak and Park Royal.

London's most pressing need is for affordable housing, and the Mayor is calling for an ambitious new Affordable Homes Programmes from 2026. To build at scale, social housing providers need the government to reverse the damage left by its predecessor. A package of measures – including rent convergence, greater access to the building safety fund and grant for existing stock – will provide the financial resilience to build new homes at scale. This is set out in Annex 2b.

The housing crisis will not be fixed overnight; but unchecked rising homelessness will harm the city's potential, and undermine the finances of local authorities. City Hall and London Councils will jointly submit proposals for how the government's Homelessness Strategy can prevent all forms of homelessness in order to end rough sleeping.

Context and laying the framework for growth

The Mayor of London is ambitious for London’s growth, and wants the city to play a central part in delivering the government’s commitment to 1.5m new homes. This is necessary for the city’s economic growth and global position, as well as the life chances of its most vulnerable residents. Modelling by the National Housing Federation[14] estimates that building 10,000 homes in London directly results in the creation of nearly 10,000 jobs, and £800m in GVA. Total impacts, including indirect and induced effects, are nearly 24,000 jobs and over £2bn in GVA.

London has demonstrated a good track record in delivery of both private and affordable homes. The capital was delivering over 45,000 net additional homes per year just before the pandemic. This is the largest number of additional homes completed in London since the 1930s. This followed sustained growth in previous years; and, at the time, was significantly better than any other region. London also consistently increased the number of affordable homes delivered between 2016 and the inception of the current downturn, which is affecting the capital and the rest of the country.

However, delivery has fallen short of London’s housing needs, and has never hit the level of housebuilding targets now being pursued. This comes at the cost of the city’s ability to recruit and retain its workforce, and undermines the capital’s productivity. In simple terms, while London has been very successful at creating jobs, it has not witnessed sufficient house building to keep pace with its growing economy. The lack of housing is now holding its economy back. Homes are increasingly unaffordable in the capital, with many choosing to no longer be in London, or to delay or not have children. For some inner London boroughs, the population between ages zero and 10 fell by 45 per cent between the two census dates of 2011 and 2021.[15] The decline is seen in outer London too, though it is less marked. Overall, the potential workforce is currently lower than previously, and risks shrinking further in the future.

The other result is a homelessness crisis that has left one in 21 children in temporary accommodation.[16] London local authorities are now spending £4m a day on temporary accommodation,[17] which undermines their financial stability and the recent resurgence of council house building spearheaded by the boroughs, which has made an important contribution to housebuilding in the capital. The Mayor is clear that this cannot continue, and it is time for London and the government to do things differently.

[14] National Housing Federation, Local Economic Impact Calculator, 26 April 2024
[15] GLA, London’s population of young children – current and future, July 2024
[16] London Councils, ‘Emergency’ warning issued as London homelessness hits new records, 24 October 2024
[17] London Councils, ‘Emergency’ warning issued as London homelessness hits new records, 24 October 2024

London is well placed with some of the tools required to address this, but will need government support to ensure the resources are available to meet our shared vision.

London's planning policy

Through his strategic planning powers, the Mayor has commenced a review of the London Plan. This will introduce a streamlined planning framework that puts housing and economic growth at its core. City Hall is also acting, where it can, to maximise delivery within the current London Plan policy context. This includes the introduction of a new Accelerating Housing Delivery planning policy practice note in late 2024, which has been extensively welcomed across the sector. The GLA has also launched a London-wide greenbelt review to realise the ambition of the revised National Planning Policy Framework. The transport case set out in Annex 1 is fundamental to ensuring that potential new capacity can be released for sustainable, high-density housing, with the result of maximising the number of new homes.

The GLA and the MHCLG are working together on mechanisms to increase planning capacity in London, including via MHCLG's national ATLAS scheme. As part of this work, we have developed a proposal to augment ATLAS, and other national measures in London, by providing a complementary London Planning and Delivery Service (ATLAS London) offer. We believe this can expedite the delivery of 10,000 homes, at a cost of £2.5m a year, through targeting live sites and supporting planning processes.

We cannot pretend, however, that this is sufficient to address all the viability challenges in the pipeline or drive the rapid increase required. Planning reform will not reduce construction costs or the cost of borrowing, which are negatively affecting site viability.

London's housing mission

In recognition of the scale of the challenge, the Mayor and London Councils have committed to a shared housing mission, which will deploy the strengths of institutions across London to tackle the barriers to supply.

This approach will include leveraging the talents and investment of the private sector. The GLA has been working closely with the private sector through Opportunity London. This is a joint public and private partnership to advertise and connect the public and private sectors to investment opportunities that support economic growth. This has included a programme of work to connect institutional investors with private developers, and the GLA, to advise on opportunities and reforms required to deploy private capital into affordable housing. The new City Hall Developer vehicle, set out below, will also support private investment. Initial modelling from Savills demonstrates that every £1 of public investment will attract £10 of private capital.

The Mayor welcomes the government's early commitment to support housing delivery, including by working in partnership with London. City Hall and London Councils have agreed a shared Housing Delivery Plan with MHCLG, which identifies key areas for joint working. City Hall is working closely with MHCLG to inform its detailed submissions for the Spending Review. However, the sections below provide an overview of where the Mayor believes financial support from government will be required in order to deliver against our shared objectives.

Public-private partnerships for growth

The current delivery environment has resulted in steep falls in housing starts, completions and planning applications. Independent modelling for the GLA by Savills demonstrates that this is the result of long-trend structural factors and regulatory factors that have been compounded by macroeconomic factors (chiefly higher inflation and higher interest costs).

Savills identifies the following structural factors as affecting rates of housebuilding in London, many of which predate the current context:

- higher construction costs compared to development in other parts of the UK; this is the result of more complex/dense building typologies, and more constrained land
- a more complex regulatory environment, resulting from a more complex built environment (including a higher proportion of tall buildings, for example, increasing the impact of the delays to development caused by the previous government's new rules regarding second staircases)
- a steeper affordability crisis, including higher housing prices and, as a result, lower levels of possible demand, affecting private-sector confidence to build-out developments.

This is further compounded in London by the withdrawal of the affordable housing sector from development – both land-led and through section 106 acquisitions that contribute to forward funding development. As outlined in more detail below, this has been driven by a requirement to refocus financial capacity on existing stock. This effect has been profound in the capital, given the concentration of tall buildings affected by the building safety crisis and an overrepresentation of Ombudsman complaints compared to other parts of the country, driving a focus on disrepair in aged and often overcrowded stock. London, like all regions, is affected by a shortage of construction workers that threatens to hold back supply.

A revolving fund to unlock stalled and strategic sites

This diagnosis of the national problem is shared by MHCLG and Homes England. The GLA supports the department's bid for flexible national investment to increase housing delivery proactively, beyond what the market can achieve alone. Alongside this, with government funding support, an interventionist City Hall Developer would deploy resources where sites are stalled in the short term; and act innovatively to bring forward strategic sites that the market alone will not unlock. It would operate alongside national funding and financing support administered by Homes England in London, under delegation from the Mayor. To be effective, this funding needs to be: flexible in how it can be used to respond to the diversity of challenges in the pipeline; recoverable by the GLA to maximise housing output over time; and able to operate sub-market returns (subject to subsidy control compliance) to accommodate the current reality of development economics.

Tailoring the fund to London would ensure City Hall has the flexibility and agility to respond to the diverse requirements of each site and counterparty. The GLA's success in delivering the previous Land Fund demonstrates the value of avoiding multiple targeted funding streams, and supporting development with a single, flexible pot.

The GLA intends to work on short-term impact and outcomes through work on stalled sites, whilst commencing work on longer-term strategic opportunities. This is supported by a revolving fund.

The City Hall Developer is most able to assist where it is not duplicating market activity. Practically, this requires the ability to take more risks than the private sector alone can, by way of joint ventures with different risk and reward structures, and sub-market lending.

Funding requirement

The Mayor is seeking £2.3bn, up to 2030, to kickstart the City Hall Developer. This would create a £2bn revolving fund to deploy grant, recoverable grant, loan finance or equity to unlock sites for development. Initial modelling shows that this would unlock 23,000 homes by 2029, rising to 43,000 by 2039. Of this £2.3bn, £20m of is requested as resource department expenditure limit (RDEL) funding for the first three years, to support delivery of the fund.

As an early major success, this funding could additionally support the delivery of up to 30,000 new homes at Thamesmead and Beckton. TfL has prioritised funding to accelerate construction of the DLR to Thamesmead via Beckton Riverside in its own Spending Review submission (as set out in Annex 1). Initial analysis suggests that the development sites at Beckton and Thamesmead require c.£135m in site-specific infrastructure, which is included in the £2.3bn figure.

London has pioneered the use of Mayoral Development Corporations to unlock growth. The Old Oak and Park Royal Development Corporation continues to progress the area around the HS2 station; and will require £170m capital department expenditure limit funding from the £2.3bn cited above, for land acquisition and infrastructure.

New towns

Increasing housing delivery to meet London's need of 88,000 homes a year will require all sources of supply – maximising capacity from brownfield sites and suburban intensification, but also looking to grey and green belt opportunities. We are working closely with MHCLG on what further financial support will be required for ambitious proposals for one or more new towns for London, and/or Mayoral Development Corporations.

London is well placed to host new towns, and the GLA is engaging with MHCLG to consider appropriate sites. However, we understand that the outcome of the new towns work may extend beyond the conclusion of the Spending Review. The Mayor is actively exploring other areas for intervention (such as the potential to pilot Land Assembly Zones as a way to deploy Compulsory Purchase Orders) and will share recommendations with MHCLG as these are developed.

Summary of housing and planning funding proposals

The quantified proposals set out above are summarised in the table below.

This does not include amounts for affordable housing; tackling rough sleeping; and homelessness and building remediation. These continue to be discussed with MHCLG and other partners. Annexes 2b and 2c discuss the demands in these areas.

Table 8: Housing and planning – growth bids over the Spending Review period

Housing and planning (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
City Hall Developer (incl. £2bn revolving fund)	8	738	5	473	6	534
Of which: Thamesmead and Beckton site infrastructure to support development		*0*		*1.5*		*72*
London's Planning and Delivery Service (ATLAS London)	2.5		2.5		2.5	
Housing total	**10.5**	**738**	**7.5**	**473**	**8.5**	**534**

Annex 2b – Supporting affordable housing

Introduction

This sets out the case for an ambitious new Affordable Homes Programme (AHP), which must go hand in hand with measures to support the affordable housing sector financially.

London has a pressing need for more affordable housing, especially homes for social rent. The Mayor's planning policy has successfully increased the number and proportion of affordable homes delivered through the planning system. In recent years, the Mayor's flagship AHP has delivered record numbers of homes.

Current conditions are more challenging; but the package below would turn around delivery and ensure London can spearhead the government's ambition for the biggest wave of social and affordable housing for a generation, including council housing. Restoring the financial capacity of social landlords is also an essential precondition for kickstarting wider housing development. This is because is necessary for at-scale acquisitions of section 106 affordable housing, which underpins market development.

