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5 Ways to Improve Cash Flow

'Cash remains king' and even more so in these troubled times. Businesses need to remember that generating a massive growth in profit is nothing without collecting debts and controlling expenditure.

Living breathing, forecasting

A forecast, more than ever, needs to be a "live" ever-changing series of scenarios based on the latest information to hand, to identify potential pinch points so you can react quickly and appropriately.

Preparing alternative cash flow models, with a "worst case" scenario sitting alongside the actual expectation, will give you time to consider exceptional influences on the business and plan accordingly.

After the Government schemes finish

Many businesses have taken advantage of various COVID-19 Government support schemes. It will be critical to review and forecast how these arrangements will unwind and how that will affect business practice cash reserves once repayment of tax deferrals start to be scheduled, or staff furlough schemes come to an end.

1. Review debtors and chase late payments.
2. Consider payment plans for debtors. If clients are struggling themselves, it might be best arranging a payment plan to receive your monies in instalments, rather than not at all.
3. Speak to your creditors, landlords etc., to arrange payment deferments or holidays if necessary.
4. Consider Government support schemes in place before they are withdrawn.
5. Review future capacity requirements. Some businesses may be considering redundancies, and while always a difficult decision is made, the sooner the impact is felt.

In summary...forecast, forecast, forecast
A forecast is not a budget target, it is a tool to identify future needs and is designed to give you the opportunity to react accordingly.

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