

COVID-19 Funding Support Update

Confidence in times of Uncertainty - Building stronger balance sheets for small businesses

(From our friends at <https://capitalise.com/>)

Since the demand shock of the Coronavirus outbreak is working its way through the economy, we can expect small business revenues to fall. Since costs often can't be adjusted as quickly then the immediate impact is for profits to turn negative and cash supply to be used up.

This results in a potential cash crunch. What solutions are available to businesses to protect themselves?

We look at the wider landscape of setting up facilities to handle any cash need. Suitable products must be Fast, Flexible and Financially prudent.

Status of Lending in the UK

This is currently a demand side shock, impacting business cashflow rather than a capital market driven, credit supply shock as we saw in 2008.

Therefore, lenders are lending. Affordability and security will be key - there will be a higher level of scrutiny through the credit process. Sectors such as travel, retail and hospitality will face restrictions, but there are solutions if SMEs and their advisors are nimble.

LENDER	UPDATE	READ MORE
Lloyds Bank	£2bn SME lending arrangement fee free	Read More
NatWest Bank	£5bn facilities. Payment holidays and other support	Read More
MarketFinance & Fleximize	No longer lending to Travel / Tourism / Transport / Hospitality / Supply Chain / Aerospace	

Building resilience

Your need to preserve cash is likely to have risen significantly but this demand shock doesn't need to destroy the business value. From government support (ref gov.uk) to alternative lending and relying on your primary bank there are solutions out there in the market.



GOVERNMENT SUPPORT

The UK Government is offering considerable support to UK small businesses during this time of crisis.

1. Cash grants up to £25,000 for small businesses

A grant is funding which usually does not need to be repaid. As a result, this is first and foremost the cheapest money a small business can receive.

The grants purpose is to help with rent and premises costs via Small Business Rate Relief ("SBRR").

How do I access this?

Government guidance indicates that this will be available through the local authorities - we estimate this is most likely provided through Small Business Rates Relief as a refund or credit.

What can we do while we wait for this to become available?

The government announced this on 17th March 2020 and so details are yet to be confirmed. If a business requires this level of financing urgently it may be wise to look elsewhere for financing in case grant funds do not arrive in time. Ensuring exit fees are minimal could enable any debt finance to be paid off using this grant.

Benefits / negatives:

- Paid directly from your local authority to businesses with a rateable value of over £15k and less than £51k
- **To improve cash position today, businesses could cancel payments for business rates (as in the future the grant may be a credit)**
- Giving all retail, hospitality and leisure businesses in England a 100% business rates holiday for the next 12 months
- Increasing grants to small businesses eligible for Small Business Rate Relief from £3,000 to £10,000
- Providing further £25,000 grants to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value over £15,000 and below £51,000
- Grant funding so no repayment or interest is anticipated (TBC)
- Might be a delay however could be used to repay existing credit taken out earlier assuming no early repayment fees

Time to access:

Unknown

How to apply:

No information yet available however it is expected to be a refund or credit from local authority and business rates

QUICK FUNDING SOLUTIONS

Bring in additional cash into the business to strengthen from a loss of revenue shock.

1. Coronavirus Business Interruption Loan Scheme ("CBILS") from the British Business Bank

The [British Business Bank's](#) CBILS facilitates business finance to smaller businesses that are viable but unable to obtain finance due to having insufficient security to meet the lender's normal requirements. The borrower always remains 100% liable for the debt.

Are these cheaper than a non-CBILS loans?

The Government will cover the first 6 months of interest payments, so businesses will benefit from lower initial repayments and these may be attractive solutions for those businesses that are eligible. Given the product is subject to affordability, it is recommended to run any application for the CBILS in parallel to other alternatives to enable comparison as well as being mindful of potential timelines required to draw down on the facility.

How can I access this loan?

Details are due to be shared from the banks in w/c 23rd March 2020. Once this has been confirmed we will be able to update you on the process.

Benefits / negatives

- 40 financial institutions can provide finance through the EFG
- 80% of the loan is guaranteed by the government so this means lenders are more willing to lend.
- Loans available up to £5m (increased from £1.2m on 17th March) subject to affordability.
- The borrower is still responsible to repay the loan.

