



CHARTERED
Accountants
CHAPMAN UPCHURCH LIMITED

Guide to developing your Business Continuity Plan in response to Covid-19



**DISCLAIMER:**

This guide has been designed to assist New Zealand businesses to develop their Business Continuity Plan in response to Covid-19. Planning your response is critical; every business will be impacted in some way. This guide is not intended to be exhaustive or replace official advice provided by the New Zealand Government. The information contained in this guide is of a general nature only. [Contact us](#) for advice relating to your specific circumstances. All data was correct at the time of writing; however, this is a constantly evolving situation and we recommend you utilise official government or industry specific websites or contact us for the most up to date information.

Summary

In these unprecedented times, it's important to remember that we're all in this together; everyone is impacted by Covid-19, from our team, to our customers and suppliers. We've prepared this guide to help our clients navigate through these uncertain times by working together to help keep businesses alive and people employed.

We can't stress enough the importance of communication at this time. You're not alone in this.

- [Communicate with us](#), your accountants; we're here to help.
- Communicate with your team; they're worried about their job security and supporting their families.
- Communicate with your customers; reassure them that you're still open for business and of the steps you're taking to protect them.
- Communicate with your suppliers; they're a business just like you, with similar concerns.
- Communicate with your bank and financiers; sooner rather than later - act now for your best opportunities.

These are scary times for everyone, but it's a time for planning, not panicking. We can all make a plan to minimise the impact as much as possible. Things will change, that's a given. But with this change comes opportunities. Think about how your business can evolve. It's likely your customers still need you; but you may need to pivot your business.

We encourage our clients to reach out to us. We are keeping up to date with the latest from the government and will share the latest developments with our clients.

Many, if not most, team members will be working from home. Most, if not all, of your usual face-to-face meetings will now take place online or by phone. The value we provide you won't change; our delivery will just look different.

We can all do our part to keep ourselves safe and protect our community.

We are committed to safeguarding the financial health and wellbeing of our team and our clients.

Please get in touch, by phone or email, to discuss your options and make a plan for the continuity of your business.

The CU Accountants Team

Your Resilience



Wellbeing

The coming months are inevitably going to be tough for a lot of people. As a business owner, you'll need to make some tough decisions. It's essential we look out for each other and speak out when we need help. This is a stressful time and it's important we look after our mental health as well as offering mental health support to our team.

Some tips for managing your mental wellbeing:

1. Select your information sources carefully. Access information from official sources when required.
2. Try to maintain your daily routine. Some adjustments will need to be made but try to keep to your routine as much as possible.
3. Exercise each day. Go for a walk or run and get some fresh air and sunshine. Even if you're self-isolating, you can get outside while maintaining social distancing.
4. Get enough sleep. Easier said than done at times. Put technology away earlier and read or listen to an audiobook to help you relax.
5. Maintain a healthy diet. Eat a range of fresh and nutritious food. Reach out to your community and swap produce if possible.
6. Stay calm. Choose a relaxation practice, e.g. yoga, meditation, etc. and commit to doing it daily.
7. Stay connected. Spend time with your family and keep in contact with friends; call instead of texting.
8. Be positive. With crisis comes opportunity. Seek out opportunities and don't catastrophise.

If you're struggling to cope and need to speak to a trained counsellor, you can call or text 1737 any time. In an emergency, dial 111.

For more information on managing your mental wellbeing, see the [Ministry of Health website](#).

Xero Assistance Programme

If you're a Xero customer on a starter, standard or premium plan, you can access their Xero Assistance Programme. This allows you and your team to access free and confidential counselling and support, either face-to-face, online or over the phone.

Find out more on the [Xero website](#).

Family first

Your family should come first, always. It's likely they're your main reason for being in business; setting your family up for success. Discuss your options with your family and make a plan for working from home.

If you have children, speak to them about what's happening in an age appropriate manner. Find out what they know and correct any misinformation. Listen to their fears and offer comfort while being honest. Reinforce the need for proper hygiene and getting lots of sleep.

