

# Cashflow forecasting: where to focus your business in stressed or distressed conditions

With the rising impact of COVID-19 being seen worldwide, all industries will face significant disruption to their supply chain, workforce and cashflow. The right response will depend on the specific circumstances you and your business face. However, when experiencing significant stress or distress, we recommend you focus everything you do around the management of cash.

Our Resilience Wheel outlines five key considerations for businesses with cash management at the centre.

## 1 Cash management: the most critical issue for businesses

### Take steps to retain cash in the business

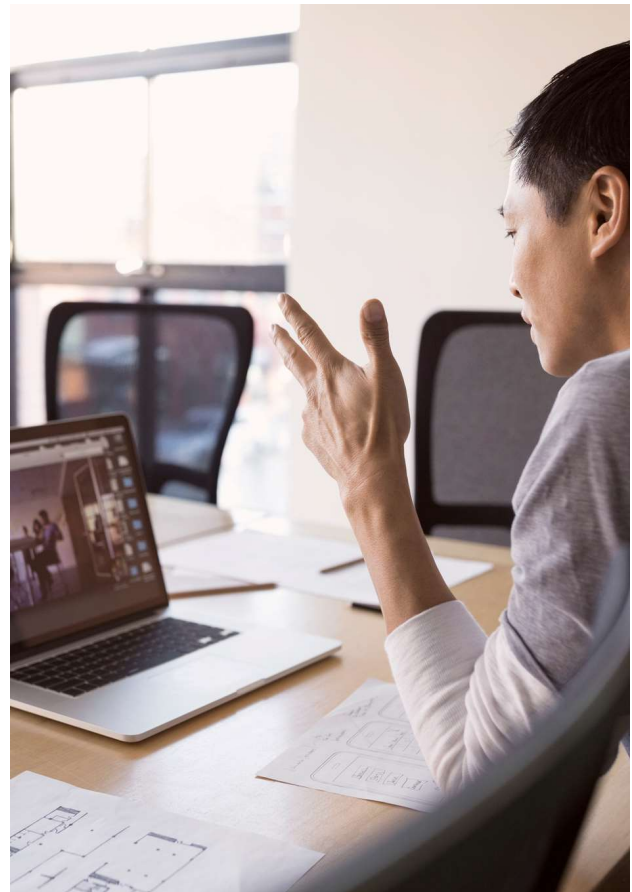
This may include actions to:

- stretch creditor payments
- negotiate payment deferrals with landlords and banks where possible
- sweep idle cash from other facilities into your working capital account, or draw down on availability in your banking facilities
- negotiate with customers for them to pay early, by offering them a discount or other concessions
- explore tax concessions available
- Investigate available government grants and other support

### Short to medium term cash forecasting is essential

Now more than ever you should create a robust cash forecast. The minimum expectation for most businesses should be a 12-14 week daily (or even weekly) forecast, monthly after that to the end of 2020. Profit & loss and cash flow should be integrated and cash balances reconciled.

Stakeholders who are contemplating providing financial assistance will not be able to support everyone to the same level. Having a robust plan underpinned by strong financial forecast will give comfort and clarity to the stakeholder, thereby maximising your opportunity to access the necessary funding.



# The Resilience Wheel: focus on cash management



**Key**

- Short-term cashflow forecast
- Areas that impact short-term cashflow
- Wider considerations to work through
- Stakeholder engagement

# Further considerations

## 2 Contingency planning

Where are the critical points in your supply chain? Consider stock piling essential supplies (try to create and hold an emergency reserve of critical supplies), ensure alternative sources are identified.

Who are your essential employees? Establish staff support plans to allow them to continue working (childcare, flexible working, remote working).

Explore what reliance your business has on external support for any processes/interaction with other businesses (including the supply/delivery chain).

Consider whether part (or all) of your business should be suspended, and the implications in terms of deactivating equipment and dealing with live projects or work in progress.

Think about if employee absence could cause you to miss a tax/regulatory filing deadline. Depending on your specific regulatory requirements, you may be able to delay audit dates or make arrangements for an audit using a virtual approach.

Look at the insurance cover you have and check whether you have a legitimate claim for the kind of disruption your business is currently facing. Similarly, check if a successful claim could be made against your business for the cancellation of services or goods.

## 3 Stakeholder management

A robust cash forecast will put you in a stronger position with your stakeholders. Be proactive and engage with tax authorities, lenders, landlords and key suppliers to avoid missing out on financial and other support that may be available.

## 4 People

Understanding your employees' profile is critical; consider the flexibility you have to deploy people into different areas of your business.

In many cases workforce solutions can be negotiated, and a big part of this is active engagement with people, unions and other employee representatives to explore what options can be accommodated for each business. Engaging with your legal advisers early will help clarify the options available.

There is always going to be a sensitive balance between maintaining employment levels and the ultimate survival of the business.

Set a clear policy for people absence, covering voluntarily absence and for situations where people are quarantined or unwell.

Employees need to know where they stand and trust messages from their business leaders – tone, accuracy and relevance can make all the difference to behaviour.

## 5 Setting up a crisis management team

Ensure representation from key departments or groups and meet frequently to discuss and prioritise problems.

Wherever possible, try to anticipate the next problem. If you have spare resource, allocate some of it to a 'hot planning' group who can react and find solutions to individual problems as they emerge without tying up the whole management team.

Communicate early, often and frankly with the team. Establish a communication system which can reach staff at home or otherwise isolated. Lack of news breeds uncertainty and concern.

# Explore the Resilience Wheel for your business



Grant Thornton advisers are focused on working alongside our clients to support them through challenging times of stressed or distressed operating conditions.

## Contact a specialist

If you would like a conversation with one of our local specialists to explore the Resilience Wheel dimensions for your business and how you can put in place measures to protect your business at a time of crisis please contact.



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