COVID-19 Impact Survey Report for the Tourism, Leisure & Hospitality sector

June 2020

In conjunction with Larking Gowen

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"Thank you all for the support and guidance you are offering us. It gives us an idea of what shape our business and the industry will be in by the end of the pandemic. I have questioned my career choice for the first time in my 27 years of service to tourism!"

Attraction CEO

Foreward

In early June a group of key tourism figures felt that there was a gap in the data being collected by surveys in the local area, and that while valuable information was being collected, some information such as precise quantum was absent. What set out as a potential small scale survey expanded to cover Norfolk and Suffolk, and sought to drill down into establishing the economic impact of COVID-19 on those businesses with a view of identifying the potential wider impact.

The Volumes and Values research undertaken on behalf of Visit England suggests that across the two counties the economic value of tourism, leisure and hospitality amounts to £5.411billion*. Of this, £3.839bn* is direct spend with the balance of £1.5bn* being deemed indirect/induced spend.

As far as employment is concerned the two counties provide direct employment for some 89,678 jobs and an estimated 39,000 indirectly.

them to provide rarely shared, highly sensitive and confidential information, and our thanks goes to those businesses who participated for entrusting us with their information. The letter was signed off by the group who are all engaged with DMOs in Norfolk and Suffolk including Visit North Norfolk and Visit East of England, as well as Norfolk & Suffolk Tourist Attractions.

Aware of the huge challenges that nobody could ever have imagined, the sector was looking to forecast the impact of having to operate in a completely new way, with greatly reduced capacity and revenue, whilst working with expensive and challenging guidelines. This would also be at a time when guests were unsure about visiting hospitality venues, until they are sure that they can be kept safe.

Approximately 80% of those invited provided information with a total 38 business taking part.

Turnover of the businesses varied from £82,000 upwards. Total revenue generated by the 38 businesses in the 2019 year totalled £171m and directly employing some 2,400 full and part-time staff (measured as at high season 2019). By comparison to the whole market value the sample data here represents approximately 4.5% of the economic direct spend (or 3.33% of total economic value) and 2.7% of the number of directly employed staff.

We are grateful to those who participated, for their honesty and clarity.

