

# How to Deal with Life After Furlough

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Date of publication: October 2021



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## INTRODUCTION

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The Coronavirus pandemic and subsequent lockdowns have caused major disruption for companies across the world, throughout all areas of industry. To help UK businesses deal with this unprecedented situation, the government launched a series of measures to try and steady the ship until everything returned to a relative state of normality.

One of these initiatives was the Job Retention Scheme, more commonly known as 'furlough'. It enabled firms to temporarily stop staff from working, but retain them on their books until the employees could return. As a result, the company could save on wages without having to resort to redundancies. The government would then pay up to 80% of the salary (reducing as time went on), with employers only needing to take care of National Insurance and Workplace Pensions contributions.

Now that the furlough scheme has come to an end, it is important for business owners to consider how they will cope. To help, we will outline some important factors to be aware of and explain the options that are available to you.

## About Us

Inquesta is an independent business advisory and professional services firm. We are proud to provide a director-led service that offers innovative and strategic solutions that are designed to achieve the best possible outcome for our clients.

Thanks to decades of experience in helping business owners recover from financial distress and restructure their operations, we are perfectly placed to assist our clients with recovering from the Coronavirus pandemic. We have worked with firms from all areas of industry, meaning we are able to offer expert and reliable advice no matter your circumstances.

While some professional services firms only specialise in one or two specific areas, we are pleased to provide a truly holistic service that is able to assist in all forms of business advisory – from restructuring and finance, to forensic accountancy and insolvency. We will take the time to thoroughly understand your company and its individual circumstances, making us capable of offering a tailor-made service to you.

Restructuring a firm or recovering from financial adversity is almost never a quick solution. This is why we offer our support at every step of the process, so you can be confident that we will be here for you whenever you need us.

## Meet the Directors



**Steven Wiseglass**  
Director - Insolvency Practitioner

Steven is a licensed Insolvency Practitioner with over a decade of experience in practice and a co-founder of Inquesta. Steven is a member of and licensed by the Insolvency Practitioners Association and is a Fellow of the Association of Business Recovery Professionals (R3). In addition Steven sits on the R3 committee of the North West Regional Committee.

Steven's core specialism is in advising directors of small to medium sized owner managed distressed businesses. By dealing with the full range of formal and informal corporate and personal insolvency appointments he possesses the necessary skills to provide the most appropriate advice in the circumstances.



**Rob Miller**  
Director - Forensic Accounting

Rob Miller is a chartered accountant and a member of the Institute of Chartered Accountants in England and Wales (ICAEW). Rob is also a Practising member of The Academy of Experts.

Rob is a co-founder of Inquesta and has over 10 years' experience in forensic accounting. Rob has been instructed on numerous cases including fraud and other investigations, criminal defence and confiscation proceedings, commercial and contractual disputes, transaction dispute advisory and valuation matters. Rob has acted for claimants, defendants and as a single joint expert.

# Take Stock of Your Current Situation

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The very first thing you should do is to carry out a comprehensive review of your company. This will tell you exactly what your current situation is, and whether you will need to take action to secure your firm's future.

Key areas to consider include your cash flow situation, working capital requirements, and what the liquidity of your business is. The end of furlough will likely bring with it a large influx of additional costs for you to take care of, so it is essential to have a clear understanding of whether these can easily be absorbed or if you will struggle to deal with them.

Let's take a look at the three areas mentioned above in more detail:

## Cash Flow

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A lack of cash is one of the main reasons that many small companies go out of business. This is usually because they have been operating without gaining a real understanding of their financial position, meaning they are caught completely unawares when they run into a problem. When trouble does occur, they are often too far gone to be turned around and are ultimately forced to close their doors.

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If you are not entirely sure of your company's financial state, it is essential that you get to grips with the issue as soon as possible. One way to do this is by creating a cash flow plan. This will enable you to plan and manage the loss and gain of cash to ensure your company is capable of paying business-related expenses as they appear.

By successfully matching the payment of expenses to projected incoming cash, a firm will be able to use its working capital more efficiently by paying as late as possible. Cash flow plans can also help companies earn interest on cash reserves and create a liquidity cushion for unexpected circumstances.

