

Members. We are here to support you.



The travel and tourism industry is in the middle of the single biggest crisis it has ever faced, having ground to a halt due to Covid-19. When it will return to normal, or some new normal no one can be sure, but we fully expect emergence from the current lock-down restrictions to be on a phased basis and with some level of social distancing and, or, some added level of hygiene practices required to assure customers.

The following advice has been written by ASM Chartered Accountants. Contact details are on the last page or contact NIHF further advice if required on 028 9077 6635 or see our website and social media for updates.

While decisions by the UK Government, the local assembly and other external authorities will influence when any plan for reopening can be activated, our advice is to start planning now for those operational matters that will remain under your control or which you can have some level of influence over if you take the initiative:

Staffing

When the current Job Retention Scheme closes, the full burden of paying staff will again be your responsibility. Business is unlikely to return to pre-lock down levels for some time in which case, you will be faced with decisions on staff lay-offs or redundancies. Assess different trading level scenarios now and how that will shape your staffing requirements and be ready to make those difficult decisions when necessary. While no one wants to see staff lose jobs, it is probably inevitable that this will be a feature of the industry in the short-term.

Be mindful too, that social distancing measures need to be introduced (see below) and that special care may be needed over the physical and mental health of returning staff such as personal support while being re-introduced to the working environment. A prolonged period of staying at or working from home means that the transition back to the workplace may be challenging for some as well as anxiety around childcare for instance. You need to make sure your team are in the right frame of mind and ready for the challenges that a return to business will inevitably create.

Systems and Assets

Some of you may have suspended service or support contracts during the shut-down. Now is the time to ensure that all of your equipment, assets and IT infrastructure is in the condition that it needs to be for re-opening (inc. POS equipment).

This also requires checking that externally provided software and support services remain available and are up to date. Prompt action will be required where repairs, re-commissioning or upgrades are required. Remember, many other businesses in other industries may be using the same suppliers so be sure that you are not on a long waiting list for re-commissioning or upgrades.

One of the results of the lock-down is that the use of cash for transactions in shops has declined because of the risk of contamination. So, the use of contactless payments is likely to continue to increase – are you ready for this and are you planning for full pre-payment options before guests arrive and contactless check out?

Thanks to ASM Chartered Accountants for writing this guidance.

Be clear about your market opportunities

The dynamics of the marketplace will have changed. The overseas market in particular will take some time to return due to the probable slow re-introduction of access routes, ongoing concerns around international travel and consumer caution.

Consequently, your traditional marketing and promotional activities may need to change substantially. In all likelihood, the short-term opportunities will be the domestic, cross-border and GB markets, but the lifting of travel restrictions and re-introduction of access in each UK nation will be dependent on the direction of the local government/assembly and these may not act in harmony.

Re-establishing links with your clients, agents and regional/national tourism promotional agencies will be of prime importance. If there have been changes in any of these channels, make sure you know who your new point of contact is and build that relationship as quickly as possible. Tell them when you are re-opening, re-confirm pre-existing bookings and explore opportunities to sell your business. What is good for you is good for them too.

Make sure your reservation and revenue management systems are ready to roll prior to re-opening. Cross check that pre-existing booking data is on your systems – this will be crucial both from an operational perspective and to enable preliminary forecasting/scenario planning. Focus spend on the markets you know will be travelling, and take advantage of remarketing to try and capture all potential business.

Consider special offers for long standing, high volume clients to kick start your business activities and as a means of saying thank you for their loyalty. Mine your client database and make direct contact with those clients, rather than encouraging them to use OTA's. With both existing and new large volume/value clients, your traditional methods of credit history checking are unlikely to remain a reliable indicator of their financial health. You need to rethink your policies for deposit taking and prepayments and it may be the case that you will require evidence from their bank that they have the necessary funds to settle any account with you. Remember too that this cuts both ways, so your suppliers will also want assurance that your business is solvent or they may demand prepayment.

There will be challenges handling these tasks but there will also be opportunities for management teams to re-think and implement creative and productive improvements.

Suppliers

It is highly likely that many of your suppliers face the same challenges as you are – the market for its services has collapsed, it is balancing staff retention with a drop in revenues and the consequential impact on cash-flows.

Some may not survive the current crisis while others may be carrying wounds. So, it will be crucial to determine which are in a position to supply you as required and whether alternative sources must be found. This could have implications for stock-holdings, menu planning, pricing and so on. Freight rates have increased materially since the lock-down due to lower air capacity, so be prepared for price increases. Can you mitigate this by upping your prices or changing your menus to include produce that does not have to travel long distances? Don't leave it until the last minute to find out that you will face these added challenges.

