



COVID-19 (CORONAVIRUS)

CHALLENGES & POTENTIAL SOLUTIONS

17/03/2020

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INTRODUCTION

We're all becoming increasingly aware of the huge challenges the current business environment is creating around us. As business owners ourselves it's clear that these are of a type and magnitude neither previously considered or experienced.

The range of issue is vast and covers business "fundamentals" including Cashflow and Funding; People; Supply Chain; Customers; Technology; Property considerations; Tax and Financial Planning.

In this document we've outlined some of the key points we collectively face and are areas we believe warrant consideration and discussion at this time, accepting that the environment is ever changing.

We trust this will provide you with a useful checklist that helps to place some structure around the way in which you assess the challenges you face. There are many aspects to consider but options do exist to help you move forward, and as your advisors, we are here to support you in whatever way you would consider appropriate to help ensure the continued success of your business and the wellbeing of you and your workforce.

Please note anything referenced in this document is to the best of our knowledge, correct as at 17/03/2020.

JIO						
AIU	HJI	WWE	PLQ	EER	QRT	OPY
1,822 (-35)	20,369 (+580)	890 (-20)	6,350 (-200)	10,985 (+580)	665 (-15)	6,800 (-115)
MBC	LJH	MJB	PON	NFR	UGH	OMJ
3,605 (+210)	9,542 (-128)	2,609 (+35)	7,654 (+169)	6,522 (+122)	1,632 (-54)	3,652 (+182)
YBV	QMN	MMJ	IIT	KLM	CCX	EMH
3,204 (-33)	5,211 (+156)	7,100 (-60)	7,150 (-150)	782 (+74)	1,901 (+101)	3,280 (-120)
MBB	WFF	HJM	QLC	LSD	SDH	GHS
3,320 (-120)	712 (+12)	134 (+5)	2,022 (-18)	631 (+40)	6,287 (-57)	12,630 (+330)

CASHFLOW AND FUNDING

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Working capital stresses	Trading takes longer and payment cycles extend with the result that business funding is stretched beyond that previously envisaged.	Review your funding position and evaluate alternative finance options including the government's Coronavirus Business Interruption Loan Scheme (CBILS) and available cash grants.	/10	
		Review and update of management reporting and cashflow forecasting to allow you to evaluate your position and plan scenarios.	/10	
		Consider renegotiation of existing commitments.	/10	
		Look at tax reclaim opportunities to improve cashflow, including R&D tax credits.	/10	
Investment funding delays and uncertainty	The premise for funding and related forecasts become subject to greater questioning and scrutiny from funders and stakeholders. Original plans and risk assessments are challenged such that agreements and timings are revisited with potential business consequences.	Review basis of funding and take steps to be able to sensitise forecasts and planning to demonstrate robustness of differing scenarios. Drive to maintain flexibility of funding options.	/10	
Renegotiation of bank terms including overdrafts and loans	Renegotiation may be required to revise funding. Specialist assistance and expertise can provide both greater headroom, less expensive funding and reduce personal risk for borrowers.	Review and update of management reporting and cashflow forecasting to allow you to evaluate your position and plan scenarios. Consider alternative finance options and investigate opportunities for bank support and alternative financing.	/10	
Improving financial information for decision making	Improved information both assists business decisions but also the obtaining of funds and compliance with ongoing banking requirements.	Review and update of management reporting and cashflow forecasting to allow you to evaluate your position and plan scenarios.	/10	
Management of credit rating	Credit ratings may become increasingly important to the renegotiation of funds - ratings can be managed and planned around.	Obtain scoring information from the credit rating agencies, and determine and prioritise, any short term practical steps to improve your position. Assess medium and longer term actions to build on credit scoring and include these within your business strategy.	/10	

