

Polson Higgs Advice XII - Level 2, The Budget, Working Capital and more . . .

As we approach Level 2, and with it more businesses starting to operate, your focus has to be on **working capital**. As businesses restart or expand operations to meet the increased demand from Level 2, your working capital will be key to your success.

In this newsletter we will cover:

- Level 2
- The Budget
- Working Capital
- Cashflow
- Getting paid
- Talking to the Bank
- Business Finance Guarantee & Small Business Cashflow Schemes
- Forecasting and Modelling
- Bit of a laugh

Level 2 – The Government will announce on Monday, 11 May when we will be moving to Level 2. They have however released [guidelines](#) so businesses can start to plan for Level 2. Under Level 2 there is a big increase in activity for business, with the reopening of Cafes, Bars and Retail. If you have questions about how your businesses can operate at Level 2, then email us at covid19@ph.co.nz or contact MBIE.

Budget 2020 – On Thursday, 14 May Grant Robertson will present one of the most significant budgets in New Zealand history, with COVID-19 changing our lives and the economy. The budget will contain the Government's policy road map for the “new normal”. What will it look like for you and your business? The Team at Polson Higgs has arranged for the leading, independent, New Zealand economist, Tony Alexander, to provide a one hour review on the budget and its impact on **Friday, 15 May at 2.00 pm**. If you would like to register for the review [click here](#). Use your Promotional code of **PHClient** to register for free.

Working Capital – This is the lifeblood of your business and calculated as your current assets, less your current liabilities, or more simply, the cash you have left once you have paid the bills. With the welcome expansion of economic activity moving from Lockdown to Level 3, and even greater increase at Level 2, many businesses will be “gearing up”. Buying more stock, getting

back on the tools etc. Ironically getting your business up and running again can sometimes put a real squeeze on working capital as you invest in those future sales. However, businesses will have seen much of their working capital utilised during the Lockdown and may need to find additional working capital in the short term. Set out below are some issues you should be considering on how you address the working capital position of your business.

Cashflow - Working capital is a product of your cashflow. Now more than ever, it is important that you both understand, and monitor, your cashflow. Monitoring your cashflow, are you receiving payments as you expect, and if not are you reacting? Understanding your cashflow, is a level deeper, it is knowing why and when clients will pay you. That understanding comes from the relationships that you build with your clients and the knowledge of your industry.

Getting Paid - The first source of working capital for most businesses is their debtors ledger. Those accounts sitting at 60 or 90 days are tied up working capital (the second source is discounting stock and selling it). Normally this would mean a more “aggressive” approach to your credit management, but in the current environment that carries a much higher reputational risk. The answer is to take a more empathetic approach, with earlier contact and allowing more flexible payment options. If you want to learn more about “**Getting paid in a Pandemic**” then [click here](#) to register for a **free 15 minute webinar** on Wednesday, 13 May at 2.00 pm. (If you are not available at 2.00 pm you can still register, and you will receive a recording to watch at your convenience)

Talking to the Bank – You can borrow working capital from your bank or through one of the Government Schemes (or a combination of both). For the bank this maybe a increase in an existing overdraft or change to interest only payments on a loan, or even new lending. **BEFORE** you talk to your bank, you should talk to your Partner or Manager at Polson Higgs, so they can advise you on what are your best options and more importantly what the bank will need to know so they can quickly and successfully process your application. Currently banks are asking for; Cashflow forecasts, Modelling and updated Business (Recovery) Plans. If you need help with any of those please email covid19@ph.co.nz. For more detail about what the banks want to know (and details about Business Finance Guarantee & Small Business Cashflow Schemes) check out this excellent 20 minute [video](#) presented by Vinnie Booiman from the BNZ.

Business Finance Guarantee & Small Business Cashflow Schemes – The Government has two schemes to assist businesses, sole traders and self-employed to raise working capital. For more details about both these schemes (and what the banks are looking for) checkout this excellent 20 minute video presented by Vinnie Booiman from the BNZ Watch the [video here](#). If you want a copy of the PowerPoint slides, then email us at covid19@ph.co.nz.

Forecasting and Modelling - What will tomorrow look like for your business? The world has changed for your business and your clients. How much and what the impact is going to be, are the big questions. You should be working on cashflow forecasts (based on different scenarios) and business models. What will your business be like if your turnover is down by 30% for the next 12 months? Do you reduce staff or cut costs, and if so, how does that change how your

businesses operates? What is the new cashflow? What if you exit your lease and continue to work from home?

Forecasting and modelling is about posing those “what if” questions, to give you the best possible information for decisions going forward. The team at Polson Higgs has considerable experience in preparing these models, and more importantly, posing those “**what if**” questions. This is one of the most important exercises for businesses to undertake and appropriately, the Government has funding available from the Regional Business Partners Funding Network to enable you to undertake it. For more information about forecasting and modelling or for assisting in applying for funding email BCP@ph.co.nz.

Bit of a Laugh – The BBC recently had “The Big Night In” as a fundraiser with loads of very funny stuff (check it out on YouTube) [this one](#) in particular brought a smile.

New Webpage - we have added a new page to our website and are gathering different resources for you to use. Check out [Polson Higgs Covid-19](#)

If you have a question about anything, please don't hesitate to ask on covid19@ph.co.nz.

Stay safe and keep in touch.

Kind regards

Polson Higgs Team

