

CASH FLOW MANAGEMENT:

Initial steps to assist in navigating your business through this crisis

The COVID 19 crisis is presenting immediate and severe financial challenges for businesses. Here are some practical steps you can take now to help your business through the uncertainty that lies ahead:

1. *Contact your bank*

The sentiment in the banking market appears to be that banks will look to be as flexible as possible with existing business and personal accounts in these uncertain times, while offering further financing to businesses which are disrupted by the ongoing COVID-19 situation. It is envisaged that assistance may be offered in the form of deferred or reduced loan repayments or emergency working capital facilities (new or extended overdraft facilities). These measures will be assessed on a case-by-case basis.

We encourage all businesses to make contact with your bank to discuss how you can work together to get your business through the uncertainty of the next few months.

2. *Avail of Financial Support from Government*

Use available grants and support available from local government.

Northern Ireland

The NI Executive announced measures to help businesses:

- ◆ A small business grant scheme including an immediate grant of £10,000 for small businesses eligible for the small business rate relief scheme with a net asset value of up to £15,000.
This is expected to cost the NI Executive £267m and will assist 27,000 businesses; and
- ◆ An immediate grant of £25,000 for companies in the retail, tourism and hospitality sectors, with a rateable value of between £15,000 and £51,000.
This will cost about £100m and assist some 4,000 businesses.

Within Northern Ireland, the above grants will be administered by the Department for the Economy, Invest NI, all of which are working with the Department of Finance and the Land and Property Services

Similar grants are available throughout the UK.

3. *Avail of Other Financial Support*

You may require extended / new facilities for working capital.

United Kingdom

- ◆ **British Business Bank Coronavirus Business Interruption Loan Scheme ("CBILS")** – a new loan scheme will launch shortly to support businesses to access bank lending and overdrafts. The government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs.

CBILS will support a wide range of business finance products including overdrafts, Invoice finance facilities, asset finance facilities and term loans.

To be eligible for support via CBILS, the small business must:

- be UK based, with turnover of no more than £41 million per annum;
- operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support);
- have a sound borrowing proposal but have inadequate security to meet a lender's normal requirements; and
- be able to confirm that they have not received other public support of de-minimis state aid beyond €200,000 equivalent over the previous three years.

CBILS guarantee facilities to fund the future growth or expansion of a business, from £1,000 to £5 million. Finance terms are from three months up to 10 years for term loans and asset finance and up to three years for revolving facilities and invoice finance.

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See: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>

- ◆ **Private Lenders** - a number of private lenders are also making funds available to small businesses impacted by COVID-19, including:
 - **NatWest** – has committed £5bn to support SME's with working capital finance, loan repayment holidays for borrowers with cash flow issues caused by the outbreak and temporary, fee-free emergency loans.
 - **Lloyds Banking Group** - has set aside £2bn which it will use to provide arrangement fee free finance to small businesses with up to £25m turnover. The purpose of such loans would be to support businesses with cashflow issues, caused by interruptions to supply chains or due to high staff absences.

Republic of Ireland

- ◆ **Credit Guarantee Scheme** – provides loans up to €1 million for periods of up to 7 years. Applications can be made to AIB, Bank of Ireland and Ulster Bank. Eligibility criteria apply.

See: <https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/Access-to-Finance/SME-Credit-Guarantee-Scheme/>

- ◆ **MicroFinance Ireland** - microenterprises can access COVID-19 loans of up to €50,000 from MicroFinance Ireland. Loans are available at an interest rate of between 6.8% and 7.8%. Businesses can apply through their Local Enterprise Office or directly at MicroFinance Ireland. Eligibility criteria apply.

See: microfinanceireland.ie

- ◆ **Strategic Banking Corporation of Ireland (SBCI)** - the €200m SBCI Covid-19 Working Capital Scheme for eligible businesses will be available within the next week. Maximum loan size will be €1.5 million (first €500,000 unsecured) and the maximum interest rate will be 4%. Applications can be made through the SBCI website. Eligibility criteria apply.

See: sbci.gov.ie.

- ◆ **Enterprise Ireland Business Response** - a €200m package for Enterprise Supports including a Rescue and Restructuring Scheme is available through Enterprise Ireland for vulnerable but viable firms that need to restructure or transform their business.

See: <https://www.enterprise-ireland.com/en/About-Us/Services/Covid-19/Supports/>

4. Insurance

Businesses should check with their insurance provider if they are covered for interruption to business, or a temporary business closure, caused by Covid-19.

Many businesses are unlikely to be covered as most business interruption insurance policies are dependent on damage to property, which will exclude pandemics. Some businesses may have purchased a specific add on relating to notifiable diseases, but some of these will still specify damage to the building. Some businesses may have purchased supply chain or denial of access cover which may meet their needs in this case.

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5. Consider Tax Liabilities

If you have concerns about your ability to pay your tax liabilities make **immediate** contact with HMRC or the Revenue Commissioners to discuss alternative arrangements. HMRC and the Revenue Commissioners have both released statements that they will engage with businesses surrounding the deferral of tax payments. However, we would encourage all businesses to continue to submit all of their returns to avoid penalties been applied.

UK

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.

If you are concerned about being able to pay your tax due to COVID-19, call HMRC's dedicated helpline on 0800 0159 559.

Republic of Ireland

The Revenue Commissioners in the Republic of Ireland have advised:

"On an on-going basis, Revenue engages with viable businesses experiencing temporary cash flow or trading difficulties that affect the timely payment of tax. Revenue works very successfully with businesses that engage early to resolve their tax payment difficulties. Revenue will engage with any viable business that experiences temporary cashflow difficulties, including difficulties arising from exceptional circumstances such as the COVID-19 (Coronavirus) outbreak."

See <https://www.revenue.ie/en/corporate/press-office/press-releases/2020/pr-130320-revenue-announce-measures-to-assist-smes-experiencing-cashflow-difficulties-arising-from-covid-19.aspx>

6. Review cashflow

Take immediate steps to manage your cashflows. Look for scope to:

- ◆ Lower variable costs;
- ◆ Delay discretionary spend;
- ◆ Engage with your creditors;
- ◆ Expedite your receivables; and
- ◆ Explore supply chain financing options.

As a result it may be best to revise cash flow, working capital management and inventory forecasts alongside supply and demand predictions.