JMA Chartered Surveyors
Business Rates Specialists and Expert Witnesses

Suite 794
Salisbury House,
30 Finsbury Circus,
London EC2M 5QQ

T: 0207 663 5668
E: admin@jmacs.co.uk

To Leni Jones
Guardians of the Arches
By email

29 April 2020

Dear Leni,

Protecting Support Industries in London from the impact of Coronavirus

Thank you for sending me a copy of your survey information and it does through up an anomaly of how the criteria for SBRR/SBGF and ERD/RHLGF, is not working for London or for businesses that are truly connected with retail.

As you know I act for many small and medium businesses and am coming across similar issues.

The objective of the grants and reliefs are quite obviously to relieve businesses of their costs and expenses of being “closed” as a result of COVID 19 either directly as a result of the legislation or indirectly because of social distancing requirements.

Retail, Hospitality, and Leisure businesses in shops, restaurants, hotels, clubs etc have been mandatorily closed by legislation but, their closing will have closed support businesses that do not occupy shops, restaurants, hotels, clubs etc.

The RHLGF doesn’t deal with those or rather the Local Authority is handcuffed from helping those affected.

Cash strapped Council’s certainly can’t use their ordinary Hardship Relief powers, given that their local taxpayers have to foot more than 2/3 of the cost.

I was somewhat alarmed when you indicated that it was rumored that some Local Authorities may plan to hang on to any Grant money that they have not handed out to use for other purposes.

It seems fairly obvious that any Grant money should be ring fenced and used by the Local Authority to pay for them exercising their Hardship Relief powers and also to issue discretionary Grants to businesses that can show that their businesses is wholly or mainly reliant on businesses that are receiving the RHLGF Grant.

You asked me to help you understand why the Government have not given any London weighting to the rateable value thresholds for the issuing of Small Business or Retail Grants.

Historically, on the 2010 Rating List, a “small business” was defined in London to have an RV less than £25,500 and outside London less than £18000.

That reflects the fact that rents in London are higher and so a “small business” in London has a higher RV than a small business outside London.

To look at the position vis a vis RV levels for the 2017 rating list I queried my copy of the National List and put together two tables.

Note: I have taken "medians" i.e. the mid-point in the full list rather than averages.

Table 1: Factory (IF), Warehouse (CW) and Workshop (IF3)

Area	Number of IF, CW, IF3	Median RV
Greater London	46000	£11,250
England (exc London)	422000	£7,200
Wales	1400	£5100

You will see that the median RV for a those is 50% higher outside London than in. These figures are tricky and will likely be dragged down by the tiny stores in office basements.

If you asked my opinion, I would say it is fairly safe to say a £15,000 RV industrial outside London would be comparable to a £25,000 one outside.

So, as the Grant is only being given to those less than £15,000 RV, many London Small Businesses are being put at a disadvantage.

Table 2 Shops

Area	Number of Shops (CS)	Median RV
Greater London	90000	£15,000
England (exc London)	390000	£7,500
Wales	29000	£6300

This table shows a much more marked difference i.e. shops being twice as valuable inside London as outside.

This may support the Retail Grant threshold being increased to £100,000 for Greater London.

We also discussed that now that we may be moving out of lockdown, whether I thought that there were any lessons to be learnt from this type of "support" given my discussions with clients.

To me given that these Grants are intended to help relieve a business of the fixed costs it still has to burden when it is shut e.g. rent, rates, insurance, it seemed more logical that the Grant be paid as a multiple of RV.

This is because the RV is the VOA's view of market rent and, generally, other costs e.g. insurance and service charge could be a function of that.

You could probably say that a Grant of 150% of the RV would cover fixed costs from a closed business and, with the benefit of hindsight, that would have been a better way to go.

Also, I agree with you that many businesses are confused at what the Grant was for and have not used it to tide them over until they can start trading but to pay off other debts.

To me, then, any Grant like this should be paid monthly. So, if I have an RV of £20,000, then that is a Grant of £30,000 per annum while closed or £2,500 per month.

As a suggestion, amongst the myriad of suggestions out there, a Grant at 50% of that level paid monthly for the period where those businesses have to adjust to the "new normal" would make sense to me.

Although I am a "tenant" adviser and, if you like, in the tenant's camp on matters like this, COVID 19 shouldn't be some means of "landlord bashing" and anyone who takes that view is short sighted.

If COVID 19 caused the landlord's rent to fall, then the problem may often move to the Bank who lent against the asset, reduce their capital adequacy ratios, which then may make it harder to lend to small businesses. No one wants that nor a repeat of what happened in 2009.

Responsible landlords recognize it is a partnership between landlord and tenant and my landlord, Workspace, offered a reduction in rent without my even asking for it.

But then, some 10 years ago, when I was trying as part of a National Campaign supported by all the major membership organization and the Press, to encourage businesses to claim SBRR, because Council's couldn't be bothered to tell them about it, Workspace were the only landlord that came forward to support it.

There, however, should be no place in the post Covid 19 world for bad landlords and it is has been my main bugbear over the past 25 years as a Chartered Surveyor is that they are allowed to flourish from a lack of transaction transparency.

It does beggar belief that the UK is the center of the universe of property, e.g. home of the RICS, and yet we have no public database of all rental transactions largely because the Government doesn't collect it.

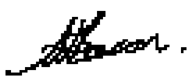
I can find no reason why not when other countries do this or why we would consider it an achievement to be ranked alongside Poland for transaction transparency, no offence to Poland.

In the inevitable recession that will follow from this the biggest risk is going to come from a lack of market data on which to make decisions on.

Other countries will be ok because they collect and publish theirs.

I would be amazed if that was not going to be one of the first things that this new progressive market led Government does to move us into the brave new post Brexit, and hopefully post COVID, world.

Kind Regards



Andrew

Andrew Bacon Bsc(Hons) MRICS APAEWE
Director

Regulated by RICS
City Surveyors Ltd trading as JMA Chartered Surveyors
Registered in England. Company Number 00958719
Registered Office 16-18 West Street, Rochford, Essex, England, SS4 1AJ