

All-Party Parliamentary Furniture Industry Group

*Inquiry into the Impact of COVID-19 on
the Furniture and Furnishings Industry*

18 May 2020

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Summary

The All-Party Parliamentary Furniture Industry Group (APFFIG) has launched an urgent inquiry to examine the impact of COVID-19 on the furniture and furnishings industry. An oral evidence session was held on 30 April 2020 to discuss the present state of the industry, the support offered by Government and what new support would be needed to assist the industry. The one-off oral evidence session was attended by a range of trade associations and, furniture and furnishing businesses from across the industry.

The UK's furniture and furnishings industry is a significant industry for the UK economy. In 2018, total consumer expenditure on furniture and furnishings totalled almost £17 billion and supported 339,000 jobs across 52,500 registered companies. Domestic manufacturing of furniture and furnishings had a turnover of £12.2 billion, in 2018, and employed 123,000 highly skilled individuals in over 8,700 businesses.¹

The Inquiry looked at the Coronavirus Job Retention Scheme, the Coronavirus Business Interruption Loan Scheme, the Business Rates extension offered to the retail and hospitality sector, and guidance produced by the Government on topics such as PPE and social distancing. In particular, the Inquiry found:

- The Coronavirus Job Retention Scheme was working extremely well. Concerns were expressed about when the scheme will end as recovery in the furniture and furnishings industry will lag recovery especially in the retail and hospitality sectors.
- The Coronavirus Business Interruption Loan Scheme was proving hard to access. Some banks were being obstructive when processing claims and were offering amounts that were insufficient or came with unacceptable security requirements.
- The Business Rates extension for the retail and hospitality sector, although welcome to those individual sectors, was doing little to support the wider supply chain. Furniture retailers also reported problems as warehouses were not covered by the scheme.
- Government lockdown guidance has caused issues with employees misinterpreting the guidance and causing manufacturers to shut down unnecessarily. Clearer guidance was needed to give confidence to employees in the sector to return to work.

The Inquiry identified a total of 8 recommendations for Government to consider including:

- Speeding up the process of Coronavirus Business Interruption Loan approval and increases the total number of approved loans.
- Avoiding a cliff-edge ending in the Coronavirus Job Retention Scheme, which would jeopardise thousands of jobs across the furniture and furnishings industry, while increasing the flexibility of the scheme as businesses begin to return to work.
- Extending the 12-month Business Rates holiday to manufacturing sites and B1 commercial space throughout the furniture and furnishings industry.
- Ensuring that all Government communications are as clear as possible and producing an easy to follow, detailed, set of guidance on safe working.
- Encouraging trade credit insurance providers to consider the impact of their actions on businesses and customers through this challenging period.

This report will be submitted to relevant Government Ministers, Civil Servants and other interested stakeholders.

¹ BFC, *About the BFC*, British Furniture Confederation, 2020, [link](#)

Introduction

The All-Party Parliamentary Furniture Industry Group (APFFIG) is a parliamentary group registered in the UK Parliament. The Group is chaired by Mike Wood MP, with Mark Eastwood MP, Baroness Warsi and Rosie Cooper MP serving as Vice Chairs. The Secretariat of the APFFIG is provided by Brevia Consulting who are sponsored by the British Furniture Confederation (BFC).

The BFC contains the following organisations:

- British Furniture Manufacturers (BFM)
- British Contract Furniture Association (BCFA)
- National Bed Federation (NBF)
- Furniture Industry Research Association (FIRA)
- Furniture Makers' Company

The APFFIG agreed to hold an inquiry on 22 April 2020 on the impact of COVID-19 on the furniture and furnishings industry. A one-off oral evidence session was held on 30 April 2020 where the Inquiry examined:

1. Coronavirus Business Interruption Loan Scheme
2. Coronavirus Job Retention Scheme
3. Business Rates Relief
4. Communications from Government
5. Reopening the Industry
6. Trade Credit Insurance

The oral evidence session was attended by businesses from across the UK furniture and furnishings industry and representatives of the UK's furniture and furnishing trade associations who are members of the British Furniture Confederation. A list of organisations and representatives that attended and provided oral evidence can be found in Annex 1.

