

CV-19 IMPACT, CLOSURES AND THOUGHTS ON RECOVERY - PART 2

APRIL 2020

Despite the as expected Government announcement last Thursday 16th of an extension to the lockdown period, the focus of our work and this second CV-19 update now looks towards recovery and re-launch planning. Assured Hotels are focused on the need for clear decisions and planning now towards any re-launch, and underpinning this is the need now more than ever of a cash flow forecast.

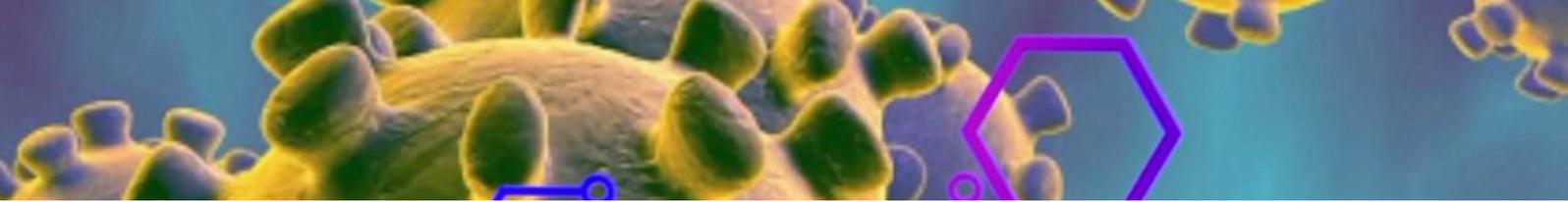
Despite no income the need to understand outgoings is more critical to business survival, and we have approached this by:

1. Calculating payroll accurately:
 - a. Furloughed staff from the “effective date” they agreed to start their leave of absence
 - b. Retained staff on 100% salary, to carry out business critical roles
 - c. Redundancy, where staff members didn’t meet the CJRS criteria
 - d. Furlough grant receipt, we have assumed a prudent date in mid-May
2. Negotiations with creditors, many are being very agreeable to payment holidays, based on clear and regular communication
3. Constant review of other Government support and funding, see our summary updates below.

With clear cash flow planning and negotiations with supply and other creditors we are seeing businesses able to “mothball” their operations for a relatively small actual cost to the business. This revised “cost” to mothball the business could be as simple as retained staff, insurance premiums and reduced utility. It is also crucial that insurer advice has been sought on minimum retained staffing levels and an agreed and documented checklist to maintain integrity of the property and business critical plant and systems.

We have selected a live case study to demonstrate this process in practice, [which can be read here »](#). We have mothballed this 150-bed asset with a retained staff cost of £9k per month and other creditor payments of just over 10% of its normal outgoings when we factor in the furlough grants due for March and April.

By deferring creditors this does put pressure on the re-launch of any hotel, however once the exit strategy from the restrictions becomes clearer in the coming weeks we will set out plans in our subsequent CV-19 updates on areas such as procurement and supply chain, sales relaunch and how the revenue growth recovery will translate into our cash flow projections in these unprecedented circumstances.



SUPPORTING HOTEL OWNERS - MEET WITH US ON A NO OBLIGATION BASIS

In direct response to the current crisis, and specific to the challenges faced by the hotel & hospitality sector Assured Hotels will be offering a no obligation meeting time to hotel owners and stakeholders in the sector.

We will be providing access to our senior team to discuss any challenges you or your client may be experiencing. We have made our significant experience and resources available without charge to cover all of the main disciplines of finance, procurement, sales and revenue management, plus funding and government support access. We will endeavour to answer any question raised, so please contact us by booking a meeting slot at the link below or calling **0203 205 7239**.

HUBSPOT MEETING [BOOK A SLOT HERE »](#)

WHAT HAS BEEN LEARNT SINCE EARLY APRIL?

Since our first CV-19 update there has been some further clarity on some of the support available to businesses, we have summarised below, and the full details are at the links included.

