

Budget 2021

Representation from London First – January 2021

Our Organisation

1. London First is a campaigning business membership organisation made up of 175 members from a wide range of sectors within the London business community. Our mission is to make London the best city in the world in which to do business for the benefit of the whole UK.
2. We welcome this opportunity to make representations to HM Treasury on behalf of the London business community in advance of the 2021 Budget. The dual challenges of Brexit and the Covid-19 pandemic have hit the capital hard in 2020, and there are critical decisions that must be taken now to smooth the path to recovery. Those who will take the longest to recover will need ongoing support, and bold thinking is required to relaunch the UK as a key international destination for business.
3. Our priorities for 2021/22 are set out below.

Employment

4. To minimise the hardship of unemployment and to ensure that those whose jobs have been most affected by the pandemic and will return the most slowly remain supported, the furlough scheme should be maintained and extended well ahead of time if it remains clear that many will be unable to reopen or trade normally. This should happen alongside equivalent support for freelancers and the self-employed who, amongst other things, make up approximately 80% of London's vital creative and cultural sector.
5. For those whose jobs have not been retained, and in order to upskill the UK workforce for the jobs of the future, investment should be made in effective retraining programmes through the new National Skills Fund.

Education and Skills

6. This is a particularly difficult time to enter the labour market. As a result of the pandemic, many businesses have had to reduce the number of work experience placements that traditionally give young people at college and university valuable exposure to the world of work. Government should work with business and education to scope out a subsidised programme of work placements and business engagement to give education leavers the work experience that will help them as they seek to start their career. The programme should be aligned to the Government's Kickstart scheme.
7. The Government should also introduce a new National Digital Inclusion Strategy and work with city regions to implement targeted local interventions, so that schools and learners are better prepared for further remote, digital learning alongside physical learning.
8. Powers and funding should be devolved to London to support reskilling and recovery, enabling the Mayor to establish an 11-18 and adult careers strategy, and a London Adult Retraining Scheme.
9. Supporting education for disadvantaged children is particularly important for London, which has the highest proportion of families with dependent children of any UK region. The Government should support schools in delivering the national curriculum to children who

have had their learning disrupted, and ensure that school children who continue to learn at home are given better support from their school – both to improve their learning and to free up their parents for work.

10. To help employers recover and tackle social inequalities that have widened as a result of the pandemic, the Government should identify options for reducing labour and training costs for employers, including:
 - temporarily freezing any increases to the national minimum wage from April 2021;
 - national insurance payment holidays; and
 - training incentives, such as tax credits.
11. The apprenticeship levy should be reformed to allow businesses to unlock this funding and put it to good use, ensuring greater flexibility in the way they use their levy spend. More detail can be found in our 7-point plan¹, published jointly with the North West Business Leadership Team.

Immigration

12. Where vital sectors such as health care, food logistics or construction cannot access the workers they need from the native labour market, the immigration system must enable businesses to access talent more broadly. The Shortage Occupation List should be expanded to allow for jobs of all skill levels, and the salary threshold lowered to living wage for all skill levels, to ensure that so-called ‘low-skilled’ workers are eligible to work in and contribute to the UK, where labour and skills gaps remain.
13. The UK’s future migration regime should balance the needs of the domestic workforce against the talent that business needs to attract from abroad. It must also enable overseas students to study here easily – backed by a promotional international student recruitment campaign.

Transport in London

14. TfL’s pre-existing over-reliance on farebox income meant that its revenue collapsed as demand plummeted during the pandemic. Although short-term Government support is the only immediate solution, the changing needs of the traveling population need to be factored in so that new, resilient charging structures can be put in place in the longer-term place. To secure London’s ability to bounce back quickly, the Government must ensure that TfL has the cash to continue to operate the services that the capital needs.
15. Public transport in London will also be key in the efforts to meet the UK’s ambitious net zero goals in the run up to, and after, COP26. Investment in green industries and jobs should be brought forward, and TfL must be given a fair, sustainable, and future-facing funding settlement that enables it to provide the capital with the high-impact green investments that are needed. These include:
 - the completion of the Elizabeth Line as soon as possible; and
 - the electrification of the entire London bus fleet.
16. A broader commitment to greater devolution of powers and funding to London is also needed so the capital can choose, deliver, and pay for its future infrastructure needs. Publishing the Devolution White Paper should be the starting-point; London needs the