For more information about why cash flow planning is important, please read our [blog on the subject](#).

## Working Capital Requirements

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Understanding why working capital is important can be the difference between a successful business and being inundated with debts and liabilities. It is a reliable metric for how responsibly run and financially stable a company is.

Working capital represents the capital balance a business has; positive or negative, and it highlights a company's deficit between its assets and debts. It is a figure representing the amount of money your business is left with once all money in the last 12 months has gone in and come out of your account.

There are several ways to calculate your working capital requirements, which we discussed in a blog post. [Check this out more for information](#).

Once you understand your working capital requirements, you can check your company's finances to find out if everything is stable. If not, it is a good idea to seek specialist assistance on what you should do next.

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## Liquidity of Your Business



The liquidity of a business is extremely important, as it demonstrates the firm's ability to meet its financial obligations and any unexpected costs. Put simply, the greater the amount of liquid assets, the better the financial situation is.

A low liquidity measure would indicate that the business is either in financial difficulty or is not being run appropriately. If the measure is too high, however, it means that there is an excess of funds that could be invested for a higher return. There are different ways to calculate your company's liquidity, which you can read about in our blog.

Understanding the liquidity of your firm is essential to working out if you can come out of the furlough scheme unscathed or whether some changes will have to be made.

## Need Expert Guidance?



If you are not too sure about where to turn, it is a good idea to speak to an independent professional services firm. They will be able to conduct a thorough investigation of your company's financial situation and recommend potential areas for improvement. If some form of restructuring is necessary, they can also guide you through the entire process from start to finish.

## Look to the Future



Once you have gained a clear understanding of your firm's current situation, the next step is to look to the future and plan how you intend to return to winning ways. Some important things to consider include how long it will take your sales to recover back to pre-pandemic levels. Do you think it will happen straight away, or will it take some time?

Budgeting is also essential. The end of furlough means you will once again be 100% responsible for the salaries of your staff. Will you be able to cope with this?

Other key elements you should think about include:

## How Will You Cover Debts?



If your company currently has debts, whether they be to HMRC or other creditors, will you still be able to keep up with these obligations once your staff return to work? If the answer to this is no, or you aren't totally sure, it is essential to take action as soon as possible.

The faster you act, the more options you should have available to you. If you don't do anything, you could end up putting your firm's future in jeopardy. Of course, no two companies are ever the same, meaning there is no one-size-fits-all solution. This is why seeking expert guidance can be crucial.

An independent business advisory firm will gain a thorough understanding of your business and unique situation, before recommending what they believe are the most appropriate solutions to suit your circumstances.

## Is Extra Funding Needed?



Once you have completed the review of your finances, you may find that you could do with an influx of cash to help you deal with the end of the furlough scheme. Just like dealing with your debts, there will likely be plenty of options available to you – some more suitable than others.

Types of business finance include:

- Asset Finance
- Invoice Financing
- Merchant Finance
- Unsecured Loans

If you are ever unsure about the options available to you and which ones you should choose, speaking to a specialist corporate finance advisor can help. They will look at your current situation, your plans for the future, and any goals you may have to guide you on which solutions are most suitable.

When it comes to securing business funding, it is important to work with a company you can rely upon. To help, we recommend [Business Finance House](#).

With decades of experience in helping companies from all areas of industry find the cash injection they need, they are perfectly placed to assist.

## Will You Need to Restructure Your Business?



The final point you will need to consider about the future is whether the structure of your firm can be kept pretty much the same as before the pandemic hit, or if some changes need to be made. The good news is that you do have several options available to you, which we will discuss in the next section.

## What are my Options Without Resorting to Redundancy?

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It may be possible for your company to return to business as usual now that furlough has come to an end. While this will be the easiest option, it is also the most expensive. As a result, it should only be undertaken if you are absolutely certain your firm will be able to cope with the added financial strain.

