COVID-19

COVID-19: Cashflow considerations and UK government financing and tax options

Latest update: 26 May 2020

The COVID-19 outbreak has been declared a pandemic by the World Health Organization, causing huge impact on people's lives, families and communities.

As the international response continues to develop, we know that organisations are facing potentially significant challenges to which they need to respond rapidly.

We are working closely with organisations globally to help them to prepare and respond, by sharing our experience in working with companies, governments, regulators, NGOs and international organisations.

Contents

Significant government-backed measures have been introduced to provide funding and other support to businesses:

- The UK government has introduced a raft of initiatives aimed to help companies through this difficult period.
- The measures can be split broadly into two categories:
  - Funding-based initiatives which aim to bolster cashflow and liquidity position in the short to medium term.
  - Tax or grant based initiatives which aim to alleviate cost pressure and preserve cash.

While there is initial guidance on a number of these measures, given the rapidly evolving market backdrop, the details on how they will work in practice are still in flux.

This document looks to provide companies with an overview of the various government-backed initiatives which are available, as well as some practical guidance on how to assess and access the funding support needed to navigate through this challenging period.

Overview of government initiatives and cashflow considerations

A number of government initiatives have been put in place to support SMEs and large corporates which have been impacted by COVID-19

Funding-focused initiatives

The government has committed to providing a significant funding package to support UK businesses. There are two main debt based funding initiatives available to companies depending on their size:

- **COVID-19 Corporate Financing Facility (CCFF):** aimed at larger corporates which are strong credits (investment grade) but experiencing liquidity pressures due to the impact of COVID-19. The CCFF will allow large corporates to access short term financing through issuing Commercial Paper (CP). The fund will be managed and administered by the Bank of England (BoE) on behalf of HM Treasury.
- **Coronavirus Business Interruption Loan Scheme (CLBILS and CBILS):** building on infrastructure which is already in place, these schemes are available to provide a range of financing support over the short to medium term. They will be administered by the British Business Bank, with funding provided by a range of lenders which will benefit from a government guarantee.
- **Future Fund (FF) :** aimed at companies who have historically relied on equity funding due to being pre revenue or pre profit, this fund will provide convertible loans of up to £5m (to be match funded by private investment).
- **Bounce Back Loans Scheme:** aimed at supporting micro businesses and SMEs who require small loans up to £50,000. The loans are interest free for 12 months and the government will provide lenders with a 100% guarantee on each loan. Further details are available on the BBB website.

Tax-based and other initiatives

- VAT deferrals and Time to Pay support.
- Business rate reductions or holidays.
- Employer grants to pay salaries and refund of Statutory Sick Pay.
- Additional support for specific sectors.
- Cash grants for small businesses.
- Business interruption insurance.

Rapid cash forecasting and conservation

COVID-19 is having far reaching implications for the global economy whilst organisations are experiencing significant operational, financial and liquidity issues.

It has never been more important to have a robust cash forecast to provide clear transparency on liquidity. To help, we've provided a sample of actions you might consider in this document, and would be happy to provide more detailed guides upon request.

More information on COVID-19 UK measures are on our website.

Details of specific funding and tax-based initiatives

Covid Corporate Financing Facility (CCFF)

Aimed at supporting the liquidity of larger corporates by allowing them to raise short term financing through issuing commercial paper which will be purchased by the Bank of England – see how we can help you access this on pages 15 and 16

Overview of the scheme

The CCFF will provide short-term funding to non-financial businesses by purchasing Commercial Paper (CP). The aim is to support businesses which were fundamentally sound pre-COVID-19. It will be funded through the Bank of England (BoE) to free up resources in the banking system for SMEs (who rely the most on banks). The scheme will operate for at least 12 months and the BoE has committed to providing six months notice before it withdraws the facility.

Key characteristics

- **Financing type:** short-term commercial paper.
- **Loan amounts:** minimum size £1m; maximum up to £1bn. The BoE has provided guidance on limits based on ratings but these limits can be adjusted downwards at their discretion (for example when the limit exceeds 50% of the applicants average revenues in recent years).
- **Finance tenor:** one week to 12 months. Drawings can be rolled over.
- **Pricing:** financing on “comparable terms to those prevailing in the market pre-COVID-19”. As at 19 May 2020 this stood at a spread of between 20bps and 60bps on the sterling Overnight Index Swap (OIS) curve.
- **Other:**
  - Focus of the scheme is to provide funding to pay wages, suppliers, or to boost cashflows.
  - Companies who ask for an increase in their existing limit or who have CPs maturing on or after 19 May 2021 must commit to a suspension of dividends and buybacks and to exercising pay restraint for senior management while the commercial paper is outstanding.

Key eligibility criteria

- Companies who make “a material contribution to the UK economy”.
- Banks, companies subject to financial regulation and state owned entities excluded.
- No requirement to have previously issued commercial paper.
- Eligibility subject to minimum credit rating or assessment of creditworthiness:
  - Credit rating based on a short term rating which was Investment Grade as at 1 March 2020 (minimum level of A-3 / P-3 / F-3, equivalent to BBB L.T. rating). Companies which were on the lowest rating and on negative watch / outlook will still be considered. If subsequently downgraded (i.e. post 1 March), the company will still be eligible.
  - If split rating below the minimum then companies are not eligible.
  - Rating agencies can provide private indicative ratings specifically for accessing CCFF.
  - In the absence of a rating, the Bank will take into account instances where a company’s lenders consider the company to be equivalent to investment grade.

