

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2553

### Title: Property Advice and Business Rates Service (PABRS) Phase 2

#### Executive Summary:

The Property Advice and Business Rates Service (PABRS) provides free masterclasses, one-to-one sessions and online resources and guidance for London-based micro-businesses and Small and Medium Enterprises (SMEs) on the topics of business rates and lease negotiation.

Phase 1 of the project was delivered from December 2017 to December 2018 (approved by the Mayor under cover of MD2055) and supported over 200 micro and small businesses. Lessons learned from that first phase of the project have been embedded into the design of phase 2.

Phase 2 will support 400 SMEs based across London who are looking to move into conventional premises, renewing their leases or want to better understand how business rates affect their businesses.

#### Decision:

That the Mayor approves:

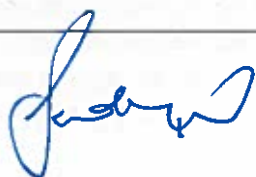
Expenditure of up to £150,000, from the London Growth Hub budget (2019/20 to 2020/21), on phase 2 of the Property Advice and Business Rates Service.

#### Mayor of London

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:

7/1/20

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

##### *The London Growth Hub*

- 1.1 Growth Hubs are funded by central government via the Department of Business, Energy and Industrial Strategy (BEIS) and delivered as regional public/private sector partnerships led by Local Enterprise Partnerships (LEPs) with the purpose of joining up national and local business support to make it easier for businesses to find the help they need. There are 38 hubs, one for each LEP region. In addition to providing a co-ordination function, each regional Growth Hub provides a different type of support, tailored to the needs of businesses in its region.

- 1.2 Launched in November 2016, The London Growth Hub is managed by the London LEP, the London Economic Action Partnership (LEAP). It is a combination of an online signposting tool and five physical hubs that help connect London's entrepreneurs, microbusiness and Small and Medium Enterprises (SMEs) with the support that is available to help them grow their business.

##### *Property Advice Service*

- 1.3 Many established small businesses face being displaced from their existing premises due to sharp property price increases proposed by their landlords and are having to find new premises in other parts of London that may meet their needs.
- 1.4 Small businesses are often at a disadvantage and can lack the knowledge of commercial leases to enable them to negotiate reasonable deals with either their existing landlords or with new landlords when they relocate. These challenges are often exacerbated by a lack of access to effective and appropriate property advice, as most commercial estate agents and surveyors also work on behalf of the landlord and are not incentivised to help business occupiers.
- 1.5 Similarly, commercial property law is a fairly specialist field and most small business lawyers may not be familiar with certain details. Existing business support services often focus advice on matters of employment law, company law, intellectual property, and taxation, and do not provide comprehensive coverage of property law. The consequence of this is that businesses may sign leases which they don't fully understand and incur significant liabilities which may be difficult to withdraw from, leading to serious financial problems.
- 1.6 In response to these issues, the London Growth Hub commissioned a pilot programme of free face-to-face business support called the Property Advice Service (PAS 1). Delivered between December 2017 and December 2018, 200 of London's SMEs were provided with free masterclasses, one-to-one support, and online resources on the topic of negotiating new leases or renegotiating existing ones. The project was well received, with 88% of participants experiencing an improvement in their understanding of commercial leases and how to negotiate.
- 1.7 PAS 1 supported over 200 enterprises and entrepreneurs through events and one to one support. The entrepreneurs and enterprises accessing the project included:
- those considering taking on a new lease;
  - SMEs having problems with existing leases; and
  - entrepreneurs faced with unexpected costs and needing advice.
- 1.8 About 33% of the beneficiaries were already in a commercial lease, 25% were working from home, and 9% were in a co-working space. Other situations included freeholders, rented desks, and outdoor pop-up spaces. The businesses accessing the project were from a wide range of sectors across the capital, with the majority in food, drink and catering, or fashion and jewellery.
- 1.9 After accessing the service, beneficiaries went on to:

- start a search for a commercial premise;
- stay in their current situation;
- move into a new commercially leased property;
- continue negotiations with an existing landlord; and
- move to a different option such as co-working or shared space.

1.10 The recommendations from the evaluation report, as well as feedback from micro businesses, SMEs and network organisations indicate there is a need to continue delivering this project.

