

MDA No.	7	7	8	8
----------------	---	---	---	---

Title: COVID-19 Impact on Businesses

Executive Summary

On 17 June 2020, the Economy Committee resolved:

That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree any output from the meeting.

Following consultation with party Group Lead Members, the Chair of the Economy Committee agreed a letter to the Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, attached at **Appendix 1**. This will be reported to the next appropriate meeting of the Economy Committee.

Decision

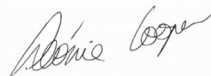
That the Chair, in consultation with party Group Lead Members, agree the letter to the Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP.

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature



Date 24/09/20

Printed Name Léonie Cooper AM, Chair of the Economy Committee

Decision by an Assembly Member under Delegated Authority

Notes:

1. *The Lead Officer should prepare this form for signature by relevant Members of the Assembly to record any instance where the Member proposes to take action under a specific delegated authority. The purpose of the form is to record the advice received from officers, and the decision made.*
2. **The 'background' section (below) should be used to include an indication as to whether the information contained in / referred to in this Form should be considered as exempt under the Freedom of Information Act 2000 (FoIA), or the Environmental Information Regulations 2004 (EIR). If so, the specimen Annexe (attached below) should be used. If this form does deal with exempt information, you must submit both parts of this form for approval together.**

Background and proposed next steps:

On 17 June 2020, the Economy Committee resolved:

That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree any output from the meeting.

Following consultation with party Group Lead Members, the Chair of the Economy Committee agreed a letter to the Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, attached at **Appendix 1**. This will be reported to the next appropriate meeting of the Economy Committee.

Confirmation that appropriate delegated authority exists for this decision


Signed by Committee Services	L J Harvey	Date	21/09/20
Print Name: Lauren Harvey		Tel:	x4383

Financial implications
NOT REQUIRED

Signed by Finance	N/A	Date
Print Name	N/A	Tel:

Legal implications

The Chair of the Economy Committee has the power to make the decision set out in this report.

Signed by Legal		Date	21/09/20
Print Name	Emma Strain, Monitoring Officer	Tel:	X 4399

Additional information should be provided supported by background papers. These could include for example the business case, a project report or the results of procurement evaluation.

Supporting detail/List of Consultees:

Shaun Bailey AM (Deputy Chairman of the Economy Committee) and Caroline Russell AM.

Public Access to Information

Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? No

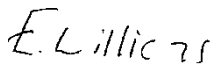
Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - No

Lead Officer/Author

Signed	Dan Tattersall	Date: 23/09/20
Print Name	Dan Tattersall	Tel: x1328
Job Title	Senior Policy Adviser	
Countersigned by Director		Date 23/09/20
Print Name	Ed Williams	Tel: x4399

Chair of the Economy Committee



Léonie Cooper
London Assembly Member

City Hall
The Queen's Walk
London SE1 2AA
Switchboard: 020 7983 4000
Minicom: 020 7983 4458
Web: www.london.gov.uk

The Right Honourable Rishi Sunak MP
Chancellor of the Exchequer
House of Commons
London
SW1A 0AA

Sent by email to: Action.Chancellors@hmtreasury.gov.uk

23 September 2020

Dear Chancellor,

Supporting London businesses through the COVID-19 pandemic

I am writing to you on behalf of the London Assembly Economy Committee to share findings and recommendations arising from our recent investigation into the impact COVID-19 has had on businesses in London.

Over the month of June 2020, the Economy Committee held an investigation into the challenges faced, and support needed by businesses in London during and after the COVID-19 pandemic. To support this investigation, the Economy Committee met with Deputy Mayors of London Rajesh Agrawal and Justine Simons OBE, plus representatives from national and London-focused business groups.¹ Over the course of the investigation, Committee Members gained insight into the range of challenges London's businesses have faced since the Government rightly implemented lockdown measures to contain the spread of COVID-19.

The Economy Committee takes this opportunity to recognise the valiant efforts of businesses large and small, throughout the country, to endure through this crisis and support the communities in which they are based, particularly those that have extended the range of their services beyond their usual calling.

The Economy Committee also welcomes the unprecedented measures put in place by the Government and recognises the role it has played in saving jobs and livelihoods throughout the country. However, it is the Economy Committee's view that more must be done to help protect London's businesses and aid the capital's economic survival and recovery.

