



GENERAL ELECTION

SECURING LONDON'S PROSPERITY:

A MANIFESTO FOR BUSINESS RESILIENCE AND GROWTH

FOREWORD FROM KARIM FATEHI MBE, CHIEF EXECUTIVE, LCCI



As we look ahead to the next Government, our political parties need to focus on what matters most to businesses – the only way to create growth and lift living standards.

London Chamber of Commerce and Industry's (LCCI) General Election manifesto echoes the calls of London's business community for the next Government to prioritise the issues that are hindering growth. As this manifesto sets out in further detail, we want to see the next government take decisive action in key areas including reform of VAT rules, provision of affordable housing, overhaul of restrictive anti-growth planning processes, and the creation of a comprehensive skills and immigration system that is conducive to economic growth.

We need a pro-business government that is not afraid to introduce bold, long-term plans to put the UK back on a road to productivity gains and sustainable growth. But, in order for these to be fit for purpose, they must be developed in close consultation with the business community. Going forward, we want to see our political parties make a concerted effort to engage with the business community, listen to their needs, and implement the changes necessary to foster a productive and strong working relationship between wealth creators, industry leaders, and policymakers.

At LCCI, we see every day how businesses are driving innovation, and I have no doubt that the UK can prosper under the next government, so long as we have a clear, long-term strategic plan to ensure the best possible operating conditions for the UK economy.



INTRODUCTION

London Chamber of Commerce and Industry (LCCI) fully supports the stance of the British Chambers of Commerce (BCC) in advocating for the needs of British businesses to be comprehensively addressed by whichever party, or parties, are elected to lead the next Parliament.

However, it is crucial that the next Government pays special attention to the needs of London's businesses. While firms in London often share common concerns with those across the country, the capital faces specific challenges and opportunities that must be addressed to ensure its continued prosperity. London is the engine of the national economy – if the engine stutters, the national economy stalls.

This manifesto outlines the policies and reforms necessary to protect and enhance the business environment in London, ensuring that it remains a dynamic engine of innovation and growth for the entire UK.



EXECUTIVE SUMMARY

LCCI's manifesto sets out four areas of action for the next Government:

1. Protecting and supporting the capital's businesses

In the last few years, businesses in London have weathered economic and geopolitical uncertainty, which in turn affects confidence and restricts businesses' ability to invest in their growth. Targeted policies must address challenges including an unfair and imbalanced business rates system, growing levels of business crime in the city and increased trade friction with the UK's top trading partners. By safeguarding London's businesses through thoughtful and supportive legislation and policy in these areas we can spark economic growth, drive innovation, and maintain the capital's status as a global business hub.

2. London's competitiveness

London is the preeminent global city for business, culture and tourism. However, recent government policies including the removal of VAT-free shopping and continued funding cuts to London arts and culture institutions are hitting London's global reputation and our competitiveness as a destination. The next Government must recognise that London's international competitiveness and attractiveness directly impacts the economy.

3. Infrastructure, planning and housing

London is home to around 9 million people and its success hinges on its ability to operate smoothly. Robust infrastructure and a reliable transport system are essential for efficient business operations and connectivity, while streamlined planning processes and incentives will encourage necessary development in the city. Affordable and accessible housing is crucial for attracting and retaining a diverse and skilled workforce. By prioritising these areas, the next Government can ensure that London remains a competitive and attractive destination for business and investment.

4. Skills and entrepreneurship

A highly skilled workforce is the cornerstone of an innovative economy and a pre-requisite for maintaining competitiveness in the global market. A comprehensive set of measures to build a pro-business skills and immigration system, including an agile training programme for SMEs and increased provision for short-term worker visas across several key industrial sectors is essential for driving economic growth, sustaining business success, and maintaining London's position as a leading global business hub.