Chris Scargill

Tourism, Leisure & Hospitality Partner,

Larking Gowen

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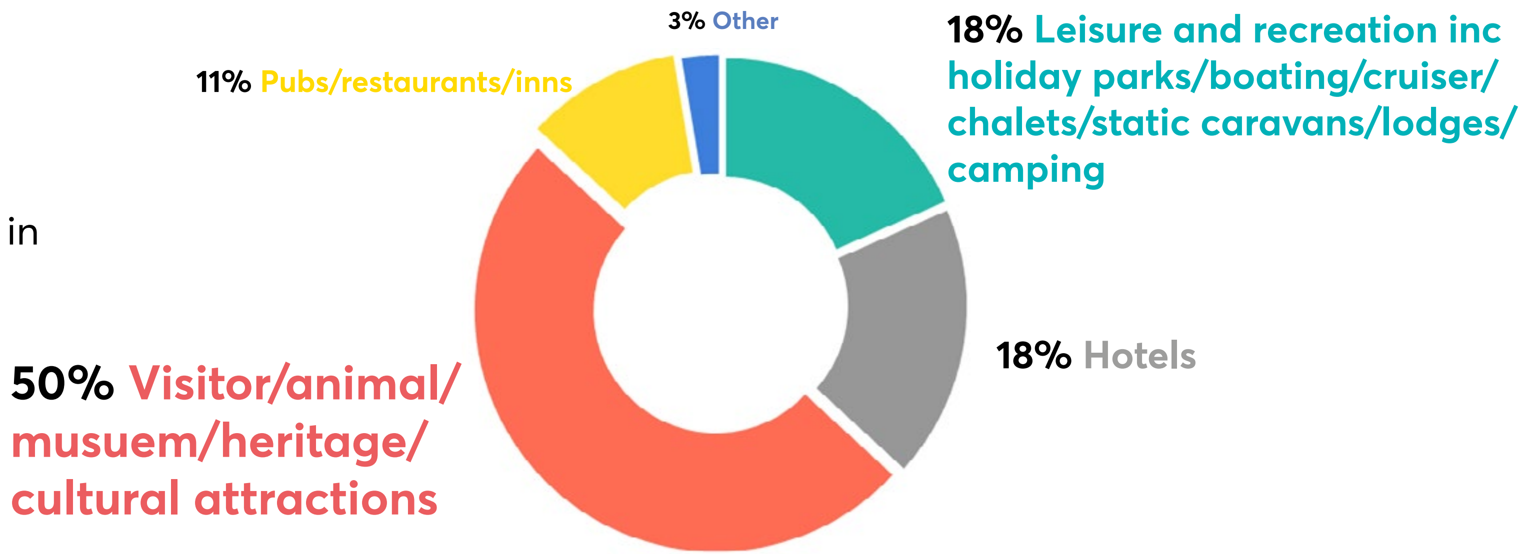
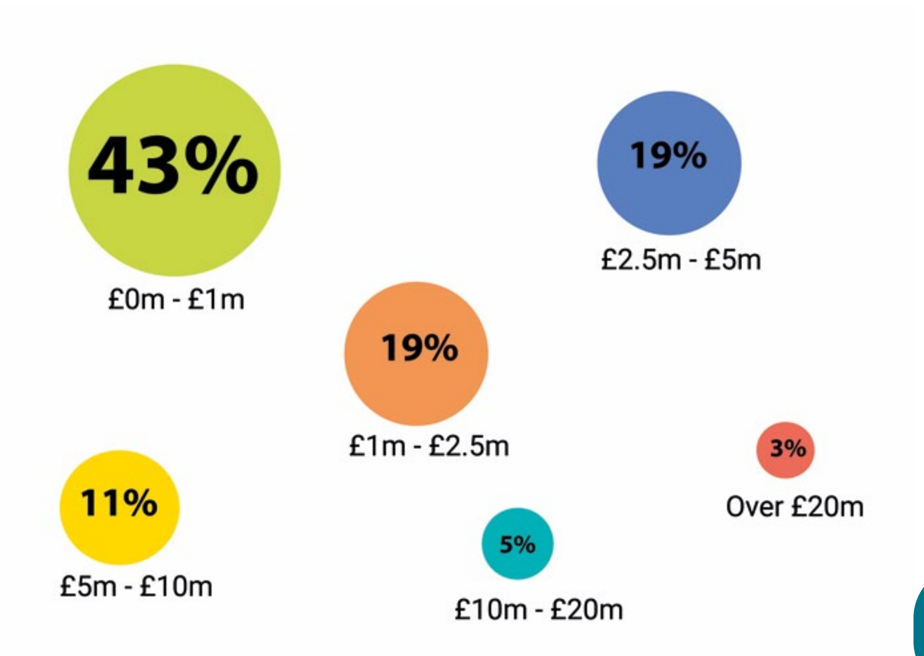
*all data courtesy of Destination research (Economic Impact of tourism 2018 Results)

Business type

1 Businesses (primary activity) taking part in the survey



Representation by turnover, of survey participants



At a glance

Economic impact data

5. 4bn - Volumes and value re-search as to the economic impact tourism has on Norfolk & Suffolk

120,000 jobs (89,000 directly + employers)

Turnover down 48.7% (on forecast)

of current jobs level

Over 1 in 5 staff could be made redundant by 31 October 2020

Profits (in this sample alone) down £26m

Staffing

2.6% ratio of staff in sample already made redundant

1/3 of economic impact to Norfolk & Suffolk could be lost

VAT Cut of VAT rate to 5%

53% of businesses said would reduce losses but not break even

Signatories to the report...

Signatories to this report, in addition to Chris Scargill are;

- Dr Andy Wood OBE DL, CEO of Adnams, Chairman of Visit East of England and member of Visit England Advisory Board
- Ian Russell MBE, Director Wroxham Barns, Director of Visit East of England and Chairman of Where to Go in North Norfolk
- Andrew Hird, General Manager of Woodland Holiday Park and Chair of Visit North Norfolk
- Martin Dupee, Director of Norfolk & Suffolk Attractions, and Director of Visit East of England
- Peter Williamson, Chair of Norfolk & Suffolk Tourist Attractions
- Greg Munford, Chief Executive Director Richardson's Boating Holidays and Holiday Parks, and President of British Marine.

"The Visitor Economy is so important to our Region with its wonderful coast, historic towns and cities and terrific visitor attractions. The financial impact of being the first in and one of last sectors to emerge from lockdown is there, written large, for all to see. As we move from lockdown to opening, this is a time of maximum jeopardy for all involved in the sector as businesses spend money on unfurloughing their teams and being able to open safely. Visiting the Pub, a day out with friends and family, a weekend away or a longer break are simple pleasures that contribute so much to the nations wellbeing. What we need from Government is clarity, consistency and timeliness of policy, together with targeted support for the eco-system of small and medium businesses that comprise the Visitor Economy here in the East. With the right support the sector will be able to safeguard thousands of jobs and give customers something joyous to look forward to, following being locked away in their homes for three months".

