

**Hackney Council: Written submission to the Business, Energy and Industrial Strategy's inquiry into the impact of coronavirus on businesses and workers**

1. Hackney is well known for its thriving and dynamic creative, technology, arts and cultural sectors and for its retail, service, leisure and hospitality sectors. The borough is home to a significant and thriving small and medium sized business community, it is home to Tech City and a place where businesses start up, scale up and trade alongside and with established large international companies. In 2018, there were 21,000 businesses in Hackney, of which around 19,000 were classed as micro businesses with less than 10 members of staff.
2. It is also estimated that around 25,000 Hackney residents are self-employed - equivalent to 1 in 6 Hackney workers<sup>1</sup>. We know that self-employed workers are particularly vulnerable to the economic impact of Covid-19, as they are not currently eligible for Statutory Sick Pay and their businesses are likely to lose trade.
3. Hackney businesses are facing acute challenges during the Covid-19 emergency particularly those who are unable to access any of the support the Government has made available and are consequently at high risk of being forced to close and cease trading.
4. Hackney Council has been processing the relevant Government initiatives, applying businesses rates relief to all relevant accounts and paying grants to eligible businesses. We have also ensured that the Council is making its contribution to supporting local businesses in its role as a commercial landlord.
5. While we welcome the Government's package of measures to support local businesses, including the Coronavirus Business Interruption Loan Scheme, the provision of grant funding and the Coronavirus Job Retention Scheme and rescheduling HMRC deadlines; we are extremely concerned by the large numbers of small and medium sized businesses, self employed and sole traders in Hackney in various sectors who are not being reached by these initiatives and are falling through the net, where little, if any, support is available.
6. From the start, Hackney Council has shown local leadership through our Hackney Business Network, which has over 5000 members, capturing through a web portal the challenges Hackney businesses have faced. Through this portal and direct contact the Council has received hundreds of enquiries and case studies from small and medium sized business owners as well as from self employed individuals and sole traders concerned by their lack of access to the financial support measures, and the very real threat to their businesses and livelihoods being irreversibly damaged or lost as a result.
7. Our analysis shows that the Government's current initiatives will only reach 2,350 businesses in Hackney who will receive 100% business rate relief, and 4,500 will be eligible for the business grants. However, this leaves almost 7,000 businesses in Hackney alone who are in premises and pay business rates but will not be able to access this direct support whilst trading has been profoundly affected by the current COVID-19 situation.
8. Businesses falling into this category include: those whose rateable value is above £51,000 who are unable to access the business grant; workspace providers and their tenants who are receiving no rate relief or grant; businesses in the creative, arts and cultural sectors whose business sector and use class does not allow them to benefit from rate reliefs or grant; and self-employed limited company owners who are not

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<sup>1</sup> (ONS Annual Population Survey 2018/19 via [NOMIS](#))

eligible for the Self-employment Income Support Scheme. This list is already long and growing, and those damaged are at the heart of our economy, a business ecosystem it is worth remembering, which has been one of the most dynamic and successful in London and the UK. The impact in Hackney is also felt deeper because of the inequities that are built into the current business rates system which have been highlighted in the recent revaluations.

9. As the Business Secretary has stated the Coronavirus emergency represents “a challenge to businesses unlike any other they have faced before” and threatens the survival of many, valued local businesses. It is very clear that Hackney’s local businesses are struggling at this time and our recent COVID-19 Business Survey of over 200 businesses has found that in Hackney:

- 95 % of businesses reported that their business had lost income
- 25% of businesses reported that staff were self isolating and unable to work
- 15% of businesses reported that they had either made staff redundant or cut staff hours
- 7.5% of businesses reported that they had staff were scared to work because of infection risk
- 4% of businesses reported that they had furloughed staff.

10. We have provided a number of Hackney business case studies, which illustrate the sectors of our local business community facing particular concerns:

10.1. **Businesses based in areas of high property value/rateable value will not receive grants like their counterparts elsewhere of a similar size and sector, this is particularly pertinent in London and in Hackney. The £51,000 level creates a hard cliff edge with small and micro businesses caught on the wrong side with no support:**

*Shoreditch Pubwatch, Shoreditch: “The high rateable value of properties will mean that many businesses in Shoreditch will not be entitled to the small business grant fund and retail, hospitality and leisure grant fund. Although retail, hospitality and leisure businesses will get rate relief, if businesses are closed long term this will not be enough to ensure survival as other large overheads such as rent start to pile up.”*

*Fox in a Box, London: “In regards to business rates, our rateable value exceeds the £51,000 threshold. So despite being a small business, in its very early stages, we are currently not eligible for this grant.”*

*The Glory: “Unfortunately, we are not eligible for the grant due to our Rateable Value exceeding the threshold. The impact of our business stretches far beyond the walls of the building but without the space to operate in none of our work or the benefits it has on the area as a whole are possible. At this very difficult time we need as much support as we can get as the loss of The Glory would of course result in not just the jobs (10 PAYE and approximately 20 freelancers per week) but the opportunities for so many young LGBTQI+ people at the start of the careers but also as a coming together of so many different strands of our community.”*

