

NITA Report on Tourism Businesses who have been unable to avail of Covid-19 Financial Support June 2020

Overview

The information in this report has been gathered from a number of Councils and NITA members. It is not the full picture but provides a good overview of the tourism businesses who have not been able to access any of the Covid-19 grant support and how the NI Micro Business Hardship Fund, due to its criteria, has not provided support to those most vulnerable businesses.

Given that there was a real expectation of growth within Tourism following good years in 2018 and 2019, people have developed new businesses and experiences and when Covid-19 hit, they had low levels of reserves left as it had been invested in building the business.

We are extremely worried that the lack of access to support will have a significant detrimental impact on our tourism providers, particularly in relation to tourism accommodation and tourism experiences. This will in turn have a negative knock on effect in terms of jobs, economic return and of course the ability to attract visitors. The supply chain is also impacted as these businesses have no requirement for laundry, food services etc.

The majority of those who have not been able to access any support are micro businesses and sole traders. However, our larger attractions and hotel groups have significant costs to maintain their attractions and buildings and with 3 months of no trading, they are getting to the point where they will have to make significant redundancies to be able to be financially viable. These organisations are the ones which attract international visitors to our region, and they are reliant on international visitors to generate income. Having a re-open date for accommodation is helpful, but given the challenges with aviation, the impact of the UK 14 day quarantine, and the estimate that international visitors will probably not return until 2021, these organisations will have to make very difficult decisions about their business. These organisations have invested £100s of millions and are the backbone of the NI tourism proposition.

To address these challenges what is needed is:

1. Reduction of social distancing from 2m to 1m will make a significant difference to the number of visitors they are able to accommodate
2. Investment in marketing and promotion to encourage the public to get out and support our local tourism. There must be investment in GB marketing as this is our biggest market with an International campaign launched once the UK Quarantine has been lifted/relaxed.
3. Use of support mechanisms such as financial transaction capital

Tourism NI Analysis

At the Tourism Recovery Steering Group meeting of 14th May, Tourism NI presented the results of work they carried out to assess the ability of the current grant schemes to reach businesses within the tourism sector by comparing its database of tourism businesses with the LPS database.

Of the 7018 listings that make up the Tourism NI database, 74% were matched to LPS records. The remaining 26% of businesses were not matched due to the businesses addresses or UPRN's not corresponding with NAV data in the LPS database.

Of the 5,200 business matched, only 21% of business had a non-domestic NAV between £1-£51k. 73% of businesses (3799) are categorized as domestic rate payers and 6% (319) have an NAV above £51k.

The analysis concludes that 79% of tourism and hospitality businesses are not eligible for the current Covid-19 business grants. The applications so far to the £25k to the tourism, retail and hospitality sector so far would suggest that these estimates may be optimistic. NITA have requested a copy of the full report, but as yet the report has not been shared.

Department for the Economy

The Department have provided the following information on the £25K grant scheme. (Figures for £10K not available).

CATEGORY	NUMBER OF APPLICATIONS	AMOUNT	% of Total
Leisure	513	£12.8 million	1.6%
Retail	1828	£45.7 million	54.4%
Hospitality	969	£24.2 million	28.7%
Tourism	53	£1.3 million	1.6%
Total	3,363	£84 million	

Accommodation Provision

Below is the accommodation stock in NI as at end of December 2019. This shows the mix of accommodation type and the percentage increase on December 2018. This gives an indication of the scale of businesses providing tourism accommodation and have been impacted by Covid-19.

Within the accommodation provision, support available has been minimal, accessible by a couple of small hotels and guesthouses in the main, but excluded the majority of self-catering and B&B's as well as the majority of hotels with NAV greater than £51K. Speaking to those businesses that were able to avail have estimated that support provided less than half of the value of cancelled bookings during this period.

The impact for a few of the businesses is negligible and they will survive, however, for those in the accommodation sector some are considering selling or moving to long term lets and leaving the tourism business. It may not be clear until winter if they can survive 2020/21. With grants amounting to less than half of cancelled bookings for some of those eligible, they will have to look to private finance/loans to survive. Within the experience sector impacts include providers

Accommodation Type	Nr Premises	
	% change from Dec18	
Hotels	145	+3%
GuestHouses	78	-2%
Bed&Breakfasts	653	+8%
GuestAccommodation	231	+56%
Self-Catering	3,538	+32%
Bunkhouse	10	+43%
Hostels	48	nochange
TotalAccommodation	4,703	+27%

providers resorting to halting extension work to the business as no funds, the business being mothballed, staff being made redundant, an inability to take on new employees or having to take on other jobs to make ends meet.

