LONDON CHAMBER of COMMERCE AND INDUSTRY

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Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (5-12 June 2025)

Spending Review Confirms Major Investments

On 11 June, Chancellor Rachel Reeves presented the second phase of the Government's Spending Review, outlining a comprehensive funding package aimed at supporting economic growth, public services, and regional development. Total departmental budgets are expected to grow by 2.3% per year in real terms, with £190 billion allocated to day-to-day spending over the review period.

Key national investments include a record £29 billion annual increase in NHS operational funding, a £39 billion 10-year Affordable Homes Programme focused on social rent, and £2 billion to support the Government's AI Opportunities Action Plan. The Spending Review also confirmed the introduction of a new Treasury Green Book to support place-based investment decisions and ensure equitable treatment across regions.

In transport, the government committed £3.5 billion to the Trans-Pennine route upgrade, £2.5 billion for East-West Rail, and extended the £3 bus fare cap until March 2027. A four-year funding settlement was announced for Transport for London, alongside a fourfold increase in local transport grants.

In business and innovation, the British Business Bank's financial capacity is expected to rise to £25.6 billion, and R&D funding is projected to increase to £22 billion annually by 2029/30. A new Growth Mission fund will support local business and community programmes. The review also confirmed a £500 million grant to Tata Steel in Port Talbot and £1.2 billion in additional funding for apprenticeships and upskilling.

The education sector will receive £4.5 billion in core schools funding, £2.4 billion annually for school building repairs, and £370 million for school-based nurseries. Additional financing includes £555 million for children's social care and £130 million for extracurricular facilities.

In health and social care, the government pledged to increase the NHS technology budget by nearly 50%, invest £10 billion in digital upgrades, and expand training and prevention initiatives. The review also highlighted the delivery of 3.5 million additional NHS appointments within the past year.

Defence spending is expected to rise to 2.6% of GDP by April 2027, partly funded by a reduction in overseas aid. This includes £11 billion in additional defence funding, £600 million for security and intelligence agencies, and £4.5 billion for munitions production across several UK sites. A further £6 billion will support the production of nuclear submarines.

In home affairs, the government reaffirmed its commitment to recruit 13,000 police officers, PCSOs, and special constables, supported by a 2.3% real-terms increase in police funding. It also confirmed £7 billion for prison expansion, £700 million annually for probation services, and £280 million per year for the Border Security Command. The use of hotels to house asylum seekers will end by the end of this Parliament.

Devolved administrations will also see significant uplifts: £52 billion for Scotland, £23 billion for Wales, and £20 billion for Northern Ireland by the end of the Spending Review period.

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Statement from Karim Fatehi OBE, Chief Executive of the London Chamber of Commerce and Industry:

"LCCI strongly supports the UK government's commitment to capital spending to improve infrastructure and economic growth across the nation, but we are deeply concerned that this review falls short in ensuring London's continued status as a global economic powerhouse.

While we welcome the Chancellor's renewed support for Heathrow's third runway and the four-year funding settlement for Transport for London (TfL), these measures alone are insufficient. London requires comprehensive and long-term capital funding to address critical needs in transport, policing and affordable housing.

London's prosperity is integral to the nation's economic outlook, and without the necessary financial backing, there is a risk of undermining the UK's ability to remain globally competitive."

LCCI invites feedback from its members on how these announcements may affect their operations, workforce, and strategic planning. Member input plays a vital role in shaping LCCI's policy engagement and ensuring that the interests of London's business community are effectively represented. To share your views or suggestions, please get in touch with the Policy team at policyandpress@londonchamber.co.uk.

Prime Minister Outlines AI Investment and Skills Strategy

On 9 June, Prime Minister Keir Starmer delivered a keynote address at London Tech Week, setting out the government's vision for AI and digital transformation. He announced a £1 billion investment to expand the UK's computing capacity twentyfold, aiming to strengthen the country's role as a developer of AI technologies. The Prime Minister also confirmed a new partnership with 11 major companies to train 7.5 million workers in AI by 2030, alongside a £185 million programme to embed AI education in schools and universities. Additional initiatives include support for small businesses, a new scholarship scheme, and a tech-first training programme for up to 1 million young people. The speech highlighted AI's role in improving public services—from planning and healthcare to education and asylum processing—and reaffirmed the government's commitment to inclusive growth, digital infrastructure, and long-term skills development.

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AI Tool to Accelerate Planning Decisions Announced

On 9 June, the Prime Minister unveiled "Extract," a new AI tool designed to speed up planning decisions and support the government's target of building 1.5 million homes. Developed with support from Google DeepMind, Extract uses the Gemini model to digitise and analyse planning documents, reducing the time required for manual processing. In trials across three councils, the tool converted paper-based records into digital data in minutes, compared to hours that would have been required manually. Extract is expected to be available to all councils by Spring 2026, forming part of a broader effort to modernise England's planning system and improve transparency, efficiency, and accessibility.

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Government Publishes Green Book Reform Plans

On 11 June, the government also released a policy paper outlining reforms to the Green Book, its official guidance for evaluating public spending decisions. The Green Book Review found that past applications of the guidance had not consistently treated regional proposals equally, often favouring certain areas over others. In response, a new cross-sector task force will be established to develop "place-based business cases," aiming better to reflect the strategic and economic needs of specific regions. The DfT and MHCLG will work more closely with HM Treasury to ensure major projects consider local objectives and long-term growth potential. The Green Book will also be simplified and reissued in early 2026, following an independent review of its discount rate.

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Office for Investment Relaunched

The government has relaunched the Office for Investment (OfI) to enhance its approach to attracting international investors. The updated OfI will align with the forthcoming Industrial Strategy and focus on high-growth and foundational sectors such as clean energy, defence, logistics, and critical minerals. It will also coordinate major investment projects and streamline investor engagement under a unified brand. The announcement follows recent investment commitments across various sectors, including a $5 billion expansion by Oracle and a £24 billion pipeline with The Crown Estate and Lendlease. The initiative builds on the UK's ranking as the second most attractive investment destination in the latest PwC Global CEO Survey.

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UK Labour Market Sees Mixed Trends in Early 2025

Between February and April 2025, the UK employment rate for people aged 16–64 rose to 75.1%, with 34.01 million people in employment—an annual increase of approximately 667,000. However, Labour Force Survey (LFS) data, which underpins these figures, is currently considered less reliable due to recent methodological changes and reweighting. Other indicators show contrasting trends: the number of payrolled employees fell by 51,000 over the year and by 78,000 over the quarter, while the number of workforce jobs increased by 305,000 in the year to March 2025. The unemployment rate rose to 4.6%, with 1.64 million people unemployed, while economic inactivity declined to 21.3%. Vacancies fell to 736,000, below pre-pandemic levels. Real wages increased by 2.3%, including bonuses, reflecting continued nominal wage growth amid easing inflation.

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HMRC Publishes Draft Guidance on Top-up Taxes

HMRC released partial draft guidance on the Multinational Top-up Tax and Domestic Top-up Tax. The tax applies to large multinational groups with annual revenues of €750 million or more, where profits in certain jurisdictions are taxed at a rate below the 15% minimum effective rate. The Domestic Top-up Tax ensures that UK-based entities within these groups are also subject to the same minimum rate. The draft guidance updates previous sections on chargeability, scope, and administration and introduces new content on calculating effective tax rates and applying the rules to specific entity types. A complete version of the guidance manual will be published in due course.

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