10.2. **Businesses who supply or service the Retail, Hospitality, Arts, Recreation and Entertainment sectors that have lost significant proportions of their income, but are not eligible for any reliefs or grants because most if not all of their income and operations don’t come from fixed premises:**

*Boulevard Events, Hackney Wick: “We are massively impacted by this outbreak – events that we cater for cannot be held at the moment. We are absolutely a business*

*in the hospitality industry and have effectively been forced to close whilst measures to combat the spread of Covid 19 are in place, but we will not be eligible for government initiatives because we don't host clients at our premises".*

- 10.3. Self-employed limited company directors are not eligible for the Self-employment Income Support Scheme. Furthermore, many of these businesses are run from home or workspaces, and not eligible for rate relief or grants:**

***BBE Interpreting and Translation Services Ltd:*** "I have absolutely no work whatsoever. Unfortunately, because I am essentially a freelancer but under a Ltd Company structure I majorly lose out on the support packages available because I am not eligible for the Self Employment package, and if I furlough myself as an employee of my company I can only receive 80% of my minimum salary and I would not be able to accept work should any come in over those three months".

- 10.4. Businesses that are operating in a co-working space/shared workspace where the rates have not been split down to unit level; these businesses are unlikely to qualify for relief or grants, furthermore there is a clear subsequent risk that workspace providers/operators will lose these businesses as tenants.**

***Mantra Brand House, Hackney Downs:*** "I currently rent 3 seats at a coworking space in Hackney Downs. As I do not pay business rates directly (although they're of course coming out of my premises rent) I have learned that I will not be considered eligible for a grant of up to £10,000. I am committed to paying for my desk space for three months, which although it has been discounted to £420 per month, is still a significant overhead given all of my clients are closed for business (holiday/travel company, gym, etc.)".

***V22, Dalston:*** "V22 have two buildings in Hackney. We have not subdivided them with the VOA so our tenants cannot benefit from SBRR grants. Unfortunately the restrictions on use/sector exclude us from the other benefits available such as rates holidays and grants. All our tenants have been impacted in one way or another by Covid-19, they cannot pay their rent or can only afford a portion of it, and without that income, we in turn cannot continue to trade for much longer."

***Yasmin Darling, Founder and Manager of Maisie Poppins nursery:*** "We like many other nurseries, were asked to close our doors for safety reasons in late March. We remain closed as our key worker parents have chosen to keep their children at home. 50% of our staff are also carers and parents. We rent from a hospice and as such are not eligible for Government grants or financial aid"

- 11.** At present, it is clear that there are significant gaps in support for certain sectors and our experience in Hackney demonstrates that there are certain types of businesses that are struggling and in real trouble due to the fact that they trade and do business with other affected business sectors and industries.
- 12.** We would urge the Government to make additional provisions for the businesses who are struggling as a direct result of the pandemic but are not currently eligible for Government support, in particular we would encourage your Committee to urge the Government to make additional provisions in the following areas:
- 12.1. Review/re-evaluate the rateable value thresholds for the Small Businesses Grant Fund (£15,000 currently) and the Retail, Hospitality and Leisure Grant Fund (£51,000 currently) for businesses in London so that small business and those in**

impacted sectors in London where property values and rateable values are higher have access to grants.

- 12.2. Provide a package of support in the form of business rates relief and grants** to businesses who are currently not eligible for support via rate relief or grants but who are suffering as their income and turnover is directly related to the Retail, Hospitality, Arts and Cultural, Recreation and Entertainment sectors.
- 12.3. Extend the Self-employment Income Support Scheme** for increasing the qualifying thresholds for self-employed individuals and including individuals operating in a limited company structure.
- 12.4. Extend business rates relief to include all workspace providers** and stipulate that workspace providers pass on this saving to their tenants. Allow tenants of workspaces who do not currently qualify for Small Business Rate Relief to apply for the £10,000 grant that other micro businesses and SMEs are able to access.
- 12.5. Bring consistency and regulation into the commercial landlord sector** to provide certainty to businesses who cannot afford to pay commercial rents during this time and surety to commercial landlords.
- 12.6. Extend the Coronavirus Business Interruption Loan Scheme**, enabling non bank lenders by raising HMG's current 80% underwriting to 100% alongside creating a non bank Lenders Liquidity Pot or turning the initiative into a Business Equity Investment scheme or as a straight forward HMG Business Grant scheme.
- 13.** It is essential that the pressing issues faced by our local business community in Hackney, who are currently unable to access existing Government support are acted on urgently to ensure that more micro businesses, small and medium sized enterprises and the self-employed are supported and able to stay afloat. While we welcome the Chancellor of the Exchequer's recent pledge to do "whatever it takes" to keep companies and businesses solvent and we would encourage your Committee to continue to press the Government to take these actions urgently. Hackney businesses require this support now.

**For further information about this submission, please contact Cllr Guy Nicholson, Cabinet Member for Planning, Culture & Inclusive Economy ([guy.nicholson@hackney.gov.uk](mailto:guy.nicholson@hackney.gov.uk)) and Mayor Philip Glanville, Mayor of Hackney ([philip.glanville@hackney.gov.uk](mailto:philip.glanville@hackney.gov.uk))**