

How have you been affected by Covid-19?

The Impact on Sussex Small Businesses during COVID-19 Outbreak survey results

Analysis and report prepared by Bon Insight

May 2020



Setting the context

Based on 2019 data from Nomis (the official labour market statistics department of the ONS), 80% of businesses* in West & East Sussex have 1-4 employees. A further 11% have 5-9 employees. So when considering the impact of Covid-19 across businesses in Sussex, it was evident that a spotlight on small businesses was required. To give these small businesses a collective voice, a number of Sussex-based organisations collaborated to gather greater insight on the real impact of the pandemic, namely: Rume2, Freedom Works, Platf9rm, Freshmill, West Sussex County Council, Chichester District Council, Coast to Capital, Brighton Chamber, Worthing & Adur Chamber, Chichester Chamber, Federation of Small Business, MDHub, Design Collective Chichester, Last Friday Club, Gatwick Diamond Business Group, BNI Sussex and Bon Insight.

They created a survey, the aim being to give these small businesses a platform to voice their challenges in order to understand what immediate support they might require. The survey was shared with businesses across the Sussex area between 17th April and 7th May 2020. There were 342 responses received. This report summarises the key findings and highlights some of the challenges being faced right now by businesses across the Sussex area.

**this is based on PAYE/VAT registered enterprises but does not necessarily pick up self-employed.*

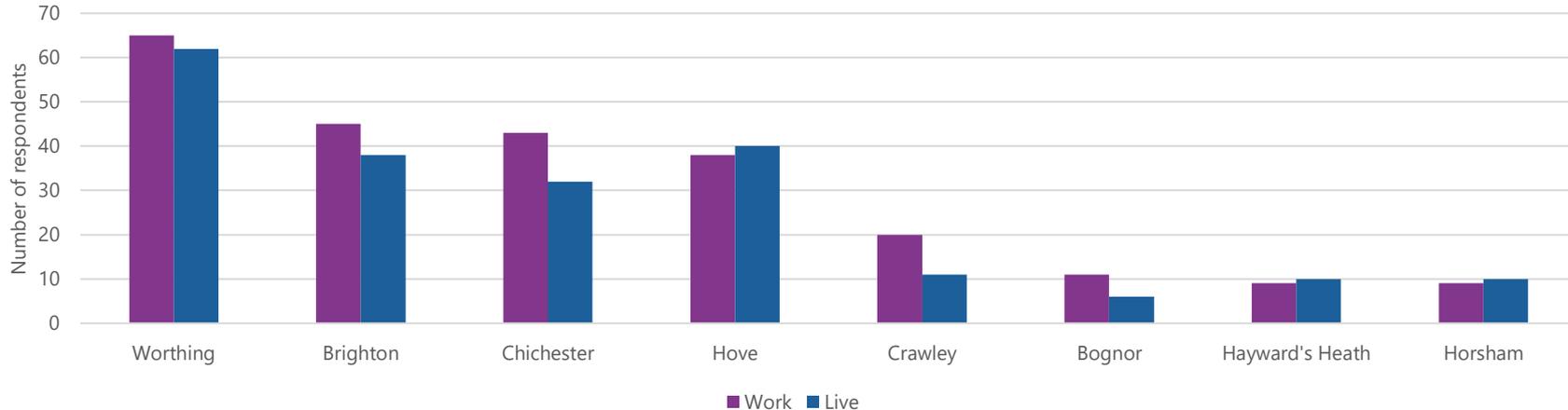


A bit about those who responded

Two-thirds of businesses said they are operating as Limited Companies, within which 82% have between 1 & 5 employees. One quarter of businesses are operating as sole traders.