Successor to the AHP

The Mayor is seeking a successor to the AHP from April 2026, so that local authorities and housing associations can fully play their part in London's housing delivery, including resuming building at scale. We have not included a specific numerical ask for the London AHP in this submission; however, we are working closely with MHCLG on the case for the national programme, including the share that should be allocated to London. We expect MHCLG's Spending Review submission to set out proposals.

Current funding for the AHP in London of £4bn over five years has been insufficient to address either the long-term level of housing need (previously estimated at £4.1bn *per year)* or the current market challenges. We hope that the additional funding in the Autumn Budget is a precursor to a bold new programme.

Previous programmes have devolved as much as half of all funding to London. This is a fair recognition of the scale of London's housing crisis, and the significant financial and social benefits to be achieved from moving Londoners in housing need into low-cost social rent homes. The terms of the new AHP, which we continue to discuss with MHCLG, must recognise the high costs and limited delivery-partner borrowing capacity that are currently impeding delivery. These pressures also threaten vital completions under existing AHPs, which is an issue we're discussing with MHCLG in terms of potential additional funding pressures. We are also discussing the need for RDEL funding to help support delivery of the new programme in London.

Delivery record

City Hall works in close partnership with the sector in London to deliver affordable housing. The record-breaking 116,000 homes started under the 2016-23 AHP showed what this can achieve. The 2016-23 programme demonstrates that, even in difficult economic conditions, partners can deliver at scale if a programme provides sufficient flexibility, and the overall operating environment enables them to prioritise new supply. But the partners on which success is dependent have been clear with the Mayor, and successive governments, that the current operating environment does not support these levels of delivery. Local authorities and housing associations have been badly affected by rising inflation and higher borrowing costs, while their financial capacity is increasingly directed towards improving existing stock. We have worked with our partners to establish a clear consensus around what's needed to support the sector to resume building and replicate the success of the 2016-23 AHP.

Recapitalising social housing providers to underpin delivery

Firstly, rental income is essential for social landlords, but the previous government repeatedly deviated from the rent settlement. A fair long-term rent settlement backed by rent convergence is the foundation to restabilising finances. Partners can only make long-term commitments to build housing with long-term certainty around this income source. Equally, rent convergence would recognise the unfair and arbitrary differences in rent that have evolved across London, while enabling landlords to improve the homes of existing residents and build new homes for Londoners in need. Analysis for the G15[18] suggests that a convergence of £3 extra per week would generate an extra £3.5bn for the sector over the next 10 years. The Mayor encourages the Chancellor to carefully consider the detailed submissions from the G15 and London Councils on this point.

The scale of the challenges faced by the sector means it is necessary to look beyond rental income. London's social landlords have borne the brunt of the building-safety crisis. G15 members forecast a collective spend of £3.6bn on building safety works between 2021 and 2036. Improved access to the building-safety funds would reduce the trade-off between remediation and investment in new supply. It would recognise that it is as unjust to expect social tenants to fund remediation through their rents, as it was to levy costs directly on leaseholders. The previous government rightly demanded high standards of social landlords but sought to downplay the costs attached and refused to engage in the trade-off with new supply. Implementation of Awaab's Law and a new Decent Homes Standard, as well as the requirement for net zero, mean social landlords cannot and

[18] G15, Consultation on future social housing rent policy: G15 response, 23 December 2024

should not sidestep investment in existing stock; but the Mayor backs calls for grant support to ensure this can be done alongside a commitment to new supply.

In recent years, London boroughs had reached levels of council house building not seen since the 1970s. All sectors will need to deliver at maximum output if London's housing need targets are to be met, and it is imperative that councils are backed to build again. The government should guarantee longer-term certainty to preferential Public Works Loan Board rates for housebuilding; and clarify whether the National Wealth Fund can finance housing delivery. The new government should urgently reopen the Housing Revenue Account (HRA) debt settlement to give local authorities more freedom to borrow cheaply for housing delivery. This would recognise that the HRA debt settlement was agreed over a decade ago, and obligations on borough HRAs have significantly mounted since. A revised settlement could unlock additional borrowing power of £4.34bn. Finally, local authorities could make full use of their existing resources if the government allows them to combine Right to Buy receipts with grant.

Delivering retrofit

The Mayor and London Councils are partnering to launch Warmer Homes London. This will provide new cross-London capacity to drive the retrofit of London's social housing stock, helping alleviate fuel poverty; reduce carbon emissions; and create jobs.

The launch will bring together the existing limited funding, London's expertise and the ownership of the housing stock to accelerate this work. It will integrate a piecemeal landscape of small-scale projects into a single, coordinated programme; and provide clear signals to the private-sector supply chain. It will, in itself, lead to a significant economic boost; but will also reduce the burden on social landlords, allowing them to prioritise funding for new build.

Alongside this, we will continue to work to unlock and expand heat networks across London, and to accelerate the decarbonisation of London's public estate.

The economic opportunities of net zero are significant. It is crucial that sufficient funding is provided to the Department for Energy Security and Net Zero (DESNZ) to progress this work at pace. As part of that we will seek a long-term, flexible allocation for London, which incorporates increased funding for domestic and commercial retrofit; heat networks; public sector decarbonisation; and technical and commercial support for project development. It will also enable access to National Wealth Fund finance, which can be used alongside the GLA's funds to leverage private-sector investment.

This should be provided as part of London's integrated settlement from 2025-26; and will ensure that London can continue to lead the way in the national effort towards net zero.

Annex 2c – Ending rough sleeping and reducing the pressure on boroughs from wider homelessness

Introduction

The most acute consequence of London's housing crisis is the record levels of rough sleeping in the capital. The Mayor was elected on a commitment to work with the government to end rough sleeping by 2030; and will, this spring, publish a Plan of Action to support that. The Mayor's Life Off the Streets services have already supported 18,000 people off the streets since 2016, using record funding from the GLA and support from central government. More than 75 per cent of those helped have stayed off the streets permanently.

Addressing rough sleeping as part of wider efforts to reduce homelessness is also central to reducing the financial pressures impeding local authorities, including their commitment to new housing supply. A majority of all people in England who are currently homeless and living in temporary accommodation (56 per cent) are in London.[19] Around one in every 50 Londoners, and one in every 21 London children,[20] are currently living in temporary accommodation, on which London boroughs collectively spend an average of £114m every month. In 2023-24, a total of 11,993 people were seen sleeping rough in London[21] – 58 per cent higher than levels in 2014-15. This situation is unsustainable and unaffordable.

The GLA and London Councils are working on a joint proposal to MHCLG as part of its strategy to end homelessness. We are expecting any associated funding requirements to be addressed by MHCLG in its Spending Review submission.

Reform and innovation

We need a new approach that tackles the flow of new people onto the streets and supports closer working to prevent and end wider homelessness. We stand ready to play our part. The GLA and London Councils have developed a shared partnership to deliver the government's goal to get the UK back on track to ending all forms of homelessness, which includes exploring how we do things differently. This will mark a step change in how

[19] MHCLG, Statutory homelessness in England: April to June 2024, 28 November 2024 (updated 3 December 2024)
[20] London Councils, 'Emergency' warning issued as London homelessness hits new records, 24 October 2024
[21] GLA: London Datastore, Rough sleeping in London (CHAIN reports)

London government works together, accelerating prevention, partnership, and a 'test and learn' approach to tackle the root causes of homelessness and rough sleeping. This work will be administered through an Ending Homelessness Accelerator supported by the GLA, London Councils and boroughs.

To deliver this work effectively, we need government backing to stabilise the finances of local government. Boroughs need support to meet their statutory homelessness duties, through continued funding for Homelessness Prevention Grant and an uprating of the temporary accommodation Housing Benefit rules to reflect current costs. At the same time, we need long-term funding certainty for the capital and revenue costs of supported housing, as well as the investment needed to prevent and end rough sleeping. Elements of this could be delivered at a pan-London level, allocated based on a robust assessment of needs; and administered through governance arrangements to be developed and agreed by the GLA, London Councils and boroughs.

Through this partnership, we intend to support local authorities to focus more efforts and resources on the prevention of homelessness and rough sleeping, whilst ensuring there is sufficient investment in core rough-sleeping services (such as assessment hubs and outreach) for as long as there is a need. With the right government support, London will build stronger governance and oversight of delivery, including through sub-regional structures. This will be essential to meeting our goal to end rough sleeping by 2030.

Annex 3 – Funding for the Metropolitan Police Service and the Violence Reduction Unit

Introduction

A safe London is vital to the economic success of the UK. To accomplish that mission, the Met needs sustainable funding to boost officer numbers, continue its modernisation and fight crime.

Public safety is the foundation for prosperity and economic growth. The following should be noted:

- Safe communities are more attractive to domestic and international investors, as businesses seek stable environments to thrive and grow.
- When people feel safe, they are more likely to engage in work, innovation and education, leading to increased productivity.
- Safety ensures that public infrastructure such as transport, schools and healthcare can function without disruption.

Context

London is the UK's only global city. Its population – now at 9m - has risen rapidly and this is projected to rise further. In addition to this, during daytime hours London's population swells, with a significant number of commuters, tourists and business travellers in the city each day.

It is a worldwide economic and cultural centre that attracts millions of business visitors and tourists every year; and serves as the headquarters for our largest and most productive industries. It showcases the best of the UK by hosting some of the world's most watched sporting and ceremonial events, film premieres, and concerts.

But, because of this, London is also a city where global political events play out in the streets. The Met, as a capital city police service, bears the pressure of most national policing activity, as well as major events such as royal occasions, large-scale sporting events, and significant protest activity. With that comes a unique and growing demand on policing in London, with the total number of recorded crimes the Met has had to respond to increasing year on year, despite falling officer numbers. Policing in the capital sets the narrative for media and public perceptions of the service nationwide. In addition to this, social media coverage of criminal incidents in London drives global perceptions of the country and its safety – this impacts business investment decisions, as well as tourism.

Compared with global competitors, London remains a safe city,[22] but its police service is poorly funded. If the Met had the same budget per capita as the police departments in New York City or Chicago, the total budget would increase by £1.8bn or £2.1bn respectively (enough to secure an additional 24,000 or 29,500 officers). For the Met to match 2012 real-term funding, this would require an increase in per-capita funding of 27 per cent – the equivalent of an additional £878m. Whilst other countries have increased real-terms funding to their capital cities' police services, the Met's funding is well behind its peers.

The Mayor has used every avenue available to support the Met's funding requirement. This includes raising the council tax precept by the maximum allowed each year; and providing business rates funding. The Mayoral share of all police funding has increased from 19 per cent (when the Mayor was first elected) to 25 per cent. He has also provided ongoing funding for 1,300 more officers that would otherwise be unaffordable; and for 500 additional PCSOs. The Mayor has also invested in the Met's reform programme, A New Met for London, on a recurrent basis. Additionally, a number of services have been absorbed by the Mayor's Office for Policing and Crime (MOPAC) with either no or limited budget from the Met – thereby releasing significant financial pressure from the Met's budget (examples include the Appropriate Adults service, and London Sexual Assault Referral Centres).

