

Getting the economy back on its feet. A survey of owner managed businesses from the Association of Practicing Accountants

Date launched: 12th April

Date closed: 14th May

Total responses: 435

Introduction

Owner managed business form the backbone of the UK economy. An overall picture of the long-term impact of Covid 19 on this vital economic sector is some way off. What is clear however, is that underneath the headline growth figures many businesses that have been on life support are now in the early stages of recovery.

There is no 'one picture' of the impact of the pandemic on these businesses. For every restaurant that has closed there is a facilities management company that has thrived. For every high street that has been impacted there are cloud based retail start-ups that have gone from strength to strength.

The UK faces an unprecedented challenge to get the economy going again in the wake of a global pandemic. Owner managed businesses are vital to this recovery.

Government and policy makers have a limited number of levers at their disposal to help these businesses get back up and running – which is why it is vital they take an evidenced based approach over the coming months targets help where it is most needed.

This research report is an assessment of the challenges owner managed businesses now face. It captures a representative sample of the aspirations and concerns of these entities as they move from crisis to recovery. We hope it will inform Government thinking on where business support should now be prioritised.

The Association of Practising Accountants (APA) is a network of leading business advisory firms meeting the needs of owner managed businesses and the real economy. APA members collectively advise and support well over 14,000 businesses with turnover up to the hundreds of millions. Our clients produce goods and services which help drive and jobs and growth across the UK and internationally.

British businesses face huge challenge and also opportunity in the coming months. This report is a view from the coalface.

Methodology

Between 12th April and 14th May a client survey was dispatched by the Association of Practicing Accountants through its network of member firms. In total 435 clients responded to the consultation across 15 sectors and 11 regions of the UK.

Headline findings

Our survey looked at current trading conditions, the impact of Brexit, views on the recent Budget including policy measures that were now needed to help support owner managed businesses and the ongoing impact of existing Government support schemes / what would happen when these come to and end.

What is clear is that many businesses are still struggling:

- 11% reported that it is likely they will have to make redundancies in the next 3-6 months putting a potential 1.85 million jobs at risk across the UK
- 24% reported a negative or very negative impact on their business since the UK left the EU
- 53% of respondents identified uncertain trading conditions as their biggest single challenge
- 15% cited Brexit supply chain issues as their single biggest challenge

Nonetheless:

- 84% of respondents reported that they were either confident or somewhat confident that they would be able to access the finance that they needed over the next 6 months with anecdotal evidence suggesting that the major banks were continuing to lend
- Longer term 54% were more positive about their economic prospects outside the EU while 46% were less positive

Current trading conditions

- 45% of respondents reported that their turnover had been reduced since the third lockdown was introduced in January against 21% who had seen an increase over this period.
- 53% of respondents identified uncertain trading conditions as their biggest challenge followed by Brexit supply-chain issues (15%), hybrid working (9%) and lack of capacity to get back up and running (9%).

- 45% of respondents reported that their main priority was capitalising on the opportunities of a post-lock down economy.
- 15% of respondents identified business survival as their main priority.

Fiscal policy

- 81% of respondents said that it was too soon to assess the impact of the recent Budget on business with 14% reporting it was a good 'for businesses like mine' against 6% who felt it was bad
- 45% of respondents were in favour of the proposed hike in corporation tax against 43% who were opposed
- 27% identified the Super Capital Allowance Scheme of 130% as the one most important measure for business coming out of the Budget followed by 19% who identified the extension of furlough and 12% who identified re-start grants

Existing Government support schemes

- 84% of respondents reported that they were either confident or somewhat confident that they would be able to access the finance that they needed over the next 6 months with anecdotal evidence suggesting that the major banks were continuing to lend
- 89% of respondents reported that it was either unlikely or very unlikely they would have to make redundancies in the next 3-6 months
- Of the 40% of respondents who were still using the current Government job-retention (furlough) scheme 84% were either very confident or somewhat confident they would be able to retain staff once the scheme ends

A snap shot of the views of owner managed businesses

The following verbatim quotes from owner managed businesses who participated in our survey provide a snapshot of the breadth of challenge facing this economic sector:

“The past year has shown how important it is to have our own independent companies. If Pfizer had taken over AstraZeneca, the AstraZeneca vaccine simply wouldn't exist. What is government doing to support the ongoing independence of successful companies like ours - 400 people, privately owned and not eager to take the private equity shilling?”

“The major issue is Scottish Independence which will necessitate higher taxes for companies and individuals. This will make Scotland a poor investment.”

“The next 6 - 9 months are going to be critical. We need people to feel confident to be making buying decisions but at same time there is massive inflation in materials costs.”

"We operate in the wines and spirits industry which has coped fairly well throughout the last 12 months. We have experienced some logistical issues as a result of the UK's exit from the EU, however, these are becoming less prevalent over time."

"Funding to scale our business is always a challenge. There is almost a heard mentality as to where investment goes regardless of merit or opportunity."

"Rather than providing loans, furlough, tax deferrals etc I would like to see the government increasing its funding for initiatives. As a sports technology company rather than a loan, we'd prefer to receive a government grant attached to a development initiative e.g. building our school sports solution. This provides government value and offers longer term opportunities for survival and growth for business."

"I was against the UK coming out of the EU, however, I think that the UK government is capable of negotiating some positive trade agreements which will be very beneficial to the long term prosperity of the UK. Scottish independence is the biggest threat to Scottish businesses now as I firmly believe that Scotland is weaker outside of the UK."

“The Government needs to totally reform the business rates system and reduce Stamp Duty on property in line with other investments.”

“As a self employed person it was disappointing that I was unable to access the furlough scheme. This has cost me dearly as I have been unable to build and am now 18 months behind where I wanted to be or could have been. I reckon this has cost me about £10-12,000 approximately.”

“I think by and large the Government have done a fantastic job in very challenging times. The support and help available for businesses and individuals has been outstanding”

“Having been severely affected by the downturn in 2009 following the banking crisis, it has been refreshing that the banks are able to support businesses and this will hopefully speed up the economic recovery.”

“Being excluded from the Business rate relief scheme meant having to pay rates on premises we could not use because of Government restriction.”

“As a service business not forced to close but directly impacted by tourism and travel we have had very little support. Until international travel resumes custom will be very slow.”

“The impact of the pandemic is still very different from sector to sector. We work in the care sector and have continued to operate and actively recruit rather than furloughed staff. However, the balance is now swinging back where trading is becoming tougher with occupancy suppressed and staff feeling fatigued and looking to leave the sector.”

“Overall, Government policies need to remain as flexible as is realistically possible.”

Conclusions and recommendations for policy makers

While a majority of owner managed businesses are feeling reasonably resilient as we emerge from lockdown many are still struggling. There are concerns over uncertain trading conditions and owner managers are still looking to Government for help and support as the economy gets back on track.