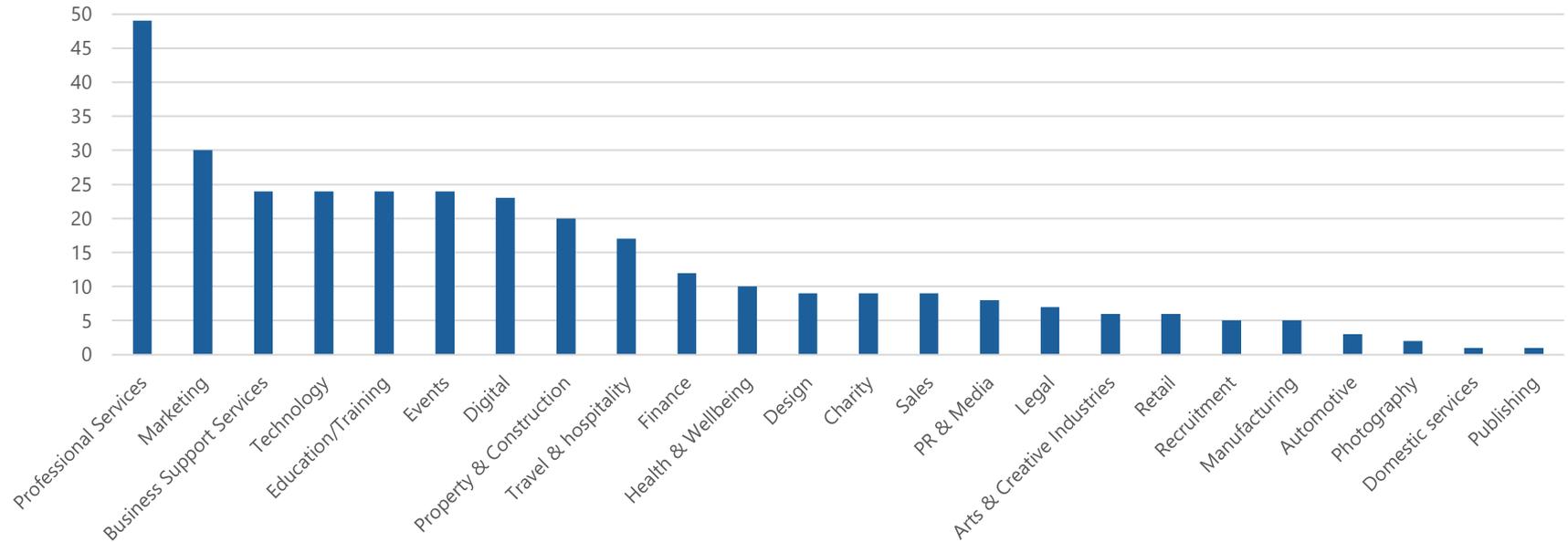
In terms of how long the business had been operating, this was fairly evenly represented with a third operating for 3 years or less (9% set up in the last year) ('new'), a third for 4-10 years ('mid') and a third for 10+ years ('established').

Two-thirds of respondents operate their businesses in West Sussex, one-third in East Sussex. This ratio also represents where respondents live (98% of respondents live in Sussex). Businesses who responded operate out of 69 different parishes (49 in West Sussex, 20 in East Sussex). The chart below shows the highest referenced locations (all other locations had 6 or fewer respondents).



Breakdown by sector

24 sectors have been represented, with professional services being the highest represented (15%).



An overview of the challenges and impact felt

The aim of the survey was to understand the impact of Covid-19 on small businesses. This impact is immediately evidenced by 96% of businesses reporting that their revenue had been negatively affected.

When asked how, the main reasons provided were:

1. **Loss of clients** - 75% of all 'new' and 'established' organisations have suffered this (65% in the 'mid' length group)
2. **Unable to deliver service during lockdown** – fairly consistent across all ages of organisation, with just over 40% in each group reporting this
3. **Clients/customers unable to pay** – this was most felt by the 10+ years 'established' group of businesses, with 43% reporting this (35% for 'mid'-length and 30% for 'new')

Additionally, 17% of businesses said that they had been forced to shut down. This has impacted the 'established' group more (25%) and in terms of location, almost all of these businesses are based in West Sussex (87%).

Other reasons given for how businesses have been impacted include:

- The closure of venues
- School closures & no childcare support
- Cancellation of events
- Clients more cautious / decreasing spend
- Project delays / put on hold
- Challenges generating new business
- Property market stalled

Impact of Covid-19 versus length of operation

(number of responses)

How has your business been affected?	'New' (combined) responses		'Mid' responses	'Established' responses
	Set up within the last year	1-3 years ago	4-10 years	10+ years
Has revenue been affected?	100% YES	97% YES	93% YES	95% YES
Loss of clients	19	57 (76)	74	81
Unable to deliver service during lockdown	13	31 (44)	45	48
Clients/customers unable to pay	10	22 (32)	40	47
Forced to shut down	4	12 (16)	12	27
Unable to get materials	6	8 (14)	11	10
Increased competition in sector	1	9 (10)	7	8
Staff absence	0	6 (6)	8	6
Other	0	12 (12)	25	21

How hard is the impact on Sussex small businesses likely to be?

Prior to the breakout, almost all (91%) of businesses were forecasting a profit this year, with 7% unsure.

Mid-breakout, on a positive, 3% of businesses reported a revenue increase during the crisis (mostly in professional services / marketing sectors), based in Worthing, Brighton, Hove and Chichester.

However, 96% reported a negative impact on their revenue. In terms of how hard the impact is likely to be, a quarter of all businesses estimate their revenue will be almost entirely impacted (91-100%) over the 3 months from the beginning of lockdown.