Andy Wood

CEO Adnams

...and what they have to say

"We know our local attractions have been working hard to open and operate safely but businesses face further financial hardship due to investment and management of those provisions and outdoor catering can only be considered for so long. I am confused why the High Street can open, yet walk through indoor attractions areas are being forced to remain closed"

Martin Dupee

Director Norfolk & Suffolk Attractions, Visit East of England

"I think we all have an understanding of some of the issues surrounding the individual elements covered by this survey, but by pulling them together it brings home the enormity of the issues facing the sector and its impact on the wider economy. This will affect so many people and so many livelihoods that have invested everything into the sector. Put simply, even with some reduced social distancing provisions, businesses will need extended help and support to retain staff and give them a fighting chance of surviving through to next April. The road to recovery is looking to be a long one"

Andrew Hird

General Manager of Woodland Holiday Park and Chair of Visit North Norfolk

"The future of inland waterways hire companies is at risk, action needs to be taken to mitigate what is in affect three winters in one year. Boating operators have large costs in preparing for the season these costs are already sunk. If action is not taken many operators may not survive"

Greg Munford

Chief Executive Director, Richardson's Boating Holidays and Holiday Park, and President of

"We are really pleased with the support our members gave to the survey. They have entrusted their private and sensitive information to enable a proper understanding of the numbers to be represented. The "three winters" scenario will put a significant number of businesses and jobs at risk."

Peter Williamson

Chair of Norfolk & Suffolk Tourist Attractions

Chris Scargill opinion

The impact of COVID-19 cannot be underestimated. This survey focuses on the economic impact to a particular sector, key in its importance to Norfolk and Suffolk economies, but all parties to this report are fully aware of the significant personal impact, that has affected so many. That should not be ignored, and our condolences go out to all those who have lost loved ones.

"There can be little doubt that the cost, both short-term and longer term, to this sector is going to be huge. The economic value of the tourism, leisure & hospitality sector in Norfolk and Suffolk has been growing significantly, and was bringing £5.4bn into the local economy employing some 120,000.

The sector is facing challenges that nobody would ever have imagined. It was one of the first to be closed down and many elements will be the last to re-open. Restrictions on how business can operate (even with reductions in the social distancing regulations) leave some in a position where it is in reality uneconomic to re-open and the numbers are quite frightening. Extrapolate the results of this survey – which in themselves represent just over 4% of the direct economic impact of sector on Norfolk and Suffolk – and the numbers become really scary.

The economic value of the sector to Norfolk and Suffolk is £5.4bn of which £3.84bn is direct revenue and employs approximately 120,000 people both directly and indirectly.

Forecast turnover of the businesses surveyed for 2020 totalled £181m but they anticipate, even with June and July opening, that their income will fall to £97m. If that value is extrapolated, then the sector could lose over £1.8bn.

Even when they open, businesses will have to operate in a completely new way, with greatly reduced capacity and revenue, whilst working with expensive and challenging guidelines.

Our businesses anticipated spending over £160K to facilitate the re-opening. A tough call when the expectations are that lost profits will exceed £26m.

The Government moved very quickly to put in place measures to help this sector and the wider economy. Some aspects took time to refine but things have been moving quickly. What is abundantly clear is that the furlough scheme has saved a number of business making staff redundant, and the cost to the economy is high. However for this sector there is still a high proportion of seasonality, not just for the summer but also for our fabulous seasonal autumn and winter events. This leads the sector, due to the timing of the disease, sadly into a situation of effectively three successive winters.

The monies invested to effectively keep employment running may sadly be putting off the inevitable, if special support is not given to help the sector further through to next April, with businesses currently considering one in five staff to be made redundant. If we get to that point, the advantage we have over some other visitor economy destinations is that we were"

Chris Scargill

Tourism, Leisure & Hospitality Partner,

Larking Gowen

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Ian Russell MBE opinion piece

"Although the numbers shared with you in this report are of an unimaginably huge scale, they are the sum of thousands of small, mainly family owned businesses. These businesses are in it for the long term, they are resilient, loyal to their staff and have seen ups and downs over many decades.