Make sure you have technology, books and resources available for them to continue learning.



Personal budget

Review your personal budget and 'trim the fat'. Identify areas where you can save money. Your personal budget doesn't need to be complex – it could be as simple as totaling your expenditure from the last month or two to identify your monthly personal costs.

From there identify where you can make savings e.g. on entertainment, coffee, gifts, and any other unnecessary expenditure. Every saving you make takes pressure off what the business needs to provide to you.

Don't cut costs for essential utilities; a strong and reliable internet connection is a must if you'll be working from home.

Personal asset planning

Personal insurances

Review your personal insurances to ensure you have sufficient cover for you and your family. Speak to an insurance broker for advice on your insurance options.

Wills

If you don't already have a Will, make sure you get one written up sooner rather than later. If you do have one, make sure it's up to date and reflects your current wishes. Speak to your lawyer for specific advice on drafting your Will.

Memorandum of Wishes

If you have a Trust, ensure you have a Memorandum of Wishes to guide your appointed Trustees on the purpose and desired outcome for your Trust assets. While it may not necessarily be binding on the surviving Trustees, they will usually follow it.

Because a Trust continues after your death, a Memorandum of Wishes is important as it outlines your intentions for the Trust assets. It's a personal document that doesn't need to be written by a lawyer. You should write it yourself, in plain English, and update it whenever circumstances change. We have a template available to guide you through the creation of your Memorandum of Wishes.

Powers of Attorney

There are two types of Powers of Attorney: general and enduring. A general Power of Attorney is appointed to help you look after your affairs and you can choose what it covers, e.g. money and property. A general Power of Attorney ceases to be valid as soon as you no longer have the mental or physical capacity to instruct them.

An enduring Power of Attorney allows your nominated person to act for you if you become mentally incapable but must be arranged while you are mentally capable to make that decision. You can nominate an enduring Power of Attorney for your personal care and welfare, and for your financial affairs and property.

If you don't currently have a Power of Attorney arranged, now is the time to think about who you could nominate and the types of authority they'll have. Remember, it must be arranged prior to you becoming mentally incapable or it will be invalid.

Important documents and information

Ensure you store your important documents and information in a safe place which can easily be found by the person who will be dealing with your affairs in the event you become incapacitated. Don't forget to include passwords to online accounts, and key contact information such as your lawyer, accountant and doctor. We have a Life Organiser which records all these important details in one place, stored electronically with us.



Supporting Your Team



Your team members will be worried about job security. The government has stated that there will be job losses during this time. Be open with your team. Share your plan with them and be honest about the potential impact the pandemic will have on your business.

If there are to be job losses, ensure you obtain legal and HR advice on the best way to handle restructuring, stand down, reduced hours, and redundancy processes.

Covid-19 Prevention and Response Policy

If you haven't already developed a policy setting out the actions you'll take to prevent the spread of Covid-19 and respond to its impact, now's the time to do so. This policy should set out best practice for your team, including:

1. Clear self-isolation policies.
2. Postponing all travel and work-related events.
3. Cancelling in-person meetings.
4. Practicing social distancing.
5. Measures to take at home.

We've developed our own policy and we've made our template available to our clients free of charge to use as a comprehensive starting point. [Get in touch](#) if you'd like a copy.

Updating your team and ongoing communication

After you've completed your Business Continuity Plan, share relevant sections with your team. Ideally, share this online either via email, video recording ([Loom](#) is a great tool for making video recordings), or online meeting such as Skype, Zoom, GoToMeeting or Google Hangouts.

Answer questions honestly, even if the answer is "I don't know". Be realistic and honest about any risk to jobs during this period but reassure the team that you'll do everything you can to protect their jobs as much as possible.

Outline how you'll communicate with the team on an ongoing basis. This may be a daily update email while things are changing rapidly then become less regular. For large teams, ask team members to send any questions to their direct manager, who can then collate questions to be addressed in future communications.