¹ The guests were: Richard Burge, Chief Executive, London Chamber of Commerce and Industry; Caroline Julian, Director of Policies and Programmes, Creative Industries Federation; Helen Clark Bell, CEO, Love Wimbledon Business Improvement District; Laura Citron, CEO, London & Partners; Bernard Donoghue, Director, Association of Leading Visitor Attractions; Rowena Howie, London Policy Chair, Federation of Small Businesses; David Sheen, Public Affairs Director, UK Hospitality; and Kate Nicholls, CEO, UK Hospitality.

Accompanying this letter is a supporting document that expands further on the views of the Economy Committee, and provides the evidence heard in the meeting that substantiates the Committee's conclusions and recommendations. The Economy Committee calls on the Government to:

Review the current range of business support measures (see pages 1-4 of the supporting document)

- 1) The Government should urgently review and raise the threshold for the Retail, Hospitality, and Leisure Grants Scheme for businesses in London.
- 2) The Government should require banks involved in Government backed loan and grant schemes to provide in-person support to SMEs that require it.
- 3) The Government should review its plans to end the Coronavirus Job Retention Scheme, with a view to extend it beyond October 2020 in certain sectors, and base tapering of the scheme on the performance of the economy.

Support the hospitality and tourism sectors' recovery (see pages 4-6 of the supporting document)

- 4) The Government should review the introduction of business taxes for hospitality and tourism operators with a view to giving businesses the best chance of success.
- 5) The Government should review its guidance for hospitality venues, with a view to strengthening social distancing provisions.

Help the cultural and creative industries rebuild (see pages 7-9 of the supporting document)

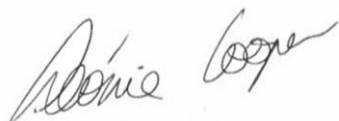
- 6) The Government should include the cultural and creative industries in the Government's COVID-19 recovery plan.
- 7) The Government should establish an enhanced furlough package for the cultural and creative industries, reflecting the long-term challenges they face and the nature of their business models.

The Committee urges you to implement these recommendations, to build on the measures taken by the Government so far. It is vital that further action is taken to help protect London's businesses and aid the capital's economic survival and recovery.

We would be grateful to receive your response to this letter by 14 October 2020. Please send your response by email to the Economy Committee's Clerk, Lauren Harvey (lauren.harvey@london.gov.uk).

Yours Sincerely,

Léonie Cooper



Chair, London Assembly Economy Committee

London Assembly Economy Committee: Evidence to support recommendations made to the Chancellor of the Exchequer on 23 September 2020.

Summary of recommendations

Review the current range of business support measures

- 1) The Government should urgently review and raise the threshold for the Retail, Hospitality, and Leisure Grants Scheme for businesses in London.
- 2) The Government should immediately require banks involved in Government backed loan and grant schemes to provide in-person support to SMEs that require it.
- 3) The Government should review its plans to end the Coronavirus Job Retention Scheme, with a view to extend it beyond October 2020 in certain sectors, and base tapering of the scheme on the performance of the economy.

Support the hospitality and tourism sectors' recovery

- 4) The Government should review the introduction of business taxes for hospitality and tourism operators with a view to giving businesses the best chance of success.
- 5) The Government should review its guidance for hospitality venues, with a view to strengthening social distancing provisions.

Help the cultural and creative industries rebuild

- 6) The Government should include the cultural and creative industries in the Government's COVID-19 recovery plan.
- 7) The Government should establish an enhanced furlough package for the cultural and creative industries, reflecting the long-term challenges they face and the nature of their business models.

Supporting evidence

Review the current range of business support measures

COVID-19 and the steps taken to minimise its spread have caused unprecedented disruption for businesses across the UK. In April, the Office for Budget Responsibility (OBR) estimated that as a result of the COVID-19 outbreak, the UK's economy could shrink by 35 per cent through Quarter 2 of 2020, and that GDP could fall by 13 per cent in the 2020 year – a greater annual decrease than at the end of each world war, or during the global financial crisis.¹ Data from the Office for National Statistics (ONS) showed that at the end of May, public debt breached 100 per cent of the UK's GDP for the first time in 60 years.²

ONS data shows that businesses in London have faced significant financial difficulty, with over 20 per cent of businesses reporting declines in turnover of more than 50 per cent – the highest rate for any other region in England.³ Data from GLA economics show that London's real Gross Value Added (GVA) fell from 2.5 per cent in Quarter 4 of 2019, to -1.6 per cent in Quarter 1 of

¹ The Office for Budget Responsibility, [Office for Budget Responsibility coronavirus reference scenario](#), April 2020

² The Office for National Statistics, [Public sector finances, UK: May 2020](#), June 2020

