



Covid 19 Guidance for Sports Clubs

Introduction

The UK and Scottish Governments have announced a range of measures to assist small businesses to cope with the consequences of the pandemic. Initiatives announced to date include the following.

1. Coronavirus Job Retention Scheme;
2. Deferral of VAT and Income Tax payments;
3. Statutory Sick Pay relief for small and medium-sized businesses (SMEs);
4. Business rates relief;
5. Small business grant funding of £10-25,000;
6. A Business Interruption Loan Scheme to support viable businesses with cash-flow pressures;
7. Self Employment Income Support Scheme;
8. HMRC Time To Pay Scheme.

More detail is provided in sections 1 to 8 below with advice on potential insurance claims set out in section 9 and some links to further guidance in section 10. In most cases the support measures are common to the entire UK but the arrangements for rates relief and small business grants in sections 4 and 5 are specific to Scotland.

1. Coronavirus Job Retention Scheme (CJRS)

Under the CJRS, companies will be able to access support to continue paying part of the salaries of employees who might otherwise have been laid off as a consequence of the pandemic. HMRC will administer it through a new IT software system which will take until late April to be operational.

Full details of the CJRS can be accessed via the link below.

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme#employees-you-can-claim-for>

The CJRS has been backdated to 1 March and will operate for an initial three months, i.e. to 31 May.

Clubs will need to take the following steps.

- Designate affected employees as “furloughed workers” and notify them in writing of this change. Any change will have to be consistent with existing employment law and employees’ contracts of employment. Employees’ consent should be obtained but it is hard to imagine them resisting if it means they remain employed and being paid.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal yet to be created.

Further information has now been published, including the following.

- HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month.



- Employers' NIC and pension contributions (up to the 3% rate under auto enrolment) will be reimbursed on top of salary costs.
- All employees will be eligible including part time staff and those on fixed term contracts.
- The claim for full time staff will be based on their contractual monthly pay.
- The claim for part time staff will be based on the higher of their earnings in the same month in the previous year or their average earnings for the 2019/20 tax year, with further options for recent joiners.
- A club will have the option of paying salaries in full or just paying the 80% recoverable, if employees consent to be the latter. This will be a matter for negotiation.
- Furloughed staff must do no work once furloughed. **Clubs should consider sharing any remaining essential duties amongst as few staff as possible to allow all other workers to be furloughed.**

The guidance explains the information clubs will need in order to claim – see link above.

How the CJRS will operate alongside the Time to Pay Scheme (see section 8) has yet to be clarified. It is assumed that, where clubs have sought to utilise Time to Pay, HMRC will only reimburse them with their claims net of PAYE & NIC deducted from that month's payroll but this has yet to be confirmed.

Although clubs will already have run their March payrolls, it is recommended that they should identify any staff laid off in March as being "furloughed" from the applicable date in order to make a retrospective claim in due course.

CDS will be pleased to provide support and guidance in the drafting of letters to furloughed staff or in the preparation and submission of claims to HMRC in due course.

2. Deferral of VAT and Income Tax payments

All clubs which owe VAT for the quarter ending within the period to 30 June 2020 will be able to defer payment until 31 March 2021. Clubs should nevertheless submit VAT returns as normal but are advised to cancel any existing direct debit arrangements just in case HMRC collects automatically.

For the time being, clubs which have already submitted returns to 31 January or 29 February but not yet paid should also withhold payment although, technically, this falls outside the period for which the concession has been granted.

Any VAT refunds arising for the period in question will be paid by HMRC in the usual way.

Clubs need take no further actions as this concession will apply automatically.

HMRC has also announced that payment of self assessment income tax due in July 2020 can be deferred until January 2021 but this is unlikely to be of relevance to most clubs.

3. Statutory Sick Pay



An SME is defined as a company with less than 250 employees and so is likely to include all clubs. Proposed legislation will allow employers to reclaim Statutory Sick Pay (SSP), presently £94.25 per week, paid to staff for sickness absence due to Covid-19. The eligibility criteria will be as follows:

- this refund will cover up to 2 weeks' SSP per eligible employee who has been off work because of Covid-19;
- employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note;
- eligible period for the scheme will commence the day after the regulations on the extension of SSP to those staying at home comes into force, expected to be imminent;
- Recovery of SSP is likely to be by offset against liability for PAYE & NIC and may require modification of employer's payroll accounting, or manual amendment to returns to HMRC;
- This concession needs to be viewed in conjunction with the Time to Pay Scheme – see section 8.