PROTECTING AND SUPPORTING THE CAPITAL'S BUSINESSES

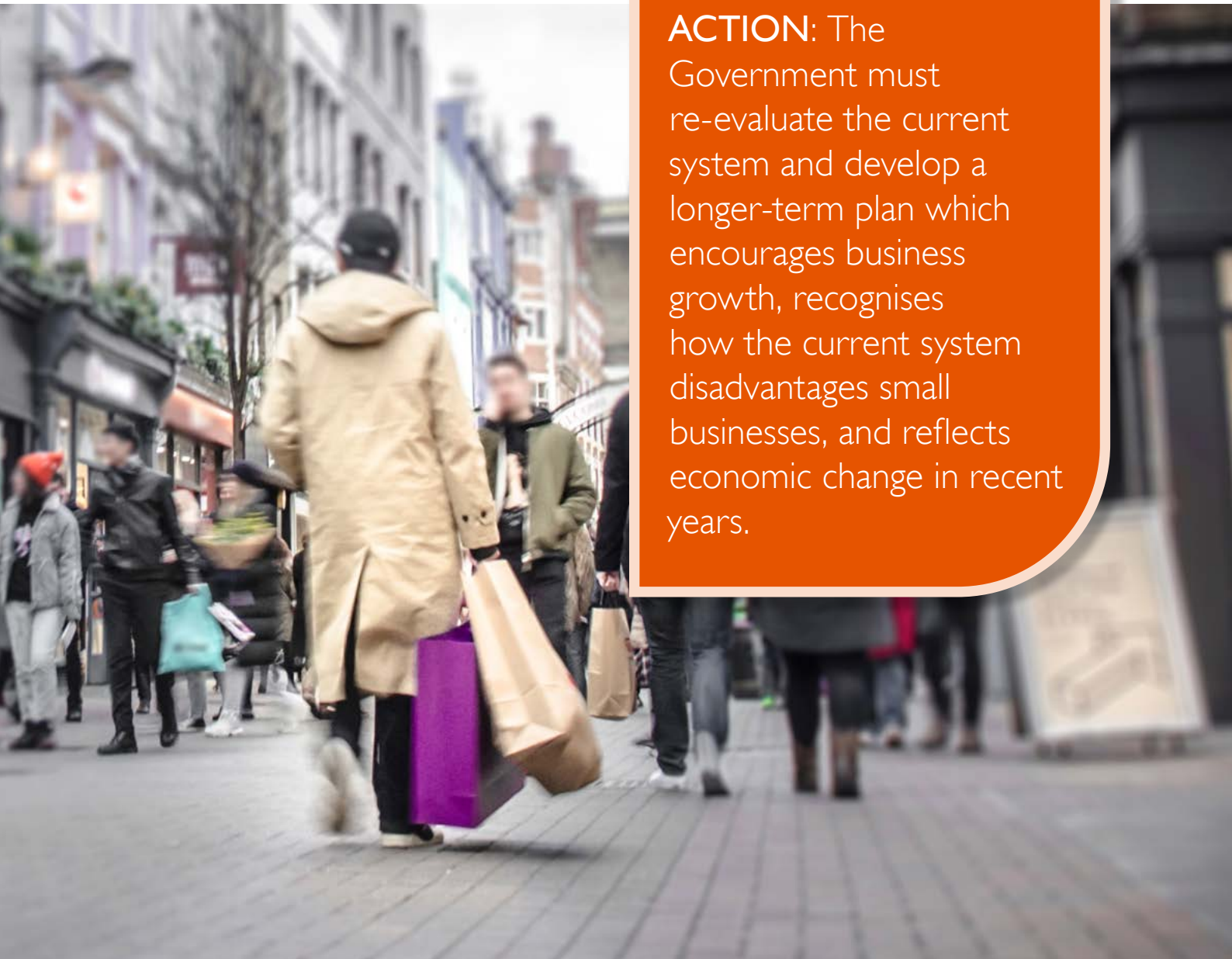
Business rates reform

The pandemic and cost of doing business crisis laid bare the shortcomings of the UK's tax system, particularly for brick-and-mortar businesses.

Business rates are unfit for purpose. In its current form, the taxation and business rates system disadvantages smaller brick-and-mortar businesses, critical for our high-streets and pillars of local communities, which have less scope to offset business rates rises and other costs.

At a time when high streets face a hollowing out of local businesses, it is critical that this unfair tax is overhauled without further delay.

There is more work to be done to bring our business rates system into the 21st century – we need to reform the system to bring about favourable trading conditions that encourage the return of business confidence and investment.

A photograph of a busy city street with pedestrians and shopping bags. The image is slightly blurred, showing a person in a long yellow coat walking away from the camera, carrying several shopping bags. Other people are visible in the background, some also carrying bags. The street is paved with cobblestones and lined with buildings.

ACTION: The Government must re-evaluate the current system and develop a longer-term plan which encourages business growth, recognises how the current system disadvantages small businesses, and reflects economic change in recent years.

Business crime

Business crime is on the rise across the capital. Burglary, assault and other crimes committed on business property have increased in recent years, which have a major detrimental impact on the ability of London businesses to prosper, compounding challenges on many fronts.

A recent survey by LCCI in 2023 found that 20% of SMEs in London that experience business crime lose up to £10,000 and that 19% of large companies affected by crime had to bear a financial loss of up to £50,000.

