

Brighton & Hove Economic Partnership

Covid-19 Business Consultation

Report 1 – w/e 26.2.2020

The Brighton & Hove Economic Partnership is working with Brighton & Hove businesses to feed their concerns about the current situation back to Local and National Government.

This report covers feedback from businesses up and to the week ending Sunday 26th April 2020. Feedback has been grouped by sector, with specific case studies used to illustrate where possible.

Questions

Delayed grant payments (Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure **Grant** Fund (RHLGF) are causing issues on the 19th April it appears only 25% had been paid – can we get an update

Events in the city – BHCC has declared financial support to festivals and events that have had to cancel – can we get confirmation that some of these are being supported to schedule for alternative dates later in the year.

Promotion of the city - when we are back to functioning (somewhat) as a tourist town are we going to remove the negative message ‘Don’t Visit Brighton’ and put funds into national promotion of the city.

Public/Private Landlord Rent Holidays –. We need more clarity requested around commercial rents. Can the insurance industry, for example, help more by offering landlord protection on rents, whilst a moratorium is applied, helping both tenants / lessees and landlords. Can banks be more supportive of landlords also during this period? In addition: What is the plan of action for reducing shop rent for independent retailers?

The Rebuild – q1 Coming out of lockdown for businesses are we looking for immediate direction from central GOV or BHCC for clarity

q2 The death of retail on the high street started long before the current crisis – but in many ways Covid now gives local authorities a massive mandate to champion place making and shaping in developing the town and city centres of the future – high streets and city centres that will have a need to be vibrant destinations for leisure, social integration and as a place to dwell. It would be good to hear your views on this and ask for a commitment to lobby government as regards providing financial support to local authorities in order to help them work with their creative, heritage and cultural organisations to deliver it.

Q3 Arts & entertainment spaces, faced with an ongoing lockdown on social gatherings are looking at how they can repurpose their venues on a temporary basis to meet other social needs – Brighton & Hove’s creativity is well placed to set a leading example on this and so it would be great to see government encouraged to provide financial support to help buildings and organisations work closely with their local authorities to repurpose in much needed ways”.

Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) - why is it taking the council so long to release the grants? If businesses could receive information as to when they can expect to receive it rather than the general up to 2 weeks after the form was completed.... It would give them a chance to maintain their cash flow. Having input all the necessary info in the portal businesses have received no communication or acknowledgement and remain concerned as to whether the grant is imminent or not.

Covid-19 Testing for business: Testing for restaurant workers - there is a huge undercurrent of people who will not order from restaurants through fear of Covid-19 contamination - the council can influence sectors earmarked for testing - more staff would return to work if they felt there was a safe environment to work in - not everyone has had a work/home isolation team.

They could add a feature into the 5 star scheme - would not take much organizing - something to reassure the few customers that restaurants have?

Furlough Scheme: Is there merit in **tailoring the length of the furlough scheme** to different sectors - Vulnerability rating? As an example leisure sector would be granted the longest time for the furlough scheme if social distancing is to be the norm for x months.

Executive Summary:

Breakdown of the city's main employment sectors:

City's 4 largest employment sectors in 2018 accounted for over 2/3 of jobs and we had three specialisms where there was a concentration of activity

Public Admin, Health, Education 40,000+ jobs

CfC -Unaffected/higher demand (Category 1) but clearly that does not apply to the two Universities who are in an affected/Vulnerable Category and employ c 5,600

-Professional and Financial Services c 20,000 jobs

CfC- Affected (Category2)

Visitor economy c 18,000 jobs

CfC- Very Vulnerable (Category 4)

Retail c16,000 jobs

CfC- Food and Essential Retail -Unaffected/Higher Demand (Category 1)

CfC- Retail and Wholesale - Vulnerable (Category 3)

CfC - Services that Cannot be performed at home/online like hairdressing - Very Vulnerable (Category 4)

The Three Stand Out Specialisms

- ICT/Digital c7,000 jobs

CfC- Computer Games - Unaffected/Higher Demand (Category 1)

CfC -IT Services -Affected (Category 2)

-Creative Industries c4,000 jobs

CfC- Film and Video production - Vulnerable (Category 3)

