



# GOVERNMENT SUPPORT FOR SMEs IN RELATION TO CORONAVIRUS

SURVEY CO-LED BY CROWE, HAINES WATTS, MAZARS, MOORE KINGSTON SMITH,  
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MAY 2020





# EXECUTIVE SUMMARY

## 1. OBJECTIVE OF THE SURVEY

The survey was completed by 100 partners and other senior staff with deep expertise in serving UK SMEs and aims to tap into their experience to assess the effectiveness of Government support for SMEs in relation to Coronavirus recognising their vital importance to the future of the economy.

## 2. OVERALL VIEWS

There is a good level of overall support for the schemes introduced by the Government, in terms of their help to SMEs, but concern remains as to whether they are collectively enabling sufficient cash to be put in the hands of SMEs quickly enough to meet their pressing needs in the current crisis. There is a strong feeling that there will still be substantial job losses and/or many SMEs going out of business during the crisis and/or after the crisis.

The Coronavirus Job Retention Scheme (CJRS), furloughing, is overwhelmingly seen as the most important scheme in terms of the effectiveness of the help it provides SMEs, followed by the various forms of payment deferrals, principally of VAT and Self-assessment payments.

Whilst recognising it would potentially cost significantly more, there is nevertheless strong support for a greater proportion of the Government's support for business in relation to Coronavirus taking the form of grants rather than loans or payment deferrals.

The survey was co-led by Crowe, Haines Watts, Mazars, Moore Kingston Smith, RSM, Saffery Champness and Smith & Williamson.

### 3. FURLOUGHING

Furloughing is strongly supported and there is no significant challenge in terms of most of its key features including broadly the businesses to which it applies, 80% recovery of salaries, maximum payment of £2,500 a month and workers having to be fully out of the business.

More though would support a two-week minimum period for furlough rather than the current three weeks and there is significant concern relating to how employee directors are treated within CJRS, both with regards to their only been allowed to have their income based on their salary, excluding dividends, and to what directors' duties they can be reasonably expected to perform while furloughed.

### 4. VAT AND SELF-ASSESSMENT PAYMENT DEFERRALS

The VAT and Self-assessment deferral schemes have been very well received, especially that related to VAT, as it has provided immediate cash flow relief, though it is recognised this is only temporary and that problems may arise early in 2021 when the deferred payments fall due.

### 5. BUSINESS RATES RELIEF AND BUSINESS SUPPORT GRANT FUNDING/INCOME SUPPORT MEASURES.

Reasonable support exists for Business Rates Relief though with concerns as to how different local authorities are introducing it in different ways and with a significant minority considering that it applies to too narrow a range of businesses. The support for the grant funding and income support measures is also a little short of wholehearted due to how the schemes are being administered by some local authorities and the £50,000 ceiling on income for eligibility under these schemes.

### 6. CORONAVIRUS BUSINESS/LARGE BUSINESS INTERRUPTION LOAN SCHEMES

CBILS are undoubtedly seen to be the most problematic of the support measures introduced even after changes made, such as there no longer being a need for directors to offer personal guarantees on loans up to £250,000. It is felt a lack of clarity still exists regarding the information required by the banks with inconsistencies on how the different banks are operating the schemes and the approval process too slow and uncertain as to outcome. A substantial majority of respondents believe the loans should be 100% guaranteed by Government rather than 80% as at present.





# THE REPORT

## 1. OBJECTIVE OF THE SURVEY

The objective of the survey of partners and other senior staff in a number of firms with broad and deep expertise in serving small and medium-sized businesses (SMEs) across the UK, as well as other parts of the business community, is to tap into their experience to assess the effectiveness of Government support for SMEs in relation to Coronavirus. The survey considered the range of schemes open to SMEs, which of them were considered the most important, how well the different schemes were working and what improvements would most assist SMEs.

## 2. CONTRIBUTORS TO THE SURVEY

The survey was co-led by Crowe, Haines Watts, Mazars, Moore Kingston Smith, RSM, Saffery Champness and Smith & Williamson. A number of firms associated with them also contributed to the survey. In total, the survey was completed on an individual basis by 100 respondents, partners and other senior team members from 22 firms. The results represent their collective opinion rather than necessarily the views of the individual firms. The survey was completed between April 16 and April 20.

Readers were generally asked to indicate whether they agreed, partly agreed, partly disagreed or disagreed with a number of statements made and were also given the opportunity to add narrative comments on how the various schemes were working and how they could be improved.