My business is one of those family businesses. Established 38 years ago, we have traded through recessions, been closed due to foot and mouth and E-coli outbreaks but nothing has prepared us for what is coming down the track over the next nine months. We are excited about the prospect of reopening, of welcoming back our visitors, we are in the enjoyment business. We and our colleagues in tourism are inherently optimistic so many are focussing on the next few weeks when hopefully the Government will give us the greenlight and the guidelines which we will need to comply with.

So what do we think is coming down the track? We were closed just three weeks before Easter, at the very end of a challenging winter. We have lost Easter and Whitsun half-term trade which would give us 30% of our annual sales. In the absence of Government guidelines we have to assume that social distancing will be central to how we operate and thus we will be looking at our capacity reduced to circa 30%, resulting a huge reduction in summer revenues. And like many attractions, we have been encouraged to weatherproof our visitor experience but those all important indoor spaces, playbarns and entertainment facilities will not be viable. We have run and rerun the numbers and have done our very best to retain most of our staff but both they and us are looking at a very lean time until we get to the other side. As I write this, my colleagues and friends with their holiday parks, boat hire businesses, hotels, pubs, restaurants and letting agencies are fearing for their very survival and for their teams with whom they have built their businesses, their livelihoods and for their rural communities.

I am proud to be part of success story that is Norfolk and Suffolk. Norfolk ranks higher than Cornwall in terms of revenue and jobs, Norfolk & Suffolk ranks 6th most significant tourism destination in the UK.
But this is not the time to play "my destination is more successful than yours"
We stand alongside our colleagues all across the UK, together we are a vital engine of the UK economy and the fastest creator of jobs that will be needed to help us recover.

The cold reality however is that we are on the floor, winded, bruised and running dangerously low on fuel. We are not in the shape we need to be to lead the economy back from the cliff edge. But being the optimists that we are, I believe that with some specific interventions we can fight back; we have the spirit, the self-belief and we have our loyal teams and communities on our side.

To cut to the chase, this is what I believe we need to give us a fighting chance:

- Reduce VAT for Tourism, Leisure and Hospitality to 5% for the next 12 months
- Extend the flexible furlough scheme for Tourism, Leisure and Hospitality businesses until Spring 2021
- Extend CBILS payment terms to 10 years

Thanks for taking the time to read our survey, thank you for your support which we greatly appreciate. In the meantime we are working day and night to get ready for our visitors"

Ian Russell

Owner of Wroxham Barns,

Visit East Anglia Director

Turnover

Respondants were asked to provide details of income to 31 December 2019 and original budgeted income for 2020, and then asked to compare that with their latest forecast.

2

Turnover 2019
£171,661,948

Original - pre COVID-19 forecast turnover 2020
£189,262,869

Latest revised forecast for 2020
£97,063,943

Declared turnover for the businesses in the relevant period, excluding VAT.

IMPACT TO DATE (TO 31 MAY 2020)

In the five month period to 31 May 2020, businesses in the survey had already suffered reduced income of £31m

The businesses surveyed turned over £171.7m in 2019. As a result of growth, investment and new initiatives they had forecast income for 2020 to be £189.3m - an encourgaing increase of 10.2%. However, the impact of COVID-19 has meant expectations are nearly halved to £97m.

Businesses surveyed had already seen the impact by the end of May 2020, with a fall of over 50% in actual turnover to their budgeted expectation, with income falling from £59.6m to £28.6m

Turnover

3

Summary of fall in revenue for businesses in the survey

£92,198,926 — **Fall in forecasted turnover, for 2020**

Represented by;

