

#FinanceConfident

A series of five business guides

1. Confidence to plan

Business planning and
cashflow forecasting



Now is the time for planning to become action as we enter the next phase of the economy.

This series of five guides is aimed at helping business owners and decision-makers to be finance confident as they navigate a changing and uncertain environment. These will guide you through five important aspects of business finance:



1. Confidence to plan
Business planning and cashflow forecasting



2. Cashflow mastery
Maximising cash coming in, controlling it going out



3. Credit checklist
What to do before you approach funders



4. Choices
Overview of the products available for different business requirements



5. Conversing with funders
Speaking the language of finance

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Confidence to plan

The business world that is emerging

We are now entering the recovery phase. Many businesses have taken advantage of the recovery loan scheme and have furloughed staff. No matter what sector of the UK economy you are in you will have felt the effects of the pandemic and may naturally be feeling uncertain about what happens next.

In a series of 5 guides we will be offering some help and guidance in how best to approach business planning, managing your finances and securing the right finance for your business. Above all, the single most important aim of these guides is to help you be finance confident, so that you can make your business plans a reality.

That doesn't mean taking unnecessary risk. Confidence comes from having the facts and making informed business decisions. With that as our foundation, we as business owners can do what we do best, be entrepreneurial.

So as a starting point, let's look at the facts of the economy today and the context so we can shift the odds in our favour and start on our road to a confident future.

The national debt is over 100% of our gross domestic product. How can we afford this?

The national debt is now at levels not seen since the second world war. But interest rates are at an unprecedented low. In fact, the current demand for UK debt/UK bonds is such that the Government can sell bonds at negative interest rates.

The UK's GDP has shrunk very fast and we have had our worst economic performance since the early 1700s. How can we come back from this?

There are a number of important factors at play that can act as agents of rapid change. The UK's vaccination programme has enabled the country to come out of lockdown far ahead of its economic neighbours. If you add to this that the effects of lockdown, furlough and business recovery loan schemes combined means that the UK's household savings ratio is at a record high. Basically we haven't been spending money

like we used to and it's sitting in the bank. Being let out of lockdown with money in our pocket has been described by Chief Economist of the Bank of England, Andy Haldane as consumers being like a "coiled spring" set to spend. The support mechanisms will be in place until the end of September, as at the time of writing, and as we have mentioned above, the UK can afford to service its debt. So, we have a window of opportunity where business support and consumer spending can turn the economy in the right direction.

Business planning and cashflow forecasting

Being finance confident starts with knowing you have the cash you need to move forward confidently. But how do you start?

The best way to start is to create a list of everything you will need to spend money on and to chart when you will need to pay for it.

Next you need to work on the other side of the cash equation, the sales forecast, to marry what's going out with what's coming in. The bywords for all of us here are to be both confident and pragmatic.

Keeping your finger on the pulse

Carefully chart the time it will take for sales to build.

Once you have your expenses mapped out and your sales forecast, you can build a cashflow forecast, so you know what it coming and what is going out over time.

This is your starting point and a means of running some scenarios and asking some key questions. For example:

- *"What will my working capital requirement look like if the business is to grow by 5%, 10%, 25%, 50%, 100%?"*
- *"What will my working capital requirement look like if the business is reduced?"*
- *"What further working capital will I need in order to meet the objectives in my business plan?"*
- *"How can I accelerate obtaining money from my customers to boost my cash requirements?"*
- *"What are our options in funding any shortfalls?"*

Your cashflow forecast is probably the most important report you will have at your disposal. Keep feeding it with real data and keep asking the 'what if' questions to see how it will change if different factors shift.

Being finance confident will keep you business confident

In our next article we will be looking at cashflow mastery - maximising the cash coming in and controlling it going out. Many business owners think they are at the mercy of their customers' payment habits when it comes to managing cash. But there is a lot that can be done to prevent this by staying on top of your cashflow - the springboard to enable your business to thrive.



Newable Finance is a UK finance broker dedicated to finding the right finance solutions for SMEs and property backed businesses across the UK and in every sector.

We help businesses access the finance they need to:



Being able to access the right funding when it is needed is a critical part of the growth journey of your business. Newable Finance can provide you with the independent perspective, whole of market reach and the depth of experience to secure the fast and flexible finance required to deliver your growth ambitions.

Newable Finance forms a key part of Newable, a leading UK provider of money, advice and workspace to SMEs, established in 1982. Newable Finance is an FCA authorised finance broker.

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