



BUSINESS SURVIVAL TOOLKIT

Date 02/02/2012

Produced by the Economic Development
Service in partnership with the business
community

Contents

Introduction	3
Phase 1 Post Incident Considerations – “What can I save?”	3
People	3
Premises	3
Vehicles, equipment and stock	4
IT and Communications	5
Phase 2 Business Analysis of Trading Operations – “How does my business recover from this”?	6
Expected Timescale	6
Customers, Suppliers and Marketing	6
Credit Control Procedures	7
Your Contract Terms	7
Insurance Cover	7
Other Income Opportunities	8
Cost and Cash Control	8
Staffing Levels	9
Quantify the Problem	10
Cash Flow Management	10
Own Resources	10
Sale of Surplus Assets	10
Banks, Building Societies, Hire Purchase, Leasing and Other Funders	10
Suppliers	11
Tax Authorities	11
Tax Payment <i>31 July</i> and Change of Accounting Date	11
Detailed Action Plan and Milestones	11
Disaster Recovery Plan - for “next time”	12
Further Guidance	12
Disclaimer	13
Cornwall Council Revenues and Benefits contact point – Direct Line 0300 1234 171	13
Template Letter	14

Introduction

This toolkit is designed to be used in two phases. The first phase being the actions needed in the immediate aftermath of a serious incident (such as flooding) that has rendered a business premises inoperable. This step directly concerns immediate issues such as, people, the business premises, equipment and stock, IT and communications. The second phase relates to the steps necessary to assess the impact of the disaster on the survival of the business as a trading operation. We suggest you discuss this element of the Business Survival Toolkit with your accountant, financial adviser and/or business adviser who will advise you on the best methods of implementation for your business.

Phase 1 Post Incident Considerations – “What can I save?”

People

If the business premises was in operation at the time of the disaster have all steps been taken to secure the safety and well being of employees, contractors and customers who were on site.

Premises

For your existing premises the following issues might be worth considering:

- Be aware of any risks associated with the premises e.g. dangerous structures.
- Advice on personal protective equipment can be sought from the fire and rescue service and the health and safety executive.
- After the incident, ensure that site security is adequate, the initial incident may not have damaged stock but you may be prone to looters who will take advantage of the jeopardised security of the premises.
- Ensure that temporary security measures are adopted, either through strengthening the site or by removing valuables from the premises.
- Ensure you are kept in touch about all issues affecting your premises after the incident, e.g. any demolition work. This may be through the local council, landlord or the appointed construction / demolition company.
- Consider placing signs on or close to any damaged premises which will instruct visitors where to go and who to call, it is worth considering having these made professionally from a durable material as they may be up for many months and many seasons.

Should your existing premises be incapable of immediate use as place from which to conduct your business activity then looking to relocate to an alternative venue is essential to preserve your business. In this case the following might be helpful:

- Seek alternate premises as soon as possible. The Cornwall Council website www.investincornwall.co.uk contains a Property section outlining vacancies in a range of properties from office, to factories, workshops and retail units. Commercial property agents might also be able to advise on the availability of vacant business premises.
- Other local businesses may be able to assist with short term accommodation solutions, even just as a meeting place for your core team.
- Consider what your business needs from any alternate premises e.g: Ease of access for customers, access for deliveries, adequate security.
- Walk / drive around the local area looking for vacant premises
- Place an advertisement in the local press or on a social network site.
- Find out if family members and/or neighbours would be willing to allow you use of any garage or yard area that they might have for the storage of any vehicle or stock that you might need to relocate for a short time.

Vehicles, equipment and stock

Businesses vary widely in their activities, but most would have some vehicles, equipment and stock to consider the following might be helpful:

- Contact all key suppliers / contractors to the business, consider all of the key messages used when talking with suppliers and contractors (see the IT and Communications section of this guidance below). Advise them of any necessary changes to deliveries – timings, delivery locations, quantities or cancellations.
- Contact suppliers of any rented equipment to explain the situation, there may be charges for lost or damaged rented equipment which is not covered by your insurance e.g. Chip and Pin machines.

IT and Communications

If your incident is serious enough then the local media will take an interest. Work with the media to project a positive outlook for the business. Be aware that the media can be your best friend or worst enemy in a crisis, If they want to publicise your incident they will (with or without your help) therefore it is worth taking the time to speak to them and get your key messages out. Think about key messages to give to local media:

- Apologise – provide an apology to any customers or other individuals who may be affected by what has happened to your business.
- Confidence statement – When speaking to the media give a confident outlook that your business will survive the incident with minimum disruption to staff, stakeholders and customers.
- Assurance – give staff, stakeholders and customers assurance that the situation is under control.
- Helpline for customers – Customers will hear about what has happened and will have questions and concerns, consider setting up a means of communication that will allow customers to get their questions answered.
- Relocation details –Use media to advertise details of any alternate accommodation which has been sourced.

Contact your telecoms provider at the earliest opportunity to discuss options for diverting incoming calls from your main business number to another line. If your business has a website use it as a point of contact for staff, customers and stakeholders to obtain updates about recovery actions.

