

CORONAVIRUS (COVID-19)

BUSINESS CONTINUITY PLAN



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CLIENT COVID-19 CONTINUATION PLAN

Introduction

"Most people aim at nothing – and they hit it with alarming accuracy."

The Eclipse Advisory team are here during these difficult times to support and provide positivity to you and your business!

As a business owner, there's one key thing you need to totally focus on now – **keeping your business alive during these difficult times**. It's not all doom and gloom either – withstanding the tough times sets a business up to be a fast turning cash flow business when everything bounces back in a positive way in the future.

Remember that while cash flow is under control then so is your business. Downturns can be scary in the moment, usually because there is no plan in place for your business and the world around you appears to be panicking.

If you take actionable appropriate steps to create a Continuity Plan, then in reality a downturn is just a stop gap to the next upturn, where your business will be cash flow fit and ready to take full advantage.

You will need to build a cash "war chest" which will let you keep trading through the coming difficult months.

There are 7 key areas you need to consider immediately:

1. **Cash** – Preserve cash at all costs. You must immediately start building a cash "war chest" for your business to survive.
2. **Protection** – Update and upgrade your Asset Protection IMMEDIATELY. It's very important to review strategies to protect the equity in your family home and other assets in personal names. It's also vital for you to have an up to date Enduring Power of Attorney (EPOA) and Will, and

to know where the original signed copies of these are located.

3. **Banks and Funding** – You should contact your bank immediately to arrange additional lines of credit if possible. Alternative funding sources should also be immediately considered. The time to act is NOW, not in 2 weeks' time when the banks will be overwhelmed by other bank loan applications.
4. **Management Team** – Work through the COVID-19 Continuity Plan with your Management Team, then quickly communicate appropriate decisions to your entire team.
5. **Employees** – You need to openly discuss reduced working hours with your employees to save cash (if this does save cash) and working from home arrangements. Employees will be scared, so they need to be reassured by you and they need to be given an understanding of your plan to keep the business alive.
6. **Customers & Suppliers** – Great communication is needed so that customers have peace of mind that it's "business as usual" where possible, and so that you can rely on your suppliers.
7. **Mental Health** – This could be one of the most stressful times ever for you and your employees. We can provide links to assistance for you to help you and your team through this crisis.

To assist you, included in this Plan are the following checklists for meetings and emails for you to use in your business.

We recommend that you use them in the following order:

1. Business Owner Decisions – Meeting with Accountant
2. COVID-19 Continuity Plan for your Business
3. Agenda for Team Meeting with all Employees

BUSINESS OWNER DECISIONS

Meeting with Accountant

To maintain your cash “war chest”, you may need to consider options that you haven’t considered before. Right now, above all else, you need to do anything that is needed to keep your business alive.

ACTION



PERSON RESPONSIBLE



Maximise Cash Receipts from the Updated Government Stimulus Package

Review the Australian Government stimulus package for business cash flow. Work with your Accountant to identify which key parts your business is eligible for and get the process started to obtain these cash flow bonuses.

- Boosting Cash Flow - Up to \$100,000 credit or cash payment against activity statements equal to 100% of PAYG withheld from employees from March 2020 to September 2020
- Boosting Cash Flow – Minimum payment of up to \$20,000 even if employers aren’t required to withhold tax from employees
- JobKeeper Payment – Subsidy paid to you by the Government of \$1,500 per fortnight per eligible employee from 30 March 2020 for a maximum of 6 months. This will help you to keep staff and will help you restart when the crisis is over.
- Supporting Apprentices + Trainees – Wage subsidy of 50% of wages paid up to a maximum of \$21,000 per apprentice for the 9 months from 1 January 2020 to 30 September 2020
- Instant Asset Write-off – Up to \$150,000 per asset can be instantly written off for assets purchased by 30 June 2020. Applies to businesses with turnover up to \$500 million.
- Accelerated Depreciation Deductions – Deduction of up to 50% of the cost of an asset in addition to existing depreciation rules.

Prepare a Cash Flow Forecast for 12 Months

Meet with your Accountant to create or update your business cash flow plan over the coming months. You need to complete your daily and weekly planned cash position to make informed decisions, like when you may need additional bank funding.