The future Met

Policing in London is at an inflection point. After a period of decline, when the Met was bent out of shape by poor decisions and under-investment, the last two years have set the Met on a path to reform. In January 2025, the Met was moved out of HMICFRS's regime of enhanced monitoring ('Engage'). This was underpinned by transformational improvements (including a faster 999/101 call-handling response; and improvements in tackling child exploitation, public protection and VAWG) and driving higher standards.

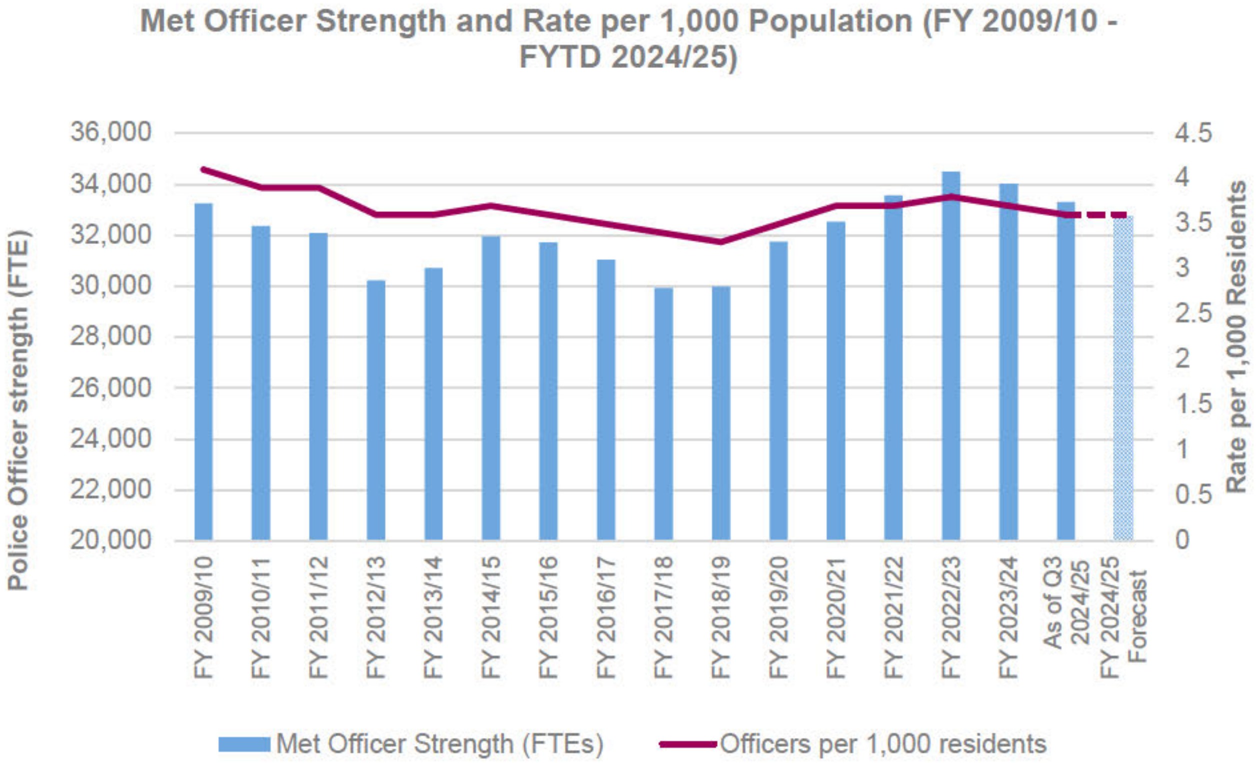
But, at the same time, in the face of increased demand, and historic funding decisions placing pressure on today's budgets, this progress is threatened by the requirement for the Met to reduce its workforce at the point it most needs to increase.

The government has rightly set out crucial missions for crime and policing, and London needs to be at the forefront of delivering these. To set England and Wales on the path to halving VAWG and knife crime over the next decade, and to deliver the neighbourhood policing guarantee, require investment in the Met. This would see the Met grow over the next Parliament (and by the end of 2029-30), to a workforce of 38,000 officers and 19,000

[22] The rate of violent crime per capita (with injury, without injury and violence against the person) is below the national average and that of other major UK cities. The rate of VAWG offences per capita is lower than the other large cities in England and Wales; and most offences are below the national average. Rates for burglary per capita are below other major cities. The homicide rate in London in 2021 was nearly four times lower than in New York; and lower than other major global cities including Barcelona, Berlin, Chicago, Los Angeles, Madrid, Paris and Toronto.

staff, based on our desired 2:1 ratio. This is the England and Wales average, matched in New York City; it is critical to keeping frontline officers and staff well supported and productive – ensuring that police officers are not undertaking work that can be done more economically by specialist staff.

The chart below shows that police officer strength per 1,000 population (excluding visitors) has declined since 2009-10 (to 4.1 in 2009-10, and to 3.6 at Q3 2024-25 – where it is expected to remain by the end of this financial year). Increasing officer numbers to 38,000 will allow London to reverse this trend.



Reaching this total strength will not only restore the Met's capacity to historic levels, following a long period of London population growth. It will also mean we are able to meet a continued forecast increase in demand over the next five years; and drive better performance outcomes, in line with the government's missions.

Given the reductions we expect to have to make in 2025-26, if we increased the number of Met officers to 38,000, growing by more than 7,000 officers would cost £544m per annum once fully in place. On top of this, 8,000 additional staff would cost c. £520m. For cost-profile purposes, it is assumed these workforce increases occur over five years, reaching 38,000 officers and 19,000 staff by 2030-31. This means the cost in the final year of the Spending Review period would be half the above figures. The Home Secretary and the Met Commissioner, supported by the Mayor, have taken decisions to increase allowances paid to officers to help with recruitment and retention.

This is the Met's workforce growth ambition, which will need to be supported by proportionate investment in its infrastructure (such as technology, fleet, forensics and estate). The detail of this is being developed as the Met and MOPAC are working together to develop a full Spending Review submission into the Home Office in accordance with the overall Spending Review process.

Modernising the Met

The Met is also committed to making the best possible use of public funds through better, data-enabled infrastructure; and driving meaningful productivity gains and efficiencies of 2.5 per cent each year. This will require modernisation, as follows:

- We are spending less than median and top quartile organisations on our IT, which is critical to reform and fixing our foundations. Our operational IT budget of £256m equates to a budget per person of £6,000. For other government agencies, the median budget per person is £8,400, with the upper quartile at £13,600. This would equate to a Met operational IT budget of £361m (increase of £105m) for the median and £585m (increase of £329m) for the upper quartile.
- The average median budget per person across a range of markets (including commercial banking, retail, education, utilities and professional services) is £8,900 and £16,400 for the upper quartile. This would equate to a Met operational IT budget of £383m (increase of £127m) for median and £705m (increase of £449m) for upper quartile.
- It is essential that the Met invests materially more in IT and becomes truly data driven. This will help the Met to drive greater productivity and efficiency; help keep pace with the criminal threat; and solve crime more effectively. Given the changing nature of crime, this change in approach is essential. As noted above, the detail of this is being developed as the Met and MOPAC are working together to develop a full Spending Review submission into the Home Office, in accordance with the overall Spending Review process.

To accommodate an increase in the size of the Met's workforce on this scale would also require an additional 85,000 square metres of estate at significant cost, not least because the Met has a unique requirement for estate specifically in London on a 24/7 basis (unlike the broader public sector and civil service, which is pursuing the places for growth agenda across the UK).

The Met is also working on an estate that is not at all fit for purpose. Since 2010, the Met's estate has reduced from 620 operational buildings to around 200. Much of the remaining estate is in a woeful condition, with nearly 50 per cent of all employees accommodated in buildings which do not meet a 'good' quality standard. If nothing else changes, in the next decade we expect to have to close up to half our current buildings, due to them being no longer habitable or legally compliant. With no alternative accommodation, this would have serious impacts on productivity.

With other external changes in the market, such as the move to electric vehicles, without further investment we are at risk of reduced response times in large parts of London, due to charging infrastructures not being in place to keep the Met fleet on the road.

Investing in digital and physical infrastructure will require a combination of revenue and capital expenditure. Despite its reliance on technology and vehicles, plus an ageing estate, the Met receives no capital funding, so investing in capital assets applies further pressure on revenue budgets over the long term through external borrowing costs, reducing the policing services we can provide.

The choice is stark. So many of the Met's costs are trapped in poor legacy infrastructure. Unless we continue to invest in reform, we can only meet the government's ambitions by scaling up old-fashioned, people-heavy tactics to the levels seen in other global cities. Our proposed approach is more efficient, effective and economic.

The size of the Met, and the scale on which it operates, mean that, with some investment, it is well placed to provide impetus to national efforts to drive economies of scale, building joint platforms and infrastructure to provide better public value for money.

Summary of required investment to keep London safe and support growth

The Met has been structurally underfunded for several years. To meet future demand, keep Londoners safe in their communities and run complex investigations with national significance, there are some important funding challenges that need addressing:

- On Special Grant allocations, the Met faces a shortfall of £30m, with Home Office decisions for 2025-26 pending. These grants are used to fund investigations such as offences surrounding the Grenfell Tower tragedy; the Post Office and Fujitsu case; and the fatal crowd crush at the O2 Academy Brixton.
- There is a shortfall between the Met's workforce requirements and its current baseline. We require 38,000 officers and 19,000 staff, but will only be able to afford around 31,000 and 11,000 respectively. The Met has not yet had all its funding for 2025-26 confirmed; therefore, that starting point may still shift.
- The National International and Capital Cities (NICC) grant is not sufficient. The Home Office's independent review recognised the range of costs that were not met by the funding formula and identified a £240m annual gap in funding (at 2015 prices). Taking into account inflation, and the extra £63.3m announced by the Home Office for 2025-26, and adding the annual average cost of policing protests, there remains a gap of at least £180m each year.
- Reserves have been depleted. Without a capital grant, the Met is increasing its debt to fund routine estates, IT and fleet activity. Net-zero requirements will drive further cost to maintain foundational services – for example, the move to electric vehicles and charging infrastructure required as ICE fleet options become unavailable.

Overall, the Met budget needs to increase by £532m a year by the end of the Spending Review period, to ensure a sufficient police officer strength and staff level. In addition, the funding required for the infrastructure the Met requires (in a range of workforce strength scenarios) will be included within its Spending Review bid to the Home Office as part of the ongoing Spending Review process.

Violence reduction

The Mayor’s VRU delivers a significant prevention role and ongoing funding for this is essential.

Since the establishment of the VRU in 2019, over £100m has been invested in the youth sector, resulting in a significant 23 per cent reduction in homicides; a 25 per cent reduction in knife crime involving victims under 25; and a 25 per cent reduction in gun crime. The VRU’s MyEnds programme, active in eight neighbourhoods, has supported more than 54,000 young people through nearly 40,000 activities such as after-school support and mentoring, and with plans to expand to all 32 London boroughs. Funding for youth workers in custody suites has helped 10,000 young individuals, aged 10-25, with mentoring and reintegration into education, training and employment. An expansion of youth workers in 12 hospitals since April 2022 has provided support to more than 2,100 young people at a key ‘teachable moment’, reducing their exposure to violence. Additionally, the VRU’s Parent/Carer Champion Network supports over 14,000 parents and carers, while a programme for girls and young women helps school staff identify and address early stages of vulnerability. The VRU is funded by both the Mayor and the Home Office.