## 3. GOVERNMENT SCHEMES CONSIDERED

The following Government schemes were considered as part of the survey:

- Coronavirus Job Retention Scheme (CJRS)
- Statutory Sick Pay to employees due to COVID-19
- Deferring VAT payments
- Deferring Self-Assessment payments
- Business Rates relief for retail, hospitality and leisure businesses and nurseries
- Coronavirus business support grant funding
- Coronavirus Self-employment
- Income Support
- Coronavirus Business Interruption Loan Scheme
- Coronavirus Large Business Interruption Loan Scheme

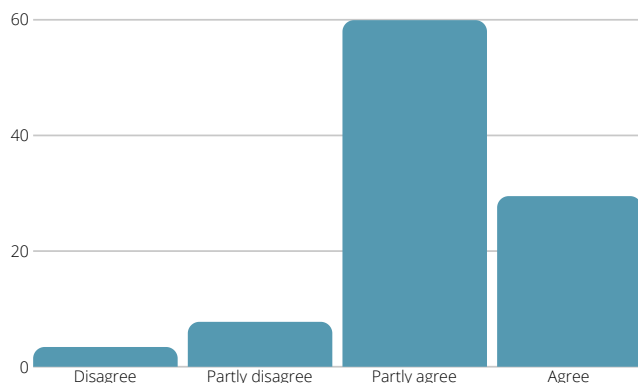
## 4. OVERALL VIEW OF MEASURES INTRODUCED

Almost 6 in 10 respondents (60%) partly agree that, taken together, the schemes, set out above, provide a comprehensive range of measures that address the short-term needs of most SME businesses.

A further three in ten (29%) agree that they do so. In overall terms, there is therefore a good level of support for the measures introduced by the Government.



**Q. Taken together the above schemes provide a comprehensive range of measures that address the short-term needs of most SME businesses.**



ANSWER CHOICES	RESPONSES
DISAGREE	3.26%
PARTLY DISAGREE	7.61%
PARTLY AGREE	59.78%
AGREE	29.35%

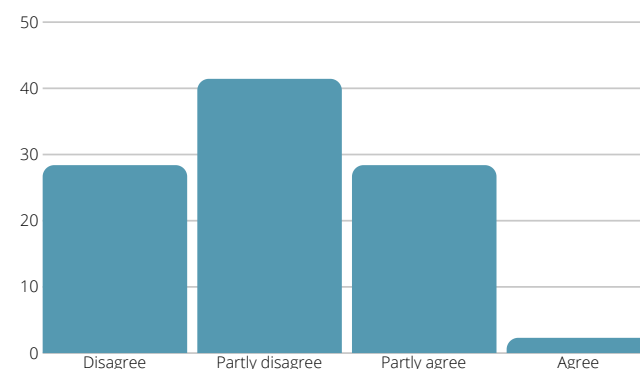
There is also a good level of agreement that the Government schemes address the needs of major individual sectors well, namely agriculture, financial services, media, manufacturing and professional services. The support is, perhaps not surprisingly, given the level of challenge it faces, a little less strong in relation to the hospitality and leisure industries. In relation to these industries around 1 in 3 respondents partly disagree or disagree with this view (partly disagree 23%, disagree 10%). The other sector with a greater level of concern than the norm is agriculture where 18% partly disagree and 10% disagree.

Despite the strong overall support for the Government schemes, there are a number of concerns which are discussed below: these are regarding gaps in the various schemes, how they are operating in practice and, in particular, with regards to whether they are leading to SMEs obtaining the cash support they urgently need quickly enough.

There is also concern that some of the measures which allow for deferral of payments and the provision of loans are helping with the immediate crisis but may be storing up problems for later.

Two thirds of respondents do not agree that the measures are collectively enabling sufficient cash to be put in the hands of SMEs quickly enough to meet their pressing needs in this crisis (41% partly disagree, 28% disagree).

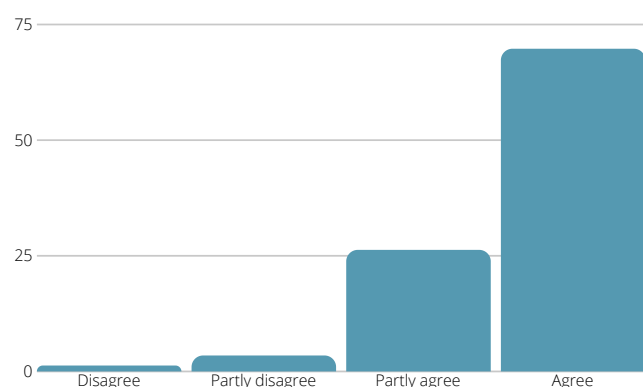
**Q. The measures are collectively enabling sufficient cash to be put in the hands of SMEs quickly enough to meet their pressing needs in this crisis**



ANSWER CHOICES	RESPONSES
DISAGREE	28.26%
PARTLY DISAGREE	41.30%
PARTLY AGREE	28.26%
AGREE	2.17%

Consistent with the concerns relating to cash flow for SMEs, nineteen out of every twenty respondents at least partly agree (70% agree, 26% partly agree) with the view that based on what we are seeing, it is likely that, despite these schemes, there will be substantial job losses in the economy and/or many SMEs going out of business during the crisis and/or after it finishes. Concerns centre around the number of weeks' wages that will have been paid before CJRS payments are received and especially worries about delays in getting loans approved under CBILS although it is recognised that deferral of, for example, VAT payments will provide some relief.

