

# Coronavirus:

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## The impact on UK small and medium sized businesses

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# Executive summary



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## Introduction

This survey provides important information on the extent to which companies here and across the country have been affected by coronavirus and the Government's lockdown measures.

Over the next few weeks, Government policy makers, business bodies and funding providers have a vital role to play in helping the owner managed sector pull through the current crisis. We hope this research will be used to make informed decisions about where support is most needed.

The survey was conducted among the clients of firms comprising the Association of Practising Accountants (APA), including Kreston Reeves, and was conducted in the period of 14 to 30 April 2020.

## The Association of Practising Accountants

The Association of Practising Accountants (APA) is a network of leading professional and business service firms providing support to over 14,000 business across the UK.

## The UK results, in summary

This brief report summarises the views of over 1,100 owner managed businesses across the UK – and compares them with the views of more than 220 businesses in the London and South Eastern areas covered by Kreston Reeves.

The results show that the next 12 weeks will be critical to the survival of many.

These figures underpin just how grave the situation is for many owner managed businesses across the UK right now.

Given how challenging the next few weeks are likely to be Government needs to direct the right resource where it is most needed.

Our research suggests that furloughing has been critical for the survival of many businesses and their staff and is working well.

However, there remain real challenges with the various Government backed loan schemes on offer with many of our clients reporting confusion over assessment criteria or unacceptable delays from participating lenders.

- One third has seen turnover reduced by 70% or over since the lockdown.
- Over 40% have seen turnover reduced by a half.
- 59% have less than 12 weeks cash in the bank.
- 38% have less than 8 weeks cash in the bank.
- 60% of businesses have used the Government's Job Retention (furlough) Scheme, of whom 88% regard it as critical to their ability to keep staff on.
- Only 18% of respondents have applied for funding under the Government's Coronavirus Business Interruption Loan Scheme (CBILS) of whom two-thirds said the scheme needed to work better.

# Survey results



## Who we surveyed

The survey reached out to the businesses that drive the real economy across the UK, the SMEs; the local and long-established firms that provide jobs and vital services to their communities.

Size of business	UK	London and South East
Between 1 and 9 employees	48.8%	40%
Between 10 and 49 employees	29.5%	35%
Between 50 and 249 employees	17.1%	19.5%
Over 250 employees	4.6%	5.5%
<b>Total</b>	<b>1,106</b>	<b>220</b>

## The UK picture

A majority of UK respondents (60%) have used the Government's Job Retention (furlough) Scheme, of whom 88% regard it as critical to their ability to keep staff on.

The findings also indicate that only 18% of respondents have applied for funding under the Government Coronavirus Business Interruption Loan Scheme (CBILS) of whom 72% reported that the scheme needed to work better.

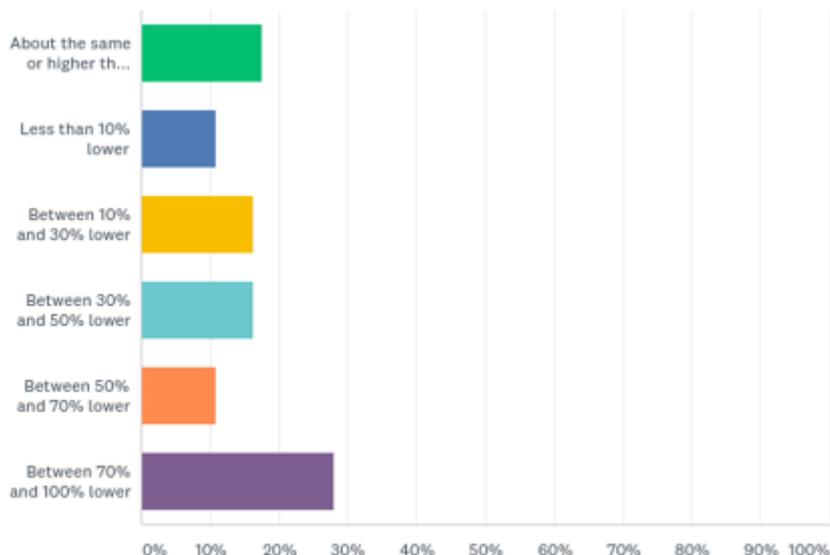
Over the next few weeks, Government policy makers, business bodies and funding providers have a vital role to play in helping the owner managed sector pull through the current crisis. We hope this research will be used to make informed decisions about where support is most needed.