We are looking to continue this work to keep young people safe by both securing VRU funding for the Spending Review period and increasing it in line with demand.

Summary of funding proposals

The proposals set out above are summarised in the table below.

Table 9: Policing and violence reduction – growth bids over the Spending Review period

	2026-27		2027-28		2028-29		2029-30		2030-31		Steady State
OFFICER NUMBERS											
FTE officers number at year end	32,350		33,762		35,175		36,587		38,000		38,000
FTE staff number at year end	12,506		14,129		15,753		17,376		19,000		19,000
COSTS £m											
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**	
Cost of growth officers	54		163		272		381		489		544
Cost of growth staff	52		156		260		364		468		520
Estates		TBC		TBC		TBC		TBC		TBC	
Investment in Digital, Data and Tech.		TBC		TBC		TBC		TBC		TBC	
Violence Reduction Unit	3		3		3		3		3		3
Policing and crime total	**109**		**322**		**535**		**748**		**960**		**1,067**

Annex 4 – Funding London Fire Brigade

Introduction

LFB is the UK's largest fire and rescue service. It protects and serves a diverse population of 9m London residents, including more than 1m people with disabilities, and more than 20m visitors every year.

A properly funded fire service is a critical enabler of London's growth agenda. LFB already operates in a challenging global city landscape – one that is not comparable to anywhere else in the UK and continues to evolve. This includes an extremely dense and complex built environment.

Context

Unlike many other public services, which are demand-led, LFB must be resourced to provide an emergency response – even in times of exceptional demand, and within the context of a growing city. This includes the ability to deal with large-scale emergencies and/or a range of smaller incidents occurring simultaneously.

The risk landscape in London is rapidly becoming more complex. Climate change presents an enduring and growing challenge, as weather-related incidents (including wildfires and flooding) are on the increase – the heat wave in July 2022 saw LFB's busiest day since the Second World War. LFB provides a critical response to flooding incidents in the capital but has no statutory responsibility to do so – meaning it is not funded for this work.

The wider growth agenda is also an exacerbating factor in risk, and LFB must be adequately funded to cope with changes that result. This includes the increasingly challenging built environment, including protection of heritage assets; growth in the number of high-rise buildings; and increased use of modern methods of construction to meet housing targets and deliver safe, good-quality housing.

There is also a rise in the use of new and broadly unregulated technologies. Most notably, this includes lithium-ion batteries found in e-bikes and e-scooters used across the capital.

Despite these pressures, HMICFRS rated LFB 'good' for making best use of resources in its most recent inspection report (Round 3 inspection, published in November 2024).[23] LFB is also already a much leaner organisation than global comparators; London currently has fewer than 5,000 operational firefighters (equivalent to 0.56 firefighters per 1,000 people). This compares to New York City, with 11,000 firefighters (equivalent to 1.33 firefighters per

[23] HMICFRS, Effectiveness, efficiency and people 2023-2025: London Fire Brigade, 29 November 2024

1,000 people) and Paris, with 8,650 firefighters (equivalent to 4.11 firefighters per 1,000 people).

How LFB supports growth

LFB has a central role in delivering the Mayor's and the UK government's commitment to drive growth in the capital and across the UK. LFB contributes to this in the following ways:

Keeping people safe

- The LFB is an essential frontline service in saving lives and protecting property. Every year it receives, on average, more than 200,000 calls (around a quarter of all calls to all fire services nationally) and tackles 16,000 fires.
- This work includes LFB playing a key role in protecting the most vulnerable people in London, who are most at risk from fire in the home. This is a growing pressure on LFB, as London has some of the highest levels of income inequality in the UK, when combined with housing pressures.
- LFB also protects London from terrorism, as demonstrated by the key role played by London firefighters during the attacks in the London Bridge area in 2017.

Protecting London from the cost of fire

- Previous UK government estimates assert that fire has an annual cost to the UK of over £10bn per year.[24] In London, an economic and business hub and major global tourist city, this risk is at its most acute.
- London is home to a fifth of all businesses in England[25] and is visited by over 20m people per year. There are more than 20,000 conservation areas, parks, listed buildings and World Heritage Sites under LFB's protection that are critical for London's heritage and tourist industries.
- The risk of this occurring in London was evident in the fire at Somerset House in August 2024, which was brought under control by firefighters before it escalated to a more serious loss of the building. As just one example of an iconic and economically important building in London, Somerset House hosts the UK's largest creative community, working globally across art, technology, business and social enterprise; it also houses a world-famous art collection. The impact of fire, therefore, would have been devastating for both London and the UK.
- LFB also plays a critical role in protecting the government's Security Zone and safely facilitating major events that attract a huge number of visitors to the capital. This has included the state funeral of Queen Elizabeth II, the King's Coronation, concerts and sporting events.

[24] Home Office, Economic and social cost of fire, 29 June 2023
[25] Department for Business and Trade, Business population estimates for the UK and regions 2024: statistical release, 3 October 2024

Supporting delivery of new and safer homes

- The government has an ambitious target to deliver 1.5m new homes over the current Parliament – nearly 88,000 per year in London alone – which will be crucial to the growth agenda. LFB has a core role in ensuring the safer delivery of new homes.
- This means LFB will need to have an expanded role in building safety – including continuing to support the Building Safety Regulator, set up in response to learnings from the Grenfell Tower tragedy, to ensure higher-risk buildings meet the highest safety standards without unnecessary delay.
- LFB will seek to explore opportunities to work proactively with the government and the sector to find the right balance between much-needed new housing delivery, and ensuring new housing is constructed safely for those who live in it. This includes exploring opportunities for a new service to improve fire safety in design from the outset, with a view to reducing costly delays through the planning process.
- London holds approximately 70 per cent of the UK's high-rise buildings, and four times the UK national average for high-rise homes – this is set to grow, given our housing plans. There are more than 1,200 high and mid-rise buildings with interim measures in place owing to extreme safety concerns (for example, those around cladding).
- The experience of recent years has also demonstrated the substantial cost of rectifying failures of oversight in the built environment. As the fire and rescue service for the highest-risk and highest-wealth-generating city in the UK, LFB has a critical role to play in avoiding future costs that hamper growth, including the substantial social impact on London's communities from living in unsafe buildings.

Delivering efficiencies and improvements

The Mayor has made significant investment in LFB and continues to fund the organisation above the level expected by UK government. Despite this, reductions in funding from previous national and London administrations mean LFB is receiving £150m less funding this year, in real terms, compared to 2010.

However, since the tragic fire at Grenfell Tower in 2017, LFB has made significant changes, including:

- completing all 29 recommendations from the GTI Phase 1 report
- introducing new training, kit and equipment
- improving 10 of the 11 areas in HMICFRS's Round 3 inspection
- implementing improvements in support of culture change to modernise the service for the 21st century.

The cost of transformation has been met through a combination of core budgets, including additional Mayoral funding, and LFB's reserves. This includes a Budget Flexibility Reserve (a cost of approximately £50m in reserve funds) which is now fully used.

LFB has £28m of savings planned for 2025-26. The LFC’s view is that further savings now would have to come from the frontline. LFB is therefore facing a huge cost challenge for the years ahead, which could make London less safe as a result; and directly contradict the Mayor’s 2024 manifesto commitments (made in the context of the huge safety risks facing London) to protect LFB frontline and ensure there were no fire station closures.

To deliver sustainable and safe economic growth, a long-term funding strategy that recognises LFB’s challenges, specific to the London context, is required. This will ensure LFB can continue to support long-term economic benefits by making London a safer, more resilient and more attractive place for people to live, visit, work, study and invest in.

Funding challenges

LFB’s current financial situation consists of a budget gap of £12.7m for 2025-26 that must be addressed before the start of the financial year. The Mayor has already increased the non-police Council Tax precept by the maximum amount; and LFB has already reduced the budget gap from £46m for 2025-26, through identified cross-cutting, directorate and programme savings. The impact to the organisation of delivering these savings can be absorbed in the short term, with programmes paused or slowed. However, these work programmes will need to be delivered soon. As no additional government support was forthcoming in the final local government finance settlement, the Mayor is likely to have to provide one-off funds to balance the 2025-26 LFB budget, at the cost of economic growth projects.

This means there are ongoing financial challenges projected for the Spending Review period, particularly in the context of taking on a greater role in building safety, to ensure:

- the number of fire stations, appliances and firefighters will not be reduced (in line with Mayor’s 2024 manifesto commitments)
- there are no reductions in regulatory capabilities
- continued delivery of the Community Risk Management Plan
- appropriate investment continues to be made in transformation activity, including culture change
- resources are available to meet the recommendations arising from: the Grenfell Tower and Manchester Arena inquiries; and the improvement plans from HMICRFS inspections
- adequate investment in core infrastructure is maintained
- appropriate resources are set aside to deliver key strategies and priorities – including delivery of LFB’s Modern Firefighting training course, which was central to LFB completing all 29 recommendations from the Phase 1 GTI report (this course is unfunded from April 2026)
- the General Reserve Fund balance will be maintained at a sustainable level (minimum of 3.5 per cent of core GLA funding).

The Mayor increases Council Tax by the maximum each year. 82 per cent of LFB spend is operational, and it is not possible to make further cuts from non-operational spend. As a result, without adequate funding LFB will be unable to build on transformation successes to date and safety-critical frontline services will be at risk.

Support for economic growth and keeping Londoners safe

A strategic, long-term investment strategy for LFB that reflects the London context is essential to ensure LFB is resourced to support economic growth and keep Londoners safe.

As outlined, the government's current funding assumptions are insufficient for the essential needs of the service. The Mayor has reached the limit of his ability to step in and, as outlined in earlier sections, business rates funding needs to be focused on specific economic growth projects.

This includes funding the LFC's specific asks of government over the Spending Review period:

- Baselining funding for specific programmes (including Protection, New Dimensions, and Pensions Grants), moving away from uncertain annual grant determinations. Uprating with inflation will ensure LFB is able to plan better for the medium to long term.
- Direct capital funding in recognition of LFB's need to sustainably replace fire engines and other equipment, and to keep fire stations in good condition. This includes the costs of achieving net zero and providing appropriate facilities for female firefighters. This will replace the need for borrowing (there is insufficient revenue funding to afford this), enabling sustainable investment in equipment and infrastructure to support vital operations and the government's ambitions for decarbonisation.
- Ring-fenced revenue funding for post-GTI improvements, particularly around operational training. LFB is currently using £20m of its own reserves to kickstart this; however, it will be fully used by the end of 2025-26, and will need a sustainable funding source from 2026-27.
- Recognition from government that funding decisions must take account of realistic pay settlements above the budgeted 2 per cent. (Pay is subject to national negotiations. Each 1 per cent pay award equates to a £4m pressure per annum, while the cost of industrial action could be up to £1m per day, to fund the provision of emergency cover.)
- Ensuring that the increased employer costs of firefighter pensions arising from the recent revaluation by the Government Actuary's Department are covered in full (LFB estimates that Home Office pensions grant allocation to LFB has left an annual funding gap of around £3m).