**Q. Based on what we are seeing, it is likely that, despite these schemes, there will be substantial job losses in the economy and/or many SMEs going out of business during the crisis and/or after it finishes?**



ANSWER CHOICES	RESPONSES
DISAGREE	1.09%
PARTLY DISAGREE	3.26%
PARTLY AGREE	26.09%
AGREE	69.57%

#### Comments from respondents include:

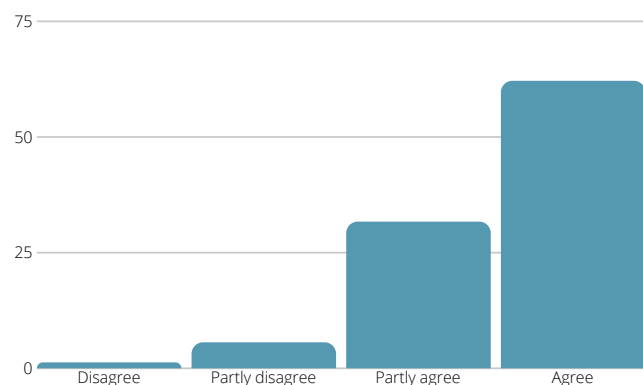
- Access to cash and support is too slow in most cases. In some instances turnover of businesses has dropped by 80%+ overnight, cash collections become difficult and businesses falter quickly.
- Having been closed for 4 weeks already and it being nearly 6 before obtaining any funding for wages, a large number do not have the cashflow to see them through that long and the CBILS has not and will not fill the gaps.

- Many small businesses are being squeezed immediately by lost revenue and cash receipts, continued payments, challenges with accessing government loan initiatives, furloughing staff and potential lost stock, customers etc. The ability to make the right medium and long term decisions for their business may be significantly hampered by the short term cash flow challenges that they face and limited resources to help them.
- I think the real cashflow squeeze is 1 or even 2 months away and the ability of banks to provide CBILs is still untested.
- Supplier payments need to be made, to allow the flow through the economy. If everyone takes an additional 30 days "credit" there is a clear squeeze that causes real problems.
- The difficulty is that most schemes simply lend money which then has to be repaid, yet a fall in revenue is irreplaceable. As businesses conserve cash and fail to pay existing creditors, the economy is slowly winding down - many will fail, perhaps not now when cash is being lent, but certainly in Q1 of 2021 when VAT and SA tax have to be paid on top of loan repayments for additional cash.

#### 5. CORONAVIRUS JOB RETENTION SCHEME-FURLOUGHING

CJRS receives strong support among respondents with more than 9 out of every 10 at least partly agreeing (62% agree, 32% partly agree) that the scope of CJRS, eg in terms of businesses to which it applies, 80% recovery of salaries, maximum payment of £2,500 a month and workers having to be fully out of the business, is about right.

**Q. The scope of CJRS, eg in terms of businesses to which it applies, 80% recovery of salaries, maximum payment of £2,500 a month and workers having to be fully out of the business, is about right**

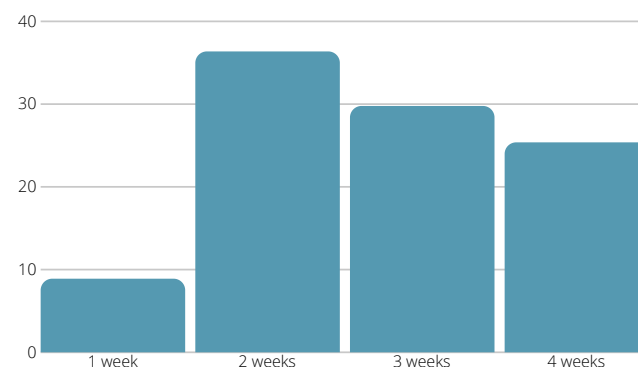


ANSWER CHOICES	RESPONSES
DISAGREE	1.09%
PARTLY DISAGREE	5.43%
PARTLY AGREE	31.52%
AGREE	61.96%

There does not appear to be much challenge to the 80% recovery rate. There is also broad support for employees having to be fully rather than partly furloughed. Just over two out of every three respondents lend at least some support to the concept (36% agree, 34% partly agree) though this does mean the remaining third or so has some reservations about the approach (16% partly disagree, 14% disagree).

