



INSTITUTE OF THE
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The Cashflow Clinic: tips and techniques from KPMG and the IMI

Will be starting in a few minutes



Panellists



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Agenda

- The essentials of budget and cash flow forecasting
- Managing your cost base and liabilities when cash is tight (inc VAT, rent and rate deferrals)
- Managing your bank
- Managing your company financing (debt vs equity)
- Changes in legislation which will impact the sector
- 3 top tips for optimising your business finance and cashflow
- Q&A

The essentials of budget and cash flow forecasting

Cash flow forecasts are usually prepared under two methods:

- **Direct method** – a receipts and payments (R&P) forecast; or
- **Indirect method** – a funds flow forecast

Types of cash flow forecasts used by management			
Forecast	Length	Rests	Purpose
Treasury R&P forecast	— Usually two to four weeks	— Daily	— Used by Treasury to manage short-term liquidity and in particular investment decisions
Short-term receipts and payments forecast	— Usually thirteen weeks	— Daily or weekly	— Used by finance to manage medium-term liquidity and operational performance
Long-term funds flow forecasts	— Twelve to twenty four months	— Monthly	— Used by management for long-term planning and financing decisions



The essentials of budget and cash flow forecasting (cont.)

Short-term cash flow forecast

No. Accounting week	46	47	48	49	50	51	52	1	2	3	4	5	6	Total
W/e	20-Nov	27-Nov	04-Dec	11-Dec	18-Dec	25-Dec	01-Jan	08-Jan	15-Jan	22-Jan	29-Jan	05-Feb	12-Feb	
Receipts														
Division 1 receipts	18,720	16,557	17,463	17,456	13,039	13,236	16,348	13,872	13,259	15,976	10,764	16,907	14,558	198,155
Division 2 receipts	5,768	3,642	2,550	2,696	2,656	4,762	2,851	2,173	2,489	3,746	6,289	2,263	2,418	44,303
Other receipts	1,298	1,388	1,462	1,804	1,802	1,062	1,198	1,201	1,539	1,193	1,907	1,912	1,281	19,047
Total receipts	25,786	21,587	21,475	21,956	17,497	19,060	20,397	17,246	17,287	20,915	18,960	21,082	18,257	261,505
Payments														
Supplier payments	(14,907)	(9,507)	(9,794)	(10,082)	(9,916)	(15,452)	(9,032)	(10,444)	(9,868)	(10,691)	(15,659)	(9,796)	(10,947)	(146,095)
Payroll	-	(3,500)	-	-	-	(4,000)	-	-	-	-	(3,500)	-	-	(11,000)
HMRC payments	(316)	(4,434)	(558)	(1,195)	(300)	(8,810)	(3,319)	(4,621)	(540)	(7,350)	(3,277)	(80)	(80)	(34,880)
Rent	-	(1,100)	-	-	-	(1,100)	-	-	-	-	(1,100)	-	-	(3,300)
Other payments	(3,347)	(2,853)	(4,077)	(2,228)	(4,180)	(2,605)	(2,180)	(2,378)	(2,469)	(2,519)	(4,009)	(4,734)	(2,989)	(40,568)
Group activities														
Interest and loan payments	-	(35)	(33)	-	-	-	(33)	-	-	-	(2,550)	-	-	(2,651)
Capex	(550)	(1,295)	(120)	-	-	(2,450)	-	-	(560)	-	-	(1,578)	-	(6,553)
Repayment of director loan	-	-	-	-	-	-	(2,000)	-	-	-	-	-	-	(2,000)
Total payments	(19,120)	(22,724)	(14,582)	(13,505)	(14,396)	(34,417)	(16,564)	(17,443)	(13,437)	(20,560)	(30,095)	(16,188)	(14,016)	(247,047)
Opening cash (£000)	(10,424)	(3,758)	(4,895)	1,998	10,449	13,550	(1,807)	2,026	1,829	5,679	6,034	(5,101)	(207)	(10,424)
Weekly movement	6,666	(1,137)	6,893	8,451	3,101	(15,357)	3,833	(197)	3,850	355	(11,135)	4,894	4,241	14,458
Closing cash	(3,758)	(4,895)	1,998	10,449	13,550	(1,807)	2,026	1,829	5,679	6,034	(5,101)	(207)	4,034	4,034
Group overdraft facility	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Headroom	11,242	10,105	16,998	25,449	28,550	13,193	17,026	16,829	20,679	21,034	9,899	14,793	19,034	19,034



The essentials of budget and cash flow forecasting (cont.)

