

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
1 Horse Guards Road
London
SW1A 2HQ

Date: Wednesday 24 January 2024

Dear Chancellor,

I'm writing to you in my role of Chair of London Councils – the collective of London local government – to set out our priorities for the forthcoming Spring Budget. Our recommendations are aimed at stabilising local public services, protecting the most vulnerable from the cost of living crisis and stimulating economic growth.

The financial challenge facing London local government following austerity, the Covid pandemic and the current prolonged period of high inflation cannot be overstated. London boroughs' resources remain 15% lower than 2010-11 in real terms, despite there being almost 800,000 more Londoners, exacerbated by over £1 billion in unfunded and underfunded new burdens (such as the localisation of council tax support) over that period. Despite the recent provisional local government finance settlement and additional funding announced today, London boroughs face a shortfall of over £400 million in 2024-25, broadly the equivalent of what they spend annually on homelessness. Outer London boroughs – as the lowest funded per capita in the country – face some of the most acute challenges to balance their budgets. But, as the IFS recently found¹, the whole of London is struggling with a 17% gap between funding and need: by far the largest of any region in England.

While the whole sector faces rising demand and costs in adult and children's social care because of failing markets and demographic change, London has further unique challenges relating to its housing market and higher levels of migration. It is the epicentre of the homelessness crisis with more than half of all temporary accommodation placements in England. On average, one child in every London classroom is homeless. London's affordable housing shortages are compounded by the growing number of refugees presenting as homeless after leaving Home Office accommodation (which increased by 40% in October alone), limiting London's ability and capacity to welcome and resettle people seeking sanctuary in the capital. London is home to 16% of the population but London boroughs support almost a quarter of England's asylum seekers (over 25,000). While we are pleased to provide a welcome to those fleeing violence and persecution this needs to be appropriately funded by government.

The severe funding constraints caused by persistent rent capping and additional expenditure required to deal with fire safety, damp and mould and ongoing maintenance of some of the oldest housing stock in the country, mean many London boroughs' Housing Revenue Accounts are fast becoming financially unsustainable. The cumulative shortfall, as costs continue to exceed rental income, will be £888 million over the next 20 years. The urgent need to retrofit London's ageing housing stock adds further to this challenge, and, for some boroughs, is having direct impact on their ability to build new homes.

¹ [Institute for Fiscal Studies, August 2023](#)

The lack of affordable housing is as much of an economic challenge as a social one. Solving this and closing London's skills gaps are two of the most immediate barriers to driving economic growth. Despite delivering a £38bn net fiscal surplus to the UK economy in 2022, London's productivity (0.2% average annually between 2007-2019) has lagged global competitors like New York (1.4%) and Paris (0.9%). Centre for Cities estimates if London had performed in line with its competitors, it could add an extra £17 billion to the exchequer.² These challenges must be addressed to stop the dampening effect they currently have on the UK economy.

Finally, the cost-of-living crisis has hit London's poorest and most vulnerable residents hardest. It will continue to impact low-income Londoners into the next financial year with gas and electricity prices 60% and 40% higher, respectively, than pre-crisis levels and Thames Water set to increase bills for London households by 40% next year. Across London, boroughs are spending £137 million through the Household Support Fund this year to support households struggling to afford their energy bills, fund emergency food support services, and to provide support during the holidays to households who receive free school meals. Ending this funding will leave thousands of London's most vulnerable residents worse off.

We recognise not all of these issues can be solved in one fiscal event, and so our recommendations focus on the immediate actions you can take to help London boroughs and Londoners. As such, we urge you to use the Spring Budget to:

- **Extend the Household Support Fund to support our most vulnerable residents.** London authorities receive approximately £137 million to support our most vulnerable residents meet their basic living needs. If funding cannot be provided at the same level, at a minimum, there should be a multi-year transitional phase to help local authorities plan and meet the needs of their residents.
- **Remove the January 2011 cap on Local Housing Allowance payable for Temporary Accommodation in Housing Benefit subsidy.** This would enable local authorities to be fully reimbursed for the spiralling costs of those temporary accommodation on housing benefit.
- **Provide new funding for delivering wraparound support for newly recognised refugees.** London boroughs are being disproportionately affected by the record number of homelessness presentations from people leaving Home Office accommodation, but there has been no funding for local authorities to house asylum seekers in hotels since April 2023.
- **Provide additional funding for council Housing Revenue Accounts** – to support an improvement in standards throughout 2024-25 and address the critical challenge of damp and mould. Additional grant funding would help the sector to improve conditions and meet the challenges of a new regulatory system.
- **Increase Adult Social Care market sustainability funding to reflect inflationary pressures** and increase discharge funding to ensure patients receive reablement support to become physically fit, regain their independence and return to their ordinary residence.
- **Deliver a fully devolved single employment and skills fund** – to reduce London's huge skills shortages, with three-quarters of firms having open vacancies and two-thirds struggling to fill them. Existing funding could be spent more effectively if combined into a single fund managed exclusively by London government.

² [Centre for Cities, March 2023](#)

- **Reintroduce the VAT Retail Export Scheme for foreign visitors** – to make London and other UK destinations more competitive for overseas shoppers.
- **Establish a partnership with local government through the Cities Commission on Climate Investment (3Ci)** – to catalyse private investment into local net zero programmes and pilot neighbourhood level approaches to decarbonisation.
- **Commit to offering deeper devolution to London government.** London's devolution settlement is over 20 years old and must be updated and reformed to allow the boroughs and the Mayor to work together to tackle the 21st century problems facing the capital. We welcome the progress of the devolution trailblazers in Greater Manchester and the West Midlands and would like to discuss with your department how London could be offered the same sort of deal.

London boroughs stand ready to work with the government to help deliver the above recommendations.

However, councils can only operate within the confines of the current local government finance system, and that system is fundamentally broken. We believe it should be reformed as soon as possible. Not only should funding increase after years of underinvestment, it must be more fairly distributed to better reflect local need; be allocated over 3-4 year periods, to provide greater certainty and enable investment in prevention; and be more devolved, so that councils are less reliant on government determined grants and have access to a broader range of funding sources.

London Councils looks forward to continuing to work with your department ahead of the Spending Review and would welcome the opportunity to discuss constructive solutions to the huge financial pressures facing our member boroughs.

Yours sincerely,



Cllr Georgia Gould, Chair of London Councils

cc. Rt Hon Michael Gove, Secretary of State for Levelling Up, Housing and Communities