

30.04.2020

STREAMLINED LOANS NEEDED TO AVOID LIQUIDITY CRUNCH

Government-backed loans to construction businesses must be streamlined to avoid firms facing a liquidity crunch in the coming weeks.

That is the headline finding of research by the Construction Leadership Council's Covid-19 Taskforce on financial support to the sector.

Companies of all sizes and types took part in interviews and surveys for the research. Just 12 per cent of surveyed firms' applications for Government-supported loans had been approved. 30 per cent were knocked back while 58 per cent were still waiting for a decision. Firms face pressure on finances from both the current suspension of many projects, and the need to invest soon to restart works.

SMEs are particularly hard-hit as they often do not have the resource to wade through the current application process, shutting them out from much needed support. The task force proposes that simple guidance is made available, helping businesses to get a decision.

Some small businesses will benefit from the recently announced Bounce Back Loan scheme, but many construction firms will be looking for support above its £50,000 threshold.

If applications remain slow the Government should step in, guaranteeing 100 per cent of loans under the Coronavirus Business Interruption Loan Scheme. This would relieve pressure on banks to run a fine-tooth comb over every application, releasing funds that could save SMEs across the sector.

The taskforce also recommends that banks should bump applications from companies supporting essential works - such as hospital and utilities construction - to the front of the queue where those from businesses that can show that they are facing immediate hardship.

Construction Leadership Council joint chair Andy Mitchell said: "The Government has done an astonishing job putting in place ground-breaking financial support to UK businesses in very short order. The Coronavirus Business Interruption Loan, Coronavirus Large Business Interruption Loan Scheme and Covid-19 Corporate Financing Facility are a shot in the arm for our sector and UK plc."

"We want to help make sure this vital support makes its way into the industry, providing short-term liquidity as companies get back to work after the Covid-19 crisis. We hope to work with the Government and lenders to make sure this happens"

Hannah Vickers, chief executive at the Association for Consultancy and Engineering said: "We looked at Germany which has a single streamlined process only doing its own checks on loans above €3 million and on a fast-tracked self-certificated basis for loans below €10 million. By moving towards a similar model in the UK we can save many vulnerable businesses in our sector"

The Taskforce will continue to monitor the financial health of the sector, assessing access to capital to start/restart projects and sector specific risks including trade credit insurance.

The research to underpin this CLC statement was collated by a taskforce consisting of BEIS representatives, Mace, Trade Associations including Association for Consultancy and Engineering, British Merchants Federations, Electrical Contractors Association and professional bodies the Institution of Civil Engineers and Royal Institute of Chartered Surveyors, a copy of the research can be found at <https://www.ice.org.uk/news-and-insight/policy/construction-industry-access-to-covid-loan-funds>

END

Note to editors:

1. The taskforce includes representatives from the Department for Business, Energy & Industrial Strategy, Infrastructure & Projects Authority, Infrastructure Client Group, Association for Consultancy & Engineering, British Property Federation, Builders Merchant Federation, Build UK, CITB, Civil Engineering Contractors Association, Construction Industry Council, Construction Products Association, Electrical Contractors' Association (ECA), Federation of Master Builders, Home Builders Federation and National Federation of Builders
2. The full recommendations from the research are:

Process

- Construction Leadership Council to work with Infrastructure & Projects Authority, UK Finance, and key lenders to provide a simple guidance document and template to support firms in collating the data they need in order to make an application. This could also include some detail on guidance around long term cashflow forecasts to streamline the applications the banks receive.
- Construction Leadership Council to seek clarity on rates or a range of rates the banks are able to offer for the products which would support businesses in making the decision to apply for these schemes over and above expanding existing lending arrangements.

Prioritisation

- Construction Leadership Council to work - through the Infrastructure & Projects Authority - with the banks to offer prioritisation criteria for businesses in the construction sector based on fast-tracking on those who meet both of the following criteria:
 - Those who require a loan within 3 weeks of application and
 - Those which are delivering projects supporting public services, utilities and infrastructure.
- If process and prioritisation of applications doesn't improve, 100% Government backed loans should be rolled out to those businesses on the CBILs scheme who develop or deliver essential works as a priority to avoid impacts to the customers of the sector.

Flexibility

- Flexibility of payback period to be confirmed for Coronavirus Business Interruption Loans CBILs, with businesses able to vary the terms following the initial application and remove early repayment charges
- Rolling credit facilities for all businesses using the Coronavirus Large Business Interruption Loan Scheme.