

CRITICAL SUPPORT FOR BUSINESS OWNERS

In these unprecedented times, business owners are looking closely at the financial position of their businesses. We are already working with many of our clients to assess and implement the options available to them.

Here we summarise some of the recurring themes emerging from our conversations and key immediate actions you may want to consider. If you would like to chat through your individual circumstances or if there is anything you need more detail on, do call us.

Business planning and solvency review

Carrying out a health check and solvency review to understand your business's current position will help you plan and implement the best course of immediate action. Maintaining stability, managing cost and protecting opportunities for future growth may mean you need access to finance. One of the key factors in raising finance is a business's past performance, so reviewing yours is a good place to start.

Cash generation

External sources

There are now support provisions from the government available to you in the form of grants and loans. These include, but are not limited to:

- the Coronavirus business interruption loan scheme. Under the scheme, lenders can offer facilities of up to £5 million to smaller businesses, where 80% of the loan is guaranteed.
- a new lending facility from the Bank

of England to help support liquidity among larger firms, helping them bridge Coronavirus disruption to their cash flows through loans.

- a Coronavirus job retention scheme
- furloughed employees.

Internal sources

Cash generation can also come from internal sources, such as short-term emergency cash preservation and making improvements to working capital.

Options to consider are:

- deferring VAT and income tax payments
- a statutory sick pay relief package for SMEs
- a 12-month business rates holiday for all retail, hospitality and leisure businesses in England
- HMRC's time-to-pay scheme
- small business grant funding
- potential insurance claims.

HR solutions

As usual, when taking the necessary steps to protect your business, you'll want to ensure you're doing the best for your staff. This might be taking steps to avoid redundancies or reducing the working hours of your staff.

From 13 March 2020, statutory sick pay (SSP) is available from the first day of a period of absence due to sickness, instead of the third. As it is employers who are required to pay SSP, it is important to ensure your business could cover this should the need arise. You might also need to explore employment law in closer detail.

Creditors, bank and landlord negotiations

Negotiations with existing creditors and banks to request informal repayment terms could assist with easing your cash flow. Rescheduling debt, reviewing your current finance facilities and addressing creditor payment issues could help alleviate some of the pressure on your business.

It might also be worthwhile looking at negotiating with your landlords. Options could include amending current rent agreements or obtaining the government aid available for certain types of property.

Directors' responsibilities

As a company director, you have duties and responsibilities to mitigate the potential of personal exposure in the case of insolvency.

Wrongful trading

Business owners need to make sure they avoid wrongful trading. This is where a director can be found to have known, or ought to have known, there was no reasonable prospect that the business would avoid going into insolvent liquidation, and then failed to take every possible step to minimise potential loss to creditors. Your duty as the director of an insolvent business is to creditors not shareholders of the company, as it would be in solvent times.

As a business owner, it is also important to ensure your business is not continuing with day-to-day trading while insolvent and unable to pay its debts. It can be difficult to identify at what point this occurs, so professional advice should be sought at the earliest opportunity.

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