The National Fire Chiefs Council (NFCC) and the Local Government Association are together submitting a Spending Review proposal for the fire sector nationally (via the Home Office's departmental submission). However, the NFCC submission approaches the issue from a national perspective, and it does not consider the location-specific circumstances of LFB.

Summary of funding proposals

The proposals above are summarised in the table below.

Table 10: Fire and rescue – growth bids over the Spending Review period

Fire and rescue (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	Cap	Rev	Cap	Rev	Cap
Existing budget gap	13		13		13	
Programme funding	2		2		2	
Training	14		15		19	
Pay award and pensions	7		8		8	
Employer NIC compensation	7		7		7	
Capital funding		23		16		19
Net zero investment		7		7		4
Total	**43**	**30**	**45**	**23**	**49**	**23**

Annex 5 – Reducing London's skills gap

Introduction

The Mayor can deliver significant growth if the right building blocks for reducing London's skills gaps are in place, allowing the capital to supply its key sectors with the talent they need to drive growth.

To ensure we are maximising the potential of London's labour market, we are proposing a radical reform of the skills system in London. This would focus on the needs of employers; reduce skills gaps; and boost productivity and growth.

In order to do this, the Mayor will need: funding for adult skills to increase in line with demand; London to control the Growth and Skills Levy generated in the city; new freedoms to be devolved to the Mayor to spend existing grant money much more flexibly; and the ability to run some DWP services. More information is set out below.

Demand for talent in London has been rising since 2011.[26] According to the 2022 Employer Skills Survey, around two-thirds of London employers anticipated needing to develop new skills in their workforce over the next 12 months. A third of small businesses in London identified 'appropriately skilled staff' as their greatest barrier to growth. Skills gaps across London vary by sector, including in some key growth sectors. In 2022, 39 per cent of vacancies in hospitality were hard to fill due to skills shortages. For construction, the figure was 38 per cent (contributing to the housing supply challenges); and in parts of the creative sector, 57 per cent.

The International Monetary Fund cites the Learning and Work Institute's analysis[27] that, if this trend persists, by 2030 the UK could experience a shortfall of 2.5m highly skilled workers. This would potentially cost the economy £120bn and stunt its capacity to grow and compete.

Reducing London's reported skills gaps will create a profound economic benefit for the wider UK economy. Our analysis concludes that each academic year, such changes would produce an NPV of £18.7bn[28] in economic benefits due to the increased accumulation of skills across the capital.

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[26] DfE, Employer Skills Survey, 28 September 2023
[27] IMF, Upskilling the UK Workforce; United Kingdom, 24 July 2024
[28] GLA modelling based on the economic returns to further education qualification achievement in: DfE, Measuring the Net Present Value of Further Education in England 2018/19, May 2021

London has a myriad of publicly funded careers, skills and employment services. However, these services operate in silos; lack coordination; and are not fully focused on the needs of employers, especially those from key growth sectors. It is time for a radical transformation to ensure our skills system provides business with the workforce it needs.

London's offer to government

Working with the government to reform the skills system in London, the GLA can support:

- an additional 100,000 Londoners, per year, to gain the higher-level skills businesses need through greater aligned skills provision – this will create an NPV of £6.9bn
- at least an additional 20,000 Londoners, per year, into jobs addressing employer skills gaps through the capital's skills, careers and employment services – this will create an economic benefit of £432m, and a fiscal benefit of £314.4m, each year.

This will be done by the GLA unifying the capital's disparate careers, skills and employment services, and transforming them into a single city-wide Inclusive Talent System, similar to the successful Skillnet Ireland approach. This system will:

- enhance data-sharing and collaboration between the skills, careers and employment elements, enabling a more agile and coordinated response to economic shifts and evolving workforce needs
- provide high-quality careers advice, relevant training, tailored employment support and appropriate work experience for all Londoners – especially those facing the greatest barriers to good work, and the economically inactive
- operate a 'no wrong door' approach, ensuring Londoners can access support regardless of their location or point of entry into the system.

The GLA will also establish Sector Employer Boards, a partnership between employers, industry representatives, and London's government. The boards will shape the delivery of the Inclusive Talent System so that it is fully focused on reducing the sector skills gaps holding back growth. This will include:

- shaping the Inclusive Talent System's skills provision, including curricula, apprenticeships, and work-based learning, to meet employer needs
- strengthening the Inclusive Talent System's careers provision, particularly providing insights on emerging job opportunities in key growth sectors
- better focusing the Inclusive Talent System's employment support programmes, with a particular aim of addressing work readiness skills gaps
- supporting employer-led outreach efforts to build diverse talent pipelines from schools, colleges, universities, and foreign labour markets
- championing increased employer investment in workforce development.

The building blocks needed

The GLA will be able to support the government's mission once the necessary measures are put in place. These are as follows:

a) **All central skills budgets, including London's Growth and Skills Levy share, are controlled by the GLA, with flexibility between funding streams and multi-year settlements.**

The current skills system consists of multiple funding streams that are time-limited, fragmented, complex, and not flexible enough to meet the changing needs of London's labour market and employers. With all skills budgets centralised under control of the GLA, in one integrated and multi-year settlement, Employer Boards will be able to identify barriers in the system and recommend how funding streams (including the Growth and Skills Levy) should be used to fill skills gaps. Multi-year settlements and flexibilities between funding streams will support the transition from the current fragmented system to our unified model, which will take some years to achieve its full effect.

Without this key lever, the disparate budgets will continue to foster a fragmented skills ecosystem that prioritises short-term funding cycles and targets, providing sub-optimal results in relation to reducing skills gaps.

b) **London's ASF allocation is increased in line with inflation.**

London's skills system is underfunded. London requires an increase of at least £112m in the ASF to meet 2019 levels in real terms. The additional funding will support the upskilling of at least an additional 90,000 Londoners each year, enabling essential skills provision that will support those furthest from London's labour market onto a pathway into further learning and high-quality work. As a result, London would build a diverse talent pipeline, providing employers with greater access to workers. With more Londoners ready for work, there would be a reduction of welfare spend.

Without this increase, real-terms public funding on adult skills will continue to fall, past the 31 per cent decrease recorded between 2003 and 2023. This would reduce the GLA's and partners' ability to reach Londoners (including the hidden unemployed), and to provide them with the correct support to access pathways to employment. London would have a reduced diverse talent pool available to employers, impacting the city's ability to meet skills gaps in key growth sectors.

c) **All of London's careers funding streams and services are brought under the control of the GLA.**

This is needed to create an employer-led, single careers service that helps Londoners, from school age to retirement, understand how to find job opportunities in sectors that are important to London's economy. Without this shift in approach, there's a risk that funding and services will not focus on the needs of London's employers. For example, the current £14m National Careers Service contract in London only focuses on national priorities, not on the capital's growing industries.

d) **All of London's employment support services are brought under the control of the GLA.**

With devolved control of London's employment support services, the GLA can expand its successful 'no wrong door' approach. This means all Londoners, including job seekers and the economically inactive, can find the right support at the right time, no matter what employment service they first encounter or what area they live in. Control over the whole system will also further improve the join-up between the skills and employment support element of the Inclusive Talent System, enabling it to provide a truly holistic service. Without this, the employment system will continue to be fragmented leading to sub-optimal results.

e) **The GLA retaining Immigration Skills Charge (ISC) receipts derived from London employers.**

The ISC is intended to address skills supply issues and could fund up to 350,000 additional courses per year. Without this fund directed to key local growth priorities, it will fail to address London's growth sector skills needs.

f) **The establishment of data-sharing arrangements between London and relevant national government departments.**

London needs timely access to data on skills, training and jobs outcomes. This would help Employer Boards make better, faster recommendations, based on robust data in relation to which services are most effective at reducing skills gaps across the capital.

The economic benefit of London's offer

The summary of the economic benefits is as follows:

- London requires additional adult skills funding due to several years of declining funding in real terms. It is estimated that, in 2026-27, the GLA's level of under-allocation will be £112.8m. This could support at least an additional 90,000 learners each year.

- A fully funded integrated multi-year skills settlement could lead to an economic benefit (NPV) of £2.9bn, due to qualification achievement; and a fiscal benefit of £248m per year in reduced benefits payments as Londoners move into employment.
- If London were to receive its share of the Growth and Skills Levy, and spend this to increase the uptake of apprenticeships and skills provision, this could lead to a £9.574m NPV economic benefit. This is based on 75 per cent of the levy being spent on existing apprenticeship provision and improved uptake at Levels 2 and 3. In addition, 25 per cent of the Levy will be used to increase the uptake of classroom-based Level 2-4 technical education courses.
- An integrated skills and employment five-year funding settlement could lead to an economic benefit of £432m, and a fiscal benefit of £314.4m, per year by supporting Londoners into work.
- London businesses contributed £221m to the ISC in 2022-23.[29] If this money was added to the ASF in 2026-27, it could support the delivery of an extra 350,000 courses with an NPV economic benefit of £5.7bn.
- The aggregated benefit of these programmes comes to a total NPV of more than £18.7bn.

Summary of funding proposals

Table 11 shows the current national government skills budgets that should be allocated directly to the GLA to drive the integrated approach to jobs and skills across London. They are not, therefore, a net growth bid to the Exchequer, but a reallocation that will offer economies of scale and significant economic benefits by enabling a whole-system approach, as discussed above.

[29] ONS, Country and regional public sector finances, UK: financial year ending 2023, 7 June 2024

Table 11: Central skills budgets to be allocated directly to the GLA

	Revenue £m	Capital £m
Skills		
FE capital funding		30.0
ESOL funding	8.6	
Local Skills Improvement Fund	9.6	
Careers		
School Careers Education Funding – Careers Hubs	3.8	
National Careers Service London grant	12.0	
Employment Support		
Restart	128.0	
Connect to Work	47.0	
WorkWell	2.0	
Employment advisers in talking therapies	6.0	
Employment advisers in musculoskeletal pathways	1.0	
Individual placement and support – severe mental illness	2.0	
Individual placement and support – alcohol and drug use	1.0	
Skills total	**221.0**	**30.0**

In addition to the funds to be devolved, Table 12 summarises our growth bids described in this annex.

Table 12: Skills and employment – growth bids over the Spending Review period

Skills (Revenue and Capital) £m	2026-27		2027-28		2028-29	
	Rev	**Cap**	**Rev**	**Cap**	**Rev**	**Cap**
Increase in ASF (as grant has been frozen since 2019)	113		113		113	
Growth and Skills Levy	808		808		808	
Immigration Skills Charge Devolution	221		221		221	
Skills total	**1,142**	**0**	**1,142**	**0**	**1,142**	**0**

Further to optimise the skills and funding model for London, it is also proposed that the GLA is given governance responsibility for budgets related to:

- Jobs and Careers Services
- 16-19 provision.

