



Weathering the storm – surviving the
COVID 19 crisis

Practical advice from a
business recovery expert

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Introduction

- Stakeholder communication
- Get on top of the numbers
- Initial practical steps
- Support schemes
- Insolvency solutions
- Government insolvency framework reforms
- Resources and Q&A



Stakeholder communication

Bear in mind

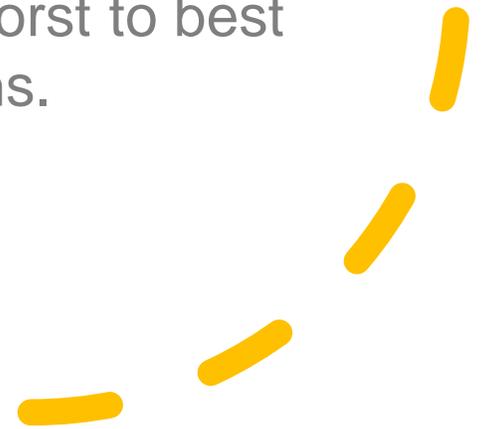
- Unprecedented times
- Unique challenges for the construction sector
- Fast, unexpected and significant impact on all stakeholders and advisors
- Health fears and impact of lockdown on normal routine and capability
- This is a highly stressed situation
- Feelings of uncertainty, worry and even panic will be more common
- We don't know when this will be over

Communication strategy

- Try to slow things down and keep the message simple
- Very important to communicate early, even if you don't yet have all the answers.
- Don't ignore attempts of communication. It erodes trust and creates worry
- Early communication will identify stakeholder concerns that you had not have considered as well as flexibility and support available
- Agree timescale to report back/update and stick to it.

The numbers

- Up to date management information key. Bring those accounting records up to date.
- Revisit underlying assumptions and adjust to reflect the current circumstances (i.e. recoverability of debtors, delays, increased costs of completing projects, impact on pipeline work etc.)
- Revisit strategic plan and adapt to impact of crisis
- Prepare revised cash flow forecasts to identify pinch points (consider different scenarios - worst to best case). Next 3 months and 12-18 months.



Initial practical steps

- Identify immediate cash savings (bearing in mind impact on workforce/suppliers)
- Cancel/postpone capital expenditure
- Consider what can be done to generate short term cash? Chase in debts, asset sale, borrowing (director loans, bank borrowing - including CBILS).
- Revisit strategic plan and adapt to impact of crisis
- Develop stakeholder communication plan
- Consider government support schemes
- Revisit forecasts regularly as future trading conditions become clear
- Where you identify that you will be unable to pay creditors when they fall due, if this is likely to be short term, open a dialogue and negotiate additional time to pay.
- If the insolvency is more severe, seek professional advice from a licensed insolvency practitioner

Coronavirus Job Retention Scheme

- Available to all UK employers with a PAYE scheme that was created and started on or before 28 February 2020
- Applies to employees who have been asked to stop working, but who are being kept on the pay roll, otherwise described as 'furloughed workers'.
- HMRC will pay employers a grant worth 80% of an employee's usual wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage.
- This is to safeguard workers from being made redundant. The Coronavirus Job Retention Scheme will cover the cost of wages backdated to March 1st if applicable and is initially open for 3 months, but will be extended if necessary.

Coronavirus Job Retention Scheme

Practical considerations:

- Seek professional HR advice
- This is subject to agreement with staff
- Staff cannot work for you when furloughed
- Minimum period is 3 weeks
- Consider notice period to return to work
- If an employee has been made redundant due to CV, they can be re-employed and put into the scheme
- Employers can top up shortfall if they wish
- HMRC portal not yet up and running so business will need to fund furlough payments upfront

See a joint video I recorded on the topic on 2 April 2020:
<https://youtu.be/o5uOQfBn8Vg>