The jury is still out on the economic impact of Brexit. Measures contained in the last Budget have generally been well received while there is growing confidence that businesses will survive the withdrawal of the the various Government support schemes.

Based on these findings we think Government should:

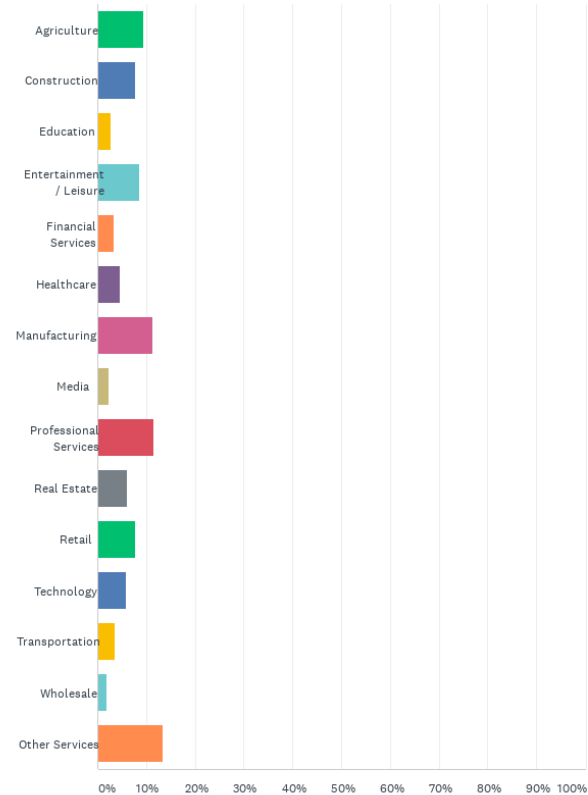
- Recognise that uncertainty remains across many sectors of the economy and that businesses want reassurance as well as clear and unambiguous advice and support
- Prioritise those sectors that remain most vulnerable to uncertain trading conditions including tourism and hospitality

- Ensure that as we transition out of the various Government backed loan and grant schemes lenders are encouraged to take a client centric approach which recognises that 15% of owner managed businesses are still struggling to survive.
- Allow businesses to dictate the pace at which people should return to the office recognising there is likely to be widespread sectoral variation here.
- More broadly adopt a flexible approach to business policy which recognises the many challenges facing owner managers and which has as its central objective the need to prioritise the sustainable growth of this sector

The APA stands ready to play its part and will continue to monitor the landscape for owner managed businesses over the coming months as the economy gets back up and running.

Detailed findings

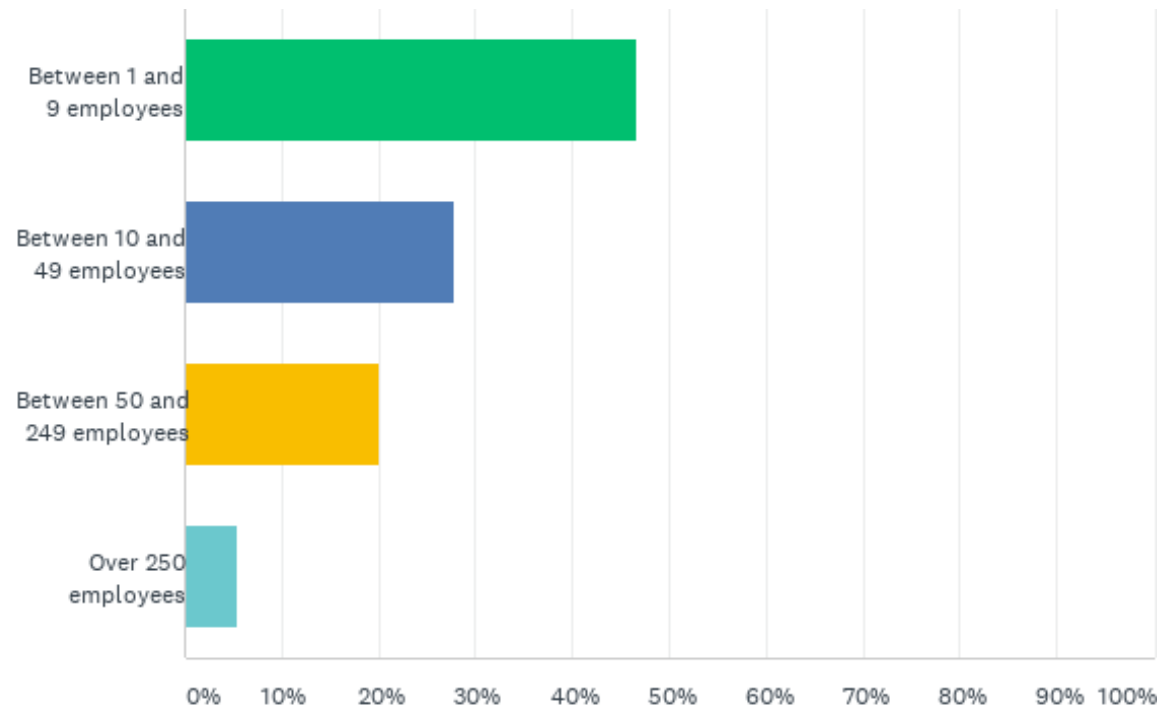
Q1: How would you classify your business by sector?



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ANSWER CHOICES	RESPONSES	
Agriculture	9.51%	41
Construction	7.66%	33
Education	2.78%	12
Entertainment / Leisure	8.58%	37
Financial Services	3.25%	14
Healthcare	4.64%	20
Manufacturing	11.37%	49
Media	2.32%	10
Professional Services	11.60%	50
Real Estate	6.03%	26
Retail	7.66%	33
Technology	5.80%	25
Transportation	3.48%	15
Wholesale	1.86%	8
Other Services	13.46%	58
TOTAL		431

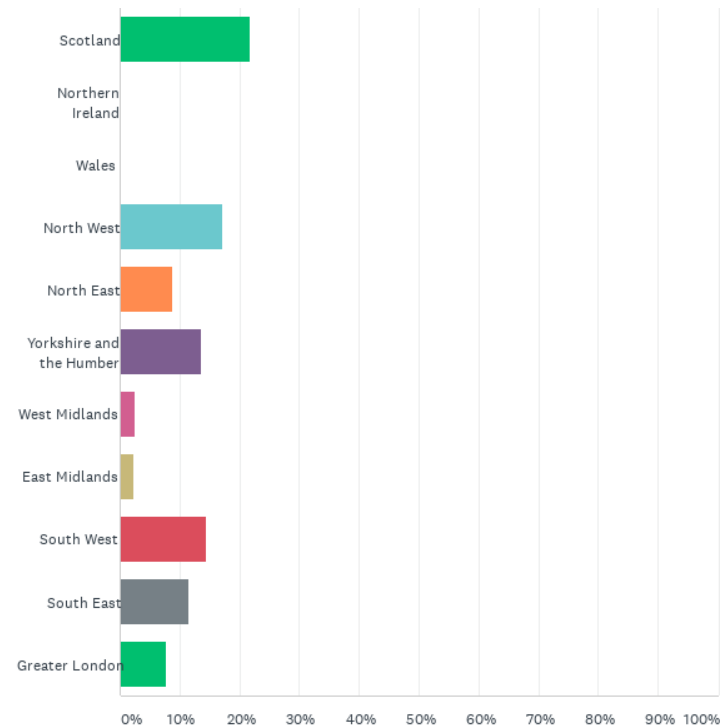
Q2: What size is your business?