³ The Office for National Statistics, [Coronavirus and the economic impacts on the UK: 2 July 2020](#), July 2020

2020, implying a reduction of output by 4.1 percentage points in just one quarter – the largest such fall in output since the 2008-09 financial crisis.⁴ At current rates, GLA Economics project that a further decline in real GVA to -16.8 per cent for 2020 – from a growth point of 4.6 per cent in 2019.⁵ The business activity index for private businesses in London showed slight recovery in May at 30.8, however this was following a historic decline to 13.4 in April.⁶

A consequence of the drastic decline in business activity over the lockdown period has been the rise in businesses having to make staff redundancies, or utilise the Government's Coronavirus Job Retention Scheme to furlough staff. In London, the unemployment rate rose from 4.3 per cent in Quarter 4 of 2019, to 4.7 per cent in the Quarter 1 of 2020.⁷ London accounted for close to 12 per cent of the UK's 9.1 million furloughed workers nationally, with 1.075 million Londoners furloughed – more than any other region in the UK.^{8 9}

While the Committee again commends the Government on the speed and quantity of the measures put in place to support businesses through the COVID-19 outbreak, the insights from the Economy Committee's June meeting point to the fact that the measures are not having as much of an impact in London as they could.

For one, the rateable values for businesses in London are significantly higher than any other region in the UK. The England average rateable value was £33,000 as of 2018/19. In London, that figure nearly doubles to £64,000.¹⁰ This leaves too many businesses in London ineligible to access Government support measures, such as the Retail, Hospitality, and Leisure Grant, due to the Grant's £51,000 threshold.¹¹ In fact, UK Hospitality told the Committee that it leaves 93 per cent of hospitality businesses in London unable to access the Grant.¹² This is further supported by data from the Institute for Fiscal Studies, who highlight that over 20 per cent of businesses in London (across all sectors targeted by the Grant) are valued too highly to be eligible to access the Grant funding, compared with less than 10 per cent in other English regions.¹³

Secondly, during the meeting the challenges businesses have faced, particularly SMEs, in accessing Government backed financing was raised. This challenge, as Richard Burge of the London Chamber of Commerce and Industry highlighted, evidently stems partly from reticence on the part of smaller businesses to take out debt financing, and also from banks being risk-averse about smaller businesses, notably those in the hospitality sector.¹⁴ This is evidenced by reporting from March that highlighted the difficulties faced by smaller businesses in accessing measures like the Coronavirus Business Interruption Loans (CBIL).¹⁵ The Committee recognises the Government's quick action to address some of the challenges faced by businesses in accessing loans, such as banning the requesting of personal guarantees for loans, and introducing the Bounce-Back Loan to more quickly aid smaller businesses.^{16 17} However, the Committee remains concerned that smaller businesses are not receiving the support needed to access the financing instruments that they need to survive this crisis. This is reinforced by

⁴ GLA Economics, [London's Economy Today](#), June 2020

⁵ GLA Economics, [London's Economic Outlook: Spring 2020 The GLA's medium-term planning projections](#), June 2020

⁶ GLA Economics, [London's Economy Today](#), June 2020

⁷ GLA Economics, [London's Economy Today](#), June 2020

⁸ HM Revenue and Customs, [HMRC Coronavirus \(COVID-19\) statistics](#), June 2020

⁹ HM Revenue and Customs, [Official Statistics: Coronavirus Job Retention Scheme statistics: June 2020](#), June 2020

¹⁰ Local Government Association, [Average rateable value \(local rating lists\) in an area in England](#), N.D.

¹¹ HM Government, [Guidance: Check if you're eligible for the coronavirus Retail, Hospitality and Leisure Grant Fund](#), April 2020

¹² The London Assembly, Economy Committee Meeting [17 June], June 2020

¹³ The Institute for Fiscal Studies, [COVID-19 support through the business rates system: how does the pattern of support vary across England?](#), June 2020

¹⁴ The London Assembly, Economy Committee Meeting [17 June], June 2020

¹⁵ BBC, [Banks under fire for coronavirus loan tactics](#), March 2020

¹⁶ HM Treasury, [Chancellor strengthens support on offer for business as first government-backed loans reach firms in need](#), April 2020

¹⁷ Department for Business, Energy & Industrial Strategy, [Guidance: Apply for a coronavirus Bounce Back Loan](#), April 2020

