

# Spinout to Exit: Getting going



Maximise your potential

Directors have a number of obligations placed upon them in running a company - some will be imposed by their investors or other key stakeholders – others are statutory obligations.

The statutory requirements for operating a company fall into four broad categories:



Employment and human resources



Insurance



Health and Safety



Books and records

Additionally, directors have specific responsibilities and obligations placed upon them by reason of their role.

## Employment and Human Resources

As employment law grows more complex with increased risk of employment claims it is important to ensure the business' HR system takes account of all the key regulatory requirements.

The requirement to comply with employment law begins with the first employee. Therefore, as a minimum a company should have in place legally compliant contracts of employment for your employees including Directors. These should set out the main terms and conditions of employment and need to comply with various statutory entitlements.

As a minimum, employers are expected to have disciplinary and grievance procedures in place, although it is highly recommended that policies and procedures are in place for all employee/employer statutory regulations.

Other important legal and practical considerations are that employee records will need to be kept for all employees. These should include keeping safe, secure, confidential personnel files which will include details of an employee's proof of right to work in the UK (e.g. copy passport, etc.) and payroll information (e.g. tax code, NI, bank details etc.).

Non-compliance with regulations could mean a fine of up to £10,000 or two years in prison. A company will also need to obtain advice on other issues like statutory sick pay and maternity pay, employment tax, etc. As the company grows and employs 5 or more staff, there will be further statutory requirements such as providing a Stakeholder pension scheme, as a minimum.

## Insurance

Legally a company needs to have Employers' Liability Insurance and Public Liability Insurance. Depending on the nature of the business, it may also be advisable to have Professional Indemnity Insurance and Key Person Insurance. There may also be industry specific insurances required if, for example, the company is carrying out clinical trials.



## Health and Safety

Employers and employees have a duty to act responsibly under the Health and Safety regulations and this extends to welfare issues like preventing stress in the work place. Companies will need a Health & Safety Policy, and will be required to undertake various risk and Control of Substances, Hazardous to Health Regulations (COSHH) assessments depending on the nature of your business. Aspects such as first aid, fire precautions also need to be considered.



## Books and records

All UK limited liability companies are required to keep records of their financial transactions. These records must be sufficiently detailed to accurately assess the financial position of the company at any point in time and to enable it to prepare a profit and loss account and a balance sheet.

Most companies manage this through the use of an appropriate accounting system.

External funders will typically require that a company produces monthly management accounts so they can monitor actual performance against forecast.

A company is required to file certain documents either with HMRC or Companies House. These requirements are dealt with in factsheet "Compliance - Statutory financial filing requirements".



## Initial steps

To help to manage these obligations in the early days of a company's existence in summary it needs to:



Set up an HR system



Set up an accounting system



Register the company for payroll taxes



Depending on staff numbers set up a stakeholder pension scheme



Register the company for VAT



Get appropriate insurance