Greater Birmingham Chambers of Commerce

Unprecedented Times

How COVID-19 has impacted Greater Birmingham's businesses & what we can do about it

July 2020

Connect. Support. Grow.

Foreword:

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Chief Executive
Greater Birmingham Chambers of Commerce

"These are unprecedented times"; the phrase has become well worn in recent months to the point of cliché. Yet analysis of our data tells us this is an accurate description; businesses are truly facing a situation unlike any on record.

As one of the largest Chambers of Commerce in the country we are in business, for business. We have access to a significant amount of timely data on business sentiment, and this document is a detailed dive into what that data, and therefore our local businesses, are collectively telling us about the state of the regional economy. Over 850 organisations participated in our Q2 Quarterly Business Report Survey alone, making it by far the most in-depth, large scale record of the experience of the local business community at this time.

This document is not an exploration of economic theory but very much centred on the practical realities of the here and now and our recommendations reflect that approach. We are often called on to discuss "what business needs" or "what business is telling us"; this document is our best attempt to reflect, on aggregate, what we are hearing from our members and partners. We recognise that there may be perspectives and insights that we are yet to hear and we would encourage our members and partners to contact us to share their insights.

We also recognise that our data and this document represent a moment in time; a snapshot of the business community experience. This is a fast moving agenda and the mid to long term implications of the economic shock precipitated by COVID-19 are not yet understood. We will continue to listen to our members and collaborate with regional stakeholders, national partners and the wider Chamber of Commerce network to ensure our understanding and recommendations remain current and reflective of the new reality. We encourage stakeholders to join us in this collaborative approach, building on the strong foundations we have seen emerge from recent joint efforts to develop a shared plan for regional economic recovery.

In addition to our research and advocacy activity we continue to offer direct support to help keep business moving through these challenging times. The GBCC employs almost 100 members of staff and throughout this period we have worked hard to connect businesses to the latest support and information as well as continuing to provide a platform for them to grow their networks and find new customers locally and internationally.

We stand ready to play our part, not only to give a voice to local businesses, but to directly deliver support and engagement activity to help our regional economy, and communities, come back stronger than ever.

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.

Greater Birmingham Chambers of Commerce

1. Summary of Observations:

Our data & analysis tell us:

- **Business Conditions:** Local businesses are facing the most significant economic shock of recent decades with domestic demand, export demand, investment in training & capex and cash flow positions falling to record lows.
- **Early Impact:** While businesses are continuing to, on balance, experience the negative impact of COVID-19 and related lockdown measures, it is likely that businesses felt the sharpest negative impact of Coronavirus related measures in the early weeks of lockdown (end of March to mid-April).
- **Access to Finance:** A significant proportion of firms report having applied for, or planning to apply for, finance through the Coronavirus Business Interruption Loan Scheme or Bounce Back Loan Scheme and circa. a quarter of firms report pressure to increase prices arising from finance costs, indicating high levels of debt accruing within the business community.
- **Long Term Recovery:** Businesses do not expect to see a sharp recovery as lockdown measures ease with the majority predicting a fall in profitability and turnover over the next 12 months. Meanwhile, a number of significant Government support schemes and interventions are set to end over the coming months.
- **Employment:** While, on balance, firms are decreasing headcount, the Coronavirus Job Retention Scheme is likely to be playing a significant role in limiting workforce reduction and allowing businesses to adapt to reduced demand by decreasing hours worked without decreasing headcount to the extent they otherwise may have. As the furlough scheme tapers down, it is likely that further redundancies will be made.
- **Impacted Sectors:** While businesses of many sectors and industries are being negatively impacted, the tourism, leisure, cultural, hospitality, aspects of retail and manufacturing sector are notably negatively impacted.
- **COVID-Secure:** A significant proportion of businesses report being unable to fully restart operations while following Government guidance aimed at continuing to reduce the spread of COVID-19, suggesting that significant parts of the economy cannot fully recover while the pandemic & guidance persist.
- **Brexit:** The end of the Brexit transition period (31st December 2020) will result in the biggest change to the UK's political and trading relationships for a generation. Businesses are approaching this change with depleted resources, demand and workforces and increased levels of debt. A number of the sectors hardest hit by COVID-19 (notably retail & manufacturing) are also significantly exposed to the risks arising from a no-deal due to the international natures of their supply chains and workforce.
- **International Trade:** There are significant gaps in international trade support for UK businesses, namely for importers and small businesses seeking advice on exporting, demand for which will likely increase as the Brexit transition period ends and many businesses that have only traded within the single market are forced to adapt quickly to the realities of international trade.

The Lockdown Business Support Timeline

- 17th March: Retail, leisure & hospitality sector business rates relief introduced
- 23rd March: UK lockdown measures commence
- 23rd March: Coronavirus Business Interruption Loan Scheme opens
- 6th April: Coronavirus Small Business & Retail, Leisure & Hospitality Sector Grants distribution commences
- 20th April: Coronavirus Job Retention Scheme opens
- 4th May: Bounce Back Loans Scheme opens
- 11th May: UK Government's three phase plan for easing lockdown published
- 13th May: Self-employment Income Support Scheme opens
- 1st June: Coronavirus Discretionary Grants begin distribution
- 15th June: Non-essential retail reopens
- 4th July: Some Further businesses & venues able to reopen under COVID secure guidance

2. Recommendations:

Summary:

In this report we put forward a range of recommendations, based on engagement with regional partners, the British Chambers of Commerce and our Chamber Council (businesses elected to represent the GBCC's membership), under two headings:

1. Addressing the Immediate Gaps in Coronavirus Business Support & Government Policy:

- **Income Support:** Providing support for the core groups of people currently unable to access income based Government support schemes
- **Road Map to Restarting:** Delivering clarity and support to those sectors not yet able to unlock
- **Sector Packages:** Bringing forward sector specific support packages for the hardest hit industries
- **Grant Funding:** Delivering enhanced and new funds to prevent SMEs from taking on unsustainable levels of debt to cover Coronavirus related costs
- **Access to Finance:** Improving businesses' ability to access CBILS and BBLS
- **Communication & Engagement:** Improving Government communication with businesses

2. Stimulating Economic Recovery & Rebuilding Confidence:

- **Infrastructure Investment:** Boosting the economy through investment in, and support for, major regional infrastructure projects
- **Brexit:** Providing stability by negotiating a comprehensive Brexit deal with the EU and investing in preparing businesses for the changes to come
- **Employment:** Supporting employers in retaining and expanding their workforce
- **Skills:** Reducing the risk of entrenched unemployment & increasing productivity through investment in skills
- **Consumer Demand:** Stimulating consumer demand
- **Business Investment:** Stimulating business investment
- **Public Procurement:** Utilising major investment in infrastructure & broader public procurement to contract with local businesses & encourage innovation
- **Innovation and R&D:** Enabling enhanced investment in, commercialisation and application of R&D
- **Regulation & Taxation:** Simplifying and streamlining the taxation and regulatory burdens facing businesses to enable them to focus on survival and growth
- **Going Global:** Radically reform the way businesses are engaged with, and supported into initiating, international trade activity

Underpinning these individual interventions, we believe there is an opportunity for a strategic focus on improving business level productivity, delivering green growth and reducing inequality across the full scope of the post-COVID-19 policy agenda.

In addition, while this document sets out our calls to Government, we believe that on a regional level there are significant opportunities available to generate local economic growth through collaboration across the the public, private and third sectors. The region is already home to significant live and forthcoming investments such as HS2, the Birmingham 2022 Commonwealth Games, Coventry City of Culture, the Midlands Metropolitan Hospital and more. It is essential that the region derives the maximum value and benefit from each opportunity through a shared strategic vision and a clear focus on delivering the tangible interventions that generate real impact.

1. Addressing the Immediate Gaps in Coronavirus Business Support & Government Policy

Income Support: Support the core groups of people currently unable to access income based Government support schemes by following the recommendations of the Treasury Select Committee:

- Directors of limited companies: expand income protection support.
- Those newly in employment or newly self-employed: review CJRS & SEISS.
- Those self-employed with annual trading profits in excess of £50,000: remove the cap on profits while retaining the cap on monthly support.
- Freelancers and those on short-term contracts: extend the same level of support as self-employed & salaried employees, with a review to determine the best measures for mitigating against fraud.

Road Map to Restarting: Deliver clarity and reassurance to those sectors not yet able to unlock:

- Urgently bring forward clear guidance with specific timelines for when the remaining sectors of the economy (performances, events, conferencing, trade shows, international travel, mass gatherings, health & beauty) can expect to reopen to the public and the remaining sector specific guidance on trading safely through Coronavirus.
- Recognise that controlled events (such as expos and conferencing) are a far lower category of risk than other forms of mass gatherings and that many businesses that can reopen on the 4th July cannot do so profitably while COVID secure requirements and weakened consumer confidence are in place.
- Recognise the work that public transport providers have delivered on making travel COVID-19 secure and revise messaging on use of public transport accordingly.

Sector Packages: Bring forward sector specific support packages for the hardest hit industries, with a particular focus on retaining a high degree of access to Coronavirus Job Retention Scheme to prevent significant jobs losses, extending business rates holidays to all in the most impacted industries (including their supply chains) and introducing new grant or match funding:

- **A tourism, cultural, hospitality, leisure & supply chain package**: an evidence based review of international quarantine measures, introduction of enhanced tax reliefs (such as Theatre Production Tax), a review of the sectors ability to access appropriate insurance cover and escalate a reopening of the sector to venues that can demonstrate stringent safety standards, building on the industry leading work of the NEC Group on controlled events. A standalone package for airports & aviation should also be explored.
- **A retail & supply chain package**: limited to those aspects of retail that have been negatively impacted by COVID-19, focusing on retaining highstreets as attractive & safe destinations and adoption of ecommerce.
- **An automotive & supply chain package**: including significant support packages tailored for tier 1s and major suppliers and supply chain support for smaller businesses including for diversification outside of the core industry and adaption to production for electric vehicle technology.

