



SOUTH COAST
BOOKKEEPING
Rounding up numbers

Guide to Developing Your Business Continuity Plan in Response to Covid-19

DISCLAIMER:

This guide has been designed to assist Australian businesses to develop their Business Continuity Plan in response to Covid-19. Planning your response is critical, even if your business hasn't felt a significant impact yet. Every business will be impacted in some way.

This guide is not intended to be exhaustive or replace official advice provided by the Australian Government. The information contained in this guide is of a general nature only. Contact us for advice relating to your specific circumstances.

All data was correct at the time of writing; however, this is a constantly evolving situation and we recommend you utilise official government websites for the most up to date information.

Summary

In these unprecedented times, it's important to remember that we're all in this together; everyone is impacted by Covid-19, from our team, to our customers and suppliers. We've prepared this guide to help our clients navigate through these uncertain times by working together to help keep businesses alive and people employed.

We can't stress enough the importance of communication at this time. You're not alone in this. Communicate with us, your accountants; we're here to help. Communicate with your team; they're worried about their job security and supporting their families. Communicate with your customers; reassure them that you're still open for business and of the steps you're taking to protect them. Communicate with your suppliers; they're a business just like you, with similar concerns. Communicate with your bank and financiers; sooner rather than later - act now for your best opportunities.

These are scary times for everyone, but it's a time for planning, not panicking. We can all make a plan to minimise the impact as much as possible. Things will change, that's a given. But with this change comes opportunities. Think about how your business can evolve. It's likely your customers still need you; but you may need to pivot your business.

We encourage our clients to reach out to us. We are keeping up to date with the latest from the government and will share the latest developments with our clients.

Many, if not most, team members will be working from home. Most, if not all, of your usual face-to-face meetings will now take place online or by phone. The value we provide you won't change; our delivery will just look different.

We can all do our part to keep ourselves safe and protect our community.

We are committed to safeguarding the financial health and wellbeing of our team and our clients.

Please get in touch, by phone or email, to discuss your options and make a plan for the continuity of your business.

The South Coast Bookkeeping Team

Your Resilience

Wellbeing

The coming months are inevitably going to be tough for a lot of people. As a business owner, you'll need to make some tough decisions. It's essential we look out for each other and speak out when we need help. This is a stressful time and it's important we look after our mental health as well as offering mental health support to our team.

Some tips for managing your mental wellbeing:

1. Select your information sources carefully. Access information from official sources when required.
2. Try to maintain your daily routine. Some adjustments will need to be made but try to keep to your routine as much as possible.
3. Exercise each day. Go for a walk or run and get some fresh air and sunshine. Even if you're self-isolating, you can get outside while maintaining social distancing.
4. Get enough sleep. Easier said than done at times. Put technology away earlier and read or listen to an audiobook to help you relax.
5. Maintain a healthy diet. Eat a range of fresh and nutritious food. Reach out to your community and swap produce if possible.
6. Stay calm. Choose a relaxation practice, e.g. yoga, meditation, etc. and commit to doing it daily.
7. Stay connected. Spend time with your family and keep in contact with friends; call instead of texting.
8. Be positive. With crisis comes opportunity. Seek out opportunities and don't catastrophise.

If you're struggling to cope and need to speak to a trained counsellor, you can call 13 11 14. In an emergency, dial 000.

Family first

Your family should come first, always. It's likely they're your main reason for being in business; setting your family up for success. Discuss your options with your family and make a plan for working from home.

If you have children, speak to them about what's happening in an age appropriate manner. Find out what they know and correct any misinformation. Listen to their fears and offer comfort while being honest. Reinforce the need for proper hygiene and getting lots of sleep. Make sure you have technology, books and resources available for them to continue learning.

Personal budget

Review your personal budget and 'trim the fat'. Identify areas where you can save money. Your personal budget doesn't need to be complex – it could be as simple as totaling your expenditure from the last month or 2 to identify your monthly personal costs. From there identify where you can make savings e.g. on entertainment, coffee, gifts, and any other unnecessary expenditure. Every saving you make takes pressure off what the business needs to provide to you.

Don't cut costs for essential utilities; a strong and reliable internet connection is a must if you'll be working from home.

Personal asset planning

Personal insurances

Review your personal insurances to ensure you have sufficient cover for you and your family. Speak to an insurance broker for advice on your insurance options.