On the length of the furlough period, there is, however, support for a change with the most popular period being two weeks (36%) followed by the present three weeks (30%) with four weeks relatively close behind (25%).

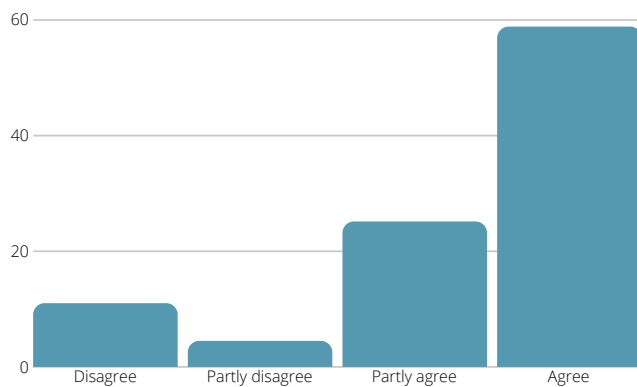
**Q. The best minimum period for furlough is/would be**



ANSWER CHOICES	RESPONSES
1 WEEK	8.79%
2 WEEKS	36.26%
3 WEEKS	29.67%
4 WEEKS	25.27%

A key area of concern in relation to how the scheme is operating relates to the treatment of employee directors and their only being eligible to claim for the salary they have taken out of the business rather than their dividend income. A minority consider that if the salary was only a relatively small part of the total, this has probably been done for tax efficiency purposes and they should accept the overall implications of their choice. The other key concern with regard to employee directors relates to what constitutes acceptable directors' duties while they are being furloughed: a number feel the Government's definition of directors' duties is either not clear or that they disagree with it.

**Q. CJRS is posing challenges in situations where the are directors/shareholders, eg where they have been taking a small salary as an employee and although there is now guidance there is still a lack of clarity as to the work they can continue to do as a DI**



## ANSWER CHOICES

## RESPONSES

DISAGREE	10.87%
PARTLY DISAGREE	4.35%
PARTLY AGREE	25.00%
AGREE	58.70%

Whilst there is some concern that short-term cash flow issues rather than a considered management approach has determined the extent of furloughing, nine out of every ten respondents tend to the view (49% agree, 41% partly agree) that in applying CJRS, businesses have carefully thought through which team members need to remain in active employment for its current and future success, and how they need to adapt their way of managing their business.

### Comments from respondents include:

#### General points

- Considering it has been a scheme set up from scratch, the Government has been very quick at clarifying detail and setting up the portal.
- The number of clarifications, and points of detail, make it not straightforward to understand.

- Main issue is the delay in the funds back and the high paid employees receiving a significant income reduction.

#### Key elements of scheme

- It needs to be for a much longer period and more widely available to new joiners etc.
- Allowing some reimbursement for employees working reduced hours would have enabled business more flexibility to keep the right people working to maximise output of their business.
- I agree 80% is right, but £2,500 has been set too low, particularly for London and the SE.

#### Directors who are employees

- Directors are needing to do more than fiduciary duties, but are limited if business is not operational. Partial furloughment should be introduced here.
- If the business is shut down and not trading then the Director should be able to perform admin tasks eg run payroll, claim CRJS grant, review post for vital/time critical matters, bank cash received and pay creditors as long as there is no new trade/profit generation.
- There is clearly a challenge here but I think it is only a small aspect of CJRS relative the number of employees CJRS will cover.
- Dividends should be taken into account. Directors should not be penalised for prudent tax planning.
- Furlough is for a short period and Directors etc in this scenario have enjoyed a substantially better tax regime for a considerable time so should be able to cope. It's got to be a balance.



### Are the right people being furloughed?

- A big consideration is the wage bill and salaries of employees. There is a temptation to furlough junior staff first that are paid up to where the CJRS cap kicks in.
- It has been completed based on savings more than people - storing up issues post furlough.
- This is not redundancy and it is key that furloughed employees are able to return to the business in a positive, engaged manner.
- There is a mix of forward thinking about keeping people on so that the business can come out stronger compared to people just focused on slashing costs.

### 6. VAT AND SELF- ASSESSMENT PAYMENT DEFERRALS

There is very strong support for the view that allowing the deferral of VAT and Self-assessment payments is being implemented in a practical way without significant issues arising, with only 1% partially disagreeing and no one disagreeing in the case of VAT and only a marginally higher rate of dissent in relation to Self-assessment payment (2% partially disagree; 2% disagree). Those agreeing with the proposition was correspondingly high with 78% agreeing in the case of VAT and 70% with regard to Self-assessment payments with the reminder partly agreeing.

