



## Polson Higgs Client Advice #VII Economic Updates, Talking to your Team, Safe Harbour and more

As we start our second full week of lockdown, there are yet more Government policy changes for you to understand. Your team at Polson Higgs is committed to keeping you informed about all of the changes.

In this newsletter we will cover:

- Economic updates
- Talking to your team
- Business Finance Guarantee Scheme
- Covid-19 Advisory Funding
- Director Duties & Safe Harbour
- Business Debt Hibernation regime
- Business Continuity
- Bit of a laugh

**Economic Updates** - These are uncertain times for all of us and that makes any decisions about your business even more difficult. Because of this your team at Polson Higgs has arranged for the leading independent, New Zealand, economist Tony Alexander to provide weekly 15 minutes updates on the economy. These will provide valuable information to assist in your decision making. If you would like to register for the updates [click here](#). Use your promotional code of **PHClient** - to register for free.

The first update is scheduled for this **Thursday at 2.00pm** and then every Friday until 8 May. If you can't attend you can still register to receive the recordings to watch at your convenience. If you have any questions you would like to ask Tony, please email us at [covid19@ph.co.nz](mailto:covid19@ph.co.nz)

**Talking to your team** - Many businesses will need to have some "difficult" conversations with staff in the coming days and weeks about changes to working conditions, pay etc. The HR team at Polson Higgs is providing a **free 15 minute webinar, "Difficult Conversations - Difficult times and Good Faith - Communicating through these times with your team"**, this **Wednesday (8 April) at 12:00 noon** covering:

- What to do **BEFORE** the conversation
- How to manage the conversation
- What to document after your conversation

If you would like to attend this webinar please [click here](#). (If you can't attend then you can still register to receive the recordings to watch at your convenience).

**Business Finance Guarantee Scheme** - This is borrowing from your existing bank where the Government will guarantee up to 80% of a new lending, however, there are number of criteria around the scheme.

- Eligible for NZ businesses with **turnover between \$250k and \$80million**
- Apply once for a loan up to \$500k, from 2/4/2020 to 30/9/2020 for up to 3 years.
- **The primary purpose is to support operating expenses**
- A maximum of 5% of loan value can be used for Capex
- Usual security arrangements (GSA and guarantees) will apply
- Must have drawn down all pre-existing existing facilities
- **The Government is guaranteeing 80% of the risk**
- Total loans capped at \$6.25bn

#### **Ineligible Activities**

- Property development and property investment
- Agriculture (not horticulture, viticulture, aquaculture, agri-service providers)
- Local authorities, CCO's
- Recreational cannabis, processing whale meat, tobacco, firearms and ammunition,
- The list of prohibited activities may be added to in future, effective from the date it is added to the list

#### **Loan funds cannot be used to fund:**

- Dividends or on-lending outside your borrower group
- Refinancing of existing debt
- Loans for less than 90 days

All New Zealand registered banks are eligible to apply to join the scheme. Banks participating in the scheme include ANZ, ASB, BNZ, Heartland Bank, HSBC, Kiwibank, SBS Bank, TSB and Westpac.

If you are considering applying under the scheme or have any questions about your eligibility then please email us on [covid19@ph.co.nz](mailto:covid19@ph.co.nz).

**Covid-19 Advisory Funding** - The Regional Business Partner Network has been given additional government funds to support businesses through COVID-19. Their focus is on assisting with funding for businesses to access 1-1 support with professionals in the following areas:

- HR
- Health and Wellness
- Business Continuity Planning

- Finance and Cashflow Management

Businesses will be able to access up to \$5,000 (excl. GST) in funding to **fully fund** (normally it is dollar-for-dollar) advice in those areas. To be eligible you must:

- have registered on the RBP Platform [www.regionalbusinesspartners.co.nz](http://www.regionalbusinesspartners.co.nz)
- have undergone an assessment with a Regional Partner (i.e.: Growth Advisor)
- have fewer than 50 full time equivalent employees
- be registered for GST in New Zealand
- be operating in a commercial environment be
- be a privately owned business, or are a Maori Trust or incorporation under the *Te Ture Whenua Maori Act 1993* or similar organisation managing Maori assets under multiple ownership.

Polson Higgs is a registered provider on the Regional Business Partner Network and can assist you with the process. If you are interested applying or receiving assistance please contact us on [bcp@ph.co.nz](mailto:bcp@ph.co.nz).

**Director Duties & Safe Harbour** - The Minister of Finance has announced significant changes to insolvency and company law to help companies and their directors during Covid19. The most significant is the introduction of a safe harbour provision for directors regarding trading while insolvent. Directors have an obligation under secs 135 and 136 of the Companies Act not to “trade whilst insolvent”. Covid19 will place many directors in circumstances of significantly reduced revenue and cashflow problems, and a decision to trade on, which if unsuccessful, could create personal liability (under secs 135 & 136). This could result in Directors electing to stop trading rather than attempting to keep the company trading. To address this concern the Government has introduced a six month safe harbour such that Directors’ decisions to keep on trading, and decisions to take on new obligations, over the next six months will not result in a breach of those sections if:

- in the good faith opinion of the Directors, the company is facing or is likely to face significant liquidity problems in the next six months as a result of the impact of COVID-19 on the company or its creditors;
- the company was able to pay its debts as they fell due on 31 December 2019; and
- the Directors consider in good faith that it is more likely than not that the company will be able to pay its debts as they fall due within 18 months (for example, because trading conditions are likely to improve or they are likely to be able to reach an accommodation with their creditors).

All other Directors duties remain unchanged. If you have any questions about the safe harbour please contact us on [covid19@ph.co.nz](mailto:covid19@ph.co.nz) or consult your lawyer.

**Business Debt Hibernation regime** - The regime will enable companies, trust and partnerships to enter into a moratorium on enforcement of debts. A business affected by Covid-19 would be able to place its existing debts into “hibernation” for a six month period, provided 50% (by value and number) of creditors agree. Full details of the regime have not yet been released, but we will

update you when they are available. If you have any questions about the Business Debt Hibernation regime please contact us on [covid19@ph.co.nz](mailto:covid19@ph.co.nz) or consult your lawyer.

**Business Continuity** - If you missed the webinar on Friday and would like a recording or a copy of the templates that you can use to create / update your business continuity plans, or have any questions around Business Continuity Planning please email [BCP@ph.co.nz](mailto:BCP@ph.co.nz)

**Bit of a laugh** - Many of you will be missing playing sport or watching it on TV. The absence of sport to commentate on, has forced sports commentators to be more creative. If you are missing the races, or just want a laugh, check out race caller Matthew Cross and his COVID-19 race call on YouTube <https://www.youtube.com/watch?v=DILa8P-4uHw>. If you have any clips you would to share email us at [covid19@ph.co.nz](mailto:covid19@ph.co.nz)

**New webpage** we have added a new page to our website and are gathering different resources for you to use. Check out <http://www.ph.co.nz/expertise/covid-19/>

If you have a question about anything please don't hesitate to ask on [covid19@ph.co.nz](mailto:covid19@ph.co.nz).

Stay safe and keep in touch.

Kind regards

**Polson Higgs Team**

