

The purpose of this quick guide is to help organisations start to think about some of the key things that will affect how, when and even whether they can “unlock”.

As the UK government prepares to lift restrictions, it is unlikely that things will return to normal for some time, but in terms of adapting to the new normal and getting back to “business as usual,” each business will firstly have to assess what shape the business is in now, what it will look like in the future and adapt, change or restructure the business model to fit the “new normal”.



Cash Flow and Financing

Directors should prepare new cash flow forecasts for best and worst case scenarios (i.e. a second or prolonged lockdown), considering any expected changes to supply and demand, any changes to operational costs and factoring in any deferrals of historic liabilities, and any new debt which has been taken on to manage through coronavirus disease 2019 (COVID-19). Forecasts and projections should be continually reviewed and updated to reflect lessons learnt and as government guidance changes.

Repayment of borrowing

- Use of government schemes (e.g. CBILS, CLBILS, Future Fund, etc.?)
- Additional borrowing from existing lenders
- When and how will payments be met? Is there a need to restructure debt?

Rent

- Rent holiday/reduction agreed?
- Ability to meet future (and missed) rent payments
- Restructure future rent turnover or similar arrangements
- Aggressive action from landlords when restrictions are lifted (stat demands, forfeiture, winding-up petitions)

Deferred payments

- Paying deferred VAT payments/rent/suppliers
- Meeting tax payments under time to pay agreements

Government restrictions

- Impact on cash flow if staggered approach to reinstatement of supplies, re-opening businesses and availability of employees

Cash Flow Pressures

Forbearance

- Repaying existing lenders – forbearance may end and payments need to resume
- Impact of protective measures lifting, i.e. restrictions on forfeiture and winding up petitions
- Availability of government support beyond June 2020?

Suppliers

- Catching up on payments to suppliers
- Agreeing and abiding by new terms
- Ability to meet future obligations – increased costs?

Employees

- Phased return to work and “unfurloughing”
- Point at which payroll will need to be funded as usual (i.e. end of Coronavirus Job Retention Scheme) and end to contractual variations for paycuts
- Is a redundancy programme going to be necessary? If so, when does any consultation need to start?

Debtors

- Have debtor days slipped during COVID-19?
- What action can/should be taken to address any potential bad debt issues?
- Reduced credit terms/payment on delivery/increased prices/credit insurance

Supply and Demand

Operational

- Identify key suppliers: business critical and projected spend
- Staggered approach to resuming supply
- Able to meet expected demand
- Changes to delivery timescales
- Alternative sourcing? Costs consequences?

Pricing and payment

- Changes to payment terms/cost (e.g. cash on delivery)
- Financial health of suppliers
- Ability to obtain credit

Existing stock

- What is available?
- Goods stranded in distribution network

Termination of existing contracts

- *Force majeure*
- Material adverse change
- Termination rights

Government restrictions

- Impact of staggered lifting of restrictions on supply chain and some restrictions remaining

De-risking the supply chain for the future

- Review of whole supply chain
- Look to achieve greater diversity in supply chain
- Potential investments in technology



Shape of demand

- Is there still demand?
- Impact of staggered lifting of restrictions on demand
- Timing of return to (new) normal

End-user/customer

- Decrease in consumer confidence
- Cash-strapped customers
- Nervous about health implications as restrictions ease

Changes to product and offering

- Changes to consumer habits (e.g. e-commerce and importance of home delivery)
- Increase in appetite for online suppliers and delivery services

Pricing and payment terms

- Review pricing structure, are pre-COVID-19 margins still achievable?
- Consider credit terms and customer insolvency risk
- Is credit insurance still available?
- Is invoice discounting an option to improve working capital?

Employee Considerations

Business requirement/need

- Does the business need the same number of employees in light of any changes to supply/demand/business model? Are redundancies necessary? Cost implications
- Strategy for “unfurloughing” – assess skill set and business need (a staggered approach may be necessary)
- Re-allocation of resource according to business plan

Availability/Costs

- Impact of employees refusing to return to work (fear of infection, childcare responsibilities, self-isolation, or shielding etc.)
- Will there be any permanent changes to working patterns/habits that impact operational costs? i.e. increase in homeworking and decrease in office space
- Impact of employees taking holiday on restrictions being lifted
- Psychological support – assisting employees to re-adapt, support with bereavement – costs?

