



## CV-19 IMPACT, CLOSURES AND THOUGHTS ON RECOVERY

APRIL 2020

When the government advised the closure of our businesses on the 23rd March, a moment of time was created in UK hospitality that will be talked about for decades to come. Everyone will know where they were and what they were up to when Boris Johnston formally advised that due to the Coronavirus spreading, there was a requirement to shut all pubs, cafes, bars and gyms from midnight. For lots of owners, publicans and hoteliers the decisions made that day has changed the course of their history and for many this unparalleled event can be ranked along with the shooting of JFK or the September 11th attack on the World Trade Centres - it is that significant. Immediately, questions were raised over the ongoing costs and the ability of many small, but also large, businesses that if there was no income: **“how they would survive?”**, **“how long will they be shut?”**, and **“what will happen when they re-open?”**.

Whilst we all acknowledge that we are in the centre of a global pandemic which will sadly and unfortunately take the lives of many people over the coming months; the effects of CV-19 will not just be personal, but will also impact on the future socially, economically and financially.

In the first of our publications surrounding the coronavirus we will look at what we have learnt to date and over the weeks we will talk further about the influence it is having on the hospitality industry giving our broad observations on the impact of the closures, thoughts on recovery and key actions in the ongoing process that might be useful for owners, financial advisors, banks and other lenders.

### WHAT HAS BEEN LEARNT SINCE MARCH?

Following the Prime minister's speech, the HM treasury announced a set of grants and support that would be available for businesses to assist them in these unprecedented times. Whilst the expected 12 month business rate relief for firms was welcomed a new term 'furloughed employee' suddenly entered our business vocabulary this as well as a number of interest free loans suddenly gave hope that things were not as bad and that the government was there to help. Our recent involvement with business have highlighted the key points overleaf;



## FURLOUGHING

A grant for up to £2,500 can be applied for to cover 80% of the costs of the staff rather than create redundancies. This is equivalent to £36,000 per year salary. Businesses are not obliged to top up, all other benefits including holiday accrual are still payable. Staff can not work or volunteer to work on behalf of the employer.

- Staff need to in general agree to being furloughed
- Furloughed staff have to be on the PAYE payroll on the 28th February 2020
- That staff are required to be furloughed for a minimum of three weeks
- That the business will likely need to fund the wages until the end of April when the portal is set up and grants can be processed.

## BUSINESS GRANTS / LOANS

Several grants and loans have been announced in recent days that can assist some businesses. Below are some of the main points we have come across but for more detailed information go to [www.gov.uk](http://www.gov.uk) and follow the links to coronavirus business funding.

- For small business with under £51,000 rateable value a non-repayable grant is available via their local council
- VAT due in this quarter can be automatically deferred to April 2021
- That the 12 months interest free loans are not easily accessible currently and three years of accounts are requested
- Business that have assets aren't necessarily applicable for the loan as they are more orientated for business that normally can't get loans easily
- The loans are guaranteed up to 80% by the government, applications are via the main UK banks and it should be noted that these are not grants and therefor need to be repaid.

## MESSAGE FROM THE BANKS

Each bank that we have spoken to is very open to trying to help wherever possible, and most lenders have signed up to the Coronavirus Business Interruption Loan Scheme (CBILS). They are stressing the point that existing relationships are critical and that understanding the requirements quickly is essential in part of the decision-making process.

- We are here for our customers and willing to assist where possible
- Easily achieved and rapid extensions with no arrangement fees on overdraft to existing customers in order to help with wages prior to the furlough grant being repaid
- Up to 6 months capital repayment holidays available.

For further information go to [British Business Bank CBILS](#).



The above measures announced by the chancellor combined with the Bank of England's reduction of the interest rate have been welcomed by many hospitality businesses as relief to the current situation. However, good advice and planning ahead are now absolutely critical to get on the front foot for when the restrictions are lifted. If you or a client might benefit from speaking with us or require additional information to the outline on the Assured services overleaf, please contact me personally.



**Mathew Griffin**  
Managing Director

**M** 07850 240824  
**E** mgriffin@assuredhotels.co.uk

## LIVE CASE STUDY

Assured Hotels were appointed in late March over a branded 150 bed single asset in the north of England, to assist the on-property management team and protect shareholder and funder value. With an offer on the table confidence across all parties was critical to keep that exit live, and despite the obvious challenges we are still working towards the objective in June. Our immediate focus includes:

- **Staffing**  
Reduction in planned retained employees onto furloughed status (CJRS) saving critical cash for the lender
- **Property**  
In line with staffing and insurer requirements, ensure asset and reduced staffing are safe
- **Health & Safety**  
Comprehensive review of all compliance and property issues, including fire, water safety and training are all documented. Critical towards exit to avoid obvious price chips
- **Cash flow**  
Negotiations with all creditors to agree deferral and standstill arrangements, making use of all Government grants and support available. Managing expectations on timing is crucial, for example as yet unsure when furlough grants will be received
- **Re-launch planning**  
Includes sales & distribution channels and key supply chain, ready for when travel ban is lifted. Again, realistic timing on various scenarios to be forecasted.

## OUR SERVICES

Assured Hotels, a UK based hotel management and advisory business, whose ethos is based on a flexible approach through adding value for all stakeholders. Our teams work nationally, advising both corporate and leisure markets across the independent and branded / franchised sectors.

In conjunction with our trusted partners, Assured Hotels can assist with:

- Immediate and medium-term cash flow forecasting
- Understanding of Government grants & support (Job Protection Scheme, rates relief and CBI loan scheme)
- Negotiations with creditors (TTP on VAT & PAYE, supply chain & aged creditors)
- Provide key stakeholder, shareholder confidence through senior Management support
- Re-launch strategies for sales recovery and supply chain.

## OVERVIEW

Founded in 2008, Assured Hotels has a proven track record in helping independent hotels and groups achieve both commercial success and value added through EBITDA growth. Over the past 10 years we have successfully worked with over 250 clients across all areas of the UK from large branded hotels to small independent family owned businesses with only a handful of rooms.

AH offer complete flexibility in our terms of engagement, and whether on a formal hotel management contract (HMA) basis, a business turnaround or an advisory project, our core services include:

- **Hotel Management & Consultancy**
  - Sales & marketing, revenue management
  - Procurement and cost control management
  - Developing CAPEX budgets through ROI feasibility, sign off and then managing delivery
  - Advice & management of statutory compliance, Health and Safety, HR and all other litigious matters.
- **Acquisition & Funding Due Diligence**
  - Financial and operational due diligence combining finance expertise with hotel operational capability
  - Transition support - services required in helping a move from one owner to another, assisting recruitment and development of on-site management
  - On-going support - various ways this could be structured including full management (HMA) contract, asset management to light touch monthly reviews.
- **Accountancy Services**
  - Monthly management information, integrated P&L forecast, balance sheet and cash flow.