



## Emerging From Lockdown

---

The government have now declared their intention to have all businesses in the UK free of lockdown restrictions from 21<sup>st</sup> June 2021.

However, it is worthy of note that this is conditional on a continuing reduction in COVID infection rates. If the vaccine program and other measures fail to control infection a return to lockdown – at whatever level – would seem to be on the cards.

Being positive, if the government's strategy to gradually remove disruptive controls is effective, what challenges will business owners face as they emerge from enforced hibernation?

### How have you fared during lockdown?

Businesses have tended to fall into one of three groups:

1. Unable to trade.
2. Limited ability to trade.
3. Increase in trade.

If you have been required to close your business – for example, the hospitality and entertainment sector – the financial costs have been dire. Businesses have been forced into liquidation or have used hard-won reserves to fund losses. Either way, this group, those that remain, have a hard road ahead.

Businesses that have managed to maintain some semblance of trade may have sustained profitability – albeit at a much-reduced level – but are still solvent and in control of cashflow.

In both categories, unable to trade and limited ability to trade, business owners have probably availed themselves of government grants and may have taken out Bounce-Back or similar loans with their bank.



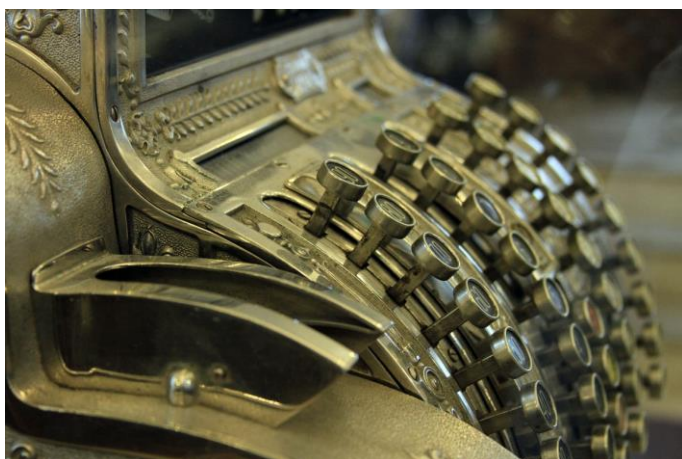
Alternatively, those businesses that have managed to adapt to the changing COVID challenges, perhaps by developing an online platform to serve and increase access to consumers, it is business as usual, and for an exceptional few, business has never been so good.

Each group will be faced with different challenges as we emerge from lockdown. The rest of our update sketches out a number of these and how we can help you get your business back on track.

## Unable to trade during lockdown

If you fall into this group and you cannot see a way forwards, please call as a matter of urgency so we can consider your options. Even the liquidation process needs to be planned for and we may be able to help you salvage some of the personal investment you have made in your business. In a few cases, we may see a way forward that will enable you to continue to trade.

If you have managed to retain some of your reserves whilst closed, planning for the reopening of your business will be imperative. Of key importance will be management of cash-flow. Businesses that sell goods on credit but must buy from suppliers on less attractive payment terms, may find that there are periods of time when they will run out of cash reserves. Producing realistic estimates of income and expenditure for say the next year will highlight these dips in cashflow and give you an opportunity to plug these gaps with overdraft funding or from other sources.



## Limited trade during lockdown

If you fall into this group the period of restricted trade will probably have reduced your cash reserves, especially if this has involved funding losses.

Ironically, if the end of lockdown increases the demand for your products or services, the increase in turnover will not have an immediate impact on your cash flow if you offer generous payment terms to your customers, but still must meet the less

generous payment terms of suppliers. And do not forget, you will have several fixed costs plus taxes that will need to be accommodated.

Planning for expansion of activity can be just as challenging as dealing with a reduction in trade. We can help you create realistic budgets that can be integrated into your accounting software and thus provide an invaluable management tool for your business.

Call now so we can help you to make the most of the opportunity that the easing of lockdown will offer.

## Lockdown boosted your business activity

If you fall into this group you will have discovered a way to adapt your business that has had a positive impact on your turnover and profitability.

You will be one of the fortunate few that have managed to achieve this.

Hopefully, you will have retained profits and cash resources as a result and be set fair for future trade prospects.

However, you may like to read the sections of this fact sheet that highlight the coming boost to consumer demand and the pitfalls this can create for unwary business owners.

## Are you ready for increased demand?

We should not underestimate the impact on consumer expenditure that the easing of lockdown will create.

According to the Bank of England, those who have managed to maintain their income during lockdown have increased savings as the net has closed on opportunities to socialise and spend.

When the lockdown lid comes off and these net savers can visit their local pub, restaurants, entertainment venues and shopping malls there will be an initial rush to spend. This is likely to create a surge in demand, and for those UK businesses that can supply to meet this increase in demand, the outlook for the second half of 2021 and next year look to be much improved.

However, UK traders would be advised to consider the following pitfalls that could arise:

- If UK businesses cannot ramp-up activity to meet this increase in consumer demand one of two things will happen: prices will increase if demand continues to outstrip supply and/or imported substitutes will increase at perhaps reduced prices and you won't be able to compete.
- If UK suppliers manage to meet the additional demand for their goods or services they will need to monitor their cash resources as it could be some time before the additional turnover – and more importantly the profit this generates - reaches your bank account.

### Planning is key

We should step into this changing market place with our eyes wide open to these opportunities and pitfalls.

We should have a plan of action, and financial considerations may just be the tip of the iceberg.

Whatever your current circumstances, please contact us so we can maximise the possible boost to trade that the forthcoming easing of lockdown will release.

When the starting gates open you should be ready to meet the challenges it will present. We will be working with many of our clients to ensure they have the best possible resources to meet these obstacles.

### Pick up the phone, we are here to help...



#### Contact Us

support@marclawson.co.uk

01752 752210

Unit 4, Sandy Court, Ashleigh Way,

Plympton, Plymouth, PL7 5JX

www.bvisionaccountants.co.uk