Long-term changes to contracts and remuneration

- Flexible remuneration plans
- Agree reductions in salary and bonuses
- Lead from the top!

Operational Costs

Licences

- Renewals/periodic fees payable to ensure licence continuation
- Inability and capacity of named individuals/licence holders/trained individuals to carry out role (e.g. furlough, redundancy, long-term absences)
- Licence amendments to reflect changed trading arrangements (e.g. changes to hours or activities)

Increased health and safety costs and compliance with social distancing

- Strategies for effective social distancing – screens, changing shift patterns, use of different parts of premises, monitoring symptoms
- Travel to work and transport
- Sanitisation and cleaning programmes

Changes in operational practices and procedure

- Changes to real estate footprint to accommodate changes to employee and working practices (e.g. reduced office space or larger warehouses)
- Investment in technological capabilities to accommodate changes
- Greater automation of processes (or parts of processes)

Directors' Duties

Directors should be mindful that as they prepare to “unlock” they must ensure that they comply with their directors’ duties. An essential part of complying is ensuring that they understand the financial health of the business now and moving forward and take appropriate professional advice. Key financial and other stakeholders should be kept updated and their buy-in sought at each stage and as any changes to the unlock plans become necessary.

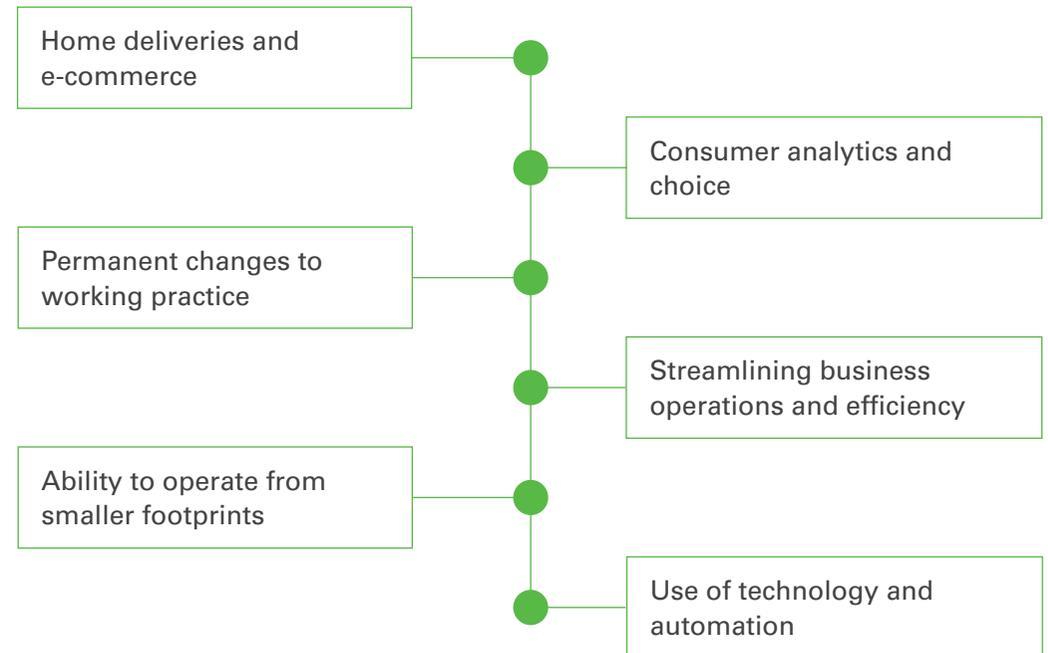
For the latest updates on legal issues and business risk during COVID-19, subscribe to [Restructuring GlobalView](#) and our [COVID-19 Resource Hub](#).

For assistance with a more detailed assessment to “unlock the lockdown”, please use our [online tool](#).

Opportunities and Lessons Learnt from COVID-19

It remains to be seen what the “exit plan” will look like and what UK government support will still be available when restrictions start to lift. Statistics show that most consumers do not want a return to “normal” and we can expect significant behavioural changes.

Many businesses have made changes to their day-to-day operations and some changes will be permanent but will also impact on future cash requirements.



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