ACTION: LCCI is calling on the next Government to review the funding formula for the Metropolitan Police to ensure it keeps up with inflation and accurately relates to population density changes.



Improving trading conditions

Trade has a significant role in supporting economic growth and trade with the European Union (EU) alone accounts for 42% of all UK exports. From our discussions with businesses over the last few years we know that Brexit has added friction to flows of trade, capital and people, which in turn have led to higher costs for firms trading with the EU.

Businesses need honest, practical, long-term policy solutions to reduce trade friction and get the UK's productivity back on an upward trajectory. Increased trade friction and red-tape means lower productivity, lower growth, and falling living standards for the UK. Furthermore, SMEs need targeted support that will help them overcome traditional barriers and kickstart their overseas trading journeys, such as greater access to expertise

and guidance and finance. As part of this, the Government should reverse cuts to international trade advisors (ITAs) in London.

ACTION: We hope to see the next Government reducing trade friction with the EU, striking new trade deals with fast growing economies which benefit businesses, reducing regulatory barriers to trade, as well as ensuring businesses of all sizes can access new markets.



Equality, diversity and inclusion (EDI)

Institutional discrimination remains reality for many businesses across the capital, and additional steps must be taken to address and resolve this, including ensuring entrepreneur support programmes are inclusive, promoting equality at all levels of in-work support, simplifying voluntary ethnicity pay gap reporting and consciously include ethnic minority led businesses in public procurement processes.

LCCI has also made recommendations on the establishment of a Strategic Growth Fund that specifically targets or contains criteria to address the funding problems ethnic minority founders and business leaders face.

ACTION: The next Government must ensure that robust EDI support is available for businesses, in order to create a more equitable environment.



LONDON'S COMPETITIVENESS

VAT-free shopping

The removal of VAT-free shopping for international visitors is effectively a tax on tourists and we have seen London's international competitiveness and attractiveness take a dramatic nosedive as a result.

The VAT Retail Export Scheme was abolished in 2020, discouraging international visitors to visit London as a shopping destination, which in turn has hit tourism, travel, hospitality and food and beverage businesses. It will have disproportionately affected small British businesses in particular, making it harder for them to compete with European competitors and grow their market.

London is now seen as 20% more expensive than its European counterparts, such as Paris and Milan, and in turn the tourism industry is losing out, which will have a long-lasting effect on London's employment, investment flows, and the overall economy.

The re-introduction of VAT -free shopping could contribute a £4.1 billion boost to the economy and sustain over 78,000 jobs.

ACTION: Reintroduce VAT free shopping for overseas visitors immediately.

Funding for London's arts and culture institutions

Cultural institutions in capital cities drive creativity and bring wealth, cohesion, identity, investment and tourism.

Funding for London's cultural institutions was slashed by the Department for Culture, Media and Sport (DCMS) & the Arts Council England (ACE) in favour of funding projects outside of London, which was an example of economic short-sightedness driven by the Government's levelling up ambitions.

While levelling up is an admirable socioeconomic policy, it must not be enacted in a zero-sum way, at the expense of London. Simply ring-fencing cultural funding outside of London without any new budget is a destructive approach to managing the UK's cultural infrastructure. We must support all institutions and recognise the value they bring to local communities and the British economy as a whole.

ACTION: The next Government must commit to halting any further funding cuts to London's cultural institutions and make proper assessments of the impact on existing cuts, with a view to delivering a long-term funding plan for arts and culture.

INFRASTRUCTURE, PLANNING AND HOUSING

Transport for London (TfL)

London is home to one of the most expansive and diversified transport networks in the world. TfL services facilitate the movement of people, goods, ideas and innovation across the city – our transport network is critical to sustaining business operations and growth.

London's status as the world's pre-eminent global city for business is heavily reliant on the ability of the capital's transport network to operate at an elite level – this means a reliable, high-functioning transport network.

Protecting this vital asset requires an end to the constant back and forth of political short-termism and securing a long-term funding solution for TfL.

HS2 / Euston

The success of HS2 is crucial to ensure equal distribution of opportunities across communities in the UK. Every aspect of the strategy that is removed, delayed or hindered will affect thousands of businesses in London and right across the country.

London businesses need fast, direct access to the Midlands, northern England and Scotland which will allow the nations and regions across the country to contribute to and benefit from the economic powerhouse that is London.



53%

of London's business leaders believe that the Government should prioritise transport links in the capital.

ACTION: The next Government must agree a long-term capital funding agreement with TfL which supports critical upgrades and extension to the transport network in London.