Richard Burge, who highlighted that small businesses lack the support they need from banks, which typically utilise algorithms, rather than personal contacts, leading to decisions being made not on understanding of a business, but a perception of the sector in which that business sits.¹⁸

Thirdly, the Economy Committee would highlight that while the Government's Coronavirus Job Retention Scheme has been successful in many regards, it is the Committee's view that the Government is making an error in planning to withdraw the Scheme on 31 October. The Economy Committee is disappointed that the Chancellor did not use his Summer Statement as an opportunity to extend it, despite calls for him to do so by organisations like the National Institute of Economic and Social Research (NIESR). In their statement ahead of the Summer Statement, they called on the Government to 'keep the furlough scheme for as long as it takes'.¹⁹ The Economy Committee shares NIESR's concerns that premature withdrawal of the Coronavirus Job Retention Scheme risks undoing all of the good that it has done so far.²⁰

Businesses, particularly SMEs, will continue to face challenges for the long term. Recent Treasury figures show that for many small businesses, the Government's Bounce-Back Loans have become a tool for their survival – one million SMEs are utilising the Loan.²¹ For many SMEs still experiencing financial crises, the winding down of the furlough scheme and subsequent increased level of employer contribution to staff pay will only cause more harm. For example, research in Scotland has calculated that as many as 10,000 SMEs would face immediate threat of closure, while 30,000 to 40,000 others would be left in further financial distress if the furlough scheme came to an end for all sectors in October.²²

While there aren't comparable figures for London, the higher costs of operating lead to the conclusion that the outcomes of ending the furlough scheme in October could be as bad, if not worse, for SMEs in London.

Review the current range of business support measures

The Government should undertake a review of the business support measures in place, with a view to ensure that they best meet the needs of businesses of all sizes and are suitable for London. The Economy Committee recommends that:

1) The Government should urgently review and raise the threshold for the Retail, Hospitality, and Leisure Grants Scheme for businesses in London.

Raising the £51,000 threshold would give the 93 per cent of hospitality businesses in London, that are currently excluded from the scheme, a valuable financial lifeline in these uncertain times. This is supported by guests that participated in the Economy Committee's June meeting, including the Deputy Mayor for Business, and David Sheen from Hospitality UK.²³ Raising the threshold to £150,000 is also supported by 86 Conservative MPs, 95 Business Improvement Districts, and over 12,000 signatories through the #RaiseTheBar campaign.²⁴

¹⁸ The London Assembly, Economy Committee Meeting [17 June], June 2020

¹⁹ National Institute of Economic and Social Research, [NIESR Analysis Ahead of the Summer Statement: Keep Doing 'Whatever it Takes'](#), July 2020

²⁰ National Institute of Economic and Social Research, [NIESR Analysis Ahead of the Summer Statement: Keep Doing 'Whatever it Takes'](#), July 2020

²¹ British Business Bank, [British Business Bank Business Support Schemes Deliver £45bn Of Loans To Smaller Businesses Including 1 Million Bounce Back Loans](#), July 2020

²² The Courier, [Warning 10,000 Scottish SMEs under 'immediate threat' of closure](#), June 2020

²³ The London Assembly, Economy Committee Meeting [17 June], June 2020

²⁴ RaiseTheBar Campaign, [Seven weeks to save the nation's high streets – it's time to #RaiseTheBar](#), May 2020

- 2) The Government should immediately require banks involved in Government backed loan and grant schemes to provide in-person support to SME's that require it.** A key challenge for businesses, particularly SMEs, faced in utilising the Government's support offers was the lack of support received from banks in accessing them. The Government should instruct banks to establish processes to enable easier access to the support needed to advance SME loan applications.
- 3) The Government should review its plans to end the Coronavirus Job Retention Scheme, with a view to extend it beyond October 2020 in certain sectors, and base tapering of the scheme on the performance of the economy.** The Economy Committee is highly aware of the economic costs of maintaining schemes such as the Coronavirus Job Retention Scheme. However the Committee would implore the Government to consider the longer-term impacts of ending the scheme based on an arbitrary date, as opposed to evidence to prove that business conditions have improved. An extension of the Scheme would allow SMEs the space needed to safely and effectively phase in workers at a pace that allows for necessary health and safety adjustments to be made, and avoiding making staff redundancies that would only add more weight to the unemployment benefits bill.

