

Managing Business Risk As The UK Announces It Is Moving Into The Delay Phase

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Yesterday, following a meeting of the Cobra committee the Government announced that the UK has moved into the “delay” phase of its plan aimed at tackling the coronavirus outbreak.

For businesses the main impact will be operational given that anyone who shows certain symptoms has been advised to self-isolate for 7 days, regardless of whether they have travelled to an affected area. What should a business do now?

To the extent they have not already done so, senior management must consider what impact this will have now and in the foreseeable future on the financial viability of their business and consider what measures they can put in place to work around the likelihood that a large percentage of employees will have to self-isolate at some point.

The health of employees is important and businesses must follow Government advice, but senior management must also be mindful to ensure the health of the business. A director has duties to act in the best interests of the company and in times of financial distress a duty to act in the best interests of creditors. In these unprecedented times, balancing the employee health and business health will be very challenging.

To protect the business and their position as directors it is more important than ever that senior management:

- Take advice from their advisors about their duties as directors;
- Hold regular meetings to consider the impact of Covid-19 measures on the financial position of the business;
- Prepare short term cash flow forecasts and review these regularly;
- Engage with banks and lenders;

- Prepare contingency plans for remote working and shift working;
- Take advice from their accountants and solicitors; and
- Minute key decisions and the reasons for those.

Should a business fail, as a consequence of the liquidity squeeze placed on it by coronavirus restrictions, by doing the above directors will protect themselves as far as they can from subsequent claims in an insolvency.

The Government announced in the UK budget this week a number of measures to help businesses including: financial support by way of grant funding and the Coronavirus business interruption loan scheme, repayment of statutory sick pay (SSP) and business rates relief.

Banks have been encouraged to provide support to businesses as have HMRC who can agree bespoke time to pay (TTP) agreements with business in financial distress in respect of their tax liabilities.

Senior management should therefore engage with their advisors who can help by:

- liaising with HMRC to agree a TTP agreement;
- engaging with banks to agree extensions to bank facilities;
- assisting HR to claim back SSP;
- applying for grants and loans; and
- assisting with contingency planning and director duties advice

The Government's Scientific Advisor estimates that in a worst case, up to 80% of the UK's population could be infected at any one time. Whilst this is not likely, directors must factor such considerations into decision making and forecasting.

Our labour and employment colleagues have prepared [this](#) global and comprehensive guide for employers, and further updates will follow.

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