Process for applying to participate in the Fund

- The Fund will be administered by the BoE on behalf of HM Treasury, which will indemnify the Bank’s risk.
- Participating companies need to complete an application form on the BoE website.
- Companies which do not currently issue CPs need to meet certain eligible security criteria:
  - Sterling denominated CPs with maturity of one week to 12 months.
  - Minimum credit rating requirement.
  - CPs issued directly into Euroclear / Clearstream.
- Process for issuing CPs to the Fund.
- Submission of offers to sell CP to the Fund by phone to the Bank’s Sterling dealing desk between 10-11am.
- Issuers must provide details of issuing entity, nominal and maturity.
- The Bank’s dealers will confirm over the phone or otherwise if an offer is accepted, the cash amount and maturity.
- The Bank will purchase CPs of a particular issue from one dealer only each day.

Key considerations for potential issuers

- Am I eligible to participate and is CP the right solution for my business need? Can it fit with my existing financing arrangements?
- How do I demonstrate my credit strength and how long will it take to be approved to participate?
- Are there limits on what the proceeds may be used for?
- What are the implications for dividends and management pay by accessing and issuing debt under the scheme?
- What does my treasury team need to do to set up and administer the CP programme?
- What are my options if I’m not investment grade – can I access this scheme? What else should I be considering?

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

Aimed at supporting businesses with turnover of more than £45m, covers a range of financing products and guarantees facilities with a maximum loan size of up to £200m

Overview of the scheme

The aim is to support businesses where the impact of the crisis will temporarily impact their ability to access regular commercial financing, but where there is a viable proposal to trade out of difficulty in due course.

Key characteristics

- **Financing type:** to include short term loans, overdrafts and invoice / asset financing.
- **Facility amounts**: the maximum loan amount threshold has recently been updated. Companies can now apply for loans for the higher of i) 25% of turnover of the UK business in 2019; ii) double the annual wage bill of the UK business in 2019; or iii) an amount to cover the liquidity needs of the UK business for 12 months. The maximum loan size is £200m (versus a maximum loan of £50m previously).
- **Finance tenor:** between three months and three years.
- **Pricing:** to be provided at commercial rates of interest.
- **Other:**
  - Government provides a guarantee to the lender for 80% of outstanding facility balance (including interest and fees). Companies remain 100% liable for the debt.
  - In contrast to CBILS, there is no interest free period
  - Companies that receive loans of £50m or more with a term of 12 months or more will be subject to additional restrictions including not paying dividends whilst the debt remains in place and exercising restraint on senior management pay.

Key eligibility criteria

Eligibility for the scheme is delegated to participating lenders and lenders have been given additional guidance on how to assess business viability. Eligibility is subject to the following key criteria (applying to UK based businesses):

- Turnover threshold – for businesses with revenue of above £45m.
- Open to organisations which have been impacted by COVID-19 but which are unable to secure regular commercial financing. Businesses must self-certify the impact COVID-19 is having on performance.
- Businesses who have received a facility under the CCFF may not apply to CLBILS.
- It is open to businesses in any sector apart from the following which are excluded:
  - Credit institutions and building societies
  - Insurers and reinsurers (but not insurance brokers)
  - Public-sector organisations, including state-funded primary and secondary schools, grant-funded further education establishments.
- Lenders are expected to conduct their usual credit risk checks.

Process for applying

- A range of accredited lenders will offer the scheme.
- A list of accredited lenders is available on the British Business Bank website.
- Applications will be encouraged via existing lender relationships or through lender websites in the first instance.
- A borrowing proposal will be required which the lender:
  - Would consider viable were it not for the COVID-19 pandemic
  - Believes will enable the business to trade out of any short to medium-term difficulty.
- Example info to have available includes:
  - Management accounts and historical accounts;
  - Cash flow forecasting;
  - A business plan; and
  - Details of assets.
- Companies can approach other lenders if their application is turned down by one lender.

Key considerations for potential borrowers

1. Assessing your funding need:

- How much money do I need and for how long? How urgent is my financing need?
- Is borrowing through the scheme the best route for me to take? What other self help measures can I take?
- What collateral do I have available as security? What will a lender look at? Do I have a 'sound borrowing proposal'?
- How will lenders treat groups operating in multiple jurisdictions?
- What is the most appropriate type of financing? How will it fit with my existing financing?
- What are the implications for dividends and management pay by accessing and issuing debt under the scheme?

2. Engaging with the process

- The scheme has been announced but not yet launched. When should I apply?
- I've been exploring my options already - how do I evidence the routes I have already tried?
- Which and how many lenders do I approach?
- What information will I need and what will I need to have considered?
- How long will the process take from application to receiving funds?
- How do I maximise the chance of a successful application?

Coronavirus Business Interruption Loan Scheme (CBILS)

Aimed at supporting SMEs with turnover of up to £45m, the scheme covers a range of financing products and guarantees facilities up to £5m

Overview of the scheme

The aim is to support SMEs, where the impact of the crisis will temporarily impact their ability to access financing, but where there is a viable proposal to trade out of difficulty in due course.