PEOPLE AND WORKING ARRANGEMENTS

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Remote working	Ensuring the infrastructure is in place for effective remote working where performance is maintained.	Consider hardware and software that allows for conference calls / video conferencing etc., employee policies and procedures to underpin performance in a new environment. Consider communications with key customers and suppliers to help facilitate business continuity.	/10	
Workforce restructuring	Rebasing the business on either a temporary or permanent basis may allow business continuity.	Evaluate your needs under available or known scenarios and obtain advice where useful as a means of either restructuring the team, considering temporary layoffs, short term working or flexible working solutions.	/10	
Extension of fixed term contracts	Risk that deadlines do not align with the new climate.	Consider whether current fixed term contracts allow for temporary cessation and/or whether extensions are required to meet project completion.	/10	
Contingency planning	Assessment of employment options, short to long term.	Scenario testing a variety of options to address the ongoing changes, impact and pressures in the business, sector or environment. In all cases, critically evaluating your organisational structure.	/10	
Employment contract and policies	Making sure that employment policies and terms are robust and fit for purpose in a rapidly changing environment - and able to support getting the most from the team.	Taking the opportunity to review your employment contract and policy provisions for working practices, ensuring that they allow you to deliver services in a flexible and compliant way, that also de-risks your business in consideration of potential childcare arrangements, sick pay provision and benefits cover.	/10	
Work environment planning	Policies and procedures to help de-risk the workplace, including seating plans, work practices and team and customer engagement plans.	Consideration into short term working or key arrangements for employees in self or forced isolation and well-being, working environment arrangements and GDPR.	/10	

TECHNOLOGY

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Technology gaps in relation to remote working	Remote working may require infrastructure that is not currently in place. This may require changes to hardware and software - which would require investment and funding and place other pressure on resources. It may also represent a marked change in working practices which would require guidance, implementation and change management.	Consider your remote working options and how you can work with your key customers and suppliers, developing communication plans. Consider your immediate technology needs to deliver this plan. Financing of solutions is also likely to be a consideration requiring evaluation of sources of funding and the ability of your business to meet these costs. It also represents an opportunity to change working practices to aid 'future-proofing'.	/ 10	
Security protocols in relation to remote working	Working remotely and subject to differing working practices such that unintended consequences may arise for security and increase inherent business risks.	Consider the impact that new or imposed working practices have on the way business processes are conducted. Evaluate any security concerns and risks.	/ 10	
Technology stresses	Remote working is likely to place pressures on IT resource and infrastructure not previously seen and a change in working practices which might be difficult to assess/judge the impact on the business.	Risk assessment of your IT infrastructure and policies is recommended. Changes to the business environment represent previously unanticipated levels or use and delivery pressure.	/ 10	

SUPPLY CHAIN

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Product delay	Helping to assess the business impact of product delays on working capital, resource requirement (including people) and profitability.	Communication with your suppliers is a key consideration. Think about stock control and lead times. In relation to working capital, review and update management reporting and cashflow forecasting to allow you to evaluate your position and plan scenarios.	/10	
Key supplier failure	Helping to assess the business impact of supplier delays or non-delivery on working capital, resource requirement (including people) and profitability.	Assess critical suppliers to your business in accordance with both your short term and longer term plans. Consider alternative sourcing. Plan ahead and communicate with suppliers to assess positions.	/10	
Foreign Exchange exposure	Delays in supply chain incur unplanned foreign exchange exposures.	Where contracts or delivery of goods has been extended, consider the management of currency risk to develop greater transaction certainty.	/10	
Contractual disputes and renegotiation	Assistance in scenarios where disputes arise, penalties are identified or terms flagged for renegotiation.	Look at difficult contractual scenarios and communicate at earliest opportunity. Seek to resolve any scenarios taking legal or professional advice to ensure that you are not "at the back of the queue".	/10	
Review and benchmarking of cost structures	Costings require greater clarity to assist or support negotiations.	Critically evaluate your cost and pricing positions to encourage sustainable trading.	/10	

CUSTOMERS

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Dealing with delays in payment	Working out how delays in payment might impact the business and bridging any funding gap assessed.	Review and update of management reporting and cashflow forecasting to allow you to evaluate your position and plan scenarios.	/ 10	
Contractual disputes and renegotiation	Assistance in scenarios where disputes arise, penalties are identified or terms flagged for renegotiation.	Look at difficult contractual scenarios and communicate at the earliest opportunity. Consider any "Force Majeure" clauses that may exist. Seek to resolve any scenarios taking legal or professional advice to ensure that you are not "at the back of the queue".	/ 10	
Maintain service levels	Maintenance of team performance and duties.	Actively communicate with clients and team - keep dialogue clear and supportive and focus on key deliverables.	/ 10	
Customer communication	Construction of communication plans to assist with customer communication.	Actively communicate with clients and team - keep dialogue clear and supportive and focus on key deliverables.	/ 10	

CORPORATE TAXATION (INCLUDING PAYE, VAT AND CIS)