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ANSWER CHOICES	RESPONSES	
Between 1 and 9 employees	46.64%	201
Between 10 and 49 employees	27.84%	120
Between 50 and 249 employees	20.19%	87
Over 250 employees	5.34%	23
TOTAL		431

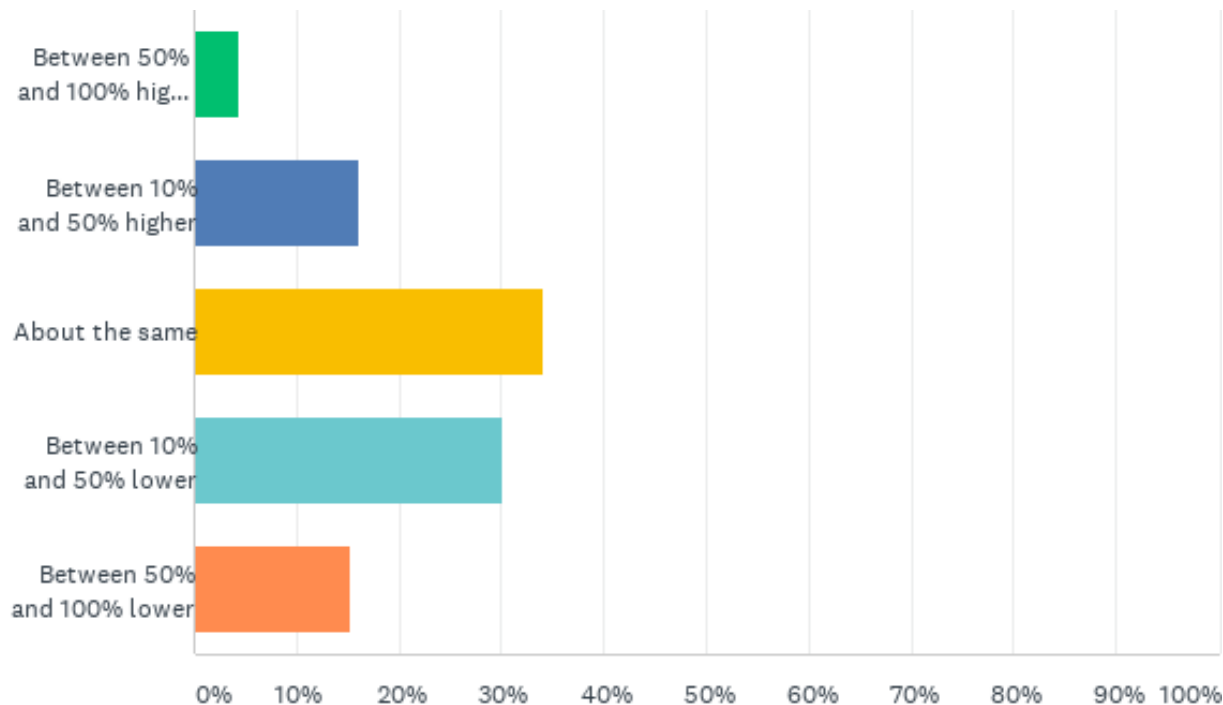
Q3: In which region of the UK are you headquartered?



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ANSWER CHOICES	RESPONSES	
Scotland	21.66%	94
Northern Ireland	0.00%	0
Wales	0.23%	1
North West	17.05%	74
North East	8.76%	38
Yorkshire and the Humber	13.59%	59
West Midlands	2.53%	11
East Midlands	2.30%	10
South West	14.52%	63
South East	11.52%	50
Greater London	7.83%	34
TOTAL		434

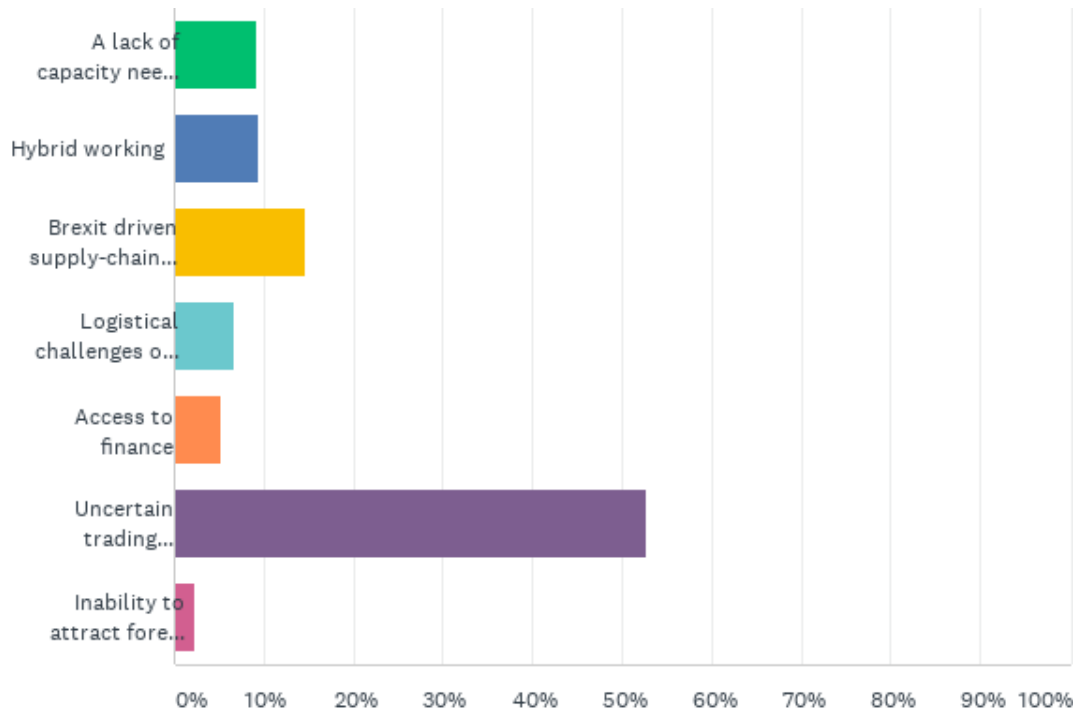
Q4: How has your turnover been affected since the third lockdown was introduced at the beginning of January ?