HMRC has provided no further details at this stage and no link is yet available to any further information on its website.

4. Business Rates Relief

Clubs can obtain rates relief through the Small Business Bonus Scheme if:

- The combined rateable value of all their premises is below £35,000, or
- The rateable value of individual premises is below £18,000.

Application must be made to clubs' local councils.

SBBS relief is 100% for rateable values of £0-15,000 or 25% above £15,000.

5. Small Business Grants

A one off grant of £10,000 will be paid to retail, hospitality and leisure businesses eligible for SBBS, namely those occupying a property with a rateable value of less than £18,000.

Alternatively, a £25,000 grant will be paid to businesses occupying properties with a rateable value between £18,000 and £51,000.

It is emphasised that eligibility is defined by rateable value and not business rates paid (presently at a "poundage" of 49.8p). Clubs' business rates demands will disclose their rateable value.

Eligible clubs will need to complete application forms which can be obtained from their local councils.

Clubs who occupy eligible properties where the landlord meets the cost of business rates, either under groundsharing arrangements or otherwise, are understood to be ineligible for these grants but may consider approaching the landlord to propose that any grant should be shared.

6. Coronavirus Business Interruption Loan Scheme



A new temporary Coronavirus Business Interruption Loan Scheme (CBILS), delivered by the British Business Bank (BBB), will launch to support businesses to access bank lending. Clubs are likely to be eligible and, in the first instance, should approach their main bankers although they might also approach other potential lenders.

https://www.british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/?utm_source=Ignition+Financial+Newsletter&utm_campaign=55038d7004-EMAIL_CAMPAIGN_2020_03_11_03_18_COPY_01&utm_medium=email&utm_term=0_4cdbea4e2c-55038d7004-80870751

Applicants should have a “sound borrowing proposal”, but be unable to provide sufficient alternative security to meet a lender’s normal requirements.

For clubs, a sound borrowing proposal might include demonstration that, in normal circumstances, they are financially sustainable but the consequences of Covid-19 have included a temporary loss of income resulting in cash flow pressures. Relevant factors might include the following.

- Loss of catering and event income;
- Inability to offer for sale memberships or season tickets;
- Inability to conclude negotiations with commercial partners.

It would be prudent for clubs to prepare a business plan in support of any application for funding. This should comprise a profit and loss account and cash flow, ideally contrasting the current scenario with the previous sustainable scenario to emphasise the impact of Covid-19.

The UK government has undertaken to provide lenders with a guarantee of 80% on each loan to give lenders confidence in continuing to provide finance to the borrowers. However, FAQs published by the BBB state that lending banks should not make a claim on the CBILS guarantee until “after completion of its normal recovery procedures (including realisation of any Personal Guarantees)” The CBILS guarantee evidently only covers 80% of the lenders post recoveries claim.

For this reason, clubs should try to resist any attempt by their lender to demand personal guarantees from owners or directors since the lender will be required to claim under these before claiming under the CBILS guarantee.

The BBB website now confirms that the Big Four banks (Barclays, RBS/Nat West, Lloyds and HSBC) will not take personal guarantees as security for lending below £250,000. Whether they will seek alternative security (i.e. over a club’s property) remains to be seen.

Clubs wishing to explore CBILS should consider approaching one of the Big Four if their main banker is reluctant to provide support.

The UK government will not charge businesses or banks for its guarantee and will cover the first 12 months of interest payments. It is to be hoped that lenders will be realistic in the rates of interest they charge applicants for the period beyond the initial 12 months.



Clubs' applications should include realistic proposals to repay any loans negotiated under CBILS. It would be prudent to phase any such repayments over an extended period so as not to damage clubs' cash flow in future periods unduly once normal activity resumes.

CDS will be pleased to provide support and guidance in the preparation of any such business plans.