-Visitor economy 18,000 jobs - see above

SHORT TERM

- Very different impacts dependent on sectors - we have labelled this a need for 'economic triage': relating to immediate injections of crucial help – including the financial measures of course, but also info on what sectors can re-purpose to fight the pandemic (some of this is done already, but it's worth taking stock); i.e. hotels / utilising the universities / schools / industrial supply chains and wholesalers / pharma / logistics / real estate etc.
- Short term cash flow is king - getting funding from banks/ grants/LEP/rent and rates relief the key
- Some pivoting to new /changed markets
- Clear exit plan for schools which safeguards staff a key for the economy in short term
- How can we develop a buy local/local supply chain campaign in the recovery phase?
- Focus where our economy hurting the most – we've spoken of our over-exposure to Tourism, Hospitality & Leisure, F&B / café culture, nightlife
- Additional focus on where our economy most resilient – less spoken of but important for our recovery stage as there will be lessons for other sectors from these ones (aside of the fact that these success stories are helping us make it through)

MEDIUM/LONG TERM

Strategic measures for our recovery planning – navigating out of this and capitalising on opportunities that emerge and then finally, communicating it as one:

- What local policies can BHCC put in place to enable businesses to trade in the ways they need to / have to (as a result of public health measures)
- What central policies do our sectors need to see introduced that will benefit our city – naturally my example will be property / planning related; such as introduction of GPDOs to remedy emerging threats in our sectors – or in some cases, preparation for Article 4 Directions (this works both ways). The pre-White Paper document from DCLG that Robert Jenrick announced in March may give some clues to what Govt aspirations were pre-covid19, although this will change somewhat.

- How can we recalibrate our City Plan (hopefully by way of an addendum but we all fear more invasive amends) to take COVID-19 into account and the course adjustments this will make to our economic trajectory – remember this relies on data which we won't yet have, so that's why it may be an addendum first, then a more scaled re-look. Also, importantly – how Greater Brighton City Region plays into this.
 - Change in business models being hastened at rapid speed-(esp use of tech)
 - BHCC to work with us developing sector led recovery/growth policies?
 - Tech opportunities for future if companies survive
 - Secondary Retail/Leisure/Offices will suffer
 - Medium term opportunities to help housing shortage by repurposing commercial space
 - Is City Plan 2 relevant until the post epidemic outlook is clearer? Should it be deferred?
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Sector Responses

Property

- **Rent payments** – each landlord is taking a different stand according to the identity of the tenant, the lease terms, whether the landlord is institutional (e.g. the Council) or private, whether they have debt on the building and their ability to be flexible, plus more. Each tenant seems to require a rent-free period, deferred rent payment, an exit plan, the release of PG's, service charges, repairs and more.
- **Business rate payments** – Grants are coming through too slowly, why have certain sectors such as office users related to leisure (events business, property, recruitment etc) been excluded? A retailer with a RV of less than £15,000pa doesn't pay business rates and now obtains a £10,000 Grant?
- **Continuity of business and staff retention** – just getting through lockdown will be a test too far for a volume of business, but it will almost be like starting a new business when others open again and future support and guidance needs to be offered. The immediate impact will be far reaching and long standing for most business sectors.
- **City Plan part II** – it has been a long time in the making, but there must be flexibility on the future use of redundant buildings through Permitted Development or general Change of Use. Prime commercial stock will recover, albeit with massive market readjustment, but secondary or dated buildings will suffer and could be vacant for long periods of time – this must be avoided and these buildings must be put to alternative use through a rapid planning policy – different commercial uses or residential use to assist with the housing stock.

Retail

Brighton BID (Business Improvement District)

- The Brighton City Centre Business Improvement District has existed since 2006. It's a group of over 500 businesses who all put a % of their Rateable Value in to a pot to pay for projects that will improve the trading environment. In Brighton's case, those projects are to dress the city in the summer months with hanging baskets, banners and bunting, provides Christmas Lights, deliver online promotional support to the retail and leisure sector as well as manage a daily Ambassador service to reduce crime and disorder and provide a wayfinding and welcoming presence for visitors to the city.
- Since the Government has now offered a 12 month business rates holiday, the BID is aware that many businesses will not want, or be able to, pay their BID Levy. The upshot of this is that one of the organisations best placed to help with the rebuild post Covid, is in danger of becoming insolvent by July 2020. Over the 5 year course of any BID term, businesses invest over £2m in the city centre. In two months, all that investment will be likely lost if there is not Government/Council intervention.
- We are also supporting the #raisethebar campaign to remove the £51k threshold on Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure **Grant** Fund (RHLGF) payments