Key characteristics

- **Financing type:** term loans, asset finance, working capital facilities (RCF, invoice discounting, supply chain financing, overdrafts).
- **Facility amounts:** from £1,000 to £5m;
- **Finance tenor:** from three months to up to six years for term loans and asset finance. Maximum tenor for working capital facilities of three years.
- **Pricing:** interest free for first 12 months, no fees (covered by government).
- **Other:** previous guidance on personal guarantees has been updated:
  - **For facilities less than £250,000**: no personal guarantees;
  - **For facilities £250,000 and above**: personal guarantees are at lender discretion, but recoveries are limited to 20% of the outstanding balance after business assets have been realised; and
  - Principal private residences are excluded as a source of security.

Key eligibility criteria

Eligibility for the scheme is delegated to participating lenders and lenders have been given additional guidance on how to assess business viability. Eligibility is subject to the following key restrictions:

- Turnover thresholds – CBILS no more than £45m per annum for UK based activities (group wide, worldwide threshold).
- Any sector may apply apart from:
  - Banks, insurers, reinsurers (but not insurance brokers)
  - Public-sector bodies
  - Further-education (if grant funded)
  - State-funded primary and secondary schools.
- Must generate more than 50% of turnover from trading activity.
- Eligibility has been updated:
  - Open to businesses who would previously have met the requirements for a commercial facility, but were not eligible for CBILS – insufficient security is no longer a condition for access to the scheme
  - In some instances, businesses are encouraged to re-apply if previously rejected
  - Lenders will also apply CBILS retrospectively to lending made since 23 March where the company meets the eligibility criteria.
- The loan must be used to support primarily trading in the UK.
- Previously received de minimis state aid does not impact eligibility for CBILS.

Process for applying

- Borrowers can approach one of 47 accredited lenders with a lending proposal. The accredited lenders are a mix of high street banks and smaller specialist lenders (e.g. invoice discounting, asset based lending).
- Applies to a number of lending products.
- In the first instance, businesses should approach their own provider. Example information to have available includes:
  - Management accounts and historical accounts;
  - Cash flow forecasting;
  - A business plan; and
  - Details of assets.
- Borrowers will need to self-certify that they have been adversely affected by COVID-19.
- Will operate in a similar way to EFG with a guarantee and 12 months of interest payments provided to the lender by the British Business Bank.
- Government will make a business interruption payment to cover the first 12 months of interest and any lender-levied charges.
- The borrower will remain liable for the borrowing at all times.

Key considerations for potential borrowers

1. Assessing your funding need:

- How much money do I need and for how long? How urgent is my financing need?
- Is borrowing through the scheme the best route for me to take? What other self help measures can I take?
- What collateral do I have available as security? What will a lender look at? Do I have a 'sound borrowing proposal'?
- What is the most appropriate type of financing?

2. Engaging with the process

- Which and how many lenders do I approach? How do I get access if I do not have an existing relationship with an accredited lender?
- I have previously been rejected, or had difficulty accessing the scheme. Should I re-apply now that the eligibility criteria has changed?
- What information will I need and what will I need to have considered?
- How long does the process take from application to receiving funds?
- How do I maximise the chance of a successful application?

Future Fund (FF)

Aimed at supporting innovative UK based companies who are not eligible under the CBILS and CLBILS and who have typically relied on equity funding

Overview of the scheme

The FF is aimed at providing funding to innovative companies who have typically relied on equity funding and whose performance is being adversely impacted by COVID-19. The FF will provide eligible businesses and investors with government backed matched funding. The scheme opened to applications on 20 May and will remain open until the end of September 2020. The initial scheme amount is £250m but this is subject to review.

Key characteristics

- **Financing type:** convertible unsecured loans
- **Facility amounts:** the FF will match 100% of the loan amount provided by the investor(s) up to a maximum of £5m (minimum loan amount from the FF of £125k). There is no cap on the amount that the investor can lend to the company.
- **Finance tenor:** maximum tenor of three years. The loans will convert into shares in the company under certain circumstances (e.g. exit, new funding round).
- **Pricing:** loans accrue 8% per annum non-compounded interest (or such higher rate as agreed between the company and the co-investors)
- **Other:**
  - proceeds of the loan must be used solely for working capital purposes (i.e. not to repay borrowings or pay any dividends, bonuses or advisory fees).
  - The convertible loan is based on standardised documentation with predefined terms. However, certain terms such as interest rate, conversion discount and valuation cap can be negotiated (subject to certain minimum levels).

Key eligibility criteria

In order to borrow under the scheme each company and investor(s) must meet certain criteria which is outlined below:

Company eligibility criteria – in order to qualify for the scheme a company must:

- Be a UK private company that was incorporated on or before 31 December 2019 (if in a group of companies, only the parent company is eligible);
- Not have any of its shares trading on a regulated market, multilateral trading facility or other listing venue;
- Have raised at least £250k in equity from third party investors in the last 5 years; and
- Have either (i) half or more employees in the company based in the UK or (ii) half or more of the revenue of the company must be from UK sales.

