

# Making a Difference

to businesses &  
individuals  
across Yorkshire

## Coronavirus Advice Guide



### INTRODUCTION FROM KIRSTY MCGREGOR, THE CORPORATE FINANCE NETWORK

The Corporate Finance Network consists of regional accountancy firms, some of the leading SME business advisers in the UK and I am very proud that they have come together in a very quick way, to collate this incredibly useful guide for you. In times like these, collaboration and communities working together will help us all to get past this unprecedented time in our lives and our economy.

The only thing I would personally add to the information enclosed, is that I would encourage you to start brainstorming to find ways to diversify, innovate and support your customers and communities, as much as you can. Keep yourselves well, physically and mentally and I think it will be critical for everyone to find a peer group to share challenges and ideas with, so consider setting one up in your local area or within your sector. I think you will find it will pay dividends in due course, as we have no idea at this stage how long this period will last.

I hope you find this guide useful and reassuring and I would like to thank those who have taken time out to contribute to it.

Kirsty McGregor, Founder and Chairman of The Corporate Finance Network

### INTRODUCTION

The last few weeks have seen an unprecedented set of events and circumstances around the World. Maybe not since the Cuban Missile Crisis in 1962 or the Spanish Flu outbreak of 1918 have the lives of everybody been turned upside down so quickly and worryingly.

The level of concern in the UK has been increasing since the start of February leading to a budget focused on providing support to our economy. Only a matter of days later, Chancellor Rishi Sunak, was standing next to the Prime Minister and Chief Medical Officer outlining another series of initiatives designed to help business with the promise that “we will do whatever it takes”.

There is genuine concern and worry amongst the business community, but we want you to know that our team are ready to help you, your and the wider business community get through this crisis.

Whilst the primary concern of any organisation is the wellbeing and safety of their employees a plan needs to be put in place now to ensure there is a sustainable platform to operate from as the crisis is navigated and then left behind.

We have put together a series of short snippets that you might find useful. These focus particularly around finance and employee issues as these are the two most common queries we have fielded in the last few days.

## **SUPPORT FOR SELF EMPLOYED BUSINESS OWNERS – CORONAVIRUS SEISS)**

The Chancellor Rishi Sunak has finally announced the measures the UK Government is to take, to help self-employed business people cope with the financial impact of the Coronavirus. This comes a week after the financial assistance package for employed workers was announced, but clearly any scheme to help the self-employed was bound to be more complicated due to the variations in business profits from year to year.

### **Are you eligible ?**

The scheme the Chancellor has announced is expected to cover about 95% of current self-employed business people, but there are a number of self-employed who will not be covered. These are:-

- Directors or owners of Limited companies. This scheme is only for sole traders, partnerships and LLPs
- Those who are newly self-employed and haven't yet submitted a Tax Return \*(1)
- Those who have not yet submitted their 2018/19 Tax Returns (but there is still time to do this within the next 30 days and this will give eligibility to the scheme – by 23 April 2020.)
- Those with a taxable trading profit of over £50,000 in 2018/19, or more than £50,000 on average for the past three years \*(2)
- Those whose self-employment income forms less than 50% of their overall income

\*(1) HMRC clarify this position and suggest if you are self employed or a member of a partnership you can apply if:

- have traded in the tax year 2019/20,
- are trading when you apply, or would expect to be be if not for Coronavirus,
- intend to continue to trade in the tax year 2020/21,
- have lost trading profits due to Coronavirus.

\*(2) Illustration. Bill is a self employed domestic plumber who has been trading for over 10 years. Bill has self employment income and his trading profits over the last three years have been as follows; £30,000 in 2016/17, £51,000 in 2017/18 and £42,000 in 2018/19. His average trading profits for the three years are £41,000. Bill has a small amount of interest and some dividend income of £100 and therefore as his income is more than 50% of his average taxable income.

### **What you will receive?**

For those that are eligible, the Government will pay a grant, in June but back-dated to March, of 80% of their average monthly profits for the past three years, or their profits in 2018/19. There will be a cap of £2,500 per month.

\*(2) Illustration. Bill has average trading profits of £41,000 which is a monthly average of £3,416. He is eligible for a grant equal to the lower of £2,500 or 80% x £3,416. In this case £2,500 the cap is lower than £2,733 (80% x £3,416).

For Partners the income test will be based on their share of the Partnership profits.

This income will be taxable and therefore will need to be shown on individuals 5 April 2021 income tax returns. It will also form part of your income for tax credit purposes.

The scheme will be open for an initial three months and will then be reviewed.

### **When will you receive the money?**

The government have suggested that the system will be open in June 2020 and then payments will be made in a single lump sum payment. There is no indication how long the payment will take to process.