Additional notes on the retail sector:

- Business rates relief to the retail and hospitality sector may need to be extended for up to two years
- There needs an urgent review of Business Rates given the inequity across the system
- Can retailers that come to/invest in the city be given a rates relief of some kind
- Availability of Capital for businesses/retailers to re-open is already being cited as an issue by many in the sector.
- Consumer spend will be down, with more CVAs there will be less expansion and supply chains will suffer.
- Increase in click and collect offers
- UK wide we are expecting to see an 80,000 unit reduction in retail stores in the next 18 months
- Brighton currently sitting at 22nd in UK CACI retail towns

CASE STUDY #1 SME Retail Outlet

The owners have experienced some problems with their landlord in Brighton who has proved to be completely non flexible regarding the rent, offering only 25% off for 3 months only which they feel is not enough given how serious the situation is. They have another outlet in London and dealing with the landlord there has been very productive with a very professional approach and forward thinking result for well beyond the confinement period to help them.

One of the key questions landlords have to ask themselves is:

Why should tenants have to pay a rent for a shop the landlord is not allowed to let the Tenant open due to Government instructions? Asking for the rent to be paid is clearly benefiting from the situation.

The argument of some Landlords, is that the Government has put in place the grant scheme based on business rates, the furlough scheme and the cancellation of business rates. These are very good and a great help, but none bring any revenue to a small business like this. Trading during the month of March was a write off, there are still oncoming bills, including the orders of goods made as unlike big chains they cannot cancel orders and refuse to make any payments. For shops selling fashion and fashion accessories, there is a strong element of seasonality and weather involved and all that has been bought for this spring will be left unsold. What is sold in the summer will have to be heavily discounted. They understand they can delay the VAT payment but this is only a delay, it will have to be paid. Company directors can furlough themselves and will get 80% of £719, less than a part time sales assistant.

The worry is not only during the confinement but also after whenever this is. Many people will have lost some buying power, having been made redundant or furloughed, many people will still be very cautious especially to go shopping for other than food, many people will not travel and many of the independent shops in Brighton are quite small which will make it very difficult for social distancing. Let's not kid ourselves, the IMF Chief stated that the pandemic will unleash the worst recession since the Great Depression. It is going to take a very long time for businesses to get back to normal, if they do.

It is paramount that the council and ultimately the government put in place some rules like the confinement that Landlords will have to adhere to regarding the rent.

CASE STUDY # 2 Major Retailer

Local Brighton store manager says, "Discouraging people from shopping in the town clearly isn't good for my stores trading yet also it impacts on the out of town food store locations as this creates longer queues plus a greater amount of people in one location. The last Bank holiday was an example of this with peoples shopping behaviours and queues around car parks.

Costly parking doesn't support those who may have to drive further to park for free at an out of town location when the town centre could be closer and they may pay to park if it's cheaper and shop in what could be a quieter store. The impact on the city and town centres and its longer term consequences also concerns me "

CASE STUDY #3 SME Boutique

The owners biggest concern, like so many others, is rent payments. They say. "I don't want to waste my cash flow on paying full rent when I can't even open my shop. To be honest I don't feel we should have to pay anything but I do think landlords should at the very least reduce rent for all the months we are forced to be closed. My landlord has only offered me to pay my rent in monthly instalments instead of in one go which really doesn't help me in the slightest. I've been at my shop for over 9 years, I am a reliable tenant who has always paid on time but I feel strongly that we need help."