Investor eligibility criteria – an investor must fall under the following categories:

- An 'investment professional' within the meaning given to that term in article 19 of the Financial Promotions Order (FPO);
- A high net worth company, unincorporated association or high value trust falling within article 49(2) of the FPO;
- A 'certified sophisticated investor' or a 'self-certified sophisticated investor' within the meaning given to such terms in article 50 and 50A respectively of the FPO;
- A 'certified high net worth individual' within the meaning of article 48 of the FPO;
- An equivalent professional, high-net worth, institutional or sophisticated investor in accordance with applicable law and regulations of such investor's home jurisdiction;
- An association of high net-worth or sophisticated investors within the meaning of article 51 of the FPO; and/or
- Is capable of being classified as a 'professional client' within the meaning given in the glossary to the FCA Rules.

Process for applying

- The scheme will be delivered by the BBB, with applications being processed through an online platform.
- Companies can register their interest in the scheme and check their eligibility on the FF portal, however, the process is **investor led.**
- Investors need to create an account on the FF portal. The lead investor applies on behalf of itself, the investee company and any other investors.
- The investor will be required to provide (i) their personal information including photo identification, (ii) details of the investor(s) providing the match funding, (iii) amount of proposed funding and (iv) information on the company receiving the loan.
- The company needs to confirm that the co-investor's application is accurate and submits the full application.
- If the application is approved, the parties sign the standardised convertible loan agreement.
- On satisfaction of the conditions set out in the convertible loan agreement the funds are released to the company's solicitors. (Note that it is a requirement that the funds be received through an appointed solicitor)

HMRC-focused initiatives – tax deferrals and business rates holidays

HMRC is offering flexible solutions to help businesses in the face of disruption caused by COVID-19

Some potential considerations:

- Companies should still approach their CCM, where they have one, in the first instance as CCMs have been instructed to work with taxpayers.
- Time To Pay is to assist with challenges around liquidity but HMRC will want to see that other options have been considered and will request evidence of this.
- It is important that any requests to the HMRC do not come across as alarmist so that they do not act quickly to protect their position ahead of insolvency.
- Given the nature of the COVID-19 impact in the UK, HMRC are likely to be more helpful now than they might otherwise have been, but are not offering formal guidance.
- The usual information requirements for the HMRC to consider adoption of the Time To Pay regime will be relaxed, but there will be a review process of historic tax payments and compliance.
- Keep evidence where possible of any agreements made including notes of calls.
- Direct debits should be cancelled where tax has been agreed as deferred with HMRC.

Time to pay

- Automatic VAT deferral – Payments due from 20 March to 30 June 2020 will be deferred and businesses will have until the end of the financial year to repay. Deferral does not include Import VAT and/or Duty Deferment where formal Time to Pay Arrangements will need to be agreed with HMRC.
- All businesses and self employed people in distress with outstanding tax liabilities may be eligible for support with outstanding tax liabilities including PAYE due by 30 June 2020. Where employees are furloughed and CJRS grant is claimed, expectation is that PAYE / NIC on these amounts will be paid as normal.
- With the exception of VAT, HMRC expect companies to settle amounts of tax deferred by 30 June 2020 or seek formal Time to Pay to agree instalment plan.
- A dedicated helpline has been set up by HMRC through which arrangements will be tailored to specific circumstances on a case-by-case basis.
- With the exception of automatic VAT deferrals, interest will be due on deferred tax payments.
- Companies should approach their CCM if applicable in the first instance where possible, but the COVID-19 helpline number is: 0800 0159 559

Business rates reduction

- Full rates relief for all companies (not just SMEs) in the retail, hospitality and leisure sectors: companies will benefit from a 12 month business rate holiday, irrespective of rateable value.
- Cash grants for retail, hospitality and leisure businesses: a £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000.

International measures

- There are a number of reliefs and measures which are being put forward by global governments in response to the pandemic.
- Businesses should review these for each of the territories they operate in to ensure they maximise support and reliefs.

HMRC-focused initiatives – employer grants and refunds

HMRC is offering flexible solutions to help businesses in the face of disruption caused by COVID-19

Coronavirus Job Retention Scheme (CJRS) (for further detail see this link)

CJRS was announced by the Chancellor on 20 March 2020 and further detail and guidance has been released since with the latest update on 17 April 2020 and a Treasury Direction issued on 15 April 2020. CJRS is a grant to assist businesses cover up to 80% of the current wage level of an employee who is designated as a 'furloughed' worker due to the Coronavirus pandemic, provided they remain employed. The headline features include:

- **Eligible businesses:** generally this is all employers who had a PAYE scheme registered under RTI and UK bank account on 19 March 2020.
- **Scheme duration:** from 1 March 202o to 30 June initially, now extended.to 31 October 2020.
- **Employee eligibility:** any current employee included in an RTI submission on or before 19 March. There are further complexities to these rules including for those who left employment on or after 28 February 2020 and were subsequently rehired and for specific groups of individuals deemed to be employees for PAYE purposes.
- **Conditions for furloughed employees:** the furlough should be for a minimum period of three weeks, up to four months (although this may be extended). The employee cannot work for their employer or an associated company whilst furloughed, however, they can undertake training during this time. Employees can come in and out of furlough as long as each period is for a minimum of three weeks.
- **The amount which can be claimed under CJRS:** this is the lower of 80% of 'regular wages', or £2,500 per employee, per month (prorated where the employee has not been furloughed for the whole month). Employers can still top up salaries above this level if they choose to. In addition the costs of employer's NIC and minimum pension auto enrolment costs on this pay can be reclaimed. There are specific rules which apply when determining what is 'regular wages' and this varies depending on whether the employee is salaried or on variable pay. It should be noted that HMRC will be undertaking reviews of claims prior to making payments and reserve the right to undertake further audits in the future.
- **Timing of payments:** HMRC has set up an online portal (live from 20 April 2020) on which employers can submit information about the employees that have been furloughed and the value of their claim. HMRC will verify the claims and will provide the funds within six working days. HMRC have stated that the payment may be withheld or may need to be repaid in full to HMRC if the claim is based on dishonest or inaccurate information or found to be fraudulent.