Grant Funding: Prevent SMEs from taking on unsustainable levels of debt to cover Coronavirus related costs:

- Increase the funding envelope for the Coronavirus Discretionary Grant Scheme. The level of Discretionary Grant Funding made available to local authorities regionally was too low to be able to support all eligible businesses.
- Devolve significant funding to cities and regions for the creation of support packages that reflect the make-up of the local economy and enhanced needs tested grant support for local businesses unable to access the existing grant schemes.
- Bring forwards adaption grants to support SMEs experiencing cash flow issues while addressing the upfront costs of making their premises COVID-secure

Access to Finance: Improve businesses' ability to access CBILS and BBLS by:

- Reviewing the performance of the CBIL & BBL schemes to identify and address any emerging issues regarding businesses being unduly declined finance on account of their industry or experiencing unacceptably slow processing time.

- Improve consistency in delivery of CBILS by replicating the standardised approach to applications implemented on BBLS and introducing a standardised, and proportionate, interest rate charged on CBILs facilities after the initial 12 month interest-free period.
- Introduce a "mini future fund" for early stage start-ups for small finance requirements (below £125k) and a pre-investment bar reduced to £100k.
- Review the planned Autumn closing date for CBILS and BBLS to avoid a cliff edge for businesses should, as expected, economic conditions continue to be exceptionally challenging over the coming months.

Communication & Engagement: Improve Government communication with businesses by:

- Ensuring that detailed guidance is available to coincide with, or immediately follow, major announcements.
- Demonstrating an understanding of the complexities of reopening and industry and its supply chain and providing sufficient notice of dates for reopening to allow this.
- Ensuring materials on business support are available in multiple languages and that support is promoted and accessible to BAME led businesses.

2. Stimulating Economic Recovery & Rebuilding Confidence

Infrastructure Investment: Boost the economy through investment in and support for major infrastructure projects including:

- Renewed commitment to delivering all phases of HS2.
- A major house building programme, including significant investment in social housing.
- The creation of funds for investing in retrofitting properties to improve energy efficiency and support green growth, split between a housing fund and a commercial premises fund with the latter designed in consultation with businesses.
- Investment in core West Midlands projects including:
  - Birmingham Curzon HS2: Masterplan for Growth
  - The Birmingham International Connectivity Project
  - The Midlands Rail Hub
  - WM 5G Application Accelerator
  - Regional cycling & electric vehicle charging infrastructure
  - An electric vehicle battery "Gigafactory" as proposed by the WMCA
  - Core projects as set out by GBS LEP in their submission to the Local Infrastructure Stimulus Fund & West Midlands Combined Authority Recharge the West Midlands Investment Case to Government

Brexit: Negotiate a comprehensive Brexit deal with the EU and invest in preparing businesses for the changes to come including:

- Urgently bring forward new programmes to support businesses in preparing for Brexit, and accessing opportunities from new UK Trade deals, working with experienced place-based business facing partners, such as Chambers of Commerce, on delivery.
- Do not settle for a no deal Brexit – should a no deal Brexit become unavoidable, ensure that businesses are given the time and clear information to prepare. Businesses cannot face more potential cliff edge Brexit deadlines.
- Urgently publish and consult on the detail of the UK Shared Prosperity Fund and how EU funding for key business support programmes will be replaced – without leaving any time gaps in provision & clear commitment to maximum local autonomy, a strong business voice and a focus on economic growth.

Employment: Support employers in retaining and expanding their workforce through:

- Increasing the Employment Allowance for SMEs from £4,000 to £20,000 for an initial 18 month period
- Increasing the threshold for National Insurance contributions from £8,788 to £12,500

- Reviewing the next scheduled increase in the National Minimum and National Living wages, or considering offsetting any increase with mechanisms such as National Insurance holidays, so that the SMEs employing the majority of the UK workforce are not challenged by increased staff costs at this time.

Skills: Reduce the risk of entrenched unemployment & increase productivity through investment in skills by:

- Funding access to bite-size, rapid training courses that help people to upskill and reskill quickly for job opportunities in the changing workplace and help businesses with highly skilled people pivot to engage in new products and services, working with industry experts and business facing organisations such as Chambers of Commerce.
- Incentivising greater update of 16-24 year old apprentices in non-levy paying SMEs by:
    - Covering the full cost of the off-the-job training for 18-24-year olds entering the workplace (eliminating the 5% employer contribution).
    - Enabling employers to frontload of off–the-job training to give firms more time to recover and ensure young people have greater knowledge and awareness when entering the workplace
    - Providing a wage subsidy for 16-24-year olds to help SMEs meet the costs of employing apprentices over the next two years
- Introducing financial incentives for placing existing staff on an apprenticeship in order to progress in the business (where proof of subsequent progression is provided).
- Devolving unspent apprenticeship levy funds to a regional level for the creation of locally tailored youth employment & skills programmes.
- Providing additional funding for the creation or enhancement of existing schemes aimed at preparing the workforce for jobs of the future with a particular focus on green growth and regional industry strengths.
- Supporting an expansion of the WMCA's Apprenticeship Levy Transfer programme, enabling more firms to take on apprentices supporting investment in skills and the creation of new job opportunities in target industries.
- Removing the requirement on local authorities to pay the Apprenticeship Levy and instead require them to ring-fence the equivalent amount for investment in apprenticeship & skills programmes for local businesses.
- Allocating grant or matched funding for the development of leadership and people management skills to build organisational capability to adapt to new challenges & invest in delivering programmes of activity with place-based, business facing organisations such as Chambers of Commerce.
- Adopting the recommendations of the Colleges West Midlands Prospectus for Capital Investment in Further Education Colleges in the West Midlands to enable delivery of world class training and education

Consumer Demand: Stimulate consumer demand by:

- Introduce a temporary cut in VAT from 20% to 17% for six months to stimulate consumer spending.
- Introducing a Government backed UK 'restart voucher' scheme, seeing each household receive a digital voucher to the value of £100 to be spent on business to consumer commercial transactions for goods or services within a 3 month period.

Business Investment: Stimulate business investment by:

- Delivering a moratorium on all policy measures, including new regulations, that increase business costs for the life of this parliament.
- Extending the duration and scope of the £1m Annual Investment Allowance.
- Protecting tax schemes that incentivise investment such as SEIS and EIS.
- Reversing the 2017 reduction of the dividend allowance.

Public Procurement: Utilise major investment in infrastructure & broader public procurement (worth over £280bn a year nationally) to contract with local businesses & encourage innovation:

- Invest in a programme of SME business education and development around public procurement, working with local place-based, business facing organisations, such as Chambers of Commerce, on delivery.
- Build on the Government's *Open for* Business programme by re-imagining procurement criteria and processes to support SME bids, while retaining quality control such as:

    - Proactively seeking to break up certain larger contracts into smaller units to allow more SMEs to tender directly.
    - Utilise procurement criteria and close contract management to ensure large tier 1 suppliers are engaging local SMEs in their supply chains and providing support to SMEs (directly or via intermediaries) as part of social value objectives.
    - Engage all public funded institutions (including health and education as well as local and national government) in this process, including recommending a nationwide review of core processes that could present barriers to SME engagement such as: ensuring requested insurance levels are proportionate to the contract at hand and reviewing PQQs on a regular basis to ensure they are as short and focused as possible.
- Maximise the opportunities presented by HS2 and the Birmingham 2022 Commonwealth Games by investing in major programmes of business engagement and supplier development, working with local place-based, business facing organisations, such as Chambers of Commerce, on delivery. Build on the principals set out in the GBCC's Birmingham 2022 Commonwealth Games Business Legacy Manifesto: *A Game Changer for Businesses?*

Innovation and R&D: Enable enhanced investment in, commercialisation and application of, R&D through:

- Following recommendations put forward by NESTA including: A Government commitment to level up investment in R&D across UK nations and regions, substantial regional devolution of innovation funding and the creation of new science and technology institutions outside London, the South East and the East of England.
- The introduction of new grants and incentives to support manufacturers in investing in new, greener technology and machinery to support commercialisation of R&D and reduce their carbon footprint.
- Investing in introducing and upscaling programmes aimed at supporting businesses with investing in and applying recent technological developments in their businesses (from understanding the business case for doing so to accessing finance for implementation).

Regulation & Taxation: Simplify and streamline the taxation and regulatory burdens facing businesses to enable them to focus on survival and growth through:

- Urgently undertaking radical reform of the Business Rates system to make taxation fit for business in a digital age.
- Undertaking a comprehensive review of business taxation in the UK to be followed by a clear simplification and streamlining programme.
- Undertaking a rapid review of insurance provision in the UK to ensure that firms impacted by COVID-19 are still able to access adequate levels of insurance and intervene where required.

Going Global: Radically reform the way businesses are engaged with, and supported into initiating, international trade activity by working with existing delivery partners, such as Chambers of Commerce on:

- Incentivising investment in export through the introduction of a new export tax credit.
- Introducing support tailored for start-ups, micro and small businesses as part of a "Born Global" movement.
- Investing in a new market suitability and market research service to reduce the uncertainty of investing in a new export strategy.
- Delivering a long term investment plan for expanding the network of expert international trade advisors (ITAs), to be fully integrated with existing programmes and delivery. ITAs are the DIT experts on the ground providing the advice, support and connections that build business confidence in exporting and enable them to reach new markets and customers.

The Greater Birmingham Chambers of Commerce support the British Chambers of Commerce's proposed measures to Restart, Renew and Rebuild the economic, submitted to the Government ahead of the July 2020 Economic Statement.