A minor practical issue raised in relation to VAT deferral was that companies have to remember to cancel their VAT Direct Debit.

The other more significant point made was that this was only a deferral of payment and that at least some businesses may just be kicking cash flow problems down the road.

### Comments from respondents include:

#### VAT

- As it had a pretty much immediate cash flow benefit for a lot of businesses, this is top of my list.
- It will need to be paid at some point and I'm not sure most businesses will be in any better position to pay when it does become due.

#### Self-assessment

- The issue is delayed until January 2021 resulting in an increased risk of failure in Q1 2021
- Benefit will not be felt until the end of July.

### 7. BUSINESS RATES RELIEF

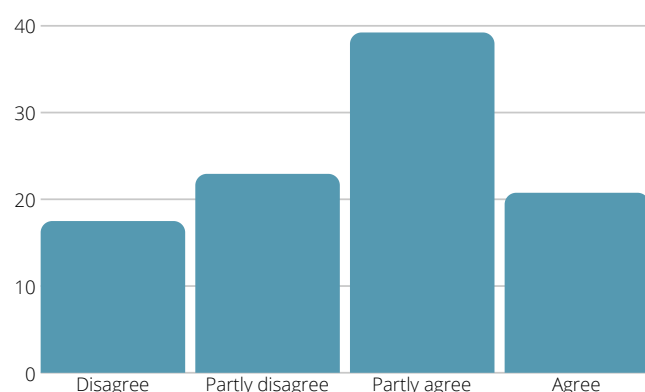
for retail, hospitality and leisure industries and for nurseries There is a reasonable level of support for the view that the business rates relief measure is well designed and working well with around one in three agreeing (31%) though, in addition, just over a half more of the respondents partly agree with the statement (53%).

An important reason for the slightly muted support offered for the scheme is that it is felt that different local authorities are introducing the relief in different ways. In addition, 2 out of every 5 respondents are not persuaded that the range of businesses/industries to which business rates relief applies is about right (23% partly disagree, 17% disagree).

Issues raised include whether the supply chain of the hospitality and leisure industry should be included, eg drinks wholesalers; whether it is necessary to include food outlets as they are not generally suffering as a result of the pandemic, whether it should be extended to other businesses that are severely impacted by it.

Concern is also expressed about the relief being paid to landlords rather than directly to the businesses renting the premises to which it relates.

**Q. The range of businesses/industries to which business rates relief applies is about right**



ANSWER CHOICES	RESPONSES
<b>DISAGREE</b>	<b>17.39%</b>
<b>PARTLY DISAGREE</b>	<b>22.83%</b>
<b>PARTLY AGREE</b>	<b>39.13%</b>
<b>AGREE</b>	<b>20.65%</b>

**Comments from respondents include:**

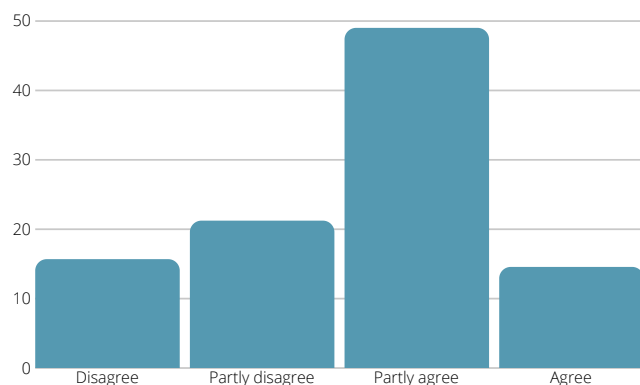
- Local councils have adopted varying approaches, but seem to be tackling the challenge.
- The implementation varies region to region.
- Many businesses pay rates to their landlords (along with rent) and the landlord is the one benefiting from the relief and not the business. This does need to be addressed.

- Don't see why a business with larger rateable value should not receive assistance.
- Small businesses OK. Medium-sized ones are feeling the pain.
- The intentions and focus at the time of the announcements felt correct. However it is becoming clear that all business is being affected so I do not agree with only certain sectors being supported when there is going to be a significant impact across nearly all sectors of the economy.
- Random way of handing out money. For some it is more than the profit they would have earned in trading times, for others who don't qualify it seems totally unfair.

**8. BUSINESS SUPPORT GRANT FUNDING AND INCOME SUPPORT MEASURES**

This was another area where there was support for the measures introduced but it was a little short of wholehearted. Only 14% agree that the business support grant funding and self-employed income support measures seem to be well designed with a further 49% partly agreeing, leaving just over a third of respondents partly disagreeing (21%) or disagreeing (16%).