#### *Business rates*

- 1.11 London has 16.2% of all England's commercial properties but pays 32% in business rates. And while in England the rates have gone up by 9.6%, in London they have increased 23.7%. While central London has only 0.2% of land, it will generate more rates than the next 19 English cities combined.<sup>1</sup>
- 1.12 Business rates are calculated using a rateable value based on open-market rents and a multiplier.
- 1.13 Business rates raise about £30bn a year and are collected by local authorities which then remit half the proceeds to central government. Because of their heavy use of property in urban areas, retailers pay about a quarter of the total.
- 1.14 The latest reassessment of rateable values took place in 2017 and was the first such exercise since 2010. During those seven years, commercial property values and rents surged in some areas, particularly central London, leaving businesses facing big rates increases when the revaluation took effect. The next revaluation is due in April 2020, to take effect in April 2021.
- 1.15 The 2017 increases for businesses in small and medium non-domestic properties affected has been phased in more slowly than larger properties through the transitional relief scheme<sup>2</sup>. Although the Government has made some changes in recent years, increasing the multiplier by consumer prices and introducing relief schemes for smaller retailers and pubs, the increase still has had more negative impact on small and medium size businesses.
- 1.16 A 2017 survey by the Federation of Small Businesses<sup>3</sup> of their London members showed 74% of their members cited business rates as a major issue, with 23% saying that the impact could lead to them shutting their business, and only 15% saying it will have no impact.
- 1.17 The then Chancellor of the Exchequer did announce a temporary two-year relief scheme in the 2018 Budget to help retailers and related businesses (e.g. cafes, pubs and restaurants). This offers a one third discount in 2019-20 and 2020-21 but only to eligible businesses with a rateable value below £51,000. This is offering some assistance to retailers in outer London but is less helpful in inner London where many properties are above the qualifying threshold.
- 1.18 A further revaluation is scheduled for April 2021 and the Valuation Office Agency is expected to publish the draft valuations for the 315,000 properties in London towards the end of 2020. It is impossible to know how small businesses will be affected at this stage, as the effect of the valuation will not be known until all properties have been valued and the Government has modelled its impacts. However, fewer than 2 per cent of businesses in central London qualify for small business rate relief, it is expected that a significant proportion of micro and small businesses will be affected even further by the re-valuation and therefore advice and guidance on this topic should during the coming months be very pertinent.

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<sup>1</sup> London Business rates revaluation 2017 report

<sup>2</sup> Transitional relief caps the maximum increase in bills each year (excluding the inflationary rise). In the first three years of the 2017 revaluation period (2017-18 to 2019-20), for those properties with a rateable value up to £28,000 in London, the caps on increases were 5%, 7.5% and 10% respectively. For properties over £28k but under £100k, the caps were 12.5%, 17.5% and 20% over the same three-year period. In 2020-21 and 2021-22 the cap for smaller properties will be 15%, and 25% for medium properties.

<sup>3</sup> London Business rates revaluation 2017

- 1.19 As leases and business rates are two of the issues that most significantly affect micro and small businesses, we have designed a project, that delivered under the Growth Hub banner, will provide advice and support on both topics.

