

The Rt Hon Angela Rayner MP

Deputy Prime Minister and Secretary of State for Housing, Communities & Local Government

Jim McMahon OBE MP

Minister of State for Local Government & English Devolution

Ministry of Housing Communities & Local Government

2 Marsham Street

London

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By email only

14 August 2025

Dear Secretary of State, Minister of State,

London Property Alliance response to The Fair Funding Review 2.0

I am writing on behalf of [London Property Alliance \(LPA\)](#), a not-for-profit organisation that represents the leading owners, developers, investors and professional advisors of real estate operating across central London, providing a unified voice for over 300 organisations ranging from FTSE 100 companies to affordable housing developers. The LPA is the voice of property in London's Central Activities Zone (CAZ), which in 2024 generated an estimated £315bn of GVA (over 10% of UK economic output) and was home to 48% of the capital's output and 41% of its jobs.¹ You can view our current membership lists [here](#) and [here](#).

We welcome the recognition by the Government of the need to reform local government funding. The London Property Alliance understands why there is concern and a need to tackle long-standing disparities in funding allocations between local authorities. It has been more than a decade since the Government last updated its approach to allocating funding to local government. In that time, costs and importantly cost variations between authorities will have changed considerably. We therefore consider the Government is right to revisit funding formulae for authorities in England.

Simplifying the current complex system of grants is to be welcomed, particularly where it leads to enhanced transparency. Alongside others, including CIPFA², we support the reintroduction of **multi-year settlements** and relaxing some of the **ring-fencing constraints on funding pots**. Taken together, these changes should help local authorities by providing a higher degree of certainty about their resource 'horizons' and increased flexibility as to how those resources are deployed.

However, in line with London Councils³ we have significant concerns that the proposals as presented will not provide a funding arrangement that fairly and effectively reconciles needs and resources at a

¹ <https://www.londonpropertyalliance.com/good-growth-in-central-london-2/>

² <https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/fair-funding-consultation-offers-step-forward#:~:text=Responding%20to%20the%20Ministry%20of,key%20structural%20issues%20remain%20unresolved.>

³ https://www.londoncouncils.gov.uk/sites/default/files/2025-07/London%20Councils%20funding%20reforms%20briefing%20%28August%202025%29_0.pdf

local authority level. London Councils has highlighted that the Fair Funding Review 2.0 proposals **risk failing to take into consideration London boroughs' and residents' actual level of need**. Specifically, this is because reforms do not consider the impact of housing costs.⁴ The use of the Index of Multiple Deprivation as proposed, fails to factor in the effect of housing costs on household disposable income and the resources that individuals have to meet their non-housing needs. Research by the think tank Trust for London has demonstrated that **poverty rates for London households increase** by ten percentage points to 24% when housing costs are accounted for.⁵ This is more than twice the difference when the same adjustment is made for the rest of England and leads to almost a million more Londoners being classified as in poverty. Remarkably, after housing costs are taken into account, London has the highest rate of poverty in England.⁶ We therefore recommend that the Government includes housing costs in its estimation of poverty and deprivation.

The LPA also shares concerns related to the Government's proposed **Area Cost Adjustment** mechanism. The robustness of the proposed 'Remoteness Adjustment' which assumes that distance is a factor in determining resource allocation is, we believe, questionable. As the consultation itself notes, "...the case for our approach is more theoretical..."⁷ It appears odd to have a presumption in favour of including this measure whilst not including a tangible measure of poverty, such as housing costs.

With respect to **population figures**, meaningful, accurate measures of headcount are essential to ensuring the robustness of funding allocations that flow from them. We welcome the fact that the Government is planning to update its population data from 2001. However, in moving to use 2021 Census data, we note that there was considerable concern in London government that the city's population might have been underestimated by as much as 300,000 due to the impact of Covid-19 strict national lockdown in March 2021 and its after-effects. The greatest disparities of this were likely to be in inner London boroughs such as Westminster and Camden.⁸ We therefore urge the Government to ensure that it commits to using an accurate and up-to-date approach to population estimates for local authorities across England to minimise the risk of resource misallocation caused by faulty population estimates.

We note that the Government's prior consultation last December explored the extent to which responsibility for **setting some fees and charges** should be devolved to local authorities. We have previously welcomed the Government's announcements with respect to increasing resources for planning departments. We believe that it is imperative that we get Britain building if we are to kickstart growth and unleash the country's full economic potential. Our [Good Growth in Central London](#) report

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<https://www.bbc.co.uk/news/articles/c1mzyxrrl52o#:~:text=London's%20borough%20leaders%20said%20not,in%20funding%20over%20three%20years>.