Support the hospitality and tourism sectors' recovery

Hospitality is an important sector for the UK's economy, responsible for providing jobs and supporting economic recovery. Between 2010 and 2014, the sector was responsible for providing 17 per cent of the UK's net employment growth, making it a substantial contributor to the UK's economic recovery after the global financial crisis.²⁵

London's hospitality sector is highly developed compared to other regions of the UK. The sector employs nearly 3.2 million people UK-wide, with nearly 18 per cent of jobs based in London, providing work for 568,000 Londoners – or 10 per cent of London's employment.²⁶

Data from 2017 shows that nationally the hospitality sector generated £72 billion in GVA to the UK economy, with businesses in London accounting for £16.7 billion – considerably more than any other region in the UK.

The Business Impact of COVID-19 Survey from the ONS shows that the hospitality sector has been amongst the most affected by the COVID-19 outbreak. Data released in April 2020 shows that the UK hospitality sector as a whole saw a 21.3 per cent drop in sales during the first quarter of 2020.²⁷ In the two weeks between 20th April and 3rd May, 61.5 per cent of businesses across the Accommodation and Food Service industries saw decreases in turnover of more than 50 per cent.²⁸ Recent data from UK Hospitality shows that sales across the hospitality sector are 56 per cent lower than last year, with revenues falling by as much as £73.4 billion – half of hospitality businesses do not expect to break even until the end of 2021.²⁹

Nationally, 78 per cent of hospitality related businesses had to temporarily close or pause trading between 20th April and 3rd May, and figures from the Office for National Statistics show that the hospitality sector had the largest proportion of the workforce furloughed across

²⁵ Oxford Economics, [The economic contribution of the UK hospitality industry](#), September 2015

²⁶ UK Hospitality, [The Economic Contribution of the UK Hospitality Industry](#), October 2018

²⁷ Hospitality Insights, [UK hospitality sees Q1 sales drop 21.3%](#), April 2020

²⁸ The Office for National Statistics, [Dataset: Business Impact of COVID-19 Survey \(BICS\) results](#), June 2020

²⁹ UK Hospitality, [Press statement: Hospitality heavyweights unite to call for ambitious package of business investment](#), July 2020

businesses that had not permanently ceased trading – 78 per cent between 20th April and 3rd May.^{30,31}

Tourism plays a pivotal role in London's economy, and the wider UK economy – with London's cultural and creative attractions acting as a gateway for tourists to the rest of the UK.³² The sector employs one in six Londoners and is worth £36 billion to London's economy.³³ London's tourism industry also maintains and strengthens London's reputation as an open and welcoming place, increasing its 'soft power,' as well as being a key contributor to other sections of London's economy, particularly the retail sector, and the night time economy.³⁴ In 2017, London & Partners (the Mayor's promotion agency for London established by the Prime Minister when he served as Mayor of London), estimated that by 2025, domestic and international visits to the capital would reach 40.4 million annually, with 25.7 million of these being international visits.³⁵ However, this was some considerable time prior to the COVID-19 outbreak.

The entire UK tourism industry has been heavily impacted by the COVID-19 outbreak. Being amongst the first industries to be affected, hospitality revenues are down by 95 per cent, and Visit Britain modelled a 54 per cent decline in visits to the UK, and a 55 per cent loss in expected inbound tourism income for 2020, when in December 2019 they had expected UK tourism to grow by 2.9 per cent.^{36 37} Its expectation now is for the tourism industry to lose out on £15.1 billion of their pre-COVID-19 forecast.³⁸

Factors contributing to the crisis facing the tourism industry in London include the lockdown measures, the disruptions to public transport, the closing of major attractions, and the mandatory quarantining of visitors upon their arrival to the UK.

The Committee recognises the value and importance of the Government's efforts to support businesses and workers in the hospitality and tourism industries. However, there are key challenges that must be met to ensure that the London's, and the UK's more broadly, hospitality and tourism industry recovers.

One such challenge is how the hospitality and tourism industries will cope when business taxes are reintroduced in 2021. The Committee believe it highly valuable that the Government took the bold steps to enable businesses to defer VAT payments until March 2021, and freeze business rates for the 2020/21 tax year.^{39 40} The Committee is especially pleased with the Government's VAT cut to help the hospitality sector.⁴¹ However, during the Economy Committee's June meeting, Kate Nicholls of UK Hospitality made the salient point that the hospitality and tourism industries are likely to suffer in March/April 2021, when business rates and other taxes are brought back into force.⁴² This is because the industries will have experienced winters with reduced trade on either side of a highly damaging 2020 summer. These factors and others indicate that businesses in the hospitality and tourism industries will

³⁰ The Office for National Statistics, [Coronavirus and the economic impacts on the UK: 21 May 2020](#), May 2020

³¹ The Office for National Statistics, [Coronavirus and the economic impacts on the UK: 21 May 2020](#), May 2020

³² London & Partners, [A Tourism Vision for London](#), August 2017

³³ The London Assembly, Economy Committee Meeting [17 June], June 2020

³⁴ London & Partners, [A Tourism Vision for London](#), August 2017

³⁵ London & Partners, [A Tourism Vision for London](#), August 2017

³⁶ The London Assembly, Economy Committee Meeting [17 June], June 2020

³⁷ Visit Britain, [2020 Tourism Forecast](#), N.D.