All businesses have been closed from the beginning of March but are still paying out fixed costs.

Many indicated the expense involved with reopening safely especially with need for social distancing, 2 m rule, plus need to refurb, add in partitions, sanitisation etc will be very difficult without additional financial support.

In summary, the barriers to eligibility:

- Overwhelmingly the payment of domestic rates excluded businesses, particularly B&Bs, to access any grants
- Self-employment Income Scheme – main excluding factor was age of business; this either excluded businesses outright, or because returns in the first couple of years building the business meant revenue did not reach the eligibility threshold or offer a significant return
- Most B&Bs, Self-Catering and Guesthouses are sole traders and therefore excluded from the hardship fund as they are “employee number one”
- NAV plus 51k has excluded most hotels

- Definition of Tourism has caused issues with Transport providers, Suppliers exclusively to tourism providers and language schools excluded
- Businesses did not want to access loans as fear of more debt and whilst the government covered the interest in the 1st year, repayments kick in after 3 months so if businesses take a loan out now the repayments start when most Tourism operations in Northern Ireland are operating at their lowest levels.
- Paying Farm rates on a tourism activity including some EAGS experiences, has made some organisations ineligible.
- New businesses just set up and not trading for 1 year or more have received nothing, some banks denied loans due to lack of guaranteed bookings

Accommodation providers:

- Self-catering and B&B's, unique accommodation
 - Ineligible for the main grants of £10 & £25k as they pay domestic rates.
 - Self-employed grant of little use to most as for accommodation providers most profit goes into the business and so little to get back when their returns are calculated.
 - Hardship fund of no use as the stipulation was to have at least 1 employee, excluding yourself, again this excludes the majority of the above as the accommodation providers do not employ people as they run the businesses themselves.
- Hotels – NAV over £51K
 - The business rates grant excluded most hotels as their NAV was over £51K
 - The 12 month rates relief will provide much needed help to reduce ongoing costs

Experience providers - Sole traders:

- Based from home paying domestic rates nothing to apply for by way of grants.
- Self-employed fund little use as for any business under three years of trading could not apply or had profits which had not yet reached a significant amount for the purposes of any application.

Language Schools

- Language schools have been classed as 'education' and have therefore been deemed ineligible for grant support.
- There are two language schools in Northern Ireland, and they attract visitors who not only are here for language, but to experience the culture of Northern Ireland which very much is about tourism. The Foyle Language school was awarded 'Best Tourism Project' and is seen as an important part of the Derry City and Strabane District Council tourism proposition. Due to the reliance on visitors from outside UK and Ireland, the school will find it very difficult to continue running without any financial support which will result in redundancies.

APPENDIX 1 – Criteria for English Discretionary Fund

The criteria for the England Discretionary Grants Fund, which is a similar scheme to the NI Micro Business Hardship Fund, changed its guidance and criteria on the 24th May as follows. Businesses who are eligible for the Self-Employed Income Support Scheme (SEISS) are now eligible to apply for the Local Authority Discretionary Fund.

In point 24 for the new guidance it sets out the type of businesses which should be prioritised as follows:

We are asking local authorities to prioritise the following types of businesses for grants from within this funding pot:

- Small businesses in shared offices or other flexible workspaces. Examples could include units in industrial parks, science parks and incubators which do not have their own business rates assessment;
- Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment;
- **Bed & Breakfasts which pay Council Tax instead of business rates;**
- Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.

The guidance is based on the turnover of the company and for a micro business employees should be less than 10, with exclusion of businesses in which the business owner is the only member of staff.

To be a micro business, under the Companies Act 2006, a business must satisfy two or more of the following requirements

- Turnover: Not more than £632,000
- Balance sheet total: Not more than £316,000
- Number of employees: a headcount of staff of not more than 10

APPENDIX 2 – General Comments from Tourism Business Owners

These comments give you an understanding of the difficult situation tourism businesses find themselves in.