¹ <https://www.londonfirst.co.uk/sites/default/files/documents/2020-06/Getting-Apprentices-Back-to-Work.pdf>

powers of other global cities if it is complete on a level-playing field. Devolution of property taxes, for example, would diversify the range of taxes at London's government's disposal, allowing it to manage its income and expenditure more efficiently and, most importantly, create stronger incentives on local government to support economic growth.

17. Whatever the extent of fiscal devolution granted, the Government should commit to supporting London's key transport projects, including:
 - the effective operation of Eurostar and HS1;
 - developing HS2 and Crossrail 2;
 - the rollout of electric vehicles and well-coordinated charging infrastructure; and
 - the expansion of aviation capacity to facilitate the Government's Global Britain vision.
18. On aviation, the testing regime for international arrivals should be further developed, and the Government should work with international partners to make this the basis of a common standard for travel that will both protect public health and give confidence to travellers.
19. London has benefitted from private capital in project finance and delivery for schemes. The Government should publish the long-awaited Infrastructure Finance Review (IFR) and set out plans for a replacement infrastructure project public-private partnership model.

Competitiveness and Infrastructure

20. London's telecoms infrastructure is well behind its international competitor cities: London's full-fibre coverage is at less than 20%, compared to some Asian cities, which have nearly 100% coverage. The Government should develop a package of measures that encourages investment in full-fibre connections to support London's pitch as a global, digitally-connected city in a hybrid world. For example, extending the exemption of business rates on new fibre.
21. Similarly, London urgently needs its 5G infrastructure rollout to be expedited, as it is vital for the internet of things as well as for mobile data connectivity.
22. Key tax measures that would help London's competitiveness during the recovery include:
 - restoring the 'tax-free shopping' Retail Export Scheme to help attract tourism back;
 - extend Sunday trading hours in the UK's international centres;
 - extending the business rates holiday and VAT relief throughout 2021; and
 - reducing Stamp Duty Land Tax (SDLT) to stimulate transactions.
23. In particular, the business rates regime should be reformed. London pays a disproportionate amount in business rates and has suffered sharp rises. Many small businesses do not qualify for relief because of the high value of London property, nor do businesses with a large footprint, such as hospitality and retail.
24. Commercial property plays a vital role in London's economy, generating over £8bn in business rates annually. Steps must now be taken to put in place the right policy framework to help shape the significant changes in the sector and bolster the delivery of London's commercial property market, and include:
 - ensuring that those who can pay rent for commercial space do so, given the current huge rent shortfalls, to preserve the UK's international reputation as a safe investment location;

- supporting London government to give direction to local authorities to ensure a positive planning climate to support; and
- speeding up the process of making changes to an extant planning permission, as well as extending the life of planning permissions that are due to expire.

Housing

25. In order to meet the Government's pledge to deliver 300,000 homes a year, not only is significantly more investment required, but so too are changes to housing policy more broadly, including a review of the Green Belt to open up low-value brownfield sites.
26. The Government should work with the GLA and the London Boroughs to translate the high-level ideas in the planning white paper into a set of practicable proposals that improve the two-tiered planning system in the capital. The proposals for a new Infrastructure Levy must not pursue simplicity at the expense of the delivery and funding of housing needs.
27. The potential £4bn on offer to London in the Affordable Housing Programme (2021-26) is a reduction to the £4.8bn total housing settlement currently given to the GLA (2016-21), yet the need for affordable housing in the capital is only increasing, and housing affordability will be further tested by the impacts the pandemic. The Government should also review the policy and legislative framework to consider what opportunities there might be to secure greater levels of private investment into affordable housing. Long-term institutional investors such as pension funds are looking for secure and predictable income to match pension liabilities and affordable housing is a potentially attractive opportunity. London First is currently considering what the barriers to further investment might be and would welcome the opportunity to discuss these with officials when the work is completed.

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