



Budgeting in Uncertain Economic Times

To budget effectively during periods of uncertainty in the construction sector, it is essential to implement comprehensive risk assessments, allocate adequate contingency funds, and utilize advanced technologies capable of precise forecasting and scenario analysis.

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Even the largest and most efficiently managed property firms are finding it increasingly difficult to predict trends beyond the next quarter, let alone for the remainder of 2025 or 2026. The number of unpredictable variables remains significant. Nevertheless, organizations within the sector can equip themselves with the vital framework of a budget to guide planning and assess performance. Moreover, the budgeting process serves as a valuable catalyst for enhancing operational results and cultivating the resilience required to navigate complex economic conditions.

Budgeting effectively during such times becomes not just a necessity but a lifeline.

Key stages in budgeting in uncertain times

Budgeting offers financial clarity in uncertain times by highlighting risks and supporting adaptable planning. There are six key stages:

1. **Start with a comprehensive financial review** – The first step in any robust budgeting process is understanding your current financial position. During periods of uncertainty, this becomes even more critical. This process identifies inefficiencies, unnecessary costs and areas of potential savings.

Thereafter, building a fully integrated including a trading and profit forecast and cash flow projection, both verified by opening and closing balance sheets should focus on:

Reviewing fixed and variable expenses to understand how they align with predicted revenue streams and operational priorities.

Evaluating cash flow in the context of available funding facilities to ensure there is sufficient liquidity to manage unexpected expenses or revenue shortfalls.

Assessing debts and liabilities, especially looking at high-interest loans that may need to be refinanced or repaid to reduce financial strain.

2. **Involve all relevant functions within the business** – Budgeting should be a team game, not an ivory tower finance department exercise. This is especially true when the commercial goal posts keep shifting, when hands on and practical knowledge of what's actually happening in real time across the business and in the wider market is most likely to come from almost anywhere except finance.
3. **Create a contingency fund** – Economic uncertainty often brings unexpected and unpleasant surprises. A contingency fund acts as a financial buffer, enabling businesses to adapt without derailing operations. Building a contingency fund can be difficult in tight financial conditions, but even modest contributions can make a difference over time.
4. **Prioritize scenario planning** – Scenario planning helps businesses prepare for a range of potential outcomes. By creating best-case, worst-case and most likely scenarios, companies can identify risks and opportunities ahead of time:

In worst-case scenarios, outline cost-cutting measures that can be implemented quickly without sacrificing essential operations.



Best-case scenarios should include strategies for capitalizing on potential opportunities, such as market expansion or acquisitions.

5. **Regular scrutiny** – The overall budget and these scenarios must be reviewed regularly and amended as appropriate, as new data and developments can rapidly change the business environment. Setting a budget just once a year would be inappropriate in good times; in a tough and uncertain economy, it's folly. As with setting the original budget, reviews and revisions must involve inputs from across the business.
6. **Utilize technology to maximize financial insights and analysis** – Modern budgeting tools and financial software can provide UK businesses with real-time insights into their financial health. These technologies enable better and more timely forecasting, expense tracking and resource allocation.

Cloud-based financial platforms can be used to centralize data for better visibility.

Implement tools with predictive analytics to anticipate trends and customer behaviours.

Using the budget to improve performance

A budget is not just a theoretical exercise. A properly thought through budget and its subsequent reviews can be a powerful tool for driving changes to the business's strategy and its execution as circumstances may alter. It can be used on both the revenue and cost sides of the trading equation.

Cost management strategies

Cost management strategies help businesses control and reduce expenses while preserving quality and values. These include:

- **Streamlining operations** – Uncertain times call for maximum efficiency. Reviewing operational processes to eliminate waste can generate significant savings. Lean management techniques and automation can optimize workflows and reduce costs without compromising quality or customer satisfaction.
- **Negotiating with suppliers** – Open dialogue with suppliers can lead to more favourable terms, whether it's through extended payment periods, bulk discounts or renegotiated contracts. Building strong relationships with supply chain partners can also ensure continuity during disruptions.
- **Reviewing staffing models** – Labour costs are often one of the largest expenses for businesses. While layoffs should typically be a

last resort, exploring flexible staffing arrangements, such as part-time roles or gig economy workers, can provide cost-effective solutions in uncertain times.

- **Focusing on core business areas** – During economic turbulence, it's prudent to assess which parts of your business are the most profitable. Redirecting resources to these core areas while temporarily scaling back non-essential products or services can stabilize cash flow and deliver consistent returns.

Revenue enhancement strategies

In business, revenue enhancement describes the process of increasing income from current revenue streams. As such it is important to consider:

- **Diversifying revenue streams** – Relying too heavily on one revenue source can leave businesses vulnerable to market shifts. Diversifying income streams whether it's through new products, services or markets offers greater financial stability, always assuming they're profitable and don't consume too much cash.
- **Strengthening customer relationships** – Customer loyalty can be a lifeline during tough times. Offering personalized services, loyalty programmes or promotional discounts can deepen customer engagement and drive repeat business.
- **Maintaining effective marketing** – The temptation to economize on marketing when the business background is uncertain can be hard to resist. This is rarely a wise strategy; instead, re-focusing marketing to make it more relevant to the economic conditions and the business's changing priorities can pay real dividends.

Strengthening to survive and thrive

Managing costs and optimizing revenue are key parts of dealing with difficult trading and economic conditions. Building greater strength and resilience into the business model and its operation is also key.

Strategies could include doing a comprehensive supply chain review and eliminating any weak links identified. It might also mean analyzing customer profitability and either raising prices for or discontinuing the relationship altogether with those that are loss-making or marginal. It could mean exploring collaboration or even a closer tie up with a competitor to share logistics, production, procurement or marketing.

Government support

The UK government often provides initiatives to support businesses during challenging economic periods, such



as grants, tax reliefs and low-interest loans. Staying informed about these initiatives can alleviate financial pressure and provide additional resources.

Outside professional expertise

External advisors such as accountants or financial consultants can offer an invaluable objective perspective on a budget strategy. Their expertise in cost management, forecasting and tax efficiency can help in making informed decisions.

Maintaining agility

Economic uncertainty makes agility a critical business quality. The budget process must allow for flexibility. Regularly revisiting and adjusting your budget based on new data and circumstances ensures that the strategy remains relevant and effective.

Conclusion

Budgeting during economic uncertainty is undoubtedly challenging, but it is also an opportunity to build resilience and adaptability. With a thorough understanding of financial health of the business, a

focus on cost management and a willingness to innovate, UK businesses can not only weather the storm but emerge stronger. By taking proactive measures and fostering a culture of teamwork and agility, companies can turn an uncertain economic climate into the foundation for long-term success.



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