Greater Birmingham Chambers of Commerce

Covid-19 Business Support: the urgent actions required to deliver immediate results

July 2021

#KEEPBUSINESSMOVING

Connect. Support. Grow.

Foreword

Henrietta Brealey
Chief Executive
Greater Birmingham
Chambers of Commerce

As national restrictions have continued to ease over the past few months and the vaccination rollout has continued at pace, there has been a notable increase in optimism across the wider business community. However, despite the Prime Minister going ahead with Stage 4 of his plan to unlock the economy, case numbers are rising and there are still a number of businesses which are suffering from considerable economic hardship.

This report follows up on the recommendations that we made in our previous lobbying document *Keep Business Moving II*. In particular, it explores the announcements made by Government since we published our last report back in April and sets out the actions that still need to be taken to help businesses survive the next few months and have a platform to build upon once we emerge from the pandemic. Many of the recommendations included in the latest report derive from stakeholder roundtables held with local SMEs, data from our Quarterly Business Report and anecdotal evidence secured from our wider membership.

As many of the statistics used in this current report highlight, the intervention from Government has been unprecedented both in terms of the scale and monetary value. Of course businesses want to get back to a form of normalcy as soon as possible, but even more importantly, they cannot afford another lockdown. The recommendations made in this report are grounded in pragmatism and offer workable solutions to many of the immediate issues businesses are currently facing.

The GBCC remains committed to continuing to connecting, supporting and helping local businesses to grow. As part of our Keep Business Moving campaign, between March 2020 and March 2021, almost 19,000 calls were made by GBCC staff members to local businesses (which included almost 2,800 hours of phone support) and 186 webinars were delivered to over six thousand delegates. As always, we will use this document as a basis for lobbying regional and national stakeholders to ensure the voice of local businesses is front and centre of this constantly evolving agenda.

Raj Kandola
Head of Policy
Greater Birmingham
Chambers of Commerce

The UK economy is growing – national GDP went up by 0.8% in May 2021 as national restrictions continued to ease. However there are two immediate points to mention– firstly, the rate of growth was lower than the 2.3% posted in the previous month and is still 3.1% lower than the level posted in February 2020. In April, we saw a release of pent up demand as non-essential retail businesses reopened, schools stayed open for the whole month and a number of the restrictions placed on hospitality businesses were removed. Notably, the rate of growth slowed somewhat in May as the burst of activity we saw in April started to fade in certain sectors.

The rate of growth is likely to be impacted if we continue see a sharp rise in Covid-19 cases as ultimately consumer spending will take a hit. The results also reiterate just how precarious the current economic situation is and why it's so important that the Government offer clear guidance to businesses on the actions they need to take in order to keep their employees and customers safe – a case we make throughout the course of this report.

What are the eight areas of intervention we call for in April 2021?

In April 2021, the GBCC released Keep Business Moving II – a report which responded to the announcements made by the Chancellor at the Budget in March. The report also identified eight key areas in which Government action was lacking in a range of different business support areas (click here to review). These were as follows:

- Sector specific interventions
- Further action on access to finance
- Enhanced investment incentives
- Business rates reform
- Support for the excluded
- Enhanced support for impacted Businesses with high overheads
- Full clarity on the roadmap and employer obligations
- Looking beyond the roadmap

Our latest report revisits each of these particular areas in order to assess the intervention that Government has taken across every single one of these policy programmes. In addition, we explore what is still lacking in many cases and examine the type of support businesses need to receive if they are to emerge from this pandemic in a relative position of strength over the coming months. In particular, we are calling on Government to undertake the following actions:

- Offer continued and tailored support for the live events, travel and aviation industry
- Increase access to credit for a greater number of businesses and ease the debt burden that many firms are currently facing
- Encourage greater business investment in the areas of training, technology and sustainability
- Use the fundamental review of Business Rates to drive greater transparency and reduce business expense
- Make additional grant funding available for those businesses and individuals that have fallen through the cracks of Government support
- Take steps to alleviate the crippling cost pressures a number of businesses are still facing as a result of Covid-19
- Address the practical issues that businesses are facing in attempting to comply with self isolation guidelines and workplace compliance
- Set out a robust blueprint for minimising the risk of future lockdowns

The GBCC Q2 Quarterly Business Report ran from 17th May to 7th June 2021. Underpinning the report is data gathered on key indicators such as sales, exports, investment intentions and the workforce. As part of our work on Covid-19, we asked the following question:

The GBCC are looking to understand how businesses are being impacted by the Coronavirus. Please describe your businesses experience.

Here are a selection of responses:

“We were able to keep all our employees during furlough but as organisations haven't returned to face-to-face meetings we will be looking at redundancies in the next 3 months. Currently we have used more than £100,000 of our reserves supporting the business.”

SME Hotel with less than 20 members of staff

“Hospitality has been badly hit and we need to increase turnover to aid our recovery. Customers are less constant with higher turnover in first two weeks of return to operations but that has tailed off in the past two weeks.

“Staff are less committed to the industry and despite maintaining all staff throughout lockdown we lost one employee after 3 weeks back with reasons cited as less inclination to work long hours.

“VAT was not reduced for drinks and as a bar this has been a challenge, rent had to be paid throughout and we are stretched to recover. In effect grants maintained landlords, furlough maintained staff but business owners were left out completely.”

Hospitality businesses with less than 20 members of staff

“We have seen a major impact on domestic retail sales. In turn, this has created significant difficulties and increased our costs in order to maintain a Covid safe working environment.”

Manufacturer with 250 staff members

(i) Offer continued and tailored support for the live events, travel and aviation industry

What has been the Government's response since April?

The Government led Events Research Programme consisted of a series of pilot events which took place in April and May in order to inform the decision making process in relation to removing social distancing measures from Stage 4 of the roadmap to unlock the economy. The pilot events were run across an array of venue and activity types – examples included The FA Cup Final at Wembley Stadium and the BRIT Awards in London. In addition, the Government published its initial findings from the research on 1st July - Phase II and Phase III of the Programme are planned to run later in the summer.

On July 11th, the Health Secretary declared that businesses such as nightclubs and large events will be encouraged to use Covid-certification in high risk settings beyond July 19th. The Transport Secretary also announced the guidance that had previously been in place in regards to amber countries would be removed from 19th July. Adults fully vaccinated in the UK will no longer have to quarantine for 10 days after returning from amber-list countries and under 18's won't need to quarantine.

From July 19th, face coverings are no longer required by law – however it is recommended that individuals should continue to wear face coverings (unless exempt) in crowded public settings such as public transport. At the 2021 Budget, the Chancellor announced that the Job Retention Scheme, which has benefitted thousands of businesses across a range of sectors (including live events and aviation), had been extended until 30th September. The Chancellor reaffirmed that employees will remain entitled to 80% (capped at £2,500) of their normal monthly earnings. Between 1st -31st July 2021, employers will need to pay 10%, with the Government paying 70%. From 1st August to 30th September, employers will be required to pay 20%, with the government paying 60%. In addition, employers are still expected to pay employer National Insurance Contributions and pension contributions on furlough payments.

What are the immediate actions we need to see?

