

## The furlough cliff edge

Unless the government has a change of heart, the present furlough scheme will close on 30 September 2021. The employer contribution rates have also increased this month to 20% and will remain on this rate for September too.

There was a peak of nearly 9 million people on furlough at the height of the pandemic in May last year. Due to the various stages of the lockdown roadmap, workplaces have re-opened when viable. This has led to almost 3 million people moving off furlough since March 2021, with more than half a million people leaving the scheme in the month of June alone. The ONS Business Insights and Conditions Survey (BICS) now estimates that between 1.1 and 1.6 million people remain on furlough.

Businesses who still have staff furloughed and that have depended on this grant to hold teams together will – from 1 October – need to decide if business activity has increased sufficiently enough to maintain their workforces at current levels, or to consider redundancy options.

Planning is an obvious key requirement at this critical time. Affected businesses should consider creating a forward estimate of sales and costs and see how these activity financials will affect cash-flow and solvency. However, one obvious difficulty in preparing these forecasts is trying to double guess the effectiveness of government efforts to control COVID disruption. The recent relaxation of social

distancing rules may seem like a step in right direction but what if this overloads the NHS? Vulnerable sectors remain the entertainment and hospitality trades. But, if further lockdown of some description is required, how will this affect business confidence and activity?

We must assume that uncertainty due to the COVID situation will remain with us for some time to come. Although this makes planning a difficult task, it still needs to be done as accurately as possible with the information at hand. Businesses that have got through this far should take some comfort from their survival skills. We now have 18 months of hands-on experience to guide us as we contemplate what is to come.



If Mr Sunak starts to claw back the borrowings he has created to fund the furlough and other COVID related schemes – and if inflation starts to climb – his ability to provide additional grants is unlikely. Which means we must proceed on the assumption that from autumn 2021 we are on our own.

If you have concerns about the course of action you should take, please speak to your accountant for guidance.

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