



Covid relief is about to end. Do you have a plan that's good to go?

Jobkeeper payments ceased for some businesses in January, and will stop altogether after final payments in April. Deferred tax and bank repayments will recommence at some stage, and for many, catch up rent payments will need to be funded. Our world has opened up and there is much to look forward to in 2021 but businesses are not out of the Covid woods yet.

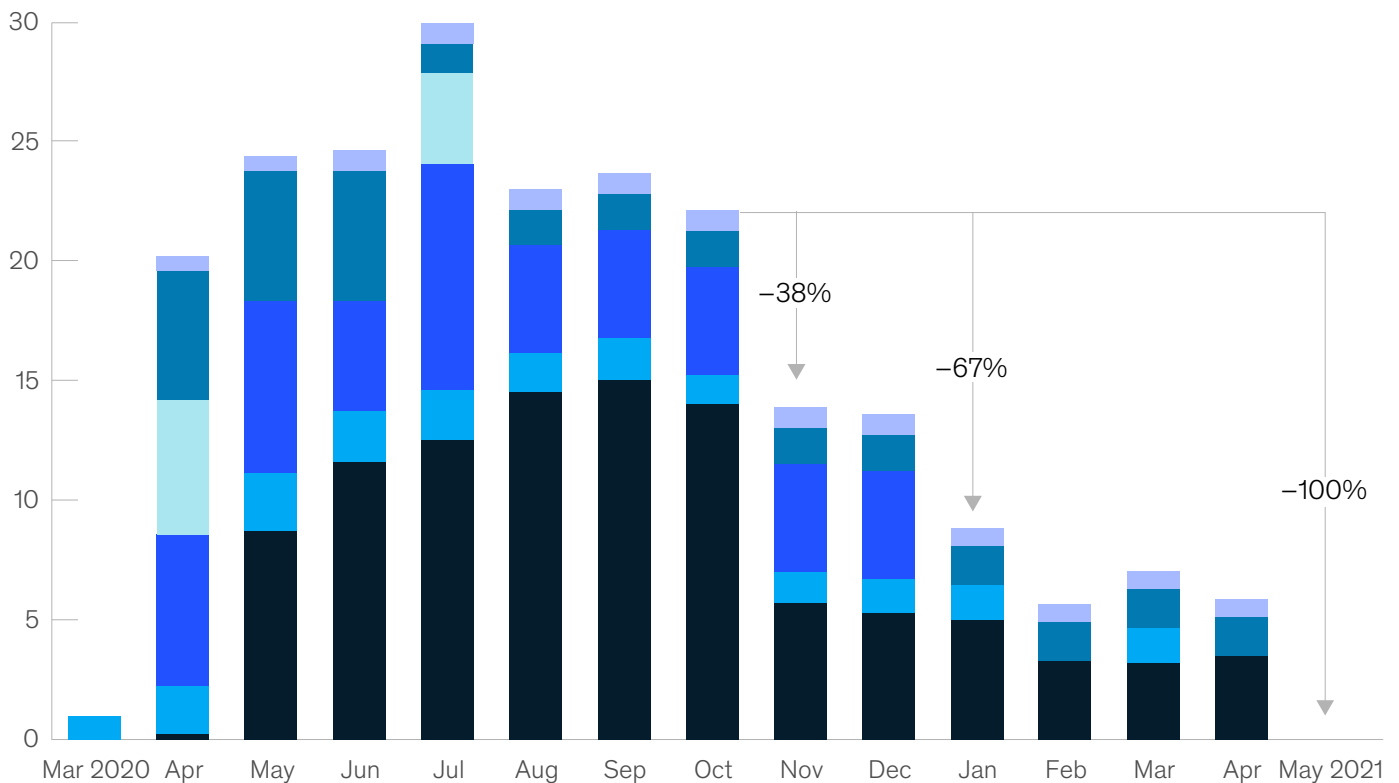
With Covid relief coming to an end, make sure your business is ready with a financial plan going forward.

So, what do you need to be aware of? What should you be planning for? And how do you feel safe amidst these still somewhat unsettled times?

