

## Tip Sheet: Maintaining Cash Flow

Cash flow is the lifeblood of your business and is critical to sustaining your business through this difficult period. The following tips have been put together to help identify areas which may help you in your efforts to free up cash:

### Tip 1: Review your current cash flow & prioritise essential spending

Go through your businesses' bank statements, accounts, direct debits and invoices from the last 6 to 12 months. Identify and categorise spending into:

- Critical those which are essential to keep your business running through the next 3,6,9 months and;
- Non-Critical; those which are a valuable addition to your business but which are not essential to the everyday running of the business i.e. can slowed down/held off for the next couple of months.

Completing this exercise will not only help you identify areas where you may be able to save money in the short term (see Tip 3) but will give you, and any potential lender, a better picture of the level of support you may need, should you require access to the Coronavirus Business Interruption Loan Scheme.

It is advisable to keep track of these costs within a cash flow table/software. If you do not have access to a cash flow template, then [please contact Growth Platform](#) as they can provide you with one free of charge.

### Tip 2: Follow up immediately with any outstanding debtors

Chasing up money owed can sometimes be awkward, however it's critical that you follow up with any outstanding invoices to secure money owed to you or your business to ensure it is paid in full- especially for those goods and services already rendered.

It is important to be firm, however sensitivity should also be shown where, and if, possible – especially as some of your debtors may well be in a similar (or worst) situation as yourself. Goodwill in these situations can often go a long way, and will likely not be forgotten in a hurry.

Contacting your larger, often more financially secure customers, is also worthwhile in order to ascertain whether they will accelerate your regular payment terms and bring forward payments (e.g. shifting payment from 60 day to 30 day terms). Many will at least consider this possibility on the basis that you form a key part of their own supply chain. A small discount is a popular incentive used by a number of businesses to prompt early payment.

Another potential area to explore is that of invoice financing. This is where specialist firms provide upfront cash equivalent to some or all of the balance of an invoice - in exchange for a commission. They are an increasingly popular way to ensure smooth cash flow cycles, however always remember to read the small print and be fraud smart. Invoice finance firms recommended by those within the local business community are a good starting point – your Local Authority Growth Hub or local chamber of commerce may be able to help with this.

### Tip 3: Negotiate with suppliers and landlords

Some of your suppliers may be willing to negotiate discounts, extend credit or allow short-term payment holidays to help your business survive during this difficult period.

There is no hard or fast rule on which suppliers are able to offer such terms, as any such consideration will likely be arranged on a case-by-case basis. It's subsequently worth contacting as many of your suppliers as you are able, to see what can be done for your own business and circumstance.

Unfortunately the increase in remote working from Covid-19 has made contacting help line and account managers difficult, so getting in touch with those suppliers responsible for your biggest costs should be a priority. This includes landlords, utilities, insurance and other significant costs. Try to be as honest as you can about your situation, especially if you are a long-term customer who pays frequently on-time, as this track record may help sway the decision in your favour.

If you have decided to cancel a service for any reason then be sure to watch out for any potential exit or penalty fees which may result, as they can be substantial.

### Tip 4: Utilise Government support schemes & deferred payment facilities

A range of government schemes and initiatives have been developed in response to the Covid-19 pandemic. They are here to help your businesses, with several likely useful in aiding your cash flow. These include:

- VAT deferral: UK VAT registered business which have a VAT payment due between 20 March 2020 and 30 June 2020 can opt to defer payment until a later date (to be confirmed).
- Cash Grants & Business rates holiday: Cash grants of up to £25,000 per property (subject to rateable value) and business rates holiday for 2020 to 2021 tax year are available to businesses in the retail, hospitality or leisure sector. [Contact your local authority for further information.](#)
- Employee Schemes (inc. Self Employed): A range of measure to offset cost of employee furlough, statutory sick pay (resultant from COVID-19) and self-employment income. See accompanying COVID-19 Employee Cost guide for further information.
- Time to Pay Service: All business and self-employed people in financial distress and with outstanding tax liabilities may be eligible to receive support with their tax affairs through HMRC's Time to Pay service. Arrangement are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.
- The Coronavirus Business Interruption Loan Scheme: An SME friendly loan scheme, supporting SME access to loans, overdrafts, invoice & asset finance. The government has provided lenders with 80% guarantee on each loan (subject to conditions) and has made provision to cover first 12 months of interest payments, as well as any lender-levied fees.

Please consider taking your own legal advice prior to any action. Source UK GOV. March 2020

Please contact Growth Platform to hear more information about any of the schemes mentioned, to be updated on any other COVID-19 business support schemes or if you have any further questions relating to support that could be on offer

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