SAFETY NET

There's no question that the various measures put in place by the UK Government and devolved nations have helped many small firms survive the Covid-19 pandemic. But while some support remains available, other initiatives are starting to wind down. ***Alex Wright*** outlines the state of play

Government financial support has been a lifeline for small businesses during the Covid-19 crisis.

During the past 18 months, millions of UK businesses have accessed grants, loans and job or tax support schemes, and the Government has so far paid out hundreds of billions of pounds in support to help keep firms afloat during these challenging times.

Among the key packages it has provided for SMEs are the Coronavirus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS), the Coronavirus Business Interruption Loan Scheme (CBILS), the Bounce Back Loan Scheme (BBLS) and the Recovery Loan Scheme (RLS).

It also set up the Small Business Grants Fund and the Retail, Hospitality and Leisure Business Grants Fund, and has offered business rates relief and VAT payment deferrals.

Extra funding has also been handed to the devolved administrations of Scotland, Wales and Northern Ireland (*see box*), as well as local authorities, although gaps have remained – particularly for some recently self-employed and limited company directors.

According to FSB's Business Support report, 84 per cent of participants accessed support advice. Fifty per cent of those surveyed received free Government support, with north-east England reporting the highest percentage (61 per cent). Forty-five per cent said that the advice they received helped their business survive the pandemic, while 33 per cent claimed it didn't.

The following will help as a guide to the main schemes still available, what their benefits are, and what businesses need to be aware of when repaying them – as well as when they start to wind down and repayments need to be made.

Loans

The BBLS was one of the Government's most significant support packages. As of April, £46.5 billion had been paid out and 1.5 million loans approved.

However, the scheme, which enabled SMEs to borrow between £2,000 and up to 25 per cent of their turnover, and was capped at

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Country-by-country measures

SCOTLAND

The Scottish Government launched the Strategic Framework Business Fund in November 2020 to provide payments to businesses based on their sector, rateable value and level of restriction they were under. Since then, local authorities have been given discretionary funds, aimed at helping firms that didn't qualify for grants from the fund, to distribute as they see fit.

WALES

The Welsh Government has announced another round of the Economic Resilience Fund to support businesses that incurred costs due to the pandemic in July and August. To be eligible, their turnover must have been reduced by 60 per cent or more year-on-year as a result of Covid-19 restrictions, with funding ranging from £2,500 to £25,000 depending on the industry.

NORTHERN IRELAND

The Northern Ireland Executive has extended its 100 per cent business rates relief until the end of the 2021/22 financial year for retail, hospitality, leisure, tourism, manufacturing and childcare businesses. Top-up grants have also been made available to firms that missed out on funding from the Small Business Support Grant and the Retail, Tourism, Hospitality and Leisure Grant, worth £10,000 and £25,000 respectively.

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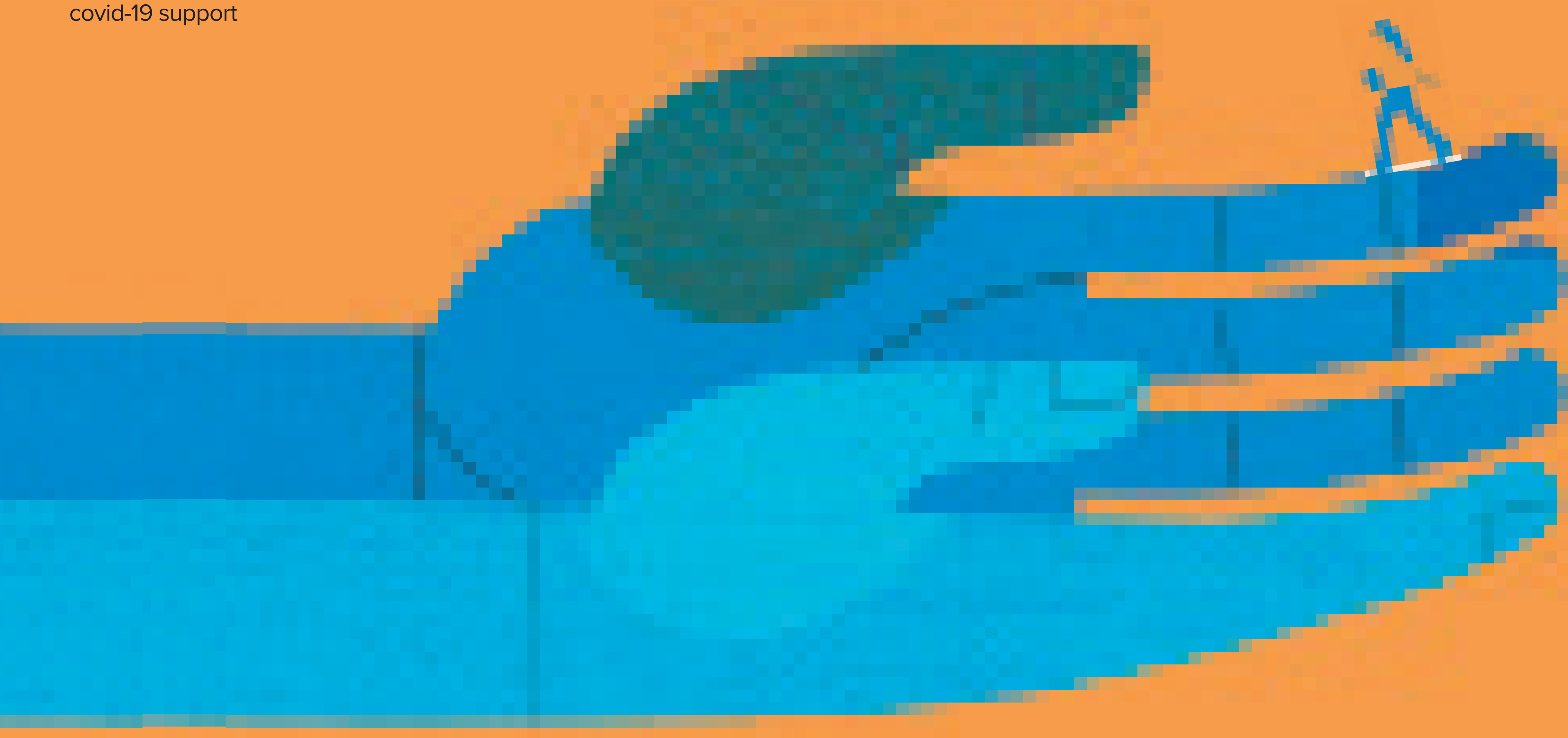