Phases of stimulus withdrawal will change the distribution of the economic shock.

Monthly expenditure on COVID-19 relief, AU \$, billions

- Wage subsidies (JobKeeper)
- Welfare top-ups (JobSeeker)
- Early access to superannuation
- One-off cash payments to households
- SME cash-flow support
- Industry support and investment incentives



Source: McKinsey The next normal for Australian industries and workforces

Here are our top tips for surviving, and even thriving, as we progress further into 2021.

1. REGROUP AND RETHINK - MAKE TIME FOR A FOCUSED STRATEGY DAY.

2020 was a scramble to say the least. Even if you did manage a small break over summer, for many of us, we've needed January to recover and much of February to consolidate and formulate a new plan. If you haven't already, now is the ideal time to do some higher level thinking about where your business is at and the priorities for the year ahead. Ideally get your business leaders together, in-person or remotely, and agree an agenda to get the group's best thinking and ideas on what's going well, what's not, and what needs to change. We recommend you allocate a full day or two half days to addressing your business strategy.

If you're not sure where to start, we recommend keeping it simple and focused - which is often what makes a strategy day most effective.

Some agenda suggestions include:

Business status.

- Get an update from the boss and/or business unit or team leaders.
- Share high level numbers, key wins, losses and risks.
- Check in with your business model and consider innovations or new market opportunities

SWOT analysis.

- This is old school business 101 stuff but it's a sure-fire way to get all the issues on the table.
- Where do you stand now? Have strengths or weaknesses changed? Are there new opportunities and threats?
- You could even delve into the biggest issues to try to assess their likelihood to reduce uncertainty.

Process review.

- Look at key processes only, such as market the business, deliver the service, collect money and pay bills.
- Identify potential improvements to processes and cost efficiencies.

Income & Sales Forecasts.

- Getting your head around these expected numbers for the year is critical.
- It's valuable to review these as a group, considering everyone's market and economic observations, and the business's sales, marketing and business development opportunities.

Objectives & Targets.

- Agree key objectives for the year and possibly over a longer 3 - 5 year planning horizon, if you can.
- It often helps to group your objectives into areas of finance, customer experience, sales, internal processes, and employee development and engagement.
- Finally, paint a clear picture of what success looks like on each of these key parameters so you collectively agree and understand what you're aiming to achieve.

2. BUILD FINANCIAL FORECASTS.

You might have expected this from an accountant. But your business will truly benefit from having a budget and profit and loss forecast as reference points against which to gauge performance as the year unfolds. Don't think it needs to be 100% accurate, it just needs to be your best estimate of what might happen. As the year progresses, you can compare it with actual trading to know if you're ahead or possibly running into trouble. It can also be helpful to consider a number of different 'if this, then that' scenarios when developing your forecasts.

After estimating your income and costs to forecast your cash flow you'll need to think about other payments or receipts that are not part of the profit and loss of the business. This is where you'll need to

consider additional rent payment catch-ups, your ATO debt, and any bank loan deferrals.

When all relevant figures are plugged into a spreadsheet, you'll see what the resulting bank balances are each month. If you're working down debts, experiment with higher or lower repayments, made more or less frequently, to make sure the repayment plans are manageable.

Use your financial model in discussions with your landlords, banks and the ATO to agree on workable solutions. This will make the discussions more objective and effective, and provides everyone with more confidence.

Please note: above we've described as a simplified cash forecast that is suitable for most purposes. To go beyond that would involve building a detailed cash forecast that predicts the timing of receipts (given likely customer payment terms), the payment dates for PAYG and super, modelling GST coming in and out of the business ... and everything else. This is complex and time consuming and only worthwhile if cash will be very tight. To avoid this, if possible, try to defer any debt repayments until the business has accumulated a safe cash buffer.

Whichever way you go, when planning repayments, don't over commit. The year will be much less stressful if you can agree to repayment plans that you can stick to. Run the same cash process using your more pessimistic profit and loss projections and see the impact to the forecast cash holdings. Potentially discuss the poorer scenarios with your lenders so they're aware you have a plan to revert to if things turn out badly.