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This report will be submitted to Ministers and relevant civil servants for their consideration.

² BFC, *About the BFC*, British Furniture Confederation, 2020, [link](#)

Issues Examined by the Inquiry

Coronavirus Business Interruption Loan Scheme

1. In the 2020 Budget, on 12 March 2020, the Government announced the Coronavirus Business Interruption Loan Scheme (CBILS), which has been further extended in subsequent announcements.³ The Scheme is split into support for small to medium sized businesses, and support for large businesses. Both of these programmes are of interest to the furniture and furnishings industry. The Government is providing lenders with a guarantee of 80 per cent on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to small and medium-sized businesses. The Scheme is being delivered through commercial lenders, backed by the Government-owned British Business Bank.⁴
2. The Inquiry heard from witnesses that they faced a range of problems in accessing the CBILS support. Businesses, large and small, reported that Banks appeared to be looking for a reason not to give out loans. Witnesses stated that Banks were concerned that the Government would assess the loans after businesses had entered into administration and decide then that they should not have been given out. This would lead to the withdrawal of the Government guarantee. This was causing Banks to ask for unreasonable guarantees from businesses. Businesses also found the process unduly bureaucratic and slow, and some banks required personal financial information from company directors. Witnesses reported that some of the smaller banks did not even have an application available on their website.
3. A witness from a bed and chair manufacturer found that when his company applied for a £750,000 loan from Lloyds Bank, they required personal financial guarantees to complete the application. Lloyds then offered a pre-existing product, namely an overdraft facility, which was not acceptable. It then requested he apply for £250,000 with a full debenture. The company accepted this loan and have since been trying to extend for the remaining £750,000 but have found Lloyds Bank obstructive.
4. Other witnesses drew the Inquiry's attention to Banks who were basing their loan decisions exclusively on historical data. For many businesses in the industry, this meant using older audited accounts which did not accurately represent the current position of their business. Many of the businesses had particularly strong starts to 2020 which the banks were ignoring.
5. The Inquiry heard that many of the problems stem from banks being concerned that the Government may decide that loan support offered by the Government will at some future point be withdrawn. **The Inquiry asks that the Government gives confidence to the Banks and acts to speed up the process with which loans are approved, increase the number of loans offered and ensure that businesses are not subject to unfair practices by the banks.**

³ HM Treasury, *Budget 2020*, 12 March 2020, [Link](#)

⁴ Department for Business, Energy and Industrial Strategy, *Apply for the Coronavirus Business Interruption Loan Scheme*, 1 May 2020, [Link](#)

Coronavirus Job Retention Scheme

6. The Coronavirus Job Retention Scheme (CJRS), announced on 20 March 2020, provides that UK workers of any employer who are placed on the Coronavirus Job Retention Scheme can keep their job, with the Government paying up to 80 per cent of a worker's wages, up to a total of £2,500 per worker each month.⁵
7. The CJRS was widely welcomed by the trade associations and the employers present with those in attendance impressed by the speed and efficiency of the Government's delivery of such a complex programme.
8. The Inquiry did hear a number of concerns about the Scheme moving forward. First among these was that the support offered by the Government would end abruptly and before the industry was capable of returning all their employees back to work. The Inquiry believes that it is going to take many more months, after trading and movement restrictions have been lifted, for the benefits to pass through the supply chain. For manufacturers, it is vital that Government support is not withdrawn before the industry is back on its feet.
9. Ian Oliver, Chief Executive of Sofa Brands International (a domestic furniture manufacturer), mirrored many of the concerns of other witnesses when he stated that, '...we are concerned about the long term and how the support will continue. We have invested in developing lots of skilled employees who we would struggle to replace if we had to let them go'. The Inquiry heard that, in order for manufacturers to protect these jobs, support needs to continue while industry responds to an anticipated slow growth in retail and commercial orders.
10. Witnesses were concerned that as the industry restarts manufacturing sites, the 80 per cent of wage support could prove too generous. At first manufacturers are likely to only open partially and it might be difficult to convince staff to return when their colleagues can stay at home for only 20 per cent less.
11. Therefore, **the Inquiry was pleased to hear the Chancellor announce on 12 May 2020⁶ that the Government would extend the CJRS to October 2020.** This will avoid a cliff edge drop in Government support that would force businesses across the furniture and furnishings industry to make thousands of people redundant. The Inquiry's finding that the 80 per cent rate of wage support might prove too generous when encouraging some staff to return to work remains valid.
12. The Inquiry also heard concerns about the inflexibility of the support offered. When businesses are considering their reopening plans, the three week period that an employee is required to be furloughed is too long. Businesses need to be able to act more responsively, being able to furlough and un-furlough staff without having to wait three weeks for staff to return. Without flexibility, businesses are going to have to make considerably riskier decisions about when to return staff.
13. Rodney McMahon, Managing Director of Morgan Furniture (a contract seating manufacturer), stated that the furloughing scheme was currently too inflexible: 'Currently, if you bring someone back, and find you have miscalculated or orders drop, then you have to send them away for another three weeks before you can bring them back again'.

