

COVID-19



NI START-UPS AND SCALE-UPS

POTENTIAL
SUPPORT
AVENUES

PURPOSE

In the weeks and months ahead, many of Northern Ireland's Start Up and Scale Up companies will need monetary support to survive and move forward, post this unprecedented Coronavirus pandemic.

This document has been prepared by Catalyst to assist in clarifying the potential forms of financial support, specifically for NI start-up and scale-up companies, during the Coronavirus outbreak. It will be updated frequently.

Coronavirus Business Interruption Loan Scheme

For companies with cashflow and probably profitability, the new British Business Bank Coronavirus Business Interruption Loan Scheme (CBILS) could be helpful. It will be run by the banks with a proportion of up to £5m loan 'guaranteed' by government. This scheme became operationally live on 23rd March. NI banks operating the scheme include Danske, Bank of Ireland and Ulster Bank.

It applies to companies who would have been considered 'viable' before the virus. The banks' actual interpretation of this phrase will be crucial.

There is 0% interest for 12 months and 80% of the loan is guaranteed by government via British Business Bank. However, the 15% per lender cap from the previous Small Firms Loan Guarantee Scheme has carried into this scheme. This is unpopular with the banks as it significantly increases the risk for the banks, especially in this already very uncertain climate.

Larger loans will require guarantees although personal homes cannot be used as collateral here. However below £250k, it is possible to have loans without guarantees – although this is at the discretion of the lending banks.

The support scheme can be applied to term loans, overdrafts, asset finance and invoice finance.

The original rules about de minimis aid have been dropped.

Companies will have to provide projections etc and there is likely to be a bottleneck in processing these – especially as some bank staff are/will be off work. In addition, NI bank staff have little experience in operating the previous SMLG Scheme.

While in theory this scheme applies to start-ups, British Business Bank suggest that their Start Up Loans programme (loans up to £25k at 6%) may be better suited. Over £7m has been issued to NI businesses under this scheme. See <https://www.startuploans.co.uk/free-start-up-guides>

HOW TO APPLY

Check up on the list of participating banks at <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders>

Approach you own bank first, ideally via their website. After that consider using other banks.

CATALYST SUMMARY

CBILS will work for a limited number of Start Up and Scale Up companies who are sufficiently developed to have been 'viable' for a loan before the outbreak. In practice we fear that obtaining loans, even under this scheme, may prove very difficult in the current risk environment.

BUSINESS SUPPORT GRANT

The UK announcement of £10/£25k grants has not yet been fully translated into NI. However, it is already known that the £25k grant will only be for companies in the hospitality, tourism and retail sectors. This rules out most Start Up and Scale Up companies.

While it might appear that the £10k grant would be helpful for Start Up and Scale Up companies, in practice this will be very limited. The use of eligibility for the Small Business Rate Relief Scheme as a filter means that in practice that it will only apply to very small companies. To illustrate this the NAV for an Innovation Centre unit at Catalyst is above £15k and so such tenants here will not be eligible.

HOW TO APPLY

It is not possible to apply for these grants yet. We currently await the details of their implementation in NI.

Some limited information is on:

<https://www.nibusinessinfo.co.uk/content/coronavirus-business-support-grant-schemes>

CATALYST SUMMARY

The £10k grants may be helpful but only to the smallest Start Up and Scale Up companies.

CJRS

CORONAVIRUS JOB RETENTION SCHEME

This is a bold scheme to provide up to 80% of the costs of workers not working - referred to as 'furloughed'. The details are still to be announced, but this could make a huge difference to many tech companies. However, the exact definition of furloughed worker will be crucial.

There is already significant evidence that the entire funding pathways for new and growing Start Up and Scale Up companies are going to be disrupted for at least 6-12 months. Institutional investors are concentrating on their portfolio investments and ear-marking funds for additional extra funding rounds.

Anecdotally, angel funders are cutting back even more. They too expect to have to do extra funding rounds for their portfolios and in addition their source of funds is their personal savings whose value has plummeted.

Start Up and Scale Up companies who lay off staff will almost certainly be eligible for CJRS.

It seems likely that the detail of the scheme will make it clear that furloughed staff cannot continue working.

Pre-revenue companies who are still developing their tech will need to be very careful not to fall foul of these rules once announced. This will be despite their natural desire to use this opportunity to continue their vital development work.

HOW TO APPLY

HMRC states that employers need to designate affected employees as 'furloughed workers' and notify them of this change and then submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal which has yet to be set up.

CATALYST SUMMARY

This scheme will be massive in helping Start Up and Scale Up companies survive. However, care will be needed to ensure compliance with the rules for furloughing once available.

R&D TAX CREDITS

This one existing area of support might in fact provide a quick route to increased liquidity. R&D tax credits can be claimed much more widely than the name suggest, so many potentially eligible companies are not aware they can claim.

Recently new entrant providers have the ability to implement claims with a semi-automated process quickly and with much reduced cost. Some also couple this with a finance option which allows almost instant access to the cash for a small percentage of the claim.

HOW TO APPLY

The basic details of the scheme are on:

<https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief>

A quick search will reveal a large number of specialist provider companies who can help with this process. In order to gain access to cash more quickly, companies may wish to check which providers also include a financing or advance service alongside the application process.

CATALYST SUMMARY

Many Start Up and Scale Up companies may not be aware of R&D tax credits, the speed with which they might be applied for and that some providers can give the cash almost upfront. For these companies, this scheme should be examined urgently.

GENERAL FUNDING OPTIONS

There are a number of measures which will help cashflow. These include VAT deferment of 3 months and in some cases rates relief.

Companies who pay rates directly will not need to take any action. However, those renting from landlords should ensure that their landlord passes on the deferment and in a timely fashion. In both cases the effect should be a 25% reduction in the annual rates paid.

CATALYST SUPPORT

As well as updating this document, Catalyst is very actively feeding into government both locally and nationally. It is facilitating the Start Up and Scale Up community to support itself as well as organising virtual support.

CONTACT US

If you are a Northern Ireland Start Up and Scale Up company and want to discuss anything in this document, please contact us:

✉ community@wearecatalyst.org

🌐 visit www.werecatalyst.org for further support.