# Labour calls for fiscal autonomy for London to accelerate infrastructure expansion



Chancellor Rachel Reeves is facing mounting calls to empower London Mayor Sadiq Khan with greater fiscal autonomy to fund critical infrastructure projects in the capital. A recent report by Labour Together and the Yimby Alliance, titled London Unchained, advocates granting Khan the authority to levy taxes akin to those imposed by Paris, such as a payroll tax on businesses and a tourist tax on visitors. The report highlights how London’s infrastructure projects have been hampered—delayed, downsized, or cancelled—due to an overreliance on central government funding. It emphasises that it is "ridiculous" for one of the world’s richest cities to have to rely on annual grant negotiations with Whitehall for essential development.

The authors argue for London to have access to a dedicated tax toolkit, similar to Paris, which currently raises approximately £6 billion annually through a transport levy on wages and substantial tourist taxes ranging by hotel star rating. This autonomy would allow the city to self-fund transformative projects such as the much-anticipated Bakerloo Line extension, which remains unapproved. The report also stresses the broader economic implications, warning that failure to invest in London risks sacrificing one of the planet's most potent wealth-generating engines, while unchecked regional investment without reciprocal growth in London could stymie national productivity balance.

Sadiq Khan has indicated his openness to considering a tourist tax, having signalled willingness to explore its implementation during late 2024 discussions. However, his requests for new fiscal powers and enhanced infrastructure funding appear to face resistance from Chancellor Reeves’s Treasury. Officials at City Hall expressed frustration ahead of the UK government’s recent Spending Review, alleging a lack of support for London’s vital infrastructure projects like the Bakerloo Line extension and Docklands Light Railway expansion. They fear the capital might face cuts to economic growth initiatives, including vital funds such as the UK Shared Prosperity Fund and the Levelling-Up Fund, despite London’s large economic contribution to the UK.

A senior government source contested these claims, asserting London’s funding remains among the most generous in the UK. They highlighted recent government approvals for developments including airport expansions and pedestrianisation schemes on Oxford Street. It is worth noting that Labour has committed £15.6 billion to improving transport infrastructure in regional cities, suggesting a strategic shift towards regional development that may be perceived as prioritising the “levelling up” agenda over London’s needs.

Reeves's broader economic strategy confirms a commitment to aggressive growth through infrastructure investment amid the UK’s sluggish economic performance. Her government has pledged over £35 billion for economic infrastructure in 2025-26, focusing on projects that promote growth, decarbonisation, and resilience, including the continuation of HS2 rail line into London’s Euston Station—a move designed to attract private sector investment and regenerate the area. Yet despite some funding for Transport for London’s projects, long-term financial certainty remains elusive, with important road schemes axed and TfL relying heavily on short-term Covid-related bailouts in prior years.

Moreover, reports indicate Chancellor Reeves plans to remove London from the UK Shared Prosperity Fund, a key source of regional development cash established to replace EU structural funds post-Brexit. While Greater London had been allocated over £144 million for 2022-2025, City Hall sources speculate that London’s share may be cut to zero in upcoming budget savings measures. This potential funding withdrawal comes despite Khan’s repeated calls for new revenue-raising mechanisms, including a tourist tax, which sources suggest Treasury officials have tentatively rejected at least for the immediate Spending Review period. Across Europe, cities like Paris, Athens, and Barcelona have long used visitor taxes to curb overtourism and fund public services, and more recently, Manchester introduced a City Visitor Charge in April 2023, charging £1 per night for tourists staying in the business district.

Khan’s spokesperson welcomes the new era of devolution promised by recent legislation but underscores the need for further powers to “unleash London’s economy further,” noting that the UK remains highly centralised compared to other global cities. They affirm ongoing discussions with the government to secure additional devolution and underscore the mayor’s commitment to building a fairer, safer, and more prosperous London.

In summary, London’s infrastructure and economic future hinge on the resolution of a complex political and fiscal tug-of-war between City Hall ambitions and Treasury priorities. While the city seeks autonomy to generate its own revenue through novel tax powers to fuel expansion and modernisation, the government appears focused on balancing growth investments across the UK’s regions, reflecting broader economic and political considerations in this first Labour spending review in sixteen years.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/uk/2101987/rachel-reeves-told-grant-sadiq-khan-tax), [[4]](https://www.ft.com/content/46fd1083-d5e5-4392-82b8-f61559898ff5)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/uk/2101987/rachel-reeves-told-grant-sadiq-khan-tax)
* Paragraph 3 – [[1]](https://www.express.co.uk/news/uk/2101987/rachel-reeves-told-grant-sadiq-khan-tax), [[2]](https://www.ft.com/content/90073619-30e3-4517-99ed-c63570b0ad7a), [[5]](https://www.standard.co.uk/news/politics/london-spending-review-chancellor-snub-sadiq-khan-b1232020.html), [[6]](https://www.standard.co.uk/news/politics/london-cuts-chancellor-rachel-reeves-spending-review-b1232133.html)
* Paragraph 4 – [[2]](https://www.ft.com/content/90073619-30e3-4517-99ed-c63570b0ad7a), [[3]](https://www.ft.com/content/6771f705-43c7-4269-8005-a36caefe90bf)
* Paragraph 5 – [[5]](https://www.standard.co.uk/news/politics/london-spending-review-chancellor-snub-sadiq-khan-b1232020.html), [[6]](https://www.standard.co.uk/news/politics/london-cuts-chancellor-rachel-reeves-spending-review-b1232133.html), [[2]](https://www.ft.com/content/90073619-30e3-4517-99ed-c63570b0ad7a)
* Paragraph 6 – [[1]](https://www.express.co.uk/news/uk/2101987/rachel-reeves-told-grant-sadiq-khan-tax)

