

Resources



Top Ten Tips:

For Managing Cash Flow



Mastering Cash Flow Management

By Chris Colwell, Lead Investment Manager

At Key Fund, we know how crucial cash flow is for sustaining and growing your social enterprise. That's why we've put together these top ten tips to give you valuable insights and support on all things cash flow.

Why Effective Cash Flow Management Matters

Cash flow is the lifeblood of your social enterprise, ensuring you have the necessary funds to operate and seize growth opportunities. While sales and profits are essential, they pale in comparison to the importance of cash flow. Without adequate cash on hand, even the most promising enterprises can falter.

Predicting cash flow peaks and troughs is going to be key to proactive financial management. Our Investment Managers can walk you through preparing budgets, monthly cash flow forecasts, and the importance of regular monitoring to stay ahead of potential cash flow issues.

Embark on Your Cash Flow Journey with Key Fund

Armed with the knowledge and insights from this guide, you're ready to take control of your social enterprise's financial future.

At Key Fund, we're committed to supporting your journey towards financial resilience and growth.

Let's navigate the world of cash flow together and unlock new possibilities for your social enterprise.

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Ten Top Tips for Managing your Social Enterprise's Cash Flow



Here are our top ten practical tips to help you stay on top of your finances:

1. Create a Cash Flow Forecast

Cash flow encompasses the balance of money flowing in and out of your business, including actual payments, sales, expenditures, VAT, taxes, and returns on investments.

A cash flow forecast should be a detailed projection of your income and expenses over a specific period. Monitor your actual performance against your forecasts regularly and take immediate action to address any deviations. Ensure you have enough cash before committing to large financial obligations.

2. Monitor Cash Flow Regularly

Ensure you frequently review cash flow, on a weekly or monthly basis. Use accounting software like QuickBooks, or even simple spreadsheets to track your cash flow. Speak to the team at Key Fund to access a user friendly cash flow template.

3. Manage Efficient and Effective Credit Control

Make sure you invoice promptly. Send invoices immediately after delivering goods or services and implement an efficient credit control system to speed up cash collection and reduce bad debt. Consider offering early payment discounts to encourage prompt payments.

4. Control Your Expenses

Create and stick to a budget. Review your expenses regularly and look for areas where you can cut costs without compromising your social mission. Negotiate with suppliers for better terms or bulk discounts. Implement simple cost control systems, and optimise stock control to free up cash. In times of cash flow strain, consider prioritising liquidity over profitability. Be prepared to make trade-offs and adjust business objectives to maintain a healthy cash position.

5. Build a Cash Reserve

Build up an emergency fund. Aim to set aside at least three to six months' worth of operating expenses. This cushion can help you weather unexpected financial challenges.

6. Diversify Revenue Streams

Don't rely on a single source of income. Explore different revenue streams such as grants, social investment, donations, sales, and partnerships.

7. Optimise Inventory Management

Keep inventory levels in check to avoid tying up too much cash. Use inventory management software to track stock and forecast demand accurately. Consider a just-in-time inventory system to reduce holding costs.

8. Understand your Funding Options

Consider alternative financing options such as loans, factoring, social investment, asset finance, and equity finance to meet your short-term and long-term cash flow needs. Reserve overdrafts for short-term cash requirements and explore longer-term financing options for stability and sustainability. Research and apply for grants specifically designed for social enterprises. Consider ethical lenders and community development financial institutions (CDFIs) for loans. Key Fund has a variety of flexible loans and grant/loan packages available. You can view them here: <https://thekeyfund.co.uk/funding/> You could also consider using platforms like Crowdfunder to raise funds for specific projects <https://www.crowdfunder.co.uk>

9. Engage in Regular Financial Reviews

Work with a financial advisor or accountant familiar with the social enterprise sector. Regular reviews can provide insights and identify potential issues early. Ensure your board of directors is actively engaged in financial oversight. Invest in credit control training courses and seek advice from financial experts or government support services if you anticipate challenges in paying tax bills.

10. Communicate with Stakeholders

Maintain open communication with your stakeholders, including funders, beneficiaries, and employees. Transparency can build trust and may lead to additional support. Regularly report on your social impact and financial health. This can attract more funding and support from stakeholders who value your mission.

By implementing these tips, you can better manage your cash flow, ensuring your social enterprise remains sustainable and can continue making a positive impact. Remember, effective cash flow management is an ongoing process that requires regular attention and adjustment.

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