Wills

If you don't already have a Will, make sure you get one written up sooner rather than later. If you do have one, make sure it's up to date and reflects your current wishes. Speak to your lawyer for specific advice on drafting your Will.

Memorandum of Wishes

If you have a Trust, ensure you have a Memorandum of Wishes to guide your appointed Trustees on the purpose and desired outcome for your Trust assets. While it may not necessarily be binding on the surviving Trustees, they will usually follow it.

Because a Trust continues after your death, a Memorandum of Wishes is important as it outlines your intentions for the Trust assets. It's a personal document that doesn't need to be written by a lawyer. You should write it yourself, in plain English, and update it whenever circumstances change. We have a template available to guide you through the creation of your Memorandum of Wishes.

Powers of Attorney

There are four types of powers of attorney in Australia with each one having specific uses:

1. General non-enduring power of attorney.
This is granted for a limited purpose. It is used for a specific task and expires once that task is completed.
2. Enduring power of attorney (financial and/or personal).
This can be for financial and/or personal issues and allows the designated person to continue making decisions on your behalf. The person giving the power of attorney must be completely capable of making decisions at the time of transferring enduring power of attorney.
3. Enduring power of attorney (medical).
This means if the person becomes impaired and unable to make medical decisions, the person designated would step in to make decisions. The enduring power of attorney (medical) would allow the attorney to choose appropriate care in the case the person was in an accident, lost mental capacity, or was incapable of making a decision.
4. Supportive attorney.
This gives a person the power to support another person in decision-making. The areas in which the attorney may give support can be financial and personal or medical. The attorney cannot make decisions for the person after the person is impaired. When this occurs, the power is terminated.

Important documents and information

Ensure you store your important documents and information in a safe place which can easily be found by the person who will be dealing with your affairs in the event you become incapacitated. Don't forget to include passwords to online accounts, and key contact information such as your lawyer, accountant and doctor. We have a Life Organiser which records all these important details in one place, stored electronically with us.

Supporting Your Team

Your team members will be worried about job security. The government has stated that there will be job losses during this time. Be open with your team. Share your plan with them and be honest about the potential impact the pandemic will have on your business. If there are to be job losses, ensure you obtain legal and HR advice on the best way to handle restructuring, stand down, reduced hours, and redundancy processes.

Covid-19 Prevention and Response Policy

If you haven't already developed a policy setting out the actions you'll take to prevent the spread of Covid-19 and respond to its impact, now's the time to do so. This policy should set out best practice for your team, including:

1. Clear self-isolation policies.
2. Postponing all travel and work-related events.
3. Cancelling in-person meetings.
4. Practicing social distancing.
5. Measures to take at home.

We've developed our own policy and we've made our template available to our clients free of charge to use as a comprehensive starting point. Get in touch if you'd like a copy.

Updating your team and ongoing communication

After you've completed your Business Continuity Plan, share relevant sections with your team. Ideally, share this online either via email, video recording ([Loom](#) is a great tool for making video recordings), or online meeting such as Skype, Zoom, GoToMeeting or Google Hangouts. Answer questions honestly, even if the answer is "I don't know". Be realistic and honest about any risk to jobs during this period but reassure the team that you'll do everything you can to protect their jobs as much as possible.

Outline how you'll communicate with the team on an ongoing basis. This may be a daily update email while things are changing rapidly then become less regular. For large teams, ask team members to send any questions to their direct manager, who can then collate questions to be addressed in future communications.

Continuity of work

Changes to roles

It's likely there will be changes to roles within your business as you and your team adapt to the impact of Covid-19. Spend time reviewing your current organisational structure and updating key responsibilities and tasks where appropriate. Ensure everyone is clear on their updated roles and responsibilities. Remember to seek HR and legal advice on how best to handle significant changes in roles or redundancies.

Updating goals and KPIs

It's likely each team member's goals and KPIs will need to be updated. Targets which seemed achievable a few weeks ago may now be unrealistic. While it's hard to estimate the exact impact on sales and revenue over the coming months, reset your team's KPIs and goals to realistic targets.

Working from home

It's likely that people will remain in some form of lockdown in the coming weeks and possibly months. Decide what additional resources you need to provide your team with, if you haven't already.

Consider how you can best utilise technology to maintain team communication. Using an application, such as [Microsoft Teams](#) or [Slack](#), can encourage your team to regularly communicate. You could also run an automated daily standup within your chosen app or via a third party app, such as [Standuply](#) or [Standup Alice](#), which allows you to set questions for your team to answer each day, e.g. how are you feeling, what are you working on, what are your roadblocks, etc.