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## Bibliography

1. <https://www.express.co.uk/news/uk/2101987/rachel-reeves-told-grant-sadiq-khan-tax> - Please view link - unable to able to access data
2. <https://www.ft.com/content/90073619-30e3-4517-99ed-c63570b0ad7a> - A dispute has arisen between London Mayor Sadiq Khan and Chancellor Rachel Reeves ahead of the UK government's spending review, marking Labour's first such review in 16 years. City Hall officials claim that London is being overlooked in funding allocations, with Khan's requests for major infrastructure expansions—such as extending the Bakerloo Line and expanding the Docklands Light Railway—reportedly denied by the Treasury. Despite now dealing with a Labour government, Khan fears that London will not receive support for its key projects and could face cuts to economic growth and anti-poverty funds, including the UK Shared Prosperity Fund and Levelling-Up Fund. Transport for London is also seeking long-term financial security, having previously relied on short-term Covid-related bailouts. A central government aide refuted the accusations, stating London's funding remains among the most generous in the UK and highlighting other approved projects like airport expansions and Oxford Street pedestrianisation. Meanwhile, Labour has committed £15.6bn to transport infrastructure improvement in regional cities, reflecting a broader shift in investment priorities.
3. <https://www.ft.com/content/6771f705-43c7-4269-8005-a36caefe90bf> - Rachel Reeves announced the government's decision to fund the HS2 rail line to run into central London's Euston station, ensuring it will not terminate at Old Oak Common. This move aims to attract private investment for Euston's redevelopment, creating jobs and growth. Two tunnel boring machines at Old Oak Common are set to start digging. The government pledged over £35bn for economic infrastructure in 2025-26, focusing on growth, decarbonization, and resilience. Other rail projects include the Transpennine route upgrade and progress on the east-west link between Oxford and Cambridge. Local transport received substantial funding, and Transport for London got £485mn for new projects, but the long-term funding remains unresolved. Several road schemes were canceled, while funding was confirmed for aerospace, electric vehicle manufacturing, life sciences, and the Sizewell C nuclear power plant.
4. <https://www.ft.com/content/46fd1083-d5e5-4392-82b8-f61559898ff5> - Chancellor Rachel Reeves intends to pursue a more aggressive growth agenda following a series of grim UK economic data, including a stagnating economy and rapid job cuts by businesses. She aims to accelerate key investment projects, such as fast-fashion company Shein's listing in London and the expansion of Heathrow airport, despite facing criticism related to corporate ethics and environmental concerns. Reeves is also pushing for a Universal theme park near Bedford and reviving a stalled AstraZeneca vaccine manufacturing site. Additionally, she supports a £9bn highway and tunnel across the Thames in East London. While some Tories approve of her aggressive stance on growth, her approach has ruffled political allies. She focuses on infrastructure investments to boost growth amid sluggish economic conditions, and plans to review investment evaluation processes to ensure benefits for regions outside South East England.
5. <https://www.standard.co.uk/news/politics/london-spending-review-chancellor-snub-sadiq-khan-b1232020.html> - London leaders are bracing for cuts in the Chancellor’s Spending Review amid fears the capital is set to be snubbed in favour of funding other UK areas. Sir Sadiq Khan is said to be furious that the city is likely to be one of the biggest losers when Rachel Reeves unveils her public spending plans on Wednesday. The Chancellor is reportedly preparing to remove London’s allocation from Britain’s Shared Prosperity Fund after next year. The pot of cash was started to support economic development in place of EU structural funds following Brexit. It was designed to help communities and people access opportunity in places in need, such as ex-industrial and deprived areas. For the three-year period from 2022–25, Greater London was allocated over £144m. This year the capital was granted just under £63m from the fund. But City Hall speculates that London’s share will be cut to zero as part of the Treasury budget savings. Sir Sadiq’s pleas to introduce a tourist tax for visitors to the city are also thought to have been rejected, however those changes would be likely to take effect at a budget rather than a spending review. Many countries in Europe including Greece, Spain, and Germany have introduced city taxes, which are used to combat over tourism and help pay for services. Manchester introduced its City Visitor Charge in April 2023 and tourists pay a £1 per hotel room, per night charge if staying in paid accommodation in the city’s Business Improvement District.
6. <https://www.standard.co.uk/news/politics/london-cuts-chancellor-rachel-reeves-spending-review-b1232133.html> - Sir Sadiq Khan is said to be furious that the city is set to be one of the biggest losers when Rachel Reeves unveils her public spending plans. The Chancellor is reportedly preparing to remove London’s allocation from Britain’s Shared Prosperity Fund after next year. The pot of cash was started to support economic development in place of EU structural funds following Brexit. It was designed to help communities and people access opportunity in places in need, such as ex-industrial and deprived areas. For the three-year period from 2022–25, Greater London was allocated over £144m. This year the capital was granted just under £63m from the fund. But City Hall speculates that London’s share will be cut to zero as part of the Treasury budget savings. Sir Sadiq’s pleas to introduce a tourist tax for visitors to the city are also thought to have been rejected, however those changes would be likely to take effect at a budget rather than a spending review. Many countries in Europe including Greece, Spain, and Germany have introduced city taxes, which are used to combat over tourism and help pay for services. Manchester introduced its City Visitor Charge in April 2023 and tourists pay a £1 per hotel room, per night charge if staying in paid accommodation in the city’s Business Improvement District.