⁵ <https://trustforlondon.org.uk/data/poverty-before-and-after-housing-costs/#:~:text=In%20London%2C%20poverty%20rates%20increase,from%2017%25%20to%2021%25>.

⁶ https://www.londoncouncils.gov.uk/sites/default/files/2025-07/London%20Councils%20funding%20reforms%20briefing%2028August%202025%29_0.pdf

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https://assets.publishing.service.gov.uk/media/688237662b6fd60b7c161009/Version_14_For_publication_Fair_Funding_Review_2.0.pdf, p45

⁸ <https://www.onlondon.co.uk/census-figures-for-london-should-be-treated-with-extreme-caution-says-cross-party-body/>

explored the relationship between planning policy and economic development, focusing on the additional benefits that would flow if more pro-growth policies were adopted in London's CAZ. Research by the LPA on future-proofing national policy to support sustainable development,⁹ and the challenges holding back the delivery of specialist life science research and associated workspace,¹⁰ shows that amongst other things, the **under-resourcing of planning departments** is preventing councils from making speedy, well-informed decisions to deliver the environmentally sustainable, quality workspaces required to attract and grow productive businesses in the UK capital – as well as homes much needed across London and the wider country. We consider it vitally important that **all funding for planning departments is now ring-fenced**, so they can recruit and retain skilled staff and increase capacity for decision making. By helping to speed up planning decisions and fairly funding planning departments, the Government will be supporting jobs and infrastructure for communities across the country.

In relation to **business rates retention** we welcome the Government's statement that retention should reward councils for local business rates growth.¹¹ However the review appears to limit business rate retention to Freeports, Investment Zones (above an agreed baseline¹²) and Enterprise Zones.¹³ Even taken together, these areas are likely to represent a tiny proportion of total business rate yield. Accordingly, the commitment may be perceived as largely symbolic. As a recent report by Business LDN highlighted¹⁴, local government in Britain remains highly centralised, especially in fiscal terms. If the Government genuinely wants local authorities to encourage growth, it needs to create much stronger incentives around business rate retention - and for periods of say 20 years so that borrowing can take place against projected retained revenues to help pay for complementary investment in infrastructure for example. A lack of incentives to grow either the business rate base and/or the council tax base will make growth less likely than if there were predictable gains for allowing development.

Finally, we consider the Government should **publish its draft funding allocations** associated with the proposed change to local government funding as soon as possible. The release of the policy proposal without indicative allocations has created significant uncertainty and concern for many inner London boroughs including Westminster, the City of London, Camden, Islington and Kensington & Chelsea. They have in effect been left to guess at what the likely impacts of the changes in question might be, with one estimate by London Councils indicating that London authorities could be as much as £700m worse off as a result of the proposed changes compared to current funding arrangements.¹⁵

⁹ <https://www.londonpropertyalliance.com/retrofit-first-not-retrofit-only-future-proofing-national-policy-to-support-sustainable-development/>

¹⁰ <https://www.londonpropertyalliance.com/londons-knowledge-clusters-from-emerging-to-maturing/>

¹¹

https://assets.publishing.service.gov.uk/media/688237662b6fd60b7c161009/Version_14_For_publication_Fair_Funding_Review_2.0.pdf, p23

¹² <https://committees.parliament.uk/publications/44455/documents/221158/default/>, p6

¹³

https://assets.publishing.service.gov.uk/media/688237662b6fd60b7c161009/Version_14_For_publication_Fair_Funding_Review_2.0.pdf, p23

¹⁴ https://www.businessldn.co.uk/sites/default/files/documents/2024-10/BLDN_Devolution_Report_Oct24.pdf, p9

¹⁵ https://www.londoncouncils.gov.uk/sites/default/files/2025-07/London%20Councils%20funding%20reforms%20briefing%20%28August%202025%29_0.pdf, p1

Concluding comments

London (and central London specifically) is the engine of growth for the UK. The central area supports 2.2m jobs and makes a major contribution to UK public finances. Its economy is inextricably linked to regional economies across the country. **We urge MHCLG to ensure that its proposed changes to local government funding are fair to the UK capital and provide not only the resources to meet the legitimate needs of Londoners, but also help create the incentives to encourage London's local authorities to grow London as a global city.** This will have knock-on benefits for jobs, economic growth and tax revenue to support the UK as a whole. Cuts to basic public services in London (which appear inevitable as a result of the Fair Funding Review) would be bad for business, bad for residents and bad for the UK economy.

Yours sincerely,



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