3. Underlying Principles

3.1 Collaborate & Avoid Duplication

In a crisis all stakeholders are under extraordinary pressure to deliver answers, interventions and results in short timeframes. This can lead to institutions turning inwards, bringing forwards activity without involving and engaging organisations working in the space in question which in turn can lead to duplication and missed opportunities. Throughout this time the GBCC will work hard to collaborate and keep stakeholders and partner organisations informed of our upcoming activities and priorities. We would encourage local and national stakeholders to join us in this approach. It is through collaboration, knowledge sharing, coordination of resource and delivering in partnership that we can maximise our impact and set a positive course through the challenges and change ahead.

3.2 Understand the role & value of business membership organisations

Business membership organisations perform a critical role in society. They give a voice to the business community; providing early warning of emerging issues and up to date research and insight into business performance. They act as a testbed for stakeholders when consulted on new ideas and policies, reducing the likelihood of unintended negative consequences. They are a conduit to a critical mass of individual businesses, disseminating information, support, best practice and new ideas.

While the Government and local stakeholders often call on their input and support, business membership organisations are not formally public funded institutions. They are primarily funded through commercial revenue streams generated from the same businesses that have just faced this unprecedented economic shock. We urge the Government and local stakeholders to:

1. Respect and understand the position of business membership organisations and that any weakening of this sector will, in turn, weaken stakeholders' channels for accessing the business community.
2. Recognise the value they present as intermediaries and open opportunities for them to bid competitively for funding to be delivery partners in business facing activity, engagement, advertising and research aimed enabling and understanding business recovery.

4. Analysis: Understanding the Impact of Coronavirus (COVID-19) on Greater Birmingham Businesses

About Our Data

The GBCC Quarterly Business Report Survey

The Greater Birmingham Chambers of Commerce's Quarterly Business Report (QBR) Survey offers an up to date snapshot of the performance of the Greater Birmingham business community (Birmingham, Solihull, Sutton Coldfield, Lichfield & Tamworth, Cannock Chase and Burton-on-Trent). It is the most comprehensive regular survey of its kind in the city region. Digital data tracking the same set of core indicators is available from 1997. In Q2 2020 over 850 businesses from across Greater Birmingham completed the survey. Our analysis utilises percentage balance scores in order to present a single measure of overall business sentiment. A percentage balance score of above 50 is indicative of a positive sentiment or growth (the higher the score, the stronger the sentiment) a score of below 50 is indicative of negative sentiment or a contraction (the lower the score the stronger the sentiment). The survey is based on the British Chambers of Commerce Quarterly Economic Survey which is delivered simultaneously by all Chambers across the country and in Q2 2020 attracted over 7,500 responses to a core set of shared questions.

The British Chambers of Commerce COVID-19 Business Impacts Tracker (WM Results)

The British Chambers of Commerce COVID-19 Business Impacts Tracker serves as a barometer of business' response to the government's measures and changes to business' working practices. It also tracks how quickly new government interventions, introduced to deal with the real-world impact of this crisis, are getting to the businesses at the front line. It is delivered by Chambers of Commerce across the country and this report analyses responses from the West Midlands region.

Greater Birmingham Chambers of Commerce Export Documentation

The Greater Birmingham Chambers of Commerce offers comprehensive international trade support and services via the Greater Birmingham International Business Hub. As part of this, the GBCC offers a commercial export documentation service providing essential documentation for trade and temporary exports outside of the EU. Significant fluctuations in the overall volume of export documentation issued over a given period provide a valuable proxy for understanding changes in overall volumes of exports.

The Business Brexit Health Check

The Business Brexit Health Check was a free online tool for businesses developed by the Greater Birmingham Chambers of Commerce and delivered in partnership between the GBCC, West Midlands Combined Authority, Coventry & Warwickshire Chamber of Commerce & Black Country Chamber of Commerce between May and November 2019. Businesses utilising the tool completed a short set of simple questions about their operations and received a free, personalised report outlining the key areas of their business which may be exposed to change and recommended steps on how to prepare. This report analyses anonymised data provided by businesses using that tool.

Case Studies:

60 - 80% of our order book disappeared overnight. With huge disruption to service providers, we had to change the business almost overnight. We have had to let people go and furlough staff. Lots of work in Arts, Entertainment, Retail, automotive just stopped. Our business strategy has had to evolve and change. Our plans for aggressive growth and recruitment are totally on hold. It has driven a new focus on R&D and automation. A lot of clients will never recover fully, so our market is changed forever. **Mid-Sized Manufacturer**

95% of our clients pressed the 'Pause' button on projects toward the end of March 2020, only now almost 9 weeks later are we seeing clients looking to start working again, but I fear for their safety as they have suffered, which might have the knock on effect for us in 6-12 months time if they do not survive. **Micro Marketing Business**

After a total collapse of orders a slow climb has put us at 70% of turnover expected at this time of year. This appears to fluctuate considerably week by week. We have had to go onto a 4 day week and end all overtime. Internet sales are up 300% but this is a small part of our business and is not enough to compensate for lost wholesale business. Exports (85% of turnover) are down as the world waits for a return to work but we anticipate lower levels of demand. We are closely linked to the Sports Business which has closed down. **Mid Sized Manufacturer**

All of our income stopped suddenly and there was no help from the government as a company director. Borrowing money is no solution to the problem if you don't know how you will pay it back. **Small Professional Services Firm**

We have two main concerns: the first is lack of demand fuelled by a lack of confidence to travel. Even before lock-down measures were announced, confidence in our market was so low that bookings had come to a complete halt as people were nervous about contracting the virus when stepping outside their home. The second threat pertains to possible reduced capacity due to ensuring the highest COVID-19 secure standards. Even if we are somehow able to secure a reasonable number of bookings, we may not be able to open all of our apartments at any one time to ensure if we have to leave 72 hours between stays.

Meanwhile, most of our overheads, including a £433,000 a year rent bill, remain unchanged. All of this means we will struggle to get up to needing to, or being able to afford to, bring all of our staff back to working in the business. We feel our sector, which was the first to suffer, really can't get back to business as usual anytime soon, needs additional support over the next 12-18 months. This should be through the furlough scheme, an extension to business rates relief and a sector deal on rents. Discussions are taking place around the government covering 50% of costs, landlords 25% and tenants 25% which we fully support. **Small Serviced Apartments Business**

As a new dance school business and sole trader I have lost all my income and with covid 19 restrictions likely to be in place indefinitely, even when I return to trading the small class sizes will mean I will be running at a loss right into 2021. The crisis has had a devastating impact on my business despite help from the SEISS. A loan is unrealistic as I cannot foresee a time when I will be earning enough money to pay off a loan. We need small grants (not loans) that allow small businesses to purchase covid 19 safe posters, floor markings, sanitizer etc. All costs that will cripple start-up, small scale businesses like mine. **Micro Consumer Services Business**

Revenue less than 50% of budget, with urgent restructuring required to survive and thrive in this new environment. **Large Manufacturer**

Context: Overview of the Regional Economy

Greater Birmingham encompasses the wider economic geography surrounding Birmingham – the second largest city in the UK. Based on the geography designated by the Greater Birmingham & Solihull Local Enterprise partnership, the Business, Financial and Professional Services (BFPS) sector accounts for around 20% of total employment across the Greater Birmingham and Solihull (GBS) LEP geography. The sector also provides nearly a third of economic output and is a key source of FDI. Advanced Manufacturing and Engineering is also a concentrated sector in the region, accounting for 13.5% of economic output with industry leading strengths in automotive, aerospace and associated supply chain activities. Jaguar Land Rover - a cornerstone of the automotive sector in the region – has reportedly been forced to seek government aid as a result of the ongoing pandemic.

The creative industries, which have substantial growth potential, as well as Life Sciences and Energy Technologies and Services, are also key assets of the region (*GBS LEP Annual Delivery Plan 2019*, accessed 19/06/20).

Across the GBS LEP, 8885 businesses are operating in the retail sector (10.1%), 5040 in the Accommodation and food services sector (5.7%), and 5450 are in the arts, entertainment, recreation and other services sector (6.2%) (source).

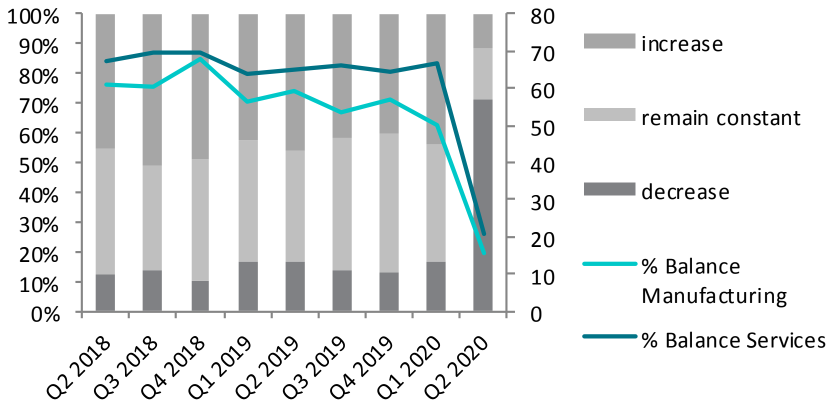
15.5% of total employee jobs in the GBS LEP area are in Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles, 5.8% are in Accommodation and Food Service Activities, and 1.8% are in arts, entertainment and recreation. Together these sectors employ c.216,000 individuals across the LEP geography (source).

Across the GBS LEP, 4890 enterprises are operating in the production sector (5.6%) (source). 9.8% of total employee jobs in the GBS LEP geography (91,000 jobs in the region) are in Manufacturing (source).

According to the national UK Innovation Survey (2017), innovation in the West Midlands is above the national average, coming fourth out of 9 English regions and ahead of all three of the devolved nations, with over half of our firms seen as ‘innovation active’ (*UK innovation survey 2017: Headline Findings*, accessed 19/06/20). Greater Birmingham’s local networks, universities, business parks and an array of other initiatives are supporting local innovation, which is particularly strong in the city-region’s digital, advanced manufacturing, energy, healthcare and creative sectors. However, there is an opportunity to boost adaptation and innovation in all sectors through better commercialization, more partnerships between universities and industry, and greater uptake of support such as R&D tax credits (*Birmingham Economic Review 2019: Chapter 1*, accessed 19/06/20).