- The introduction of a live events sector-specific Government backed insurance scheme to give the sector (along with customers and suppliers) the confidence to plan effectively – especially if the Government decides to enforce further national lockdowns
- Ensure the Government effectively engages with the business community in relation to the findings of the Events Research Programme in order to support a safe return to live major events
- Urgent clarification from the Health Secretary on what is defined as a "high risk" setting for those business owners running night clubs and facilitating large events
- Provide businesses with the digital technology they require to process Covid-19 certification – at the time of writing, there are no tools in place to scan for vaccination status
- Consistent messaging from Cabinet members around the usage of face coverings especially as different interpretations will be enacted in different parts of the country
- In order to further support those in the travel industry, we would urge the Government to review the cost of testing for international travellers and consistently review the number of countries on the Government's Green Travel list
- Ensure that independent travel agents are classified as part of the Hospitality or Leisure Sector in order to ensure those firms are able to access the specific financial support which has been made available for businesses in those sectors
- Call on the Treasury to review the additional reduction of its contribution to the Furlough Scheme from 1st August if businesses are still suffering from crippling cash pressures

Sector Specific Interventions – The statistics

- As of 31st April 2021, official Government statistics revealed that a total of 11.5 million jobs have been supported by the Job Retention Scheme since the start of the programme
- The industry groups with the highest employment take- up rates of the Scheme (as of April 2021) were beverage serving activities (70%), hotels & similar accommodation (65%) and passenger air transport (55%) – (Gov.UK)
- In May 2021 Birmingham Airport averaged 1,600 passengers per day vs 37,600 passengers per day in May 2019
- According to research published by the Meetings Event Association, 26% of venues surveyed are yet to have held an event since reopening on 17th May 2021. Current business levels reflect 15.8% of standard booking numbers for a similar period pre pandemic

(ii) Increase access to credit for a greater number of businesses and ease the debt burden that many firms are currently facing

What has been the Government's response since April?

The Chancellor used the 2021 Budget to release details of the Recovery Loan Scheme which would go live at the start of April once the Bounce Back Loans Scheme (BBLs) and Coronavirus Business Interruption Scheme (CBILs) closed at the end of March. Under the current scheme, firms would be able to access loans and other types of finance up to £10m until the end of 2021. The loan repayment period will be up to 6 years and businesses will need to meet interest payments from the start. Minimum facility sizes vary, starting at £1,000 for asset and invoice finance, and £25,001 for term loans and overdrafts. The scheme is also open to firms who have taken out a loan under BBLs and CBILs.

Take up of the Recovery Loan Scheme has been fairly low especially in comparison to the previous scheme. City analysts have cited a range of factors behind this development, such as the most stringent lending criteria, a lack of a business interruption payment and higher interest rate charges (capped at 14.99%).

What are the immediate actions we need to see?

- In order to widen the access to credit, we would urge the Government to make the following changes in order to increase the uptake of the Loan Recovery Scheme:
  - Expand the number of accredited lenders that can offer the scheme to businesses (currently there are 46, whereas over 100 lenders offered the CBILs scheme)
  - Remove any excess bureaucracy from the application process and consider reducing the minimum loan threshold of £25,001 – especially as national restrictions ease and businesses might need additional credit to help them reopen
- In order to help businesses pay back their debt over time without facing the prospect of administration, we support the British Chambers of Commerce in calling for the following actions:
  - Require lenders to accept requests from CBILs customers for the term of their loans to be extended from six to up to 10 years (to match the repayment terms on offer for BBLs customers) for those businesses that can afford the longer repayment terms

- Explore innovative options which allow firms to pay back debt which they have accumulated during the crisis once they have reached an appropriate level of profitability

Access to Finance – The statistics

- Research from the Bank of England reveals that SME indebtedness has increased by approximately 25% since the end of 2019 as firms used Government emergency loans which could lead to a rise in company administrations once the various support schemes end
- In July, the Government published new statistics that showed firms across the UK have benefitted from 1,670,939 government- guaranteed loans worth £79.3bn. The North West reports the largest usage of CBILs and BBLS (11%) outside London and the South East (34%), ahead of the East of England (10%)
- 124,011 BBLs and 8,413 CBILs were offered to businesses in the West Midlands by 31st March 2021 (British Business Bank)
- A survey published by the British Business Bank also noted that demand from businesses in the West Midlands would likely be highest for additional debt finance (92%) over the next 12-18 months

(iii) Encourage greater business investment in the areas of training, technology and sustainability

What has been the Government's response since April?

