

The Coronavirus Job Retention Scheme (CJRC) – Update 26 March 2020



Objectives

- An overview of the CJSC
- Practical guidance
- Our support TO YOU



Government Support – Summary

The package of measures to support businesses includes:

- Coronavirus Job Retention Scheme.
- Deferring VAT and Income Tax payments.
- A Statutory Sick Pay relief package for SMEs.
- A 12-month business rates holiday for all retail, hospitality and leisure businesses in England.
- Small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief (regional variances).
- Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000 (regional variances).
- The Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank.
- A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans.
- HMRC Time To Pay Scheme.

Coronavirus Job Retention Scheme (CJRS)

All UK employers will be able to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off during this crisis. All UK businesses are eligible.

You will need to:

- designate affected employees as 'furloughed workers,' and notify your employees of this change - changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation
- submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required)

HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. HMRC are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

The Spirit of The CJRS:

- UK employers with a PAYE scheme will be able to access support to continue paying part of their employees' salary for those that would otherwise have been laid off during this crisis. This applies to employees who have been asked to stop working, but who are being kept on the payroll, otherwise described as "furloughed workers".
- HMRC will reimburse 80% of their wages up to £2500 max per month
- This safeguards workers from being made redundant
- Covers the cost of wages backdated to 1ST March and is initially open for 3 months but will be extended if necessary.

How Will It Work In Practice?

- Employers will need to designate affected employees as 'furloughed workers' and notify those employees of this change and agree this with them
- May need to discuss and agree with employees to Furlough
- Notify employees in writing with reasons
- 80% or full wage – employer chooses (max £2500)
- Keep a list of Furloughed employees and details of pay, NI, names etc.
- Do payroll using 80% of salary
- Pay employees (albeit 80% of usual pay)
- Furloughed employees should not do ANY work for the employer
- In April HMRC portal to reclaim 80% paid to Furloughed employees

Examples

- Lucky Ltd employs Mr Busy at an annual salary of £24,000 (£2,000 per month). (Ignore pensions and AE)
- Each month, Mr Busy receives net pay of £1,665 which is after deducting PAYE of £191 and employees NIC of £144. On this salary, the employer pays employers' NIC of £174.
- The available grant for the employer is the lower of:
 - (a) 80% of (£2,000 + £174), and
 - (b) £2,500
- So a grant of £1,739 in April when the systems are working



What Actions Should You Take Now?

- See the Small Business Emergency Action Plan
- You must have some figures of where you are and what effect the Pandemic will have on your cash flow
- Then you can make decisions



Immediate Actions

- Work out your estimated sales and costs over the next 3 months and Break even point and do a Cash Flow Forecast - You need these to make decisions:
- Talk to your bank if you have loans or an overdraft
- Apply (if necessary) for Government and Bank support
- **Above all stay strong! Remember your health and welfare is more important than anything else just now. We will help you every step of the way. Together we will beat this!**



SMALL BUSINESS EMERGENCY ACTION PLAN

Not all businesses are going to survive the next three months. If your customers are in isolation and cannot get to you or you cannot deliver or they cannot pay you, there is the reality of reduced or no sales for the next three or so months and even beyond if the virus remains.

The situation we face is one we cannot change we must accept that and it's the same for everyone - we know because our business depends on your success.

What you can do is stay healthy and ensure your loved ones are too. After all, if the business closes and you are healthy you can start again. The reverse is not true.

The Government has stepped up to the plate and we will be letting you know how to get help in due course. We believe in planning for the worst and hoping for the best so work through the following action points. Call us immediately you see a problem in remaining viable.

So, here's what you need to do if your sales are going to take a hit.

1. Stay healthy, follow the Government guidelines for you, your family, co-workers, employees and community. Work from home where you can manage administration.
2. Work out your expenses (including salaries) for the next three months.
3. If you are in retail – work out your breakeven point by dividing your costs by the Gross Profit margin. That's the sales figure you must achieve to cover expenses.
4. If you are in the service sector add your expenses to how much do you need to live on and that's the breakeven point in terms of billings or fees you need to charge over the next three months.
5. For hotels, pubs and restaurants contact us immediately. For manufacturers work out product sales and do the same calculation.
6. If it looks like you are not going to be able to operate at break-even look at your cash or bank balances – have you got enough money saved to survive after paying anyone you owe money?
7. Estimate your cash flow over the next three months using the attached resources to help do this.
8. If you need help in doing these calculations talk to us – we can talk you through these for you. Without the figures you cannot make clear decisions.

Resources Available: Cash Flow, Break even and "What if" tools

Six-month cash flow template (small business no debtors)

If you receive cash or card for sales at the point of sale, this could help with estimating cash surplus / deficit for the next 3-6 months' time.

Cash estimates						
	March	April	May	June	July	August
A Cash from sales						
B Cash out to suppliers						
C Employee / owner costs						
D Distribution and Marketing costs						
E Heat light and similar Costs						
F Rent and rates						
G Other						
H TOTAL COSTS (Add B to G)						
Net Cash surplus or deficit (sales less costs) A less H						
PUT THIS FIGURE IN SURPLUS / DEFICIT BELOW						
Bank Balance brought forward						

Company	Simple Cash Flow Forecast													
Start Date	Mar-18													
	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total	
Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Sales		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank interest received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Miscellaneous Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
VAT Refund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Advertising	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Audit and Accountancy Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Book-keeping & payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Rates and water	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Carriage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Clothing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Consumables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Direct Equipment Maintanar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Direct labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Electricity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Fines and penalties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Fuel and Oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Gasoil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
HP interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
IT Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Breakeven point:

Costs	£87,200
Profit Margin	40 %

Required Turnover...

£218,000 per annum

£18,167 per month

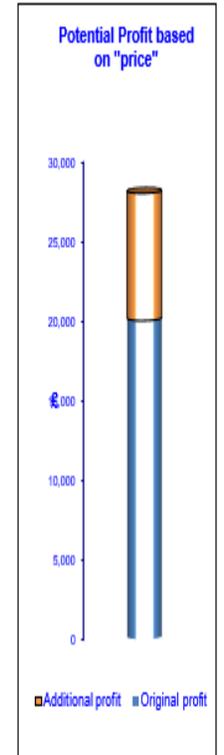
£4,192 per week

All figures exclude VAT.

ABC Limited

How much profit would you like to make?

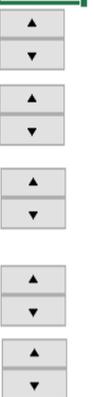
	Last year	As % of Revenue
Sales	100,000	100%
Direct Costs	20,000	20%
Direct Wages	20,000	20%
Gross Profit	60,000	60%
Expenses	40,000	40%
Depreciation		
Other income		
Net Profit	20,000	20%



Please note the following potential profit movements

Increasing expenses by	10%	will decrease profits by	£ 4,000
Decreasing sales by	10%	will decrease profits by	£ 6,000
Decreasing prices by	8%	will decrease profits by	£ 8,000
Increasing "prices" by	5%	= the same profit as before even if you lose volume of	8%
Decreasing "prices" by	10%	= the same profit only if you increase volume by	20%

% spinner



What's Next?

- The situation is changing daily
- Get your Action Plan in place
- Know your figures and make projections for the next 3 months
- Apply for Government or bank support (if applicable)
- Be strong and above all look after your and your families Health.
- We are with you all the way – our business depends on you.

Please contact us for further information