## **2 Objectives and expected outputs**

- 2.1 The new phase of the project will continue advising micro and small businesses on signing a new lease for first time or renewing a lease, while providing advice on the implications of business rates.
- 2.2 This version of the project will have some new elements which are based on lessons learned from the previous programme.
- 2.3 Phase two of the project will last 24 months and will expand and increase on the previous activities. The project will be delivered in close collaboration with local authorities ensuring that workshops and sessions take place in those areas where there is more need.
- 2.4 The delivery partner for the new project will be selected following an open and transparent procurement process in line with the GLA's Contracts and Funding Code with support from TfL Procurement.
- 2.5 The project will implement lessons learned from the pilot phase and make some improvements which are reflected in the outcomes section.
- 2.6 The project will target micro-businesses and SMEs that are:
- looking to move onto more conventional premises because they are scaling up, for example from flexible co-working, or homeworking;
  - facing rent reviews or renewals of their current lease;
  - looking to move to more appropriate premises;
  - unfamiliar with business rates system and provide them with a better understanding of business rates, particularly before signing new leases or renewing existing leases at high rents; or
  - facing high business rates bills but could be entitled to reliefs and are unaware of them or not sure how to apply for them.
- 2.7 It is expected that some of the beneficiary businesses will be based in high street premises, but not exclusively. The type of businesses participating in each session will be tailored to the needs of each local authority.
- 2.8 The delivery body for this project will be required to work closely with local authorities to ensure their local micro-businesses and SMEs have access to the service but also that sessions are tailored to each borough's needs. Sectoral differences will also need to be taken into account when delivering the workshops and one to one session.
- 2.9 The project will be delivered in a range of premises across the five London sub-regions. In some cases, the workshops and one to one support will be embedded in the London Growth Hub's physical hubs that are part of the 'Hub & Spoke' <sup>4</sup> project. In other instances, the sessions will be delivered in suitable premises at no cost to the project. This could be workspaces, local authority premises or libraries.
- 2.10 Recommendations from the external independent evaluation from PAS 1 which this project will take forward will include:

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<sup>4</sup> Locations of Hub & Spoke: Lambeth; Croydon; Greenwich; Hammersmith; Tottenham

<b>Recommendation PAS – Phase 1</b>	<b>Action for PABRS – Phase 2</b>
The length of the project is extended, potentially with lower output target rates to allow beneficiaries to be signposted to the project at exactly the right time for them.	The follow-on project will last two years and expected outputs is support to at least 400 SMEs. This is compared to the previous project target of 200 businesses over 11 months.
Any future project should focus more attention on designing a pathway to the right support.	Participant SMEs will be required to complete an initial form to identify their needs before accessing the workshops and one to one session. After their participation, they will then be signposted to additional support.
Most beneficiaries were unaware of the online material [provided as part of the programme] and had not accessed it. Access to the online material should be designed to be the first step for most beneficiaries, and business support advisors.	<p>This component will be promoted in parallel by the selected consultancy as part of their marketing. SMEs will be encouraged to view the online material before attending the workshops.</p> <p>The Growth Hub has now a database of over 2000 SMEs that will be signposted to the relevant online materials.</p> <p>The information will also be shared via local authorities and SME networks.</p>
More flexibility to access the service.	<p>The project should have flexibility on delivering times. It should range from early morning to evenings.</p> <p>It will also be provided through a range of means like face to face, webinars, workshops, online, etc.</p>

### *Expected outputs*

#### 2.11 The project expected outputs include:

- 12 workshop sessions that will take place across the five London sub-regions. Whenever possible, the sessions will be at the Hub & Spoke. In other instances, the sessions will be delivered at other venues at no cost to the project (e.g. libraries, workspaces, local authorities, business support premises);
- support to at least 400 micro business and SMEs with information on business rates and leases;
- 100 Businesses to receive 1-2-1 tailored sessions where they will be advised on: lease terms, business rates or both topics;
- workshop sessions filmed and uploaded in the London Growth Hub portal;
- a range of fact sheets with information on both topics developed and uploaded in the London Growth Hub portal;
- up to six of the sessions delivered as webinars;
- 10 case studies produced on how the project has successfully supported participant businesses; and

- data gathering of participant businesses. This would include basic information on the business, business rates they pay, information on their leases and how the project has helped them. This information will be used by the external evaluators to analyse the outputs and outcomes of the project.

- 2.12 The London Growth Hub will be commissioning a project that will independently evaluate all its projects. PASBR will be part of this overall evaluation process.
- 2.13 The evaluation will provide a qualitative and quantitative analysis of the advice that businesses receive as a result of participating in this project.