The Government introduced the Super Deduction Scheme on 1st April. The Scheme which is scheduled to run for two years and aims to make capital allowances more generous in order to boost business investment. Furthermore, the Scheme offers a new 130% first-year capital allowance for qualifying plant and machinery assets along with a 50% first-year allowance for qualifying special rate assets – essentially spending money on plant and machinery and equipment could help reduce a firm's corporation tax bills.

The length of the Scheme is important (it is due to close in April 2023) as the Chancellor announced that in April 2023, companies with profits of £50,000 or less would carry on paying Corporation Tax at 19%, however a taper system will be put in place for businesses earning above the £50,000 threshold, with firms earning more than £250,000 or above will be expected to pay 25%.

What are the immediate actions we need to see?

- Expand the parameters of the Super Deduction Scheme to allow more firms to benefit from the scheme. Including investments in training, digital equipment and those businesses implementing changes to in order to reduce carbon emissions would help to boost overall investment levels
- Ensure that larger businesses that are due to pay the 25% Corporation Tax still stand to benefit from the Super Deduction Scheme in the long term – especially for those businesses buying large assets that do not depreciate at a fast pace (the Scheme does not allow pooling once assets are disposed)
- Explore the possibility of extending the Super Deduction Scheme beyond the initial two year period in order to stimulate further business investment

Investment Incentives – The Statistics

- The Q2 GBCC Quarterly Business Report revealed that 25% of businesses in Greater Birmingham had increased their capital expenditure spend in the current quarter – the highest percentage on file since the start of 2020
- According to data released by HM Treasury, the introduction of the Super Deduction Scheme has lifted the net present value of the UK's plant and machinery allowances from 30th place in the OECD to first

(iv) Use the Fundamental Review of Business Rates to drive greater transparency and reduce business expense

What has been the Government's response since April?

In the March Budget, the Government extended 100% business rate relief for eligible retail, hospitality and leisure firms in England until 30th June 2021. From 1st July, the rate relief for businesses in the sectors listed above dropped to a figure of 66% which is due to last until 31st March 2022. On 29th June, the Government also announced plans to launch a consultation on the frequency of future revaluations – the consultation was announced as part of the Fundamental Review of Businesses Rates which will conclude in Autumn. The Government announced plans back in March in relation to a Discretionary Relief Fund however the scheme has not progressed since the initial announcement

What are the immediate actions we need to see?

- Urgently bring forward the introduction of the Business Rates Discretionary Relief Fund by accelerating the legislative process (currently at the second reading stage in the House of Commons)
- Explore the possibility of extending rate relief for businesses in the retail, hospitality and leisure sector for an additional three months beyond the end of March 2022 if businesses are still suffering from severe financial hardships
- Use the Fundamental Review of Business Rates to ensure the value of the multiplier reflects the current market conditions that businesses are trading in along with increasing the frequency of valuations to create a more fair and equitable system

Business Rates– The Statistics

- According to official Government Statistics, 350,000 properties have paid no business rates for 15 months due to the rate relief introduced between March 2020 and July 2021 (Gov UK)
- 90% of businesses in England are expected to benefit from a 66% reduction in business rate bills until March 2022

(v) Make additional grant funding available for those businesses and individuals that have fallen through the cracks of Government support

What has been the Government's response since April?

The Government is introducing its fifth and final Self Employed Income Support Scheme - it is due to open for applications in late July. The latest tranche will cover the period from 1st May to September 30th. The Government will pay self-employed individuals a taxable grant which will be determined by the amount to which a firm's turnover has been reduced during the 20/21 financial year. Businesses with a turnover reduction of 30% or more will receive a grant worth 80% of three months average trading profits (up to £7,500). Those businesses with a turnover reduction of less than 30% will receive 30% of three months average trading profits.

