COVID-19: planning for recovery

Information checklist to support recovery planning post lockdown

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|  | Information | Comment |
| **1** | **Scenario planning** |  |
| The disruption caused by the COVID-19 should be temporary and to prepare for recovery post lockdown, business can undertake scenario planning. A 12-month trading, balance sheet and cashflow forecast, together with different scenarios, can provide insight on the potential impact on trading results and cashflow to allow for stress testing business plans and identification of contingency plans. To create a scenario plan, consider these variables: |
| 1.1 | How long lockdown will last and over what period will the restrictions begin to be lifted? |   |
| 1.2 | What operational restrictions may remain in place as a result of COVID-19, including staffing levels as a result of self-isolating or sickness? |   |
| 1.3 | What shape will the economic recovery be: V - rapid recovery, U - slow recovery or W - recovery followed by another downturn? |  |
| 1.4 | How will different sectors be impacted? e.g. hospitality, retail and overseas travel as compared to healthcare, technology and online sales.  |  |
| 1.5 | What will be the impact on customers and suppliers? |  |
| 1.6 | How long will it take to reopen supply chains, particularly if the business is reliant on imports? |  |
| 1.7 | How can the cost base be reduced or be more flexible? How can overheads be reduced?  |  |
| 1.8 | What has been learnt from the current crisis? e.g. the cost and efficiency benefits from forced working from home and use of technology. |  |
| 1.9 | What management information is required to ensure that the business can react quickly if there are further challenges?  |   |
| **2** | **Cashflow** |   |
| Management will need to continue to adopt a hands-on approach to cash management post lockdown maintaining a 13-week rolling cashflow forecast, to retain liquidity in case of further risks and restrictions. The cashflow forecast should consider:  |
| 2.1 | How to manage and reach agreements in respect of deferred payments from lockdown in respect of trade creditors, rent, equipment leases, HMRC and lenders?  |   |
| 2.2 | Trading terms with suppliers and customers – will they be on previous credit terms or proforma? |   |
| 2.3 | Operation of invoice finance facilities – what does the ageing look like? How will it operate in the current environment? Engaging with the lender and obtaining support. |  |
| 2.4 | What are the low points or requirements and how can these be managed? |  |
| **3** | **Stakeholder management** |  |
| Proactively engaging with key stakeholders once lockdown restrictions are lifted can assist with better planning and forecasting, creating a fuller more accurate picture. Stakeholders may include employees, suppliers, customers, shareholders, lenders, landlords and pension fund trustees. This information gathering should consider: |
| 3.1 | Who are the key stakeholders and what are their objectives? |   |
| 3.2 | How have the stakeholders been impacted by the crisis? |   |
| 3.3 | What are their information requirements? |  |
| 3.4 | How best to communicate and how often? |  |
| 3.5 | Which key stakeholders could assist if further support is required? |  |