

ACCA Spending Review 2020 – Submission

About ACCA

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management.

ACCA has 227,000 members and 544,000 students in 179 countries and works to help them to develop successful careers in accounting and business, with the skills required by employers. We have over 80,000 members working across the UK - both in urban and rural economies - making the UK one of our biggest markets. We help our members to develop successful careers in accounting and business, with the skills required by employers. ACCA work through a network of 110 offices and centres and 7,571 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

The expertise of ACCA members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas, including taxation (business and personal); small business; pensions; education; and corporate governance and corporate social responsibility.

Using accounting information to support data-driven decision making and public service outcomes

Public sector spending commitments must be supported by the best available data and should achieve value for money through measurable outcomes. Robust and comprehensive accounting data is required to achieve this vision and ACCA's global research, completed in partnership with the World Bank and the International Federation of Accountants, calls for government to 'take a balance sheet approach' to managing public finances (see our latest publication *Sustainable Public Finances through COVID-19* for more information). Balance sheet information can improve decision making, should act as the benchmark for any new fiscal targets, and will support the government in using sufficient fiscal firepower to rebuild the UK economy for a more inclusive and greener future.

Any new fiscal framework should extend beyond public sector net debt and should instead make use of the more comprehensive measure of public sector net worth (PSNW). This metric provides a more comprehensive view of public finances that includes public assets and non-debt liabilities. Research by the IMF has shown that countries with strong PSNW face lower interest rates on their debt and shallower recessions. Setting the fiscal limits against PSNW will also support decision-making on capital spending and provide a planned path to recovery – setting out how sustainable public finances will be achieved over the medium-to long-term.

Return of Enterprise Finance Guarantee:

Feedback from ACCA networks has shown that business confidence is being knocked by the potential funding cliff edge presented by the winding down of Coronavirus loan schemes. ACCA believes a return of a **modified Enterprise Finance Guarantee** would give confidence to lenders and business and keep lending facilities available.

ACCA research during the covid lockdown found that just 27% of businesses had revisited business plans or performed a reforecast in light of covid. Without proper advice and financial management, ACCA believes many business owners may not be fully aware of their finance needs and financial risk in the coming 6 -12 months. The importance of access to advice on these issues goes hand in hand with access to appropriate finance. As the Coronavirus Business Interruption Loan Scheme (CBILS) comes to an end, ACCA believes there will need to be a comparable scheme for those that need to access cash to protect against future business uncertainty and sustained, limited cashflow.

Business appetite for debt is likely to improve as operations restart but it's vital that schemes take forward lessons from CBILS. EFG in any current form should take forward commitments to reduced personal guarantees (including principle private residences) and scrap annual fees to bring in a broader range of businesses.

Strengthening LEPs:

ACCA supports the use of local enterprise partnerships (LEPs) **to drive local economic development** and identify the opportunities and risks of local business. In order to respond to local challenges and manage risk, these networks must be able to offer sound access to business planning advice and financial management.

We are concerned that with so many deferred and debt repayments becoming due over the next 12 months, business owners who don't make a plan could be 'sleepwalking into insolvency'.

On this basis, ACCA supports enhanced funding in the Spending Review for LEPs to offer free initial consultations with professional accountants for SMEs facing hardship or in financial distress. Such a scheme could support advice on financial forecasts, crisis cashflow management, making finances and taxes digital and obtaining the right types of sustainable finance for their business.

Funding the Small Business Commissioner:

ACCA supports **strengthened powers for the Small Business Commissioner**. FSB data in July found that 65% of businesses had experienced an increase in late payments during the covid period. For many facing cashflow issues and uncertain revenues in the coming months, prompt payment will be a matter of survival. We believe that this spending review presents a well-timed opportunity to **reinforce the powers of the Small Business Commissioners Office** to tackle late payment.

ACCA research in 2019 showed that even amongst those on the receiving end of repeated late payments, 67% of finance professionals surveyed weren't aware of the Late Payment of Commercial Debt Regulations. Lack of awareness also undoubtedly contributes to lack of enforcement of statutory interest and fines. For smaller businesses, applying fines and penalties can risk the loss of preferred supplier status or long-held contracts.

Measures to tackle late payment need to be widely enforced and significant to successfully change behaviours. Therefore, ACCA recommends enforcement by the SBC as an independent third party for repeat offenders (setting thresholds for the proportion of payments to meet terms before penalties are applied). Alternatively, the SBC should at least have sufficient capacity for optional referrals to be made to an independent third party at the scale needed to tackle the problem nationally. Naturally professional bodies will continue to play a role in the education of members about the appropriate routes for mediation.

Recapitalisation:

A key priority for government and industry going forward will be the recapitalisation of UK businesses and in turn, the recovery of capital deployed via stimulus measures. ACCA participates in TheCityUK's Recapitalisation Group, to examine various cost-effective options open to the UK government and believe the Group's paper from July 2020 offers a number of viable repayment routes. ACCA welcomes the government's move to extend loan scheme terms to allow businesses to pay as they grow and support business cashflow.

The Comprehensive Spending Review should consider in parallel the creation of a non-departmental government body to manage the administration and cooperation on the volume of recapitalisation and restructuring, such as the Recap Group's 'UK Recovery Corporation' which would focus solely on unsustainable debts.