

# Sadiq Khan calls on government to increase business rates threshold to save businesses

Submitted by: Kallaway

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Rt Hon Rishi Sunak MP

Chancellor of the Exchequer HM Treasury

Rt Hon Alok Sharma MP

Secretary of State for Business, Energy and Industrial Strategy  
Department for Business, Energy and Industrial Strategy

Dear Rishi and Alok,

Date: 7 May 2020

The Government's unprecedented business support package has helped many businesses survive the lockdown so far and, as you know, I support the Government in these actions. However, I have concerns, shared by business groups across the capital, that many London firms will need additional and ongoing support to survive the continuing lockdown and the exit and recovery periods which will follow. Many face crippling rent bills and are unable to qualify for the financial assistance on offer, in part due to the higher rateable values of property in the capital.

I last wrote to you both on 13 April about gaps in provision for self-employed Londoners and look forward to receiving your response to those concerns as well.

Support small businesses struggling with rent bills

Rent is one of the biggest fixed costs for most small and medium-sized businesses in the capital. Many landlords are stepping up to help their commercial tenants by offering rent holidays, discounts and deferrals. However, this is far from universal, and in many cases landlords who would be willing to help feel unable to do so because of their own liabilities.

A long-term solution is needed and will require government support. I welcome the recent ban on aggressive tactics such as winding-up orders and Commercial Rent Arrears Recovery, but this will not provide long-term relief to small businesses that are unable to pay their rent during the lockdown and in the period following it. Independent shops, pubs, restaurants, workspaces, nightlife, music and cultural venues across the capital face certain closure without urgent assistance to address this. Many are looking at a long period of low or no income and are not in a position to take on debt.

I am therefore calling on the Government to:

- Introduce a rent compensation scheme for small and medium-sized businesses that are struggling to pay their rent bills due to coronavirus. It should also encourage the property industry to bolster government support with other help for tenants and require banks and fund managers to give landlords flexibility on servicing debt.

Improve access to coronavirus business support grants

The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Funds are only reaching 26% of properties in inner London boroughs, compared to 50% across the rest of England. This falls to 6% in the City of London and 12% in the City of Westminster. Nearly 30,000 struggling London businesses would have received grants if they were located anywhere else in the country. Even with the support of the Government's recently announced Bounce Back Loans scheme, many will feel unable to take on debt for the lost income they will never recover.

These businesses are falling through the cracks, because of the value of their landlord's assets, rather than the specific burdens they face. As London Councils has highlighted, raising the rateable value threshold to £100,000 for the Retail, Hospitality and Leisure Grant would protect an additional 9,370 businesses while an increase to £150,000 would help 13,800 businesses.

I am therefore calling on the Government to:

- Retrospectively raise the rateable value thresholds, for London-based applicants, of:
  - o the Small Business Grant Fund to £25,000; and
  - o the Retail, Hospitality and Leisure Grant to £150,000.

These two changes are estimated to cost in the region of £750m.

Provide further funding to London to safeguard the small business ecosystem

I welcome the Government's recent announcement of discretionary funding to support small businesses. The Greater London Authority (GLA), the London Economic Action Partnership and London Councils can play a critical role in ensuring an effective and coordinated approach to delivering this funding across London. Otherwise, there is a risk that London businesses' expectations will be raised and frustrated by borough-level variations to grant eligibility. While we await further details, it is also clear that the additional allocation (around a further £83m) is unlikely to address the level of need in the capital.

Key issues include:

- Business Improvement Districts (BIDs) – our survey of 46 London high street and town centre BIDs found that 80% are at risk. Despite recent, and very welcome, support from the Government many will be unable to afford to maintain essential services for the duration of the year. A flat grant at the level currently proposed will not do enough to support the vast majority of BIDs in London, due to a reduction in levy income.
- Providers of affordable workspace – funding is required to safeguard not-for-profit workspace providers and the social outcomes that they deliver for local communities.
- Flexible or shared workspace tenants – these businesses do not qualify for grant schemes because they are not ratepayers. While the additional discretionary funding is welcome, the capital has a much larger number of workspace tenants who will need to be supported.
- Retail, hospitality and leisure sector supply chain – many firms that supply products and services to these sectors are facing severe hardship, which may continue until public-facing businesses can

reopen.

- Light industrial manufacturers and creative production – typically require larger properties for their machinery so are particularly affected by higher rate payments in London.

I am therefore calling on the Government to:

- Provide further discretionary funding to allow local areas to support businesses within London's small business ecosystem that have been excluded from existing grants and rate reliefs.

The GLA will work with London Councils to allocate these funds across London consistently and fairly while considering local borough priorities.

Support part-time furloughing and protect lower-paid furloughed staff

I am encouraged by reports that you will consider extending the Job Retention Scheme beyond the current lockdown period. Business groups are calling for a more flexible approach, as some sectors could be facing prolonged closure or reduced activity for some time. I am concerned that the current scheme may be halting productive activity and weakening people's opportunities to work, adding to the risk of further economic contraction – some businesses would be able to offer reduced hours to furloughed staff as demand returns, but are unable to within the existing rules of the scheme. There are also many furloughed workers with caring responsibilities who have stopped work completely but could work reduced hours. I am also concerned about reports of low-paid furloughed workers who are seeing their income dip beneath the National Living Wage. Flexible, continuing government support will be crucial to ensuring that businesses and jobs survive.

I am therefore calling on the Government to:

- Improve the job retention scheme to better support struggling businesses to part-furlough workers on reduced hours during lower demand periods, and to support lower-paid workers who have seen their income fall below the National Living Wage.

I appreciate the extraordinary pressure that both you and your departments are under at present, so look forward to hearing back from you at your earliest convenience.

Yours sincerely,

Sadiq Khan

Mayor of London

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