



Lamont
Pridmore



Business Survival Toolkit



Lamont Pridmore

In association with the
Cumbria Chamber of Commerce

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Introduction

This plan is specifically written for those directly affected by flooding, but most is equally applicable if your business has been affected indirectly, e.g. if a key supplier or customer(s) is out of action.

Lamont Pridmore will be able to discuss this Business Survival Toolkit with you and advise you on the best methods of implementation for your business.

Expected Timescale

The expected period of disruption will not be the same for everyone but we recommend that the business should create a fund of cash or bank facilities to be able to operate for at least six months with no or considerably reduced sales. Make an estimate of how long your premises will be out of action for and/or how long your customers/suppliers will be affected.

Customers and Marketing

Analyse your likely sales over various markets, taking into account not only the direct impact of your business being flooded but also any impact of the flood on your customers and suppliers as they may also have been affected.

The assessment needs to be realistic and not over optimistic because very important decisions will be taken on the basis of this information. Look at:

- which, if any customers, you are able to supply currently
- what you need to do to be able to supply other customers
- whether there are new channels you could use to sell to your existing and/or new customers e.g. street markets, internet, home deliveries/supply, working with another business
- which customers will be so badly affected that their sales are likely to cease forever
- which customers will be affected until they recover from the flood, how long is this likely to be and to what extent (will they not buy at all or will they buy less)
- which customers won't be affected at all
- whether there are new customers/markets you could target
- whether your suppliers are affected, how long this is likely to be the case for, and where, if necessary you can source alternative supplies.

Make sure you communicate with your customers as soon as possible – and keep communicating with them. Let them know your situation, how it affects them and what you are doing to maintain/restart supplies to them. If appropriate think about how you could access new supplies quickly or provide services to them in a different venue – so that they aren't forced to go elsewhere. Keep them up to date with the situation as it evolves. When you're able to get back to normal you might think about how to reward customers who've stayed loyal e.g. thank you card, special opening offer, opening event for customers.

Credit Control Procedures

It's vital for your cash flow that you have stringent credit control procedures in place with any new customers (especially if they may be seeking alternative suppliers as their credit lines dry up) and with existing customers possibly seeking extended credit periods. These are difficult business decisions. You may have opportunities to create new relationships which will develop the business in the future but at the same time you may create additional financial strain on your own business in the very near future or it may even create a bad debt which will cause you serious financial problems in the future.

Your Contract Terms

Review the contractual terms of your business to ensure that you understand the legal status of the various clauses, both for your customers and for your suppliers. If applicable you will need to take a commercial decision on your policy on cancellation of orders, bearing in mind your current financial situation and the potential lifetime value of that particular customer in future years. The more difficult your own current financial situation the more difficult the decision will be on whether you can accept the cancellation or whether you need to pursue a legally binding order. A similar situation will arise when you are considering cancelling orders with your suppliers.

Insurance Cover

Check your business insurance policy to establish whether there is any relief under the business interruption and consequential loss sections.

Ask your insurance company exactly what you can claim for and what actions you need to take. Ask them also about an interim payment to help your business start trading as soon as possible to minimise your loss.

Other Income Opportunities

Explore every possible income opportunity to establish whether new income streams can be created:

- new products/services that could be developed quickly
- other ways of getting your product or service to customers
- employment for a short while to increase income
- claiming any benefits that may be due to you

Cost and Cash Control

Clearly there will be a number of urgent demands on your time, but taking steps to cut costs and improve cash flow are vital.

The first course of action is to turn off as quickly as possible all non essential cash outflow. This may be business or private expenditure, revenue or capital. Review all standing orders and direct debits, whether business or private, and consider cancelling any non essential payments. The quicker this is done, the longer the business will be able to survive and the more likely it will have the necessary funds to support its recovery.

Essentials	Non Essentials
Materials and direct costs of production to meet anticipated sales	Stocks of raw materials
Key staff	Subcontractors
Light, heat and power (once back in your premises)	Non essential repairs and maintenance (DIY)
Insurance	Motor repairs and service
Telephone system and internet	Telephone calls?
Marketing? (depends on your circumstances)	Printing and stationery
Appeal your business rates	Marketing? (depends on your circumstances)
Taxes (PAYE, NIC, income tax, VAT) – but try to reduce/defer	Cleaning and laundry (DIY)
Essential living costs	Rates (appeal your business rates)
Repairs to your property	Heating
Replacing lost/damaged equipment	Pension contributions (suspend)
	Investments and savings plans (review)
	Capital expenditure (other than replacing flood losses)
	Bank loan repayments (agree holiday)
	Leasing & HP payments (agree holiday)
	Non essential personal expenditure

Staff

Regrettably it's vital to cut staff levels as quickly as possible (in days) to those necessary to meet current or expected sales levels. In order to do this:

- Review Contracts of Employment
- Check notice periods to be given to make people redundant and any costs this would involve
- Consider varying terms and conditions
- Look at asking staff to take holidays now
- Consider laying off staff
- Look at negotiating amended hours or salary levels.