£31,018,149 — Fall in forecasted turnover, to May 31 2020

£61,180,776 — Lost turnover expected June - Dec 2020

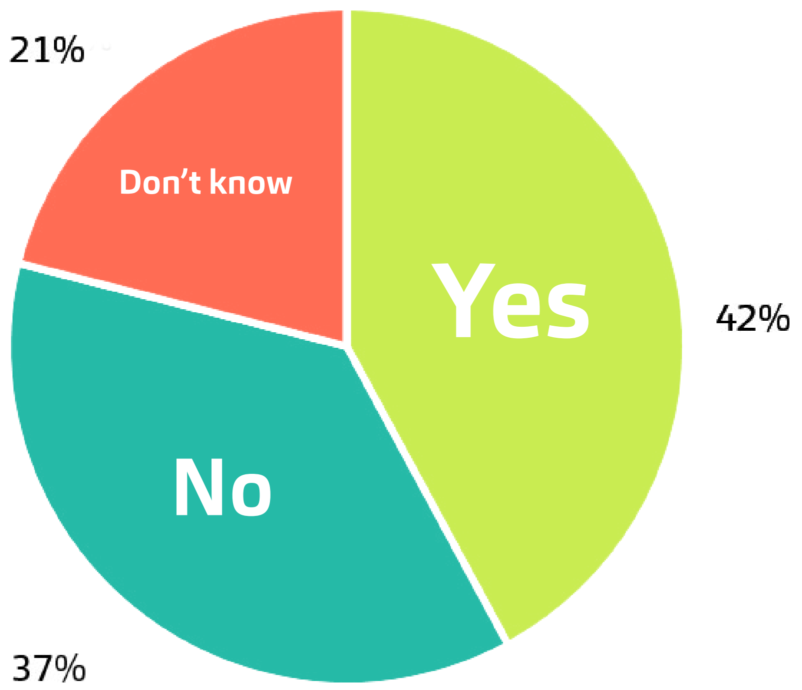
COMMENT

The fall for the whole year represents 49% of anticipated turnover.
In the five months to May, turnover had already fallen by nearly 50%, with a 47.2% fall expected in the remaining seven months of the year, which critically incorporates the summer (high season).

Re-opening

We asked, in light of COVID-19 regulations;

4 Is it **financially viable** for you to open in June/July?



5 Is it practical to open?

55%

of businesses felt it was **not practical** to open, or that they had **insufficient information** available to them to facilitate opening

Profitability & recovery

6 PROFITS

expected to fall by £26m

COMMENT

Businesses who had measured their breakeven point, highlighted a need for their turnover to be £108m. Current expected turnover for the year was £94m – hence a shortfall of £14m.

The COVID-19 impact suggested profits would fall by £26,293,850, moving most into a loss situation.

Profits facilitate loan repayments and investment – the level of fall indicated will impact businesses for many years to come.

7

Chris Scargill

"The impact on business has been significant. We asked businesses to indicate what their likely period of recovery would be assuming all social distancing provisions ended in April 2021, before they would be deemed to be back into the same position they were before COVID-19. The average period was three years, four months. Two business anticipated at least ten years while one could not see a point of full recovery"

"If the position for the next six months continues I would look at closure as the best way out, not a business loan"

Visitor attraction

"We may never fully recover"

Staffing

How staff costs were expected to move and ratio of staff employed by the business based on turnover;

8 Total staff/wage costs 2019

£40,972,989

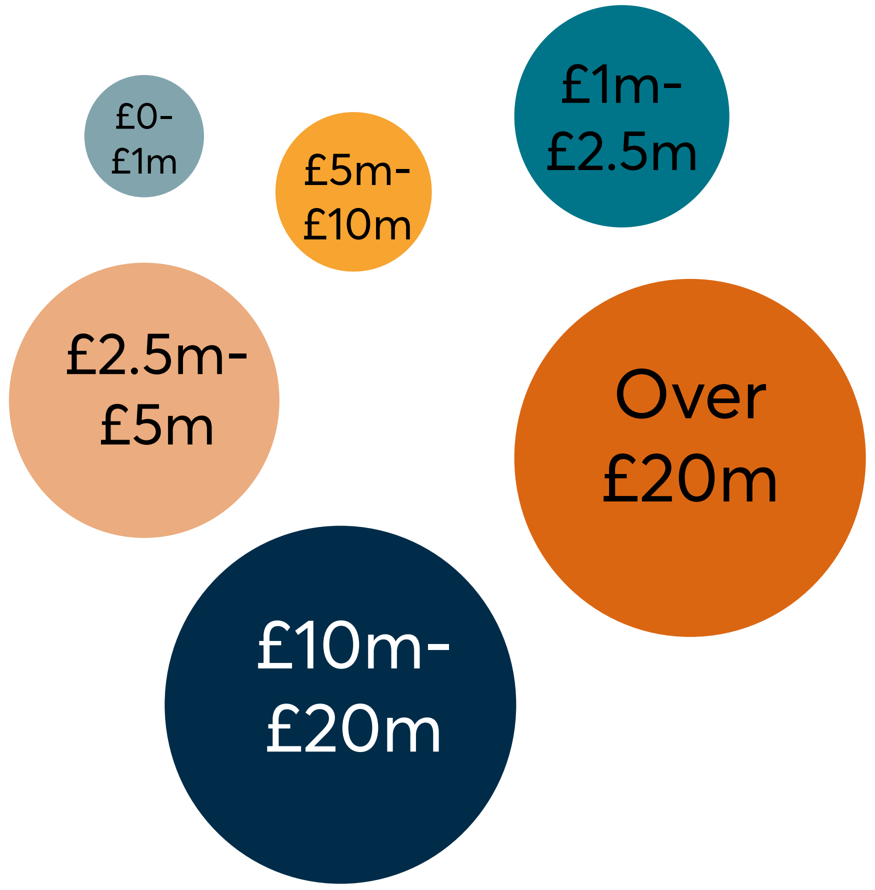
Original expectation to 31 December 2020

