



Submission to the Business Energy and Industrial Select Committee inquiry into the impact of coronavirus on businesses and workers

May 1, 2020

Introduction

Cumbria Chamber of Commerce is a representative business organisation, one of 53 Chambers nationally affiliated to the British Chambers of Commerce. We have 1,500 member businesses.

It became evident early in the outbreak that Cumbria is particularly exposed to the impacts of coronavirus because we depend heavily on the visitor economy. This is worth £3bn a year and supports 65,000 jobs, around 20 per cent of the county's workforce. This sector has effectively closed under lockdown.

To assess the impacts on the Cumbrian economy, we launched a survey on March 18, which has since been completed by more than 500 businesses.

They range from micro-businesses with 10 or fewer staff through SMEs to large businesses with more than 250 employees.

Replies came from a variety of sectors including retail, tourism and hospitality, manufacturing, services, transport, construction, food and drink, professional services, digital and creative, agriculture, forestry, education, health, financial services, automotive, e-commerce, and the third sector.

We are keen to share the findings, and the conclusions we've drawn from them, with the Select Committee.

Summary of survey findings

- 79% said the impact of Coronavirus on their business has been severe, 17% said the impact was moderate and 4% minor. Only two of the businesses to complete the survey said there had been no impact.
- 76% reported reduced turnover, in some cases catastrophically so as they had been forced to stop trading entirely.
- 20% reported difficulties in obtaining supplies of stock and raw materials. Some manufacturers and construction businesses have had to suspend operations as a result.
- 16% reported higher than usual levels of staff absenteeism.
- Only 6% of businesses believe they would be able to trade indefinitely were lockdown restrictions to continue. Another 5% believe they can survive for at least a year, 17% for six to 12 months, 38% for three to six months while 34% expect to go under within three months.
- 76% plan to or have already accessed grants or loans from the Coronavirus support schemes while 57% plan to defer tax due to HMRC.
- 60% have furloughed some or all staff or reduced staff hours.
- 42% have some or all employees working from home.

Issues highlighted

Our survey identified gaps in the package of support provided by the Government and other issues faced by businesses. These include:

- Businesses that don't qualify for £10,000 small business grant because they don't pay business rates (they either work from home or rent space in a building where the landlord is the ratepayer) or because their rateable value exceeds the £15,000 ceiling.
- Directors who take their income as dividends find they can't claim the support for the self-employed, nor is their dividend income covered by furlough payments under the Job Retention Scheme.
- Recent self-employed start-ups who can't claim Self Employment Income Support because they have yet to file accounts or receive nothing because – while profitable now – they made little or no profit in the first year's trading.
- Banks not granting Coronavirus Business Interruption Loans, a particular problem for smaller businesses that may never have borrowed before and so have no track of borrowing with their bank.
- Businesses experiencing acute cash-flow difficulties because of the time it has taken to process grants or payments from the Job Retention and Self-Employment Income Support schemes.
- Businesses under pressure from staff or social media to cease operations, even though they are not required to.
- Insurers not paying out business interruption claims because COVID-19 isn't specified in the policy.
- Hospitality, retail and leisure businesses ineligible for the £25,000 coronavirus grant because their rateable value exceeds £51,000.
- Businesses in the retail/hospitality/leisure supply chain that are wholly dependent on these sectors – examples in our survey include a laundry, a frozen food wholesaler and a furniture manufacturer – yet don't qualify for the grants or rates relief that their customers receive.
- Holiday cottage owners ineligible for Self Employment Income Support because HM Revenue and Customs does not treat their revenue as income from self-employment.
- Car park operators excluded from the grants schemes.
- Businesses receiving the Small Business or Hospitality/Leisure/Retail grants that have been forced to close are burning through the cash and will need further support if lockdown continues.

Conclusions

With 79 per cent of businesses in our survey reporting 'severe' impacts and 72% at risk of failure within six months, we face an unprecedented challenge if a catastrophic downturn is to be avoided.

The first priority must be to plug gaps in Government support for businesses.

At the time of writing, we don't know when or how the UK will emerge from lockdown but it's likely to be a gradual lifting of restrictions rather than a return to normal in the foreseeable future.

For example, when retail and hospitality businesses are allowed to reopen, will they have to operate at reduced capacity to observe social distancing? Will customers want to eat out, go on holiday, visit the theatre or use public transport? Will consumers return the high street or prefer to shop online?

It would be a fatal error to assume that, once restrictions are relaxed, businesses will no longer need support. Government interventions will be required for many months to avoid a high level of insolvencies.

There should be further grants to businesses that are unable to operate or are operating at a reduced level. There should also be grants to enable businesses to alter processes and systems, for example a manufacturer that needs to reconfigure its production lines to observe social distancing guidance.

There is a strong case too to extend the Job Retention Scheme and to make it more flexible to allow employers to retain staff on reduced hours with furlough payments covering days employees are not working.

Finally, we have two further concerns, which pose a threat to the long-term viability of some businesses.

Continuing social distancing requirements may make it impossible for auditors to visit their clients' premises to carry out the necessary checks to enable them to sign off the annual accounts on a 'going concern' basis.

Secondly, pension scheme deficits have widened substantially because the coronavirus outbreak has simultaneously depressed the value of scheme assets while increasing liabilities because gilt yields have fallen.