FURLOUGHING

As a reminder payroll grants for up to £2,500 per employee can be applied for to cover 80% of the wage cost rather than create redundancies. There was a detailed update on the HMRC website (hyperlink) 4th April which focused on the claims process, a summary of what can and can't be claimed:

What you can claim for:

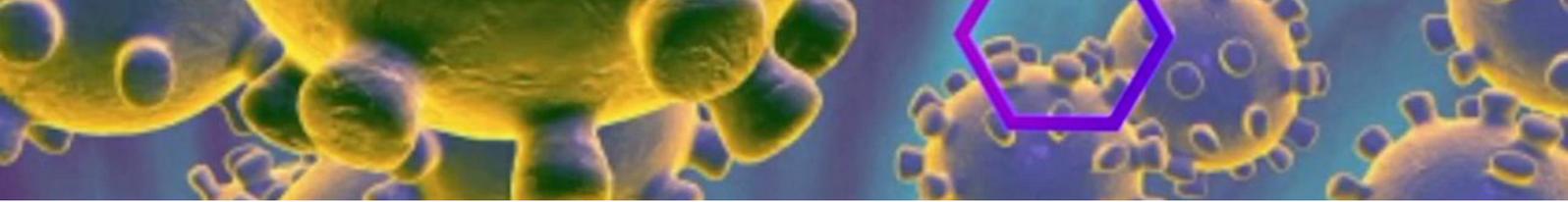
- 80% of your employees' wages up to a maximum of £2500, this includes people on the minimum wage
- Minimum automatic enrolment employer pension contribution on the subsidised wage
- Employer National Insurance contributions on your furloughed employees pay

What is included in the calculation of employees' wages:

- Pay
- Past overtime
- Fees and compulsory commission payments

What is excluded from the calculation of employees' wages:

- Discretionary bonuses
- Tips/gratuities
- Discretionary commission payments
- Non-cash payments
- Taxable benefits in kind
- Benefits provided through salary sacrifice e.g. pension payments



What isn't covered:

- Apprenticeship levy
- Student loans
- Additional National Insurance of pension contributions you make to top up employees' salaries
- Any pension contributions that you make above the mandatory employer contribution

Since that update the new portal went live 20th April, although we can all expect the initial application period to be very busy. The payment of grants has been quoted as **“following in a number of days”** after application, so as yet unclear. Finally on furlough registration for a PAYE on-line account is crucial, you can sign up for this here: www.gov.uk/payee-online

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

After some initial bad press on the scheme amendments to the application process has been made, particularly for SME's where successful applications have increased. The accredited lenders process has been accelerated, with those in the scheme detailed here - accredited lenders

Other improvements to the scheme particularly on security:

- Insufficient security is no longer a condition to access the scheme
- Lenders will not take personal guarantees of any form for facilities below £250,000
- For facilities above £250,000, personal guarantees may still be required, at a lender's discretion, but:
 - o They exclude the Principal Private Residence (PPR), and
 - o 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

The British Business Bank also states on its website: www.british-business-bank.co.uk

“Access to the scheme has now been opened up to smaller businesses facing cash flow difficulties who previously would not have been eligible for CBILS because they met the requirements for a standard commercial facility. You may therefore consider re-contacting your lender if you have previously been unsuccessful in securing funding.”

“We have communicated that these changes should be retrospectively applied by lenders for any CBILS facilities offered since 23 March 2020. For any commercial (non-CBILS) facilities offered since the same date, providing the borrower meets the CBILS eligibility criteria, lenders have been asked to bring these facilities onto CBILS wherever possible (e.g. where the lender is accredited to offer the same facility through CBILS) and changes retrospectively applied as necessary.”

In addition to security changes the new scheme enhancements took effect from 6 April 2020.

Cont.



KEY FEATURES OF CBILS:

- Up to £5m facility: The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years. A number of the banks are limiting the amount that can be applied for to:
 - o 2 x annual wage bill or
 - o 25% of turnover
- 80% guarantee: The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender
- No guarantee fee for SMEs to access the scheme: No fee for smaller businesses. Lenders will pay a fee to access the scheme
- Interest and fees paid by Government for 12 months: The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so most (*) smaller businesses will benefit from no upfront costs and lower initial repayments. However as the funds are those of the individual bank / alternative lender, the interest after the first 12 months and duration of any capital repayment holidays will vary between lenders
- Finance terms: Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years

Assured Hotels are able to provide longer term financial modelling for these emergency loans, to include both the short range cash flow and the medium term based on a prudent recovery, based on different re-launch scenarios.

LINKS TO USEFUL INFORMATION:

- General Financial Support for businesses - www.gov.uk
- Coronavirus Business Interruption Loan Scheme - [CBILS](#)
- Coronavirus Job Retention Scheme - [CJRS](#)



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LIVE CASE STUDY [CLICK HERE TO VIEW »](#)

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.