³⁸ Visit Britain, [2020 Tourism Forecast](#), N.D.

³⁹

Ministry of Housing, Communities & Local Government, [Guidance: Check if your retail, hospitality or leisure business is eligible for business rates relief due to coronavirus \(COVID-19\)](#), March 2020

⁴⁰ HM Treasury, [Policy Paper: A Plan for Jobs 2020](#), July 2020

⁴¹ BBC, Coronavirus: Rishi Sunak unveiling 'kickstart jobs scheme' for young people July 2020

⁴² The London Assembly, Economy Committee Meeting [17 June], June 2020

not be in a strong enough position to return to paying the high costs of operating a business in London.

London is the most expensive city in Europe to rent office space in, with space in the West End costing on average £112.5 per square foot.⁴³ Additionally, goods and services in London cost considerably more in London compared to other regions of the UK. Data from the ONS shows that in 2016, prices for goods and services were on average 7 per cent higher compared to the UK average price levels.⁴⁴ This is brought into further stark relief by figures from UK Hospitality that show only 19 per cent of tourism businesses think that they would survive for the next six months without additional support.⁴⁵ It is essential that the Government is cognisant of the challenges that businesses in the hospitality and tourism industry will be facing in late 2020 and early 2021, and takes steps to ensure that these sectors do not fall back into crisis due to the imposition of taxes.

Another clear challenge faced by the hospitality industry is related to applying or enforcing social distancing guidance. Over the 4th July weekend, the UK saw many pubs and open their doors for the first time since the lockdown measures were implemented. However, footage showed patrons failing to abide by social distancing measures.⁴⁶ This is reinforced by the National Chair of the Police Federation of England and Wales, who stated that 'alcohol and social distancing does not mix'.⁴⁷ The Economy Committee recognises the guidance that has been made available by the Government, however we hold deep concerns that London may experience another spike in COVID-19 cases, without firm action to ensure hospitality operators are aware of, and enforce the given guidance.

Support the hospitality and tourism industries' recovery

The hospitality and tourism industries will without doubt require considerable support and guidance in order to return to previous levels of profitability safely. It is the Economy Committee's view that the Government should examine every opportunity to enable this return financially and practically. Specifically, the Economy Committee recommends that:

- 4) The Government should review the introduction of business taxes for hospitality and tourism operators with a view to giving businesses the best chance of success:** The hospitality and tourism sectors have been especially hard hit by the COVID-19 pandemic, and are unlikely to be in the financial position needed to meet financial obligations. UK Hospitality recently called for the hospitality business rates holiday to be extended to March 2022, to give the industry more time to recover.⁴⁸
- 5) The Government should review its guidance for hospitality venues, with a view to strengthening social distancing provisions:** It is imperative that the Government coordinate with the hospitality industry to establish what more can be done to enable the safe opening of hospitality venues, without risking another COVID-19 outbreak. The Government should also accelerate the development of guidance for larger hospitality sites like conference and exhibition venues, so that they too can re-open safely.

⁴³ Statista, [Office rental costs per square foot in London](#), England Q1 2020, May 2020

⁴⁴ The Office for National Statistics, [Relative regional consumer price levels of goods and services, UK: 2016](#), March 2018

⁴⁵ The London Assembly, Economy Committee Meeting [17 June], June 2020

⁴⁶ BBC, [Coronavirus: 'Crystal clear' drunk people will not socially distance](#), July 2020

⁴⁷ Police Federation of England and Wales, 'Crystal clear' drunk people cannot socially distance, July 2020

⁴⁸ UK Hospitality, [Press statement: Hospitality heavyweights unite to call for ambitious package of business investment](#), July 2020

Help the cultural and creative industries rebuild

Cultural and creative industries have been an integral aspect of London's, and the UK's, wider economy. London's creative industries have grown at a greater rate than any other region in the UK, with a GVA increase of 73.3 per cent between 2010 and 2017.^{49,50} In 2017 the creative industries in London alone contributed £52 billion to the UK economy.⁵¹

