

## Written evidence submitted by the Federation of Small Businesses

### FSB Written Evidence: Impact of Covid-19 on DCMS Sectors

The Federation of Small Businesses thinks it is vital for this Committee to consider the huge amount small businesses, and indeed the self-employed, contribute to the sectors involved; and how they have been disproportionately impacted by Covid-19. Key issues including current social distancing restrictions, continued provision and possible extension of grant support; and mitigating flare ups of poor payment practices, should be brought to the top of the Committee's agenda.

Looking at recent survey data FSB conducted, we can reveal some unsurprisingly concerning statistics on balance sheets being badly hit. Of businesses and self-employed surveyed:

- 90% in the accommodation, hotels and food services have reported a very negative impact on cash flow. The same figure applied to those who fall within food and beverage sub-sectors.
- 89% of those surveyed in Arts, Entertainment and Communication have also reported a very negative impact.
- The figure falls to 52% for those working in Information and Communication, similar findings for firms in publishing, recording and broadcasting as well as advertising and market research. The lower figure likely accounts for ability for these sectors to deploy working from home policies, although of course some firms in these sectors are still significantly affected.

Social distancing requirements, and the performance of systems such as track and trace, clearly have a major impact on the viability of the sector. We are keen to make sure the Committee has the information needed on the impact the 2m rule could have. In a recent FSB survey, of those small businesses which have closed and remained closed during lockdown, up to 20% do not believe they can reopen in a way that is compliant with current advice on working safely including social distancing.

This is especially true of pubs, restaurants and hotels, where – especially in a small business – it is simply not viable to service the number of customers required for those jobs, or the business, to be financially viable. 1m, say, as opposed to 2m, will be the difference for some of our members in being able to operate at 70 per cent capacity, instead of 40. For many of them, that might well be the difference between staying in business or not. Small businesses tend, on the whole, to have small premises, and there are many small shops additionally where small businesses cannot open.

For example, the Phoenix Arts Club in Soho is a theatre bar that caters for those working in, or enjoying, West End theatre. Normal capacity is over 100 people. After investing in a refurbishment at the end of 2019, they opened after installing the UK's only full theatre curtain outside of a theatre, only to be shut down by COVID19. The small business owner has spent hours remodelling their

space applying the 2-metre rule, which allows for 16 people to be in the venue. This is not viable for a show. Changing this to 1 metre (while also keeping 2 metres in sensitive areas such as around the bar, and en route to the club toilets) would increase the capacity to 40. Suddenly, this becomes viable, and the first step to a fuller opening later in the year.

We are concerned that for some businesses, such as hotels and pubs, costs for updates to premises could run to £10,000, or even £20,000 or £25,000. This is a significant cost at a time when cash flow has been severely affected.

It would be helpful to our members if the inquiry looked closely into the scourge of late payment rattling through the supply chains during Covid-19. It will have been particularly rife for firms who sit beneath the DCMS purview. For example, we receive reports that smaller suppliers are being told they will not receive payment for work already having taken place. Particularly for firms or contractors in the creative arts, hospitality and restaurant sector, this is incredibly perilous.

There is also the key issue, alongside other important tax exemptions such as VAT, of business rates and grants. Grants for those who receive small business rates relief, should also be extended to other firms in the hospitality and tourism sector. There is also the case of firms who are not able to claim any rates relief as their unit apparently has a rateable value of £16,000 and the cut off is £15,000. Extension of rate relief or grant support to these businesses, who may well, because of their sectorial position, be the last to open up fully and safely, is essential.

Even with grants, many small businesses currently face tens of thousands of pounds in costs per month just to keep the doors closed. Many will have had significant hits to their balance sheets that, unless restored, will limit investment in future years even if those businesses survive. The spectre of slow investment in a balance sheet recession is one which we should avoid.

Many small businesses are involved in the events sector, ranging from such diverse businesses as those involved in lighting at large music venues, to those who service corporate events. All have been majorly effected by curtailments of mass gatherings, and we are concerned that not enough focus has been given to these businesses, and what the future might hold, to date.

Finally, but incredibly importantly, we are concerned about those who supply to these effected sectors. From those who manufacturer products for pubs and hotels, to self-employed workers servicing the hotel industry through businesses running tennis coaching and murder mystery tours, the amount of people effected by the sector specific nature of some of the economic activity is very large, and these supply chains are in danger of being missed up on some methods of isolating sectors. Investigating how sector dependent suppliers – which can be difficult to isolate – as often this could depend on the individual history of the company, could be an important focus for the inquiry. Revenue is one measurement by which these companies could be isolated. A manufacturing firm that can show it mostly supplies to hotels and has had a significant revenue hit, could and should be served by sector specific help.

This is an important, wide-ranging inquiry. We have used this written submission to highlight some top-line issues which we feel need to be urgently scrutinised and addressed, to ensure we prevent excess, widespread collapse of businesses or loss of self-employed work, in this area.

We would be delighted to follow this up with the opportunity to come to the Committee to discuss some of the more sector specific cases and what solutions can be found, to help aid the Committee's final report.