3. MAINTAIN AS MUCH FLEXIBILITY AS POSSIBLE

It's incredibly hard to know how the year will pan out. Some sectors have been hit hard and will recover slowly. Others may enjoy pent up demand making 2021 a huge year for some who may instead face the challenges of scaling and growth. The government is spending unprecedented amounts to stimulate the economy and this could very well impact your business directly and indirectly.

Do your best to consider all factors when building your plans and forecasts, but acknowledge that uncertainty will remain after all that work.

Here are some ways to keep some flexibility within your business:

Consider your stock purchasing or production and delivery commitments.

- Your sales pipeline and even sales contracts are less solid than in the past, so it's harder to get stock levels right.
- Develop processes to gauge risks and stay close to your customers and where they're at.
- Strategies might also include sacrificing margin to buy stock in smaller batches or holding less stock but potentially risking lost sales.

Keep a flexible workforce.

- Labour is likely a major cost. Consider using a higher number of casual staff or contractors across the business (but take HR and/or legal advice with this).
- Look at outsourcing some functions rather than hiring staff for requirements such as marketing, accounts, HR or IT.

Limit property commitments.

- Depending on where you're at, you may have the opportunity to keep staff working from home, or use more flexible co-working offices for a while until you see how things pan out.
- If you're not stuck in a lease, think through the benefits of committing to one now, or deferring the decision until things stabilise.

Research funding options if this might be needed.

- Talk to banks and understand their lending criteria.
- Investigate other sources of credit such as ["fintech" lenders](#) which require much less or no security and can sometimes lend money very quickly.

- If you invoice customers, get your head around “[invoice lending](#)” or debtor financing if you might need cash to get you through pinch points.
- If financing becomes necessary, consult a qualified adviser to be sure that your business can afford it.

4. LOOK FOR OPPORTUNITIES

While the length and depth of Covid’s economic impact remains uncertain, we know a lot more now than we did last year. If it’s becoming clearer how your business and industry have been affected, and if you have the headspace, we recommend focusing on potential opportunities.

Here are some suggestions to get you thinking:

Consider what your competitors are up to.

- If they’re struggling, their customers might be looking for you.
- If they’re nailing it, find out how.

Talk to your major suppliers and supply chain partners.

- They’ll likely know a lot about your industry and be happy to help if they can.
- If they’re struggling, consider how you could collaborate for mutual benefit.

Thinking about your overall strategy.

- Consider possibilities to partner, merge or acquire other businesses.
- Everyone has had a hell of a time and may be thinking very differently about the future of their business too.

Decide about moving or expanding.

- While rents are holding up surprisingly well despite very high vacancy rates, as stimulus packages dry up, many expect rents to drop. It could be a renters market if you’re in a position to move or take up more space.
- Disruption may also have opened up gaps in markets that will allow your expansion plans to accelerate.

Review your team.

- Talk to recruiters or industry contacts to explore potential strategic hires. Depending on your industry, there may be great talent looking for a new home.
- Look into where you may gain cost-effective capacity and capability from engaging outsourced specialists.

5. WATCH FOR GOVERNMENT STIMULUS AND GRANTS

Governments around the world have responded with trillions of dollars in spending to stimulate their economies, make sure you get your share. Australia’s spending ranked third in the world as a percentage of GDP according to [Statista in October 2020](#). While the big ticket packages are coming to an end, there are government grants of seemingly every shape and size still on offer. Invest the time to explore these in detail. If you belong to an industry body, they should have all the information you’ll need, or start researching at your state government’s business website. See for example, [Business Victoria’s](#).

It has been an incredibly challenging and unsettling time for business. Many face further extremely difficult times ahead. Others will prosper and enjoy accelerated growth. Whichever position you find yourself in, we encourage you to remain open to options as you explore every avenue for success.

At Slate Accounts, now as always, we’re here to help relieve the financial pressure points of doing business so that you and your team can focus on what you do best.

If you would like assistance to better understand your numbers, to explore opportunities and reduce risk in order to create a bold and solid plan for 2021 and beyond, please don’t hesitate to get in touch. Phone 1300 660 129 today.