⁵ House of Commons Library, FAQs: Coronavirus Job Retention Scheme, 1 May 2020, [Link](#)

⁶ HM Treasury, *Chancellor extends furlough scheme until October*, 12 May 2020, [Link](#)

14. **The Inquiry recommends that as the Government aims to increase the flexibility of the CJRS it considers removing the three-week furloughing requirement in favour of a one-week furloughing period.** This would allow the industry, as it reopens, to be more responsive to demand and take less potentially business jeopardising decisions. It is also critical that these changes are brought in as quickly as possible. This will ensure that industry has the flexibility they require as they return to work.

Business Rates Relief

16. On 23 March 2020, the Government announced a 12-month Business Rates holiday for businesses in the retail and hospitality sector. This includes businesses such as shops, restaurants, cafes, bars, cinemas, live music venues, gyms, spas, hotels and self-catering accommodation.⁷
17. The Inquiry heard that although retail businesses in the furniture and furnishings industry were pleased to receive the Business Rates holiday on their retail premises, the wider industry has received no such support despite seeing a comparable collapse in turnover. Business rates represent one of the significant fixed costs for furniture and furnishing manufacturers. With factories, warehouses and commercial showrooms all excluded, the continuing requirement to pay Business Rates is a potentially critical burden on business.
18. The Inquiry was alerted to the British Furniture Confederation's campaign to extend the 12-month Business Rates holiday to the entire furniture manufacturing industry as well as all B1 furniture related commercial spaces.
19. Ed Duggan, Financial & Commercial Director of Fishpools (furniture retailers), made the Inquiry aware that despite being a retailer, and receiving the Business Rates holiday on their retail space, his business did not receive a holiday for its warehousing space. This was despite the warehouse only supplying the retail business.
20. The Inquiry was made aware of the result of a survey, conducted by the British Furniture Manufacturers, looking at the impact of COVID-19 on its members. The survey represented a significant number of businesses, employing nearly 6,000 employees with a total turnover of over £400 million. The results show that 88 per cent of businesses believed rates holiday would help their business get through the COVID-19 pandemic.⁸
21. **The Inquiry is recommending that the Government extends the 12-month Business Rates holiday to manufacturing sites and B1 commercial space throughout the furniture and furnishings industry.** This will remove a significant fixed cost for the industry, freeing up cash to help support the industry return to work.

⁷ HM Treasury, *Business Rates: expanded retail discount – guidance*, 2 April 2020, [Link](#)

⁸ British Furniture Manufacturers, *Survey of impact of COVID-19 on the furniture industry*, 29 April 2020

Communication from Government

23. The Government has been communicating with industry through a range of channels. This includes correspondence with Ministers, Members of Parliament and Civil Servants in the Department for Business, Energy and Industrial Strategy (BEIS), the daily press briefing from 10 Downing Street and the GOV.UK website.
24. The Inquiry found that a number of the Government communications on staying at home could have been clearer. In particular, the Inquiry heard that the original communications from the Government's daily 5pm briefing, about key workers and working from home, led to employees forcing businesses to shut down manufacturing despite it being unnecessary.
25. Michael Holmes, Commercial Director of Boss Design (a commercial furniture business), said that some staff had taken a far too literal understanding of the Prime Minister's statement, on 23 March 2020, where Mr Johnson stated:

'I urge you at this moment of national emergency to stay at home, protect our NHS and save lives'⁹
26. Mr Holmes' recalled that as a result of this statement, staff 'appealed to follow Government guidelines and be furloughed as they felt that as a result of the PM's statement, they should have been at home, as the furlough scheme had been designed for their benefit and they had a right to access it'. Boss Design later shut down most of their operations, an option which may have been largely avoided, in the event that the communication had been delivered in an alternative manner. If the Government communications had been clearer at the start of the pandemic all of the witnesses felt this problem, and other similar problems, would not have occurred.
27. The Inquiry notes that the Government's advice, as of 10 May 2020, has now shifted to the new 'stay alert' message which now encourages employees to return to work. **The Inquiry maintains that the Government should try to be as clear as possible when informing the public about changes to its guidance.** In these uncertain, times businesses have to act on the exact detail of what instructions the Government produces. If these instructions are not clear it can lead to a range of unintended consequences.
28. The Inquiry also looked at the advice from Government provided to support social distancing measures. Numerous witnesses told the Inquiry that they had begun to establish social distancing policies for their factories and offices. All the witnesses felt that more guidance from the Government was necessary to support a return to work.
29. Jeremy Hocking, President of Herman Miller International, highlighted that as the industry returns to work the Government should adopt a more positive tone. Mr Hocking stated that Government should 'become far more positive and adjust the balance in its language around return to work. Right now, there is a stigma on the issue of return to work'. The witnesses all agreed that Government should speak positively about return to work, and what businesses are doing to keep their staff safe, which will in turn aide the economic recovery.
30. **The Inquiry requests that, ahead of more businesses reopening, the Government produces an easy to follow and detailed set of guidance on social distancing measures for retailers**

⁹ Prime Minister's Office, *PM address to the nation on Coronavirus*, 23 March 2020, [link](#)

and manufacturers to implement. In addition, the Government should talk more positively about reopening businesses, highlighting what has been done to make workplaces safe.

Reopening the Industry

31. As the Government considers when and how it might lift restrictions on the economy, the Inquiry wanted to examine how this might affect the furniture and furnishings industry. As non-essential retail space was forced to close, furniture and furnishings stores shut down and with them the manufacturers and wider supply chain that supported them.
32. Ian Oscroft, Managing Director of Whitemeadow Furniture (a domestic sofa manufacturer), echoed the concerns of other businesses when he stated that, 'we all need to come back together ... we need retail shops to open, that will allow manufacturers to open and then the supply chain. It cannot be manufacturers opening if we have not got retail stores open'.
33. Furthermore, as manufactures consider reopening, the Inquiry heard many concerns about a cliff edge end to support. It will take time for the benefits of reopening to flow through the supply chain and support cannot end before it has reached all parts of the industry. Mr Oscroft stated that '... ending the Job Retention Scheme in June with an abrupt ending would be disastrous and you will absolutely see tens of thousands of lost jobs across the industry.'
34. In particular, there are concerns from a substantial part of the contract furniture sector that the hospitality businesses they rely on will not be open for months to come. Research from the British Contract Furniture Association highlights that 90 per cent of businesses in this sector believe they will see a 25 per cent or greater drop in the level of production when compared to 2019, with nearly 60 per cent of businesses believing they will see a 50 per cent or greater drop in the level of production.¹⁰
35. Joyce McIvor, Contract Sales Director of Ulster Carpets (a contract furniture business), stated that, 'the biggest problem for us is the UK hospitality business which have stopped completely ... we are now sitting with over £2,000,000 worth of bespoke carpet which is on hold for projects that have not gone ahead'. Witnesses stated that not knowing when the hospitality sector would reopen was compounding the problems faced by the industry. Ms McIvor stated: 'Our primary concern is seeing the hospitality industry reopen and we do not believe that is going to return to the levels of 2019 for some time – it will be a very long process'.
36. **The Inquiry requests that the Government provides clarity on the timing of reopening the economy, to give manufacturers time to prepare. Furthermore, the Government must ensure that any support for manufacturing businesses does not end as soon as retailers reopen. The support must continue until all parts of the supply chain have reopened.** This will prevent a cliff edge ending to the support that would force furniture manufacturers to make thousands of people redundant.