Should you not be able to return to business as usual, there are several ways to get everything back on the straight and narrow. This is usually done via a process called corporate restructuring. Restructuring your firm is the ideal opportunity to take steps to ensure your company is built to withstand the challenges of the future.

This is especially the case as the country recovers from the Coronavirus pandemic, as things will probably not be exactly the same as they were before. Customer behaviour may drastically change, strict social distancing measures could still be in place, and there may be new health and safety protocols to be introduced. You may also find that sales take quite a while to return to pre-COVID levels, while costs will return straight away.

So how can you restructure your firm to reduce costs, without having to make staff redundant? Here are a few options:

## Extend Furlough Without Government Grants

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Provided employees continue to agree to the situation, it is possible to extend furlough without the benefit of the government grant. While you may think that workers would not be willing to do this, they could decide to accept these reduced terms as an alternative to redundancy.

A way to do this could be to furlough new employees, or operate some form of rotation plan so your workers do not lose their skills. This is likely to be considered by employers who will not have enough work for everyone but want to:

- Keep hold of trained staff for when business conditions return to relative normality
- Avoid expensive redundancy costs

If the employer already has a contractual right to lay off workers without pay, this could be triggered. However, the firm must ensure to give its workers first and reasonable notice of any lay off to avoid being in breach of contract. You should also be aware that employees who have been laid off for four or more consecutive weeks, or six weeks in any 13-week period, could claim statutory redundancy pay in some circumstances.

As with furlough, if an agreement is sought before an employer has come up with a proposal to dismiss 20 people or more (ie they have not devised plans to make people redundant if they do not agree to the new terms), then the requirement for collective consultation will not be triggered. However, if these terms have been proposed as an alternative to redundancy, you will be required to perform collective consultation.



## Bring Back Employees on Reduced Hours and Pay



This is another option for companies who would like to retain trained staff or avoid the costs of redundancy. It is most likely to be considered in circumstances where:

- Restrictions have been eased to allow for trading conditions to improve, but a full-time commitment from workers is not necessary
- A return to normal trading will be possible in the short to medium term
- The amount of work available can or needs to be spread out evenly amongst employees

As you would probably expect, a reduction in hours and pay will need to be ratified by employees before the policy comes into effect. If the employer recognises a trade union for purposes of collective consultation, they could agree to the changes with the union, who would then help facilitate individual agreement. Should no union be recognised, individual consent should be sought with an agreement made in writing.

Much like the option above, if no formal plan has been made to make staff redundant beforehand, collective consultation will not be required. If this option is being positioned as an alternative to redundancy, you should carry out collective consultation.

In some cases, previously furloughed employees could be coming back to a workplace where they had already agreed to a cut in pay in exchange for reduced hours before furlough took place. Returning workers may therefore expect the same conditions to exist and be willing for them to continue. The approach of having staff doing less hours for less salary is also something that could be rolled out company-wide, including to those who had not been furloughed.

Employers may also have the contractual right to impose short-term working, an option which could be triggered if so desired. Should you want to go down this route, it is important to give your workers sufficient notice.

## Bring Back Workers on the Same Hours but Reduced Pay



Business owners are more likely to choose this option if trading conditions are likely to return to normal in the near future, however the lockdown restrictions have created short-term cash flow issues that would make it difficult to pay employees' full salaries without jeopardising the financial security of the company.

This process largely works the same as if you were bringing back your workers on reduced hours and pay. If a trade union is recognised, they can be used to facilitate an agreement with your staff. If not, you will need to obtain their individual agreement in writing. Once again, provided this proposal has not been positioned as an alternative to redundancy, collective agreement will not be required.

## Redeployment



Another way of restructuring your business is to redeploy some workers from one role to another. This new position does not need to be similar to the previous one, and can involve different duties, locations, or seniority levels.

Redeploying your workers could be a good solution to keep hold of all your staff, but utilise them in areas that would benefit the business the most. As before, prior agreement will need to be sought in writing before any changes come into effect.

## Offer Unpaid Leave or Sabbaticals



This final option for restructuring a company is most likely to be considered by employers who want to retain all of their workers but need to give themselves some breathing space while conditions slowly return to normal. For employees, this may be a suitable offer especially if they have other commitments such as childcare or caring for family members.