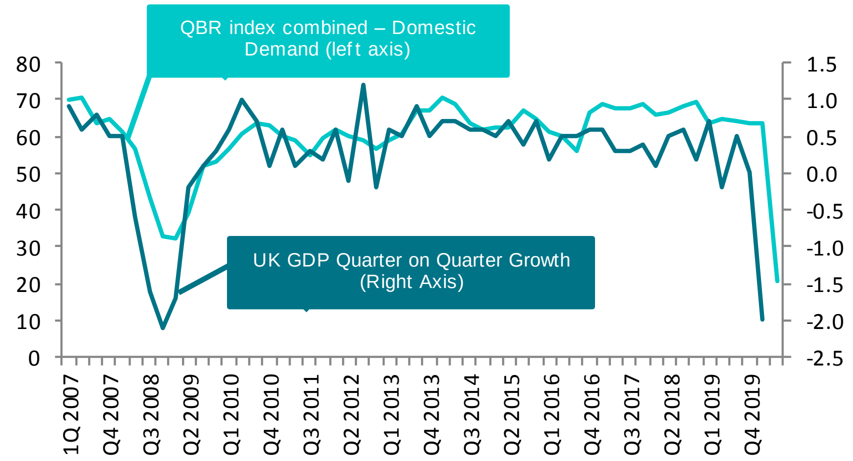
Domestic demand

GBCC Quarterly Business Report: Domestic Sales over the Previous 3 Months



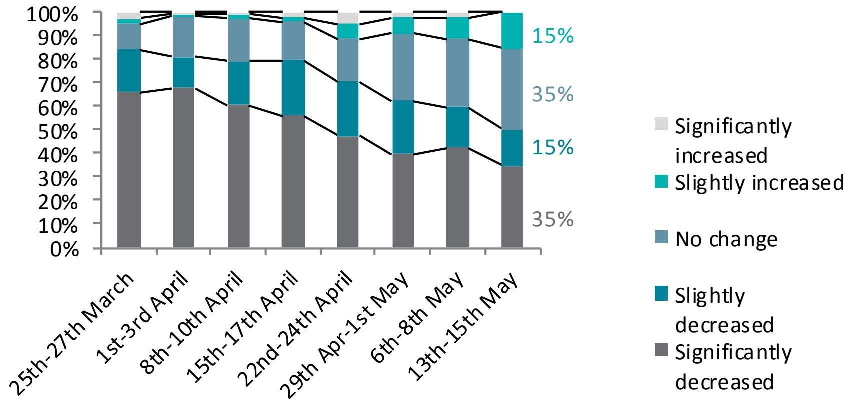
Businesses across Greater Birmingham saw a sharp fall in domestic demand between Q1 2020 and Q2 2020. 71% of firms reported a decrease in domestic sales compared to 17% in Q1 and the percentage balance score fell and unprecedented 43 points from 64 to 21. Manufacturers have been consistently recording weaker growth on balance in domestic sales throughout the past two years and this trend continues to be reflected in Q2 2020: 80% of manufacturers reported a decrease in domestic sales compared to 70% of services sector firms. The manufacturing sector percentage balance score fell to 16 from an already weak 50 in Q1 2020 whereas the services sector percentage balance score fell to 21 from a positive 67 in Q1 2020.

GBCC Quarterly Business Report: Domestic Sales over the Previous 3 Months vs UK GPD Growth



The percentage balance score on domestic sales for the total Greater Birmingham indicates that the highest proportion of firms have experienced a drop in domestic sales on record, significantly sharper than the fall seen during the 2008 economic crisis and subsequent recession. Between Q2 2008 and Q3 2008 the percentage balance score for both sectors combined fell 13 points to 44 and the percentage of firms reporting a decrease in domestic sales rose from 24% to 39%. The following quarter (Q4 2008), the index fell a further 11 points to 33 and the percentage of firms reporting a decrease in domestic sales rose to 50%.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Change in Revenue from UK Customers Compared to the Previous Week



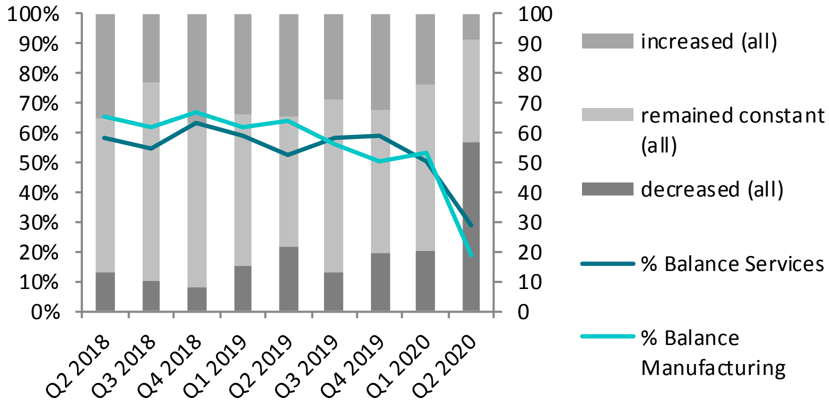
Taking a closer look at the 8 week period immediately after lockdown measures were introduced, it becomes apparent that the sharpest fall in domestic demand may have occurred early on in this period. The West Midlands region results of the BCC *COVID-19 Impact Tracker* indicate that, while week on week, on balance, firms are still seeing worsening conditions (the percentage of firms reporting a slight or significant decrease significantly outweighs those reporting an increase throughout), the overall proportion of firms reporting a decrease in sales fell from 66% reporting a significant decrease and 18% reporting a slight decrease in revenue from UK customers compared to the previous week during the 25th-27th March to 35% reporting a significant decrease and 15% reporting a slight decrease by the 13th-15th May.

Looking ahead to next quarter, responses to the *GBCC Quarterly Business Report* indicate ongoing significant reductions in domestic demand. 68% of businesses reported a decrease in their advance orders/bookings (73% for manufacturers, 63% for services firms) a key indicator of pipeline of activity for the quarter ahead.

Export Demand

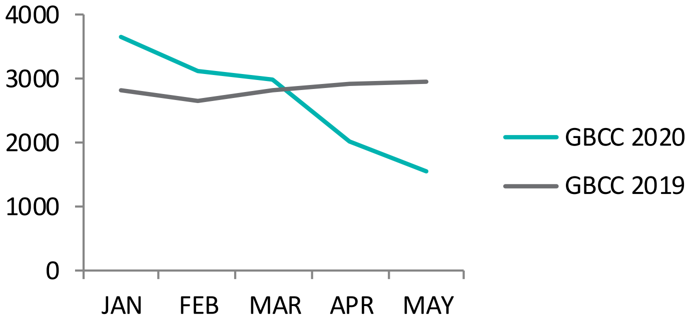
The impact of COVID-19 has been felt globally, not just in the UK, with many countries introducing and relaxing a variety of different lockdown related measures on a number of different timelines. In addition, the disruption to global travel caused by COVID-19 has led to the postponement and cancellation of a number of major international industry and trade shows, impacting some export focused firms' pipeline of international sales. As a result, local firms have been impacted by a fall in export demand as well as domestic demand.

GBCC Quarterly Business Report: Export Sales over the Previous 3 Months



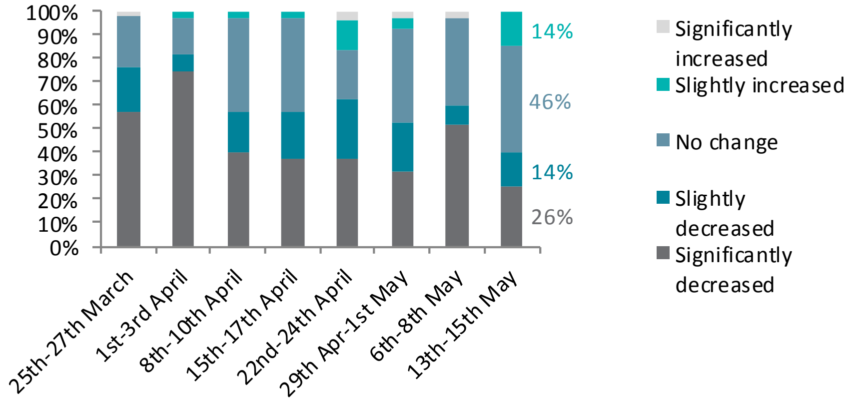
The GBCC's Quarterly Business Report survey for Q2 2020 returned the largest number of firms reporting a decrease in their export sales (57%) on record. A percentage balance score analysis indicates that the manufacturing sector has faced the most significant negative impact returning a market sentiment score of 19 compared to services sector score of 26. The percentage balance score for both sectors combined was 22, by way of comparison during Q4 2008 and Q1 2009 the score fell to 30.

