



Mr Rishi Sunak
Chancellor of the Exchequer
House of Commons
London
SW1A 0AA

30 April 2020

Dear Mr Sunak,

We are writing to request your urgent intervention to prevent many thousands of essential small businesses from falling through the cracks of the government's Covid-19 support package.

Guardians of the Arches and The East End Trades Guild represent thousands of small businesses nationwide. Our members include all industry sectors and business types, giving us a uniquely non-biased perspective on what it will take to support small businesses through this crisis.

Many of our members are based in London and facing problems unique to London businesses, so we are copying the Mayor, Sadiq Khan, into this letter.

Shortfall

While we recognise the unprecedented scale of the government support package so far and the many competing demands on the state, nevertheless many of the small businesses we represent will go out of business in the next few weeks without further action. We feel confident that your intention to do "whatever it takes" to protect the economy includes protecting the thousands of small businesses which are at the heart of their local economies, serving essential workers or supplying the hardest-hit sectors. If these businesses go bust, the impact will be felt across the economy – putting further strain on social care, income support and social housing.

London is being affected significantly more than elsewhere. This is primarily because many small businesses in London are already under severe financial pressure in order to cope with spiralling commercial rental costs, making further loans or rent deferrals unviable. We are aware of chain businesses outside of London receiving rates relief and £25k grants whereas small independents in locations like Shoreditch do not qualify because the existing thresholds do not take into account the disparity between average rateable values inside and outside London.

www.guardiansofthearches.org.uk

contact@guardiansofthearches.org.uk | +44 (0)7957 633 869 | +44 (0)20 8265 1448

Our findings

We have conducted a survey of our members and have found that 77% will not be able to pay their next quarterly rent. Among those members who would not be able to pay full rents by June/July, one quarter would have to dissolve their business, one in five would reduce employment at their business, and 18% would have to give notice on their lease immediately. Among those who might be able to pay rent by June/July, the majority would face negative adjustments to their business and 50% of them would have to make job cuts to do so. Out of the whole sample, 20% would have to dissolve their business if their landlord demanded full rents (at the existing rate) from June/July onwards. A strong indicator for these results is that 42% of responders have not yet received any government support.

Further research into our members' financial prospects has identified the following areas where existing support is falling short:

Property market

- London rateable values are much higher than elsewhere in the country and therefore the £51k threshold (for retail, hospitality and leisure) and £15k threshold (for all other businesses) are too low.
- Local Authorities are inconsistent in the provision of rent-free periods within their own commercial stock.

Sector/industry discrimination

- Light industry and manufacturing which are ancillary on or reliant upon public footfall, ancillary or dependent upon the retail, leisure and hospitality industries are not being supported under the current scheme.
- Local Authorities' use of 'discretion' without transparent guidance presents a risk of inappropriate practices or unethical advantage to discriminate against 'less desirable' industries.
- Private or intermediary landlords are ineligible for any support.

Data inaccuracy

- Local Authorities are heavily reliant on inaccurate data both held by themselves and the Valuation Office Agency (much of which is at least six months out of date and does not always accurately reflect the businesses in occupation).
- Many businesses in occupation of a commercial property are not named on the rates bill.

Administration

- Local Authorities are inconsistent in their interpretation of guidance, creating a postcode lottery of support.
- Government funds for Local Authorities are not ring-fenced and therefore at risk of reallocation.
- Government guidance does not permit councils to use flexibility in unusual cases (e.g. when a landlord pays rates on behalf of multiple retail, leisure and hospitality tenants in a combined bill payment). There is no independent route for businesses to appeal Councils' decisions, creating a higher risk of manipulation and discrimination.

www.guardiansofthearches.org.uk

contact@guardiansofthearches.org.uk | +44 (0)7957 633 869 | +44 (0)20 8265 1448

Our recommendations

While we can't solve every issue presented, after careful consultation with our members and with business rates experts we propose the following immediate measures:

- 1. Establish a London weighting for business support thresholds which reflects the capital's higher rateable values.** The Small Business Rates Relief and grant threshold should be increased from £15k to £25k in London for small businesses. A unit outside London with a £15k rateable value is often comparable in size to one within London at a £25k rateable value. The threshold for retail, leisure and hospitality grants in London also needs to be increased from £51k to £100k to reflect higher average rateable values in London (see attached professional opinion and fuller explanation provided by Andrew Bacon Bsc (Hons) MRICS APAEWE of JMA Chartered Surveyors).
- 2. Resource and then mandate landlords, including local authorities, to offer unconditional support on rents for all small business tenants severely affected by lockdown.** This should include a 100% rent-free period for six months, back-dated, from March; a rolling monthly rent-free, rent reduction or rent deferral provision once businesses reopen; a moratorium on all not-yet finalised rent reviews and rent valuations at lease renewal, with all subsequent rental valuations to be derived from market-rate comparables from the date of the end of the moratorium and only payable from this valuation date; and an extension of eviction protection under Coronavirus Act 2020 until December 2020, including those under temporary tenancy agreements.
- 3. Resource and then mandate local authorities to ensure small businesses severely affected by lockdown do not miss out on intended government support.** This requires financially supporting Councils to use Hardship Funds for affected businesses currently ineligible for any support, with all surplus business support funds provided by government to be ringfenced for Hardship Funds for this purpose; establishing an appeals process for grants and rates relief so businesses affected by data inaccuracies on rateable values or by other non-standard arrangements (such as an intermediary landlord being the named ratepayer) do not fall through the cracks; and updating guidance so that 'letters of authority' are permitted as evidence of business eligibility.
- 4. Expand government support offered to businesses in the retail, hospitality and leisure industries to include small businesses wholly or mainly reliant upon these industries.** These include events venues, event management and production enterprises, small manufacturers, light industry, market traders and shared workspaces.

www.guardiansofthearches.org.uk

contact@guardiansofthearches.org.uk | +44 (0)7957 633 869 | +44 (0)20 8265 1448

Please find enclosed the expert opinion provided by Andrew Bacon Bsc(Hons) MRICS APAEWE of JMA Chartered Surveyors. In addition to this, we are also able to share with you our dossier of evidence supporting our case for these measures which includes our survey findings and testimony from some of our members.

We look forward to hearing from you urgently on this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Krissie Jones', is centered on the page. The signature is written in a cursive style with a large initial 'K'.

On behalf of the membership of

East End Trades Guild Ltd
Krissie@eastendtradesguild.org.uk
www.eastendtradesguild.org.uk

Guardians of the Arches Ltd
contact@guardiansofthearches.org.uk
www.guardiansofthearches.org.uk

Enc. Ltr JMA Chartered Surveyors

cc: Mr Sadiq Khan
Mayor of London
London City Hall
The Queens Walk
London
SE1 2AA

www.guardiansofthearches.org.uk

contact@guardiansofthearches.org.uk | +44 (0)7957 633 869 | +44 (0)20 8265 1448

Guardians of the Arches Limited is a non-profit, Independent Tenants Association registered in England and Wales
Registered address: Railway Arch 5, Cherry Tree Walk, Leeds, LS2 7EB
Company Number 11324834