You may decide to take a different approach for different groups of staff, depending on your needs now and in the future.

Make sure you follow the correct processes when carrying out any of these changes and take account of any contractual and legal requirements.

For guidelines on this you can contact Lamont Pridmore.

Quantify the Problem

Reduce costs and financial outgoings of the business to a minimum as quickly as possible (within days). Once you have done this calculate how much money is needed to meet the level of costs and outgoings for the next six months or however long realistically you will be affected.

Cash Flow Management

Once you've quantified the problem the business will need to amass the necessary resources to meet these outgoings, whether this is in cash, credit facilities, bank overdraft, sale of surplus assets, introduction from your own resources or loans from friends or relatives, etc to meet these needs. Marshall all your assets and create a war chest for the battle ahead.

Own Resources

The business may need an injection of some of your own resources or those of your family or friends to help meet commitments. You should also keep back say another two months of outgoings as a contingency fund in case you are severely affected for longer than expected.

You may need to give notice of withdrawal from some designated bank or building society accounts and this should be done straightaway. Once you know how much you can introduce into the business from your own resources you will need to work out how you are going to find the balance.

Sale of Surplus Assets

To fund your business you should consider selling any personal or business assets that are surplus to requirements. Trading stocks (if they haven't already been destroyed) should be reduced to anticipate the non-existent or quieter trading period.

Banks, Building Societies, Hire Purchase, Leasing and Other Funders

It's vital that you discuss the situation with your banker or funder as soon as you have a draft financial plan in mind. The relationship that you've developed with your banker over the past few years will now become an important asset. Your banker should be understanding and supportive but may need to obtain authority from regional office for capital and interest holidays or increased facilities, so timing of the funding application will be very important.

If issues arise with your bank then please seek advice from Lamont Pridmore, who will be able to help you.

Suppliers

Discuss delayed or deferred payment with suppliers. This is a good source of funding.

Tax Authorities

Lamont Pridmore can help you come up with a strategy to arrange for the delay or deferment of PAYE, NIC, VAT and income tax payments. Some authorities are more receptive than others to your financial situation but you can usually obtain a reasonable repayment plan, particularly in the present circumstances.

Tax Payment 31st January and Change of Accounting Date

For self employed businesses, consider changing your financial year end to 31st March 2016 to relieve the financial losses as early as possible for tax purposes. This is a complex decision which should not be taken without advice from your accountant/financial adviser - Lamont Pridmore will be happy to help you in this.

To maximise your cash flow, a claim should be submitted to reduce the tax payment due to 31st January 2016. Consult Lamont Pridmore on the best course of action.

If you trade as a company you should consider immediately stopping drawing a salary as this will reduce the national insurance and PAYE liabilities. The drawings you need to live on can be taken either by withdrawal from your loan account, by dividend or through the creation of a loan account from the company. These actions will considerably reduce the regular outgoings from the business. This is a complex area and you should consult Lamont Pridmore before taking action.

Action Plan and Milestones

Draw up an action plan for the next six months covering the following:

- financial projections for the next six months
- sales target
- marketing strategy and plan
- revenue expenditure budget including staffing strategy
- capital expenditure budget
- personal expenditure budget
- funding strategy and plan
- tax plan

The plan should be reviewed weekly then monthly to confirm that you are on track, and if you are not on target identify what further action(s) you need to take.

It's important that you keep your accountant/financial adviser and your bank manager or funder informed of developments, together with the actions you are taking. This will ensure that they are in a position to help if needed.

Getting Your Business Back Up and Running

See our business continuity checklist provided by the Cumbria Chamber of Commerce.

Disaster Recovery Plan - for “next time”

The last thing you want to think about right now is this happening again. However, there are lots of disasters that can hit your business so every business should have a recovery plan. Lamont Pridmore will advise you in creating a Disaster Recovery Plan, which usually covers fire, flood, storm, electricity interruption, computer system failure or data corruption, and other potential disasters such as pandemic flu, foot and mouth disease and other human/animal diseases.