Annex 6 – A Growth Fund for London

Introduction

This annex presents the case for London maximising its contribution to the government's national growth mission by facilitating national productivity and economic growth. In order to do so, the GLA, as a strategic authority, should be capable of supporting London's growth sectors; unlocking new projects; boosting our visitor economy; and maintaining the city's global competitive edge. Creating a Growth Fund is a fundamental piece of this strategy.

Context

The GLA – in partnership with London Councils, the private sector and a broad range of relevant stakeholders – has developed a London Growth Plan that will be publicly released later in February 2025. This Plan is fundamental to ensure London's economic progress when the city's productivity growth has flatlined since 2008, and the city continues to face a series of challenges to its prosperity.

Since London remains the UK's most productive economic region, and its largest regional economy, its continued growth and prosperity are fundamental for national economic growth in the short, medium and long term. Periods of national economic stagnation tend to overlap and coincide with those during which London experiences its own economic slowdown. In that sense, the London Growth Plan – while centred on addressing London's key economic needs to boost productivity and growth – should also be viewed as an important component of the broader national strategy for growth.

The GLA, as a strategic authority, has ample experience supporting national economic growth – not least via consistently pro-growth planning policies; significant extensions to the public transport network through Crossrail, the London Overground and the DLR; and the boost to the country from winning and delivering the 2012 Olympic Games, and its legacy. Crossrail, for example, was estimated to support the full-time equivalent of 55,000 jobs, with 25 per cent of jobs across the supply chain being outside London and the South East.[30] Such expertise could be better served by allowing the GLA to administer and manage a Growth Fund specifically for London.

London's recent growth funding sources (e.g., EU programmes (especially the European Regional Development Fund), LEP Growth Funds, the Levelling Up Fund, and the UKSPF)

[30] TfL/DfT, Crossrail Baseline Evaluation: Construction Impacts, May 2022

were time-limited and constrained in terms of flexibility of use. Moreover, allocations from these sources have either been getting smaller or no longer exist.

Securing a consistent revenue source is essential to enable the Mayor to lead the capital’s implementation of its Growth Plan, providing assurance to relevant stakeholders of London’s ability to deliver, while giving the GLA greater flexibility to allocate funding according to London’s strongest economic growth opportunities.

London’s Growth Plan will set out the areas of intervention that the Growth Fund will be essential to support. These include:

- **Supporting growth sectors:** As part of the Growth Plan, London will ensure businesses at the frontier of science and innovation are able to access the right support at every stage of their journey. For example, since 2016 the Mayor’s investment of £122m in L&P’s activities has added £2.2bn GVA, with 52,000 jobs created or supported alongside more targeted support for innovative creative industries, life sciences and green economy firms.
- **Unlocking growth places:** London government will use all its levers to support emerging and established innovation districts and growth clusters. London has a strong track record of attracting billions of investment into new innovation districts (including those at Kings Cross, Battersea, White City and Stratford), as well as unlocking investment in life sciences clusters and studio facilities through MedCity and Film London. The forward pipeline is strong (including major schemes such as those at Waterloo, Canada Water, and Old Oak and Park Royal), with potential for acceleration via funding to scale up investment promotion and unlock supporting infrastructure.
- **Growing the experience economy:** London will use its planning, placemaking and infrastructure powers to invest in visitor destinations; work to bring major sporting and cultural events, and business conventions, to the capital; and use its strong track record of working with industry to market the city to international visitors. For example, the Mayor’s Let’s Do London campaign in 2021-23, led by L&P with industry, achieved a return on investment of 26:1, securing £508m in additional tourism spend. Major international sport, music, artistic, and other cultural and business events can also provide a significant boost to growth, contributing £2.5bn to the economy from 2017-21 (including Euro 2020).

Sources of finance for this fund could come from allowing London to:

- retain additional business rate revenues
- introduce an overnight accommodation levy on visitors to the city.

While the Mayor would also be open to discussing other potential funding sources, we believe that these approaches would provide London with stable and growing sources of revenue that could be directed flexibly at strategic growth-enhancing initiatives, with positive economic spillovers at regional and national levels. The below sections provide further information on the cases for using these two revenue sources to support a growth fund for London.

100 per cent business rates growth retention

As set out above, London needs access to be able to invest directly in economic development and productivity, in order to maximise its contribution to national growth.

A stable and sufficient funding source for these activities, which is generated from London's economic success and fully devolved to the Mayor, would permit effective economic planning and create incentives for investors and other partners to collaborate with the GLA and central government to deliver the London Growth Plan. It would also provide London with a funding source that is flexible in nature, permitting the GLA to better target and sequence funding to uses that best enhance the region's (and by extension, the country's) economic prospects.

It is on that basis that the case for additional retention of business rates is made. This would provide the GLA with the same arrangement enjoyed by the Greater Manchester Combined Authority and the West Midlands Combined Authority, while allowing London to contribute more strongly to the UK's growth mission.

Rationale

Our case for change:

1. **London's project and programme delivery record:** London has a track record of delivering significant economic and social projects and initiatives that reap substantial value for money. The creation of L&P as a growth agency for London is a case in point. Since 2011, L&P has added at least £3bn to London's economy, and helped create and support more than 90,000 jobs, while setting up or expanding over 2,500 overseas companies. Another example is the Let's Do London campaign, set up in 2021 to revive tourism to London. This campaign has generated over £80m, attracted over 300,000 additional visitors to London, and supported over 700 businesses. These projects represent successful delivery of impactful programmes that attest to London's ability to generate value for money with available resources.

2. **London's economic structure and composition:** London's economic structure and realities are quite distinct from those of other UK regions. This means that a London-based, London-focused strategic authority is better suited to address the region's particular set of challenges and exploit its opportunities. The Growth Plan accounts for this reality by designing bespoke measures to boost the city's growth prospects.

3. **Supporting central government's fiscal consolidation and growth mission:** At a time when central government finances are precarious, and the Chancellor is keen on fiscal stability to reduce the UK's national deficit and debt-to-GDP ratio, devolving revenue sources such as business rates retention growth to strategic authorities serves to reduce the economic pressures facing central government; and allows London to maximise its growth potential to the benefit of both the capital and the UK. It is worth noting that, from 1999-2000 to 2019-20, London has largely run a negative net fiscal balance (i.e., ran a fiscal surplus) larger than that of any other UK region.

4. **Facilitating transparency and creating incentives for regions to pursue growth:** In a 2013 guide, the government acknowledged that the UK's local government finance system is one of the most centralised globally. It also acknowledged that the formula the Treasury uses to redistribute business rates collected by local authorities is extremely complex and difficult to understand.[31] The existing system does not fully reward councils that support businesses in their local area.[32] Moreover, such a scheme would enable regions to borrow money against future business rates growth, to fund infrastructure and other vital projects.

London previously had access to a similar business rate retention arrangement in 2018-19 and 2019-20, which was split between the GLA and boroughs, and proved highly effective in unlocking key economic and social projects in the capital. These included the major new cultural and education quarter at East Bank; the rollout of enhanced digital infrastructure; investment in high streets and affordable workspace through the Good Growth Fund; and new developments such those as at Stratford Station, Elephant and Castle, and the Royal Docks.

Over time, the Mayor's expectation would be that the GLA would fund this through the retention of 100 per cent of business rates growth over an agreed baseline, which would need to be at least as high as current real-terms income. This would broadly match arrangements already in place in Manchester and the West Midlands.

Given the uncertainty about future income due to the business rates reset, in the short term the Growth Fund may need to be funded through allowing the GLA to retain an additional £150m per annum from core business rates, until an appropriate baseline for future growth can be set. Subsequently, as growth builds up above the baseline, the level of core business rates retained could be reduced proportionately.

[31] Department for Communities and Local Government (DCLG), Business rates retention and the local government finance settlement, February 2013
[32] DCLG, Local Government Finance Bill: Business rates retention scheme – impact assessment, December 2011

It is also important to note that any such arrangement would be subject to achieving an appropriate outcome through the reset process. This safeguards the core income on which London relies to deliver core services. It would not be acceptable for business rates growth to be ringfenced for economic growth in this way if overall business rates income was cut as a result of the reset.

An overnight accommodation levy for London

Overnight accommodation levies are common throughout the world. They are already in place in comparable global cities (e.g., New York and Paris), and have recently been introduced in the UK: following introduction of legislation in Scotland, Edinburgh has agreed a 5 per cent levy on accommodation (beginning in July 2026); and the Welsh government is also moving forward with plans to implement similar legislation. London would be adopting a familiar fiscal strategy to raise revenue that could be administered locally to fulfil regional and national growth aspirations.

The government has set a bold new ambition for the UK to welcome 50m international visitors per year by 2030, as part of its plans for the country to remain one of the most visited worldwide, helping to drive economic growth.[33] London is – and will always be – at the heart of the UK tourism offer; of the 38m inbound visits to the UK in 2023, just over half were to the capital. International visitors spent around £17bn in the capital alone last year.[34] London has recently been ranked by Tripadvisor as the world's number-one tourist destination.

London is also the gateway to the UK for many international visitors, with around 15 per cent going on to visit other parts of the country. There are opportunities to increase this through partnership working.[35] And London's heritage and world-class cultural offer help to attract international business tourism and foreign direct investment to London, which is vital for national economic growth.

To support this effort of attracting new tourists to the city, hosting major sporting and cultural events and boosting London's tourism sector, the Growth Fund could benefit from the introduction of an overnight accommodation levy as an additional source of revenue.

A new overnight accommodation levy would provide much-needed funding to invest in London's tourism offer and visitor experience. It cannot be assumed that the London brand will continue to sell itself in the face of stiff international competition.

The GLA has already helped host and deliver some of the world's major sporting and cultural events, including (but not limited to) the 2012 Olympics, the 2024 Champions

[33] Department for Culture, Media and Sport, New ambition for 50 million annual visits to UK announced by Tourism Minister, 27 November 2024
[34] VisitBritain, Inbound visits and spend: annual, regional, 17 May 2024
[35] L&P, Understanding the London+ Visitor, 2015

League final, the annual Wimbledon tennis championship, and major global boxing and mixed-martial arts events, to name a few. These events have delivered considerable benefit to London’s and the UK’s output and job creation, in addition to Treasury receipts. However, it has become increasingly challenging to fund the investment required to secure these global-scale events, with little of the tax revenues returning to the GLA.

A new overnight accommodation levy could fund new promotional activities, major global and sporting events, enhanced cultural attractions, cutting-edge digital experiences, and much more – to ensure that London retains its position as a world-leading visitor destination.

While there are numerous permutations of how such a levy could be designed and implemented in practice, modelling by GLA Economics staff shows that the range of revenue that could be raised from such a levy is between £60m and £550m per annum. This revenue could provide considerable support for some of the programmes and policy areas that would be targeted for strategic financing by the London Growth Fund.

London’s government has a strong track record of managing the collection of hypothecated taxes and charges, such as the Mayoral Community Infrastructure Levy and the Business Rate Supplement. The precise details of how the overnight accommodation levy would operate, including rates, collection, management and administration, would be developed in partnership with stakeholders.