£50,000, closed at the end of March. With no interest to pay for the first year, after which the rate increases to 2.5 per cent, the loan term is six years with the option to extend to 10 years. Early repayment can be made without incurring a fee.

"The BBLS has really helped small businesses, particularly those that had just started up or were servicing existing debt," said Richard Osborne, founder of UK Business Forums. "Provided they are using it wisely and for legitimate purposes, then that's fine."

The RLS has, in effect, taken over from the BBLS. Launched in April, it provides financial support to help businesses recover and grow. The scheme has been extended until the end of this year for firms affected by the pandemic. It is open to all companies that qualify, including those that have already used the BBLS and CBILS, and offers £1,000-£10 million in

45%
The proportion of firms that received help which say it helped them survive the pandemic

the form of a term loan, overdraft, invoice finance or asset finance.

Businesses are required to pay interest and any associated fees, with the annual effective interest rate, upfront. Other fees are capped at 14.99 per cent. The length for term loans and asset finance is three months to six years; for overdrafts and invoice finance, it's three months to three years.

Lenders won't accept personal guarantees as security for loans under £250,000. Members can apply to the scheme through the FSB Funding Platform. However, Carl Reader, chairman of business advisory firm d&t, warns: "Businesses need to bear in mind that the RLS is nowhere near as attractive as the CBILS or the BBLS. Unlike the Enterprise Finance Guarantee that came before, it isn't available to new start-ups, or at the 2.5 per cent rate that the BBLS was."

Tax support

In addition to loans, businesses in England can apply for restart grants of up to £18,000 until March 2022. Non-essential retail firms are eligible for one-off grants of up to £6,000, while those in the hospitality, accommodation, leisure, personal care and gym sectors can get the full amount.

Many high street businesses have also benefited from business rates relief, which is automatically applied by local councils and was an issue that FSB has lobbied hard for. From the start of July, the rate in England was reduced to 66 per cent until the end of March 2022.

FSB National Vice Chair (Policy & Advocacy) Martin McTague says: "To help hard-hit sectors and high streets as we look to recover, we're calling for an overhaul of the whole business rates system, with more firms taken out of paying business rates altogether, and more frequent and fair valuations. In a pre-pandemic survey, over half of our members said that they would not survive if it weren't for business rates reliefs, underlining the precarity of many firms' financial situations even before Covid-19 hit."

The UK-wide VAT payment deferral was another big boost for struggling firms. Again, it was automatically offered to businesses between 20 March and 30 June 2020, with 599,500 payments – worth £33.5 billion – being deferred during this period. Companies were required to pay the deferral in full by the end of March or arrange payment in monthly, interest-free instalments.

In England, eviction protection for commercial tenants for unpaid rent has been extended to 25 March 2022. However, it is still advisable for businesses to communicate with their landlord and try to agree a future payment plan where possible.

FSB continues to lobby the Government to extend its support for small businesses. Among its key asks are greater promotion of the UK-wide Pay As You Grow scheme, giving businesses that took out state-backed loans longer repayment periods or payment holidays.

Repayment quandaries

There is a significant dilemma surrounding repayments. "The big question right now is whether you keep your loan or pay it back," said Serena Humphrey, Managing Director of The F Word. "Given that it's cheap finance, and the interest is relatively low, it might be an idea to hold onto it and extend the terms. On the other hand, you might just want to pay off your debt so you don't have any future obligations moving forward. It depends entirely on your individual circumstances."

Paul Samrah, Partner at Moore Kingston Smith, advises those who might be struggling to take early action. "If you are unable to make these tax payments, contact the HMRC's Time to Pay service," he says. "They will listen to your case and may ask you for more financial information before agreeing on the best solution. If you don't, you could be liable for penalties and legal action." fv

ALEX WRIGHT is a freelance business journalist

Best foot forward

The Bounce Back Loan (BBL) helped to ensure the survival of Lucy Jeffrey's fledgling business.

Having started her online business, Bare Kind, which sells bamboo socks, in 2018 while she was still working in a bank, she initially decided to shut it down when the pandemic struck last year.

But after taking out a £3,000 BBL in August 2020, she revived the firm and ploughed it straight into social media marketing. "Initially it was just a side project – I never imagined one day it would be my main business," she says. "It was a bit of a Hail Mary moment – I quit my job in November and threw everything into the business.

"Having the Government loan gave me the confidence boost I needed. I hired a freelancer to do some Facebook ads for me and it paid instant dividends – I made 10 times the return on my investment."