## The impact on company turnover

How has your turnover been affected by the public health measures that have been introduced to help tackle the Coronavirus?

London and South East results

Answered: 221 Skipped: 0



**Commentary:** Smaller businesses in London and the South East seem to have fared slightly better than the UK picture, across the board, with 17.6% of L&SE businesses broadly unaffected (UK 15.9%), and 39% of respondents having greater than 50% falls in turnover, compared to the UK picture of 43% having turnover falls greater than 50%.

## Cash

How many weeks 'cash in the bank' do you currently have?

Answer choices	UK responses	London and South East responses
1-4 weeks	15%	14.5%
4-6 weeks	11.6%	9%
6-8 weeks	11.6%	9.5%
8-12 weeks	21.2%	22.7%
More than 3 months	40.6%	44%
<b>Total</b>	<b>1,103</b>	<b>220</b>

**Commentary:** With nearly 60% of respondent companies having fewer than 12 weeks' cash in the bank, the perilous state of the SME economy is clear. The Bounce Back Loan scheme may well provide a lifeline for some, especially the 15% with less than one month's cash left. But what happens if customers don't come back at the same time as employees? London and South East respondents seem to have a slightly healthier overall cash position.

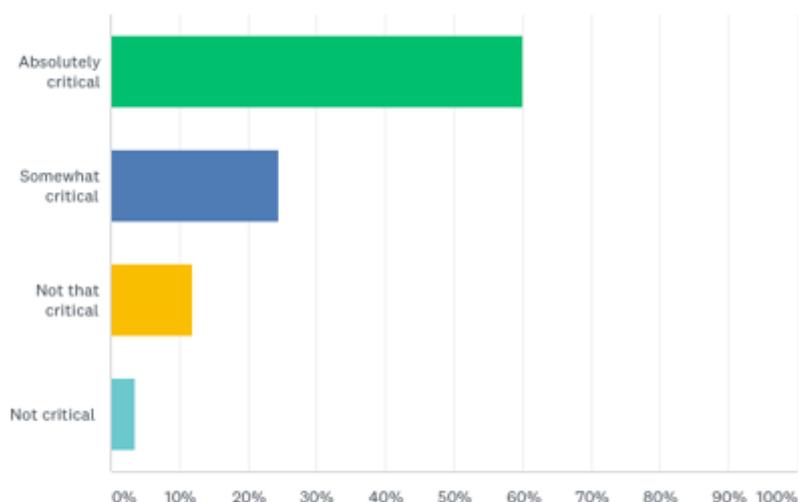
## People

Across the UK, 59.6% of our survey respondents are taking advantage of the Government's Coronavirus Job Retention Scheme (CJRS). The uptake in London and the South East is higher at 63.4%.