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Business stresses impacting ability to meet taxes due	Negotiation requirement with HMRC.	Review and collate pending tax liabilities (including VAT and duty) and take advantage of opportunities to negotiate positions with HMRC. Having a clear view of commitments, repayment periods and capability to meet liabilities will be necessary.	/10	
Delays in tax repayments should HMRC resources become stretched	Evaluating and addressing the impact of delays in tax repayments.	Assess the sensitivity of you and your business to anticipated tax repayments and review impact on working capital and cashflow.	/10	
Reassessing payments on account	Should company profit positions reverse then opportunity to reduce or remove payments on account to be taken.	Where appropriate, take the opportunity to revisit payment on account positions in accordance with any anticipated changes in income, and as a means to positively improve cashflow.	/10	

PERSONAL TAXATION

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Reassessing payments on account	Should personal income positions reverse then opportunity to reduce or remove payments on account to be taken.	Consider your payment on account position and whether it still applies and whether there is appropriate opportunity to seek revisions to improve personal cashflow.	/ 10	
Management and retention of personal wealth	Challenging business conditions may represent unanticipated pressures on personal wealth and a need to plan more actively.	At a time of potential strain on personal incomes, you might consider or seek advice, as to any opportunities to review your finances and personal tax position.	/ 10	

FINANCIAL REPORTING AND GOVERNANCE

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Creation and revision of governance and shareholder documents to clarify rights and control	Greater business stress may bring questions as to rights and control of decision making in a business that were not previously precipitated. Resolution and formality may be newly required.		/ 10	
Resolution and clarification of management and shareholder disputes	Disputes amongst shareholders may arise from differing views as to course of action as to challenge management or driven by business pressures. Active resolution may be required to stabilise or facilitate business continuity.	Changes in the business environment may represent previously unanticipated pressures and risks in a business. The onus will be increasingly on directors to evidence their position and demonstrate proper consideration of decision making. Where management tensions exist, prompt and robust resolution is likely to be required to maintain business continuity. At a time of change and pressures on business practices and the working environment, the strength of internal control and effective revisions to keep pace with change, are recommended.	/ 10	
Review of internal controls and risk assessments for improved stakeholder comfort	Business pressure or change may identify a requirement to revisit, document or assess internal control for stakeholder comfort (owner/funder/regulator).		/ 10	
Support for decision making and underpinning of Directors' fiduciary duties	Business decisions may become challenging and in the context that directors' must evidence having acted in the best interests of the company (at a time of many challenging variables to address).		/ 10	
Consideration of risk assessment and any related impacts in financial statements	Directors are required to consider and disclose risk in relation to their fiduciary duties and financial statements are required to present a balanced view. Recommendation is that directors should actively manage risk and may also wish to ensure that they best reassure the readers of accounts of their risk mitigation policies.	At a time of change the need to address and engage with business risks is vital. A clear evaluation of the risks emerging is key to both business continuity and the responsibilities of management and directors. Being aware (and being able to evaluate) how your business will cope with varied challenges relating to finance, infrastructure and environmental change is key.	/ 10	

INSURANCE

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Reappraisal and understanding of existing policies	Policies may not be suitable to changing business risks or considered in the context of emerging situations (or previously given much thought or prominence). Premiums may be subject to review/ change.		/ 10	
Extension of policies to address key business, property or people risks	Reassessment of business risks in a changing environment.	You should review current insurance policies to determine what benefit or compensation they currently offer to you, specifically in relation to pandemics. Given the changes to the business environment it should also be a time to evaluate requirements going forward and whether business risks are covered to the extent that you wish, or are able. Consider access to available government cash grants and other support where insurance policies do not cover all exposures.	/ 10	
Business risk assessment - assessment of business position to understand and prioritise exposures	Possible requirement to adopt new market strategies and become increasingly flexible to business change.		/ 10	