Refund of Statutory Sick Pay

- Eligible employees will be eligible for SSP from day one instead of day four.
- Businesses can reclaim SSP paid to employees for up to two weeks sickness absence due to COVID-19
- Eligible for employers with a workforce of less than 250 employees on 28 February 2020 (subject to connected companies and charities rule).

Payroll initiatives

IR35 will be delayed until April 2021 to help businesses and contractors.

A number of employer compliance filing deadlines relating to internationally mobile employees have been extended in light of the crisis – namely the NIC Settlement Return for modified NIC schemes and the Short Term Business Visitor return.

Coronavirus Job Retention Scheme:

The government hopes that this scheme combined with the Business Interruption loans will encourage employers to consider carefully the support available to them before cutting jobs.

Other measures to help individuals:

- The standard rate in Universal Credit and Tax Credits will be increased by £20 a week for one year from 6 April, meaning claimants will be up to £1,040 better off.
- Nearly £1bn of additional support for renters, through increases in the generosity of housing benefit and Universal Credit. From April, Local Housing Allowance rates will pay for at least 30% of market rents in each area.
- For self-employed persons (i) a Self-Employed Income Support Scheme – which will pay affected persons a taxable grant worth 80% of their average monthly profits over the last three years, up to £2,500 a month and (ii) a deferral of self-assessment tax payment due on 31 July 2020 to 31 January 2021.
- Individuals in temporary financial distress because of COVID-19 with outstanding tax liabilities can also use HMRC's Time To Pay facility.

HMRC-focused initiatives – sector specific

The government has also introduced a number of non-financing or tax-related initiatives to support companies which are among the hardest hit by COVID-19

Sector-specific initiatives

The government announced specific measures to support sectors which have been particularly impacted by COVID-19, such as Retail, Hospitality and Leisure.

Retail, hospitality and leisure company cash grants

- Companies that pay business rates with a rateable value of between £15k and £51k can benefit from £25k cash grant from local authorities.

Support for Charities and Fishing and Aquaculture businesses

- On 8 April 2020, the Chancellor announced a £750m support package for Charities.
- On 17 April 2020, the Environment Secretary announced £9m of grant funding will be made available to support eligible fishing and aquaculture businesses. The scheme will run for up to 3 months and will be administered by the Marine Management Organisation (MMO).

Other initiatives

Depending on your business size and situation you may be able to apply for additional support in the form of cash grants or make business interruption insurance claims.

SME cash grants

- Local authority grants to help SMEs.
- These are in the form of a one-off £10,000 grant.
- The grants are available to SMEs that already qualify for Small Business Rate Relief (SBBR).

Interruption insurance

- Government has confirmed that its advice is sufficient for businesses to claim on their insurance where they have the appropriate interruption cover for pandemics.

Practical considerations and how we can help you

Practical considerations for businesses

It is critical that you assess your available options and act quickly to apply for and access the additional liquidity and cash boosts these routes offer

Which options are available and most appropriate?

- Which of the available funding options and initiatives am I eligible for?
- Which am I most likely to be successful in accessing?
- Which would be most appropriate for my needs now? And in six months?
- Should I focus on the initiatives which can be accessed quickest or which will give me the most liquidity / flexibility?
- Are government schemes the best and only options available to you?

What is the process to access the support and what information is required?

- How do I apply for each of the measures and how long before I receive the cash or liquidity boost?
- How can I best focus my time and resources?
- Do I have the relevant information readily available or do I need to create it? Does my team have the capacity and skills to execute?

How can we help you?

- PwC has a market-leading team which specialises in helping clients to stabilise and manage their cash and liquidity position. Irrespective of whether you are eligible for one of the government-backed schemes, we can support you to manage your cash position.
- With regard to the COVID-19 measures announced by the government, PwC has a well-resourced and highly-experienced team which can drive the process on your behalf, allowing management to remain focused on running day-to-day operations during this crucial period for your business.
- Our team comprises:
  - Debt advisory and restructuring experts that can support you with applications under the FF, CBILS, CLBILS or CCFF schemes
  - Tax experts to advise you on HMRC applications such as Time to Pay, significantly enhancing the likelihood of a successful application. They can also help you to apply for the other measures mentioned above, together with other tax-related options for cash preservation as set out on the next page.

Some potential considerations:

- COVID-19 is having far reaching implications for the global economy whilst organisations are experiencing significant operational, financial and liquidity issues.
- As we obtain greater clarity on the practicalities of accessing government support, there are some self help measures that are essential considerations in any event.
- It has never been more important to have a robust cash forecast to provide clear transparency on liquidity. We consider the following to be key actions which businesses should be taking during this challenging time.