Instead of face-to-face meetings, utilise [Skype](#), [Zoom](#), [Google Hangouts](#) or [GoToMeeting](#) for one on one or small team meetings. Consider using [Trello](#), [Monday.com](#) or [Asana](#) to manage workflows while working remotely.

Flexibility of working hours

Consider whether you can offer flexible or reduced working hours to your team. Team members may be willing to reduce their working hours for a period of time. Encourage team members with outstanding leave to use this now. In some instances, leave without pay may need to be offered. Ensure legal and/or HR advice is obtained if hours need to be reduced or changed.

Work-related travel and events

It's likely that a phone call or online meeting will generate the same results as face-to-face contact.

If you hold customer or team events, consider how these can be delivered online. If you have booked venues for upcoming events, contact each venue as soon as possible to minimise costs. Do not assume that venues will not provide a refund or will hold you to binding contracts. Some suppliers will be understanding of your situation and will offer relief.

Restructuring and potential redundancies

During these unprecedented times, the legal ramifications of employment decisions may differ from standard. It's important to negotiate with your team where possible and give them options to choose from. In some cases, team members may need to be given the option of either accepting reduced hours or having their role being made redundant.

Review your Employment Agreements to determine whether there are clauses which cover this current crisis and enable you to reduce working hours in these situations.

You may need to restructure your business with resulting redundancies. It's imperative you obtain legal advice to ensure proper processes are followed.

Supporting and Retaining Your Customers

The support you offer your customers now will impact the support your customers give you in the future. Customers need to be reassured that you're still operating.

Covid-19 Prevention and Response Policy

Your policy should cover the steps your business has taken to protect your customers. Share this information with them to offer reassurance that you've taken every practicable step to reduce the risk and protect both your customers and your team.

If you regularly have meetings with customers, switch to phone or encourage online meetings using [Skype](#), [Zoom](#), [Google Hangouts](#) or [GoToMeeting](#).

Changes to your services

It's likely that aspects of your business will need to change. Ensure all changes are clearly communicated to your customers. This includes any potential delays to delivery times or products being unavailable. Use your website, social media and email to communicate well to customers.

Terms of Trade

Review your Terms of Trade and update the terms to reflect your changing business practices. Share your updated Terms of Trade with your customers, highlighting key changes. In particular, review your payment terms and delivery terms. Remember to enforce your Terms of Trade at this time. Don't let customers avoid paying you, as this could have a material impact on the sustainability of your business.

We have a Terms of Trade Template available to help our clients develop robust Terms of Trade. Please get in contact if you need help developing yours.

Offer incentives to retain customers

You customers may be facing job losses or reduced hours and lower income, so they'll be prioritising where they spend their money.

Consider the types of incentives you can offer customers to keep buying during this period. Can they spread the cost over a number of weeks or months? Companies such as Afterpay or Laybuy can enable this. You may be able to arrange consignment stock at this time, whereby you only pay your supplier once you've been paid by your customer.

Communicating with key customers

Ensure you regularly communicate with your key customers so they're aware of what's happening, particularly if you have an ongoing relationship with them to supply goods or services. They're likely being inundated with communication from numerous sources, so keep all communication brief. Make your communications as personal as you can.

Working with Your Suppliers

Payment arrangements

Negotiate new payment terms with your suppliers if you can. If you are able to pay upfront, ask for a prompt payment discount. If you don't have sufficient cashflow to pay upfront, ask to pay over a longer period of time. Ask if it's possible to hold stock on consignment where you only pay the supplier once you've sold that stock. Don't be afraid to ask for help here. You and your suppliers are in this together.

Purchasing policies

Ordering of stock

Discuss your supplier's supply chain and the measures they're taking to continue supply. Ask about their contingency plans for what may happen if deliveries can't be made or supplies can't be obtained. Consider

whether you need to order additional stock while it's available, if it's likely to become scarce in the coming months.

Alternatively, you may need to reduce your current minimum re-ordering levels. Consider whether there are some items of stock that should not be re-ordered at all.

Return of stock

Review your supplier contracts in regard to the return of stock. Discuss whether you can return excess stock that isn't selling. Ensure contracts are updated if any terms change. If you cannot return stock, then consider discounting slow-moving stock to convert it back to cash (and don't re-order that same stock).

