

STRENGTHENING CASH FLOW CONTROLS IN A RISING COST ENVIRONMENT

WHY CASH FLOW MATTERS NOW

Costs have risen across almost every sector in recent months. Energy, wages, finance, materials, and general overheads have all increased. Even where prices have stabilised, they remain significantly higher than before. Many businesses are finding that their margins are thinner, and that working capital is under greater pressure. In this environment, strong cash flow control is not only helpful but essential. Cash flow issues rarely appear overnight. They tend to build quietly in the background. The earlier they are spotted, the easier they are to manage.

COMMON SIGNS OF WEAKENING CASH FLOW

There are several early indicators that a business may be experiencing pressure. These include slower payment of suppliers, more frequent use of overdraft facilities, greater reliance on director loans, and delays in replacing stock or equipment. If cash balances fluctuate sharply without a clear reason, or if management decisions are being influenced by what is in the bank rather than what is profitable, this can also be a warning sign. None of these issues necessarily indicate a crisis, but they do suggest that a review would be sensible.

KEY AREAS TO REVIEW

To assess the strength of your cash flow controls, it can be useful to look at the following:

1. Invoicing and debtor management

Consider whether invoices are sent promptly, whether payment terms are clear, and whether overdue amounts are followed up consistently. Even a small delay in invoicing can have a noticeable effect on cash flow. It may also be worth reviewing whether payment terms offered to customers are still appropriate.

2. Supplier and creditor management

Check payment schedules and consider whether there is scope to agree revised terms with suppliers. Some businesses pay suppliers earlier than necessary simply because internal processes are not aligned with payment policy. A structured approach can create valuable breathing space without harming supplier relationships.

3. Stock and purchasing

Holding too much stock can tie up cash unnecessarily, while holding too little can cause sales delays. Reviewing stock levels, purchasing cycles, and supplier lead times can help ensure that money is being used efficiently.

4. Cost control and pricing

If costs have increased but prices have not been reviewed for some time, margins may have eroded. A structured pricing review, taking into account current market conditions, can help restore balance



TAKING PRACTICAL NEXT STEPS

A cash flow review does not need to be complicated. Often, a focused discussion supported by simple forecasting can highlight where adjustments will have the greatest effect. Even small improvements can increase stability and reduce stress.

WE CAN HELP

If you would like support in reviewing your current cash flow position, please contact us. We can help you assess your present position and develop practical next steps tailored to your circumstances.

If you require further information with any issues raised in this article, please call us on 01753 888 211 or email info@nhllp.com, we are here to help.