**Early Years**

**Top tips for Managing cash and protecting your business**



# **Business Bites - Top Tips for … Managing the cash and protecting your business**

Managing (and monitoring) the money that comes into your business against the money you spend is a critical factor in making sure that your business is sustainable and that you protect yourself against unforeseen circumstances eg customers not paying their bills, major expenditure needed to replace or repair equipment or changes that need to be made to keep in line with legislation requirements. These factors and others can have a major impact on your business and its longer-term survival.

A way to make sure that you protect the business against these sort (and other) eventualities, is to carefully monitor how much you earn against how much you spend and try and put some reserves to one side for contingency (and of course to meet any tax commitments as well) keeping a level of money in the business that allows for the ups and downs on a day-to-day basis. As a rule of thumb three months’ worth of expenditure put by as a reserve

**Here are some top tips for keeping your business sustainable:**

* Failing to plan is planning to fail so make sure that you have clear idea about where your business is going and how (and how much it will cost) you are going to get there. For example if you know that at certain times of the year your income drops i.e. especially seasonal businesses that don't have consistent flow through the business – and this tends to be many of us! - then within your cashflow predictions you will need to look at reducing your costs for that period or making sure that the money you make when you are busier can be carried forward to allow for that reduction in income. Remember also that you need to be carrying out additional marketing activity to promote those periods when your income dips before they happen!
* Record keeping – keeping accurate and up-to-date records is a requirement of HMRC. Time spent regularly on keeping your records up to date will ensure that you keep on top of your business activity and have your accounts ready and for getting your self-assessment submitted in good time to HMRC
* Monitor your cashflow – knowing how much money is coming in and out of the business every week/month is a critical factor in keeping your business healthy. Projecting how much you think you are going to earn and what your costs will be over a period (ideally 12 months and longer) allows you to see exactly how much you will need to earn to cover those costs (including taking a reasonable wage from the business) and making a profit
* Get your invoicing done promptly and chase any outstanding as soon as they are due. Don't allow debts to build up as these can be a major factor in a business getting into trouble. Remember you are not providing a free credit service to your customers so be assertive and make it clear you should be paid on time. Good practice – get customers to set up a regular standing order every month that helps both sides to manage money more efficiently
* Good communication is vital to making sure that you get paid on time and that you negotiate with suppliers for the best possible prices and payment terms for you. If a customer is not paying on time, find out why and if there is anything that you might be able to do to help. Sometimes the relationship you have with your customers can get in the way of having that ‘professional conversation’ with them. Many companies outsource their bookkeeping and credit control function to focus on maintaining and building their customer relationships. Recent research has revealed that ‘***Four in five, or 81 per cent,*** *of small business owners say they avoid chasing debtors because they find the process 'uncomfortable'*
* Working on the business as well as in the business - set time aside every week to monitor your finances and the business generally. Time spent in this way will mean that you should not be surprised by any unplanned events or get any nasty shocks – get to know your business and how it works and don't leave things to chance. HMRC won’t be interested in excuses - e.g. about not having time to sort that pile of receipts out because you had other priorities – your business is your priority.

HMRC Business Support Resources

<https://www.gov.uk/browse/business/business-tax>