Breaking this down, for those expecting to lose 91-100% of their revenues:

- 'new' businesses (i.e. those 3 year and younger) will be hardest hit, with 40% predicting this loss
- One third of West Sussex-based businesses anticipate this loss, which is twice as high as East Sussex-based businesses
- One-fifth of Worthing-based businesses estimate this scale of loss, the highest share of all towns/parishes, followed by 12% of Chichester-based businesses, and nearly 10% in Brighton and in Hove



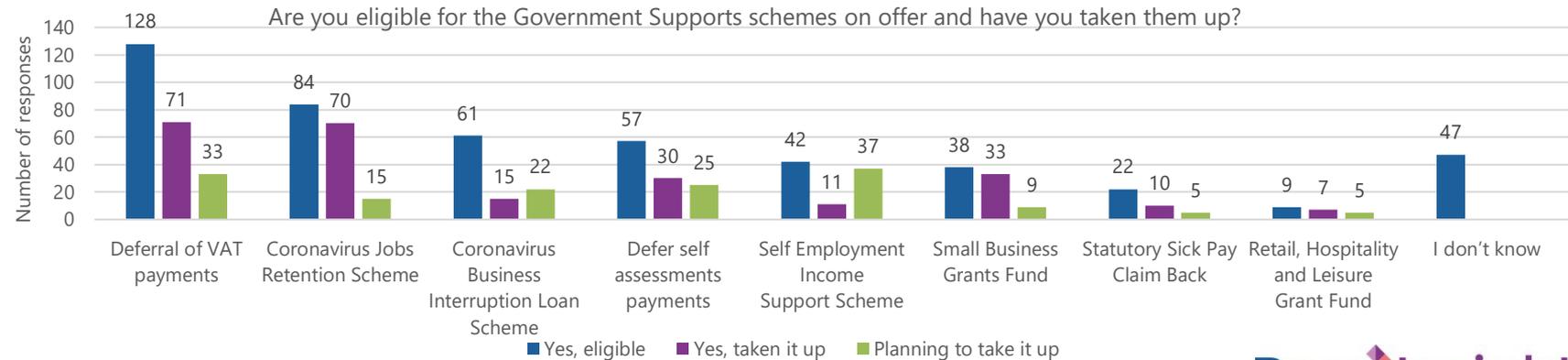
What Government support are businesses accessing? (n=314)

Overall

Almost one fifth of businesses said they are not eligible for any of the support offered. 15% aren't sure (comments suggest that some people are finding it hard to know where to go for information, or are confused by the different options). The highest share (40%) said they are eligible for the VAT payment deferral – but this implies that 100+ businesses (i.e. limited companies who've said they're not eligible), aren't aware that this is available?

Looking at who's said they are eligible and what's been taken up...

- One-fifth of those saying they are eligible for VAT payment deferrals have not taken this / don't plan to
- The Coronavirus Business Interruption Loan Scheme has had the lowest uptake compared to eligibility (just over half of those who are eligible have taken it up / plan to take it up)
- The Self Employment Income Support Scheme appears to have had low uptake, but the scheme was not open at the time of the survey. This will have changed in recent days with the initiative now open for application



So, why aren't businesses taking up the support? For some, the reality is...

A large number of respondents said that they are just 'postponing the agony' by taking out loans, or deferring payments – so whilst the offers might be there, many see more harm than good in taking them up. Many are not eligible as they have set up recently, so do not have the tax returns required to qualify them. And others say it's a waiting game - for their accountant to advise, for HMRC to respond, for the self employed support to kick in, for the situation to develop.

"By reading the criteria I am not eligible. I took time last year to develop skills and did not submit a self-assessment as I had made no money that year, I was searching for work when this situation kicked off. I can't claim universal credit because I have over £16,000 in savings which I was saving for a deposit on a first-time buyer home. Plus I also have 20 hours a week work paid at minimum wage (two jobs instead of one) I am still receiving a minimum wage for that second job but if I had been working self-employed I would have been earning £ 420 a week extra."

"Because I have a limited company my income is based on salary plus dividends. I can't afford to live on the 80% of the furlough salary and that would also prevent me trying to make some money."

"As a sole director that is paid with dividends and no office, I can't receive grants. I'm not taking a loan and going into debt when the future is uncertain where I will need to repay it back along with the interest. Plus the business is not attractive for banks to loan to a sole director consultancy model."

"I do not want to further burden company cash flow with the debt of a loan; it will simply delay recovery or could force the company to fail later. VAT will be deferred if cash flow forces it, but again I would prefer to remain up to date to avoid future debt mounting up. I would apply for a grant if I could, but my studio is part of our house so we have no formal rateable value!"