Continuity of work

Changes to roles

It's likely there will be changes to roles within your business as you and your team adapt to the impact of Covid-19. Spend time reviewing your current organisational structure and updating key responsibilities and tasks where appropriate. Ensure everyone is clear on their updated roles and responsibilities. Remember to seek HR and legal advice on how best to handle significant changes in roles or redundancies.

Updating goals and KPIs

It's likely each team member's goals and KPIs will need to be updated. Targets which seemed achievable a few weeks ago may now be unrealistic. While it's hard to estimate the exact impact on sales and revenue over the coming months, reset your team's KPIs and goals to realistic targets.



Working from home

It's likely that people will remain in some form of lockdown in the coming weeks and possibly months. Decide what additional resources you need to provide your team with, if you haven't already.

Consider how you can best utilise technology to maintain team communication. Using an application, such as [Microsoft Teams](#) or [Slack](#), can encourage your team to regularly communicate. You could also run an automated daily standup within your chosen app or via a third party app, such as [Standuply](#) or [Standup Alice](#), which allows you to set questions for your team to answer each day, e.g. how are you feeling, what are you working on, what are your roadblocks, etc.

Instead of face-to-face meetings, utilise [Skype](#), [Zoom](#), [Google Hangouts](#) or [GoToMeeting](#) for one on one or small team meetings. Consider using [Trello](#), [Monday.com](#) or [Asana](#) to manage workflows while working remotely.

Flexibility of working hours

Consider whether you can offer flexible or reduced working hours to your team. Team members may be willing to reduce their working hours for a period of time. Encourage team members with outstanding leave to use this now. In some instances, leave without pay may need to be offered. Ensure legal and/or HR advice is obtained if hours need to be reduced or changed.

Financial support

If a team member is sick with Covid-19, or is caring for a dependent who is sick with it, and cannot work, they should first use any available sick leave. They can then qualify for the Leave Payment Scheme for hours above their available sick leave.

Work-related travel and events

It's likely that a phone call or online meeting will generate the same results as face-to-face contact. If you hold customer or team events, consider how these can be delivered online.

If you have booked venues for upcoming events, contact each venue as soon as possible to minimise costs. Do not assume that venues will not provide a refund or will hold you to binding contracts. Some suppliers will be understanding of your situation and will offer relief.

Restructuring and potential redundancies

During these unprecedented times, the legal ramifications of employment decisions may differ from standard. It's important to negotiate with your team where possible and give them options to choose from. In some cases, team members may need to be given the option of either accepting reduced hours or having their role being made redundant.

Review your Employment Agreements to determine whether there are clauses which cover this current crisis and enable you to reduce working hours in these situations.

You may need to restructure your business with resulting redundancies. It's imperative you obtain legal advice to ensure proper processes are followed.

Supporting and Retaining Your Customers

The support you offer your customers now will impact the support your customers give you in the future. Customers need to be reassured that you're still operating.



Covid-19 Prevention and Response Policy



Your policy should cover the steps your business has taken to protect your customers. Share this information with them to offer reassurance that you've taken every practicable step to reduce the risk and protect both your customers and your team.

If you regularly have meetings with customers, switch to phone or encourage online meetings using [Skype](#), [Zoom](#), [Google Hangouts](#) or [GoToMeeting](#).

Changes to your services

It's likely that aspects of your business will need to change. Ensure all changes are clearly communicated to your customers. This includes any potential delays to delivery times or products being unavailable. Use your website, social media and email to communicate well to customers.

Terms of Trade

Review your Terms of Trade and update the terms to reflect your changing business practices. Share your updated Terms of Trade with your customers, highlighting key changes. In particular, review your payment terms and delivery terms. Remember to enforce your Terms of Trade at this time. Don't let customers avoid paying you, as this could have a material impact on the sustainability of your business.