CASE STUDY #4 Local SME

A Local SME should be entitled to received grants totalling £85k under the Retail, Hospitality and Leisure Grant Fund. However, they have experienced difficulty accessing these grants due to being in a CVA. Having argued their case with the council and Local MPs they feel that as a local company that has been trading over twenty years and making a positive contribution to the local culture and community, occupying numerous retail sites, paying business rates and employing over 40 people and using local suppliers, they would be a great loss if they became insolvent due to the slow process of financing

Leisure / Hospitality Sector /Food & Beverage

Rents: It's proving difficult for many business owners to negotiate with their landlords, many have sent the [draft letter](#) from the beginning but with varying response. (and question) What is BHCC's position as a landlord , what have they offered their tenants , full transparency on this would be beneficial as it may provide guidance for city landlords

Brighton Tourism Alliance is leading on a current campaign for a 9 month rent moratorium with the 9 months owed added to the end of the lease . This will be a lifesaver for some and lots of lobbying going on right now.

Furlough extension into June is great for staff but it concerns businesses as they will be a further month away from creating revenue and with many still waiting for grants or without any support they are concerned about surviving/ many feel close to going into administration but are trying to hold out to retain the furlough for staff.

Extended licence requests .. Flexible temporary licence for off sales – for existing licenced premises and only based on their on-sales offer / menu would assist and help revenue building during these incredibly restricted times.

Most businesses foresee 30-50% staff redundancies when business of some kind returns as revenue will be lucky to match 40-50% of this time next year. Some public recognition from BHCC of how local businesses have tried to keep going , remain

Case Study #1 Local Landlords

Local business owner says, “The Council are our landlord, they are still not committing to a decision on rent holidays for their tenants. I feel Councils should lead by example, many councils and state organisation are giving significant rent free periods to relieve stress and pressure on their tenants. Maybe rent holidays should also factor in if that tenant has had a Government grant.

There is currently no cashflow positive help from the Government / Council and still our Council Landlord will be expecting their rent for this period, all be it they have accepted a delay of 3 months but it is still accruing. We need to push Government on the £51k cap (especially for leisure as it is open knowledge this section is the hardest hit and will be the last to get back to normal).

functioning or stabilise to retain employment would help soften this harsh reality when it happens.

CASE STUDY #2 – Franchisees

- Issues with getting business loans as it will only kick the problem down the road
- When we come the end of the VAT and Rates holiday there will be a doubling up of payments just at a time when there will be significant starting up costs.

For the Hospitality sector is it really important all start looking at the return to service strategies and preparations in advance. It would be great if BHCC with support from the MPs created a couple of scenarios in line with some of the Government thinking currently and prepared some initial guidelines for businesses on H&S, Food Hygiene, Risk assessments / Distance etc.

Concerns regarding cleaning and hygiene supplies and equipment are high. Without advance warning businesses may not be able to open until weeks after permission to do so unless they can prepare.

Media / Venues

RECOVERY PLAN - ONE SPECIFIC IDEA TO SUPPORT BRIGHTON

- We will need to include looking at how we operate businesses differently and for the events industry in Brighton that is huge. Local TV Latest has been developing live streaming at a quality level and together with other partners in Brighton (including the Dome) believes this should be something that gets some small government support to enable transition to new ways of delivering what the public wants. The risk of no support in this area is that industries die out, and that doesn't need to happen if there is more foresight beforehand as to how they can transition.
- <https://www.youtube.com/watch?v=jlrHUr2zfbM> - is an example of a live streamed gig
- Latest has developed capabilities of streaming at high quality but is also developing a platform so that all venues can live stream in one place and will not be dependent on youtube, and other US platforms that don't give the artists and venues any proper return. This should be a UK endeavour and there are the skills and capabilities in Brighton to deliver this (as a new industry) – Angi Mariani at Latest is happy to take this forward with the venues (Andrew Comben, Howard Barden) and Phil Jones (representing digital firms). Bill Smith has already progressed this at a high level with the DCMS and the Culture secretary of state and liaising with Andrew and Howard on this.

SUPPORT FOR ALL SMEs

Businesses who are helping communities and the NHS should be encouraged and promoted.

Professional Services Sector

- Many have adapted quickly, moved to remote-based working and are offering services as usual although delivered in a different way – e.g. the rise of video-conferencing.
- Extent of impact on each business is significantly governed by work-types carried out, for example those firms more reliant upon domestic property transactions, or advising smaller businesses may be worst hit.
- Advice is being offered on guidelines and schemes, often by way of making information freely available through business organisations or on-line.
- Very few, if any, do not have at least some staff on furlough, which could impact long term on highly qualified staff being able to service housing funding on a medium to long-term basis in an area where housing/borrowing costs to income ratio is already prohibitive.

