

BRITISH
FASHION
COUNCIL

Membership Live

Covid 19 :

Finance Damage Mitigation Planning for the Future

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Introduction

- What is available from the Government – financial and other support
- What steps you can take to limit damage
- Planning for the Future
- Fund raising in the new world
- Q&A

Government Support – Grants and Reliefs

- **Coronavirus Job Retention Scheme**
 - Available to any employer, business or charity in the UK through HMRC .
 - Grants cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained, up to a maximum of £2,500 per month. May be reduced to 60%
- **Grants for Retail, Hospitality and Leisure Businesses**
 - A £25,000 grant for businesses operating from smaller premises. Your Local Authority will contact you if you are eligible for this grant.
- **Rates Relief**
 - 100% business rates discount for all retail, leisure and hospitality venues,
 - Automatically applied by local councils in April Business Rates invoice.
 - Retail, leisure, and hospitality properties that have been forced to close as a result of the COVID-19 restriction measures ARE eligible for the relief.
- **Support for Businesses that pay little or no Business Rates (Small Businesses)**
 - Grants of £10,000 to businesses currently eligible for SBRR or rural rate relief, expected to be available from 1st April. If you are an eligible business your Local Authority will contact you

Government Support - Payment Deferrals

- **Time To Pay arrangements – TTP**

- Allowing deferral of current tax debts (including corporation/income tax, payroll taxes and VAT) by converting settlement to instalments over a 3-12 month period. Any business is eligible to apply but must provide supporting facts and documentation to evidence cashflow concerns.
- Self-employed are also eligible to apply and should contact HMRC on 0800 0159 559.

- **Deferral of VAT**

- VAT payments between 20th March 2020 and end June 2020 will be deferred. Payment of VAT will be deferred to end of the tax year.

- **Income Tax Payment Deferral**

- Income tax payments on account due to self-assessment on 31st July 2020 will be deferred until 31 January 2021. This will apply automatically and no application is required

Government Support - Loans

- **Commercial Financing Facility**
 - Unlikely to be applicable to most businesses
- **Coronavirus Business Interruption Loan Scheme (CBILs)**
 - Available for small businesses affected by cash flow interruption.
 - Administered by the British Business Bank with Loans delivered through accredited lenders.
 - If your existing bank is one of these, we recommend you contact your relationship manager to discuss further.
- **Coronavirus Bounce Back Loans (BBLs)**
 - As for CIBLs
- See next slides for more information on each

Government Support – Loans – detail

CIBLs Overview

- A lender can provide **up to £5 million**
- Form : term loan, overdraft, invoice finance or asset finance
- CBILS gives the **lender** a government-backed guarantee for the loan repayments to encourage more lending.
- **The borrower remains fully liable for the debt.**
- Personal guarantees of any form will not be taken for facilities below £250,000.
- For facilities above £250,000, personal guarantees may still be required, at a lender's discretion, but:
 - recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied;
 - a Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBILS-backed facility

Government Support – Loans – detail

CBILs continued

- To be eligible the business must:
 - Be UK-based in its business activity, UK tax resident
 - Have an annual turnover of no more than £45 million
 - Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
 - Self-certify that it has been adversely impacted by the coronavirus (COVID-19)
 - Not have been classed as a [“business in difficulty”](#) on 31 December 2019, if applying to borrow £30,000 or more
- Lenders will need further information to confirm eligibility. All lending decisions remain fully delegated to the 40+ accredited lenders.

Government Support – Loans – detail

CBILs continued

- The maximum value of a facility provided under the scheme is £5 million
- The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied charges.
- Thereafter, Interest rate varies
- Duration:
 - Term loans and asset finance facilities: up to six years.
 - Overdrafts and invoice finance facilities: up to three years.
- Information needed
 - Management accounts
 - Business plan
 - Historic accounts
 - Details of assets

Government Support – Loans – detail

Bounce Back Loans (BBLs)

- Can borrow between £2,000 and £50,000, up to a maximum of 25% of turnover
- Loans are interest free for the first 12 months and 100% guaranteed by the Government
- Interest fixed at 2.5% thereafter
- Businesses can apply online through a short and simple form – on the Bank's website
- Loan terms will be up to 6 years. No repayments are due during the first 12 months.
- No fee to access the scheme and no early repayment fees
- **The borrower remains fully liable for the debt.**
- Lenders cannot take personal guarantees or take recovery action over a borrower's personal assets – home or car

Government Support – Loans – detail

BBLs

- To be eligible the business must self certify that it:
 - Is UK-based in its business activity and UK tax resident
 - Was established by 1.3.2020
 - has been adversely impacted by COVID 19
 - Is not in bankruptcy or liquidation
 - whether or not it would have been classed as a [“business in difficulty”](#) on 31 December 2019. A business in difficult is one whose accumulated losses are more than 50% of its share capital, but not an SME less than 3 years old
- Can be a limited company, sole trader or partnership
- Application is intended to be simple and quick – early days to know whether this is so
- Cant get a BBL and a CBIL

Government Support – Loans

Should You Consider these?