Rapid cash forecasting and conservation

Irrespective of whether you are eligible for one of the government-backed schemes, we can support you to manage your cash position

Cash forecasting

- Rapidly develop 13 week cash flow forecast or challenge robustness of existing forecast.
- Perform sensitivity analysis, modelling worst case scenarios and downsides.
- Ensure forecast provides visibility at the right level (e.g. daily vs weekly cash flows), forecasting below EBITDA for true cash position and informed decision making.
- Challenge input assumptions and incorporating additional data sources (e.g. WHO and Government guidance).
- Raise awareness on importance of cash and accurate forecasting across the business.

Managing stakeholders

- Develop a clear communication plan to ensure consistent messaging to key stakeholder groups (e.g. customers, suppliers, lenders, HMRC on time to pay arrangements).
- Engage stakeholders early and be clear on the ask.
- Understand their current position, how they may act and issues which may arise.
- Ensure additional stakeholder groups are not overlooked (e.g. pension trustees, credit insurers, credit card companies).

Cash conservation

- Prevent the commitment to further expenditure across the business.
- Challenge all uncommitted spend and the value it actually will deliver.
- Immediately review all delegated authority spend levels.
- Daily cash calls to challenge at a devolved level and hold business units accountable.
- Consider offering early payment discounts to customers.
- Assess trade off between delayed payment, service delivery and supplier relationships.
- Move from a daily to weekly payment run.
- Consider surge resources (internal / external) to support cash generation / preserving activities.

Directors’ responsibilities

- Consider whether professional advice is needed, especially if there is a risk of insolvency.
- Establish clear view of cash flow, alongside balance sheet position and trading performance.
- Maintain evidence of decision making process – ensure all material decisions and the associated considerations are documented in detail.
- Consider appropriateness to continue to trade.

Accessing the Covid Corporate Financing Facility (CCFF)

The Bank of England has now published further details of how the Covid Corporate Financing Facility (CCFF) will work.

Accessing this fund could be vital to survival during a period of unprecedented stress in the economy.

PwC has brought together a multidisciplinary team of specialists, set up to work remotely and at pace, to support businesses with their application for funds.

Deep experience

Providing knowledge and experience from similar work with HMG to smooth your application process.

Specialists on hand

Putting our modelling and accounting specialists alongside your people, as and when you need.

An effective, scalable remote service

Assuming the burden of managing your application in a challenging working environment.

...to apply a proven approach

We can rapidly mobilise to support you using proven, cutting-edge data and modelling technology with effective and collaborative ways of remote working. We will manage your application systematically, keeping you engaged and informed throughout.

Drive and support
Setting the tone and pace of your application, coordinating activity, controlling your data, supporting and enabling complex communications / interactions – all in a challenging environment (and mainly through remote working).

Determine
Helping you establish and understand your applicability for the Scheme.

Assess
Data gathering, modelling and scenario development leading to the application submission.

Submit
Helping you to manage the governance you need around the submission including board papers, investor and regulatory communications.

Manage
Supporting you to monitor ongoing business performance using the model we co-develop.

We have done this before

In Autumn 2018, a government department faced a problem of lack of capacity in the ‘customs intermediary’ sector – demand had increased significantly as a result of EU Exit. The government decided to issue grants to eligible companies to subsidise the cost of training, IT and recruitment in the sector and PwC has been instrumental in the management of this process. PwC was mobilised rapidly and around 3,000 applications have been processed since the scheme opened, helping boost capacity in the sector significantly. It is currently set to run, with our support, to April 2021.

CCFF: how we can help you

Drive and support
Effective, scalable application management

During this time of crisis, we can support you through the application process, exerting discipline and control – driving, coordinating and monitoring activity to support a successful submission. We can handle your application securely, efficiently and sensitively – from first contact through to the final result.

Where necessary we can use digital tooling, scalable multi-site resource and cutting-edge technology to enable our teams to work with you remotely.

Modelling the COVID-19 scenarios alongside your financial performance
Detailed, underpinned economic analysis to establish business impact

1. **Health scenarios:** this is a global situation and the nature, timing and success of the actions taken by the UK and other countries, especially those close-by geographically, will likely impact the UK's health trajectory.
2. **Economic scenarios:** our economics and financial sector experts will translate the health scenarios into forecasts of the macro-economic impacts covering the base, upside and downside forecast scenarios, allowing for other key factors such as the timing and speed of the recovery in market and consumer confidence after the peak of the pandemic.
3. **Specific financial modelling:** we can support with model and scenario development that will impact your individual business drivers and outcomes. We can use and extract your existing financial forecasts (either before or after the COVID-19 pandemic started), data regarding your very recent trading and scenarios and data from the WHO, UK government and wider market.

Determine
Rapidly assessing the initial support you can access and whether to apply.

We can:

- Help you to decide whether to apply, when and how much to apply for.
- Compare your business to the latest eligibility criteria.
- Help multinational businesses to understand how the UK scheme support sits alongside support from other countries.
- Support you to consider alternative methods to improve your cash flow.

Assess
Identifying and overcoming evidence gaps that might jeopardise your application.

We can:

- Review your business modelling capability, and the extent of COVID-19 impact modelling carried out to-date.
- Systematically analyse gaps to understand robustness of impact modelling across areas such as working capital and cash, operations and supply chain, customer demand and revenue, and workforce. We will then use this to assess the need for supplemental evidence on the size of loan to apply for.
- Identify pragmatic ways to supplement your modelling within the loan application timeframe, considering:
  - Health scenarios.
  - Economic scenarios.
  - Impact on business drivers / outcomes.