Arts/Heritage/Charity Sector

- Theatres, venues, museums all closed and revenue (in almost every case) totally evaporated. Majority of all staff furloughed and charities ‘mothballed’. Festivals and all major public events all cancelled.
- Mass gatherings and large scale events and concerts likely to be the last allowed out of lock-down. Even once lock-down over, evidence from other parts of the world show attendance levels down to between 10-40% of previous business.
- Cultural sector relies heavily on freelancers and small limited companies, many of whom can only join the huge queue for universal credit as their only means of income. If these disappear, longer-term impact of them not being there when sector is up and running again.
- Nationally, 50% of charities saying they are already in financial difficulties with over 70% saying they won’t last until the end of the year.
- Majority of charities all small and heavily reliant on donations. Philanthropy all being redirected to health based sector – recent poll put arts/culture at or near bottom of list of charities people minded to support.
- ACE and NLHF refocusing all grants and reserves into supporting organisations through the crisis - but sums are limited. As in other sectors, will lead to a shortage of future funding when needed to drive recovery.
- Many charities without property are not eligible for the Retail, Hospitality and Leisure Grant Fund and less than 10% saying they are eligible for CBILs.

- The sector places a lot of emphasis on looking after the more vulnerable, those with disabilities, the elderly and children & young people and carries out functions that are of particular importance during the crisis – e.g. wellbeing and a sense of community. Due to mothballing, many unable to be there when most needed. There is a predicted huge increase in future mental health issues as a result of the lock-down.
- For reference, in the 18/19 year Greater Brighton’s performing arts sector directly turned over £329m and employed 3,500. The wider economic impact being much greater (e.g. economic impact of Royal Pavilion, Brighton Museum & Art Gallery, Brighton Dome & Theatre Royal alone assessed annually at £64m). The overall Creative Sector (incl IT/software turned over £1.5bn and employed 16,000 in 18/19).

Recovery:

- It is culture that people are currently turning to, to help their wellbeing and get them through this - see all the online content of folk being creative, singing, picking up the musical instruments again, etc. This current interest has to be used as a platform for recovery and growth. Finding a way to monetise the current interest and maintain it after the pandemic will be critical.
- Given extended lock-down, venues considering re-purposing to other activity to support health and social infrastructure within the city. Financial support to help organisations and venues re-purpose in this way would help drive this.
- Increased content online – with a solution to monetising it rather than relying on donations. B&H Music Service and East Sussex Music will be delivering online lessons to 3,000 children in the summer term. Commercial plan to expand this further online and out of region to drive additional volume – but quality of technology will be critical.
- A number of larger UK councils already seeing Covid as a massive mandate to shape their high street of the future – with most retail and office space likely to exit and need to be replaced. Many viewing the future of high streets as places for social integration, leisure, access health services, places to dwell and placing emphasis of repositioned, strong cultural strategies. With an already vibrant cultural economy (before Covid) Brighton has a strong opportunity to lead the way on this at national level.
- Create a 5G funding pot for collaborative projects.

University Sector

- Immediate impact: loss of income from accommodation, catering and conference in the summer term and Easter and summer vacations amounted to c£790 million in the UK.
- After the summer break: major and prolonged financial impact in terms of (a) a significant fall in international students and (b) a rise in home student deferrals.

- A 100% fall in fee income from international (Non-EU and EU) students would result in a £6.9 bn loss of income to the UK higher education sector.
- University research (especially high-cost science-based research) will reduce as income from international students is used to cross-subsidise these areas. This would result in a loss in research capacity, a research 'brain drain' as talent is attracted overseas and intensified competition for domestic students which will further destabilise universities.
- A recent study by London Economics predicts around 111,000 home students and around 120,000 international students will not appear, who would otherwise be expected to. This means a £2.5bn black hole in tuition fee and teaching grant income and - at a conservative estimate - £6.1bn and around 62k jobs from the wider economy, around half of which would be outside the higher education sector.