### **3 Equality comments**

- 3.1 Under section 149 of the Equality Act 2010, in making decisions “due regard” must be had to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a relevant protected characteristic and those who do not. Protected characteristics include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation (and marriage or civil partnership status for the purpose of the duty to eliminate unlawful discrimination only).
- 3.2 The proposal outlined in this MD does not pose any impact on individuals with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation). We have considered the GLA’s duties in this area and will ensure that delivery of the training is done in a way that proactively supports those groups with protected characteristics. The project will particularly target and support diverse entrepreneurs that are starting or growing their business in London. These entrepreneurs will be reached via Black, Asian and Minority Ethnic (BAME) and disabled SME networks. The project will also adapt training sessions, whenever possible, to specific diverse entrepreneur’s requirements.
- 3.3 The project has also taken into consideration the need to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not.
- 3.4 The activity outlined in this MD focuses on support for SMEs and entrepreneurs that may not have the financial or social capital to progress their business, many of whom are likely to share protected characteristics. The issues this report seeks to address (e.g. affordability of workspace and access to free, impartial property advice and business rates) have been identified as key areas of concern for women, BAME and disabled entrepreneurs that we have engaged with through LEAP’s work to support and promote diverse entrepreneurs.

### **4 Other considerations**

- 4.1 In his Economic Development Strategy (EDS) the Mayor commits to support start-ups and business growth.
- 4.2 The LEAP also plays a key role in coordinating, marketing and making the case for business support interventions to help ensure London’s entrepreneurs and small business owners have access to the support they need to start, sustain and succeed.
- 4.3 Following the revaluation in April 2017, the Mayor, alongside London Councils and London’s business community lobbied the Government to phase-in more slowly the increases in business rates bills as well as limiting rises for small businesses losing eligibility for small business rate relief.

### Key risks

Risk	Level	Mitigation
Delay in tendering the project and making first payment before end of financial year.	Medium	Ensure close working relationship with the procurement team and provide strict deadlines for all those involve in the procurement and contractual process.
Limited engagement from local authorities to participate in the project.	Medium	Build good relationships, from the inception stage, with London Councils (LC) and promote the project via Heads of Regen meetings, LC newsletter and individual conversations with each local authority.
Not sufficient number of micro business participating in the project.	Medium	<p>The number of micro businesses and SMEs in the London Growth Hub database is over 3000. There is also good links with business networks like enterprise agencies, Business Improvement Districts and small business groups. These organisations will promote the project and identify suitable businesses that have a need for these services.</p> <p>The consultant organisation will also be expected to have strong links with London's micro and small businesses.</p>

## 5 Financial comments

- 5.1 Approval is being sought for expenditure of £150,000 on Phase 2 of the Property Advice and Business Rates Service project.
- 5.2 This phase of the project is to span up to September 2021, and at this stage the exact expenditure profile is not yet known and is dependent on negotiation with the delivery partner (subject to the procurement process). However, the £150,000 cost of the project will be contained within the Growth Hub budget for 2019-20 and subsequent financial years.

## 6 Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the statutory powers of the GLA to do such things as may be considered to further, and or be facilitative of or conducive or incidental to the furthering of, the promotion of economic development and wealth creation in Greater London; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- a) pay due regard to the principle that there should be equality of opportunity for all people;



b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and

c) consult with appropriate bodies.

6.2 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

6.3 To the extent that it is proposed that expenditure is incurred on the:

- (a) the award of grant funding, officers must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and a funding agreement is put in place between and executed by the GLA and proposed recipients before any commitment to the provide funding is made; and
- (b) the procurement of services required, officers must ensure that the works, services or supplies are procured in accordance with the GLA's Contracts and Funding Code and that appropriate contract documentation is put in place and executed by the proposed providers and the GLA before the commencement of such services.

## 7 Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	January 2020
Short-listing and appointing delivery body	February 2020
Delivery Start Date	March 2020
Promotion of project among Local authorities and business networks	March 2020 and ongoing
Establish dates and venues for the sessions	March/April 2020
Start delivering workshops and 1-2-1 and ongoing on monthly basis	May 2020
Develop and publish on-line materials	September 2020
Delivery End Date	September 2021

### Appendices and supporting papers:

None.



**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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? YES**

If YES, for what reason: This report contains information, the disclosure of which prior to completion of procurement activity would prejudice genuine competition and the GLA's ability to secure value for money which is not in the public interest.

Until what date: (a date is required if deferring) 31 March 2020

**Part 2 - Sensitive information**

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

**Is there a part 2 form - NO****ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Maria Diaz has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Nabeel Khan has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Rajesh Agrawal has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 6 January 2020.

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

*M. D. Allie*

Date 6.1.20

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

*D. Bellamy*

Date 6/1/2020