GBCC Export Documentation Volumes (January to May 2020 vs. 2019)



Another effective proxy for roughly gauging overall volumes of exports is export documentation volumes. The GBCC, along with Chambers of Commerce across the country, provide export documentation services for companies exporting goods (for sale or for temporarily export such as for trade shows) outside of the EU. The majority of their customers are regionally based. The GBCC is responsible of issuing c.5% of all export documentation in the UK. Between January and March 2020, the total volume of export documentation processed by the GBCC was above the level delivered during the same months in 2019. April saw a 31% fall compared to the same month in 2019 and May saw a 48% fall. This was echoed at a national level where total export documentation issued across the Chamber network fell by 30% in April and 40% in May. This would indicate a significant fall in the volume of goods export related activity being undertaken by businesses both locally and nationally.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Change in Revenue from Overseas Customers Compared to the Previous Week

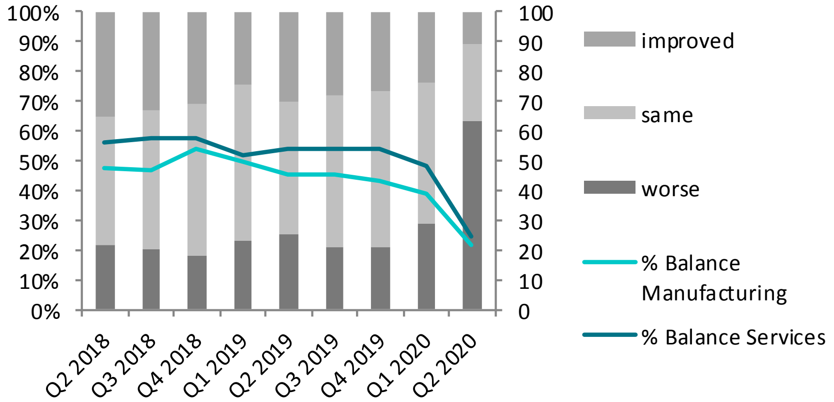


The West Midlands region results of the British Chambers of Commerce COVID-19 Impact Tracker provide a more detailed indication of impact on revenue from overseas customers over time during the height of lockdown measures. The highest percentage of respondents reporting a significant decrease was seen early on in lockdown in the 1st-3rd April sample (74%), followed by 25th-27th April (57%) and a more recent spike on the 6th-8th May (45%). It is noticeable that while there is potentially some indication of improvement (the final data set, 13th-15th May returned both the highest percentage of firms reporting a slight increase and lowest percentage of firms reporting a significant decrease in the sample) there is little indication of the overall volume of revenue recovering within these results, with the percentage of firms in the most recent sample (13th-15th May) reporting a slight increase from overseas customers compared to the previous week (14%) still significantly outweighed by those reporting a significant decrease (26%) or slight decrease (14%)

Looking ahead to the next quarter, export orders do not currently show signs of full recovery. 57% of respondents to the GBCC's Quarterly Business Report survey for Q2 2020 indicated that their export orders/advance bookings for the following quarter had decreased (67% among manufacturers and 53% among services sector firms).

Cash Flow

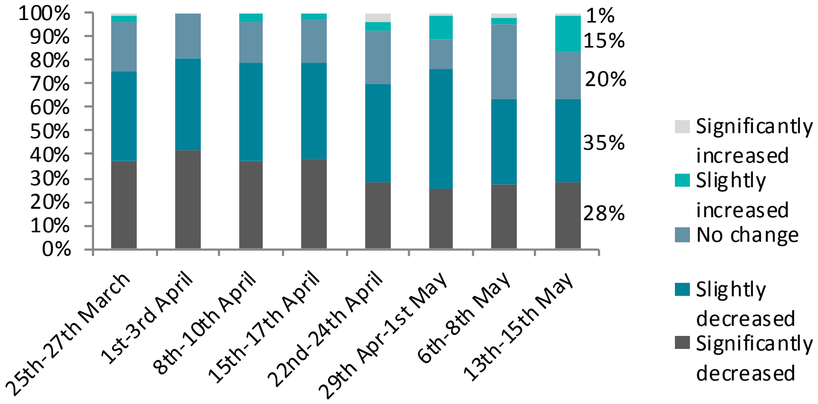
GBCC Quarterly Business Report: Cash Flow Position Compared to Three Months Ago



Given the substantial falls in both the domestic and export sales percentage balance scores for both sectors noted above, it is not unexpected that a significant proportion of firms reported a worsening cash flow position between Q1 2020 and Q2 2020. The overall percentage balance score fell to 24 (from 48 in Q1 2020) with 63% of firms reporting a worse cash flow position compared to the previous quarter. Again, this was the lowest score on record and again, manufacturers returned weaker scores than the services sector (a sector percentage balance score of 22 with 68% of manufacturers reporting a worse cash flow position compared to a services sector percentage balance score of 25 with 62% of services sector firms reporting a worse cash flow position).

It is notable that, while the intensity of the negative sentiment is significantly stronger this quarter, the balance score for both sectors combined indicates the Greater Birmingham business community was already experiencing a slightly weakening cash flow position in Q1 2020 as the percentage balance score for both sectors fell to 48. In addition, manufacturing sector firms have, on balance, been reporting a worsening cash flow position quarter on quarter since Q2 2019 after falling to 46 in Q2 2019. This indicates that there were existing issues impacting the sector that pre-date, but have been exacerbated, by the COVID-19 pandemic and associated lockdown measures (these include well documented issues such as significant falls in consumer demand for the automotive sector).

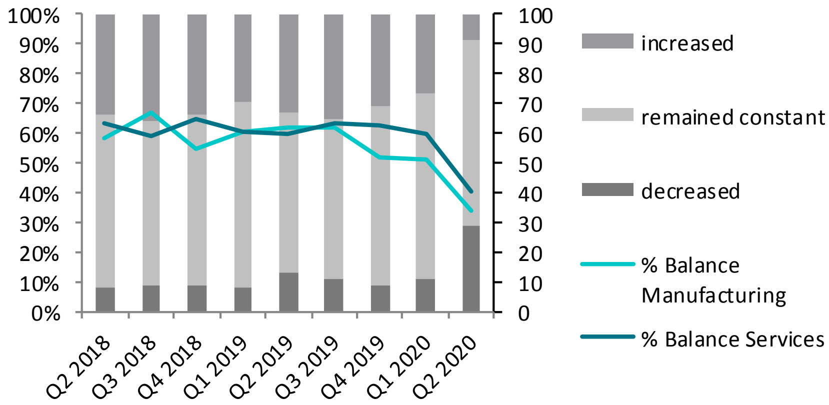
British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Cash Reserves Compared to the Previous Week



Looking again at a week by week view during the first two months of lockdown, the most intense periods of cash depletion appear to fall in early April 1st-3rd April and 8th-10th April). However on balance firms reported a declining cash flow position throughout the research period; with a significantly higher proportion of firms reporting a decrease in their cash reserves than an increase in each sample.

Workforce Changes & Investment in Training

GBCC Quarterly Business Report: Workforce Compared to Three Months Ago

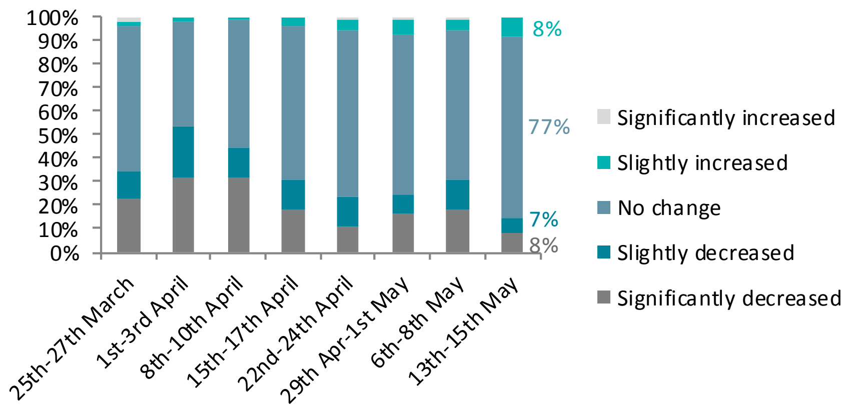


On balance, firms in Greater Birmingham experienced a decrease in the overall size of their workforces compared to three months ago. The overall workforce percentage balance fell to 41 for Q2 2020 with 29% of businesses reporting a decrease in the size of their workforce compared to the previous quarter (from 58 with 11% of firms reporting a decrease in Q1 2020). Among manufacturers the percentage balance score fell to 34, with 36% reporting a decrease in the size of their workforce. For services sector firms, the percentage balance score fell to 41 with 28% reporting a decrease.

The percentage balance score for workforce is lower than the scores seen during the peak of 2008 financial crisis (Q4 2008: 19% decrease, score 47 and Q1 2009: 21% decrease, score 47). However, it is worth noting that it has not seen a decrease in the same order to magnitude as the balance scores for other key indicators analysed in this report. This may indicate that policy interventions, in particular the Coronavirus Job Retention Scheme, have had an impact on staving off the level of job losses that might have been expected given the exceptionally challenging domestic and export demand and cash flow position conditions signalled earlier in this report.

22% of services sector firms had attempted to recruit over the previous three months compared to 49% in Q1 2020. For manufacturing sector firms, 21% attempted to recruit down from 56% in Q1 2020. Overall, 22% of businesses attempted to recruit, the lowest percentage this decade.

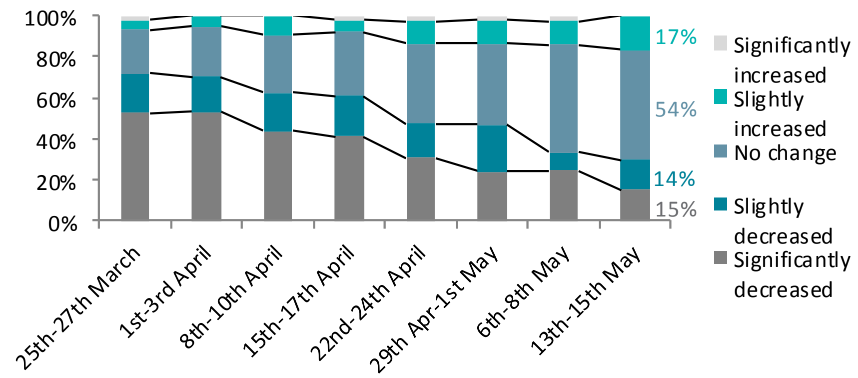
British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Size of Workforce Compared to the Previous Week



Looking week by week at the reported experience of firms in the West Midlands over the first 8 weeks of lockdown, it appears that the most significant job losses may have occurred between March and mid April (peaking with 1st-3rd April with 31% reported a significant decrease in the size of their workforce compared to the previous week, 22% reported a slight decrease and just 2% reported a slight increase). On balance, the proportion of firms reporting a decrease in the size of their workforce was still larger than the percentage reporting an increase by the end of surveying, the gap between the two had reduced significantly.