Like you, suppliers will be concerned with their own solvency and may demand pre-payment or prompt settlement to ensure continuity. You need to agree now, the terms on which you can do business and build this into your re-opening scenario plans.

Safety, comfort and cleanliness

Concerns around the risk of a second wave of Covid-19 mean that protecting staff, customers and suppliers from the risk of infection is likely to be uppermost in most people's thinking. Your policy on ensuring that all practical measures are in place to prevent the spread of any virus is bound to be raised and you need to be ready to deal with any enquiries on the spot.

So, what measures do you need to think about now and which are likely to be part of any easing of restrictions issued by government?

- contactless/automated check-in/check out;
- contactless access to bedrooms;
- social distancing in your offices/reception area/kitchens etc;
- regular sanitising of surfaces in all public areas and in service related areas such as staff rooms, kitchens, serving areas etc.;
- assurance that bedrooms are clean and virus free (probably a key issue that needs some creative thought – for example, how has the health service dealt with the sanitising of ambulances carrying Covid-19 patients?);
- how do we deal with social distancing measures in food & bev and function suite outlets? Have you tried different layouts to maximise your capacity? Can you adopt single-use menus? How are you going to serve food and beverages etc?;
- paperless bills/invoices; and
- how will you manage social distancing in lifts, stairways, wash-rooms?

Hotels will need to demonstrate to guests and staff even more than in the past that they provide physical comfort, security, clean and healthy environments and

that they tick all of the sustainability boxes in their styles of operation. Effective cleaning regimes will be more important than ever. Your actions in this area of operations could make the difference between winning or losing business.

Scenario planning

Thinking through the operational and financial implications of the above, you need to start looking at the cash-flow implications of the re-instatement of trading under a number of demand scenarios.

It may be that social distancing measures in restaurants and bars will simply not work commercially for some smaller operators, in which case, you need to think about how you can minimise your cost while still meeting the needs of overnight guests (i.e. room service only meals, pre-selection of menu choices).

Ultimately, your key measure of performance during the exit from lock down is going to be cash-flow and therefore your solvency.

And don't forget, you must factor into each scenario the following:

- the re-introduction of current term loan repayments;
- your overdraft facility;
- the phasing out of the Job Retention Scheme Grants;
- VAT payment deferred;
- Corporation tax payment deferred;
- any other payment holidays that you have benefited from;
- any redundancy payments;
- rates payments (when they come back on line); and
- the commencement of any CBILS/CLBILS and Bounce Back Loan repayments (Bounce Back Loan repayments not due for the first 12 months of the loan period).

Which of the scenarios you have assessed do not work for you? Can you do anything else to better position your business under those scenarios through reducing costs? If so, re-assess the impact then choose the scenario that you think is most likely to arise in reality – gear up for that level of trade, but monitor performance on a daily basis and be prepared to be fluid regarding changes to your operating model and act immediately if actual demand for services is better than, or less than, anticipated.

There are no certainties in the current short-term outlook, so you must be ready to deal with the inevitable challenges the emergence from the current lock down will present.

Are you maximising assistance?

Have you taken maximum advantage of the government assistance measures available, including?:

- Coronavirus Business Interruption Scheme (CBILS) – loans of up to £5m for businesses with a turnover up to £45m;
- Coronavirus Large Business Interruption Scheme (CLBILS) – loans for businesses with a turnover >£45m;
- Bounce Back Loan Scheme – announced on 27 April 2020 it is a new micro loan scheme, with the aim of providing a simple, quick, easy solution for those in need of loans of up to £50k. It is intended for UK small and medium sized businesses with loans available from 4th May 2020;
- Coronavirus Job Retention Scheme (CJRS) – grant assistance up to 80% of staff salary to a maximum of £2,500 per month – currently available until the end of June 2020 for "Furloughed" workers;
- Small Business Rates Relief Grant – applies to businesses that have a rateable value of less than £15k and which benefit from industrial de rating;
- Hospitality, Tourism and Retail Grant – the grant opened on Monday 20th April, and could be worth up to £25,000; and
- Deferral of VAT and Tax payments (under the "time to pay scheme").

In addition, you should have benefitted from the 3 months rates holiday that automatically applies in Northern Ireland and for which there is significant pressure to extend.

Have you contacted your insurers? If your business has been closed then you should ask for a refund of premiums – the risk to your insurer in terms of public, product and employee liability will have materially reduced. If you are unsure of whether or not your business can access the aforementioned government supports, the following link will provide further detail and handy tips and which will highlight interventions available based on your answers to a series of simple questions: <https://www.gov.uk/business-coronavirus-support-finder>

If you need help or would like to discuss your options, please contact Michael Williamson at michael.williamson@asm-belfast.com

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