ACTION: We need the next Government to provide assurances that HS2 will be completed to Euston and that the Euston link will be opened at the same time as the completed HS2 connection between Birmingham and Old Oak Common. We also need HS2 to reach Manchester at the very least

Aviation

The aviation sector is vital to the UK economy and especially London's business community, as it enables the flow of people, trade, and investment.

London's economic success has always relied on its global connectivity and aviation is the key factor in global connectivity now and into the future.

According to LCCI's own data, four in five London business decision-makers surveyed agree that air connectivity is important to London's global competitiveness (83%), international trade (82%), the London economy overall (82%) and building and maintaining international business connections (79%).

Just over half (52%) said it is important to the operations of their business.

Facilitating the development of a sustainable aviation industry must be a key policy priority for government and will require greater cooperation with the industry and investors.

ACTION: The next Government should not delay in introducing a revenue certainty mechanism following the recent consultation, which will provide clarity to investors and enable the development of a domestic UK sustainable aviation fuels (SAF) industry. The next Government must act quickly to develop this scheme, in order to meet the targets set out in the SAF mandate.



Land usage

LCCI recognises the need for a greater provision of housing in London; without access to housing, London's economy will falter as more individuals are forced to move out of the capital. The housing crisis in London imposes significant negative economic and social externalities, driving workers, families and, in turn, businesses out of the city.

It is therefore essential that the Government at every level, including alongside the Mayor of London and local councils, takes every possible step to deliver more new affordable homes. However, the provision of affordable housing must not come at the expense of industrial and employment use land, which is so vital to powering the capital's prosperity. LCCI's member businesses continue to raise concerns about the lack of logistics land in London which has driven prices up and forced firms to move further out of London.



40%

of respondents in a recent survey of London's business leaders identified housing as a priority area for increased public spending to support economic growth.

A photograph of a 'FOR SALE' sign in front of a brick building. The sign is white with red text. The background shows a brick wall and a window with white frames. There are blue barrels in the foreground.

FOR SALE

ACTION: Reform the National Planning Policy Framework to recognise dual need for affordable housing and logistics space. HM Revenue and Customs (HMRC) should also enable a housing association or council to issue developers with a certificate to state that they will be constructing affordable housing, meaning that the sale of the land from the developers to the housing associations and councils can be zero-rated.

SKILLS AND ENTREPRENEURSHIP

Visas / immigration

As a global city, London's success is built on its openness and diversity, where businesses can access an unrivalled pool of talent, perspectives, experiences, and languages.

If Britain is 'open for business', then we need a commensurate visa system to support it – the next Government must bring about improved performance and speed in the issuing of business visas for visits to the UK.

Home Office ministers and officials need to engage with London businesses to understand the private sector's requirements on skills and immigration.

Restricting businesses from accessing the best global talent is not only bad for individual firms, but also a blow to the UK's economy and our future prosperity.



42%

of London's business leaders believe that loosening immigration restrictions for skilled workers would benefit the business community in London.

ACTION: Undertake an immediate review of existing immigration routes, rules and their viability, with the ultimate aim of developing a sensible and business-friendly system that prioritises the most critical skills to the industries of the future.

Apprenticeships

The Apprenticeship Levy is in vital need of reform – ever since the Levy was introduced, businesses have complained about their inability to spend it due to strict usage rules. It is an important tool for securing the UK's skilled workforce, but for too long its shortcomings have gone unaddressed. To deliver maximum opportunity, there is a pressing need to increase flexibility of the Levy by extending the deadline for employers to spend Levy funds and allow the funding to be spent on pre-employment training.

ACTION: The next Government needs to reduce the Apprenticeship Levy's complexity and amend rules on how the funding can be used so that businesses of all sizes can make the most of this progressive scheme and develop the skilled workforce they rely upon to succeed.

Skills

London desperately needs a skills system that works for businesses and learners and for this we need to develop flexible and agile training programmes that address current skills challenges, and ensure the workforce is equipped handle future challenges and opportunities.

Businesses are crucial drivers of the UK's economic recovery, but without access to adequately skilled workers, they will not be able to deliver the growth needed to lift living standards.

Three-fifths (60%) of all London firms who tried to recruit in Q1 (QES Q1 2024) experienced difficulties doing so.

There are multiple challenges – notably, being able to cover the costs of skilled staff, finding skilled talent to undertake particular roles, and ensuring businesses have the provisions to train and invest in upskilling existing staff.

ACTION: Boost investment in skills and encourage better business, government and local government collaboration to identify areas for improvement.



37%

of decision makers in London businesses think the government should increase funding for training in order to address skills shortages.

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