We have a Terms of Trade Template available for our clients to develop robust Terms of Trade. Please get in touch if you need help developing yours.

Offer incentives to retain customers

You customers may be facing job losses or reduced hours and lower income, so they'll be prioritising where they spend their money.

Consider the types of incentives you can offer customers to keep buying during this period. Can they spread the cost over a number of weeks or months? Companies such as Afterpay or Laybuy can enable this. You may be able to arrange consignment stock at this time, whereby you only pay your supplier once you've been paid by your customer.

Communicating with key customers

Ensure you regularly communicate with your key customers so they're aware of what's happening, particularly if you have an ongoing relationship with them to supply goods or services. They're likely being inundated with communication from numerous sources, so keep all communication brief. Make your communications as personal as you can.

Working with Your Suppliers

Payment arrangements

Negotiate new payment terms with your suppliers if you can. If you are able to pay upfront, ask for a prompt payment discount. If you don't have sufficient cashflow to pay upfront, ask to pay over a longer period of time. Ask if it's possible to hold stock on consignment where you only pay the supplier once you've sold that stock. Don't be afraid to ask for help here. You and your suppliers are in this together.



Purchasing policies



Ordering of stock

Discuss your supplier's supply chain and the measures they're taking to continue supply. Ask about their contingency plans for what may happen if deliveries can't be made or supplies can't be obtained. Consider whether you need to order additional stock while it's available, if it's likely to become scarce in the coming months.

Alternatively, you may need to reduce your current minimum re-ordering levels. Consider whether there are some items of stock that should not be re-ordered at all.

Return of stock

Review your supplier contracts in regard to the return of stock. Discuss whether you can return excess stock that isn't selling. Ensure contracts are updated if any terms change. If you cannot return stock, then consider discounting slow-moving stock to convert it back to cash (and don't re-order that same stock).

Contracts

Review the contracts you have with suppliers. Is there a clause which would allow you to cancel orders or change the terms in this current crisis? If you cannot meet the terms of your contract, seek legal advice and negotiate with the supplier.

Review all other key contracts, with lessors of premises, vehicles, and equipment. You may need to renegotiate significant terms. Do not assume that these contracts cannot be renegotiated. As your current cashflow and ability to meet financial obligations may be significantly impacted, some of these key providers will be prepared to renegotiate terms.

Your business

Managing cashflow is essential for a business at all times but becomes even more important during times of crises. Bear in mind that your customers and suppliers will also be concerned about their cashflow.

Preserving and bringing forward cashflow, and creating a war chest of cash reserves is important right now.

Cashflow Forecast and Cashflow Management

The first step to managing your cashflow is to create a Cashflow Forecast. Projecting your cash position forward gives you the ability to make far more informed decisions. Your previously prepared Cashflow Forecast will no longer be valid. We can help you review and update it to reflect the impact that Covid-19 may have on your cashflow.

Some businesses will need to look at their cashflow and their cash burn on a weekly basis.

Accounts receivable process

Now's the time to review your accounts receivable process and look for strategies to minimise your debtor days (the number of days, on average, it takes your customers to pay you).

Strategies include tightening and enforcing your Terms of Trade, engaging a debt collector, interim or staged invoicing, asking for deposits, offering prompt payment discounts and streamlining your billing process.

Follow up outstanding invoices and request payment early and regularly. Make it easy for your customers to pay directly through Xero or by online payments or direct debit. If customers are struggling to pay, offer payment options, such as spreading the payment across a period of time, to ensure you have cash coming in.





Accounts payable process

Review the terms you have with your suppliers and identify potential areas of improvement, e.g. asking for prompt payment discounts, better pricing, consignment stock and spreading payments across a longer term.

Review the support being offered by Inland Revenue to delay payment and access additional tax relief. See the Inland Revenue section for more details.

Inventory process

Conduct a stocktake so you know exactly how much inventory you have on hand. Determine how robust your supply chain is and whether you need to order more inventory now to get you through the next few months, or whether you need to cancel forward orders.