Prepare the Cash Flow Forecast with these scenarios:

- Income reduced by 50%
- Income reduced by 75%
- Expenses cut to minimum, including
 - Reduced Wages
 - Rent reduced by 50%?
 - No payments to ATO
 - Include Superannuation payments when due

How long can your business survive with the above assumptions?

Consider Delaying Tax Payments to the ATO

ACTION



PERSON RESPONSIBLE



Keeping your business alive means paying your employees, your key suppliers, your rent and your Accountant (so we can keep helping you during this crisis) each week! Nothing else matters over the short term.

You may need to delay making payments of GST, PAYG Withholding Tax and Employee PAYG Tax to the ATO. You should set up a second bank account (separate from your main trading account) and each week transfer cash for these payments across into it. If needed, you can then dip into this cash reserve to keep your business alive.

See the section below about ATO Tax Relief Options.

Important: It's vital that you keep lodging your Business Activity Statements (BAS's) and Instalment Activity Statements (IAS's) by their due dates and negotiate a delayed payment with the ATO, otherwise the ATO may view the PAYG withholding portion as non-compliant and you will then lose you tax deduction for these amounts.

Request an immediate Rent reduction

Contact your Landlord ASAP and request an immediate reduction in your rent. Ask for 3 months rent free or 6 months at half rent. You never know what they will say unless you ask!

Arrange Additional Bank Funding

Contact your Bank Manager ASAP and arrange for additional bank funding / lines of credit that can be approved NOW for use in an emergency. Making these arrangements early before things have gone bad is the key. Bank approvals may take up to one month or longer, so start the process today.

The Government has just released support for banks to support the following loans:

- Maximum size of loan of \$250,000 per borrower
- The loans will be up to 3 years, with an initial 6-month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security.

Consider Alternative Funding Arrangements

Consider using alternative funders such as Moula or Prospa to set up a short-term line of credit now to pay for inventory and operating costs. These funders lend based on the cash flow of your business and don't need property security. You should consider doing this as a backup now to any other bank lending arrangements you may have.

Protect Your Personal Assets

Now is the time to upgrade / update your asset protection. Consider if you need to protect the equity in your Family Home or other assets in personal names with a "Gift and Loan Back arrangement" – with no stamp duty or Capital Gains Tax consequences.

Enduring Power of Attorney (EPOA) + Will – Create or Update these NOW

ACTION



If you have to self-quarantine or if you are incapacitated in any way, you need to have an EPOA in place so your business can continue to operate.

Ensure your EPOA and Will are up to date now and ensure your family and your Accountant know where the original signed documents are.

We can assist you to quickly and professionally have these documents prepared and signed this week if required.

PERSON
RESPONSIBLE

Employee Policies

While all your employees want to keep receiving their full salaries and wages, if your business runs out of cash then they no longer have their jobs. Everyone is suffering and tightening up in the short term, so we all have to work together.

- Do you have to reduce working hours of some employees?
- Decide if you should offer unpaid leave to your employees. Some businesses are suggesting that employees take unpaid leave on a roster basis.
- Decide on how to inform employees of your need to stand them down for the short term.
- Help your employees to understand the new Jobseeker payments plus COVID-19 Supplement they can receive. Provide them with the Individual fact Sheets at <https://treasury.gov.au/coronavirus/households>

Insurance

Review your general insurance policies for any Business Interruption Insurance inclusions. Now is the time to contact your insurance agent to review your policy to understand precisely what you are and are not covered for in the event of an extended incident.

Review ATO Tax Relief Options

The Australia Taxation Office (ATO) is implementing a series of relief options to assist those impacted by the coronavirus. The relief will not be automatically applied.

You or your Accountant will need to contact the ATO to make any of the following requests for assistance.

- Businesses can call the ATO's Emergency Support Infoline (1800 806 218) to discuss relief options based on their needs and circumstances.
- Individuals and businesses can request deferral of some payments (by up to 4 months) and vary instalments.
- Businesses (under \$20 million turnover) can elect to report and pay their GST monthly instead of quarterly to accelerate access to GST refunds, but only from 1 April 2020, and must remain monthly for 12 months.
- Quarterly payers can vary their PAYG instalments for the March 2020 quarter, and claim a refund of instalments paid for the Sep and Dec 2019 quarters.

