Positive or negative? Business leaders debate elements of Budget 2021

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Rishi Sunak has today announced his plan to help the UK out of recession following the impact of the coronavirus pandemic in his 2021 Budget. It set out support for business in the form of furlough, help to grow and restart grants, but will this be enough? The debate begins …

We've asked several business owners to share their views and join the discussion …

Luke Davis, CEO of IW Capital, comments on the measures and why missing EIS was a mistake:

'Overall, the Chancellor's Budget will be welcomed by many, especially among business owners. The increase in spending is a strong step in the right direction and is something that is sure to attract investment into businesses, but unfortunately not into those who need it most.

'Although an extra £5bn of support has been directed towards the struggling sectors such as hospitality and retail, this is only a short term fix. What we were hoping to see was an extension to the Enterprise Investment Scheme to help encourage SME investment form private sources. Increasing income tax relief from 30 to 40% for EIS could provide a 10x return on investment and would increase the appetite to invest in growth sectors, which furthermore would create jobs, boost recovery and enable future growth.

'Previously through the scheme, over £22billion has been raised for small firms in the UK from private sources, providing over 31,000 companies with vital growth finance. When the scheme was extended in 2011 – increasing income tax relief from 20 to 30% – the amount invested increased by 87%, providing an extra £472 million of finance. A similar jump would provide £1.5 billion of extra investment at an extra cost of £150 million to the treasury.'

Chris Biggs, Partner at Theta Global Advisors, discusses Help to Grow and the importance of systems implementation:

'The Help to Grow Scheme will help small firms to grow into an ever more digital world. Investing in new systems to boost productivity and create jobs is of the utmost importance to economic growth. The coronavirus pandemic has accelerated investment in this area already, so it is great to see further support to this.

‘Industries such as professional and financial services have migrated to new systems en masse over the past year which has allowed them to compete with larger rivals, coming as a welcome boost. Stagnation is the enemy of growth so stopping this from happening post-pandemic is crucial.’

Looking at the figures, Markus Kuger, Chief Economist at commercial data and analytics firm, Dun & Bradstreet commented:

‘Earlier this week, Dun & Bradstreet has upgraded its country risk rating from ‘deteriorating’ to ‘stable’ based on the latest analysis of factors including supply, credit, market and political environments. With the vaccination programme underway and the Spring Budget promising ongoing support and extension of the furlough scheme, the future is looking somewhat brighter for British businesses.

‘However, with record business borrowing in 2020 it’s still a challenging economic environment for UK companies – especially those in the hospitality sector. The latest analysis from Dun & Bradstreet’s COVID Impact Index reveals that food and beverage businesses continue to be the most significantly impacted in the UK, with a rating of only 8 on a scale from 1 (most impacted) to 100 (least impacted), compared to an average across all industries of 51. Accommodation (12 out of 100) and creative, arts & entertainment (24 out of 100) also continue to be among the most severely impacted sectors.

‘Payment performance data can be used as one indicator of the financial health of businesses and is a useful tool to help businesses assess risk. According to Dun & Bradstreet’s recent trade payment data, there’s been a marked decrease in prompt payment performance since the first lockdown in spring 2020 – with the percentage of businesses paying bills on time down from 47.3% in March to 41.8% in December 2020 – which suggests a pandemic-induced increase in late payments that will impact the cash flow of businesses.’

Nayan Gala, founding partner at venture capitalist firm JPIN VCATS shares his positive, future focused view on Budget 2021:

‘Rishi Sunak has set out the importance of being a global facing economy in order to grow over the next few years as the OBR predicts growth of 4% and 7% over the next two years. International opportunities and markets will be key to this, as we know that nations such as India will be growing at a rate of 10% in the next few years. Working closely with India will help the UK increase its growth rate.

‘We are looking to see an SME ecosystem that is geared to take advantage of the opportunity that Brexit brings and a recalibration of the funding system to expand into global territories.

‘The UK will also benefit from India’s economic boom through the Enhanced Trade Partnership. India is a 21st-century powerhouse – the UK-India trading relationship is already worth almost £24 billion, with 383 Indian companies in the UK employing more than 82,000 people. The deal will really allow the UK to benefit from the immense growth India is about to experience.'