"I have taken job retention scheme but it's not enough, so I will have to apply for another CBILS. I hope I will get it. I have been conned by [my insurer] Hiscox who are not paying when they should. The Times has covered this story."

"I am not eligible. I started in June 2019 and haven't submitted a tax return. 2019 was very hard as it was the beginning, but 2020 was promising. Until Covid19."

"Deferring vat or tax leaves a bigger liability down the line."

"I'm self employed free lance Mobile collections agent for motor trade, I've completed my tax year and tax return for 2019-20 but as I was PAYE for 18-19 I don't qualify for self employed assistance. I don't understand why they are offering three months extra for 18-19 tax returns to be done very late when tax returns from affected people for 19-20 can be submitted now? Grossly unfair."

"Do not want to take on a business loan when we will not be able to trade for some considerable time."

"Retail, Hospitality & Leisure Grant - despite being a coach hire business which should clearly be classed as the Leisure industry the Ministry of Housing, Communities & Local Government has deemed operators as being ineligible to the grant. In contrast, the Scottish Government have classified the coach sector as being part of the leisure industry making them eligible for any grants within that domain."

"I find it super confusing. I have no idea how to approach it."

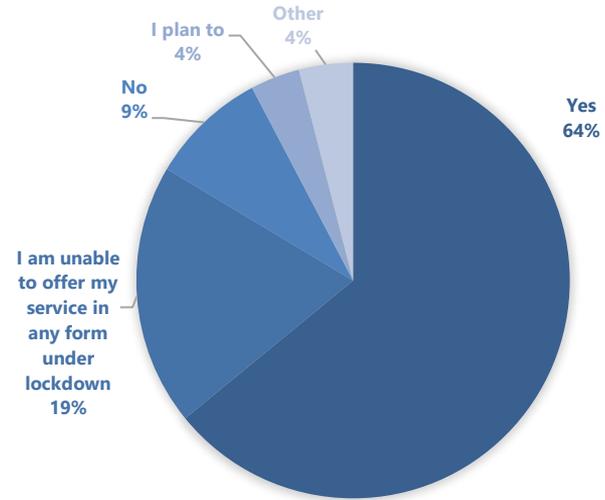
"I can't furlough myself as I am the only director and need to keep working on the business. I can't furlough my colleague as she deals with the book keeping. I don't want to take a loan because I'm concerned about not being able to pay it back."

"Because we'd have to furlough ourselves but we still have a small number of clients to support. We haven't taken a loan because we'd never be able to pay it back."

Who's been able to adapt?

(n=298)

- Two-thirds of businesses said they have managed to adapt their business model to continue trading under lockdown
- The higher the number of employees, the more a business has been able to adapt their model – 90% of those with 20+ employees, compared to 56% with one employee
- Just under one quarter of West Sussex-based businesses say they are unable to offer their service in any form under lockdown (twice as many as in East Sussex)



Who feels their business will get through this?

Just over half of all businesses feel confident that their business will survive this year (54% said highly likely, or likely). 17% felt they are highly unlikely, or unlikely, to survive – which means that Sussex could lose one-fifth of businesses in the coming months. Just over a quarter feel unsure which way it will go.

By location

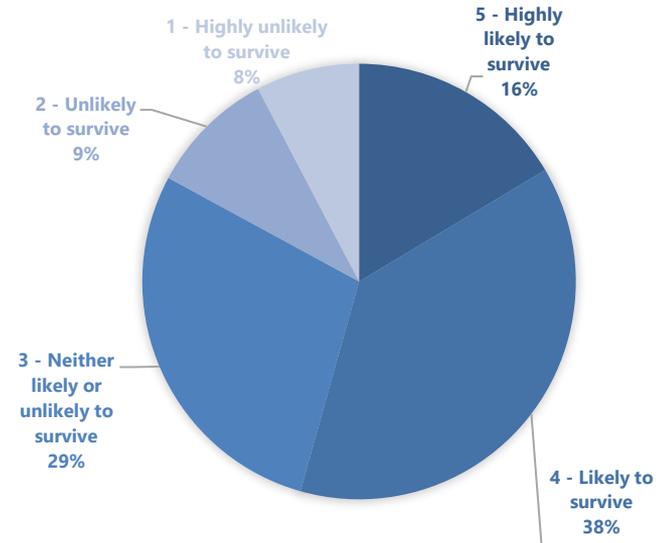
- Businesses in East Sussex feel more confident of survival with 64% likely or highly likely to survive, compared to 50% of West Sussex-based businesses
- A higher share of West Sussex businesses feel unsure about survival, with one-third saying they are neither likely nor unlikely to survive (compared to 17% in East Sussex)

By type

- 56% of Ltd Co's feel highly likely, or likely that their business will survive this year, compared to 47% of sole traders
- 18% of Ltd Co's and 19% of sole traders feel unlikely or highly unlikely to survive

By size

- The highly unlikely, or unlikely, share was highest among organisations with up to 10 employees. Those with 10+ have a slightly higher confidence level.