£43,410,604

COMMENT

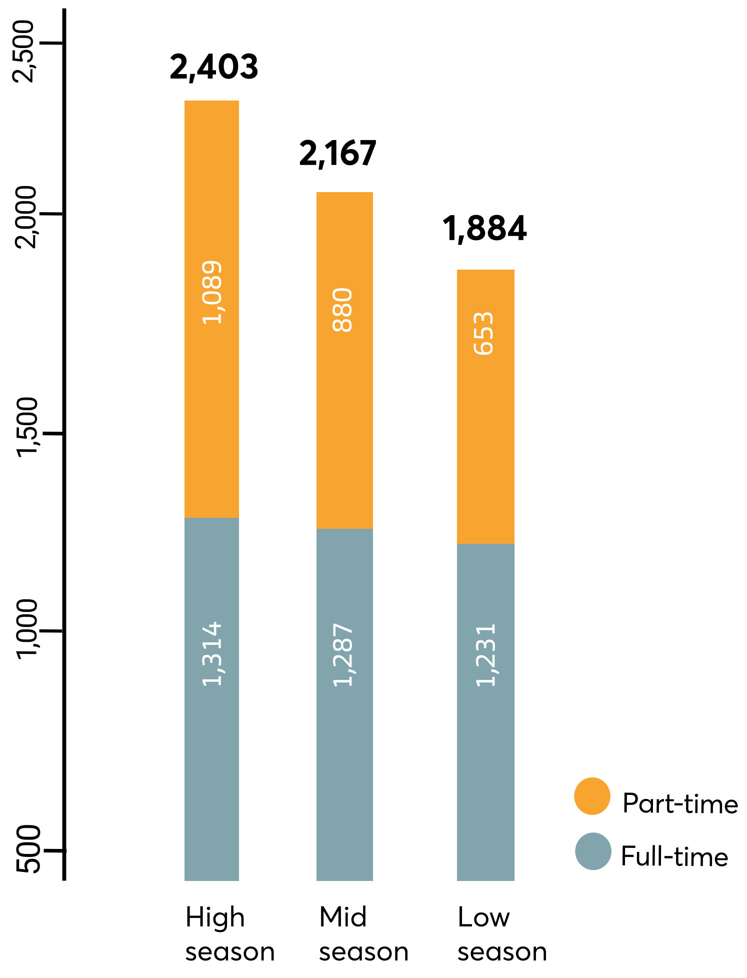
Businesses in the survey had expected increased turnover. This in turn would lead to job creation. Budgeted increase in staff costs across the businesses was 5.95%.

9 Of the 2,403 staff employed in the high season (2019), a representation of the relevant proportion of employees in each income category was;

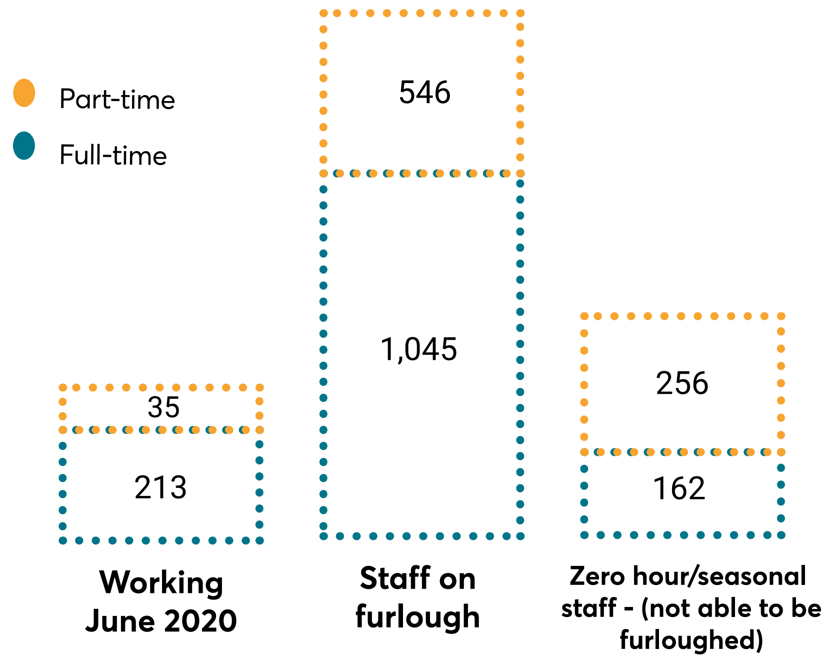


Staffing

10 How many staff did you employ in 2019?



11 At beginning of June 2020 (mid-season), what was the position of staff on payroll?



COMMENT

As at 31 May, of our survey population 36 full time staff and 13 part-time staff had already been made redundant (representing 2.66% of staff on the payroll at that time)