Sole Trader & Freelance Sector

Key notes:

- 77% of businesses say they've been 'greatly affected'
- Only 16% have been able to negotiate rent reductions with landlords
- Over 22% have paused/ terminated contracts with freelance workers - leading to knock-on effects with the city's freelancers!
- 27% have applied for Universal Credit.
- Over 44% of businesses say they're not eligible for grants/ funding such as the self-employment income support scheme or in a position to furlough themselves (as a director of a ltd company and sole worker).
- 33% feel 'very negative' about the future of their business and are concerned they may close.

What people want from the local authority

- Clearer communication - contradictory information given about not needing to apply for the Small Business Grant and then needing to fill in via the portal - perhaps an online checklist/ easily digestible list of funding available to people. Also updating people with a generic 'your application is being processed' email so people don't feel they have been missed/ fill it out again.
- RENT REDUCTIONS
- Easier ways to get in touch with the council to see what support is available.
- Potential council tax reductions.
- Supporting independent businesses throughout the crisis by negotiating reduced rents - carrying on once lockdown has ended to encourage local shoppers back to the high street and to support smaller business.

What people want from government

- Quicker financial relief - businesses are waiting for grants/ the SEISS (June) but still have outgoings - rents, invoices for other small businesses to pay.
- Help for ltd company directors who cannot furlough themselves, as they'd have to shut their businesses, as there's just them.
- For those that miss out on the Self Employment Income Support Scheme because their businesses started in the last tax year - the opportunity to submit their returns now. Many believe it's not fair that businesses who hadn't submitted already (despite being months overdue) have the chance to receive income, but they don't. This option also gives those whose businesses have grown, over the last few tax years, the opportunity to receive more financial help.
- More support for businesses that don't have premises but work in weddings/ events etc., especially as they're the least likely to be able to work soon - given social distancing restrictions.
- On-going support, similar to the furlough system, for regular income, as many will still be affected past the June SEISS payment (for March - June).
- Support for those who live, work and love Brighton but have 'pre-settled status' and are not eligible for Universal Credit/ likely to receive SEISS.

Coast to Capital Local Enterprise Partnership (LEP)

SME CASE STUDY

One small business owner has told us that she feels she can't afford to live here without being able to work (which she has built here) and will need to return to her native EU country - with Brexit, she feels she probably not have the chance to apply for citizenship in a year either.

- It is likely the LIS (Local Industrial Strategy) will be replaced with some form of Regional Recovery Plan. Focus on the last two weeks has moved from shock/impact into early recovery planning

A local View from Brighton & Hove Chamber of Commerce

- Landlords being flexible on rents and lease payments over the next six months
- Ensuring the banks agree loans
- Helping businesses move to selling on line
- Helping businesses to diversify so they have a balanced revenue stream

- Helping food and drink and other businesses offer delivery services
- Reinventing the high street
- In the shorter term - facilitate ways of utilizing empty building until economy bounces back
- Facilitating collaborations
- Shoring up the voluntary sector
- Continuing to encourage community and volunteering
- Pipeline of work by sharing and preparing for tendering opportunities and encouraging the larger employers to open up opportunities for local businesses
- Helping people find jobs
- Helping entrepreneurs to start new businesses with the new opportunities as they present themselves
- Nursery schools being viable
- Support the good local support organisations like Brighton Chamber – this will be increasingly important medium to longer term

A Regional View from Adur & Worthing Business Partnership

- The Gatwick issue has a risk of overwhelming the rest of the issues
- We need to think functional economic areas – not administrative boundaries – that’s why the Greater Brighton project was started and the reasons are still sound today
- We will need to engage all the Greater Brighton MPs with business as we move forward
- We will need sector based approaches
- We need differentiating USPs for Greater Brighton next week, not next month. Same also needed for C2C – obviously need to be complementary
- The resilience networks are good for managing emergency response – are they the right things to manage economic recovery – possibly not (tasks overlap and will do for many months)
- The CMO comments a few days ago re prolonged social distancing are profound for most sectors – we will need to run some scenarios
- Government has stepped in big time on supporting businesses in several ways. That, and other massive costs will have to be paid back eventually; we need to anticipate this as we look forwards. (Same for other countries) It will affect spending patterns internationally for a generation – we need some scenarios around that

Report compiled by Gavin Stewart – Executive Director, Brighton & Hove Economic Partnership / CEO Brighton BID

Thanks to the contributions from BHEP / BID members