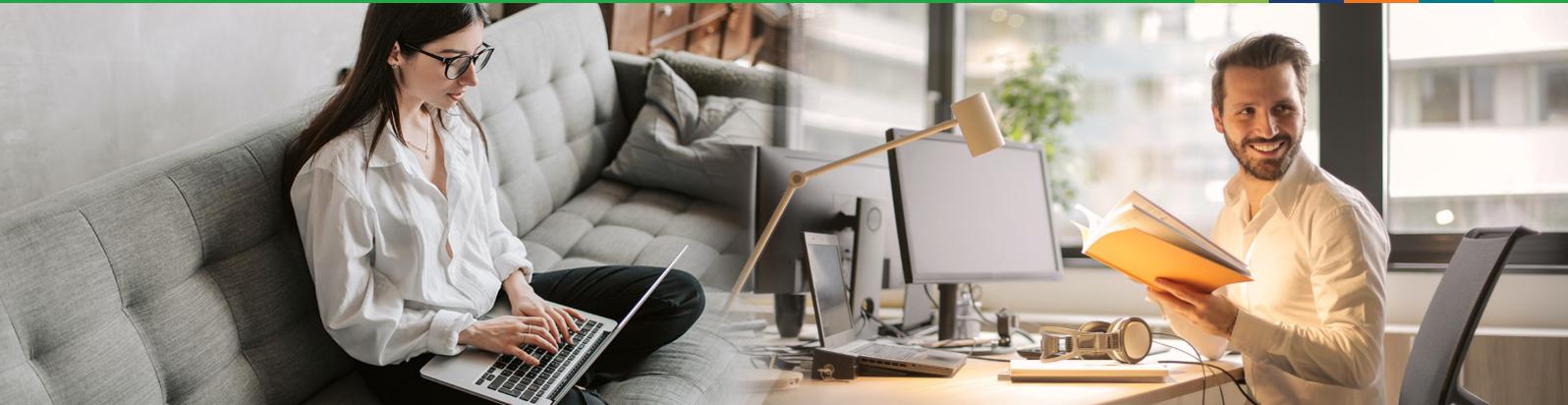


FURLOUGH EXTENSION AND GOVERNMENT BACKED LENDING UPDATES



FURLOUGH EXTENSION

As you will have seen across all the media channels, the Chancellor has extended the existing furlough arrangements until the end of October, and indicated that he will add some flexibility for part time return to work with employers contributing to the cost. Many employers have furloughed people they could have retained part time as a result of the 'all or nothing' nature of the support.

Whilst the exact details are yet to be announced, this will be a huge relief to many employers, and employees alike. The previous expiry date of 30 June would have placed many businesses in the difficult position of having to cover full pay before the business could really afford to do that, or considered redundancies.

The ability to bring people back gradually over the next 5 months, full time or part time, as the business seeks to recover from the lockdown, should help many employers to manage this transition much better.

What this also does, is allow businesses start to get a clear plan together. Produce some forecasts that show which employees will be needed at various levels of activity, so that you can plan who returns and when, and how the 1 August shift to part time furlough support can help manage this.

Further updates to follow, but start your planning now.

GOVERNMENT BACKED LENDING UPDATES.

The government has provided three levels of funding support. Up to £50k can be borrowed as a Bounce Back Loan (BBL) on a 100% government guarantee. Many clients found the application process very quick and easy and most had the funds within a couple of days. In fact the government statistics show that around 74% of applications have already been approved with an average of £31k borrowed.

Bigger loans were possible under the 80% government guaranteed, Coronavirus Business Interruption Loan Scheme (CBILS). Roughly 50% of applications have now been approved and funds advance at an average of £170k. The 80% guarantee is a little misleading as many larger (£250k+) loans required personal guarantees, and sole traders and partners of traditional partnerships (non-LLP) were still in effect first in the queue to cover any debt (as they are with BBLs).

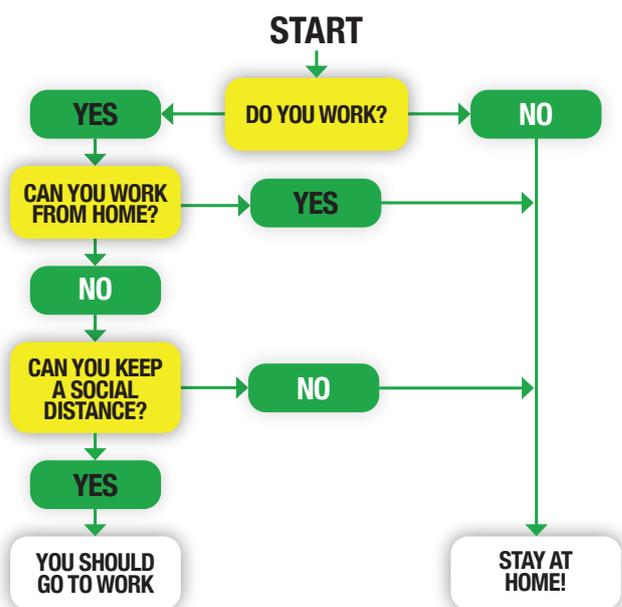
The final group were very large businesses. Only 16% of these applications have been approved and funds advanced, but at an average level of £6.1m.

It is important to say that there may be more applications still in the various bank's approval systems, so success rates will probably go up slightly, but 50% success rate on the main CBILS support package does seem a bit on the low side. It was almost certainly the reluctance of Banks to support these loans, which prompted the creation of the BBL scheme and the almost 270,000 successful advances within a week.

It is easy to be critical, but to have advanced a total of £15billion with lending solutions that didn't exist 8 weeks ago, is quite remarkable really.

So if you haven't applied yet, then look at these options to help manage your cash flow over the coming months.

As an amusing side note, there was a simple flow chart on social media to explain the new working arrangements announced by Boris. Hopefully this is clearer than the announcement!!



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