## How to apply

No doubt if you fall into the eligible category, you will want to know how to make a claim under this scheme, formally known as the Coronavirus Self-Employment Support Scheme. HMRC will invite applications using information they already hold on the Tax Return system to identify those eligible. Therefore, if you are eligible, you do not need to contact HMRC, as they will be in touch with you. Once the application has been made, HMRC will pay the due amount into your bank account; you will need to give HMRC your bank details when you complete the application form.

HMRC point out that you will access the scheme through the .GOV website and that people should avoid calls, texts, emails as scams.

For all our clients, we will have all your Tax Return data on our files, so if you are anxious to know if you would be eligible for a payment through this scheme, we can calculate the relevant income figures for you – please get in touch by calling your normal contact point at our firm.

If you are not eligible for a payment under this scheme, then you will need to consider the other “safety-nets” in place such as Universal Credit, interest-free bank loans, payment holidays etc and if you are a Director of a company taking income as a mix of dividends and salary you may need to consider the Coronavirus Job Retention Scheme for your PAYE amount, but more guidance is expected soon about whether a Director can be furloughed.

## COMMERCIAL RENT DEFERRALS

To support UK businesses, the Government has confirmed that commercial tenants who are unable to pay their rent due to disruption caused by the Coronavirus pandemic will not face eviction.

The Government had already banned evictions on private residential tenants but has now confirmed that the three-month moratorium on evictions and debt enforcement will be extended to cover commercial leases as well.

Although many commercial landlords and tenants are already coming to voluntary arrangements about rental payments, the Government is taking steps to support businesses struggling with their cash flow due to Coronavirus who are concerned about the prospect of debts and possible eviction.

The new measures confirmed in the emergency Coronavirus Bill ensures that no business will be forced out of their premises if they miss a payment in the next three months.

However, tenants will still be liable for the rent due in arrears after this period and the Government has said it is actively monitoring the impact on commercial landlords' cash flow to ensure their operations are not put at risk.

It is not yet clear how tenants will be expected to repay deferred rent payments, and this might differ from one lease to another, but a variety of options may be available, including:

- Extending the length of the lease to cover the time lost
- Distributing the lost rental income across the entirety of the remaining lease period
- Increasing rents in future to make up for any loss.
- Tenants and landlords must discuss these options and agree on the future arrangements of the lease.
- If you are affected by this change then you should seek advice at the earliest opportunity

## UPDATE CORONAVIRUS JOB RETENTION SCHEME

Following a meeting with HM Revenue & Customs (HMRC) the Institute of Chartered Accountants in England and Wales (ICAEW) have issued some notes on how they believe the Coronavirus Job Retention Scheme will work.

The notes below provide an update to our original piece published earlier in the week which is copied below for reference.

### Updates

- HMRC will be the body that administers the grant scheme.
- Now confirmed that Charitable and not for profit organisations will be eligible.
- Whilst the scheme is backdated to the 1 March grants will only be available when employers have agreed furlough terms with their employees and they have stopped work, subject to employment law in the usual way.
- Available to all employees on the payroll at 29 February.
- The employer will pay the employee through payroll and as such RTI submissions will still be maintained. This actually makes a lot of sense as it is a system that already works well.
- Relevant employees must be designated as furloughed employees.
- The scheme will not cover dividends where directors/ shareholders of owner managed companies pay small salaries and the balance as dividends.
- The grant will cover all employment costs including; salary, employer pension contributions and employer NIC.

### Illustration

Illustration (taken from the [ICAEW article](#)) shows how the grant would be calculated. Note assumes no pension payments. If a pension was paid (i.e. Mr A was opted in) the grant would cover this too being 80% x (£2,000 + £174 + Ers Pension) subject to the £2,500 cap.

X Ltd employs Mr A at an annual salary of £24,000, so £2,000 per month. Mr A has opted out of auto enrolment.

Each month, Mr A currently receives net pay of £1,655 which is after deducting PAYE of £154 and employees NIC of £154. On this salary, the employer pays employers' NIC of £177.

The available grant for the employer is the lower of

(a) 80% of £2,000, and

(b) £2,500

Plus employers' NIC on this amount

So X Ltd claims a grant of £1,600 plus £177 = £1,777.

[The original ICAEW article can be found here : link https://www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/coronavirus-job-retention-scheme-furlough-guidance](https://www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/coronavirus-job-retention-scheme-furlough-guidance)

## **Funding problems**

One of the problems with the scheme is the delay in being able to make claims and receive funds. If an employee was furloughed on 20 March there could be 11 days available for the March claim.

