

# CASHFLOW ADVICE

## FINANCIAL FORECAST

A forecast makes it possible for you to anticipate most cash flow issues. It also allows you to work out what effect lower sales or slower payments would have on cash movements. A cashflow forecast can also be used to confidently present your case to your bank or lender to secure the right facility without the need to go back a second time as you have underestimated requirements. If you require a cashflow forecast template please email [pauline@menta.org.uk](mailto:pauline@menta.org.uk)

## SETTING UP A BANK FACILITY

An overdraft allows a business to borrow money from the bank when it's required up to an agreed limit and interest is only paid on the amount borrowed however, if a business continually relies on an overdraft it can become expensive and it may also highlight that a business needs additional working capital, or a longer-term form of finance. An overdraft is repayable on demand which means that the lender can ask for full repayment at any time. A 'term loan' with fixed monthly instalments may be a better option as the lender can only demand full repayment if the borrower defaults on instalments.

It's a good idea to plan for expenses. Where problems are anticipated for tax, PAYE or NI, contact HMRC's Business Payment Support Service. [www.gov.uk/difficulties-paying-hmrc](http://www.gov.uk/difficulties-paying-hmrc)

If you cannot pay your Tax Bill because of Coronavirus, there is a HMRC Coronavirus Helpline Telephone: 0800 015 9559.

Where a shortage of cash is expected, contact the bank and suppliers as soon as possible to protect your relationships and you may find that they will be supportive for a few weeks or months.

The Government has announced support for businesses through the Coronavirus Business Interruption Loan Scheme. Follow the link to the Government website where information is being updated daily: <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

## HOW A BUSINESS CAN APPLY FOR A CBIL FACILITY

The Coronavirus Business Interruption Loan Scheme will launch in the week commencing 23 March. This will cover loans and overdrafts. The maximum is £5 million and there is no fee payable to the Government. **This is borrowing that must be repaid, these are not grants.**

To access the Scheme, you should **talk to your bank or finance provider as soon as possible** and discuss your business plan with them. This will help your finance provider to act quickly once the scheme has launched. If you have an existing loan with monthly repayments you may want to ask for a repayment holiday to help with cash flow.

The lending decision is taken by each individual provider, not by government. To find the full rules of the Scheme and list of accredited lenders, follow the link below. **All the major banks will offer the Scheme once it has launched.** There are 40 accredited providers in all.

Follow the link to the British Business Bank:  
<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-for-businesses-and-advisors/>

## SELF EMPLOYED INCOME ISSUES DUE TO CORONAVIRUS

Follow the link which outlines support through the Department for Work and Pensions  
<https://www.gov.uk/government/news/coronavirus-support-for-employees-benefit-claimants-and-businesses>

Subject to prevailing legislation. For information only. Always seek professional advice before acting.

# 10 TOP CASHFLOW TIPS

FROM THE SMALL BUSINESS COMMISSIONER (SBC)  
AN INDEPENDENT BODY SET UP BY THE GOVERNMENT

## 1. Agree clear payment terms

Make your payment terms clear to your client – this should be in writing, ideally in the form of a contract.

## 2. Keep payment terms short

The payment term that you set should be as short as possible but be realistic. When do you need the invoice paid? If the answer to that is in 30 days, should you set your payment terms as '30 days'?

The answer is probably not because you will have clients that will run over your payment terms, so your average will be longer than 30 days. As a result, if you want to be paid in 30 days, you have to set your payment terms at around 14 days.

## 3. Get invoices out as soon as possible

Invoicing should be a priority in any business. Get your invoices out as soon as possible. The last thing you want is a delay which could be easily avoided if you send the invoice on time.

## 4. If you e-invoice set a 'read' receipt

If you are invoicing your client electronically setting a read receipt is a simple but effective way of getting confirmation that they've received your invoice – useful should you need to start chasing a payment.

## 5. Send the invoice to the person who pays the bill

The person who pays the bill might not be the owner of the business, or the person that you deal with, but you should always copy them in on any invoices that you send. In other words, send your invoices to both the person who authorises the payment, and the person who actually processes it.

## 6. Make sure your invoice is accurate and easy to understand

Queries delay payments. Avoid queries by making sure your invoice is accurate, straight forward and contains all the correct information – including purchase order number. If you need a PO from your client, make sure you get it and include it on your invoice. Keep the invoice clear and simple to understand.

## 7. Include your bank details

Don't overlook the obvious. Make it as easy as possible for your client to pay by putting your bank details on your invoice. You should also consider giving your clients as many options for paying as possible. For example, can you take credit card payments or PayPal?

## 8. Follow up on overdue invoices promptly

Overdue invoices should be followed up immediately. Initially this involves sending reminders and then making phone calls. Nobody likes making these sorts of calls, but they are essential if you want to get paid as quickly as possible.

To help make your debt phone calls easier i. call early in the day; ii. call often; and iii. always remain polite and professional, but firm.

If you have followed up your invoice without success contact the Small Business Commissioner who, depending on the circumstances, may be able to investigate your situation or help sign post you to further areas of support.

## 9. Add overdue fees

You can also consider adding overdue fees to your invoices to discourage your clients from paying you late. This is a statutory entitlement.

Check out our interest calculator to work out what a late paying customer may owe you!

In addition, you can also charge a business a fixed sum for the cost of recovering a late commercial payment on top of claiming interest from it.

## 10. Get to know your client

Remember they are people and good business is based on good relationships. If you are easy to deal with as a supplier, you will find that your client is much more willing to work with you. For example, if they have a regular payment run, change your invoicing days or tweak your terms so that you can take advantage of it.

Lastly the easiest way to ensure that your clients pay you early is to insist on payments upfront. Unfortunately, that is not always possible, so you need robust procedures and systems in place to help you get paid on time.

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