It is worth noting that, while it was announced in March, the Coronavirus Job Retention Scheme formally opened on the 20th April. Before this date, firms that had furloughed staff remained responsible for paying the obligatory 80% of staff wages (being able to make a backdated claim to up to the 1st March only after the scheme went live) during a period characterised by a significant reduction in demand and worsening cash flow positions. The formal opening of the scheme may have played a role in the notable fall in the proportion of firms reporting a decrease in their workforce during the week immediately preceding and following the launch.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Hours Worked by Staff to the Previous Week

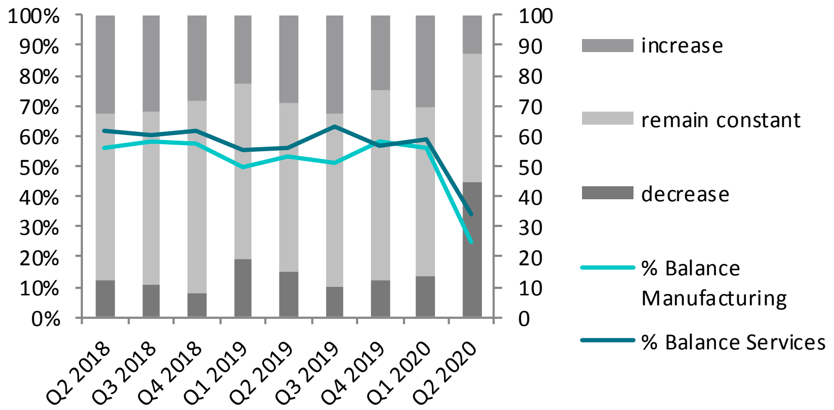


West Midlands region based firms reporting a decrease in hours worked peaked in the first two data samples: 25th-27th March (53% reporting a significant decrease and 19% reporting a slight decrease) and 1st-3rd April (53% reporting a significant decrease and 17% reporting a slight decrease) and declined in each successive week's data set. This again, may indicate that firms felt the sharpest impact of this crisis early in the lockdown period and reflects the significant falls seen in domestic and export demand over the same period.

The proportion of firms reporting significant decreases in the number of hours worked (compared to the previous week) was significantly higher than the proportion of firms reporting a significant decrease in the size of their workforce over the same period. Again, this may reflect the intervention of the Coronavirus Job Retention Scheme as firms have been able to furlough staff, reducing hours worked to reflect demand, without having to lose those individuals from their workforce headcount.

By the end of the data collection period, there are some indications that an increased proportion of firms are seeing a slight increase in hours worked (17%, compared to a low of 5% 1st-3rd April 2020) with the proportion of firms reporting a decrease on a downwards trend. However on balance, a slightly higher proportion of firms reported a decrease in hours worked compared to those reporting an increase in every week during the data collection period.

GBCC Quarterly Business Report: Change in Planned Investment in Training over the Past Three Months



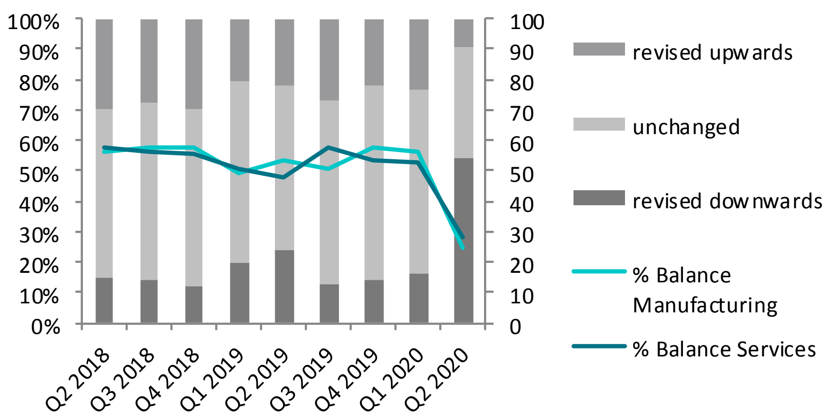
There was a significant rise in the proportion of firms reporting a decrease in their planned investment in training over the past three months. 45% of firms reported a decrease in their planned investment in training while 13% reported an increase, with an overall percentage balance score of 34 (compared to a percentage balance score of 59 and 14% reporting a decrease in Q1 2020). This is the lowest score on record with the nearest comparable fall occurring in Q3 2012 – where the percentage balance score fell 21 points to 40 and the percentage of firms reporting a decrease in their planned spending on training rose from 5% to 39% compared to the previous quarter. This coincided with widespread concerns that the UK had entered a double dip recession (which was, in time, found not to be the case) and indicates the susceptibility of this particular indicator to falls in business confidence as well as direct market conditions.

As with the other indicators explored to date, the negative sentiment was stronger among manufacturing sector firms. Manufacturers returned a percentage balance score of 32 with 48% reporting a decrease, compared to percentage balance score of 34 with 44% reporting a decrease.

The significant proportion of firms reporting a decrease in investment in training is notable in the current context. While individuals enrolled in the Coronavirus Job Retention Scheme cannot undertake formal work for their employer they can participate in training. During the surveying period (18^{th} May – 8^{th} June) the number of jobs furloughed rose from 8 million to 8.9 million and the total number of employers utilising the scheme rose from 986,000 to 1.1 million (*HMRC Coronavirus Statistics – accessed 16/6/20*). As will be explored later in this document, significant proportions of local firms have utilised the scheme however, combined with these scores on investment in training it indicates that high volumes of firms have not utilised furlough as an opportunity to invest in upskilling staff.

Investment in Capex

GBCC Quarterly Business Report: Capex Investment Plans Over the Past Three Months



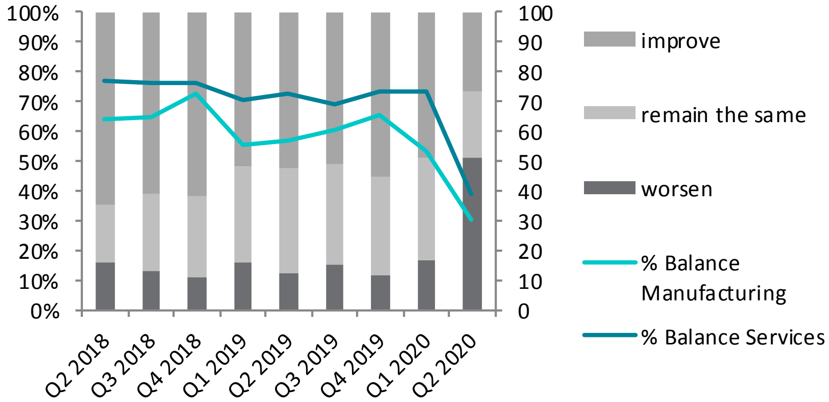
Q2 2020 also saw the lowest percentage balance score for investment in capex and the highest proportion of firms reporting a decrease in investment in capex over the past three months on record (28 and 54% respectively compared to 48 and 29% in Q1 2020). By comparison, during the 2008 recession, the percentage balance score fell to 49 with 17% reporting a decrease in

Q4 2008 and 45 with 21% reporting a decrease in Q1 2009.

For manufacturers, the percentage balance score fell from 56 in Q1 2020 to 25 in Q2 2020 with 58% reporting that capex expenditure had been revised downwards. For services sector firms, the percentage balance score fell from 53 in Q1 2020 to 28 in Q2 2020 with 53% reporting that capex expenditure had been revised downwards.

Business Confidence in Future Profitability & Turnover

GBCC Quarterly Business Report: Expectations on Turnover over the next 12 Months

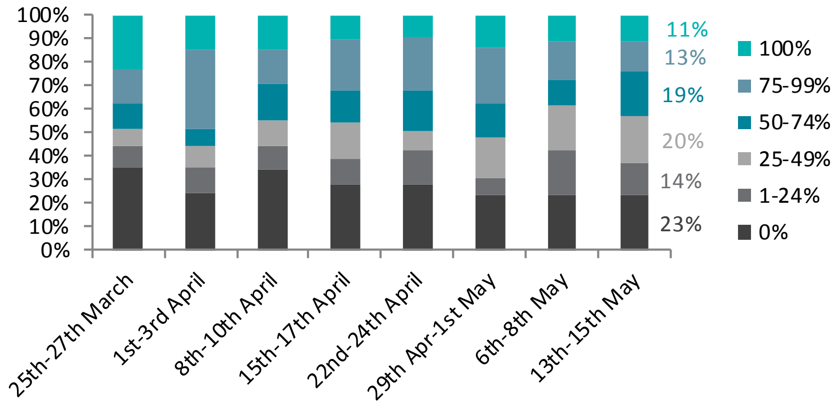


While a number of stakeholders have expressed optimism that the COVID-19 pandemic and lockdown will result in a short shock followed by a swift recovery, analysis of the GBCC QBR indicates that firms believe the environment will get worse before it gets better. 52% of all firms expect to see their turnover worsen over the next 12 months with an overall percentage balance score of 39, again the lowest score on record. In Q1 2020 firms returned an overall percentage balance score of 66 with 17% of firms expecting turnover to worsen over the next 12 months. By comparison, during the 2008 economic crisis and subsequent recession, the percentage balance score fell to a low of 52 with 34% expecting turnover to worsen over the following 12 months (Q4 2008).

Manufacturers are notably less confident in future turnover than services sector firms and have been trending below services sector firms in overall sector sentiment since Q4 2018. Among manufacturers, 60% expect turnover to decline over the next 12 months with a sector percentage balance score of 31. Among services sector firms, 51% expect turnover to decline over the next 12 months with a sector percentage balance score of 40.