Phase 2 Business Analysis of Trading Operations – “How does my business recover from this”?

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 a period of three - 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, Suppliers 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 is 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 minimize your loss.

After a disaster such as a flooding event, businesses seeking insurance cover in the future can often find significant increases in the premiums and excesses quoted by insurance companies. In such cases many businesses find that it is advisable to shop around to secure a better deal on insurance.

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	Capital expenditure (other than replacing flood losses)
Light, heat and power (once back in your premises)	Non essential repairs and maintenance (DIY)
Insurance	Motor repairs and service
Telephone system and internet	Printing and stationery
Investigate a suspension of payment of your Business Rates.	Marketing? (depends on your circumstances)
Taxes (PAYE, NIC, income tax, VAT) – but try to reduce/defer	Cleaning & laundry (DIY)
Essential living costs	Non essential personal expenditure
Repairs to your property	Leasing & HP payments (agree holiday)

Replacing lost/damaged equipment	Pension contributions (suspend)
	Investments and savings plans (review)
	Bank loan repayments (agree holiday)

Staffing Levels

Staff are often the highest cost of operating a business. Should your business be so badly hit that it is likely to be out of action for more than a short time, it is vital to cut staff costs as quickly as possible (in days) to those necessary to meet current or expected operational requirements. In order to do this:

- Look at asking staff to take holidays now
- Cut over time and cut hours back to core time
- Consider varying terms and conditions
- Review Contracts of Employment
- Check notice periods to be given to make people redundant and any costs this would involve
- Consider laying off staff

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.

ACAS offer a free service on these issues – ring 0845 057 3170 or www.acas.org.uk

If you need to make staff redundant they may need advice on claiming benefits and finding another job.

For help and advice from Jobcentre Plus please contact Sue Kessell on 01872 355117 or Alan Pearce on 01872 355067.

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 is 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 contact your local business representational body to have these issues raised.

Suppliers

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

Tax Authorities

Discuss with your accountant/financial adviser 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 *31 July* and Change of Accounting Date

For self employed businesses, consider changing your financial year end to 31 March 2010 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.

To maximize your cash flow, a claim should be submitted to reduce the tax payment due to 31 January 2010. Consult your accountant/financial adviser 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 your accountant/financial adviser before taking action.

Detailed 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.

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. Disaster Recovery Plans usually cover fire, flood, storm, electricity interruption, computer system failure or data corruption, and other potential disasters such as pandemic flu, foot & mouth disease and other human/animal diseases.

As part of your consideration of how to plan for this issue businesses can find excellent advice on the Environment Agency website www.environment-agency.gov.uk. The downloadable guidance files entitled "Prepare your property for flooding" and "Preparing your business for flooding" are particularly helpful in reducing the risk of future damage.

Further Guidance

The Environment Agency website www.environment-agency.gov.uk contains much helpful advice and guidance for businesses including:

"Know Your Flood Risk" – enables a business to find out if their property is located in a known flood risk area. Businesses can do this either by accessing the Flood Map on the Environment Agency website or by telephoning Floodline 0845 988 1188.

"Flood Warnings Direct" – enables a business to sign up for a free 24 hour alert service giving warning of likely floods. These messages can be sent by telephone, mobile, e-mail, SMS text message or fax. A business can sign up on line or by calling Floodline 0845 988 1188.

More guidance on the business impact of an event such as flooding is available at www.businesslink.gov.uk and by searching on "crisis management and business continuity planning".

Your accountant or financial/business adviser will be familiar with your business. It is advisable to work with them and with any other relevant professionals. Funding may be available to support this.

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 Business Link accepts no responsibility for any loss arising to any person as a result of action or inaction based on this toolkit.

Cornwall Council Revenues and Benefits contact point – Direct Line 0300 1234 171

You may wish to contact the Councils' Revenues and Benefits Service in the instance either that the disaster occurs at a time when a payment of National Non Domestic Rates falls due or where the period of disruption to your trading activities becomes protracted so that the businesses income was severely reduced or stopped altogether. A postponement of payment and/or a reduction in the amount of N.N.D.R. might be possible.

Template Letter

name and address of business

Business Rates Section

Revenues Service

Cornwall Council

County Hall

Treyew Road

Truro

TR1 3AY

Date

Dear Sir

Re:[name of business]

Rating Assessment Number: xxxxx

Our business has been severely affected by (for example – the November floods), resulting in our sales being reduced by x%.

We will therefore have difficulty in paying our business rates at this time due to the effect of the floods on the business. A payment proposal is attached which we would like you to consider in order to help us meet our business rate commitments. Please confirm if this proposal is acceptable to you.

Yours faithfully

Prepared by:

Stephen Vinson

Business Investor Support Advisor

Economic Development

3 February 2012

If you would like this information
in another format please contact:

**Cornwall Council
County Hall
Treyew Road
Truro TR1 3AY**

Telephone: **0300 1234 100**

Email: **enquiries@cornwall.gov.uk**

www.cornwall.gov.uk