- I was wondering if you know anything about the administration of the small Business grant scheme? I applied back in April to both of the £10,000 grant schemes and have heard nothing. I have tried ringing the helpline (no individual cases will be discussed) and emailing several times now with no success. With a loss of over £ 20,000 so far in revenue for our holiday rental properties, combined with over £1500 to pay out each month in overheads I'm feeling desperate and unable to plan ahead. I cannot even apply to the hardship fund as I work the business myself and don't have employees. I am not eligible for self employment grants either! Help!!
- I have two 5 star seaview apartments that book a year in advance for high season and have a great occupation rate. I'm an Airbnb superhost and certified with Tourism NI. All my bookings have cancelled from March to Oct. I paid tax on my £18000 profits from Holiday letting yet the government has categorised holiday let income as non trading income for the purposes of the SE profits scheme. So I have received nothing, not even rates relief. The property rates in NI do not have an FHL section nor the tax benefits associated with FHL status so people like myself are left to drown. I'm a single mother of 3 young kids. Universal credit counts the holiday lets as assets over £16k. The system has failed my family.
- We are new to the industry and we cannot get our business up and running and be profitable. Some support would be invaluable for our fledgling business.
- It is going to have a drastic effect. We have little cash flow left by the time we paid out all remaining bills before closure. We still have to pay all utility bills at present and with no income coming in along with paying the JRS, it is hard to know how we are going to open again.
- This has put my business under immense pressure as it is generating no income and my bank will not extend my overdraft facility as I can not guarantee proof of future income. My experience on the farm is a perfect post Covid escape but it will take funds to fully prepare for this as well as pay ongoing bills.
- We feel that the smaller establishments have been neglected . It will be very difficult to sustain momentum and meet costs with the uncertainty of the situation.
- We did get the Loan but are unable to get the grant because of our NAV. At the minute the electric is £2k per month, the insurance almost £1.5k per month and the wages of unfurloughed staff £2k PER WEEK as the insurer which has turned down the Business Interruption Claim insists the hotel is manned 24/7 ! At present we are using our overdraft but this cannot go on for much longer as we will not have the reserves to support the business if / when it gets re-opened. The Furlough scheme, deferment of VAT etc.. and rates holiday were all welcome but not sufficient to ensure long term viability in our industry.
- Extremely bad as upkeep of mortgage, bills etc are still needing sorted and investment for preparation for post covid is a concern as there is absolutely no income from this business at the moment!
- Serious problem paying fixed costs
- Took a career break from being a nurse to run my new business. 6 children at home and no income.

- We already have a very high quality offering, as endorsed by Tourism NI's interest in us for their "Embrace a Giant Spirit" experience brand. However, we also have very good ideas about how to further innovate our business, but this needs some further investment. We simply cannot afford to do this ourselves right now, however, in the current situation, where our other usual sources of income are also much impacted. And we have not met the eligibility criteria for any sources of financial help which would help us do this to date. Our biggest concern is that over the last twelve months, we have funded all of this new venture ourselves - thousands of pounds worth! (All recorded.) The obvious consequence of this is that we have gone into this pandemic with our savings substantially depleted, and therefore we do not have them to help us weather the financial storm of our normal sources of income being so severely impacted, nor to further innovate our new venture. We also have no possibility of making any income from the new tourism business currently, nor at least for a number of months yet, as lockdown has meant that a few finishing bits of preparation work have also been delayed as normal services and necessary supplies have been unavailable over the last couple of months. The international market and more mature people were also originally our key target audiences, and we obviously have been forced to somewhat rethink this too - which again requires more investment. We feel it would be a real travesty if our venture, which appeals to so many people, and which we genuinely feel has the potential to quickly become a flagship tourist experience for our long overlooked and under-celebrated Lough Neagh / Mid-Ulster area, were to flounder before it properly gets off the ground, due to these circumstances which nobody anticipated and which are entirely outside our own control. A relatively small injection of funds into our business right now (maybe a few thousand pounds) would make a world of difference to our position.
- There is a zero income from the business due to it being closed and therefore financial hardship. It will take a lot of marketing and Finance and presents a great challenge to re-launch my business.
- I have had no income from business from beginning of March and still have to meet my finance bills and insurance bill etc. How long can anyone keep doing this with no grants or money coming in
- Catastrophic. I'm renting the B&B which is quite unusual situation, but I have absolutely no money left to pay any of my bills rent including. I can't see how I'm going to survive without financial support.

