



London First's five strategic challenges for the new Government:

- **Balance the deficit**
Commit to a credible plan to reduce the annual deficit, which will stabilise worried markets and improve the UK's ability to service its debt.
- **Manage down public spending**
Be rigorous in chasing efficiencies and cutting spending. Successful deficit reduction programmes in other countries have adopted a roughly 4:1 ratio of cutting spending to increasing tax.
- **Avoid undermining growth in the economy**
One critical component of tackling the deficit is economic growth. London and the UK need to attract talent and investment from around the world to drive this growth. However, ill-judged and unforeseen tax rises at the margin could penalise success and damage actual and perceived competitiveness. Similarly, any tightening of immigration policy needs to be carefully communicated to avoid unintended discouragement to highly talented individuals who can add to the UK's productivity.
- **Protect spending which builds capacity**
Beyond cost saving efficiencies, spending cuts should be made in areas adding least economic value, requiring an objective and consistent comparison of cost/benefit. Investment in infrastructure, where lack of capacity threatens to constrain growth, should be protected. Examples include Crossrail and the Tube upgrade programme.
- **Work *with* business**
One of the by-products of the recession and credit crisis has been deterioration in the relationship between politicians and the business community, particularly the banks. Growth can be best achieved when business understands and shares the Government's economic agenda. The private sector also has valuable experience in implementation of spending cuts and efficiencies and in devising innovative funding models for much needed investment.

London First is preparing a series of reports ahead of the 22 June emergency Budget and autumn spending review, addressing public sector efficiency, taxation, and on prioritising economically valuable spending. Each builds on our recent competitiveness report, [Supporting UK Growth while Balancing the Budget](#).

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