In April, applications opened for Restart Grants – a one off payment made to certain businesses as restrictions began to ease across England. The Restart Grant closed for new applications on 30th June and businesses were due to receive the grant by 31st July. However, it was subsequently revealed that non-rate payers would not be able to access the Restart Grant.

What are the immediate actions we need to see?

- Ensure that directors of limited companies, significantly impacted supply chain companies and charities, and those without commercial premises are meaningfully supported through COVID-19 grants and policy
- In particular, it's vital the Government consider offering a top up to the Additional Resources Grant Scheme to support those non rate payers that missed out on accessing the Restart Grant
- Remove any additional requirements added by BEIS which have unnecessarily slowing down the payments of grants to those businesses that need immediate support

Support for the Excluded – The statistics:

- As of 30th May, Birmingham City Council had paid out 4893 Restart Grants to the value of £34.7m. At the same time, Solihull Council had paid out 642 Restart Grants to the value of £5.3m
- As of 9th May, £24.5bn has been paid in SEISS Grants in total – across the four schemes, 2.8m individuals received a grant and 8.8 million total grants have been claimed (Gov.UK)

(vi) Take steps to alleviate the crippling cost pressures a number of businesses are still facing as a result of Covid-19

What been the Government's response since April?

In the March Budget, the Chancellor revealed that HM Treasury would extend the temporary 5% reduced rate of VAT up until 30th September 2021. In order to help businesses manage the transition back to the standard rate, a 12.5% rate would then apply for an additional six months (until 31st March 2022). The reduction in VAT also applies to food and non-alcoholic drink sales.

On 26th June 2021, the Communities Secretary announced that the existing measures in place to protect commercial tenants from eviction will be extended to 25th March 2022. The action was taken to help those firms which have been unable to open due to national restrictions have enough time to reach an agreement with their landlords without the impending threat of eviction. In July, Robert Jenrick also announced that the pavement licensing scheme which was introduced in the Business and Planning Act 2020 had been extended for another year to help those hospitality firms that have been impacted by indoor social distancing restrictions.

What are the immediate actions we need to see?

- Consider extending the current VAT rate of 5% beyond the 30th September to help those businesses that are still struggling with large overheads and a reduction in income
- Work with tenants and landlords to develop a scheme which protects businesses from the impact of rent arrears demands. In essence, a solution is required which is mutually beneficial for both tenants and landlords. Potential solutions could include introducing tax credits or partial rent grants to support landlords that are offering to waive rent or a reduction to those firms in genuine financial distress.
- Work with local authorities to keep the pavement licensing scheme in place indefinitely to help the long term recovery and growth of the hospitality sector

Enhanced Support for impacted businesses – The Statistics:

- Since the start of the pandemic in March 2020, investors and property owners have seen a shortfall in the rent collected from commercial occupiers to the value of £6.4 billion (Remit Consulting)

(vii) Address the practical issues that businesses are facing in attempting to comply with self isolation guidelines and workplace compliance

What has been the Government's response since April?

In line with Stage 4 of reopening, the Government announced that from July 19th, the 1 metre plus rule has been removed (except in hospitals or before passport control when arriving in England). At the end of June, it was announced that businesses could no longer register to order free rapid lateral flow tests for employees (the scheme would close for existing participants on 19th July). Instead businesses would be encouraged to buy their own tests and set up their own workplace testing, or pay an approved provider to provide tests or run a test site on the firm's behalf. If businesses cannot set up testing, employees would be encouraged to check if they can get a lateral flow test at home or at a test site.

On 14th July, the Government updated workplace Covid-19 guidelines for businesses working in six sectoral sections (previously it had been four). The Government also recommended a gradual return to the workplace over the summer. From August 16th, double vaccinated adults may not be required to self isolate if they come into contact with someone who test positive – however, it will remain a legal requirement to self isolate if an individual tests positive for Covid-19.

What are the immediate actions we need to see?