Data from the Department for Digital, Culture, Media, and Sport shows that in 2019, nearly one-third (32.8 per cent) of jobs in the culture and creative industries (excluding the digital, gambling, sport, and telecoms industries) were based in London, providing work for 911,000 Londoners.⁵² These jobs hold long-term social and economic value, as most of them – 87 per cent – are considered at low risk of automation.⁵³ For every job within the creative industries in London, there is an additional 0.75 jobs supported within the creative supply chain.⁵⁴

There are many factors behind the strength of London's cultural and creative industries, including the presence of important cultural institutions, as well as strong and emerging cultural and creative clusters throughout the capital.⁵⁵

The cultural and creative industries struggled with long-term challenges prior to the onset of COVID-19. For example, over many years, there has been a precipitous loss of cultural infrastructure in the capital. Between 2007 and 2016, London lost:

- 35 per cent of its grassroots music venues,
- 50 spaces for programming for new artists – 94 remain today, and these are clustered north of the river in central and East London, in particular Soho, Camden and Shoreditch;
- 58 per cent of its LGBT+ night-time venues in the past decade.⁵⁶

However, the COVID-19 pandemic has only magnified these challenges. Over two weeks between 1st June and 14th June, 58 per cent of businesses across the Arts, Entertainment and Recreation industries saw a decrease in turnover of more than 50 per cent.⁵⁷ 58 per cent of arts, entertainment and recreation businesses had to temporarily close or pause trading between 1st June and 14th June.⁵⁸ The Deputy Mayor for Culture and the Creative Industries informed the Economy Committee of the fact that London is facing a loss of £14.6 billion in GVA due to the damage done to the creative industries by COVID-19.⁵⁹ Caroline Julian from the Creative Industries Federation informed the Economy Committee of an Oxford Economics forecast that projects that the UK's creative industries could face a combined revenue drop of £74 billion across 2020, with a reduction of £29 billion in GVA.⁶⁰

Some sub-sectors of the cultural and creative industries have been more affected by the COVID-19 outbreak than others – notably the theatre industry, which has been particularly

⁴⁹ GLA, [Developing the evidence base for London's Local Industrial Strategy – Interim report](#), August 2019

⁵⁰ GLA, [Creative Enterprise Zones](#), ND

⁵¹ The Mayor of London, [Multi-billion impact of London's creative industries](#), October 2019

⁵² The Department for Digital, Culture, Media, and Sport, [National Statistics: DCMS Sectors, Economic Estimates: Employment](#), April 2020

⁵³ The Mayor of London, [Culture for all Londoners](#), December 2018

⁵⁴ The Mayor of London, [Creative Supply Chains Study](#), October 2019

⁵⁵ GLA Economics, [Developing the evidence base for London's Local Industrial Strategy – Interim report](#), August 2019

⁵⁶ The Mayor of London, [Culture for all Londoners](#), December 2018

⁵⁷ The Office for National Statistics, [Dataset: Business Impact of COVID-19 Survey \(BICS\) results](#), July 2020

⁵⁸ The Office for National Statistics, [Dataset: Business Impact of COVID-19 Survey \(BICS\) results](#), July 2020

⁵⁹ The London Assembly, Economy Committee Meeting [17 June], June 2020

⁶⁰ The London Assembly, Economy Committee Meeting [17 June], June 2020

affected by the outbreak. For example, Andrew Lloyd Webber's Really Useful Group have had to absorb £6.1 million in lost box-office sales each week due to theatre closures.⁶¹

Faced with the prospect of a year-long closure of cinemas and theatres, businesses like the Shakespeare's Globe highlighted that without emergency support from Government, they would not be able to survive the crisis.⁶² The Globe have pointed to challenges associated with the Government's previously available support schemes, including the Emergency Response Fund – which is capped at £35,000, applies strict eligibility criteria, including a requirement that applying organisations are, or have been involved in publicly-funded culture (the Globe receives no public subsidies).⁶³ The Economy Committee is therefore very pleased to see that the Government have acted to secure Britain's cultural heritage through its £1.57 billion support package, and look forward to seeing how the funding will be broken down.⁶⁴ However, the Economy Committee is disappointed that the Chancellor of the Exchequer did not extend support for freelance or self-employed workers in his Summer Statement, despite calls from fellow MPs, and MoneySavingExpert founder Martin Lewis to do so.⁶⁵

