

LIFE AFTER FURLOUGH – PLANNING YOUR BUSINESS AFFAIRS TO CATER FOR THE END OF FURLOUGH FUNDING, 30 SEPTEMBER 2021



Life after furlough

The furlough scheme rules changed on the 1 August. Now, only 60% of an employee's salary is supported and the business has to make the balance up to at least 80% plus the National Insurance and pension contributions. At the end of September, the scheme stops altogether.

The new cash flow challenges

As business owners you will be concerned about making up the difference and needing to deal with the cash flow implications that brings. Already many industries are suffering cash flow difficulties whilst trying to maintain staffing levels. Now you have an extra pressure point, the loss of furlough grants.

The economy is expanding, but as we all know, this requires that we have the working capital to fuel the increase in demand for our products and services. Remember that businesses go bust when they run out of cash, not because they are unprofitable.

When we work with clients, we recommend they have 3-6 months overheads in cash reserves.

The pandemic has dented that objective, but we are helping businesses return to that level. These may be short term problems but given that trading levels have been low for an extended period, those problems could become terminal. There are actions you can take but first you have some decisions to make.

Emotions rule...

If businesses have continued to furlough staff, it is because they want to keep them and for smaller businesses that's not just because there is a hope that business picks up, it's also because you know your people very well, you know their families, and there is an emotional attachment. This is tough.

The emotions and the practicalities have to be split out. That's not to say the emotions ought to be discarded, but as a business owner you need to discover what you can and can't do before you allow an emotional solution. You don't want to jeopardise the business as that puts even more staff at risk. Accordingly, a balanced approach is essential. Emotions will come into this, but they cannot be allowed to override obvious and necessary decisions. They can influence marginal ones, and maybe they should.

The last thing you want to happen is that you end up having to revisit this later. It will disturb your remaining people and you are unlikely to keep their trust. In other words,

If you must make cuts, cut once. Better to cut too deep than to cut repeatedly.

You can always rehire. If you do have to make cuts, speak to people individually and be up front and honest. They will ask why them. Make sure you've followed HR good practice then it's easier to have honest discussions. In this way, they will know that you have no choice, and it's hurting you too. Show plenty of empathy. You will no doubt feel it.

What work needs to be done?

It's also a good time to decide what jobs really need to be done and what could be done better or with fewer people. So first go through these actions:

- Workout the workflows
- Amend or write the procedures
- Train or retrain your people
- Set up monitoring methods to make sure that all happens.

Now is the time to clean up your act and decide exactly what work is necessary and what is just getting in the way.

Above all, you need to make sure your business survives in the long term. That may mean the same number of people, but that may not mean the same people. Or it may mean fewer people or indeed it may mean that you can outsource certain actions which are not sales or production related. Usually if you do this, whilst the hourly rate may be higher than you are paying, it is generally done quicker and more efficiently, and you do not have the burden of employment with all the consequent emotional and HR issues.

Cash flow actions

The next action is to decide if cash flow will allow you to continue long enough. At a minimum, create a three month and then a six-month cash flow forecast. Make sure you recognise the assumptions and test them to make sure they are valid.

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You know that we live in a world of greater uncertainty, one of which will inevitably be how quickly the economy recovers and how you can benefit from that. A second will be what happens in the autumn regarding increased illnesses whether COVID or flu. Try and build this sort of scenario planning into your forecasting.

Obviously, we are very well placed to do this with you and we've plenty of experience in dealing with uncertainty. This isn't always negative as uncertainty can be embraced to get you the growth you need.

People considerations

If you've got this far, you may have to lose people even though it's the last thing you want to do. If you must, then do it for the right reasons. Make sure that there really is no work, or they cannot be retrained to do some of the work. And remember -

Attitude is everything; anything technical can be taught.

If your workflows and procedures are in place, training is a lot easier. Also remember that your people, especially the customer facing ones, will have relationships with your customers and you need to make sure that your customers are aware of why you may be losing some of your people, and what the impact will be on them.

Longer term planning

That deals with the next few months. Longer term, more planning is required to make sure that you have a sustainable and flexible business that will keep you going. A longer-term financial plan is essential, and make sure that your personal goals are incorporated into your business plans.

Again, we can help. If we have learnt anything from the previous eighteen months of uncertainty it's that there is no longer room for a head in the sand mentality.

How we can help

Please do contact us for any advice you may need. As always, to speak to a team member, contact us on **01753 888211** or email **info@nhllp.com**.