7. Self Employment Income Support Scheme

This scheme, announced on 26 March, may not benefit clubs directly. However, many clubs will make use of self employed contractors or consultants (for example freelance coaches) and may be concerned about their welfare at a time when the club lacks the resources to keep paying individuals who are outside the scope of the CJRS.

For self employed individuals with average trading profits below £50,000 over the last three tax years, the scheme undertakes to provide support of up to 80% of their average monthly trading profits, subject to a maximum of £2,500 per month, so £7,500 in total.

8. HMRC Time to Pay Scheme

In view of the obvious impact on clubs' operations, all clubs are likely to be eligible for this scheme. Details are available in the link below and the dedicated helpline number is 0800 024 1222.

<https://www.businesssupport.gov.uk/support-for-businesses-paying-tax/>

HMRC states that support will be provided on a case-by-case basis and it is not yet known whether HMRC will be responsive to applicants or prove obstructive. However all clubs will have experienced genuine cash flow pressures as a consequence of the pandemic and so have a powerful argument.

It is likely that the helpline service will be over-stretched for the foreseeable future and so clubs might consider a written application to the address below, setting out relevant key factors including those listed in section 6 above.

PT Operations North East England
HM Revenue and Customs
BX9 1BX

Although the immediate issue will be in relation to clubs' PAYE & NIC liabilities, clubs may also wish to seek deferment of VAT and, if applicable, corporation tax liabilities.

As noted in section 1, it is not yet clear how the Job Retention Scheme will operate alongside the Time to Pay Scheme and whether HMRC will reimburse employers under the Job Retention Scheme with gross amounts or withhold PAYE & NIC deducted from that month's payroll.



Moreover, as noted in section 3, although not yet formally confirmed, SSP relief is likely to be by way of offset against PAYE & NIC liabilities and so, if clubs negotiate deferral of payment of PAYE & NIC under this scheme, they will not immediately enjoy any benefit from SSP relief.

As with any application for CBILS, clubs should ensure that they negotiate realistic repayment terms for any tax deferred under this scheme so as not to damage their cash flow unduly once normal football resumes.

9. Insurance

Whether or not clubs will be able to make a claim for loss of income due to the postponement or cancellation of games or events will depend entirely on whether clubs' individual insurance policies include Business Interruption (BI) cover and, if so, on what terms.

Unfortunately, it has been reported that businesses, including sports clubs, are already experiencing resistance from insurers on the issue of whether disruption to business due to Covid-19 will be covered. Advice from the Association of British Insurers is set out in the following link.

<https://www.abi.org.uk/products-and-issues/topics-and-issues/coronavirus-hub/business-insurance/>

The advice states that "Standard business insurance policies are designed and priced to cover standard risks and are therefore very unlikely to provide cover for the effects of global pandemics like Covid-19".

Clubs should obtain guidance from their brokers but are advised not to accept any initial rejection by insurers without further challenge. It may be that combined pressure from governing bodies or groups of clubs might cause a softening in insurers' response.

Assuming BI cover is held, clubs should ensure they take account of all potential losses and costs when quantifying their claims. Relevant factors might include the following.

- Lost event and catering income;
- Any costs incurred prior to cancellation;
- Refunds due to commercial partners for loss of advertising;
- Refunds payable to members, whether in cash or by discount against future renewals.

Inevitably, lost income will be subjective and alternative calculations should be considered to adopt whichever gives the more favourable outcome.

10. Other Government Guidance

Below are links to some key Government websites where further information can be accessed.

- **Government action plan:**
<https://www.gov.uk/government/publications/coronavirus-action-plan>



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118 North Main Street,
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Incorporated under the Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society (Number: 7681)

- **Guidance on social distancing and stay at home:**

<https://www.gov.uk/government/topical-events/coronavirus-covid-19-uk-government-response>

- **Travel advice:**

<https://www.gov.uk/guidance/travel-advice-novel-coronavirus>

- **Guide for employees, employers and businesses:**

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19>

- **NHS Coronavirus (COVID-19):**

<https://www.nhs.uk/conditions/coronavirus-covid-19/>