

Flexible planning

If we lived in a world where the factors that affected trade and other commercial activity were unchanging, then plans drawn up for extended periods, say a year, would be a reliable benchmark to measure actual results against in the same period.

Unfortunately, change is a common occurrence these days. Plans drawn up will become unreliable if, as recent experience with the impact of COVID has proved, significant changes in the background economy occur.

UK businesses are spinning multiple plates at present. Inflation – rising to 10% or more – Brexit issues, supply chain problems, a world shortage of computer chips, the rising cost of utilities – gas, oil, and electricity – and there is always the threat from a possible, new COVID variant.

Flexing your budgets

Without a doubt, preparing a business plan shortly before the beginning of a new trading year makes sense. But as the factors or assumptions that underpin the plan are seen to be changing, then it makes sense to flex your budget to take these changes into account.

The primary advantage of this approach is to see how the impact of inflation, supply chain issues and other factors affect profitability, cash flow and solvency for the remainder of the period under review.

Advantages of being informed

Your flexible business budget will enable you to make decisions based on your best estimation of the road ahead.

Resist the temptation to ‘make do’ - to assume that your rising costs and inflation damaged sales can be somehow, magically improve. Whilst it may not be possible to discover what you need to do by uncovering your business crystal-ball - by spending time each month to reflect on the major changes affecting your business and following through these changes to your business plans - it will inevitably place you on solid ground and better prepared for challenges ahead.



We would recommend that you speak to your accountant who can help you create and flex your annual budgets, produce reports that compare these budgets to actual results, and help you decide on the most effective changes to minimise any downside effects on your profits, cash flow and solvency.

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