### Q. The business support grant funding and self-employed income support measures seem to be well designed



ANSWER CHOICES	RESPONSES
DISAGREE	15.56%
PARTLY DISAGREE	21.11%
PARTLY AGREE	48.89%
AGREE	14.44%

The main areas of unhappiness seem to centre around how the schemes are being administered by some local authorities and the £50,000 ceiling on income for eligibility under these schemes.

#### Comments from respondents include:

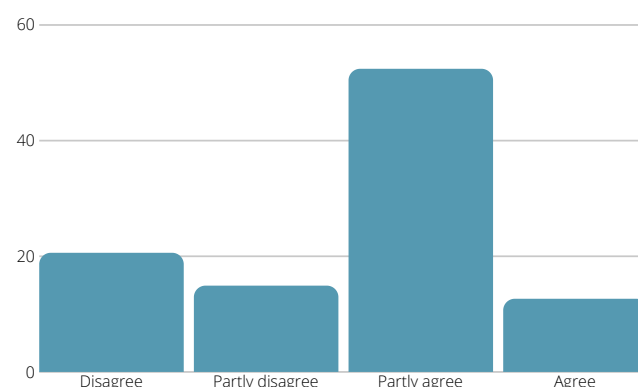
- In principle I agree but do not understand why the £50k average profit restriction was included. High earning Employees/Directors on a salary basis receive £2.5k per month yet the equivalent self-employed person gets Universal Credit?
- The level at which it is set is too low for most self-employed in the SE and London so very few able to take advantage.
- Local councils have seen so many cuts in services they are struggling to give effect to the measures.
- Too long until payment will be received by the individuals.

- This was/is never going to be an easy scheme to design and implement quickly.

### 9 CORONAVIRUS BUSINESS/LARGE BUSINESS INTERRUPTION LOAN SCHEMES

The dominant feeling of respondents was one of partial agreement with the view that the main weaknesses in the original arrangements for the Business Interruption Loan Schemes have been ironed out ie there is no longer a need to seek loans first on a commercial basis before applying or for directors to offer personal guarantees on loans up to £250k and with the 'Large' business scheme introduced covering medium-sized businesses. Just over half (52%) partially agree with a further 13% agreeing but more than a third dissented (partially disagree 15%, disagree 20%).

### Q. The main weaknesses in the original arrangements for the Business Interruption Loan Schemes have been ironed out now that there is no longer a need to seek loans first on a commercial basis before applying or for directors to offer personal guarantees on

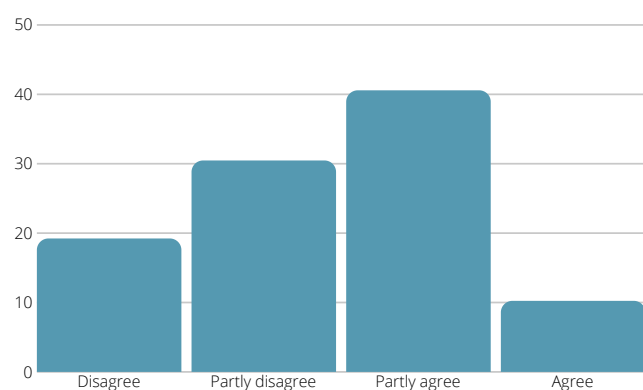


ANSWER CHOICES	RESPONSES
DISAGREE	20.45%
PARTLY DISAGREE	14.77%
PARTLY AGREE	52.27%
AGREE	12.50%



There is clearly a significant degree of scepticism that there is sufficient clarity on the information required by the banks to enable SMEs to access such funding and for banks to be able to approve loans quickly: the numbers of dissenters (partially disagree 30%, disagree 19%) and supporters (partially agree 40%, agree 10%) are evenly divided.

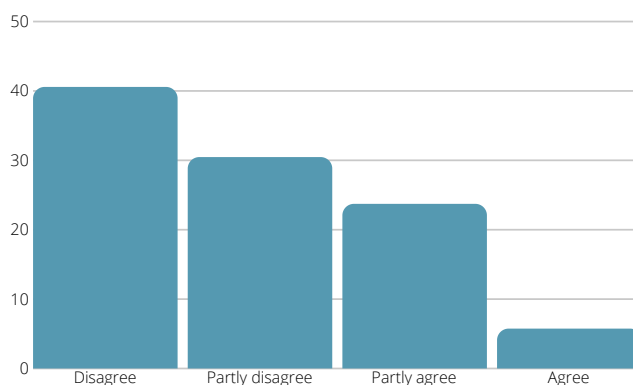
**Q. There is sufficient clarity on the information required by the banks to enable SMEs to access such funding and for banks to be able to approve loans quickly**



ANSWER CHOICES	RESPONSES
DISAGREE	19.10%
PARTLY DISAGREE	30.34%
PARTLY AGREE	40.45%
AGREE	10.11%

There is even stronger resistance to accepting that there is consistency in how banks are assessing and approving loans with more than two thirds of respondents expressing reservations (partly disagree 30%, disagree 40%).