The employer would need to pay the employees net pay on 31 March and 30 April well before potentially being able to make a claim in early May for receipt sometime in mid to late May.

Whilst we can't be sure this will apply for all businesses, Banks may be willing to extend or arrange overdrafts for a limited time for the amounts expected to be claimed.

## **TIME TO TALK ABOUT LOANS – CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME**

When Rishi Sunak stood up and announced the new Coronavirus Business Interruption Loan Scheme (CBILS) and the £330 billion he was putting behind initiatives it sounded as though this was going to be the magic bullet that businesses needed to be confident there was a longer term solution to help them through the economic crisis caused by the Coronavirus.

### **Not the magic bullet we expected**

It was very clear that banks were not prepared for this and have been working extremely hard behind the scenes to catch up. This week we have started to hear more from the clearing banks about their policies and our firm has spent time talking to our banking contacts to understand local policies.

The CFN, of which we are a member firm, has assisted to lobby banks to remove the requirement for a Personal Guarantee for loans under £250k and this was confirmed by the main lenders on 26<sup>th</sup> March. However, for loans higher than this, PGs from any director owning more than 10% of the business, and a debenture from the Company, will be required in most cases. We have also been informed that CBILS is now open to sole traders and partnerships, not just limited companies.

We have always worried that the scheme will not be suitable for all SME's and when it is will take a long time to access. Notwithstanding the pressure local Relationship Managers are under it's unlikely that valuers are going to visit sites during lockdown and the number of applications will undoubtedly be overwhelming.

Add to this that it is likely that the mainstream banks will only welcome applications from existing customers and the fact that many of the other funders in the list of 40 lenders are not close to having products ready we are encouraging clients to focus on other funding and measures first.

### **Things to consider**

There will come a time when thinking about a bank loan application is right and we thought we'd share a few tips on what to consider before talking to your bank about funding.

#### Don't lose focus

In our cash flow post we outlined other practical steps that you could take aimed at helping you manage cash. This should be a priority as self-help will have immediate results.

1. Agree rent free periods with your landlords. The Government has included a three month commercial rent moratorium in their measures, which prevents eviction.
2. Agreeing payment holidays on business loans and other credit payments, such as hire purchase and asset finance.

3. Explore whether “spot invoice” financing could help top up cash whilst debtors are being a little slower at paying.
4. Looking at assets that the bank won't be too interested in losing from their debenture and see if you could raise finance on them, for example stock.

### Be prepared

It might be obvious, but we think that well thought through and structured applications will be seen in a more positive light by the bank than general conversations around support.

Banks will assess applications in the same way they always have (because they will use the same process, systems and people) and therefore management accounts, a business plan and forecasts will be essential parts of the application. You might also keep an analysis of creditors, debtors and time to pay arrangements with HM Revenue & Customs (HMRC).

### Structure your argument

In your business plan, you should focus on the strength of the business before the crisis, its trading performance and ability to generate cash.

You should also outline the path back to this position making clear the steps you are taking and the time frames you are working to.

In their appraisal of the business plan, banks will want to understand management capability and whether there are any long-term implications of the economic fallout on the business or industry it operates in.

### Look towards other funders

There is no doubt that other funders, alternative and second tier, will be looking to fill the gaps left by the banks. We understand that peer-to-peer lenders are trying to be included in the plans announced by the government. Alternative lenders may offer to fund but their fees, terms and interest rates need to be checked carefully.

### **And finally**

Don't be afraid to ask for advice and support. There is a lot of information out there, some of it confusing and some contradictory, so if you are unsure about anything or just want to sense check your plans **please don't hesitate to call us on 01904 655202.**

### **CORONAVIRUS JOB RETENTION SCHEME**

The Government has announced a new scheme to protect people's jobs during the crisis. The scheme is open to all UK businesses and will see the Government pay part of the wages of employees that would otherwise have been laid off. The scheme will be open for an initial three months from 1 March however Rishi Sunak said "... and I will extend the scheme for longer if necessary".

This is a grant from the Government, not a loan, so it will not need to be repaid.

To access the scheme employees, or certain employees, need to be designated as “furloughed workers”. You will need to notify these workers of the change, in writing (email will be fine) making sure you follow a fair selection process. It's worth noting that the Government is not changing employment law to allow this to change in status. Therefore, making this change to an employees' status remains subject to employment law.

You have the option of topping up the remaining 20%, but it is not mandatory.

You must not make the employees redundant and guidance will most likely be issued, in due course, about the time frame the Government expects you to keep them employed after society and business can return to normal. If you have already laid staff off, you can reverse this decision if you wish, as this scheme is backdated to 1st March.

