

# COVID-19 Government Funding Update

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# Introduction



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Hawsons understand that this is a difficult time for businesses and households. This newsletter serves as an update to the one we circulated in March and contains some of the latest updates regarding funding.

If you are a business owner or an employee and are unsure what to do next, please get in contact with your usual Hawsons contact who can point you in the right direction. If you are not a client of Hawsons please fill out this short [contact form](#) and we will be in touch shortly.

For the past 165 years we have supported our clients and will continue to stand alongside them during these turbulent times. Please do get in touch if you need us.

Please stay safe. From everyone at Hawsons.

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# Coronavirus Statutory Sick Pay Rebate Scheme

If you are an employer, you may be entitled to use the Coronavirus Statutory Sick Pay Rebate Scheme.

The government launched this online scheme on 26 May 2020. This scheme is aimed at small and medium-sized businesses. This scheme will enable businesses to reclaim Statutory Sick Pay (SSP) costs incurred that were related to Coronavirus.

## Who can use the scheme?

Employers can make use of this scheme if:

- You're claiming for an employee who's eligible for sick pay due to coronavirus
- You have a PAYE payroll scheme that was created and started on or before 28 February 2020
- You had fewer than 250 employees on 28 February 2020

Employers can claim for the Coronavirus Job Retention Scheme and the Coronavirus Statutory Sick Pay Rebate Scheme for the same employee, but not for the same period of time.

The repayment will cover up to 2 weeks starting from the first qualifying day of sickness if an employee is unable to work because they either:

- Have coronavirus symptoms
- Cannot work because they are self-isolating because they live with someone who has symptoms
- Are shielding and have a letter from the NHS or a GP telling them to stay at home for at least 12 weeks

Before 6 April the weekly rate of SSP was £94.25, and after 6 April the weekly rate of SSP is £95.85. If you pay your employee more than the weekly rate of SSP you can only claim up to the weekly rate paid.

For more guidance please visit the government website [here](#).

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# The Local Discretionary Grants Fund

The Department for Business, Energy & Industrial Strategy has set up a discretionary fund to accommodate small businesses outside the requirements for the business grant funds scheme.

## Who is this scheme aimed for?

This scheme is aimed at small businesses with ongoing fixed property-related costs. Alok Sharma, the Business Secretary, and Simon Clarke, the Minister for Regional Growth and Local Government spoke to local authorities in England to set out the scheme in which £617 million would be made available. Alok Sharma and Simon Clarke asked the local authorities to prioritise businesses in shared spaces. For example, market traders, small charity properties that would meet the criteria for Small Business Rates Relief. Plus, bed and breakfasts that pay council tax instead of business rates.

## Which businesses are eligible for this scheme?

To be eligible for this scheme your business must qualify as a small business (or micro business). These requirements are as follows:

- Under 50 employees
- Turnover of no more than £10.2 million
- Balance sheet total not more than £5.1 million

You must also show that your business has seen a significant decrease in income due to Coronavirus lockdown measures.

This grant funding has been set-up for businesses that are not eligible for any other support schemes. Therefore, businesses that have received cash from any central government COVID-related scheme are ineligible for funding from the Discretionary Grants Fund. These schemes include but not limited to:

- Self-Employment Income Support Scheme
  - Small Business Grant Fund
  - Retail, Hospitality and Leisure Grant
  - The Fisheries Response Fund
  - Domestic Seafood Supply Scheme (DSSS).
  - The Zoos Support Fund
  - The Dairy Hardship Fund
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There will be three levels of grant payments. The top-level being £25,000, the second level will be £10,000. On the third level, local authorities will have the discretion to make payments of any amount of under £10,000. Local councils will need to adapt this approach to local circumstances. Local Authorities have been given discretionary guidance for the Grant Funding schemes which can be found [here](#).

### **How do I apply for the grant?**

This fund is going to be allocated to your local authority. Your local authority will open some sort of application process. This is because potential beneficiaries will likely not be known by local authorities. They will then decide on their own discretion criteria which businesses will be eligible for this grant. Therefore, an application process will be required.

If you think that your business is eligible for this grant, please visit your local authorities' website regularly for details of the availability of grants, the criteria for the grants, and the process for making applications. It is important to note that the grants are taxable.



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# Rishi Sunak Announces Bounce Back Loan Scheme

Chancellor Rishi Sunak has announced that small businesses will be able to access loans of up to £50,000 through the Bounce Back Loan Scheme which will be 100% government-backed. This announcement comes after many small businesses said they were either being rejected for the Coronavirus Business Interruption Loan Scheme or that credit checks by banks were taking too long. Therefore, the government has decided to back the loan with a 100% guarantee.

## How to apply?

The “Bounce Back Loan” scheme is aimed at small and micro businesses which many believe are the backbone of the British economy. This scheme has been designed so businesses can access money quickly. Businesses will be able to apply for this scheme online through a short application form which will launch on Monday 4 May. If your application is successful, the money will be in your business account within a few days. No credit check is needed as this is a 100% government-backed loan.