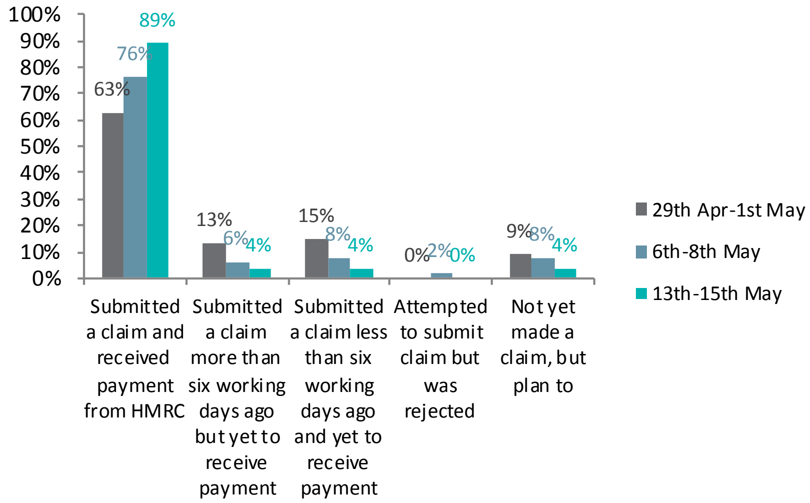
When examining business confidence around profitability over the next 12 months a similar picture emerges. The overall percentage balance score for local business sentiment on profitability over the next 12 months was 38 with 51% of businesses predicting a decrease in profitability. Among manufacturers, the sector percentage balance score was 30 with 59% of businesses expecting a decrease in profitability. Among services sector firms, the sector percentage balance score was 39 with 50% of businesses expecting a decrease in profitability.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Percentage of the Workforce Employers Intend to Furlough over the Next Week



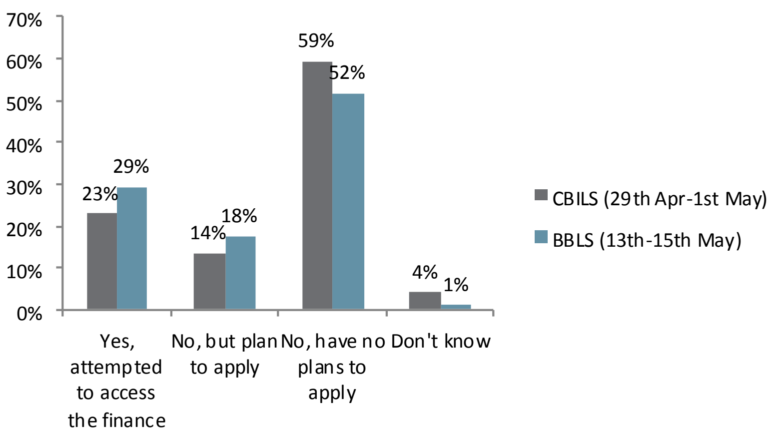
Throughout the surveying period between 78% (1st-3rd April) and 66% (8th-10th April) of West Midlands region businesses reported intending to furlough a proportion of their workforce. The highest proportion of businesses reporting intending to furlough 100% of their workforce was seen in the earliest sample (25th-27th March) in the lockdown period: 21%, with the lowest occulting 22nd-24th April: 9% and 13th-15th May: 10%.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Status of CJRS Claims Made through the HMRC Portal



During the following surveying periods: 29th April-1st May, 6th-8th May and 13th-15th May, businesses were asked an additional question about their experience of applying for the Coronavirus Job Retention Scheme. The results indicate that the majority of claimants did not experience any difficulties applying for, or receiving payment from the scheme. A minority reported having made a claim more than the 6 working day processing time target set by HMRC previously and not yet receiving payment. The proportion of firms reporting this issue decreased as time passed following the launch of the scheme on the 20th April, declining from 13% in the 29th April-1st May cohort to 4% in the 13th-15th May cohort.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Status of Attempts to Access CBILS and BBLS

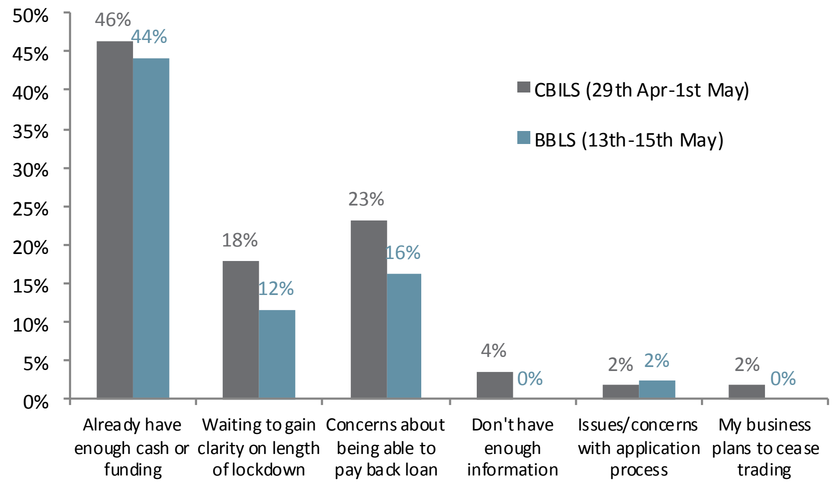


A significant proportion of businesses (37% CBILS, 47% BBLS) reported either having applied for finance through government backed schemes or intending to. This indicates that a significant proportion of businesses have taken on additional debt at this time.

During the surveying period 29th April-1st May additional questions were asked on businesses' experience of the Coronavirus Business Interruption Loan Scheme. 23% of businesses reported attempting to access a CBIL and 14% expressed their intention to.

During the surveying period 13th-15th May additional questions were asked on businesses' experience of the Bounce Back Loans Scheme. 29% reported attempting to access the BBLS and 18% expressed their intention to.

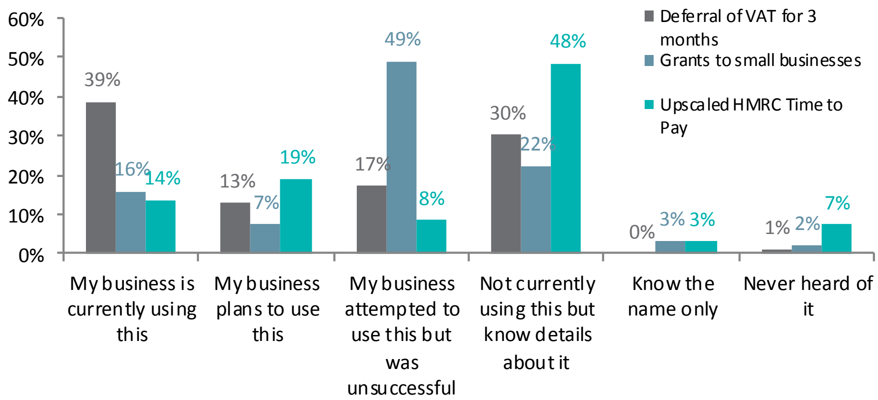
British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Reasons for not Applying for CBILS or BBLS



The most common reasons provided for firms not wanting to apply for finance through the CBILS or BBLS were 1) already having enough cash or funding (46% CBILS, 44% BBLS), 2) waiting to gain clarity on length of lockdown (18% CBILS, 12% BBLS) and 3) concerns about being able to pay back the loan (23% CBILS and 16% BBLS).

In addition, 26% of respondents among the 13th-15th May cohort reported not meeting the criteria for the Bounce Back Loan Scheme.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Access to and Awareness of Other Coronavirus Related Government Support Schemes

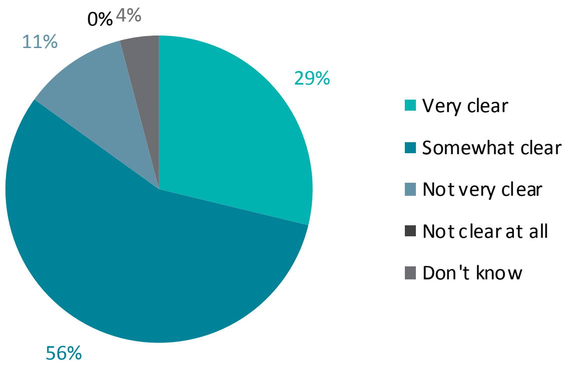


Among respondents in the 6th-8th May cohort (the most recent cohort to be asked this set of questions) the most commonly accessed support scheme (outside those explored above) was deferral of VAT for 3 months with 39% of businesses reporting using this facility and a further 13% report intending to. Grants to small businesses were accessed by 16% of respondents; a further 49% reported having unsuccessfully attempted to access grants. 14% reported having utilised upscaled HMRC Time to Pay facilities with a further 19% intending to do so.

The surveying period pre-dates the launch of the Coronavirus Discretionary Grant Fund managed by local authorities.

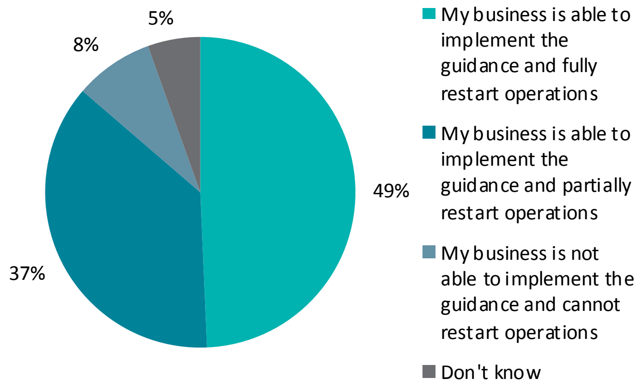
Returning to the Workplace

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, Views on Clarity of 'Working Safely During Coronavirus' Guidance



Respondents in the 13th-15th May cohort were asked for their views on the Government's *Working Safely During Coronavirus* guidance, released on the 11th May. 44% reported knowing a lot about the guidance, 42% reporting knowing some details of the guidance, 8% reported knowing the name only and 6% had not heard of it. Among those who reporting knowing a lot about or some details of the guidance under a third thought it was very clear (29%) over half thought it was somewhat clear (56%), just over one in ten (11%) thought it was not very clear and 4% didn't know. 0% reported finding it not clear at all.