Debt / capital structure

Review your existing debt structure and work with the bank to negotiate debt consolidation, an interest only period, seasonal finance, revolving credit or overdraft extensions or better repayment terms. See the Bank Assistance section of this guide for more information about how your bank can help with cashflow. Review your drawings from the business and make adjustments if necessary. Consider whether you could invest more cash into your business to get through the next few months.

Overhead expenses

Review all overhead expenses and identify areas where you could reduce your spend. Are there costs that can be avoided through this difficult time? Speak to your telecommunications, power and other suppliers about better rates.

Gross Profit margin

Your gross profit margin is the amount left of your sales income after variable costs have been paid. Review your processes to reduce re-work, errors and wastage and monitor team productivity to identify areas for improvement.

Review the margins you're achieving from different areas of your business, e.g. different departments or classes of product or service. Focusing on the products or services that have a better margin and reducing or discontinuing products or services with a lower margin may contribute to your business survival.

Engage with your team about process improvement and increasing efficiency to help preserve and improve your margin.

Sales levels

Consider how you can maximise sales levels over this period to preserve cashflow. Focus on the five ways to grow sales and determine which areas will give you the greatest return:

1. Increase customer retention: Strategies to stop your clients switching to your competitors.
2. Increase leads or enquiries: Ramp up your marketing to your target market, using cost-effective marketing channels that work in your industry.
3. Improve sales conversion rates: Focus on the benefits you offer and the problems your business solves for your customers.
4. Increase transaction frequency: Ensuring you have a follow up process for your next sale.
5. Increase transaction value: Upsell to existing customers by offering them additional value.





Unused assets and equipment

Consider whether you need to keep unused assets and equipment. Selling these, even at a loss, will give you much needed cashflow.

Asset purchases

Avoid purchasing assets outright with cash. If asset purchases are essential, consider leasing or obtaining loan finance spread over a longer time period.

Bank Assistance

Contact your bank and any other financiers to find out how they can help you manage your cashflow over the coming months. Get in touch with them now so you have access to additional funding when you need it. Your bank may be able to offer the following assistance alternatives:

- Increasing temporary overdraft facilities
- Reviewing and extending trade credit
- Asset finance funding
- Loan repayment holiday, deferment of repayments, or interest-only terms
- Extension of term lending periods
- Short-term and hardship loans
- Short-term mortgage holidays
- Business credit card options

Insurances

A number of business insurances policies will not cover the impact of Covid-19. Your policy may have a standard exclusion clause regarding infectious diseases. However, contact your broker or review your policies to see if this is the case.

It is also important to review your business insurances to cover risks such as:

- HR and employment related matters
- Theft / loss of property
- Statutory liability
- Professional indemnity
- Shareholder buy-out / key person

Inland Revenue Support

In addition to the tax relief announced in the government's Business Continuity Package, Inland Revenue can help free up cash by allowing instalment arrangements, remitting late payment and filing penalties, and writing off debt in severe hardship.

We can advise you of the options available to your business. It's essential that we are open and honest and notify Inland Revenue of the hardship you're facing as soon as possible to reduce the likelihood of additional penalties and interest.

We are experts at negotiating the best possible outcome from a tax minimisation perspective. Please speak to us.



Government Support Package



On 17 March 2020, the government announced a Business Continuity Package to address the impacts Covid-19 will have. If you meet the criteria, you can receive government payments to subsidise wages. Please note that this information was correct at the time of writing, but the government is regularly announcing more support packages.

Please contact us for the most up to date information relating to your business.

Wage subsidies

This package includes subsidies for lost wages for businesses who can demonstrate a decline, or forecasted decline, in monthly revenue of 30%. The government has recently updated the package to ensure new businesses and businesses who had been experiencing high growth prior to the Covid-19 pandemic can access the support. From the 27th of March the previous Lease and Isolation support has been incorporated into the Wage Subsidy. If you need help calculating the financial impact on your business, please get in touch asap.