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ANSWER CHOICES	RESPONSES	
Between 50% and 100% higher	4.39%	19
Between 10% and 50% higher	16.17%	70
About the same	34.18%	148
Between 10% and 50% lower	30.02%	130
Between 50% and 100% lower	15.24%	66
TOTAL		433

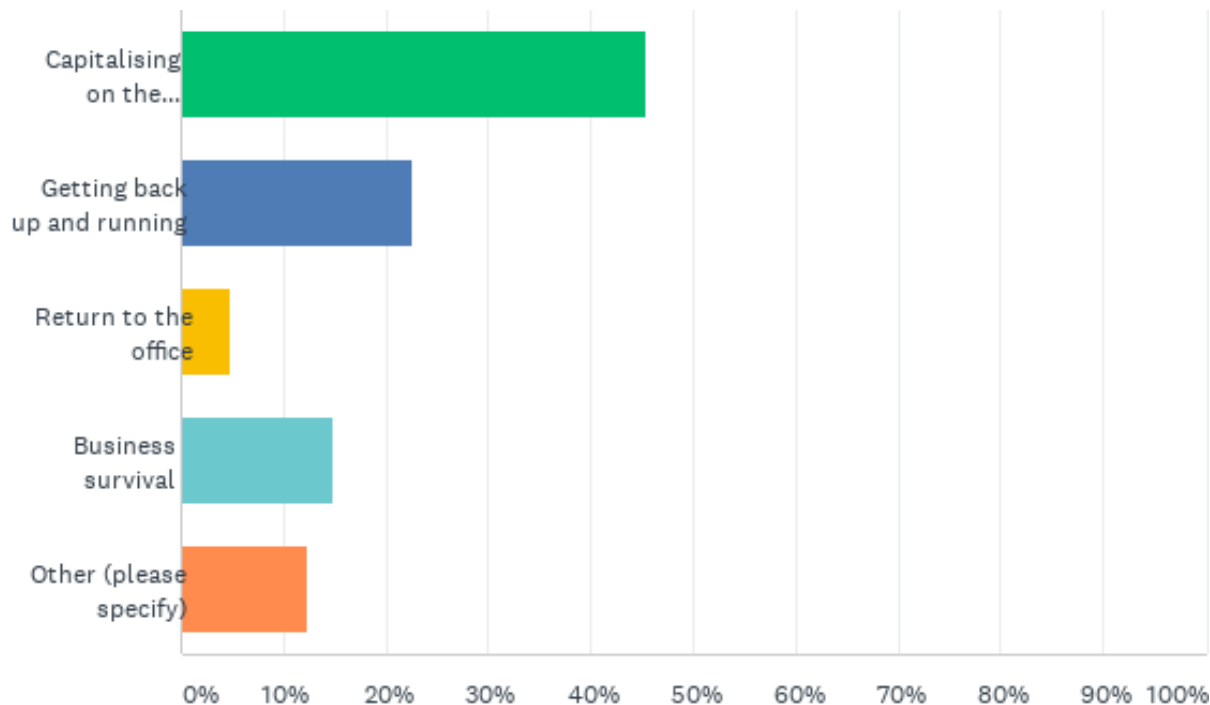
Q5: What is the biggest challenge you face now that there is the real prospect of a return to normal working conditions following the vaccination programs?



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ANSWER CHOICES	RESPONSES	
A lack of capacity needed to get back up and running	9.17%	32
Hybrid working	9.46%	33
Brexit driven supply-chain issues	14.61%	51
Logistical challenges of returning to the office	6.59%	23
Access to finance	5.16%	18
Uncertain trading conditions	52.72%	184
Inability to attract foreign labour	2.29%	8
TOTAL		349

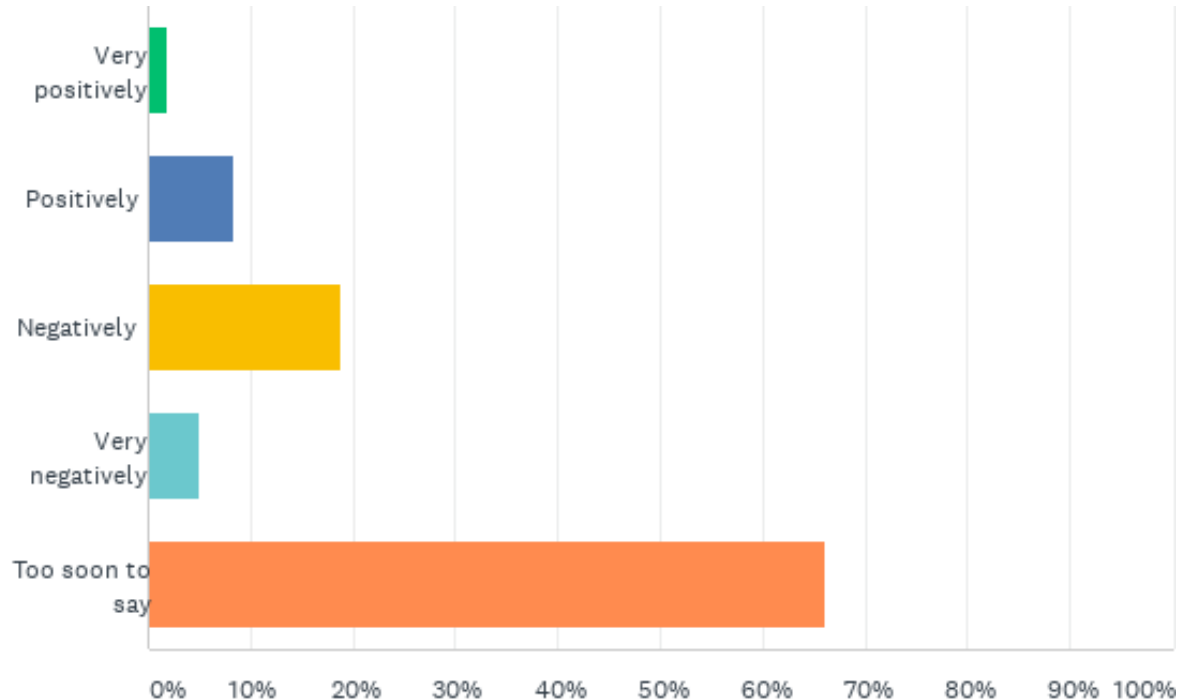
Q6: What is likely to be your main priority over the next 3-6 months?