HMRC are developing a system that will allow employers to provide this information through an online portal and once processed they will issue reimbursement. At the time of writing this (21 March 2020) there was no method of reimbursing these costs and the system isn't expected to be available until April. Therefore, managing cash during this intervening period is still crucial (see our advice about cashflows later in this guide).

There is a cap on the reimbursement of £2,500 of the employee's wage costs per month, based on their regular salary. It should also be noted that the employee should be shown on the February pay run and that a claim will be possible for periods from 1 March 2020. It is not clear yet how much those on zero hours' contracts or fluctuating wages will be treated, but it is expected that it will be either the amount which was paid through last month's payroll or an average of the past few months.

Careful planning and consideration of employee's contracts of employment is required when considering this scheme but it is certainly a significant boost to companies in what are unprecedented times.

## **HELP FOR DIRECTORS OF LIMITED COMPANIES**

On 26 March the Chancellor announced details of a new package of support for the Self Employed. Please see elsewhere in this Guide.

However, this does not include owner/directors of Limited Companies who may receive their income as a mixture of dividends and salary.

We are awaiting further guidance from HMRC about whether directors of companies, where the employees are already furloughed, and the business has effectively paused trading, can apply for assistance under the Job Retention Scheme, as Companies Act does not strictly class all directors as employees. However, even if this is approved, then the element owner/directors could claim would be limited to 80% of their salary element, not their dividends, and still be subject to the maximum of £2,500.

There is still also the support offered through the benefits system.

Both Universal Credit standard allowance and Working Tax Credit basic elements will be increased by £1,000 a year for the next 12 months. To ensure that the Self Employed benefit the minimum income floor (MIF) has also been removed. The MIF is a measure that assumes that Self Employed workers earn a certain level of income. By eliminating this, it opens more benefits to people who are Self Employed "at a rate equivalent to Statutory Sick Pay for employees" according to the Chancellor.

There has also been an increase in support for renters with an increase in Local Housing Allowance that will cover at least 30% of market rents and also the previously announced three-month mortgage holiday.

In summary it still feels like Company Directors are not been supported as well as others in the economy, but as we have seen this week, all that could change and we expect to see further announcements early next week.

## **HELP FOR SELF EMPLOYED**

The government has been criticised for not helping the many Self Employed workers that don't trade from a property and therefore don't qualify for the £10,000 cash grant or Business Rates discount.

The news that income tax payments due on 31 July 2020 and VAT payments due in the period between 20 March 2020 and 30 June 2020 can be deferred until later in this tax year may help some start to

balance the books. And “Time to Pay” arrangements will still be possible for those who need a slightly longer period to catch up.

Maybe Rishi Sunak understands that for many of the millions of Self Employed people out there, their families’ financial future is linked to the business and maybe that’s why he’s directed support through the benefits system.

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## **CASH FLOW**

We understand that cashflow will inevitably be an issue for businesses in the coming weeks. The impact of less cash coming in from customers mixed with payments that need to be made and commitments to employees will more than likely lead to a quick deterioration in cash balances.

One of the first steps that we would recommend is forecasting cashflows for the next four or five months. This doesn’t need to be done with expensive software or apps but can be plotted on a piece of paper or in excel, but it does need to carefully identify on a monthly basis the cash you expect to receive and pay out. This cash flow forecast should also include estimates for various tax payments, Corporation Tax, VAT and PAYE. These can be based on your last payments as a guide.

We are often asked how to forecast cash receipts. As you want a guide to the receipts you might get, look back through bank statements or your bookkeeping records to see what daily, weekly or monthly averages you have been achieving and use these.

Once you have established the baseline cash position you should then look at flexing the cash receipts to allow for a slow down in money coming into the business. This will hopefully then give you an idea of where your cash position will be if things deteriorate and people stop paying their bills.

Armed with this information you will then be able to make some decisions about what mitigating actions you might be able to take. Some of the other articles in this guide provide information about some grants and sources of funding that might be available to you.

It is important that you plan your cashflow carefully and where shortfalls are predicted plan to fill the gaps with mitigating actions you can take and also using the support schemes that are available.

## **WORKING CAPITAL**

In these difficult times, the following points are intended to help maintain a fluid movement of cash into your business:

### **1. Invoicing**

- Issue invoices more regularly and consider invoicing upfront or sending interim bills.
- Look at offering discounts, for example 5% if payment is made within 7 days to bring forward receipt of the money.
- If taking on any new customers ensure you use a credit check report for example, Experian.