"We are seasonal and hadn't taken on our summer staff, they didn't qualify for furlough as were not on the books, due to start 1 April"

Leisure

Staffing

12

81%

of businesses said that the sector **needs it's own furlough scheme** to support it beyond

"No point in extending a job opportunity that might not be available"

Pub

"As winter approaches we will really struggle to retain a large proportion of our staff"

Attraction

"I think without a separate scheme redundancies and job losses will occur"

Leisure

13

Will the part-time furlough option stop some redundancies?

Yes
53%

No
15%

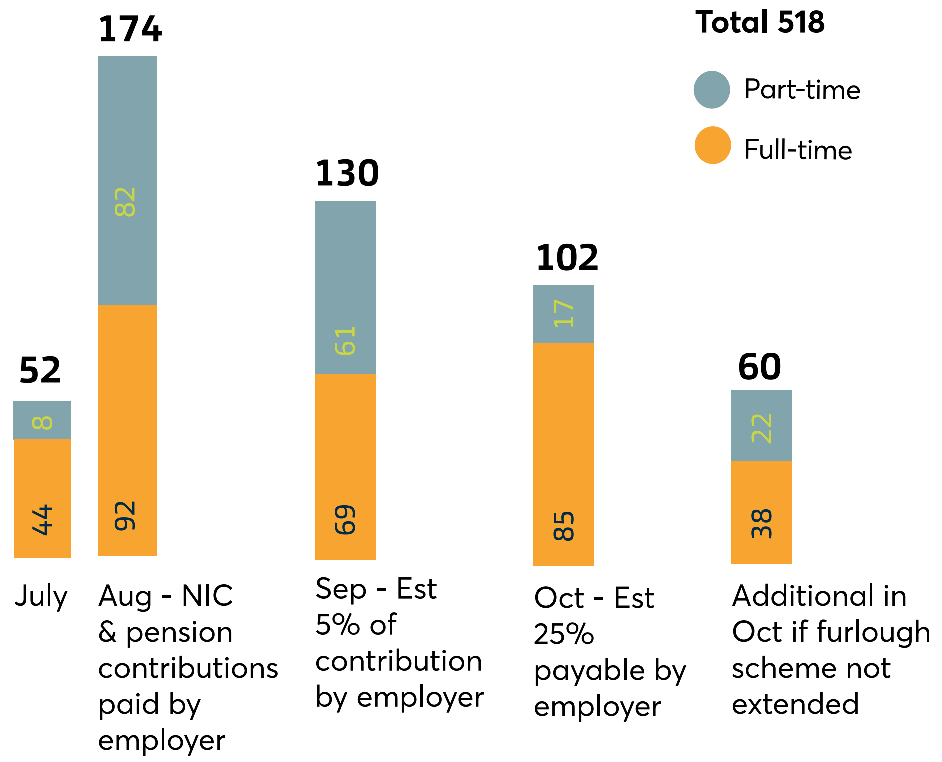
Not yet decided
32%

"We cannot survive 'three winters in a row'. We will almost undoubtedly have to close in the Autumn and make the majority of our staff redundant"

Staffing & redundancy

14

As Government support reduces, and employer contributions increase, what redundancies could arise and when?



"Project building programme likely to be paused, resulting in redundancies"

Leisure

"I think without a separate scheme redundancies and job losses will occur"

Leisure

"I would make look to make redundancies before, probably by August sadly"

Hotel

"Redundancy is something we need to avoid. So many of our staff have been with us for so long that nearly all would qualify for maximum redundancy payments, which is simply not an option as we don't have the funds to pay it."