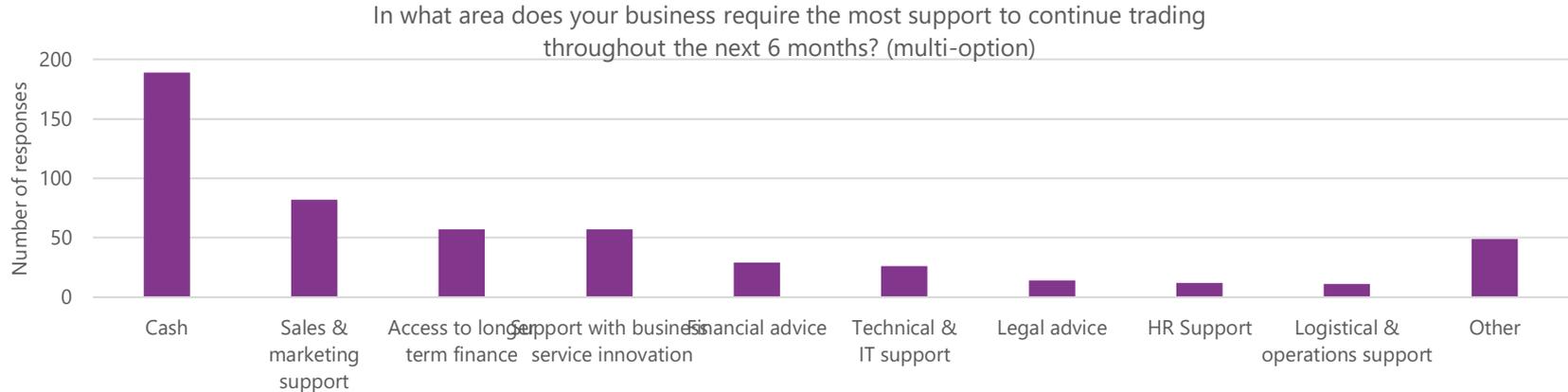
Looking to the future...

(n=298)

When asked what businesses would do if they didn't survive the lockdown, it's probably too early to tell. A third said they didn't yet know, a quarter said they'd try to find a job and 16% said they'd start again. There was no real pattern amongst how people responded however.

Asked what the business requires the most support with to continue trading throughout the next 6 months, nearly two-thirds of respondents said they mostly need cash (two-thirds of West Sussex businesses and half of East Sussex businesses). Two-thirds of those businesses needing cash are limited companies compared to a quarter sole traders. Looking at the size of cash injection needed, sole traders were looking for up to £7,500, whilst limited companies were looking for £7,500 to £50,000 (and higher for a small share).

A quarter of businesses said sales & marketing support was the second priority area of focus in the near future.



Where are people looking for help and/or information?

This question drew fairly broad responses. Quarter of respondents have approached their district or borough council (Crawley and Chichester most frequently) for information and a quarter also referenced business networking groups (Brighton, Hove and Worthing most frequently). These were the highest referenced sources for information, followed by 'your bank'.

Local Chambers, Coast to Capital Growth Hub and County Council all received around 10% of responses. Looking at other sources, respondents referenced their accountants, gov.uk / HMRC, and their peers, friends & family in equal measures.

The conclusion being that it appears there is no leading voice in all of this. Whilst large corporates have internal communications teams to distil and share information, for small businesses, it is less clear where to turn.

Next steps & recommendations

Next steps

- The insight gained through this survey has already played it's part in helping WSCC and C2C lobby the government for additional support for those falling through the gaps. Considering the share of small businesses within the area, it is easy to see how critical this additional aid will be, to support the Sussex economy.
- Since the data was collected and shared with central Government additional support in the shape of a new Discretionary Top Up Grant has been announced by the Government. However, this is a very restricted budget which will not reach all businesses (For example a location like Crawley which has witnessed a huge impact has only £600k to distribute). As soon as applications are open we will be sharing with our respective networks.
- We have begun work on a new Sussex B2B supply chain portal - which is an online resource where any business spend is kept within the local economy. This is critical to ensure any spend is distributed to parts of the local supply chain who desperately need to work to survive and ensure the supply chain remains intact.