Submit
Making a strong application for the initial support and communicating this successfully.

We can:

- Help you to develop and implement the governance you need around the submission, including board papers and Capital Markets notices.
- Support you as needed for wider communications with your. customers, suppliers and staff.
- Help you manage the logistics of submission.

Manage
Assessing ongoing business viability, via agreed KPIs and rapid updates to your modelling.

We can:

Continue to assess the viability of your business after the initial loan decision using:

- Targeted improvements to your financial model, and rerunning to update your forecasts.
- Updated scenarios according to changes in health data, economic data, movements in your KPIs, and other considerations such as government policy announcements.
- Horizon scanning for risks / issues.
- Ongoing assessment of the need to apply for further support via any future application rounds.

Accessing CLBILS and CBILS

Our debt advisory expertise is at the heart of supporting you through each step of the process to access the Government's support schemes

Prepare a robust application

- Assess the position of your business and its liquidity requirements:
  - Short term cash flow analysis
  - Business and scenario planning (e.g. base case, medium case and downside case)
  - Analysis of existing financing agreements (e.g. permitted indebtedness, financial covenants, security structure) and commercial arrangements of the business
  - Assisting in presenting the impact of the crisis and the (i.e. otherwise viable) nature of the business.
- Assess the debt capacity of your business and helping you to seek an appropriately sized facility.
- Considering the structuring options available to you.
- Modelling your new facility and illustrating the outcome of the borrowing. Assisting you to evidence the viability of the proposal.
- Reviewing of draft application from a lender perspective before submission.

Find and efficiently engage with the right lenders for you

- Assess and analyse your existing lender relationships.
- Accessing our wide pool of lender relationships and knowledge to optimise the approach.
- Assist with presenting your business to the chosen lender(s) to:
  - Demonstrate the feasibility of your proposal;
  - Evidence eligibility for your scheme; and
  - Maximise the attractiveness of the lending to your potential lender.
- Facilitation of interactions such as (virtual) lender meetings and coordination of queries through the lender credit process.

Structure the solution to satisfy your specific needs

- Analysis of lender terms and their impact on your projections including covenant compliance.
- Based on our deep understanding of the market as it evolves, advise on negotiating points and structuring considerations to optimise the facility for your company.
- Assist with implementation of the facility and drawdown of funds.
- Assistance with the negotiation of waivers or amendments with any existing facilities.

Accessing tax reliefs and grants

To maximise the benefits of tax deferrals and reliefs, we would recommend you take the following steps:

- Assess your current position to determine the timing and quantum of upcoming payments.
- Access the Coronavirus Job Retention Scheme (CJRS) to cover wage costs for furloughed workers where applicable.
- Defer imminent tax payments through HMRC's Time to Pay process.
- Identify measures you can take to unlock additional reliefs or overpayment refunds.
- Review and access grants and reliefs available globally.

Challenges you may currently be facing to manage cash flow

- Understanding and accessing CJRS
- Agreeing deferrals under Time to Pay
- Accelerating tax repayments
- Maximising claims and reliefs early
- Considering deferring pension contributions
- Accessing business rate reliefs

Multidisciplinary expertise

HMRC relationships

An effective, scalable remote service

...to apply a proven approach

We can quickly mobilise a multidisciplinary team to advise you on the most effective steps to manage cash and liquidity through HMRC's package of reliefs / grants. We will work collaboratively to help you access the reliefs you are entitled to as quickly as possible.

Drive and support

We can help you to build a detailed picture of your cash tax position to prioritise the help you need, manage HMRC interactions and ensure your applications put you in the best position as quickly as possible, while still being compliant.

Our experts work across the taxes covering CJRS, Business Rates, VAT and Customs, Corporation Tax, R&D credits and employment taxes. Plus, we have the capacity and technology to take on the burden of managing your applications in a challenging working environment.

Determine
Conduct a holistic review to determine your cash tax position.

Assess
Prioritise areas of focus and identify which reliefs and/or grants to focus on for biggest immediate impact.

Submit
Help you with urgent discussions with HMRC, or with drafting applications and managing HMRC interactions to expedite reliefs.

Manage
Support you to monitor your cash tax position over time to identify future support as relevant.

We have done this before

Our national Tax practice is formed of a diverse team of specialists covering all taxes and business areas. Working with our subject matter experts, the team is able to support you with every aspect of your HMRC interaction – from strategy through to resolution. We have already helped a number of businesses in distress to defer tax payments due to the COVID-19 crisis.

Tax reliefs and grants: how we can help you

We can mobilise a team of relevant tax and HMRC experts to support you. Working remotely, we can help you to assess your cash critical needs, prioritising areas of focus and identifying the reliefs and grants which are applicable to support your business. We can manage HMRC interactions to put you in the best position to access support as quickly as possible.

Determine

Help you to determine your holistic cash tax position and understand your current state.

We can:

- Help you to assess your cash tax position, including upcoming material payments.
- Review grants and reliefs available on overseas jurisdictions.
- Identify overpayments and opportunities for refunds.
- Assess the current state across all taxes including Corporation Tax, Business Rates, VAT and Customs, Employment Taxes and R&D.
- Support you to consider alternative methods to improve your cashflow such as management of quarterly corporation tax instalments.