¹⁰ British Contract Furniture Association, *BCFA Covid-19 Survey*, Where Now Consulting, 24 April 2020

Trade Credit Insurance

37. A developing problem, raised by the representatives of the furniture and furnishings industry, is the availability of trade credit insurance. With a greater level of uncertainty, credit insurance has become more important for businesses to continue in the industry.
38. Tony Attard, Group Chief Executive of Panaz (a fabric manufacturer), stated that they were seeing 'insurance companies raising premiums and withdrawing cover ... with some significant companies having their insurance cover withdrawn or reduced. As a supplier to those companies, we are going to find it very difficult to agree terms with them.'
39. The Inquiry was pleased to see the Government's pledge to provide support through a Trade Credit Insurance Guarantee, on 13 May 2020¹¹. **The Inquiry asks that the Government ensures that the Trade Credit Insurance is substantial enough to support industry to trade and that it is not withdrawn prematurely.**

¹¹ HM Treasury, *Government to support businesses through Trade Credit Insurance Guarantee*, 13 May 2020, [Link](#).

Access to Government and Public Sector Contracts

40. The Inquiry heard about the challenges faced by businesses in accessing Government and public sector contracts. Businesses urged the Government to open itself up to British manufactures looking to sell products directly to Government and the public sector. At the current time, Government and public sector contracts offer significant revenue opportunities for furniture and furnishing manufacturers and suppliers.
41. **The Inquiry recommends that the Government takes action to ensure that British businesses are able to access Government and public sector furniture and furnishing contracts.**

Conclusions and Recommendations

The following is the set of conclusions and recommendations from the Inquiry into the impact of COVID-19 on the furniture and furnishings industry.

1. The Inquiry is asking that the Government gives confidence to Banks and acts to speed up the process with which loans are approved, increase the number of loans offered and ensure that businesses are not subject to unfair practices by the banks.
2. The Inquiry was pleased to hear the Chancellor announce, on 12 May 2020, that the Government would extend the CJRS to October 2020.
3. The Inquiry recommends that as the Government aims to increase the flexibility of the CJRS it considers removing the three-week furloughing requirement in favour of a one-week furloughing period.
4. The Inquiry is recommending that the Government extends the 12-month Business Rates holiday to manufacturing sites and B1 commercial space throughout the furniture and furnishings industry.
5. The Inquiry asks that the Government, in all future communications, is as clear as possible when communicating about people staying at home and returning to work.
6. The Inquiry requests that, ahead of more businesses reopening, the Government produces an easy to follow and detailed set of guidance on social distancing measures for retailers and manufacturers to implement.
7. The Inquiry requests that the Government provides clarity on the timing of reopening the economy, to give manufacturers time to prepare. Furthermore, the Government must ensure that any support for manufacturing businesses does not end as soon as retailers reopen. The support must continue until all parts of the supply chain have reopened.
8. The Inquiry asks that the Government ensures that the Trade Credit Insurance Guarantee is substantial enough to support industry to trade and that it is not withdrawn prematurely.
9. The Inquiry recommends that the Government takes action to ensure that British businesses are able to access Government and public sector furniture and furnishing contracts.

Annex 1: Witnesses

The Inquiry would like to thank the following organisations and individuals for attending and providing oral evidence.

- Jeremy Stein (British Contract Furniture Association)
- Jessica Alexander (National Bed Federation)
- Nick Garratt (British Furniture Manufacturers Association)
- Phil Reynolds (Furniture Industry Research Association)
- Jonny Westbrooke (Furniture Makers' Company)
- Jonathan Hindle (British Furniture Confederation)
- Ed Duggan (Fishpools)
- Fara Butt (Shire Beds)
- John Hilliard (Furmanac)
- Jeremy Hocking (Herman Miller)
- Tony Attard (Panaz)
- Rodney McMahon (Morgan Furniture)
- James Keen (Hypnos Beds)
- Joyce McIvor (Ulster Carpets)
- Ian Oscroft (Whitemeadow Furniture)
- Michael Holmes (Boss Design)
- Ian Oliver (Sofa Brands International)
- Sir Anthony Ullman (Shackletons)