## 2. Debt Collection

- If you use a cloud-based accounting package, look at the possibility of automating your debt collection system, for example Chaser.
- If you have debts beyond your payment terms look at placing the invoice with a debt collection company.
- Look at financing your debtors using invoice discounting.
- If you have individual large sum invoices look at single invoice finance.
- If customers are struggling to pay be flexible and allow a payment plan by way of monthly direct debit.

## 3. Stock

- Look at your various stock lines and operate a just in/just out system.

## 4. Payment to Creditors

- Contact your suppliers to discuss extending terms or agreeing a payment plan.
- If offered an early payment discount by individual suppliers, look at settling their invoices first.

## 5. Capital Expenditure

- If considering purchasing capital equipment, investigate leasing the equipment rather than purchasing.
- Purchase any new equipment via a hire purchase agreement.
- Extend the term of the hire purchase agreement to reduce the monthly payments.

## 6. Cash

- Transfer any excess cash into a deposit account.
- Look at other investment opportunities whereby you still have quick access to the funds if required.

## TIME TO PAY (TTP) ARRANGEMENTS

'All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.

A TTP is an arrangement to allow a business suffering temporary financial difficulties, to pay its tax liabilities over an extended period of time rather than on the day they fall due. VAT, PAYE and Corporation Tax can all be subject to TTP arrangements.

Following announcements on the 20 March 2020 TTP arrangements will only be needed for PAYE and Corporation Tax deferral whilst the VAT and Income Tax deferral schemes are in place. Once those schemes come to an end, TTP options will be open again. This will remove some of the strain on HMRC contact centres in the short-term.

TTP is appropriate where the business is suffering temporary financial difficulties rather than fundamental ongoing financial difficulties. In this regard, the government has already recognised that TTP is a valid route for businesses suffering as a result of the current ongoing Covid-19 pandemic.

The government has set up a dedicated HMRC Coronavirus Helpline - **0800 024 1222**. This helpline is currently open Monday to Friday 8am to 8pm and Saturday between 8am and 4pm.

HMRC has stated that this helpline can be used to:

- Agree instalment arrangements
- Suspend debt collection proceedings
- Cancelling penalties and interest where you have administrative difficulties contacting or paying HMRC immediately

We can help you with this process or you can call the helpline yourself. HMRC prefer that they are approached before the liability falls due though historically, they have still considered matters if they were contacted after the due date.

In normal circumstances during the call you would need to explain what has caused the problems and have a clear idea of how much you could afford to pay (ideally supported by cashflow projections).

Typically, HMRC have tried to keep the length of TTP arrangements to 6 months or less though longer arrangements have been achieved in the past. Things might be slightly different in the current climate; we have seen instances of HMRC simply 'parking' payments for 2 months to allow some time for conditions to improve. It seems that HMRC are being helpful, but we anticipate that they will be receiving a very large number of calls.

If you or your accountant is unable to speak to HMRC in the days approaching your due date for payment, as an additional option, you may wish to write to HMRC, setting out the reasons for your late payment and that you would wish to agree a TTP arrangement, but haven't been able to make contact with HMRC. Post it so that it is recorded as being delivered. We expect that this would avoid any eventual penalties when HMRC are able to revert to a normal level of activity. As stated above, you do not need to make contact with HMRC at all if you are deferring your next quarter's VAT, unless you are already under a TTP arrangement which you cannot meet.

## **MORE ON "TIME TO PAY PLUS" ADDITIONAL MEASURES ALLOWING THE DEFERAL OF VAT AND INCOME TAX ANNOUNCED**

In a measure to probably take the pressure off HMRC's TTP teams, a new VAT and Income Tax deferral scheme was announced by Rishi Sunak. We understood that HMRC were agreeing nearly all Time To Pay requests so this announcement really just formalises the situation and with some clients reporting waiting times on the phone of around two hours it's clear that the system was nearly breaking point.

### **VAT**

The scheme, open to all UK businesses and automatic so no application required, will allow the deferral of VAT payments from 20 March until 30 June 2020. This effectively covers a whole quarter of payments. VAT due on any periods ending on 29 February 2020 would have been due by 7 April which is within the deferral period. The key to watch for here is that for February stagger periods the May VAT liability will still be due on 7 July 2020.

Businesses have until the end of the 2020-2021 tax year so in theory 5 April 2021 to settle the deferred amounts accrued during this period.

If there is a downturn in trade, this would affect the next quarter's VAT due anyway, and any repayments are being processed as normal.

Businesses should still file their VAT return by the due date, but make no payment. If you have an automatic direct debit with HMRC for VAT payments, you should cancel that.

### **Income Tax**

The next announcement should really help the self-employed. Second Payments On Account (POA's) were due on 31 July 2020. These are now also deferred until 31 January 2021 where the balancing payment for the tax year 5 April 2020 and first POA for the following year are due.