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ANSWER CHOICES	RESPONSES	
Capitalising on the opportunities of a post-lockdown economy	45.35%	195
Getting back up and running	22.56%	97
Return to the office	4.88%	21
Business survival	14.88%	64
Other (please specify)	12.33%	53
TOTAL		430

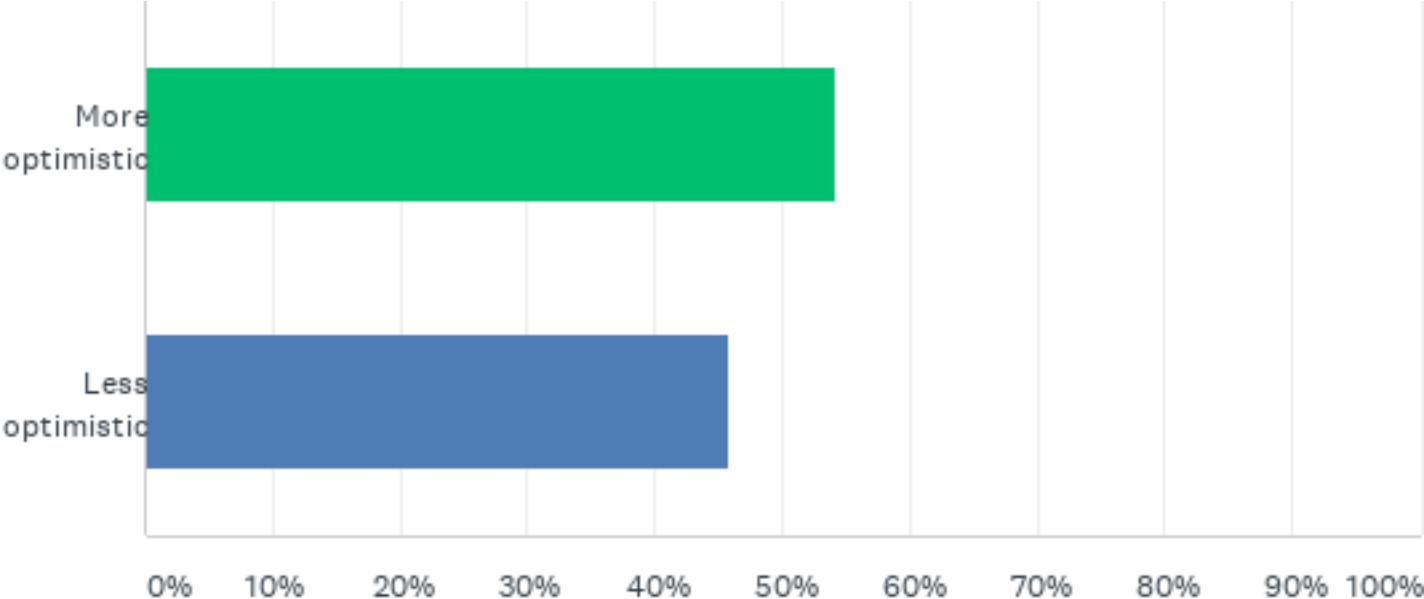
Q7: How has the UK departure from the EU impacted on your business in the four months since Brexit?



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ANSWER CHOICES	RESPONSES	
Very positively	1.87%	8
Positively	8.43%	36
Negatively	18.74%	80
Very negatively	4.92%	21
Too soon to say	66.04%	282
TOTAL		427

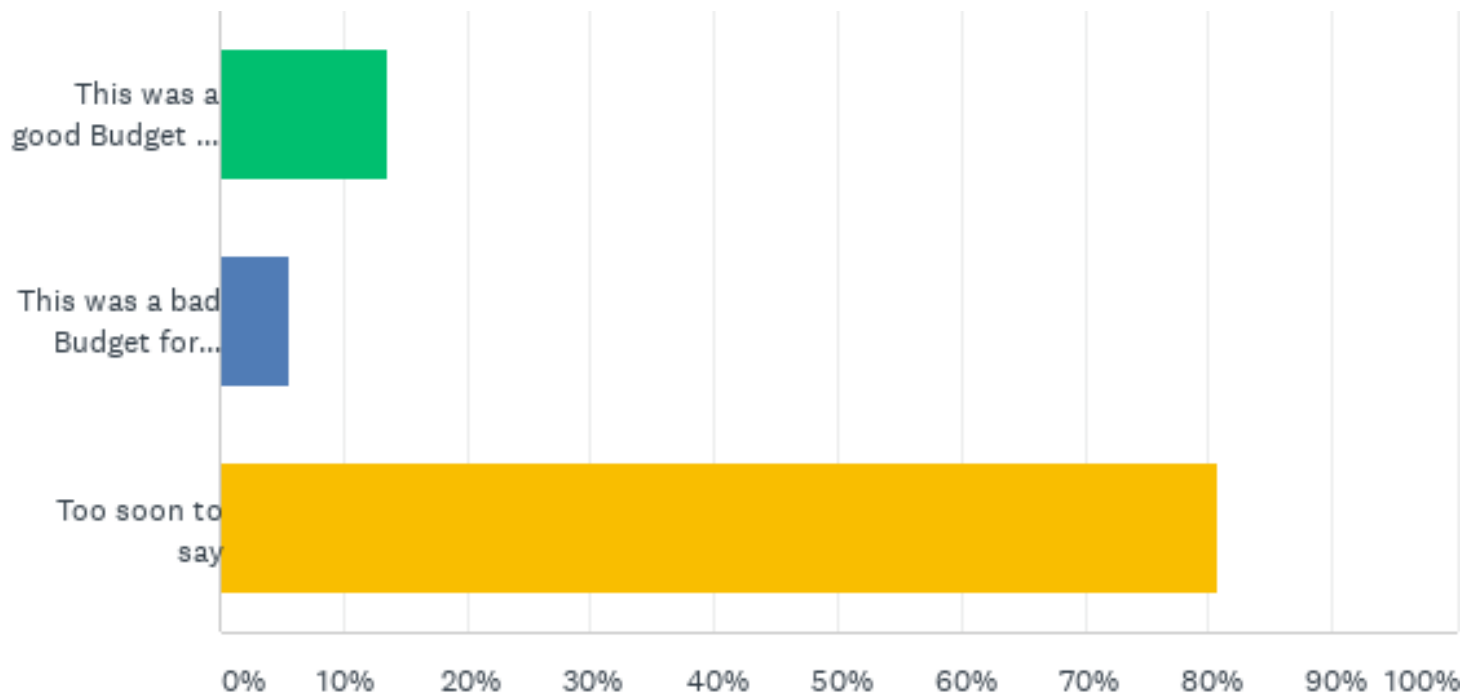
Q8: On balance are you more or less optimistic about our long-term economic prospects now that we have left the EU?