**Q. There is consistency in how banks are assessing and approving loans**

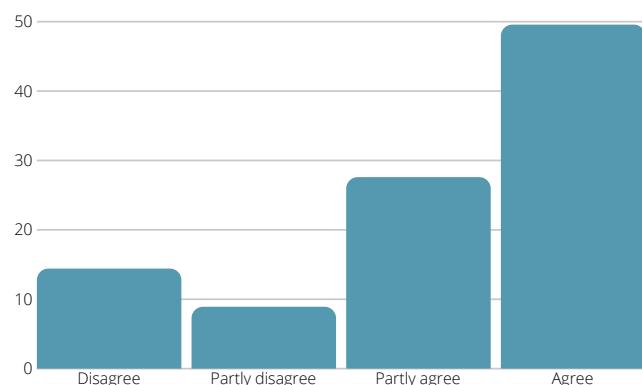


ANSWER CHOICES	RESPONSES
DISAGREE	40.45%
PARTLY DISAGREE	30.34%
PARTLY AGREE	23.60%
AGREE	5.62%

At the time the survey was undertaken it was also not considered that the 'bottleneck' at the banks in approving loans under the schemes seems to be getting sorted with three out of every five respondents not sharing this view (partly disagree 36%, disagree 24%).

In terms of the way ahead to resolve the current challenges with the scheme, three out of every four respondents whilst recognising the additional cost, lean towards the view that the Government should back 100% of loans under these schemes rather than the current 80% (agree 49%, partly agree 27%).

**Q. Whilst recognising the additional cost, the Government should back 100% of loans under these schemes rather than the current 80%**



ANSWER CHOICES	RESPONSES
DISAGREE	14.29%
PARTLY DISAGREE	8.79%
PARTLY AGREE	27.47%
AGREE	49.45%

**Comments from respondents include:**

**Viability challenge**

- Banks, similarly to how they treated customers in the 2008 recession are reluctant to advance monies under this scheme using viability as an excuse when companies have traded profitably for many years previously.
- Clients have found the loans difficult to apply for as banks want plans that show how the business will recover which is very uncertain.
- There needs to be more focus on what criteria the banks are using for 'viability'.

**Need to help companies to lower their gearing**

- I think that to protect many businesses and degear them, an element of grant is needed. There's more to this than just guarantee.

**Banks' cautiousness**

- Improvements have been made, but lack of consistency about how these are being applied by the banks, and also their level of appetite.
- Personal Guarantees is a big issue for both banks and individuals. The banks do not want to take the risk of losing 20% of the loan as a result of a default and therefore this is causing them issues in providing the loan as they will only give them to those businesses that are viable and will continue to be viable post Coronavirus.
- The banks are not lending (and will not) at a speed that will help businesses. The bank's business is to risk assess and asking them to do that in this climate and then lend is challenging. You cannot expect this 'solution' to be successful in the time that it is needed to be. People can't get hold of their banks, the banks are finding excuses why the client isn't eligible and then telling them to look elsewhere for further funding. They know this is impossible in this market...
- There will always be differences of approach when it comes to commercial judgment and risk taking.

**Lack of interest by banks**

- Banks are not being proactive, in fact they're virtually inactive. This is by far the worst aspect of the various measures of business support; the public sector has performed far better than the private sector on this.
- Banks should stop confusing the options by trying to push businesses down their own facilities outside of CBIL.
- Banks are looking for ways to put customers off without it being a 'no' and without registering it as an application.

### Clarity needed on necessary information

- I think there should be clear and consistent guidance from the banking community and what they want from SMEs which is then applied consistently both across all banks and within the same banks across the country.
- The loan is very difficult to access. The banks are asking for information which is costly to produce for SMEs.

### Decisions not taking account of SMEs' circumstances

- There is a lack of personal intervention. Loans are being applied for via a portal with no specific knowledge of the business.

### Slowness in processing

- Call Centre applications are slower than those directed to relationship manager situations.
- Individual bank managers are under huge pressure. Recent feedback from one bank manager contact was that he had 14 client applications, each of which would take him a day to work on before it could go to credit. Prioritising the most urgent was becoming challenging.
- It's getting better, but there are still delays.
- Loan documentation remains slow once loans have been approved
- Processes still seem to take too long. Not sure that banks have adapted their credit processes to deal with increased applications and different nature of lend.