Under normal circumstances, a sabbatical will be agreed on a voluntary basis. The employer must make it known to all staff that they will consider applications for unpaid leave, and reserve the right to decline requests by people who are 'business critical'. If a sabbatical is agreed, it must be recorded in writing.

## Renegotiate Finances



If your company is currently paying off debt, another way to restructure your operations is to speak with your creditors to see if you can negotiate new payment terms. Perhaps they will let you settle your obligations in smaller increments or over a longer period of time.

As mentioned previously, you may also find that your company could do with an injection of cash to help steady the ship. If this is the case, be sure to speak with a specialist who can advise you on the best options to suit your individual circumstances.

## What if Redundancy is the Only Option?



The sad truth is that for some businesses, making workers redundant will be the only way to ensure survival. If this is the case, it is important that you follow the correct procedures to the letter..

## Initial Consultation



This is the very first step a company must take if it has to make workers redundant. It involves informing all employees of what will be happening and why the decision has been made. The business will have to explain why the redundancy is necessary and if there are any alternatives. The consultation can either take place on an individual basis or to the workforce as a whole.

A company is obliged to carry out a collective consultation when it is making at least 20 employees redundant over the course of 90 days or less. It is then advisable to carry out individual consultations, as an employment tribunal could find it unfair that staff were only notified collectively.

The consultation must take place at least:

- 30 days before the first redundancy takes place in cases where there are 20-99 employees involved
- 45 days before the first redundancy takes place in cases where 100 or more employees are involved

It is also important to put down everything that was discussed in the meetings in writing - including:

- Reasons for the redundancies
- Numbers and descriptions of the affected employees
- The proposed method of selecting who will be made redundant
- The proposed method in which redundancies will be carried out
- How redundancy payments other than the legal minimum will be calculated

## Are There Any Exemptions from Collective Consultations?



Given the impact the Coronavirus pandemic has had on businesses, there are limited exceptions to the obligation to collectively consult. This applies when there are “special circumstances which render it not reasonably practical” for employers to comply with the requirement:

- To begin in good time and at least the relevant minimum period before the first dismissal
- To consult with a view to reaching an agreement about ways to avoid dismissal, reducing the number of employees that will be dismissed, and mitigating the consequences of the dismissals
- To provide statutory information required by law

While this exception does exist, an employer is still obliged to “take all such steps towards compliance with that requirement as are reasonably practicable in those circumstances”. The burden of proof will always be on the business owner to demonstrate that

- A special circumstance did indeed exist
- All required steps were taken to ensure that compliance was achieved as much as possible

Previous case law has shown that proving the existence of “special circumstances” can be extremely difficult to manage, so it is advisable that employers exercise caution if attempting to rely on this. Obtaining specialist and independent advice will be crucial.

## Individual Consultation Collective Consultations?



An individual consultation is required at the end of the collective consultation. In order to avoid a potential claim for unfair dismissal, there has to be:

- A genuine need for redundancy (a requirement that will almost certainly be met in these circumstances)
- Adequate warning and consultation of affected employees
- A fair selection process
- Consideration of alternative employment
- A fair redundancy procedure

Once the decision of who will be made redundant has been made, the next step is to write to all those affected and invite them to a meeting. They will be entitled to be accompanied by a colleague or trade union representative.

Each employee should be consulted individually to discuss their scores, the proposal for making them redundant and any opportunities for alternative employment – should they exist.

## Selection Criteria



In cases where not all employees will be made redundant, company owners will need to devise a way of deciding who will be let go. A good way of doing this is to work out a scoring criteria, with those scoring lowest being selected for redundancy.

All of the criteria used must be objective, fair and without discrimination. Any records that are used as part of the decision making process have to be completely accurate and up to date. Examples of the criteria that can be used include disciplinary records, attendance records, experience, skills and work performance.