Again, this is an automatic scheme open to all tax payers in Self-Assessment (SA). It will be important to get 5 April 2020 tax returns done quickly to establish the true liability so that cash flow planning can be done ahead of January 2021.

The .gov website says that no penalties or interest will be charged in the deferral period.

## **BUSINESS RATES RELIEF FOR CERTAIN RETAIL, HOSPITALITY AND LEISURE BUSINESSES**

The Chancellor announced that all retail, hospitality and leisure businesses will not have to pay business rates for the tax year 2020/21.

Shops, pubs, clubs, theatres, cinemas, music venues, restaurants and any other businesses in the hospitality, leisure and retail sectors with a rateable value of less than £51,000 will also receive a cash grant of up to £25,000 per business to help bridge through this period.

For businesses which do have a policy that covers pandemics, the government's action is sufficient and will allow businesses to make an insurance claim against their policy.

All enquiries on the eligibility for, or provision of, the reliefs should be directed to the relevant local authority. Please note reliefs are not currently the same for businesses in Scotland.

Guidance on the scheme is due to be published by 20 March and was not available as we went to press with this alert.

## **GRANT SCHEME FOR SMALL BUSINESSES**

The government is providing funding for local authorities by making cash grants of £10,000 available to very small businesses with rateable values below £15,000. Already part of the Small Business Rate Relief (SBBR) or Rural Rate Relief, the one-off grant of £10,000 will aim to help businesses meet their ongoing costs. This was previously announced in the Budget on 10 March 2020 to be a grant of £3,000.

If your business is eligible for SBRR or Rural Business Rate Relief, you will be contacted by your local authority – you do not need to apply. Funding for the scheme will be provided to local authorities by government in early April.

## **BUSINESS INTERRUPTION LOAN SCHEME**

The Coronavirus Business Interruption Loan Scheme (CBILS) was announced by the Chancellor in his Spring Budget 2020. It is temporarily replacing the Enterprise Finance Guarantee (EFG), with the British Business Bank offering a higher percentage guarantee over business loans to give lenders greater confidence in providing finance to SMEs.

The scheme supports funding for SMEs who don't have appropriate assets to offer as security. Personal guarantees will not be required for loans under £250k and the scheme will not allow any lender to take a charge over a business owner's personal private residence. But Personal Guarantees and charges over other assets, personal and corporate, will be expected for loans over £250k. It is therefore not always relevant to companies which are asset heavy.

The British Business Bank initially offered to guarantee up to 80% of a funding line, subject to a maximum of £1.2 million however this was increased to £5.0 million on 17 March 2020. In new announcements made on 20 March 2020 this scheme will now be interest free for 12 months.

**Security:** At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using CBILS. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

To be eligible to apply for CBILS, you must meet the following criteria:

- Be UK based with turnover no more than £45 million per annum
- Operate within an eligible sector

- Have a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty
- Not have received de minimis state aid beyond €200,000 in the current or previous two fiscal years

Lenders are managing these applications largely through their Relationship Manager networks, or call centres. The specific details of who would meet the criteria, and the likely interest rates for this funding haven't yet found their way to the frontline staff; affordability assessments still apply, and funding applications still require credit committee approval. At present it is estimated that this scheme will take 4-12 weeks to access.

A drawback is that only 40 financial institutions can provide finance through the through the CBILS, but only 9 or 10 are ready as at 26<sup>th</sup> March 2020. There is a move to approve more accredited lenders, for example the peer to peer lenders, so it is hoped that access to this funding will be increased soon. At present, high street banks are only accepting applications from their existing customers.

We are in regular contact with funders to get the latest on this policy in practice and will post updates here as we receive them. The British Business Bank is still updating its website but current information can be found at <https://www.british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/#eligibility-restrictions>.

If there is a need for immediate funding you should explore your options as soon as possible.

## **HOW TO APPROACH BANKS**

Most banks are maintaining that it is business as usual, as far as possible, and that they are here to support their customers throughout these unprecedented times. Several of the major British banks have set-up dedicated Covid-19 helplines for their customers to call for guidance and information. Business owners should look to take advantage of all the support available to them and take the opportunity to speak to their lenders about concerns they have.

Proactive, regular communication with lenders is recommended. If you are predicting a down-turn in trade or your cash-flow projections reveal a potential liquidity issue in the next couple of months, it is best to speak to your bank as soon as possible to discuss the potential impact on your business. The quicker you raise any concerns, the better chance you might have to get the flexibility that your business might need over the coming months. It may also afford you more time to discuss a range of options and solutions. Banks and mortgage lenders have also voluntarily agreed to offer customers three month-payment holidays. Businesses should look to take advantage of this where it is felt their business will benefit, therefore discuss this with your bank at the earliest opportunity.

