

# Coronavirus Cashflow Checklist

This checklist was originally written in April, but now (November) it's clear that the disruption is not going to give up anytime soon.

When businesses are facing changes, whether that's sales disappearing, costs increasing or even when there is new sales growth, it's always cashflow where the impact shows.

**Right now an up to date cashflow forecast is the one report that you should be looking.**

But when your time is taken up fighting fires and negotiating with every customer and supplier it can be difficult to find the time to model all the changes on a cashflow forecast and it's easy to skim over the implications in a hurry to get on to the next job.

Here's our checklist for the changes to consider when you're assessing what the impact of this disruption will be:

## **Duration**

Before you start looking at the detail think about how long you expect your business to be affected by the ongoing restrictions. This will be different for every business, but it seems realistic to look at the next 6 to 12 months: looking into the future, but not too far ahead.

With Lockdown 2 you may have a better understanding of what the effects might be. Rather than a simple "the next 6 months looks like this" approach can you split the forecast into a really bad period and then a slow recovery?

## **Sales**

Realistically, what sales do you expect to continue? In some cases it's been easier to cut sales right back to zero in order to see what the impact is. After that every sale that does go through is a positive.

The whole point of a Cashflow forecast is to look at the timings of what happens. So for the sales that you expect, when will the customers pay? If they've been badly hit too it may take them longer to pay than previously.

There may of course be new opportunities as a result of the current disruption – if you have been able to move to selling direct to consumers you are (hopefully) taking payment at the time of sale, which might be faster than previously.

## **Customer accounts**

Lockdown 2 has put an abrupt stop to recovery in many businesses; is it realistic to expect outstanding invoices to be paid on the due date? What would you say if you were asked to delay/ stagger payment over a longer period? Is it worth offering a small discount for faster settlement?

## **Payments for supplies**

Depending on what you buy in as supplies there are variety of ways to be affected here. Hopefully this will change in line with the effects on your sales, and specific to your business. The key point is that the effect on Cashflow is all about when you pay for them, but if you can access cheaper supplies (for example) right at the moment you can factor that in.

## Staff costs

The furlough scheme has been extended to cover November, and is now open to all staff who were on your payroll on 30th October.

As before, staff who have been furloughed still pay PAYE and National Insurance on their wages so there will still be monthly payments to HMRC. It is easy to get behind with payments to HMRC with potentially dire consequences, so make sure you keep the payments in your cashflow forecast.

## Balance sheet items

This covers all those things that don't feature on your regular trading accounts.

**Loans** – what repayments will continue? Can you ask for a payment holiday? Funding Circle typically allow youth defer up to three months payments so long as you notify them in advance. This could help cashflow in the short term.

**VAT** – At present we know that VAT deferred from earlier in 2020 can be repaid in instalments between April 2021 and March 2022. However ongoing VAT payments will still need to be made, although they will be smaller if sales are reduced.

**Corporation Tax** – the Government has also said they will accept late payments of Corporation Tax, if arranged on a "time to pay": will this help your cashflow?

## Further ahead

If you want to look further ahead make sure you include:

- Additional/ increased loan repayments to cover any of the loan payment holidays or additional borrowing that you took on to survive this period.
- The government has extended the period for repayment of CBILS and Bounce Back loans to 10 years, which reduces the cash cost significantly.
- Don't forget the VAT and any other tax bills that you have deferred already.
- The cost (and therefore cash required) of replacing stock so that you can service renewed customer demand.
- Any other costs of recovery: usually you will have to pay your staff before your customers have paid you.

## What next?

Remember to keep your forecast updated as better information becomes available.

The closing date for applications to the government backed Bounce Back and CBILS loans has been extended to 31st January 2021.

In addition to this, there is the option to "top up" loans already issued, or to take a second CBILS facility through invoice financing or a secured overdraft depending on your circumstances.

**If you have any questions or want help putting together a cashflow forecast to see what the future looks like then give Susie a call to arrange a chat.**