FINANCIAL PLANNING

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Stock market volatility	Stock market volatility and falls may change people's perception of acceptable risk and change investment plans and personal wealth position. Alternative investment plans are likely.	Changes to the market will require consideration of corporate and personal investment positions, potential funding gaps and some fundamental changes to perception of risk and future investment strategies. These may each have impact on different aspects of the business environment. It is important to establish these positions at the earliest opportunity in order to take timely, robust and appropriate actions. Professional investment and tax advice is recommended to avoid unintended consequences.	/ 10	
Accessing funds to bridge unanticipated positions	Falling returns and stock markets may leave a funding gap for clients that they need to address.	Where funding gaps exist the need to determine options as to alternative finance opportunities.	/ 10	
Reappraisal of market/ sector and personal risk position	Stock market volatility and falls may change people perception of acceptable risk and change investment plans and personal wealth position. Alternative investment plans are likely.	Market positions are showing signs of rapid change. It's suggested that you should review your plans and any exposures and seek professional investment advice at the earliest opportunity to establish options, tax effects and any other consequences.	/ 10	
Personal cashflow planning	Business and investment challenges may create the need or desire for more active personal cashflow planning to deliver personal aims and meet expenditure - short and long term.	Mapping of personal cashflow requirements is suggested including the consideration of different business and personal scenarios.	/ 10	
Accessing of invested funds earlier than planned	Business challenges may create the need to liquidate investments (corporate or personal) before otherwise planned. The implications of doing so should be assessed.	Seek professional advice in order to establish the short and long term impacts of any immediate realisation of funds, including access limitations, penalties or tax effects.	/ 10	

PROPERTY

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Lease and rental/rates renegotiation	Negotiation either at the end of lease or during in response to changing market conditions and business affordability.	Actively consider what you need from your business premises and how this requirement might change in cashflow terms over time and with evolution of the business. Investigate opportunities that may exist to restructure or manage your property costs and cashflow. This may include looking at the negotiation with landlords of monthly rather than quarterly rentals, investigation of rental holidays, proportionate payments for short term relief or use of rent deposits as a further short term measure.	/10	
Dilapidation negotiations	Negotiation of position balancing contractual position and business ability to pay.		/10	
Reassessment and evaluation of property needs and alternatives	Evaluating need, options and opportunity while trying to keep property options flexible in view of changing sector or market conditions.	Consider business rates holiday reliefs and government cash grants available for retail, leisure and hospitality sectors.	/10	

MERGERS AND ACQUISITIONS

CHALLENGE	CONTEXT	SOLUTIONS	LEVEL OF CONCERN ?/10	NOTES
Renegotiation of acquisition terms	Existing terms and basis of agreement requires reconsideration in terms of changes to risk profile and performance of an acquisition.	Critically appraise recent activity and agreements, and consider changes to the business environment, risk profile and sector of transactions. Obtain professional advice where necessary and determine how the landscape may have moved on.	/10	
Reassessment of risk in purchase agreements warranties and indemnities	Existing terms and basis of agreement requires reconsideration in terms of changes to risk profile and performance of an acquisition.	Consider whether agreed terms, warranties and indemnities are now complete and appropriate to changes in risk and business environment.	/10	
Reassessment of business and funding structures	Change in business performance and risk assessment may change the established view of best structure for a proposed or recently constructed acquisition.	Consider whether changes to the business environment might drive a change in previous assessments and conclusions on best structure for acquisition activity.	/10	
Renegotiation of covenants	Changes to business profitability and working capital may impact compliance with covenants and place existing funding at risk.	Consider whether revisions to trading conditions will impact on covenant compliance. Communicate with funders early and assess headroom and potential shortfalls. Look to renegotiate terms and bank support on the basis of clear financial information and critical assessment of scenarios.	/10	

SUMMARY - KEY BUSINESS CHALLENGES

CHALLENGE	LEVEL OF CONCERN ?/10	NOTES
1.	/10	
2.	/10	
3.	/10	
4.	/10	
5.	/10	

USEFUL LINKS

EMPLOYERS & BUSINESS HELPLINE

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

BRITISH BUSINESS BANK

<https://www.british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/>

TAX HELPLINE

<https://www.gov.uk/government/news/tax-helpline-to-support-businesses-affected-by-coronavirus-covid-19>

MENTAL HEALTH HELPLINE

<https://www.nhs.uk/conditions/stress-anxiety-depression/mental-health-helplines/>

SOCIAL CARE HELPLINE

<https://www.nhs.uk/conditions/social-care-and-support-guide/help-from-social-services-and-charities/helplines-and-forums/>

111 HELPLINE

<https://111.nhs.uk/covid-19>

CONTACT INFORMATION

Many of our teams are now working remotely. You should have their day-to-day contact details, however, should you not be able to contact them directly, please call your local office. These numbers will remain manned and are therefore available to take your call.

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