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ANSWER CHOICES	RESPONSES	
More optimistic	54.19%	233
Less optimistic	45.81%	197
TOTAL		430

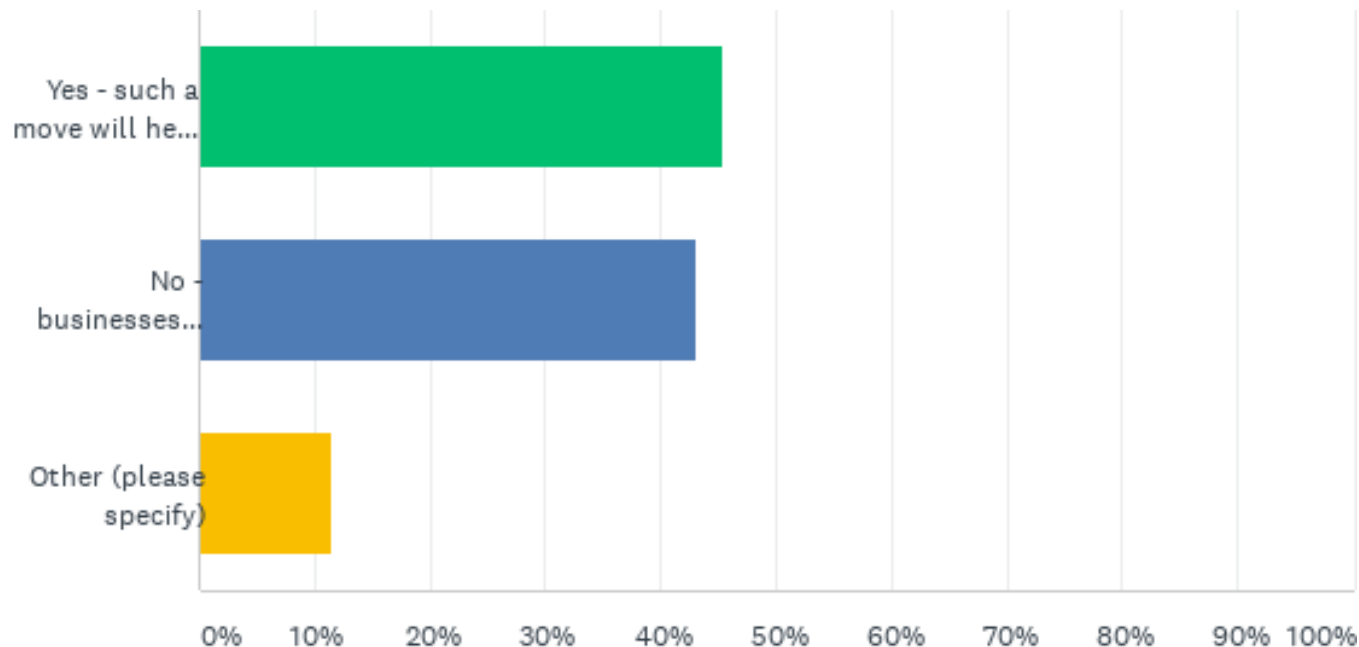
Q9: On balance how did the last Budget impact your business?



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ANSWER CHOICES	RESPONSES	
This was a good Budget for businesses like mine	13.66%	59
This was a bad Budget for businesses like mine	5.56%	24
Too soon to say	80.79%	349
TOTAL		432

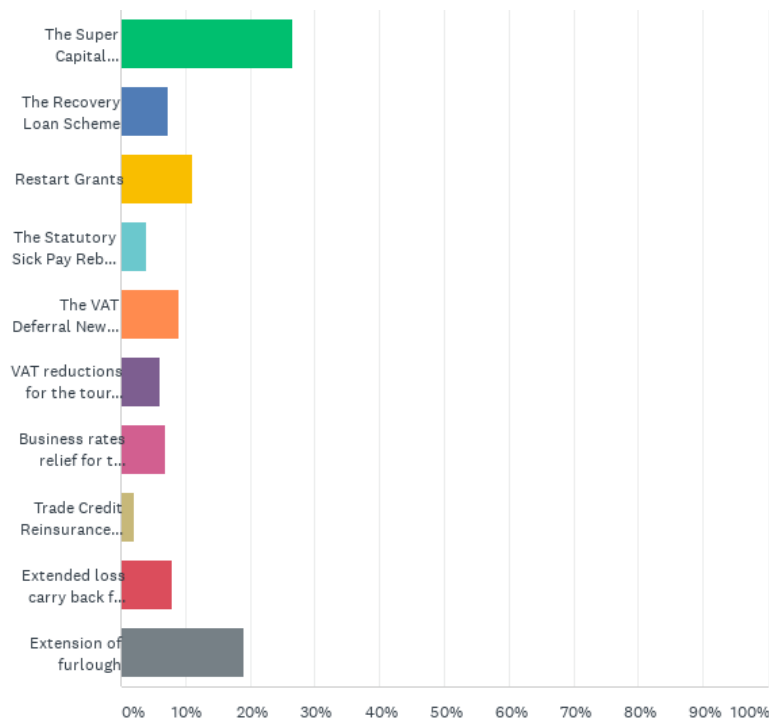
Q10: The Government has announced it intends to increase Corporation Tax from 2023 on profits over £50,000 tapered to a maximum of 25% for profits over £250,000. Do you agree?



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ANSWER CHOICES	RESPONSES	
Yes - such a move will help strengthen the public finances	45.37%	196
No - businesses cannot afford to take this hit right now	43.06%	186
Other (please specify)	11.57%	50
TOTAL		432

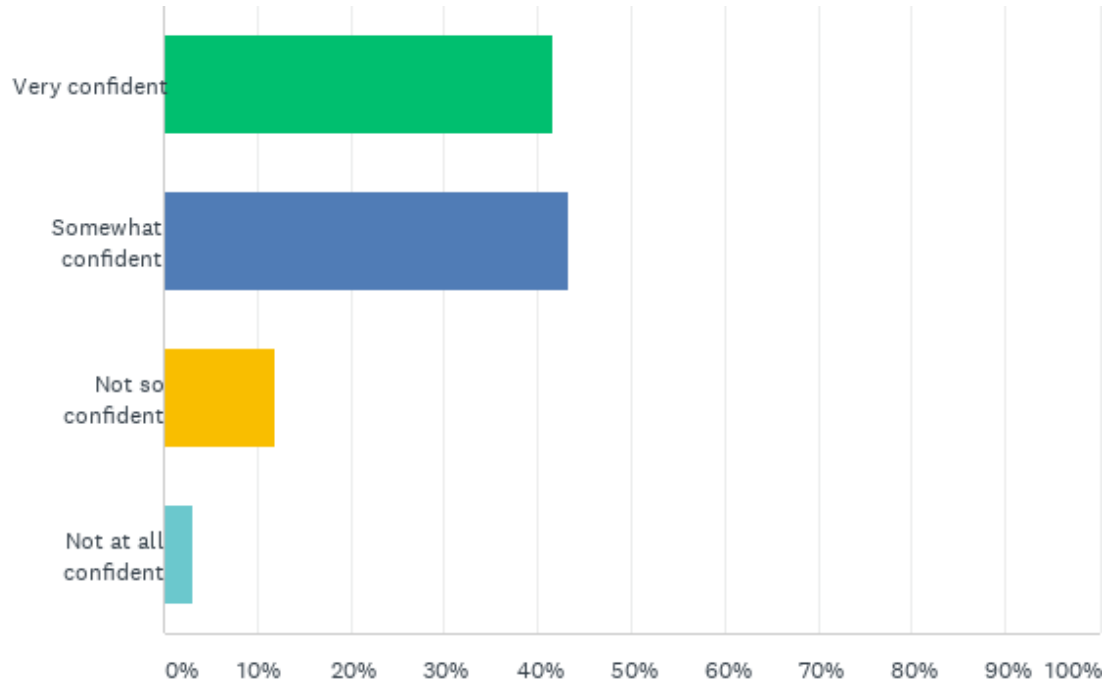
Q11: What one policy measure announced in the recent Budget will make the most difference to your business over the course of 2021?