ACTION 	PERSON RESPONSIBLE 
<ul style="list-style-type: none"> • Businesses can request remittance of interest and penalties applied to tax liabilities incurred after 23 January 2020. • Businesses can request a low interest payment plan. • Employers still need to meet their SG obligations. The ATO has no discretion under the SGC rules to vary the due date or waive the SGC where contributions are late/unpaid. 	

BUSINESS CONTINUITY PLAN

COVID-19 CONTINUITY PLAN

Your Cash Flow

You and your Management Team will need to remain calm as you lead your employees through this crisis. This will allow for decisive and clear decisions to be made without any undue disruptions. If you are calm, you will have a competitive advantage over most businesses.

Remaining positive and being seen to be positive is the best way through any crisis.

CASH INFLOWS

ACTION 	PERSON RESPONSIBLE 
<p>Outstanding Accounts Receivable</p> <p>Double down on verifying outstanding invoices with customers, so you know there is no realistic reason for a customer to dispute or delay payment when the time comes.</p>	
<p>Confirm Expected Receipt Dates</p> <p>Confirm the date that your customer has in their payable schedule for paying your invoices. You can then send reminders to see if the payment arrives on time, and if not you have an alarm bell to be proactive in following up your cash flow.</p>	
<p>Chase Up Late Payments FAST</p> <p>Don't be complacent in chasing late payments. You need to set a standard with your customers of what is expected. It's proven that setting the expectation means you will be paid quicker than the other suppliers who are not chasing up on this.</p>	
<p>Sell Unused Equipment</p> <p>Be realistic about what equipment you need in your business. Decide if you can sell any underutilised or obsolete equipment so as to create your cash "war chest".</p>	
<p>Liquidate Stock at or just above Cost Price</p> <p>Consider selling excess or main stock items at cost or just above cost price to help build up your cash "war chest". There is no point to your business running out of cash in a month's time but having a large amount of stock on hand – stock that a liquidator will sell at "fire sale" prices.</p>	

CASH OUTFLOWS

ACTION 	PERSON RESPONSIBLE 
<p>Rent</p> <p>Request an immediate 3 month rent free period from your Landlord, or a 6 month period of half rent to assist your business to get through these difficult times. You never know what they may say until you ask.</p>	
<p>Fixed Term Contracts</p> <p>Discuss these with Suppliers and ask if they can be reduced or cancelled. Don't assume that suppliers won't work with you. You paying a supplier a smaller payment will be better for them than receiving no payment if your business closes.</p>	
<p>Supplier Terms</p> <p>Discuss terms with your suppliers to see if you can extend your terms, have a cash reserve request or get a discount from your suppliers if you pay early.</p>	
<p>Reduce Costs</p> <p>Reduce costs where possible. Many businesses have extras that in the good times seem to be needed (e.g. lunches, training courses). Be critical and if there is an expense that will not put you at risk or reduce productivity at this time, then think seriously about cutting it.</p>	
<p>Loan & Lease Repayments</p> <p>Most banks have hardship teams offering a range of services that may be of support. For more information, or to find the number for your bank's hardship team go to https://www.ausbanking.org.au/campaigns/financial-hardship/.</p>	

Your Team

ACTION



PERSON RESPONSIBLE



Open Communication

Talk openly with your employees. They will possibly be scared and unsure for their jobs. Let them know you are in control and that while there is a tough outlook in the short term, the business is prepared to sustain things as best it can. Be honest but positive and rallying your team to give all the productivity they can is the best plan of action.

Policy for Customer / Client Meetings

- No Client Meetings (face to face) – encourage Zoom / Skype / Microsoft Teams online meetings
- No hand shaking – use toe taps or elbow bumps instead!

Productivity Goals

Share the numbers with your employees and, as a team, work through the solutions so that EVERYONE knows what part THEY have to play.

Innovation + Technology

Use technology wherever you can such as Zoom, Skype, Facetime or Microsoft Teams. This is an effective way to communicate generally, however it is even more important during this time.

Health Policies

Have measures been put in place to support good hygiene and health for your employees, including restrictions to international travel, advice on attending client meetings, site visits and events?

Policy if Feeling Unwell

Do you have a clearly communicated policy on what your employees should do if they are feeling unwell – including seeking medical attention and isolation? What will this mean for colleagues and clients if you suspect a case of COVID-19?