## Terms of the loan

- No fees or interest in the first 12 months
- No capital repayments due in the first 12 months
- Loan term of up to 6 years
- Businesses can borrow anything between £2,000 and £50,000

## Eligibility

- You can apply if your business:
  - Is based in the UK
  - Has been negatively affected by the coronavirus
  - Was not an ‘undertaking in difficulty’ on 31 December 2019
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## Businesses that cannot apply

- Banks, insurers, and reinsurers (but not insurance brokers)
- public sector bodies
- state-funded primary and secondary schools
- You cannot apply if you are already claiming on the Coronavirus Business Interruption Loan Scheme

It is important to note that if you received a loan through the Coronavirus Business Interruption Scheme of up to £50,000, you can arrange to switch it to a Bounce Back Loan scheme with your lender up until 4 November 2020.

Please visit the [Government guidance](#) website to keep up to date with announcements.



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# The Government has announced a scheme worth £1.25bn to help start-ups

This new scheme is for start-up businesses that do not qualify for any of the other COVID-19 business support schemes. Chancellor Rishi Sunak said this would help start-ups through this difficult period plus it would boost the growth of UK's economy once the coronavirus pandemic crisis has subsided. Many start-up businesses lose money in their first few years of trading meaning they cannot apply for Coronavirus Business Interruption Loan Scheme. The Government want to make sure that the coronavirus pandemic does not sink the UK's fast growing innovative businesses – which are deemed riskier investments that do not lend easily to bank funding criteria.

## **Are there strings attached?**

Yes – there are strings attached, firstly, to be eligible for government investment your company must have raised private funds of at least £250,000 in the last five years. Secondly, any investment made by the government must be matched by private investors.

It should also be noted that if the government is not repaid then they will take an ownership stake in your company. The entrepreneur community has generally accepted this scheme and this is welcomed support. However, there are concerns over the complexity of the scheme which could catch out businesses looking for quick investment – something that is apparent in many other support schemes outlined to date.

## **Coronavirus Business Interruption Loan Scheme**

Pressure is now being put on the government to increase the loan guarantee from 80% to 100% on the Coronavirus Business Interruption Loan Scheme. The main reason for this is that just over £1bn of government-backed loans have been approved out of £330bn total support package. Many firms have said that banks have not approved their loan due to banks being left to cover 20% of the losses if the loan cannot be repaid, with the banks wanting sufficient recourse and/or headroom in the event of the business failing. It is hoped that the increase in government guarantee increasing to 100% will remove some of the barriers being faced by businesses during the application process.

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# Coronavirus Job Retention Scheme Update

At a recent briefing, the Chancellor Rishi Sunak outlined how employers will shortly have to start sharing the cost of the Coronavirus Job Retention Scheme.

Workers can return to work from the start of July on a part-time basis, but companies will have to pay 100% of the wages for the time that employee spends working. So, for example, you could bring an employee back for 2 days a week and the employer would pay the employee for those 2 days and the furlough scheme would cover the other 3 days.

The Chancellor also announced that the scheme would start to be tapered from August and would finish completely at the end of October.

From August employers will pay National Insurance and Pension Contributions. In September employers will pay 10% with the government contributing 70% with a cap of £2,190 a month. In October the employer contribution will increase to 20% with the government paying 60% with a cap of £1,875. At the end of October, the scheme will finish.

It should also be noted that there can be no new entrants to the furlough scheme after 10 June. So any employee who has not been furloughed by then will not be able to access the scheme after this date. We would encourage all firms to review their furlough position by this date to ensure they don't get caught out subsequently.

There will be no changes to the scheme by sector, which has disappointed those in industries more heavily impacted by COVID-19. However, the government is trying to carefully balance the support required for the economy against the huge cost of providing this support. Hopefully, this more gradual withdrawal will help the economy to pick up as consumer demand returns.

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## Changes to current Coronavirus Business Interruption Loan Scheme (“CBILS”)

There have been many reports of businesses having issues in accessing much-needed funding through the CBILS facility. Issues have included demands from lenders for Personal Guarantees and being pushed towards more expensive “standard bank products” as opposed to CBILS where interest and fees are covered by the government for the first 12 months.

Under the revisions to the scheme we now understand that smaller businesses that have previously met the requirements for a commercial facility (i.e. non CBILS), will now have the opportunity to apply for Coronavirus Business Interruption Loan Scheme as insufficient security is not a requirement anymore. Therefore, lenders no longer have to assess the possibility of other forms of finance ahead of CBILS which should increase both response times and access to the government backed scheme.

In addition, Personal Guarantees will not be required for applications of less than £250k and for applications above £250k, PG’s will be restricted to 20% of the funding sought.



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# Coronavirus Large Business Interruption Loan Scheme

Concerns had been raised that there are a significant number of businesses, contributing a great deal to the UK economy, that fell between the support of CBILS (which is only available to businesses with turnover of less than £45m) and the support available to large scale businesses with an investment grade credit rating (typically large plc's).

To address these issues the Coronavirus Large Business Interruption Loan Scheme (CLBILS) has been launched which will enable businesses with an annual turnover of £45m-£500m to apply for an 80% government backed loan of up to £25m.

A key difference to note in comparison to the smaller business equivalent scheme is the business interruption payments which cover interest and fees for the first 12 months will not apply to CLBILS.

Whilst it is inevitable that there will still be businesses that can't access these schemes, these revisions are very welcome enhancements to the package of measures the government have introduced to support business.



# Get in touch...

Hawsons understand that this is a difficult time for everyone. If you are uncertain what to do next, please do get in touch with your usual Hawsons contact who can point you in the right direction. If you are not a Hawsons client please use this [contact form](#) to get in touch with us and we will be pleased to help you.

In the meantime, please do keep up to date with the latest Government announcements concerning businesses here

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