Time to access:

4 - 12 weeks

How to apply:

Speak to us or go via one of the [British Business Bank partners](#)

2. Extending Bank Overdrafts

Setting up a [Business Overdraft](#) with your bank or specialist alternative provider can be a quick process.

Benefits / negatives

- Usually available immediately from your bank.
- Banks will look to support by extending existing facilities such as overdrafts. NatWest have offered a £5billion fund, Lloyds a £2billion fund - which will be fee free.
- However, it can often be the first facility to be withdrawn by banks in the future.

Time to access:

Instant to a few weeks

3. Flexible facilities

Set-up a [short term facility](#) which works a bit like an overdraft but usually separate to your usual bank account so funds will need to be transferred between the accounts.

Benefits / negatives

- You pay only for what you use.
- These can be unsecured or secured and offer a true revolving facility. Rates from 4.9% APR (secured) & 1%/month (PG)
- However, you will be required to activate the account by drawing some funds, as the facility will expire if not initially utilised.

Time to Access:

Unsecured from hours, secured – weeks

4. Business Credit Cards

Credit cards are offered not just by banks and often with more flexible terms. A credit card can be an extremely quick solution (but not a medium or longer term one) to fixing a cash flow crisis.

Benefits / negatives

- Facility based on both personal and business credit, facility available to be used as required.
- Minimum limit £1k.

Time to access:

Credit decision in 24hrs.

5. Selective Invoice Finance

Like many of the products in this list, products here can be quick to access but potentially expensive in the medium term or take longer and be cheaper. Capitalise has over 30 [Invoice Finance providers](#) with a range of products suitable for short term cash or longer term facilities.

Benefits / negatives

- Many businesses have unencumbered debtor books for which the many invoice finance products can release cash-flow into the business.
- It will release more cash-flow than an overdraft.
- There are over 700,000 businesses that would be eligible for invoice finance in the UK, only 44,000 currently use it.

Time to access:

1 - 2 days for selective invoice finance. Whole book funding is usually closer to a week.

How to apply:

Run a funding search on [Capitalise.com](https://www.capitalise.com). Ask RL if you need help to do this.

6. Merchant Cash Advance

Particularly suitable in hospitality and leisure sectors where there is uncertainty about when their cash flow will resume to normal. [Merchant Cash Advance](#) allows merchants to take out a fixed amount to be repaid over variable amount of time depending on the volumes through the credit card terminal.

Benefits / negatives

- 80% Approval rate for the hardest sector to fund, retail, hospitality, leisure.
- 100-150% of monthly takings.

Time to approval:

1-2 days

Time to funds:

20-30 days subject to card acquirer split.

7. Alternative finance loans

Non-bank lending sprung up in the 2008 Financial Crisis and has provided to respond quickly to market needs. We expect it to do the same this time too.

Benefits / negatives

- Many products exist outside of banks and are therefore simpler and therefore faster to access
- Many products are seeking to be competitive with more flexible terms for entry and exit, making them good facilities for the short term.

Time to access:

1-2 days

How to Apply:

Run a funding search on [Capitalise.com](https://www.capitalise.com). Ask RL if you need help to do this

SMOOTH LIABILITIES

Another way to preserve cash is to smooth liabilities in legitimate ways.

1. Time to Pay from HMRC

[HMRC offer a Time to Pay](#) service which allows for payments to be spread out over a longer period.

Benefits / negatives

- HMRC are providing more resources to enable companies to establish a payment plan for HMRC for VAT and corporation tax.

How to apply:

Contact HMRC on **0800 0159 559**

2. Relief on Supplier Payments

Asking for longer payment terms from your suppliers may be an option for some businesses.

Benefits / negatives

- Free to use or sometimes supply chain finance is a possibility.

Time to implement:

1 - 2 weeks

How to apply:

Conversations with your suppliers to secure a longer time to pay.

3. Relief on Sick Pay Payments

As part of the measures, the government has provided a refund for employees up to 14 days per employee.

Additional advice is available from the [Gov.uk website](#).

Benefits / negatives

- Every business which is eligible should be able to make use of this refund.
- Staff must be taking sick leave where appropriate so ensure that this is being recorded

Time to implement:

No firm dates given just yet.

How to apply:

Guidance will be forthcoming soon. RL will be able to guide you on the next steps.