Contracts

Review the contracts you have with suppliers. Is there a clause which would allow you to cancel orders or change the terms in this current crisis? If you cannot meet the terms of your contract, seek legal advice and negotiate with the supplier.

Review all other key contracts, with lessors of premises, vehicles, and equipment. You may need to renegotiate significant terms. Do not assume that these contracts cannot be renegotiated. As your current cashflow and ability to meet financial obligations may be significantly impacted, some of these key providers will be prepared to renegotiate terms.

Your business

Managing cashflow is essential for a business at all times but becomes even more important during times of crises. Bear in mind that your customers and suppliers will also be concerned about their cashflow.

Preserving and bringing forward cashflow, and creating a war chest of cash reserves is important right now.

Cashflow Forecast and Cashflow Management

The first step to managing your cashflow is to create a Cashflow Forecast. Projecting your cash position forward gives you the ability to make far more informed decisions. Your previously prepared Cashflow Forecast will no longer be valid. We can help you review and update it to reflect the impact that Covid-19 may have on your cashflow.

Some businesses will need to look at their cashflow and their cash burn on a weekly basis.

Accounts receivable process

Now's the time to review your accounts receivable process and look for strategies to minimise your debtor days (the number of days, on average, it takes your customers to pay you). Strategies include tightening and enforcing your Terms of Trade, engaging a debt collector, interim or staged invoicing, asking for deposits, offering prompt payment discounts and streamlining your billing process.

Follow up outstanding invoices and request payment early and regularly. Make it easy for your customers to pay directly through Xero or by online payments or direct debit. If customers are struggling to pay, offer payment options, such as spreading the payment across a period of time, to ensure you have cash coming in.

Accounts payable process

Review the terms you have with your suppliers and identify potential areas of improvement, e.g. asking for prompt payment discounts, better pricing, consignment stock and spreading payments across a longer term.

Review the support being offered by the ATO to delay payment and access additional tax relief. See the ATO section in this guide for more details.

Inventory process

Conduct a stocktake so you know exactly how much inventory you have on hand. Determine how robust your supply chain is and whether you need to order more inventory now to get you through the next few months, or whether you need to cancel forward orders.

Debt / capital structure

Review your existing debt structure and work with the bank to negotiate debt consolidation, an interest only period, seasonal finance, revolving credit or overdraft extensions or better repayment terms. See the Bank Assistance section of this guide for more information about how your bank can help with cashflow. Review your drawings from the business and make adjustments if necessary. Consider whether you could invest more cash into your business to get through the next few months.

Overhead expenses

Review all overhead expenses and identify areas where you could reduce your spend. Are there costs that can be avoided through this difficult time? Speak to your telecommunications, power and other suppliers about better rates.

Gross Profit margin

Your gross profit margin is the amount left of your sales income after variable costs have been paid. Review your processes to reduce re-work, errors and wastage and monitor team productivity to identify areas for improvement. Review the margins you're achieving from different areas of your business, e.g. different departments or classes of product or service. Focusing on the products or services that have a better margin and reducing or discontinuing products or services with a lower margin may contribute to your business survival. Engage with your team about process improvement and increasing efficiency to help preserve and improve your margin.

Sales levels

Consider how you can maximise sales levels over this period to preserve cashflow. Focus on the five ways to grow sales and determine which areas will give you the greatest return:

1. Increase customer retention: Strategies to stop your clients switching to your competitors.
2. Increase leads or enquiries: Ramp up your marketing to your target market, using cost-effective marketing channels that work in your industry.
3. Improve sales conversion rates: Focus on the benefits you offer and the problems your business solves for your customers.
4. Increase transaction frequency: Ensuring you have a follow up process for your next sale.
5. Increase transaction value: Upsell to existing customers by offering them additional value.

Unused assets and equipment

Consider whether you need to keep unused assets and equipment. Selling these, even at a loss, will give you much needed cashflow.

Asset purchases

Avoid purchasing assets outright with cash. If asset purchases are essential, consider leasing or obtaining loan finance spread over a longer time period.

