Why Phillip Hammond’s Budget “Home Truths” Hurt More Than Help

Monday 1 March, 2021

We don’t need to hear any more about how tough things are. We need a budget that puts businesses first in its plan for recovery, says Simon Gibson, CEO of Rhea Group Services.

Lord Phillip Hammond has spent the week on a mission to temper the public’s expectations on Wednesday’s budget, spouting his “difficult home truths” about the state of the economy after the fight through the pandemic.

Respectfully, I think the former Chancellor is wrong.

His messaging comes as a warning about the state of the next budget, as though Phillip Hammond expects any of us to not be aware of the costs this pandemic has taken. We know things aren’t in a great state right now. We’ve heard this every day for the last year. We’ve all been living through this, conducting business through this, making sacrifices through this and finding ways to cope through all this. His difficult home truths are not anything we don’t already know.

So what does he hope to achieve by hammering this point home harder?

The simple home truth that the government should be picking up from the public is that we’re ready to rebuild. We don’t need to be reminded that the furlough scheme and government support is temporary, or that unemployment will rise, or the debt the government has had to take on to provide support will have to be paid back.

What we need to hear on Wednesday is the government’s plan for rebuilding our economy and society through a pathway with clearly defined positive action steps.

And I’m not talking about a plan for getting the government’s debt down, because these things aren’t accomplished through talk. They’re achieved by creating confidence in people and businesses that will allow the economy to grow, business to succeed and jobs to be created.

Lord Hammond’s focus on the size of the government’s debt has blinded him to the paths we can take to get ourselves out of it. He claims it is unlikely in the “foreseeable future” that ministers would be able to “do anything that will actually see the debt starting to fall”.

Not only this this patently wrong for the future but the Chancellor is in the advantageous position of having evidence that steps the government have taken already through the pandemic can drive economic growth in the future.

Back at the beginning of the pandemic measures in March 2020 the government announced the Covid Business Interruption Loan scheme (CBILS), which allowed businesses to access government backed loans of up to £5 million from the banks to provide support over and above the furlough scheme. This scheme, in my view, is a tremendous success that doesn’t get talked about enough. We’ve used it in two businesses within our own Group and, through a slick approval process, had the cash in our accounts by the end of April 2020. This not only allowed our business to stay in good shape through the Covid period, helping us protect jobs and keep paying our suppliers, but allowed myself and our leadership teams to retain focus on the medium and long term strategic growth strategies.

In the midst of a pandemic we grew our UK team and were able to enter the US market – surely a testament to the success of this kind of scheme. We’ll be starting to repay the load shortly, further contributing to the economy in a way that Phillip Hammond seems to claim is impossible.

I’m not saying that at the next budget the government should be suggesting everything will come up roses. Of course there are challenges, but we’re all aware of them and what is more important is to find new solutions like the CBILS that can help businesses grow, help protect jobs and help contribute to the long-term recovery of the economy.

The best thing that Rishi Sunak can do is demonstrate more faith in the entrepreneurs of this country to get us out of this. I’m calling for the Chancellor to include more solutions like the CBILS, more

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government backed lending schemes and for a Ministry of Entrepreneurship (MOP) in Wednesday's budget.

The MOP should be led by an appropriately qualified and authorised member of the government or civil service, but hold no other politicians or civil servants in its membership. Instead it would include financiers with proven expertise in funding business growth and entrepreneurs with a proven track record in delivering it.

They can make available a scale of funds for a Business Growth Loan Scheme (BGLS) which could be made available to businesses with a credible business plan for increasing jobs and profits in the next 5 years by accessing growth capital. There would be banking terms comparable to CBILS, an established lender panel and a clear application process in terms of format and timescales. Successful applicants will report to the MOP throughout the term of the load, with access to job growth being available to the MOP via the PAYE scheme.

Such a scheme could have huge benefits, not just in increasing tax revenues and reducing unemployment but in rebuilding business and public confidence. The risks would be reduced by the expertise and experience of the non-political members of the MOP, who can make enlightened decisions on the credibility of each business plan, like a government backed Dragons Den. Essentially you're asking people who are skilled in making money to make you some money.

Of course some businesses in receipt of BGLS may fail, as some always do. But the effects of that on the economy are a drop in the ocean compared to the alternatives. Hiking taxes, austerity measures – these are short term solutions that only hurt businesses and individuals. My proposal is a strategy to grow business, create jobs, and bring more money to the government without damaging peoples confidence.

If you're worried that the banks wouldn't lend – well I once again refer you to the CBILS. There was no shortage of interest in this and any bank presented with a strong business plan is usually more than happy to make an investment. If not, then it's simply because the business plan isn't strong enough and that's exactly the way it should work. We're building up the best, for the benefit of everybody. Unstable businesses need not apply!

Business comes with risk and the government is notoriously risk averse. But when it comes down to it, we can't afford to shuffle our feet, talk about how difficult things are and refuse to take our hands out of our pockets. We need to give an opportunity to the people who can get us out of this. The risks are nominal against the scale of the opportunity this government has, and we have already seen how well things can work out.

I want to thank Rishi Sunak for the speed in which the CBILS scheme was implemented and for Natwest, our bank, for embracing it so enthusiastically. And I want to call on the Chancellor to continue following his instincts in introducing such schemes. Use the evidence of the success of the CBILS to give you – and give us – the confidence to map out a way forward with the help of our nation of entrepreneurs.

Do the public need home truths on the economy? No. The public need opportunity. They need a strong business presence with the backing of the government to look forward at where we could be in 5, 10, 20 years. Let's not talk about hard choices and difficult times. Let's build a better future.

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