



Department for Levelling Up, Housing & Communities

Neil O'Brien MP

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Clive Betts MP
Chair, Levelling Up, Housing and Communities
Select Committee
House of Commons
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12 May 2022

Dear Clive

Supporting our high streets after COVID 19

Thank you very much for your letter of 29 March following the government's response to your Committee's report *Supporting our high streets after COVID 19*. Please find below responses to your follow up questions.

Unsuccessful applications for Government funds

The list of places that Expressed an Interest in the Future High Streets Fund but did not proceed to full application will be included as part of the summary of Accounting Officer Advice, due to be published shortly.

Given the Levelling Up Fund and Community Ownership Fund are live funds with further rounds, we will not be publishing unsuccessful bids at this time.

Commercial evictions ban

As you are aware, at the start of the COVID-19 pandemic the Government acted to protect businesses and the economy by putting in place a temporary moratorium on commercial evictions for the non-payment of rent.

During the period the moratorium was in place, the Government issued a Code of Practice to assist landlords and tenants in reaching an agreement on rent debt that had accrued. HMT modelling, with adjustments to England and Wales only using the ONS business population, suggests that around 910,000 businesses may have deferred rent at some point during the duration of the moratorium (April 2020 to March 2022).

To bring certainty to landlords and tenants of commercial properties and to provide a smooth exit strategy from the current protections, on 24 March 2022, Government passed the Commercial Rent (Coronavirus) Act 2022. This means that a legally binding arbitration process is now available for eligible commercial landlords and tenants who have not already reached an agreement on certain rent debts.

By March 2022, the majority of debts have been resolved, with around 50,000 businesses with rent debt estimated to be in scope of the Act and only 2,800 cases expected to enter arbitration.

A new moratorium applies for those eligible under the Act for six months from 24 March 2022 to provide time for parties to apply for arbitration. During this time remedies and measures will be

unavailable until either the end of the period for applying to arbitration, or – if arbitration is undertaken – the process is complete.

Eligible cases are business tenancies with protected rent debt as defined in the Commercial Rent (Coronavirus) Act 2022 and set out in the Commercial Rent Code of Practice. We have deliberately targeted this legislation at businesses that were mandated to close by COVID regulations as this encompasses sectors which were most impacted by the pandemic and are more likely to have lower profit margins, such as retail and hospitality.

The Department for Business, Energy & Industrial Strategy will be gathering short-term monitoring data to evaluate the effectiveness of the policy. This will include periodically collecting survey evidence from businesses, including the amount of deferred rent left unresolved and the number and outcomes of private rent negotiations. The first survey ran from 16 March 2022 to 1 April 2022 and officials are currently analysing the response.

The Government has undertaken extensive engagement with key stakeholders regarding the Act, including landlord and tenant businesses and trade representatives. Most recently, officials in the Department for Levelling Up, Housing and Communities discussed the Act at a Commercial Property Forum meeting with a range of commercial property stakeholders in early April 2022.

Following Royal Assent of the Bill, a policy statement was published on 24 March 2022. An updated Code of Practice was published on 7 April 2022 with further guidance for landlords and tenants to reflect passage of the Act. The Code sets out what the arbitration process looks like, the evidence that is considered, and the principles on which arbitration awards are made, and will continue to help resolve rent disputes by encouraging negotiation, and can be used by those not eligible for arbitration. Alongside the Code, further statutory guidance for arbitrators was published on 8 April 2022.

VAT for hospitality, accommodation and visitor attractions

The temporary reduced rate of VAT was introduced on 15 July 2020 to support the cash flow and viability of around 150,000 businesses and protect over 2.4 million jobs in the hospitality and tourism sectors. As announced at Spring Budget 2021, the Government extended the 5% temporary reduced rate of VAT for the tourism and hospitality sectors until the end of September. On 1 October 2021, a new reduced rate of 12.5% was introduced for these goods and services to help ease affected businesses back to the standard rate. This relief ended on the 31 March 2022

The Government has been clear that the reduced rate of VAT for hospitality and tourism was a temporary measure designed to support the sectors that have been severely affected by COVID-19. It is appropriate that as restrictions are lifted and demand for goods and services in these sectors increases, the temporary tax reliefs are first reduced and then removed in order to rebuild and strengthen the public finances.

I want to take this opportunity to thank you for the hard work of the Levelling Up, Housing and Communities Select Committee in their inquiry and report 'Supporting our high streets after COVID 19'.



NEIL O'BRIEN MP