Bank Assistance

Contact your bank and any other financiers to find out how they can help you manage your cashflow over the coming months. Get in touch with them now so you have access to additional funding when you need it. Your bank may be able to offer the following assistance alternatives:

- Increasing temporary overdraft facilities
- Reviewing and extending trade credit
- Asset finance funding
- Loan repayment holiday, deferment of repayments, or interest-only terms
- Extension of term lending periods
- Short-term and hardship loans
- Short-term mortgage holidays
- Business credit card options

Insurances

A number of business insurances policies will not cover the impact of Covid-19. Your policy may have a standard exclusion clause regarding infectious diseases. However, contact your broker or review your policies to see if this is the case.

It is also important to review your business insurances to cover risks such as:

- HR and employment related matters
- Theft / loss of property
- Statutory liability
- Professional indemnity
- Shareholder buy-out / key person

ATO Support

ATO is offering support to businesses suffering hardship by allowing payment deferrals, remitting interest and penalties, and offering low interest payment plans. We also recommend you consider reviewing your GST reporting cycle, as changing to a monthly cycle allows you to access refunds sooner. However, it's essential you get advice on this as there will be other implications for your business.

We can advise you of the options available to your business. It's essential that we are open and honest and notify the ATO of the hardship you're facing as soon as possible to reduce the likelihood of additional penalties and interest.

We are experts at negotiating the best possible outcome from a tax minimisation perspective. Please speak to us.

Government Support Package

Please note that the below information is correct at the time of writing, however the government is regularly announcing new support measures. Please contact us for information about the most up to date government support available for your business

The government is enhancing the Boosting Cash Flow for Employers measures announced on 12 March 2020. They are now providing up to \$100,000 to eligible small and medium-sized businesses, and not-for-profits (NFPs) that employ people, with a minimum payment of \$20,000. These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

Under the enhanced scheme, employers will receive a payment equal to 100% of their salary and wages withheld (up from 50%), with the maximum payment being increased from \$25,000 to \$50,000. In addition, the minimum payment is being increased from \$2,000 to \$10,000.

An additional payment is also being introduced in the July – October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments they have received. This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments.

Temporary relief for financially distressed businesses

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive. The package also includes temporary relief for directors from any personal liability for trading while insolvent, and providing temporary flexibility in the Corporations Act 2001 to provide temporary and targeted relief from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

Increasing the instant asset write-off

The Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.

Supporting apprentices and trainees

The Government is supporting small business to retain their apprentices and trainees. Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage for 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer that employs that apprentice. Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

Talk to us about how this may reduce your upcoming tax commitments.

Support available and useful links

It's essential to obtain your information from official government and State sources. Your industry associations may also have industry-specific information. If you need advice or support, we're here to help. We recommend reviewing the following websites for up to date information:

[Australian Government](#)

[Australian Taxation Office](#)

[Australian Treasury](#)

[Department of Social Services](#)

[Department of Health](#)

[Safe Work Australia](#)

[Australian Securities and Investments Commission](#)

Next Steps

At this critical time, doing nothing is simply not an option. You must prepare for the impact this pandemic will have on your family, your business and your team. We've made key resources and additional services available for our clients to help them prepare.

Business Continuity Plan Facilitation

If you want to maximise your entitlements in the most cost-effective and efficient way, and get access to best practice (combining your expertise with ours) we recommend we facilitate the development of your plan online. Depending on the size and complexity of your business, this may take between one and four hours and we can split our time into two-hour sessions if required. Contact us for more information or a proposal for this service.

You may not be aware of all of your entitlements. By working with us on your plan, we can make sure you receive your maximum entitlements.

Business Continuity Plan Review

If you would like to draft your plan yourself, using our guide to assist, we can review your draft and ensure you've covered everything. We'll do this over a 60-90 minute online review meeting. Contact us for more information or a proposal for this review service. The advantage of this option is that you get access to our expertise to ensure you access all the assistance you're entitled to and we can make sure your plan gets done.

Business Continuity Plan Template

Used in conjunction with this guide, the Business Continuity Plan Template allows you to identify and record the steps you need to take in your business. Provided in a Word format, you can complete this yourself or engage us to complete it with you online.

If you want to complete your plan yourself, without any assistance from us, we recommend you send us a copy of your completed plan.

Please also contact us with any support you need as we move through the coming weeks and months.

We'll be holding all client meetings online or by phone for the time being. We use online meeting software that enables us to see each other and to share documents on screen. Prior to any online meeting, you'll receive a link to join that meeting. We know you'll get as much value from these online meetings as you would face to face.

We are here to support you in this difficult time. Please take care.