Attraction

Kite Mark

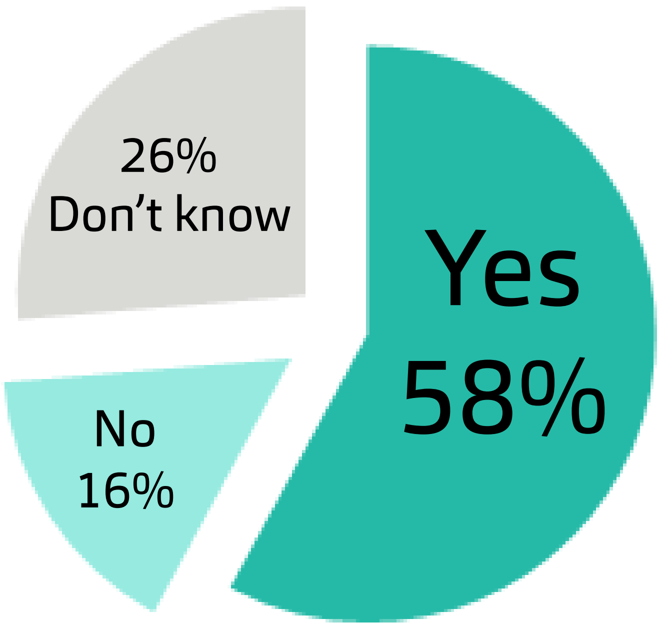
15 Will a COVID-19 safe Kite Mark accreditation help boost consumer confidence?

"An excellent idea.
A Kite Mark is what we need to give reassurance to visitors. We can't completely make any site COVID-19 safe, depends on who it is issued by"

Attraction

"It will be relatively meaningless faff.
Like the tractor mark in food"

Restaurant



"Anything that can be done to reassure the more cautious customer would be beneficial"

Leisure

"A national scheme will have recognition and more clout than everyone interpreting their own version of 'safe' "

Hotel

Financial

16 What would be the effect on your business in the current year of a reduction in the VAT rate to 5%?

53% - help reduce my losses but not break even

32% - help me achieve break even

12% - turn a loss into a profit

3% - standard rate reduction does not affect me

"We have been in business 30 years and 5% VAT has been a reoccurring campaign to compete with the rest of Europe"

Hotel

Chris Scargill

"There has long been an argument over the added value to the UK economy of a reduction in VAT for accommodation providers (mainly hotels), restaurants and attractions, to fall in line closer to the rates applied to similar businesses in the majority of Europe, where relevant VAT rates are much lower, making travel overseas for UK holiday makers much more attractive.

With falling turnover, an effective VAT rate reduction from 20% to 5% would potentially put £14m into the hands of the businesses in our sample.

Putting this in context, businesses have expected a fall in profits of £26m and advised that turnover for 2020 was likely to be some £11m short of what was needed just to break even.

If some of the £14m benefit was used to facilitate discounting on pricing the wider population would also benefit, potentially leading to higher business activity in the low season where capacity is likely to exist even with some social distancing provisions still in place."

Financial

17 Insurance

Are you covered?

Of 45% of businesses who thought they would be insured against a pandemic, can you make a claim?

No 88%

12% **Yes**

18 Anticipated spend to facilitate re-opening;

Specific property alterations £157, 900

Banners & signage £156,900

Staff for monitoring £606,500

Additional covered areas £57,100

Cleaning & hygiene £592,200

"We do not believe people will sit outside in cold conditions"

Hotel

Government support

"We are very pleased with the level of support we have received from HMG since April. By strict controlling of our costs over many years and further reviews since lockdown commenced, we will be in a very strong position when all restrictions are lifted."

Attraction

19 81% of businesses disclosed the support received;

- CBILS loan - 5 years £2,350,000
- Rates relief £1,623,710
- Business Support Grants £845,000
- Bounce Back Loan £332,000
- Other £134,000

"The bank debt holiday we have obtained is our biggest concern. It would be most helpful for the holiday to be added on at the end of the term rather than added in 6 months time ."

Hotel

"It's too long a period to be borrowing lost revenue without guaranteed low interest rates it encourages borrowing to fund lost income when future interest rates are completely unknown"

Leisure

"This would have been fantastic, and a lot more realistic. Longer term repayment would allow for more investment back in the company"

Hotel

"We have been unable to obtain a CBILS loan due to the bank's perception of our inability to repay the capital over 5 years"

Attraction

COMMENT

A number of businesses advised that they had not yet applied for funding or had taken commercial loans outside these schemes, due to longer repayments. Many were not keen on borrowing.

Contact us

Visit Larking Gowen's COVID-19 hub online at
www.larking-gowen.co.uk/coronavirus

For further information on this survey, or other tourism related matters, please contact your usual Larking Gowen contact or email enquiry@larking-gowen.co.uk

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