Keep in touch with your bank as much as possible over the next few months and talk to us if you need a sounding board to discuss your lending and cash-flow needs, or to assist with producing any information requested from your bank. The banks, together with the Government and your advisers are here to help whilst we're all in this together.

## **CAPITAL EXPENDITURE DEFERRAL**

In a time of uncertainty any capital expenditure needs to be assessed to determine if it is either essential for the continued running of the business or will generate significant new cash inflows.

It isn't advisable for a business to use available cash or overdraft to fund capital expenditure as this will deplete the working capital and potentially make it less resilient.

There are many sources of finance for capital expenditure such as hire purchase and leasing which can match the expenditure more in line with the useful life of the particular asset, resulting in less pressure on cashflow and working capital.

Capital expenditure relating to your computer system is potentially one area where expenditure cannot easily be deferred, if for example staff are now working from home the robustness of your system could be even more critical.

Replacing in-house servers with a cloud-based subscription alternative might now be a more cost-effective alternative to consider. Another way of deferring expenditure in replacing computer servers at the end of their lives is to explore whether extended warranties can be purchased, and servers instead replaced on a one by one basis.

## **LOAN HOLIDAYS/ DEFERRING LEASE PAYMENTS**

In recognition of the fact that the challenges faced by businesses as a result of Covid-19 are likely to quite quickly trickle down to staff and the general public, the government has announced that mortgage lenders will support individuals that are experiencing financial difficulties as a result of Covid-19 by providing mortgage payment holidays of up to three months. For individuals needing this support, the mortgage provider should be the first point of contact.

Whilst the mortgage holiday support is aimed at homeowners, such support is not currently extended to include buy to let mortgages so landlords should carefully check what protection, if any, is in place to protect rental income. It is expected that more support for landlords will be announced shortly.

Recognising the fact that many individuals occupy their homes on a rental basis, it is expected that the government will bring in measures to support tenants experiencing financial difficulties as a result of Covid-19, although further details are not currently available.

In addition to the government led loan repayment holiday initiative, it is encouraging to see that a number of lenders are also starting to offer loan interest repayment holidays of up to six months, as well as offering emergency loans for businesses struggling as a result of Covid-19. This initiative is expected to be extended by the lenders, especially for personal loans.

## **APPROACHING LANDLORDS FOR DEFERRED PAYMENTS**

We recommend that you ensure that you know the key dates and terms of your property leases. If you are approaching a break clause you are likely to be in a stronger position when negotiating with the landlord about rental payments. Some leases contain complex and onerous dilapidation provisions, as well as very specific requirements in order to make a notice under the break clause effective, so professional property advice is recommended.

Identify any surplus property you occupy on short term arrangements so that you can consider vacating them saving unnecessary costs. For example, are you storing obsolete stock or old paperwork in off-site warehouses? Do you really need to, or could you relocate these to your main premises (even in temporary containers in your carpark) or decide to destroy?

If your staff are now working from home to some extent, then some initial thought could be given to your requirements for space in the future. If working from home is successful and becomes the expected norm for many staff how much space will you need in the future?

Once the above points have been considered it is advisable to approach your landlords at the earliest opportunity in order to negotiate deferred payments. Banks have pledged to support landlords with mortgage and loan payment holidays so the sooner you approach your landlords the more likely it is that they can make suitable arrangements with their bank and therefore be more agreeable to deferred rent payments.

## **MISSING COMPANY DEADLINES**

Concerned about missing company accounts filing deadlines?

Companies House has released new guidance on what to do should you feel that you might not be able to file your company's accounts on time. Whilst their line is very much that accounts and other documents such as the annually filed Confirmation Statement must still be filed they do advise that if immediately before the filing deadline it becomes apparent that accounts will not be filed on time they will accept an application to extend the period allowed for filing.

The key message is to act now and not leave it until the filing deadline has passed. Make an application early as they are likely to be inundated with extension requests and their team is likely to be disrupted too.

### **STATUTORY SICK PAY (SSP)**

The government announced on 4 March 2020 that emergency legislation would be introduced for the payment of statutory sick pay (SSP) to employees with the coronavirus. They will be entitled to receive SSP from day one, not day four, of their illness.

From 13 March 2020, all those who are advised to self-isolate due to the coronavirus outbreak are entitled to be paid SSP, provided they meet the other qualifications. Currently, this is expected to last for a period of eight months.

