

Stay close to your cash flow during COVID

Our small business clients are located from the coast to the far west of NSW but all are experiencing the impact of COVID-19 in varying degrees on their cashflow.

Last year we had a dress rehearsal of what COVID-19 does to client cashflows when small businesses shutdown, just as we are doing again. What lessons did we learn to be better prepared for the current lock down?

- **Stay close to your customers.** Loyalty or trust capital is hard to earn but very easy to lose. Your regular customers are probably hurting as much in their own life as you are and want an excuse to stay in touch or better still, keep buying from you. Social media is the inexpensive gift that allows you to keep and develop your customer relationships. Provide your customers with every opportunity to engage with you through your website and your preferred online channels.
- **Stay close to your creditors.** If making payments on time is a problem contact your creditors, suppliers and ATO before they contact you and negotiate revised payment terms. Also access any support that the larger service providers (utilities, insurers, landlords) may be offering. If a creditor is not as understanding of your situation as you would like then contact the free and very professional mediation services of the NSW Small Business Commissioner to find a middle ground solution.
- **Stay close to your bank.** Banks are more approachable for small businesses than a few years ago and during COVID-19 most offer a more flexible lending approach to clients with COVID-19 impacted cashflows. Clients may be offered special arrangements such as deferring loan repayments but always ask the question: if I defer repayments will it have a negative impact on my credit rating? This could mean that any future loans you apply for may attract a higher interest rate margin than would otherwise be the case.
- **Stay close to your accountant.** The trend for COVID-19 government grant applications is that they want to compare, for example, your turnover decrease during lockdown to previous periods. To spread the responsibility around they often require your accountant to now provide written assurance that your interim accounts on which your grant application is based on, are accurate. It is very important to keep your monthly accounts online, inputted and up to date so your accountant can quickly and confidently support your grant application and lodge your tax returns.
- **Stay close to your monthly results.** If you have several activities in your business work out which one makes you the most profit. Do you know? We have access to benchmarks to assist in analysing your business. Apportion overheads across each activity to determine which activity makes you the most profit.
- **Leverage your cashflow when times are better.** Easier said than done, but many regional businesses, particularly in agriculture and tourism have done well in the last 12 months. Did you use the opportunity to pay down debt, negotiate a lower interest rate, release a family guarantee, or decided to sell your business at some future date. Be nimble and question every premise your business is based on.
- **A cash flow is even more important in lockdown.** Lockdown may mean zero sales but most expenses don't stop. Keep completing a monthly cash flow even if income is zero because those expenses will still need to be paid at some stage. Keep the financial details *out of your head and on a spreadsheet*. It makes for a much better night's sleep to know exactly where the financial speed bumps lie ahead for your business so that you give yourself time to work through solutions.
- **The government giveth and the government taketh away.** No matter how stretched your cash flow is never be tempted to apply for a government grant that you can't back up with accurate financials. Even though Services NSW might be under pressure to get the COVID-19 grants out quickly to small businesses, in later months when the dust settles, their auditors will check the grant payments for "integrity". This is what happened with the bushfire grants and some small businesses had to repay the grant 12 months later due to poor back up paperwork or worse. Don't let that happen to you.

REWiRE have fully subsidised small business coaches across NSW to assist you develop solutions for your COVID-19 business challenges.

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