British Chambers of Commerce COVID-19 Impact Tracker: WM Results, View on Ability to Implement 'Working Safely During Coronavirus' Guidance



A significant proportion of businesses report being unable to restart all of their operations while *Working Safely* guidance is in place. Just under half (49%) reported being able to implement the guidance and fully restart operations, 37% report being able to implement the guidance and partially restart operations, 8% reported being unable to implement the guidance and restart operations with the remainder (5%) unsure.

This is significant as firms being unable to restart their operations fully will impact on the potential to the region's ability to achieve an economic recovery to levels pre-dating the COVID-19 pandemic while these restrictions remain in place.

Scaling Down of Government Support

The level of government support implemented in response to the economic crisis brought about by the advent of Coronavirus and subsequent lockdown measures has been unprecedented. While a wide variety of schemes and measures have been established, the core programmes are:

Coronavirus Job Retention Scheme: the Government is funding of up to 80% of salary (up to £2,500 per month plus NI and minimum pensions auto enrolment contributions) per employee for businesses to retain and furlough employees who may otherwise be made redundant for the period 1st March-31st July with the scheme tapering down thereafter before closing 31st October 2020. Uptake of this scheme has been huge: 9.2 million jobs registered with the scheme by 1.1 million employers and claims worth £22.9bn (as of 21st June 2020).

Coronavirus Small Business Grant Fund (SBGF) & Retail, Leisure & Hospitality Grant Fund (RLHGF): the Government is providing a one-off grant to liable rates payers of £10,000 to rates payers receiving Small Business Rate Relief (SBRF) or Rural Rate Relief (RRR) and retail, leisure and hospitality sector businesses with a rateable value of

£15,000 or below and £25,000 for retail, leisure & hospitality sector rates payers with a rateable value of between £15,001 and £51,000 with a cash grant of £25,000. These schemes have awarded over £10.4bn in grants to over 853,000 recipients (as of 21st June 2020).

Discretionary Coronavirus Business Grants: for businesses excluded from the aforementioned grant scheme, the Government provided discretionary funding for local authorities to award to small businesses (fewer than 50 employees) and the self –employed impacted by COVID-19 and facing fixed property costs such as businesses in shared spaces, regular market traders, small charities and B&Bs. These grants are in the process of being distributed at the time of writing, the total value of the scheme is £617m (5% of the total funding envelope of SBGF & RLHGF).

Self-Employed Income Support Scheme: The Government are providing self-employed individuals a taxable grant worth 80% of average monthly profits over the last 2 years (up to £2500 a month currently for the period March-May 2020). A second grant will be payable in August using the same eligibility criteria. This will be worth 70 per cent of average monthly profits, up to £6,570. 2.6 million claims have been made worth £7.6bn (as of 21st June).

VAT Deferral: The Government has deferred VAT payments between 20th March & 30th June for all UK businesses, with businesses given until the end of the tax year to repay any liabilities that accumulate. To date £22.4bn in deferred VAT payments have accrued (as of 7th May).

Protection from Eviction for Commercial Tenants: Under the terms of the Coronavirus Act, no business unable to pay their rent should be automatically evicted if they miss a payment up to the 30th September. However, the debt on any missed payments will not be written off and will continue to accrue. It is unclear how many businesses are currently accruing rent related debts.

Coronavirus Business Interruption Loan Scheme (CIBLS): The British Business Bank is issuing a government guarantee of up to 80% on loans of up to £5m in value, interest free for the first 12 months, to help businesses access bank lending & overdrafts at favourable rates. There have been over 98,975 applications for CIBLS with 50,482 approved worth £10.53bn (as of 21st June)

Bounce Back Loans: The British Business Bank is issuing a 100% government guarantee on loans for SMEs of between £2,000 and £50,000 with no fees, interest or repayments to pay for the first 12 months. There have been 1,123,683 applications with 921,229 worth £28.09bn approved (as of 21st June).

In addition to the above, significant schemes include the **Coronavirus Large Business Interruption Loan Scheme** (315 facilities worth £2.1bn approved) and **Future Fund** (252 convertible loans worth £236.2m approved) (as of 21st June).

From the above, the scale of the support provided by Government is apparent – as too is the level of debt accruing in the economy, across loans, unpaid rent and deferred VAT. While it is clearly unsustainable for the Government to fund this scale of support for much longer, the date of major schemes (such as CJRS) and protections (such as protection from eviction of commercial rent and deferred VAT falling due at the end of the financial year) coming to an end present the risk of cliff edges at which businesses fail and/or jobs are lost in significant volumes.

While this support is substantial, it is not universal. The Treasury Select Committee interim report into *Are there gaps in support in the Government's response to coronavirus?* [accessed 17/06/20], clearly and succinctly outlines the groups of employees and business owners that are currently unable to access or are limited in their access to Government income support schemes, namely:

- Those newly in employment or newly self-employed
- Those self-employed with annual trading profits in excess of £50,000
- Directors of limited companies
- Freelancers and those on short-term contracts

Brexit Impact & Preparedness

The UK left the EU on the 31st January 2020 and entered a transition period - during which little changed practically for businesses – and commenced negotiations on a new trade deal between the EU and UK. The transition period is scheduled to end on the 31st December 2020 and the UK has formally notified the EU that it will not be requesting any extension to negotiations. Should the UK and EU fail to agree a deal, the UK will revert to trading with the EU under World Trade Organisation (WTO) rules. Within the current timeframes and slow progress of negotiations to date it is expected that any UK-EU trade deal will be limited in scope compared to the free trade and single market arrangements that businesses have retained access to during this transition period. As a result, regardless of whether there is a "deal" or "no deal" scenario, the end of the transition period will represent the biggest single change to the UK's political and trading relationships for a generation.

Due to the makeup of the local economy, the region is more exposed than many other UK regions to certain Brexit related risks. The Government's own analysis suggests that the West Midlands region will be the second most exposed to a potential reduction in economic output post-Brexit (*Exit Analysis: Cross-Whitehall Briefing, January 2018*). This is due to the composition and strength of the region's exports, primarily in relation to the automotive sector (*The Motor Industry: Statistics & Policy, 15th May 2018)*. Around a third of all motor industry employees in the UK are employed in the West Midlands region. In 2017, exports of Machinery & Transport from the West Midlands region were worth £23.7bn: the equivalent of 71% of the region's exports. The region's importers are also likely to be affected by Brexit : 62% of all imports into the West Midlands region come from the European Union.

561 businesses completed a *Business Brexit Health Check* between the 28th May-30th November 2019. There was no significant variance in average Brexit preparedness between the cohorts of businesses completing the Business Brexit Health Check each month between June and November 2019 (i.e. reported preparedness of the businesses in each sample did not improve significantly over time, despite Government awareness campaigns).

Among the most commonly selected areas of potential Brexit impact, a higher proportion of manufacturing industry firms report being exposed than services industry firms – with the exception of employing staff with professional qualifications which was selected by similar proportions of manufacturing and services firms. A significantly higher proportion of manufacturing sector firms reported employing EU nationals (57%), employing staff undertaking business trips to the EU (66%), buying goods from (81%) or selling goods to (71%) the EU or trading in Euros or other non-UK currencies (67%) than services sector firms.

43% of manufacturers in this sample reported having contracts with organisations based in other parts of the EU compared to 28% of services industry firms and 59% of manufacturers reported trading in goods accredited to EU standards (e.g. CE mark) compared to 16% of services industry firms.

Among services sector firms, the wholesale & retail industry firms in the sample are significantly more exposed to the trade related aspects of Brexit than the average for the sector and a higher proportion of professional, scientific and technical industry firms report employing staff with professional qualifications.

The most commonly reported steps taken to prepare for Brexit were:

- 59%: Discussed the potential impact of Brexit on your organisation at management and board level.
- 43%: Conducted a review of your organisation to identify areas that may be impacted.
- 34%: Conducted a review of your major suppliers and/or customers to identify organisations that may be impacted.
- 19%: Undertaken proactive communication & engagement with key groups (e.g. EEA employees, investors, suppliers, customers).
- 18%: Invested in training staff

- 16%: Increased stock holdings.

On organisation size, the larger the firm, the higher the proportion that had taken each step in all areas apart from one: 10% of medium sized firms reported having created or expanded an EU subsidiary/base in response to Brexit compared to 8% of large firms in this sample.

It is worth noting that 59% of all businesses reported that their organisation had discussed the potential impact of Brexit at management and board level and 43% had conducted a review of their organisation to identify areas that may be impacted. Even accounting for respondents who selected don't know (17%) or prefer not to say (12%) that leaves a significant proportion of firms in this sample who did not report that their organisations had taken these initial steps.

At the time of writing, widely available Government funded support for businesses specifically related to Brexit is limited to information, advice and guidance available through gov.uk, a central Government Business Brexit Helpline and an HMRC backed grant fund for customs agents to support recruitment, training and IT.

While businesses are able to access advice from the Department for International Trade on trade related matters, direct support delivered by International Trade Advisors (international trade experts employed by local delivery partners delivering targeted and account managed support to businesses trading internationally) is primarily targeted at achieving high value individual export wins. There is currently a gap in provision of support for small and micro businesses making initial steps to export in small volumes. It is also notable that there is an absence of any support services directly aimed at importers. Brexit will likely significant increase the need for, and business demand for, both forms of support.

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