Freelance creatives are a vital resource in London's cultural and creative industries. Data presented to the Committee by Caroline Julian from the Creative Industries Federations indicates that by the end of 2020, 406,000 jobs could be lost in the creative industries – 1 in 5 jobs nationally – including the termination of 287,000 freelancers.⁶⁶ Data from the Centre for London shows that 64 per cent of London's creative industry workers are categorised as self-employed, or freelance.⁶⁷ They highlight that as freelance workers are not entitled to notice or redundancy pay – despite losing on average 90 per cent of their annual work in a short space of time – the industries risk losing talent as artists and creatives seek alternative employment.⁶⁸ They stress the risk that many may not return to the cultural and creative industries, particularly if a perception takes hold that the sector lacks an effective safety net for workers.⁶⁹

There was initial concern that the Government did not take the challenge faced by the UK's cultural and creative industries as seriously as other national Governments. However, the recent actions by the Government have given the Economy Committee considerable hope. It is the Economy Committee's view that the Government must do more to support the rebuilding of cultural and creative businesses across the country, and especially London.

Help the cultural and creative industries rebuild

The UK's cultural and creative industries face significant challenges, and they will likely do so into 2021. The emergency support package from the Department of Culture, Media and Sport is welcome, and the Chancellor of the Exchequer's Summer Statement contains many positive elements that will provide vital support to many of London's businesses, including those in its cultural and creative sector. However, the Statement lacks key details, and does not address specific challenges faced by those in the cultural and creative industries. It is the Committee's view that the Government must take a strategic approach to helping the cultural

⁶¹ What's On Stage, [Shakespeare's Globe: 'Without emergency funding from Government, we will not be able to survive this crisis'](#), May 2020

⁶² What's On Stage, [Shakespeare's Globe: 'Without emergency funding from Government, we will not be able to survive this crisis'](#), May 2020

⁶³ The Arts Council England, [Financial support for organisations outside of the National Portfolio](#), N.D.

⁶⁴

Department for Digital, Culture, Media & Sport, HM Treasury, [Press release: £1.57 billion investment to protect Britain's world-class cultural, arts and heritage institutions](#), July 2020

⁶⁵ ExcludedUK, [MPs call on Government to help those excluded by coronavirus support schemes](#), June 2020

⁶⁶ The London Assembly, Economy Committee Meeting [17 June], June 2020

⁶⁷ Centre for London, [Coronavirus will irreparably damage London's creative heart without proper support for freelancers](#), March 2020

⁶⁸ Centre for London, [Coronavirus will irreparably damage London's creative heart without proper support for freelancers](#), March 2020

⁶⁹ Centre for London, [Coronavirus will irreparably damage London's creative heart without proper support for freelancers](#), March 2020

and creative industries rebuild better than they were prior to the onset of COVID-19 – this should especially be the case for London. Specifically, the Economy Committee recommends that that:

- 6) The Government should include the cultural and creative industries in the Government's COVID-19 recovery plan:** It is the Economy Committee's view that the UK's cultural and creative industries have been largely omitted from the Government's broader planning regarding the re-opening of the economy post-COVID-19. While the Economy Committee sees the value in the Government's Cultural Renewal Taskforce, and very warmly welcomes the Government's £1.57 billion rescue package, the Economy Committee is unable to understand why UK culture and creative industries are not included in the Government's COVID-19 recovery strategy. As a core aspect of London's economy now, and hopefully into the future, the Economy Committee believes it important that the Government establish when and how the cultural and creative industries will transition out of lockdown, as well as how the Government plans on supporting the industries going forward.

- 7) The Government should establish an enhanced furlough package for the cultural and creative industries to reflect the long-term challenges they face and the nature of their business models:** The UK's cultural and creative workforce face significant challenges, and many workers, such as those working in theatres, will likely not be able to return to work for some time due to the difficulty in ensuring the health and wellbeing of visitors and workers. Also, there is a great risk that cities like London will permanently lose the fundamental workers needed to maintain and grow its cultural and creative industries. It is vital that this does not happen. The Economy Committee believes it important that the Government establish an enhanced furlough package for cultural and creative workers; adaptable to those who work as freelancers, and capable of being delivered at scale to ensure that the sectors do not face further damage due to workforce losses. Otherwise, we risk losing some parts of the creative and cultural offer in perpetuity.

The Committee urges you to implement these recommendations, to build on the measures taken by the Government so far. It is vital that further action is taken to help protect London's businesses and aid the capital's economic survival and recovery.