Annex 7 – GLA Group financial and funding context

Introduction

This sets out essential information about the GLA's group finances. It shows that GLA Group revenues are split roughly half and half between income generation and revenue funded from taxation/government grants.

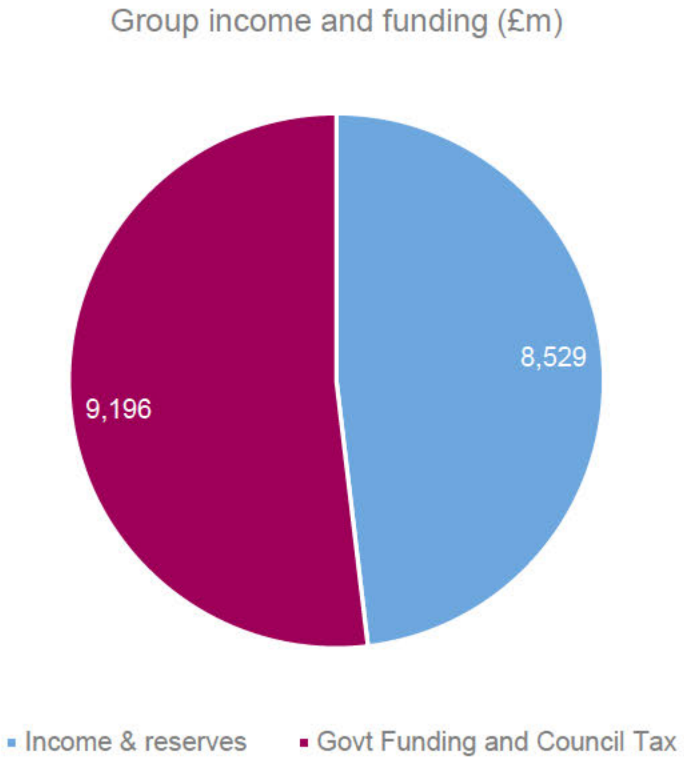
The GLA Group comprises the GLA and its five functional bodies:

1. the GLA, which includes the London Assembly
2. the Mayor's Office for Policing and Crime (MOPAC) – the Metropolitan Police Service (the Met) accounts for the vast majority of the MOPAC budget
3. Transport for London (TfL)
4. London Fire Brigade (LFB)
5. the London Legacy Development Corporation (LLDC)
6. the Old Oak and Park Royal Development Corporation (OPDC).

Group budget 2025-26

The Group expects funding of £17.7bn to be deployed in 2025-26. The source of this funding is split roughly half and half between income and reserves (e.g., TfL fares revenue) and funding from taxation and government grants (e.g., business rates, government grants and council tax).

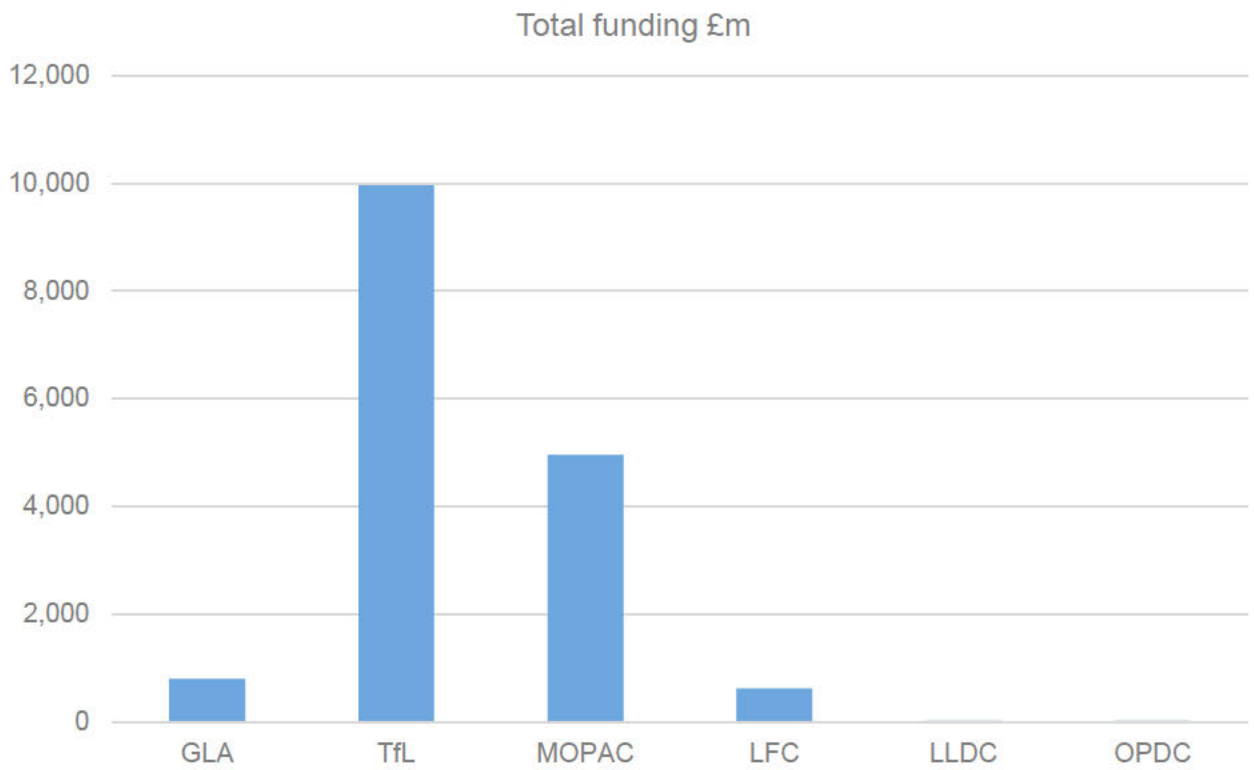
- £8.5bn is received through income, of which: sales, fees and charges account for £8.1bn (e.g., TfL passenger income = £5.7bn); interest on cash balances, £185m; and transfers from reserves, £236m.
- £9.2bn is funded from taxation and government grants, of which: business rates account for £3.7bn; government grants, £3.9bn; and council tax, £1.6bn.



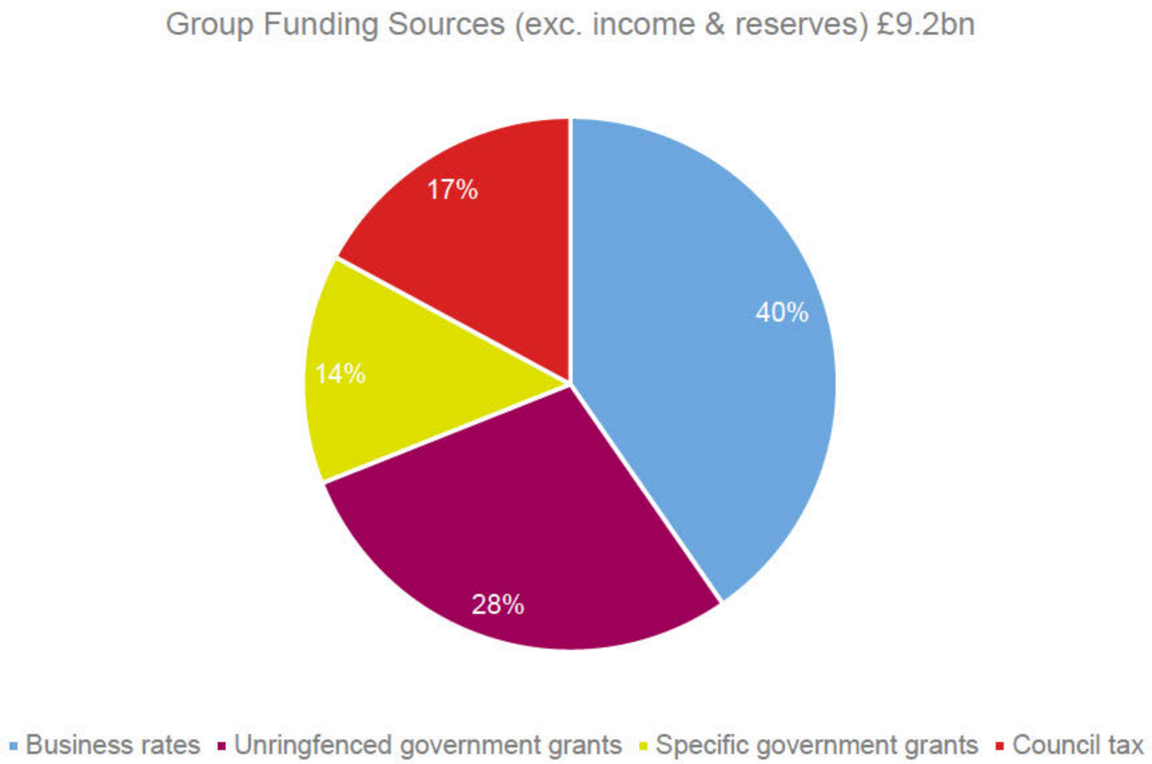
Business rates and grants together account for over four-fifths of funding from taxation and grants. Business rates income accounts for 40 per cent (£3.7bn); and central government grants account for 42 per cent (£3.9bn – most of which is accounted for by funding for the Met).

Any reductions in these core funding streams will have an immediate impact on services provided through the GLA Group, and on the Group's ability to invest in growth. The Mayor is already having to use business rates to fund the Met and LFB beyond the previous government's expectations to maintain essential frontline services.

The size of the revenue budgets for each body in the GLA Group varies. TfL has the largest budget, followed by MOPAC (including the Met), then the GLA and the LFC. The budget for the LLDC and the OPDC (excluding borrowing-funded capital investment) is negligible. This disparity in scale between functional bodies (and with transport fares and police grant ringfenced) means the Mayor has limited scope to trade off priorities across functional bodies and reallocate budget accordingly.