Reduce Infection Risk

How will you reduce the risk of others becoming infected, such as closing the workplace and cleaning?

Monitoring Health

How will you monitor the health of any employees that may be exposed?

ACTION



PERSON RESPONSIBLE



Working From Home Policy

Consider a working from home policy. Requirements include:

- Policy Agreement for employees
- Hardware requirements
- Software
- Video conferencing
- Management of data security risks
- Can you test working from home arrangements?

Policy on Events

Defer non-essential training. Reduce attendees.

Your Customers / Clients

ACTION



PERSON RESPONSIBLE



Communication

Communicate regularly with your customers/clients through email, your website and social media pages to ensure they know you are open for business.

- Advise clients / customers of your businesses COVID-19 plans.
- Do you need to inform your clients and customers of any changes to your services? This could include different opening times, delays in deliveries or deadlines.

Safety Protocols

Advise your customers/clients about the measures and protocols you are taking to make your premises safe and how you will interact moving forward.

Key Customers

Offer discounts or other payment terms to your key customers to encourage them to keep buying from you.

Unwarranted Fear

How will you respond to customers not consuming your goods or services for fear of catching Coronavirus?

ACTION



PERSON
RESPONSIBLE



Forward Purchases

Give reasons to customers to increase their purchases of your goods and services now before the full impacts hit their business.

Marketing

Develop strategies for winning back customers.

Your Suppliers

ACTION



PERSON
RESPONSIBLE



Communication

Talk to your key suppliers about their COVID-19 contingency plan.

Alternative Suppliers

With international travel and export impacted by COVID-19, have you assessed the strength of your supply chain and do you have alternatives in place if you need to source another provider?

Keep your Stock Levels Up

Stockpile essential items you believe may run out.

Support from Suppliers

Which customers will need extended terms from you and which suppliers might require different arrangements? Liaise with your suppliers to determine how they can support you.

BUSINESS CONTINUITY PLAN

TEAM MEETING AGENDA

All Employees

CHAIRMAN	[BUSINESS OWNER / CEO]
<p>1. Introduction</p>	<ul style="list-style-type: none"> • Thanks for your help and support during this crisis time with the Coronavirus / COVID-19 affecting everyone across the world. • I want to inform everyone of what is happening here at [BUSINESS NAME] so you are fully aware. • Right now, it's business as usual. <ul style="list-style-type: none"> ○ If the Government makes us all stay home for a period of time, we'll then make some changes to comply with this. • My focus is to create a cash "war chest" for the business so we can keep making vital payments each week to our employees and key suppliers. • As a business owner, there's one key thing I am keeping totally focused on now – keeping this business alive during these difficult times. <ul style="list-style-type: none"> ○ It's not all doom and gloom either – withstanding the tough times sets a business up to perform well when everything bounces back in a positive way in the future.
<p>2. Our Team</p>	<ul style="list-style-type: none"> • Your physical and mental health is exceptionally important to me. • Please ensure you use hand sanitiser on a continual basis during the day and avoid touching your face • Please inform your manager if you feel unwell at any time, and we're happy for you to self-quarantine at home. • We may have to discuss working arrangements in the near future. <ul style="list-style-type: none"> ○ If we can keep working at our workplace and if our income keeps coming in, then nothing changes. ○ But if our income from customers drops, we may need to consider working less hours or even asking if anyone wants to take unpaid leave on a roster basis. ○ I hope it doesn't come to this, but a reduced wage for a short period of time is better than no job if this business can't survive. This is when we all need to work together to help each other.
<p>3. Working Arrangements</p>	<ul style="list-style-type: none"> • If we do end up allowing or requesting that you do work from home, you will need to be very aware of our IT and Internet Usage Policy and Working from Home employment policies. • We will also provide you with working from home best practice tips.

4. Our Customers / Clients

- Where possible, we will have online meetings using Zoom / Skype / Microsoft Teams / Facetime.
- If you do meet with a client, we recommend no handshakes (use toe taps instead!)

5. Concluding Comments

- We're positive that if we work closely together, we will get through this unprecedented time and this business will be in great shape when customer demand picks up.
- Good open communication is the key here.
- If anyone has any questions or concerns at all – please see your Manager or myself and we can assist you!