### If so, how critical is this scheme in terms of your ability to maintain staff?

London and South East

Answered: 143 Skipped: 78



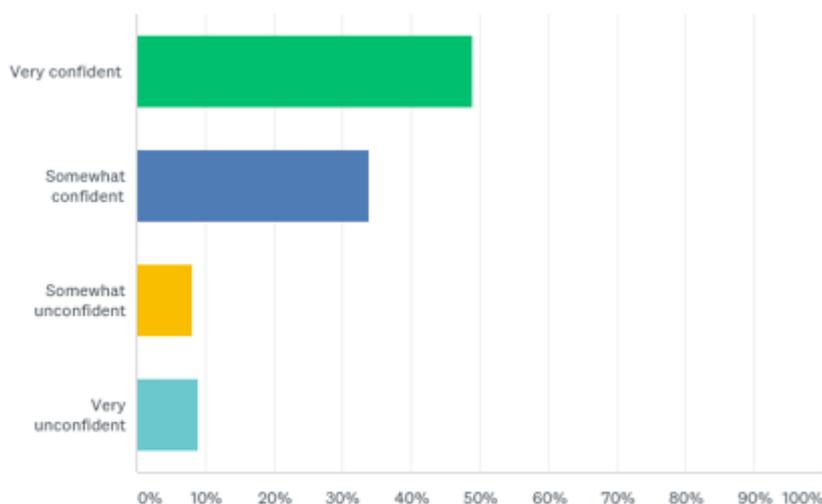
Answer choices	UK responses	London and South East responses
Absolutely critical	62.8%	60%
Somewhat critical	25.3%	24.5%
Not that critical	9%	11.9%
Not critical	3%	3.5%
<b>Total</b>	<b>664</b>	<b>143</b>

**Commentary:** The critical need for Job Retention Scheme support for employee furloughing is no less apparent in the southern counties than across the UK.

## How confident are you that you will be able to meet your wage bill over the next 1-3 months?

London and South East results

Answered: 221 Skipped: 0



Answer choices	UK responses	London and South East responses
Very confident	45.5%	48.9%
Somewhat confident	36.6%	33.9%
Somewhat unconfident	10%	8.1%
Very unconfident	7.9%	9%
<b>Total</b>	<b>1,100</b>	<b>221</b>

**Commentary:** As with cash pressures, London and South East companies seem marginally more confident than the wider UK respondents, but then there is a higher CJRS uptake in London and the South East, which may also help to relieve payroll pressures.

## Funding

### The Coronavirus Business Interruption Loan Scheme (CBILS)

Across the UK, more than 18% of the SMEs we surveyed have taken advantage of the CBIL Scheme – and slightly higher in London and the South East at 20%. The picture these respondents paint is not a flattering one, with those in London and the South East markedly more critical than the wider UK survey result.

While 72% of those taking up a CBIL Scheme felt the scheme could work better – in the London and South East areas more than 84% felt there was scope for improvement, with four clear areas for improvement clearly identified:

Answer choices	UK responses (multiple answers exceed 100%)	London and South East responses
I was generally happy with the way the scheme worked	23.4%	16.7%
The lending criteria from my bank was not clear	23.4%	16.7%
There was confusion around the level of personal guarantee that would be required	19.3%	20.8%
There was confusion as to whether this was an alternative to more conventional funding	17.2%	14.6%
There was an unacceptable delay in the application process	34.4%	41.7%
Other	34.9%	45.8%
<b>Total</b>	<b>192</b>	<b>48</b>

**Commentary:** The CBIL Scheme has come under criticism at several levels, and this research seems to vindicate some of the comments as a result of practical experience, foremost of which is criticism of the delay in processing loan applications.

As of 29<sup>th</sup> April, more than £4.1bn of agreed lending has now been sanctioned under the CBILS scheme across the UK, via 52 lenders, with average loan size c.£165k. Feedback from the lenders we are in contact with indicates that c.50% of applications have been agreed and that the interest rates payable are averaging between 3-6% over base rate. Total lending under CBILS is split as follows: NatWest £1.6bn, Barclays £835m, HSBC £765m and Lloyds £500m. Remaining approved lenders lent the balance c£400m.

## Methodology

Between 14<sup>th</sup> and 30<sup>th</sup> April a client survey was dispatched by the Association of Practicing Accountants through its network of member firms. In total 1,116 clients responded to the consultation across 14 sectors and 9 regions of the UK. The quantitative research included in this report is supported by qualitative feedback which provides further anecdotal evidence in support of these findings.

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