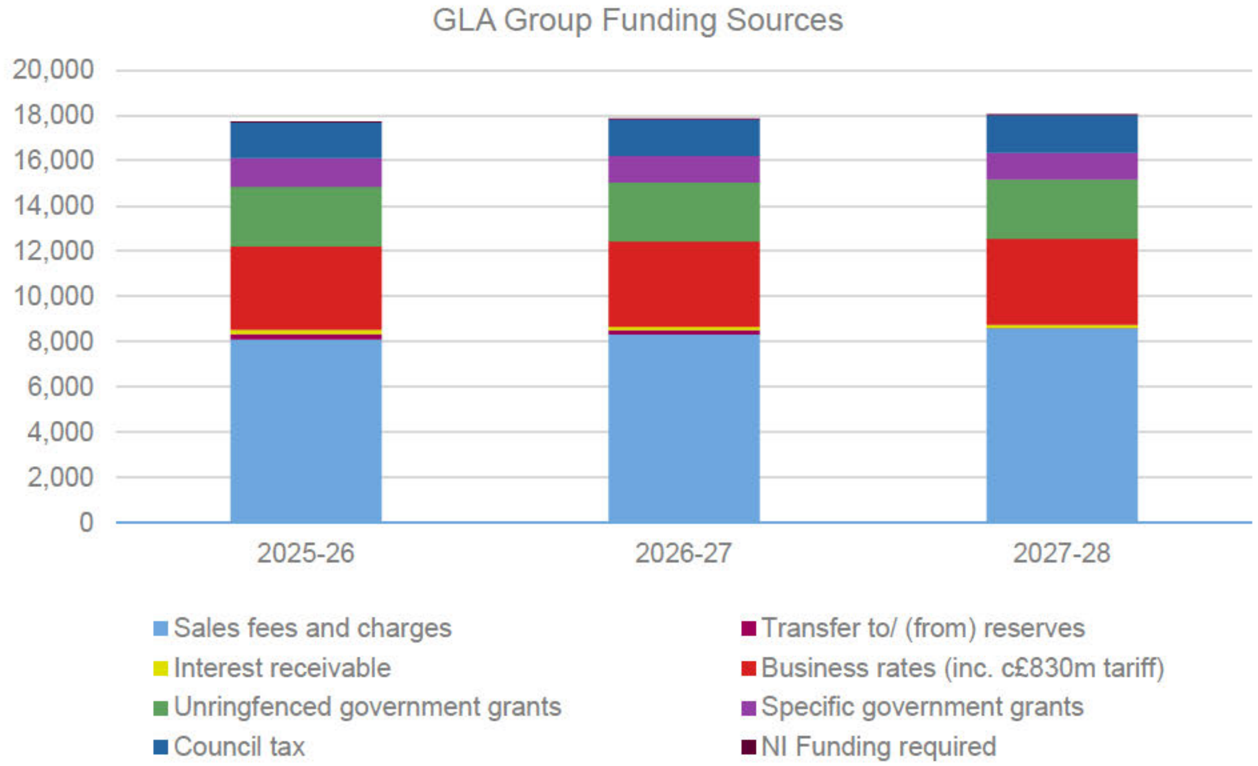
Business rates accounts for 40 per cent of funding from taxes and grants; government grants, 42 per cent; and council tax, 17 per cent.



The GLA's business rates funding currently includes over £100m, due to the business rates retention scheme. The government's business rates reset consultation represents a real risk to this income and the frontline services that depend on it. The GLA is eager to help the government understand the implications of the proposals under consideration.

GLA Group's medium-term financial plan (2025-26 to 2027-28)

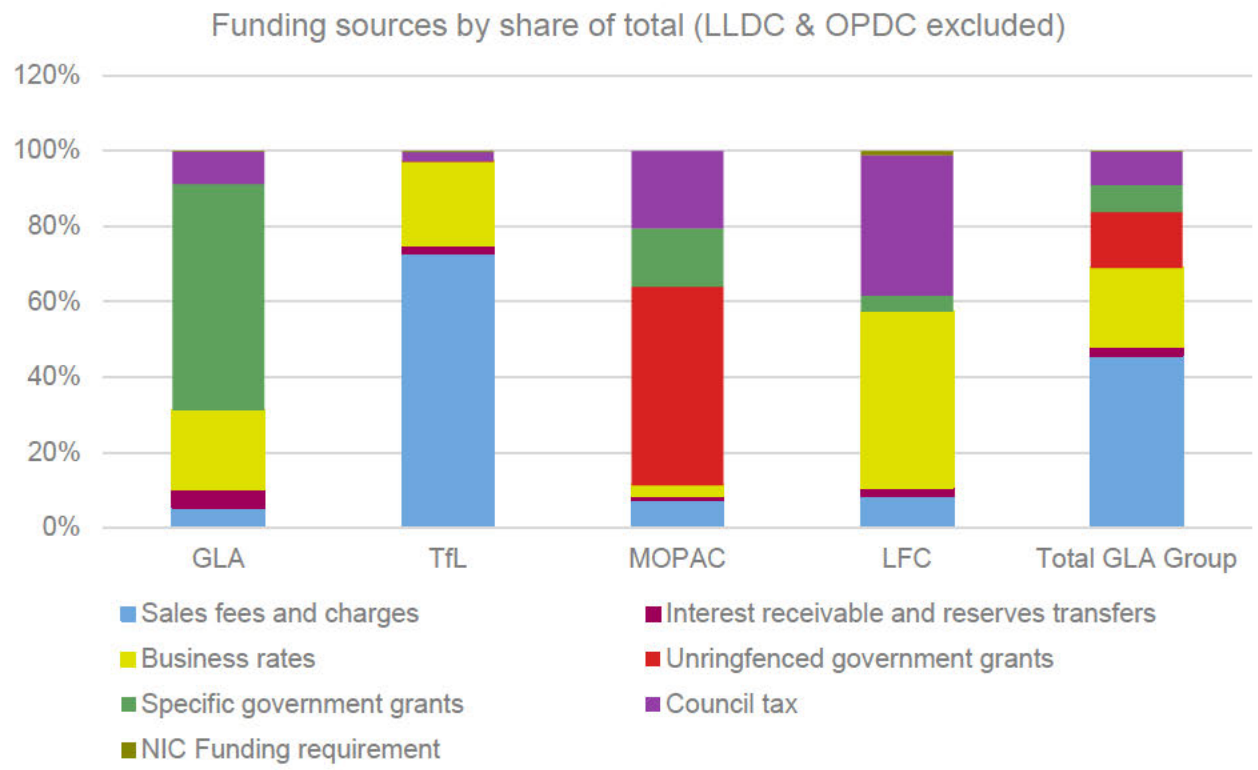
The GLA Group's medium-term financial plan sets out funding assumptions for the period 2025-26 to 2027-28. This is based on the current funding regimes remaining largely unchanged.



Mix of group funding sources

The funding mix varies across functional bodies – but they are all reliant on government funding. The following should be noted:

- There is no standard funding mix across GLA functional bodies.
- Constraints on how the Mayor can use funding limits the ability to manage funding risks across the Group.
- Therefore, if there were significant changes in any one of business rates, council tax or government grants, there are limited options for the Mayor to mitigate the consequences of this by reallocating other funding sources.

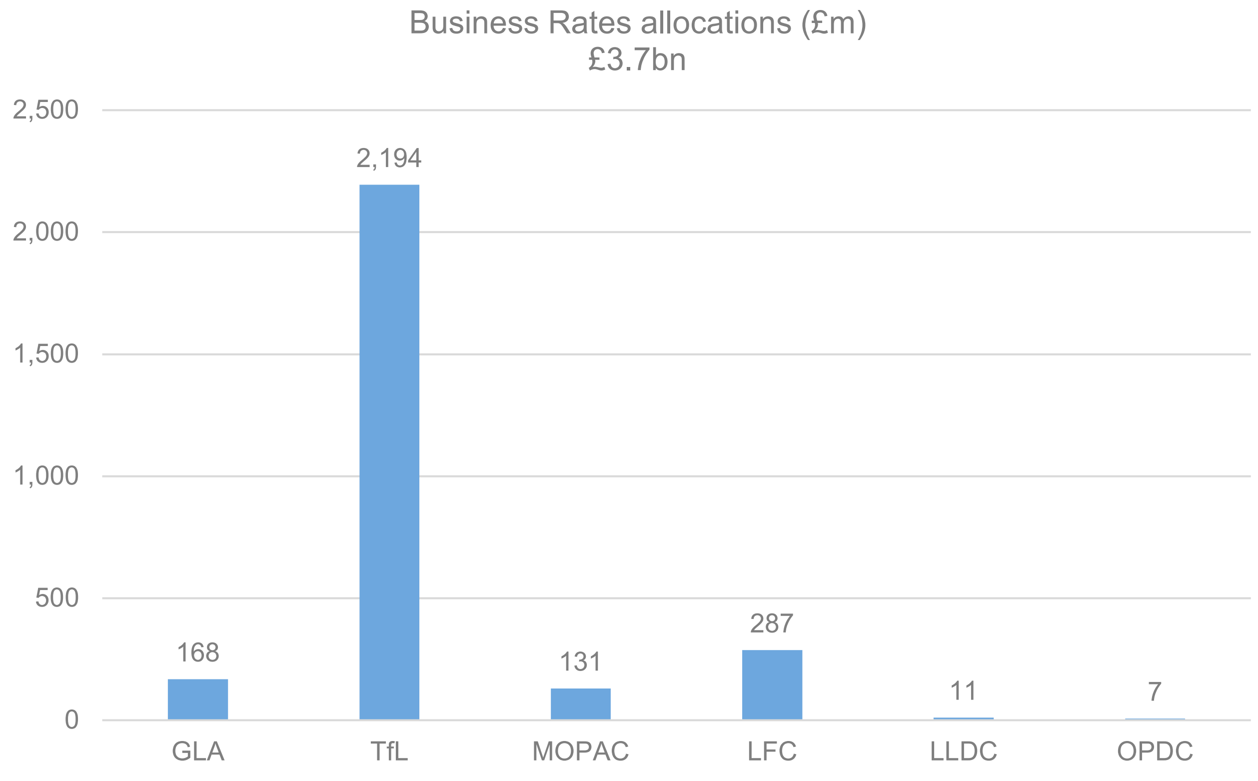


- **TfL:** Passenger and other income accounts for 73 per cent of revenue, which is the highest percentage of any major global transport authority. It is heavily exposed to changing economic conditions, as demonstrated during the pandemic. The remaining funding is almost entirely business rates, so any detrimental changes to the business rates regime will significantly affect TfL's financial resilience.
- **MOPAC/the Met:** The police are primarily dependent on central government funding via the Home Office police grant (£2.6bn) and the counter-terror policing specific grant (£0.7bn). Council tax funding is also critical (£1bn). The Mayor has stepped in to supplement Met funding due to shortfalls in government funding; and provided £130m in business rates funding. This is above the funding expectations of government set out in the police funding settlement.
- 80 per cent of police spending is on staff and officer pay, so any detrimental changes to the police funding or business rates regimes will reduce the funding available for police officers.
- **LFB:** LFB is primarily reliant on business rates (£287m) and council tax funding (£229m). As with the Met, the vast majority of its spending is on people, so any changes to these funding arrangements will reduce the funding available for frontline firefighters.
- **GLA** includes the OPDC and the LLDC, which are place-making developments delivering housing and economic benefits supporting the growth agenda.

Business rates are critical

Business rates provide the primary source of non-fares income for TfL, but also critical supplementary income for the Met and LFB. The following should be noted:

- The previous government rolled TfL's capital grant and revenue operating grant into the GLA's business rates baseline in 2017-18. Its financial viability is dependent upon this funding continuing in GLA Group's business rates baseline funding.
- The Met's National and International Capital City grant has been independently estimated to fall short of the actual additional costs incurred in London by £177m. Business rates have provided a vital source of supplementary funding to partially mitigate this shortfall. Any reduction in business rates would almost certainly result in a reduction in officer numbers.



Council tax

Council tax generates substantial revenue for the GLA Group (£1.6bn). But most of this is ringfenced for policing, and the Mayor has limited scope to allocate funds across his full range of responsibilities.

Incremental changes in police funding over recent years have shifted the balance of funding away from central government grants towards council tax funding. In 2016, central government grant accounted for 81 per cent of MOPAC funding. In 2025, this is expected to have fallen to 75 per cent.