As part of this you may wish to consider specific measures with regard to flooding. More guidance is available at www.environment-agency.gov.uk.

Further Guidance

Further guidance is available from Lamont Pridmore. We will also be able to signpost you to other help.

It is advisable to work with a financial or business advisor and funding may be available to support this.

Lamont Pridmore

Chartered Accountants, Tax and Business Advisors
Offices throughout Cumbria

Telephone: 0800 234 6978

Email: info@lamontpridmore.co.uk

Web: www.lamontpridmore.co.uk

Disclaimer:

Before taking any action we recommend you contact your accountant or financial or business advisers. Care has been taken in the preparation of this Business Survival Toolkit but Cumbria Chamber of Commerce and Lamont Pridmore accept no responsibility for any loss arising to any person as a result of action or inaction based on this toolkit.

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Template Letters

Letter 001	Business rates
Letter 002	Revaluation proposal
Letter 003	Tax – change of accounting date
Letter 004	Tax – deferred payment
Letter 005	PAYE – deferred payment

Letter 001

Name and address of business

Business Rates Section

Date

Dear Sir

Re:[name of business]

Rating Assessment Number: xxxxx

Our business has been severely affected by the December floods, resulting in our sales being reduced by x%.

We are therefore unable to pay our business rates at this time due to the effect of the floods on the business.

We will try to send you as cheque as soon as the business has recovered from the crisis.

I hope this letter is sufficient for your purposes.

Yours faithfully

Council Addresses

Allerdale Borough Council

Allerdale House
New Bridge Road
Workington
CA14 3YJ

Barrow Borough Council

Town Hall
Duke Street
Barrow-in-Furness
LA14 2LD

Carlisle City Council

Civic Centre
Carlisle
CA3 8QG

Copeland Borough Council

The Copeland Centre
Catherine Street
Whitehaven
CA28 7SJ

Eden District Council

Town Hall
Penrith
CA11 7QF

South Lakeland District Council

South Lakeland House
Lowther Street
Kendal
LA9 4UF

Letter 002

Name and address of business

Valuation Officer
North West Group
Red Rose House
104 Lancaster Road
Preston
PR1 1LX

Date

Dear Sir

I enclose my complete proposal to alter the year 2015 Rating List.

If you require any further information do not hesitate to contact me.

Yours faithfully

Letter 003

Name and address of business

HM Inspector of Taxes

Date

Dear Sir

Re: [Business name]
Tax reference: xxxx

Our business is being severely affected by the December floods resulting in sales being reduced by x%.

We therefore proposed to change our accounting year end from [month] to [month].

In view of the change of accounting period we wish to reduce our instalment of income tax and Class 4 National Insurance Contributions due 31 January 2016 to nil.

We hope this letter is sufficient for your purposes.

Yours faithfully

Letter 004

Name and address of business

HM Inspector of Taxes

Date

Dear Sir

Re: [business name]
Tax reference: xxxx

Our business is being severely affected by the December floods resulting in our sales being reduced by x%.

We would appreciate your understanding of the situation by acknowledging that the Income Tax and Class 4 NIC Insurance Contributions due at 31 January 2016 are deferred and interest charges waived.

We will attempt to make payment as soon as our business is back to normal and cash flow permits.

If you require any further information do not hesitate to contact us.

Yours faithfully

Letter 005

Name and address of business

HM Inspector of Taxes

Date

Dear Sir

Re: [business name]
PAYE Reference: xxxxx

Our business is being severely affected by the December floods resulting in our sales being reduced by x%.

In respect of the PAYE and National Insurance contributions due, we would appreciate your understanding of the situation over the next few months as we do not have the cash flow to make these payments.

We will attempt to make payment once our business is back to normal and our situation has improved.

I hope this letter is sufficient for your purposes.

Yours faithfully

Tax District Addresses

For PAYE please contact: -

HM Revenue & Customs
Stocklund House
Castle Street
Carlisle
CA3 8DU

For Individual tax please contact: -

HM Revenue & Customs
Blencathra House
Queen's Dock
Tangier Street
Whitehaven
Cumbria
CA28 7UW

For Corporation tax please contact: -

HM Revenue & Customs
Ruby House
8 Ruby Place
Aberdeen
AB10 1ZP