

HM Treasury Budget Representation
14 January 2021

Helping London play a key part in the nation's economic recovery.

About Heart of London Business Alliance

Since 2001 Heart of London Business Alliance (HOLBA) has been cementing London's position as the world's leading cultural destination by working on behalf of over 500 businesses and 100 property owners in the Leicester Square & Piccadilly Circus and Piccadilly & St James's as well as the St Martin's areas of London's West End. HOLBA ensure the commercial and cultural wellbeing of the area and its members.

Introduction

The effects of Covid-19 have been catastrophic for central London. Even when businesses were allowed to open, the combination of workers staying at home, low resident numbers and the sharp decline in national and international tourism meant that they struggled to turn a profit. This is evident in the West End footfall statistics which showed that even when businesses were open the footfall was on average still 60% down compared to the year before (2019). Central London businesses are now under the third lockdown in just under a year. In the Christmas season alone, it is estimated that spend in the West End fell from £2.5bn in 2019 to just £500m. Many of our businesses fear normality will not return in 2021.

We believe that London is resilient and can survive. But it will need help to do so.

We have categorised this help into three key phases.

First, for as long as restrictions remain in place, our businesses will need continued financial support in order to survive and a commitment from Government to continue providing that support. Second, once restrictions begin to ease up, we should work on the basis of normality not returning instantly (for instance, it is likely that footfall will continue to be diminished), and therefore look at putting in place transitional support measures for the sectors that need it, specifically those businesses unable to operate under Government restrictions. Finally, the end of the pandemic creates the ideal opportunity to put in place measures that will keep London globally competitive over the medium to long term.

The economic benefit is clear. Central London occupies 0.01% of the UK's land area and generates 11% of the UK's total economic output – or a GVA of £211bn. It provides a global draw for tourism and investment. Our unique ecosystem – where business combines with world-class culture, hospitality, and visitor attractions – is a vital part of the UK's soft power. When London does well, so does the rest of the UK; and a strong, successful London can only support the Government's levelling up agenda.

At HOLBA we have worked up a set of suggestions for what the Government should be doing to support central London in each of the three phases mentioned above.

The Budget provides a good opportunity to set out this support. But, if Government can announce it sooner, it should: this would give businesses certainty and help allay the fears of a cliff-edge in the spring, with business rate reliefs, VAT cuts and the job support scheme all scheduled to stop in either March or April.

As ever, we stand ready to talk through any of these proposals in greater detail.

Support during the pandemic

These measures reflect the fact that there continues to be uncertainty about the end date of lockdown measures and that some businesses will be unable to operate even in the tiered system. Government should provide the certainty that support will be provided as long as businesses remain closed.

- Commitment to continuation of the job support scheme and other Covid support measures to retain jobs for as long as lockdown and restrictions on certain sectors remains in place.
- Commitment to the publication of roadmap out of lockdown with clear timelines for businesses to work towards.
- An extension of business rates relief until at least March 2022, pending longer term reform.
- An extension of the VAT cut to beyond March 2021 for hospitality businesses.
- An increase to the top level of business grants for the largest businesses forced to lock down to better reflect the costs of doing business in London – this could potentially be done via a separate fund for businesses within the CAZ.
- Relaxation of the congestion charge to extend access to the capital to those who need it.
- An exit strategy from Government to outline how landlords and tenants are meant to transition back to normal rental market conditions and clarity over what support will be provided regarding the rent arrears crisis.

Support once restrictions begin to ease, and businesses can open up

These measures reflect the fact that the process of opening up will not be straightforward: there may well be a tapered approach to easing up restrictions, on the basis that Covid-19 will remain in circulation and the UK population will not be vaccinated until at least the autumn. In addition, we anticipate continued diminished footfall and low numbers of international tourists. There will need to be both supply-side support and demand-side nudges to get London back firing on all cylinders. The culture and hospitality sectors will be a key area of focus in these critical months.

- A commitment to continuation of the job support scheme and other Covid support measures for as long as businesses cannot operate normally, either due to the tiered system or other social distancing measures being in place.
- For the cultural sector, an insurance scheme to cover the up-front costs of putting on a performance, fund the difference between ticket sales and break-even point and cover the cost of cancellation in the event of further movement restrictions.
- Introduction of Theatre Tax Relief and the provision of tax relief to businesses that supply the arts and culture sector, and reduction of VAT on admission for currently non-exempt forms of entertainment, such as “commercial” performances.
- Grant funding to help make cultural venues Covid-19 secure and to enable the reopening of venues.
- Introduction of culture vouchers, to ease people back in to the city centre and to cultural institutions.
- A commitment to transparency on criteria for tiers and reviewing all restrictions on business regularly, such as abolishment of the curfew.
- Clarity of messaging on what restrictions mean for Central London and its business sectors, what people can and cannot do, and what activities are safe.
- Travel discounts and flexible season ticketing, to encourage people to return to London.

- Continued support for TfL for as long as restrictions remain in place.
- Reintroduction of the Night Tube.
- Reintroduction of a restaurant scheme along the lines of Eat Out to Help Out.
- Investment in retrofitting buildings to improve their environmental performance and generate economic activity.

Longer-term measures to secure Central London's competitiveness

Much will have changed following the pandemic. It is, for example, likely that commuting patterns will never return to pre-pandemic levels as more people grasp the advantages of working from home. We should work with the grain of large-scale societal change, but always seek to play to London's advantages. The investment will be well worth it if we can maintain London's status as a global destination city, a conduit for tourism and investment, and a flagship of UK soft power.

- A full-throated campaign to publicise London as open, geared to both domestic and international audiences.
- Long-term business rates reform that takes into account London's specific needs and the high cost of London commercial rents relative to turnover or profit.
- A long term, sustainable TfL funding programme that takes TfL funding beyond the six-month deal agreed on 1 November 2020.
- Maintaining the London budget beyond transport: policing to keep London safe, campaigns to market London globally as a destination – noting that London spends less on advertising itself than any comparable global cities, half of what Paris and Berlin do, less than a tenth of what Singapore spends.
- Investment in the West End's public realm, transport infrastructure, walking and cycling routes – aiming to create a rich and curated cultural experience starting from the West End's gateways through to the theatre and gallery entrances, to ensure it truly feels like a renewed West End and can compete globally with other destination cities.
- A reversal of the decision to end tax-free shopping – or, at the very least, undertaking a more comprehensive and informed study into the full impact of ending the VAT RES and airside tax-free shopping (ESC) on consumer behaviour, business investment, jobs, and Treasury revenue. As a starting point, New West End Company research indicates the savings from ending tax-free shopping will be entirely eradicated by the loss of revenue from taxable activity.
- A continued, targeted, time-limited job support scheme for any sectors still impaired due to footfall levels remaining diminished.
- Specific investment in the cultural sector in recognition of the unique cultural ecosystem in Central London.
- Continued investment in the creative careers programme, attracting more people into working in the cultural sector.

Business contact:

Matt Arnold – Director of External Affairs

Matt.arnold@heartoflondonbid.co.uk