

FSB Response to a City for All Londoners Consultation

Introduction

The Federation of Small Businesses (FSB) is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political and is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.2 per cent of all businesses in the London, and make a huge contribution to the UK economy. They contribute 44 per cent of London's GDP and employ 39 per cent of the workforce¹.

Commercial and residential space

Space in London is at a premium and FSB London is committed to working with the Mayor of London on the need to build more affordable housing and, for small businesses to be able to locate and remain in suitable commercial space. The balance in the capital is critical to support small businesses.

Business Rates

The FSB is also calling on the Mayor to continue to support the FSB main ask of an inner and outer London SBBR threshold that reflects the specific problems faced by small businesses in the capital, continuing to lobby the Treasury on this measure is critical:

- **In inner London (comprising of Westminster, Kensington & Chelsea, Islington, Camden, City, Hammersmith & Fulham, Southwark, Hackney and Lambeth) we believe the**

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<https://www.london.gov.uk/moderngov/documents/s22201/SMEs%20in%20Londons%20Economy.pdf>

threshold should be £20,000 RV for 100 per cent relief tapering to £23,000. In outer London (all other Boroughs) where rateable values have increased by a lower percentage, we believe the threshold for 100 per cent relief should be set at £15,000 tapering to £18,000.

We propose it as a natural incremental step to reform business rates and tackle some of the inequalities in the system.

Permitted Development Rights

Permitted Development Rights policy is leading to a loss of available commercial space for small businesses. 58 per cent of FSB members in London say that availability of commercial space was a significant factor in the success of their business². Richmond council is predicting that as much as 24 per cent of commercial space will be lost to residential if all planned developments go ahead in the future.

The depletion of commercial stock is driving up cost of property for small businesses and this undermines London's status as a globally competitive city – in this period of uncertainty post-Brexit. Current estimates³ suggest that as much as 225,000m² of office space could be lost in Central London, equating to floor space for 47,000 jobs. The Government is right to prioritise the need to increase the availability of housing, and to focus attention on making the best use of already developed 'brownfield' land. However, this policy is having little impact on the housing crisis whilst having potentially disastrous effects on local economies.

The FSB Greater London Team is asking for a 20% target whereby any London property with more than 20% occupancy by small businesses are safeguarded from PDR.

² FSB's Small Business Burden Index for London Boroughs in September 2014

³ Central London Forward

We must work together to put safeguards in place to ensure sufficient supply of commercial property for small firms. Article 4 directions are currently proving too onerous for Councils to apply for.

Housing and Planning:

Over eight in 10 (83%) FSB members now believe London housing costs pose a risk to business growth in the capital. *London housing costs and lack of housing supply will impact on their ability to recruit and retain staff in the future.* The Mayor of London has created 'Homes for Londoners' and we feel that in the spirit of further devolution of powers, Government should empower the Mayor to identify publicly owned sites in London that are surplus to operational needs, and the Mayor should be able to determine how these sites should be developed to suit London's housing and commercial needs.

Infrastructure and Further devolution to London

The Mayor of London will be making strong representation for greater fiscal and social policy devolution which we are broadly supportive of. In particular, the FSB London policy unit believe that devolving Southern Rail to Transport for London would be a proactive step; and bringing the service into the London Overground Network would lead to a more co-ordinated service. We are disappointed that the Government has chosen not to allow TfL to hold control in this area.

Broadband remains a critical business issue across the Capital. We feel it is time to abandon the term 'superfast' and have the ambition of an

'ultrafast' or 'gigabit city'. We are also keen to finally get cross wide agreement for a mandatory standard London process for 'wayleaves' that covers all London Boroughs.

We are keen to press ahead with Crossrail 2 as London needs the investment in our capacity. Getting a financial settlement on this will be critical.

Furthermore, the FSB has concerns over charging mechanisms for further crossings towards the East of the capital and has argued for root and branch review of all road congestion charging schemes within the M25. FSB London would like to see the Treasury working alongside the reappointed London Finance Commission to undertake a feasibility study on road tax devolution which could support TfL in undertaking a 'root and branch' of road pricing in the capital now and in the future.

The FSB will also be submitting its response to the ULEZ AND T-Charge consultation: FSB would like to see:

- The implementation date of ULEZ left at 2020 as small business have already planned for this date and bringing it forward to 2019 will cause significant financial hardship for small and micro businesses
- Support for small and micro businesses to help them make the change using discounts, sunset clauses and grace periods.
- Government and Mayoral support for small and micro businesses in the form of a scrappage scheme.
- The ULEZ implementation across London to remain at a 2023 date to allow businesses based in locations not currently covered by the Congestion Charge the time required to acquire costly vehicle assets.

- A full cost-benefit analysis by TfL on a new demand-managed system that would remove the need for an ever swelling charging base in the capital from Congestion Charging, LEZ, ULEZ, T-charge, Bridge charging.

Skills

The persistence of skills shortages remains a key challenge facing the London Labour Market, and a barrier to participation for certain economic groups. The urgency to devolve skills powers to London Government is of paramount importance. Over one million Londoners in the capital were born outside the United Kingdom. London relies on access to the best talent across the world, therefore, the dual issues of devolution to London, and, a seat at the table for London around Brexit negotiations are not mutually exclusive. The idea of a 'London VISA' is being discussed in London, and although the FSB has not formally endorsed or discarded this idea – it is certainly a policy idea that needs to be taken seriously by the Treasury with the heavy reliance of jobs in London being filled by EU citizens.

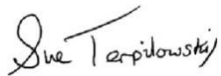
The FSB London Policy Unit are urging the Government to enable London Government to hold control of the Apprenticeship Grant for Employers (AGE) policy and power to reshape Further Education (FE) provision.

Business rates devolution

The London Finance Commission recommended in 2013 for rate setting in London to rest with the Mayor of London. We remain certain that the Mayor should have greater fiscal autonomy in setting rates across the capital with strong protections in place to protect businesses from any perceived risk of unreasonably high rate increases, in consultation with business. The FSB

London Policy unit recommend that the Government look closely at a deal for London, ensuring that the Mayor of London fully understands the need to consult with business should greater powers be decentralised. The message should be clear; greater fiscal autonomy should not lead to disproportionate increases by using business as a 'cash cow' for rate setting.

Yours sincerely,

A handwritten signature in black ink, reading "Sue Terpilowski". The signature is written in a cursive style with a large, sweeping initial 'S'.

Sue Terpilowski OBE

Greater London Policy Chair
Federation of Small Businesses