- Understandable reluctance not to take on debt
 - But this may be the only option
- Particularly makes sense in a context where there is a cash flow squeeze, before funds come in
- BBLs much cheaper than overdraft - for both BBLs and CIBLs first year is interest free. For BBLs , thereafter capped at 2.5%
- BBLs technically easier to obtain than other bank financing – process, information requirements etc
- Speed of receipt - technically

Government Support – SSP etc

- **Statutory Sick Pay – SSP – for SMEs**
 - SMEs can recover a maximum of two weeks' sickness pay per employee : available to employees from day 1 where they have to self isolate or are unwell because of Covid-19
- **Universal Credit**
 - Freelancers and the self-employed may also benefit from the £1,000 p.a. increase in the (Universal Credit (UC standard allowance, the equivalent increase in the basic rate of Working Tax Credit and the uprating of Local Housing Allowance. Government is temporarily relaxing the Minimum Income Floor for all self-employed UC claimants for the duration of the outbreak. This means a drop in earnings due to sickness or self-isolation or as a result of the economic impact of the outbreak will be reflected in claimants' awards. Claimed online or via phone.
- **Contributory Employment and Support Allowance**
 - Self-employed people unable to work because they are directly affected by Covid-19 or self-isolating will also be eligible for Contributory Employment and Support Allowance. As announced at Budget, this is now payable from the first day of sickness, rather than the eight

Other Steps to be taking

Demand-side issues

- **Wholesale Contacts**
 - Cancelled orders – do you have redress?
 - Non payment of delivered orders – larger businesses are prioritising smaller suppliers – so get in touch
 - STGs – there have been quite strict interpretations – worth discussing
 - Future orders - flex your production orders if you can
 - Communicate
- **Customers**
 - Maintain engagement
 - Story telling

Other Steps to be taking

Supply side issues

- **Inventory Management**
 - Own ecommerce
 - Platforms
 - Sample/archive sales
 - Reallocating stock geographically
 - Reallocating collections – defer to later season/next year ?
- **Suppliers**
 - Establish which are your key suppliers
 - Keep in touch – a supply problem could be coming

Other Steps to be taking

- **Staff Costs**
 - Pay
 - Reduced hours
 - Approach to freelance staff
- **Other costs**
 - Rent
 - Sampling
 - Production runs
 - Shows
 - PR/marketing

Aim for efficiency of spend with a view to the longer term viability of the business

Key Questions

Having taken all the steps you can, ask yourself

- **Should you continue to run the business today ? Have you got a business model that works, as you go through the crisis and come out the other end**
- **Should you mothball/pause the business? And come back with a different structure or proposition**
- **Should you seek to apply your expertise within a larger organisation?**

Planning for the Future

No one has a crystal ball to know when things will change or how and what the world will look like, but some areas to consider

- **When** will things open up ?
 - June?
- **What** will the recovery look like ?
 - Dependent on 2nd wave, vaccine, personal finances and sentiment
 - Unlikely to get back to normal this calendar year ...may be not even next
- **When** will people want to start shopping again
 - China suggests a step as opposed to a linear recovery
 - Browsing before buying

Planning for the Future

What will people buy?

- McKinsey research suggests people will buy **20% less apparel** than before
- Personal finances and employment
- Changing attitudes
 - story telling
 - sustainability vs excess
 - Comfort
 - Luxury/value for money vs expensive
 - Role of occasion dressing ? Or will we all wear leggings (please, no)?
 - Top half dressing
 - Apparel vs accessories

Planning for the Future

Lessons from recent weeks

- Wholesale
- Own retail B&M
- Own ecommerce

Being multi channel is even more important than before

- Own Retail
- Own Ecommerce
- Role of wholesalers
- Role of platforms

Planning for the Future

Ask yourself whether you can/need to make some other fundamental changes in your business model;
Including

- Pop ups to connect direct
- Shared services and collaboration on premises, resources, services etc
- Deadstock vs specially created stock
- Demand led Manufacturing
- Is your business better suited to a demi-couture/made to order approach, than a widely based distribution model

Planning for the Future

If you didn't already have a viable, self sustaining business model - you need to create it now as Investors will be even more picky than before

- Gross Margin
- Opex
- Distribution Channels
- Customer Engagement
- Get a grip of your finances
- Get organized – see BFC white papers

Investors will have been hard hit.....but historically great returns are made by investing at times like these. So there will be opportunities

And if it all feels too much Ask yourself

How do you eat an elephant?

One mouthful at a time...