### **Paying staff during the coronavirus epidemic**

Businesses with fewer than 250 employees (employed as of 28 February 2020) can reclaim the cost of providing Statutory Sick Pay (SSP) to employees off work due to the coronavirus. The government will work with employers over the coming months to set up the repayment mechanism but says that the eligibility criteria will be as follows:

- This refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of COVID-19
- Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note
- Eligible period for the scheme will commence the day after the regulations on the extension of SSP to those staying at home comes into force.

ACAS has issued helpful advice on certain scenarios and how businesses should approach them.

### **USING HOLIDAY AND FLEXIBLE WORKING**

As a result of the coronavirus outbreak, organisations may see an increasing number of staff wanting to cancel pre-booked periods of annual leave. Whilst it is up to the employer whether they choose to approve or deny such requests, they should consider whether permitting this may be a key method of maintaining staff morale.

If a business has to go into a temporary closure, or an employee is asked to self-isolate but feels well enough to work, permitting a period of annual leave could be an alternative to laying-off staff, or a solution if an employee cannot work from home. However, it should be remembered that organisations must provide at least twice the amount of time of the leave they want staff to take if they wish to enforce it. In this situation, they should instead seek to negotiate a period of leave.

### **TAKING TIME OFF TO CARE FOR SOMEBODY**

Employees are entitled to take a reasonable amount of unpaid time off to take action in relation to unforeseen events involving a dependant, defined as follows:

- spouse/civil partner
- child
- parent

- person who lives in the same household but is not a tenant, lodger, boarder or employee
- those who reasonably rely on you for the provision of care or for assistance if they fall ill. This could be, for example, an elderly neighbour.

It is not possible to define what a reasonable amount of time is because this will depend on the specific circumstances in question. The same event may require varying amounts of time off for different people, or even the same person if it happens more than once on different occasions.

## **MARKETING – THE OUTSIDE WORLD**

Your customers will want to know that there is someone there who cares about their business, they will also want to know whether you are still ‘open for business’. However, email traffic is currently full of companies communicating their COVID-19 policies, this will soon lose impact and will be ignored/deleted.

Over the next few days, ensure you have emailed or spoken to all of your customers, if this is not possible – contact your key customers first and gradually work through the list. Where possible, provide reassurances about your resilience and ways in which you can help them or avenues in which you can collaborate to overcome economic difficulties.

Most importantly, do not use this as an opportunity to sell. If you can, send the emails yourself (bearing in mind GDPR regulations) and do not use generic marketing or ‘contact us’ emails if you are asking your marketing team/others to help with this.

## **INTERNAL COMMUNICATION**

It is vital to know the facts and communicate proactively with all employees-using clear, compassionate, and understandable messages. This not only demonstrates leadership, but also provides reassurance and instils a sense of trust among employees.

An internal communication plan should be established (if you haven’t one in place already), or updated, as a means of reaching employees through combinations of emails, intranet postings, flyers/ posters, manager talking points, FAQs or a website hub. The plan should identify simple, key messages, along with a reliable process for providing continual updates and collecting feedback from employees.

State the facts: Connect employees to timely, accurate information from the Government. Provide clear instructions about what to do if employees suspect they have been exposed to Coronavirus (COVID-19).

Demystify the fear and outline the steps you are taking on behalf of employees: Communicate the facts from authoritative resources on how Coronavirus is spread and how to avoid infection. Clearly articulate and communicate preventive actions you are taking to avert or contain transmission of Coronavirus at work (focus on technology and techniques for employee safety, hygiene, disposal).

Promote safety steps that employees can take at work: Use posters, memos, emails, intranet postings, manager talking points, FAQs, etc. to promote preventative actions employees can take (hygiene and avoidance) – see Government recommendations. (Describe the impact this would have to the business, the potential impact of an outbreak on your operations, services, travel, supply chain, business, revenues, etc., so employees can plan accordingly).

Summarise company policies/procedures: Attendance, paid time off, payroll, travel, and group meetings, work-from-home policies where possible (to potentially limit any spread of the virus among employees/ reduce human-to-human contact).

Promote safe travel policies: Consider your stance on employee travel and restrictions. Promote alternatives to travel, such as web conferencing and phone meetings. If employees must travel, offer clear guidance on safety protocols, referring to guidance from the Government.

The frequency of the communications will depend on the business need, but in general the information should be cascaded whenever there is a change of direction or policy that impacts the business and employees. In addition, if there has been no material change to the situation for several days, it is good practice to send communications that reiterate the current situation within the business.

**And finally...**

**The government's latest advice for business can be found at:**

**<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>.**

**All businesses will be trying to deliver as normal as possible service despite these unprecedented circumstances.**

**The advice contained in this alert is relevant and correct up to 27 March 2020.**



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