- In order to comply with the workplace Covid-19 guidelines that the Government set out in mid July, businesses need to continue with regular testing of staff. Therefore, it is essential that free testing for businesses is made available once again – especially in areas such as Birmingham which have been designated areas of 'enhanced support'
- Immediately remove restrictions which require double vaccinated adults to self isolate if they come into contact with someone that has tested positive
- Explore the possibility of daily testing of vaccinated contacts identified by NHS Test and Trace to ensure that only Covid positive individuals are forced to remain in quarantine. This will help to reduce the number of individuals that have been 'pinged' by the NHS Test and Trace system and asked to self isolate, which in turn, is having a knock on impact on staff shortages across the country. We have also received anecdotal evidence of customers suffering from 'ping anxiety' which is stopping them from venturing out and making use of local services in case they receive a notification to self isolate in due course.
- The Government should consider introducing a scheme which is designed to protect small businesses that are forced to close due to staff self-isolation – essentially offering financial support to businesses over the 10 day period the staff members are off work

Full clarity on the roadmap and employer obligations – The statistics

- 530,126 alerts telling people to self-isolate were sent in the week to 7 July, a 46% rise on the previous week

(viii) Set out a robust blueprint for minimising the risk of future lockdowns

What has been the Government's response since April?

In June, the Prime Minister announced that Stage 4 of the roadmap would be postponed for an additional four weeks and went ahead on 19th July. The four week pause allowed an additional seven million vaccination doses to be administered. Every adult was expected to be offered a first dose and two-thirds of adults a second dose by 19th July. On July 12th, the Government published guidance for individuals, businesses and for those who are clinically extremely vulnerable on the manner in which they can minimise the spread of Covid-19.

The Government also announced a five point plan which would focus on managing the risks of living with the virus which included:

- Ramping up vaccine take up across the country
- Enabling the public to make informed decisions through guidance rather than laws
- Retaining proportionate test, trace and isolation plans
- Managing risk at the border and support a global response
- Retain contingency measures in order to respond to unexpected events

It was also announced that the Government will undertake a review in September to assess the country's preparedness for autumn and the latter part of the year. The review is expected to explore the need for continuing with specific business guidance as we approach winter.

What are the immediate actions we need to see?

The importance of the 5 Business Tests set by the British Chambers of Commerce is just as relevant now as it was back in April and we would urge the Government to continue to follow these tests and ensure existing measures reflect the latest evidence. The tests are:

1. EVIDENCE: Are the restrictions evidence-based and targeted effectively?

2. CLARITY: Are the restrictions clear and do businesses have time to prepare?

3. SUPPORT: Is support for businesses commensurate with the impact on them?

4. TESTING: How will the time be used to fix the Test, Trace and Isolate system?

5. EXIT STRATEGY: Is there a clear process for increasing and decreasing restrictions?

Beyond the Roadmap – The statistics:

- As of 15th July, more than 46 million people in the UK have received at least one dose of the Covid-19 vaccine

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For more information contact:

Raj Kandola
Head of Policy
Greater Birmingham Chambers of Commerce
R.Kandola@Birmingham-Chamber.com

Covid-19 Business Support: The urgent actions required to deliver immediate results is the latest in series of GBCC publications on the impact of COVID-19 on the local businesses community & recommendations for stakeholders to address this. Previous publications include:

- Keep Business Moving II (April 2021, click here)
- #BackOurBusinesses (January 2021, click here)
- *Keep Business Moving: A GBCC Action Plan* (November 2020, click here)
- *Unprecedented Times* (July 2020, click here)

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About the Greater Birmingham Chambers of Commerce

We have been in business, for business since 1813. Today's GBCC exists to connect, support and grow local businesses. We offer an array of services and initiatives to businesses across six geographical regions and four themed divisions. From our wide range of events, international trade services, policy and marketing campaigns, to networking opportunities and media exposure, the Chamber has something for business of all sizes and from all sectors.

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