Assess

Prioritise areas of focus and identify which reliefs and/or grants to focus on for biggest impact.

We can:

- Support you to prioritise areas of focus by assessing the relative quantum and speed of each option.
- Identify the grants and/or reliefs which are applicable.
- Determine eligibility for grants and/or reliefs.
- Identify and manage relevant risks.
- Agree a plan and timescale with you to execute next steps.

Submit

Help you to draft applications and manage interactions with HMRC to expedite reliefs.

We can:

- Advise you on the strategy for submitting applications and communicating with HMRC.
- Collaborate to draft the relevant applications for relief.
- Assist with the collation of supporting documentation and evidence for submission.
- Support the submission to HMRC.
- Manage communications with HMRC and ensure progress.
- Help you manage communication with senior stakeholders, if appropriate.

Manage

Support you to monitor your cash tax position over time to identify future support as relevant.

We can:

- Keep you informed in a fast-moving environment.
- Help you to monitor your cash tax position going forward to identify future support needs.
- Keep you updated on future reliefs or grants which may be relevant to your business.
- Help you to stay connected to HMRC to ensure compliance.

Other ways we can help you – tax-related liquidity measures

Below are some of the ways we can help you preserve cash

Tax payments

- HMRC has indicated that it is looking to be more flexible in terms of tax repayments (e.g. in terms of automatic offsetting), so taxpayers should consider contacting HMRC if they believe they are entitled to a repayment.
- Businesses should be:
  - reviewing instalment payments in light of updated business forecasts to ensure they remain accurate and reclaim overpayments; and
  - reviewing group payment arrangements where taxes have been overpaid.

Research and development (R&D) cash acceleration

- Eligible businesses should be accelerating submission of R&D claims to receive cash back as soon as possible. Businesses should also ensure that they are maximising incentives in the UK and globally.
- As a reminder, companies can get between 10% and 33% in cash from HMRC on qualifying R&D spend. The large company incentive not only generates cash but also gets booked above the line, boosting EBIT.

Defined Benefit pensions

- Businesses with defined benefit schemes could consider deferring pension contributions to preserve cash.
- Many companies are already looking at this and discussing it with their pensions trustees. The Pensions Regulator has now issued guidance on the factors (actuarial, legal and covenant) that need to be considered / addressed to achieve this.

VAT matters

- We have developed an open page on globalvatonline, our online VAT resource, to keep you up to date on global developments from the tax authorities in relation to COVID-19.
- There are a number of non-contentious ways in which businesses can use VAT and Customs Duty rules to improve their cash position such as:
  - Ensuring VAT is recovered as quickly as possible by streamlining processes or introducing accruals to create immediate cash flow benefits.
  - Ensuring reliefs from paying VAT in situations where customers delay payment are maximised.
  - Unlocking process and systems limitations which often prevent businesses from fully recovering all VAT that they are entitled to – improving ongoing VAT recovery and providing an opportunity to reclaim VAT not recovered in the past.
  - Critically evaluating the rate of customs duty paid on imported goods, or taking advantage of reliefs from paying duty on goods that are shipped into the UK.

In addition to the pay and tax related considerations, there are a number of wider workforce dimensions including:

- **Employment law** – ensuring any employee changes meet local legal requirements and any in place agreements.
- **Employee engagement** – focusing on the right information to employees at the right time.
- **Restructuring** – changing the size and shape of your organisation to meet the current crisis.
- **Workforce planning** – ensuring you have the right people in the right job for the current situation.
- **Changes to contracts** – making short term or permanent changes to contracts (in line with legal requirements) to address current business needs.

Other ways we can help you – people focused initiatives

While furloughing staff will be adopted by many companies, employers are likely to consider other people costs as part of the recovery phase

Reducing workforce costs

Whilst using CJRS to address immediate people related cash flow there are a number of cost reduction considerations in the short and more medium term through addressing workforce costs:

- Reduced or annualised hours (e.g. reduction to 25% for next 12 weeks but increased later in year) and interaction with Government Job Retention Scheme
- Executive pay – salary reduction / incentive deferral
- Salary reduction or deferral / Collective Bargaining negotiations
- Options around pay increases / promotions / NLW increases – including reducing proposed increases, delayed increases, etc.
- Reduction in allowances, expenses (e.g. car), overtime when not used
- Reviewing expenses, contractor spend, in year promotions
- Organisational design / review of spans and layers for duplication, etc.

Reducing employee tax liabilities

- Tax deferral / HMRC negotiation
- Access global social security schemes to help fund employee salaries on a temporary basis through and defer payments of social security.
- Early filing of tax returns where refunds anticipated to be paid back to employers / employees.
- Review of assignment benefits, particularly where assignees no longer travelling or have returned back to home country.
- Review flexibility available as part of modified payroll schemes.

Reducing pension costs

- Deferral of pension contributions, including current accrual and deficit payments.
- Managing pension scheme liabilities and cash flow, including avoiding crystallising asset losses.
- Alternatives to cash funding.

To find out how PwC UK is responding to COVID-19, please visit:
www.pwc.co.uk/COVID19businesscontinuity

For our latest insights and resources, please visit:
www.pwc.co.uk/COVID-19

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