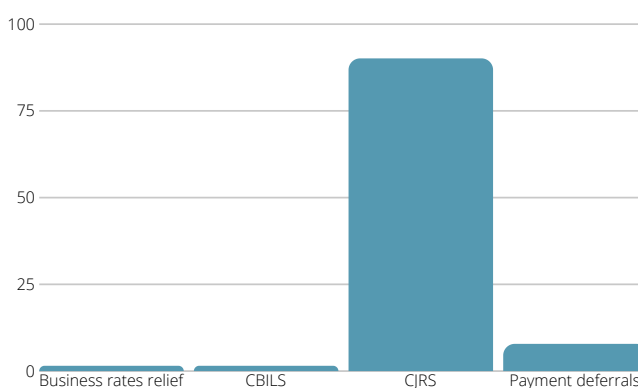
### Lack of information in SMEs

- Smaller firms may not have the sophistication of forecasts for scenario planning.
- SMEs don't have cash flows to hand so much work to be done before they can make a claim. Particularly with many having December 2019 or March 2020 year ends so no up to date accounts either in many instances.

## 10. CONCLUDING REMARKS

In ranking the schemes in order of importance, in terms of the effectiveness of the help they provide to SMEs, the CJRS is overwhelmingly seen as the most important with nine out of every 10 respondents (90%) ranking it in first place. The next most important was seen to be the various forms of payment deferrals, principally VAT and Self-assessment payments, with just over half of respondents (54%) voting for it in first or second place and after that CBILS was next with just over 3 out of 10 respondents (31%) considering it the first or second most important scheme in terms of effectiveness of help to SMEs.

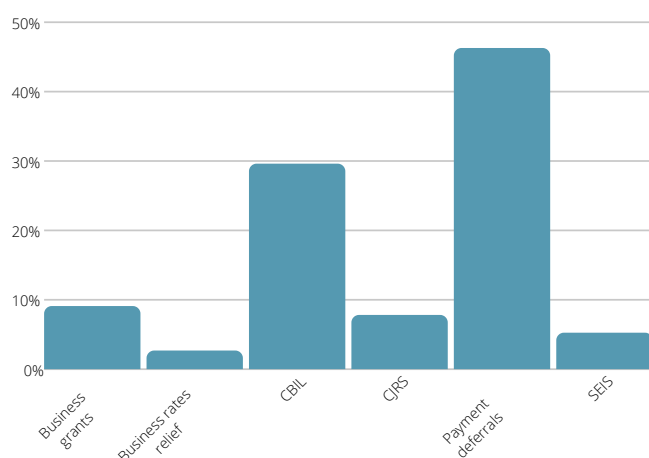
### Q. Most important measure - 1st place



ANSWER CHOICES	RESPONSES
BUSINESS RATES	1.27%
CBILS	1.27%
CJRS	89.87%
PAYMENT DEFERRALS	7.59%



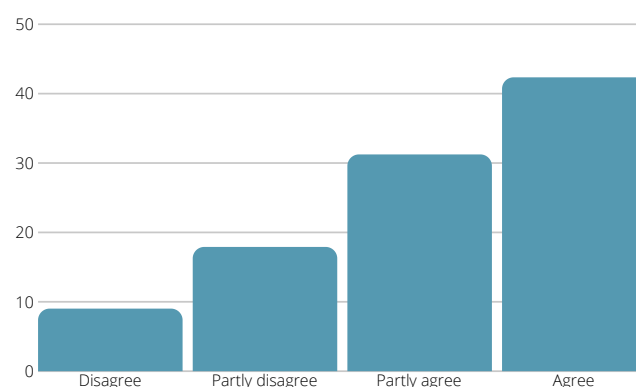
## Q. Most important measure - 2nd place



ANSWER CHOICES	RESPONSES
BUSINESS RATES	8.97%
BUSINESS RATES	2.56%
CBILS	29.49%
CJRS	7.69%
PAYMENT DEFERRALS	46.16%
SEIS	5.13%

Whilst recognising it would potentially cost significantly more, there is nevertheless strong support for a greater proportion of the Government's support for business in relation to Coronavirus taking the form of grants rather than loans or payment deferrals. Nearly three quarters of respondents partly agree (31%) or agree (42%) with this view.

## Q. Most important measure - 3rd place



ANSWER CHOICES	RESPONSES
DISAGREE	8.89%
PARTLY DISAGREE	17.78%
PARTLY AGREE	31.11%
AGREE	42.22%

We also asked respondents to identify the one change that they consider would have the greatest impact on improving the effectiveness of the current arrangements. A range of themes emerged but amongst those recurring was the merit of moving toward 100% guarantees on CBILS and on the banks improving their operation of the schemes. In general terms, there was emphasis on making sure cash gets to SMEs more quickly under the various schemes which recognises the vital importance of an innovative SME sector to the future of the British economy.