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ANSWER CHOICES	RESPONSES	
The Super Capital Allowance of 130%	26.65%	101
The Recovery Loan Scheme	7.39%	28
Restart Grants	11.08%	42
The Statutory Sick Pay Rebate Scheme	3.96%	15
The VAT Deferral New Payment Scheme	8.97%	34
VAT reductions for the tourist and hospitality sectors	6.07%	23
Business rates relief for the tourist and hospitality sectors	6.86%	26
Trade Credit Reinsurance scheme	2.11%	8
Extended loss carry back for businesses	7.92%	30
Extension of furlough	19.00%	72
TOTAL		379

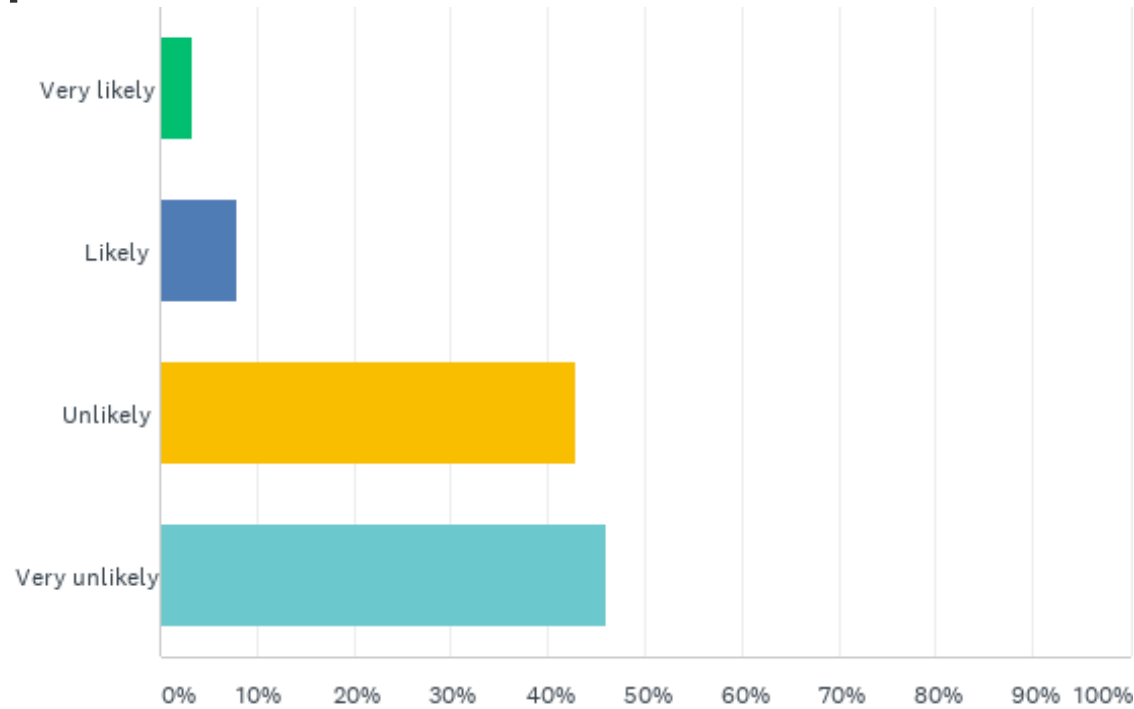
Q12: How confident are you that you will be able to access the finance you need over the next 6 months?



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ANSWER CHOICES	RESPONSES	
Very confident	41.69%	178
Somewhat confident	43.33%	185
Not so confident	11.94%	51
Not at all confident	3.04%	13
TOTAL		427

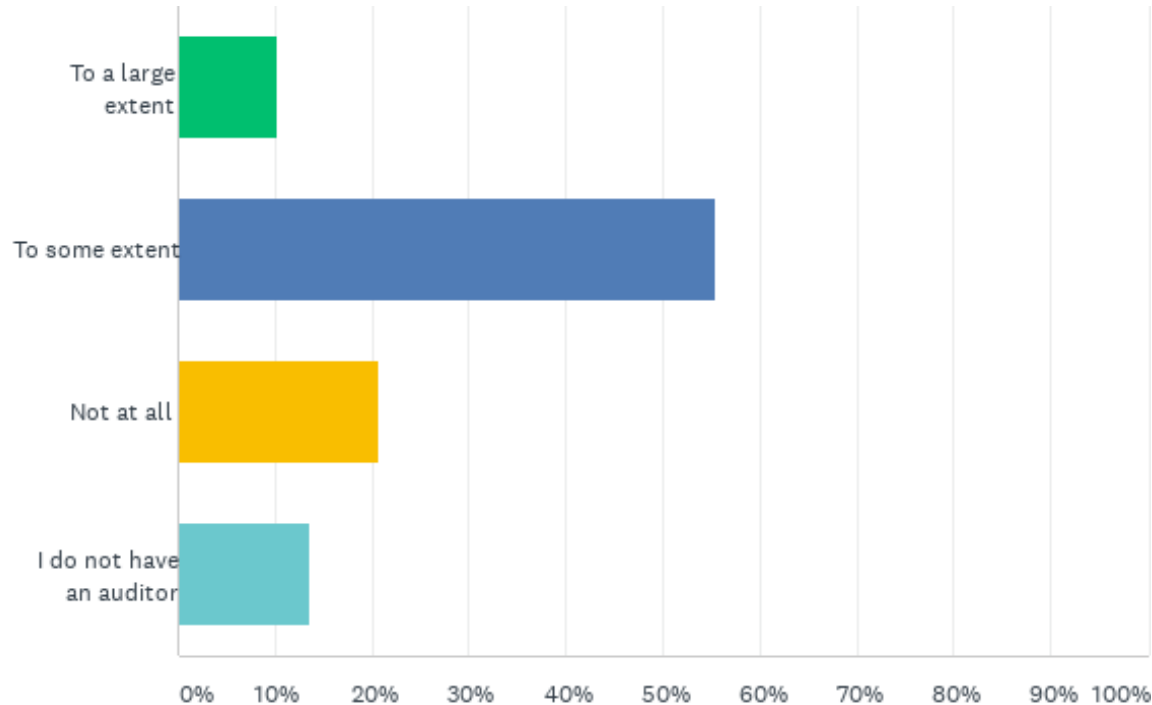
Q13: How likely is it that you will have to make redundancies in the next 3-6 months?