Coronavirus Business Interruption Loan Scheme *CBILS*

- The Coronavirus Business Interruption Loan Scheme supports small and medium-sized businesses, with an annual turnover of up to £45m, to access loans, overdrafts, invoice finance and asset finance of up to £5 million for up to six years
- The scheme will be delivered through commercial lenders, backed by the Government-owned British Business Bank. The government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims)
- The government will also make a Business Interruption Payment to cover the first 12 months of interest payment and any lender-levied fees, so businesses will benefit from no upfront costs and lower initial repayments.
- Chancellor has extended the scheme so that all viable small businesses affected by Covid-19, and not just those unable to secure regular commercial financing, will now be eligible
- There are 40 accredited lenders able to offer the scheme, including all the major banks
- There is also a Coronavirus Large Business Interruption Loan Scheme (CLBILS) coming soon for firms with T/O £45m - £100m

Coronavirus Business Interruption Loan Scheme

Practical considerations:

- It's a loan and will need to be repaid
- Over £250k directors may be asked to provide additional security/PGs
- Funders have been overwhelmed so will likely prioritise existing customers.
- Best contact your existing banker ASAP as there will be a queue
- Lender will want to see strong track record before crisis, a clear calculation of the level of funding needed and a plan/projections showing recovery and ability to repay.
- Quality management information and a strong business plan key.
- Applications will take time to process

See a joint video I recorded on CBILS on 27 March 2020:

<https://youtu.be/SBkxBNT2iBQ>

Self-employment income support scheme

- The Self-employment Income Support Scheme (SEISS) will support self-employed individuals (including members of partnerships) whose income has been negatively impacted by COVID-19.
- The scheme will provide a grant to self-employed individuals or partnerships, worth 80% of their profits up to a cap of £2,500 per month.
- HMRC will use the average profits from tax returns in 2016-17, 2017-18 and 2018-19 to calculate the size of the grant.
- Open to those where the majority of their income comes from self-employment and who have profits of less than £50,000.
- The scheme will be open for an initial three months with people able to make their first claim by the beginning of June.

Other support available

- Deferral of VAT and Income Tax payments
- HMRC Time to Pay
- Small business grant funding (albeit targeted at retail, hospitality and leisure)
- Statutory Sick Pay support
- Insurance – review your policies



Insolvency solutions

- It may not be possible to weather this crisis
- Government schemes will not always work, be available or suitable to every business situation.
- Consider plan B
- Seek professional insolvency advice from a licensed insolvency practitioner

Numerous solutions available for both business and individuals

- Informal agreements with creditors
- Time to pay
- Company Administration (protection)
- Company and Individual Voluntary Arrangement
- Company Liquidation / Individual bankruptcy

Insolvency reforms

Fast tracking of additions to UK insolvency framework:
(first published in 2016 and updated 2018)

- Short business rescue moratorium
- A new court-based restricting tool modelled on an existing measure (English Scheme or Arrangement)
- New rules to prevent suppliers cancelling contracts

.... *Awaiting implementation*

Suspension of wrongful trading provisions (for 3 months from 1 March 2020) to give directors greater confidence to use best efforts to trade during this pandemic emergency, without threat of personal liability should a Company fail.

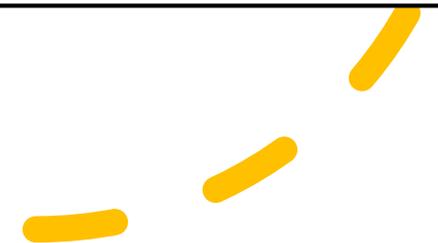
Well-being

- Look after yourself.
- Look out for the health and well-being of others
- Communication is key. Ask for help when you need it
- If you are healthy, you will make the better decisions.
- This will pass - stay strong and you can rebuild



FIS Matrix

Short Term (CASH)	Medium Term (RESTRUCTURE)	Long Term (PROSPECTS)
Income Payments Loans Furlough	Income Sites re-opening R&D Tax Credits	Income Pipeline Market conditions?
Outgoings Essentials (Rent, Mortgage, Business Rates, Tax) Salaries / Workers Negotiables (Lease, Creditors etc)	Outgoings Impact of Delays, cost to deliver Increased transport costs Availability of material Productivity considerations	Outgoings Productivity Considerations



Q&A

www.icaew.com/insights/coronavirus

www.businesssupport.gov.uk

www.british-business-bank.co.uk

www.thefis.org/covid-19-hub/

www.babr.co.uk

www.r3.org.uk

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