



COVID-19 UPDATE - JANUARY 2021

Get your recovery funding ready - The Coronavirus Business Interruption Loan Scheme (CBILS)

CBILS are only available until 31 March 2021. Businesses must now consider if CBILS will help them survive COVID-19.

While we all hope that the pandemic will start to ease during the Spring & Summer, there will be several stages of transition before we return to normal. Uncertainty and rule changes will continue.

In late summer there was optimism that the virus was under control, and the UK Government was quick to announce the winding down of support schemes. The second wave caused a quick reversal, but we recognised the Chancellor maintains a focus on Government spending and will cut back support as soon as possible. We are unlikely to hear any radical new support for businesses in the upcoming budget. The policy of targeting support to individuals, means many businesses have been left unsupported.

Businesses are required to trade their way out of difficulties caused by the pandemic and successive lockdowns. The support available is by way of CBILS, which are loans of up to 6 years, and are effectively interest free for the first 12 months, because the interest costs are met by the Government via a Business Interruption Payment. CBILS loans range from £50k to £5m so could provide valuable funding to most businesses.

The Government guarantees 80% of the loans, but this is of little direct help to businesses and only reduces the barriers for banks to lend.

For some businesses CBILS will mean taking on formal debt for the first time, and this can seem daunting. However, it is often easier to provide your banker with regular and confidential business updates, compared to juggling supplier payments, fielding calls chasing outstanding balances, and worrying about the next rent or tax bills.

CBILS can also be used to refinance an existing commercial facility, for example to convert an overdraft or debt-factoring

facility into a term loan. This could make your business finances more sustainable, while also benefiting from 12 months without interest.

Businesses will need to begin considering the cost of re-opening, making the workplace COVID-secure, the cost of restocking, re-hiring, and general increases in working capital. CBILS can be used to ensure funding is available to return the business to the pre-pandemic successes.

Growing a business can put pressure on cashflows even in the best of times, and a return to normal will require businesses to grow again. Some businesses will have survived until now using the smaller Bounce Back Loans (BBL), ensuring your business has the capacity to grow might mean up-grading a BBL to a larger CBILS facility. There is normally no penalty for repaying a CBILS loan early, so a precautionary approach when considering and preparing an application will ensure your business is prepared for the continued uncertainty.

BGM would encourage business owners to review and update financial forecasts now, while there is sufficient time to successfully apply for a CBILS prior to 31 March 2021.

Most banks are now offering CBILS loans, and although the application process varies you are likely to require:

- Management accounts
- Historic financial statements
- Business plan
- Self-certify that the business has been affected by coronavirus

If you need assistance with applications, business plans or producing a cashflow, then please contact BGM or e-mail andrewboyd@bgm.co.uk