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ANSWER CHOICES	RESPONSES	
Very likely	3.25%	14
Likely	7.89%	34
Unlikely	42.92%	185
Very unlikely	45.94%	198
TOTAL		431

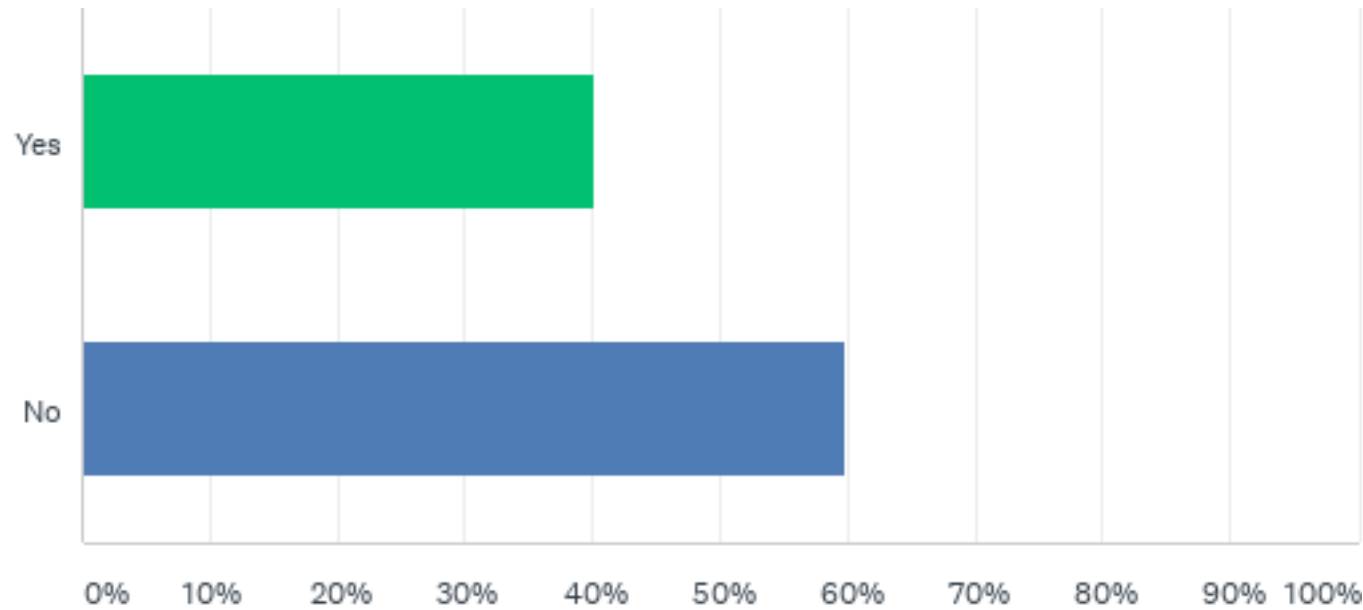
Q14: To what extent do you rely on your auditor to provide you with additional business advice and support?



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ANSWER CHOICES	RESPONSES	
To a large extent	10.21%	44
To some extent	55.45%	239
Not at all	20.65%	89
I do not have an auditor	13.69%	59
TOTAL		431

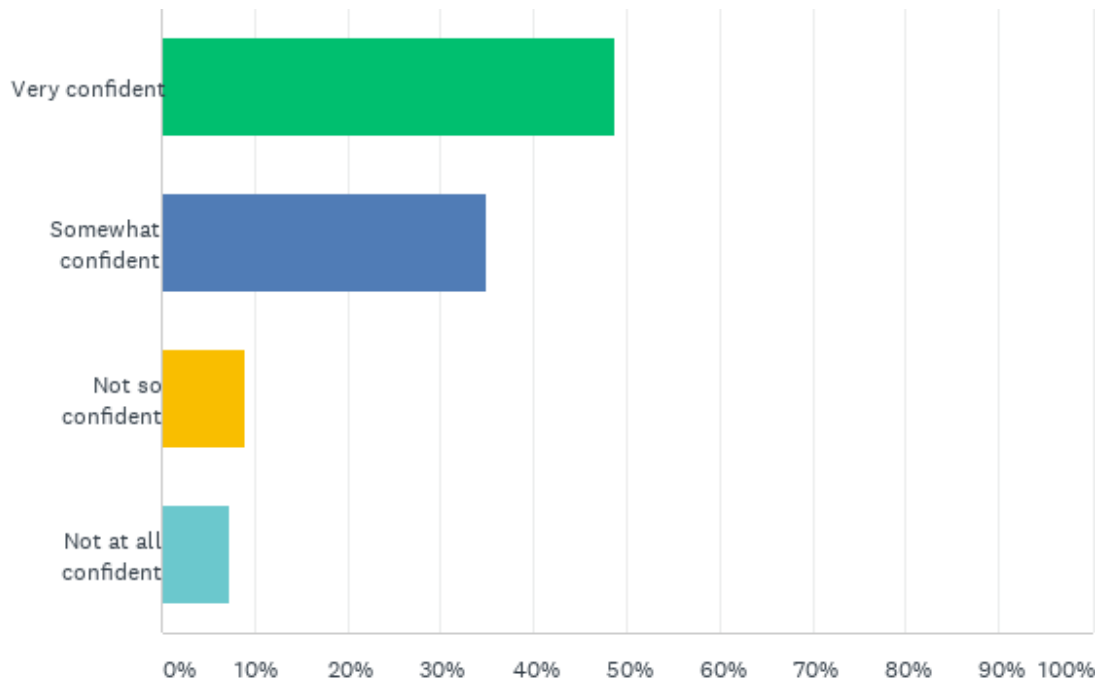
Q15: Are you using the Government's Coronavirus Job Retention (furlough) Scheme?



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ANSWER CHOICES	RESPONSES	
Yes	40.18%	174
No	59.82%	259
TOTAL		433

Q16: If so how confident are you that you will be able to retain furloughed staff once the scheme ends in September?



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ANSWER CHOICES	RESPONSES	
Very confident	48.79%	141
Somewhat confident	34.95%	101
Not so confident	9.00%	26
Not at all confident	7.27%	21
TOTAL		289