Key elements include:

1

Structure

2

Appropriate methodology

3

The 'right inputters'

4

Timeframe and 'rests'

5

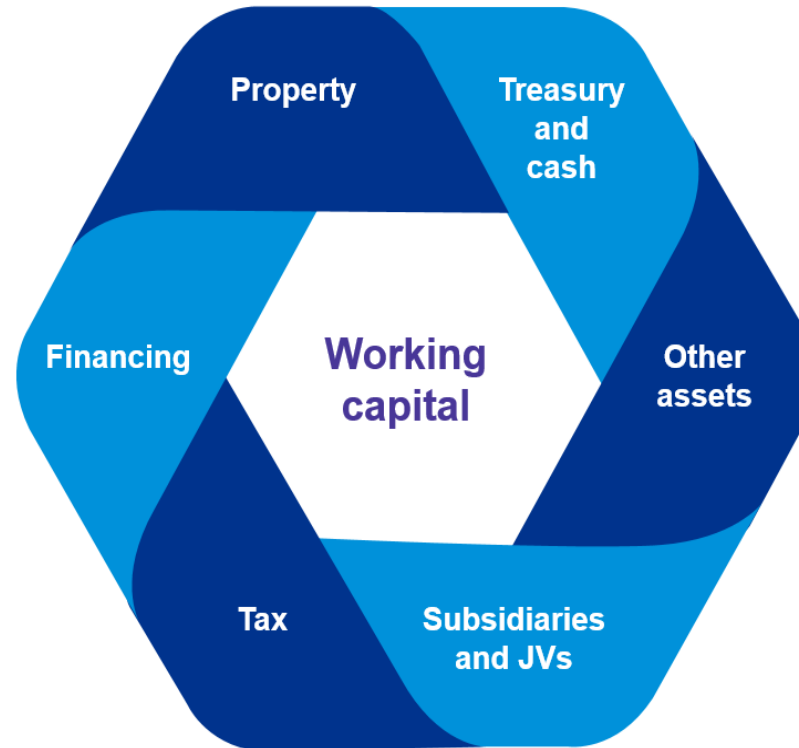
Clear instructions, templates and assumptions

6

Frequency of preparation – 'Regular updates'

Managing your cost base and liabilities when cash is tight

Improving the liquidity of a business involves taking an all encompassing view, looking at all elements of cash and not just the main working capital cycles.



Managing your bank

- No surprises
- Transparency is key
- Acknowledge when you have a problem (early!)
- Collaborate
- Seek help when you need it (early!)
- Optimise credibility and minimise the frequency of “asks”

Managing your company financing (debt vs equity)

- Benefits of both
- Costs of both
- What is your end game?
- Alternative options for funding?

Changes in legislation which will impact the sector

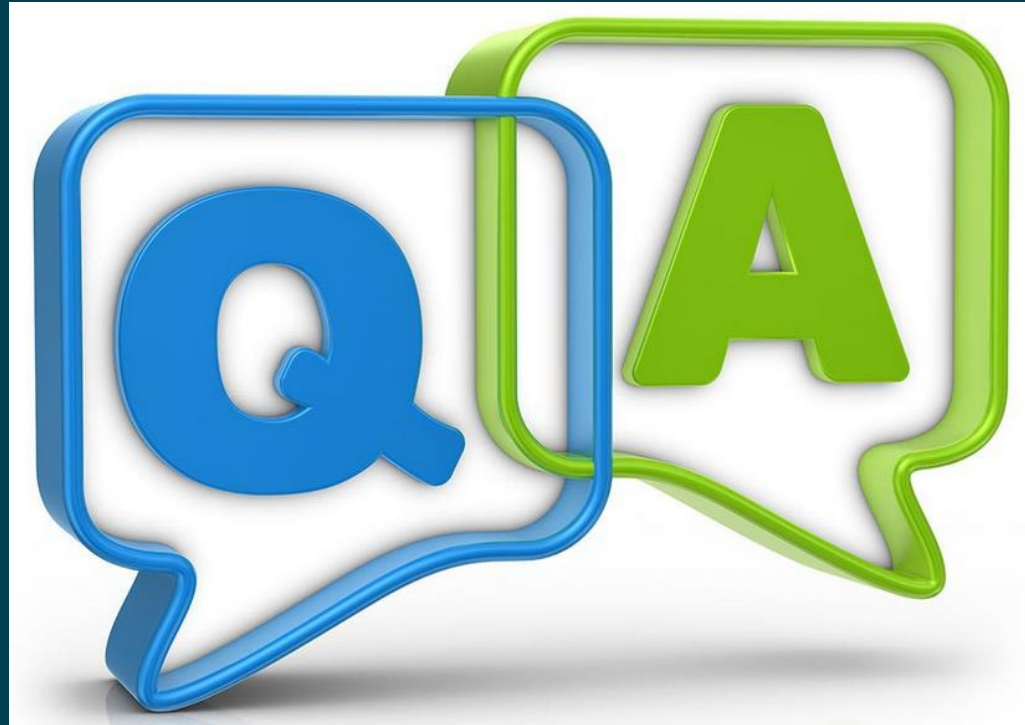
- Changes to the Insolvency Act
- Expected end of June/early July
- Key changes:
 - Directors duties / wrongful trading
 - Moratorium
 - Ipso Facto

3 top tips for optimising your business finance and cashflow

- Forecast regularly
- Consider all lines in your P&L (reduce/minimise costs) and your cash flow (what can you reschedule)
- Match funding to your objectives

Q&A

Please submit your questions in the Q&A box



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Useful links

- IMI COVID-19 Hub
www.theimi.org.uk/landing/covid-19/
- Government info
<https://www.gov.uk/coronavirus>
- KPMG COVID-19 website
<https://home.kpmg/uk/en/home/insights/2020/04/responding-to-covid-19.html>



Special thanks to our Panellists

KPMG

Thank you for joining us.



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