Affected businesses can receive \$585.50 per week for employees working 20 hours or more per week, and \$350 per week for part time employees. This payment will be paid as a lump sum and covers a 12 week period. There is no longer any cap on the amount payable to businesses.

To qualify:

- your business is registered and operating in New Zealand
- your employees are legally working in New Zealand, including employees who:
 - have a NZ work visa
 - have a condition on their NZ temporary visa that allows them to work in NZ
 - are international students whose visa allows them to work in NZ
- the business has experienced a minimum 30% decline in actual or predicted revenue over the period of a month, when compared with the same month last year, and that decline is related to COVID-19
- your business has taken active steps to mitigate the impact of COVID-19
- **you must retain the employees named in your application for the period of the subsidy.**

For definitions of these qualifications, see the information under the 'Definitions for Wage Subsidy qualifications' heading on the [Work and Income website](#).

If you need help completing application forms, please contact us or take a look at our [Tutorial video](#) which walks you through the process.

For more information about the wage subsidy, see the [Work and Income website](#).

Business cashflow and tax measures

To further support businesses, the package includes cashflow and tax measures, including:

- Allowing Inland Revenue to remit use-of-money interest (UOMI) for customers significantly adversely affected by Covid-19
- Increasing the Provisional Tax threshold to \$5,000 from the 2020/2021 financial year
- Increasing the small asset depreciation threshold to \$1,000 and up to \$5,000 for the 2020/2021 financial year
- Allowing depreciation on commercial and industrial buildings from 2020/2021
- Removing the hours test from the In-Work Tax Credit from 1 July 2020

For more information about these measures, see the [IRD website](#).

Talk to us about how this may reduce your upcoming tax commitments.

Support available and useful links



It's essential to obtain your information from official government sources. Your industry associations may also have industry-specific information. If you need advice or support, we're here to help. We recommend reviewing the following websites for up to date information:

[New Zealand Government](#)

[Inland Revenue](#)

[Work and Income NZ](#)

[Ministry of Health](#)

[Ministry of Business, Innovation & Employment](#)

[New Zealand Trade and Enterprise](#)

[Employment New Zealand](#)

Next Steps

At this critical time, doing nothing is simply not an option. You must prepare for the impact this pandemic will have on your family, your business and your team. We've made key resources and additional services available for our clients to help them prepare.

Business Continuity Plan Facilitation

If you want to maximise your entitlements in the most cost-effective and efficient way, and get access to best practice (combining your expertise with ours) we recommend we facilitate the development of your plan online. Depending on the size and complexity of your business, this may take between one and four hours and we can split our time into two-hour sessions if required. Contact us for more information or a proposal for this service.

You may not be aware of all of your entitlements. By working with us on your plan, we can make sure you receive your maximum entitlements.

Business Continuity Plan Review

If you would like to draft your plan yourself, using our guide to assist, we can review your draft and ensure you've covered everything. We'll do this over a 60-90 minute online review meeting. Contact us for more information or a proposal for this review service. The advantage of this option is that you get access to our expertise to ensure you access all the assistance you're entitled to and we can make sure your plan gets done.

Business Continuity Plan Template

Used in conjunction with this guide, the Business Continuity Plan Template allows you to identify and record the steps you need to take in your business. Provided in a Word format, you can complete this yourself or engage us to complete it with you online.

If you want to complete your plan yourself, without any assistance from us, we recommend you send us a copy of your completed plan.

Please also contact us with any support you need as we move through the coming weeks and months.

We'll be holding all client meetings online or by phone for the time being. We use online meeting software that enables us to see each other and to share documents on screen. Prior to any online meeting, you'll receive a link to join that meeting. We know you'll get as much value from these online meetings as you would face to face.

We are here to support you in this difficult time. Please take care.

The CU Accountants Team