It is essential that employees are never selected for redundancy based on discriminatory reasons, as this could give rise to claims for discrimination and result in employment tribunals. For example, you should not select an employee based on their gender, age, religion, marital status, sexuality or if they have a disability. It is also not permissible to choose them for being on maternity/paternity leave, whistle-blowing, being pregnant or for exercising any of their statutory rights.

## Making Workers Redundant



After any objections or alternative options that resulted from the consultations have been ironed out, employees that have been selected for redundancy should be invited to a final meeting. During this meeting, the reasons for redundancy have to be clearly set out, their redundancy package explained and they should also be advised of their right to take time off work to find alternative employment.

The decision to make the worker redundant should also be given in writing, with their termination date clearly stated. The employees can either be paid for the relevant amount of notice or receive a payment in lieu. They should also be given the right to appeal the decision.

## Calculating Redundancy Payments



Employees are entitled to receive statutory redundancy payments provided they have been employed by the company for a period of at least two years. The statutory payments are:

- 0.5 weeks' pay for each full year of service while they were aged under 22
- 1 week of pay for each year of service while they were aged 22-41
- 1.5 weeks' pay for each year of service that they were aged over 41

The length of service that can be counted is capped at 20 years, while the weekly payment is also capped at £479.

It is important to understand that when calculating an employee's redundancy package, their full regular salary must be taken into account, rather than the reduced rate they received during furlough.

## Voluntary Redundancy



As part of the redundancy procedure, it is also a good idea to canvas the workforce for voluntary redundancies. Although encouraging uptake of the offer may require a more generous redundancy package, the costs associated with voluntary redundancy could provide much greater savings in the longer term.

## How to Bring Furlough to an End in Your Company

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If you have not yet brought back your employees from furlough, the first thing you should do is to notify them that they are returning to work to resume their normal duties (where possible). This will usually involve writing to the workers to provide reasonable notice for their return, and clearly communicate ongoing arrangements. Records should also be kept of all correspondences. Assuming that an employee will be returning on the same terms as before the pandemic, this should be relatively straightforward from a legal standpoint.

It is also important to understand that there will likely be practical aspects of employees returning to work. The pandemic may have had a large impact on staff members' mental health, so recognising these potential issues is essential. Employers should therefore consider implementing wellbeing initiatives and providing mental health first aid provision.

Employees may also be concerned about their personal safety when returning to work. It is therefore necessary for business owners to review their health and safety obligations and ensure that the appropriate measures are in place. This may involve adapting existing working practices to ensure all workers are protected. Any changes that will be made should be communicated appropriately.

## What if Some Employees Want to Work From Home?

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The Coronavirus lockdown meant that many companies had to adjust their working style and practices to enable their employees to work from home. Now that furlough is coming to an end, there is likely to be a growing demand for the concept of working from home to continue.

While there is no obligation for employers to allow this, the fact that home working has now been 'tried and tested' means it would be a good idea to consider this, perhaps even on a part-time basis. Given that systems will now have been put in place to support home working, it will be difficult to argue that the practice of working from home will be less efficient. In some cases, it may actually turn out to be more efficient.

Therefore, although employees have no legal right to demand home working, business owners may see a rise in requests now that furlough has come to an end. As a result, it is important for employers to consider how they will react to such requests. Any changes to working policies should also be communicated to staff members

## Conclusion

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Recovering from the Coronavirus pandemic, lockdown, and furlough scheme is likely to be the biggest challenge that business owners have faced for a very long time, if ever. The reassuring thing is, however, that they do not have to go through it alone.

With decades of experience in supporting companies through difficult times, you can rely on Inquesta to assist. Our expert team will take the time to gain a thorough understanding of your circumstances before guiding you through all of your available options.

From working with you to assess your staffing requirements and performing an independent review of your finances, to advising on corporate restructuring options and financing facilities, we are perfectly placed to help whatever your requirements may be.

For more information about how Inquesta can help you, please contact our team or arrange a free consultation.

## Get in Touch

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## Book a Consultation

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If your business is experiencing financial difficulty, Inquesta is on hand to help. Book a free consultation to learn more about the options you have and how you can achieve the best outcome for you and your business.

[BOOK A CONSULTATION](#)

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