

Cash Flow Conversations with clients

**Coronavirus Business Interruption
Loan Scheme (CBILS) guidance**

Here's a series of questions and insights around the value of CBILS and Bounce Back loans (BBLs).

It's designed to challenge your thinking and prompt you to connect better with your clients on the vital subject of cash flow.

As your clients' business advisor it's important to consider cash flow not just over the coming weeks or couple of months but also for later in the year and into 2021.

The BIG question?

What position and attitude should your firm promote around CBILS and BBLs at this time?

This document is created to challenge your thinking and provide the ideas, scripts and tools to help you do the best you can for your clients regarding CBILS and BBLs. Agree or disagree and at least you'll have certainty about your firm's approach to both the loan schemes.

The big picture...

The purpose of CBILS is to provide financial support to smaller businesses (SMEs). Across the UK businesses are losing revenue, and seeing their cash flow disrupted, as a result of the COVID-19 outbreak.

Both CBILS and BBLs are a recognition that we are in unprecedented circumstances and so normal lending conditions, such as needing full security, are no longer necessarily on point.

See this link for more background to the scheme and how it works <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

Lending of up to £5M to any one client will be considered and can be by way of loan, overdraft, asset finance or invoice finance. The client remains liable for the borrowing – it is not a grant!

CBILS timing issues... taking your client's side over the longer term

- 1.** No-one can be sure how long the economic impact of the current situation will go on for. When we challenge clients on this, the usual answers suggest 12-18 months as opposed to weeks
- 2.** Similarly, no-one knows for how long the CBILS scheme will be available. Answers to this have ranged from 2 months to 6 months. The Government have initially suggested CBILS will be available through to September but this is not set in concrete. Also it may be that interest rates may change and also the resistance of banks to lend may increase as the risk profile of businesses increases the deeper we go into recession
- 3.** From CBILS application to actually receiving the funds, again the timings vary significantly but currently experiences have been 7 days but the views of various commentators see timelines moving out to around 2-4 weeks for unsecured lending and possibly 4-12 weeks for secured lending

Most business owners aren't planning around such timings.

Most have only looked a few weeks ahead to plan cash flow. This means you have choices to make:

- If we're serious about helping preserve our clients' businesses, shouldn't we help clients plan for different scenarios over the longer term not just the short term?
- Doesn't it make sense to ask clients a few key questions about the time-frame of the economic impact of the current covid-19 lockdown and beyond?
- Shouldn't we at least be seen to challenge clients early on the use of CBILS with a longer term perspective, rather than waiting for them to approach you when they think its needed? It might be too late then

There are other issues to consider too.

Other important timing issues...

Remember too that once lockdown restrictions are relaxed, turnover is unlikely to leap back to previous levels. In addition, we need to factor in any delayed or postponed payments such as deferred VAT, Corporation Tax and PAYE.

All such sums will need to be repaid at some point, so even if a client's cash flow may look okay in the short term we must help them see how they'll pay back these postponed payments to establish the overall picture.

In short, work with your client to understand your clients' business finances over a longer time frame than the 'here and now' and you'll be better placed to advise them well.

CBILS is an important tool in your client discussions - but better have these sooner rather than later.

Avoid ever being accused of not taking seriously **your clients' short and long term cash flow needs**.

CBILS decision made?

Once you've made your decision on your firm's position regarding CBILS it's time to communicate proactively with clients.

Before you do though you'll need to have another challenging conversation with your clients.

Challenges you'll experience...

Forward focused conversations that you stretch out to 12-18 months might produce clients more enthusiastic about applying for CBILS borrowing now.

This may result in work in the form of cash flow forecasts and possibly management accounts too. Work you'll need to charge for (see the pricing section below).

However, you'll have to handle client expectations as they may or may not get the borrowing approved but still have to pay your fees.

Having a conversation around this 'risk' is necessary to ensure you're not seen as leading clients on without the prospect of getting a CBILS loan approved. It also ensures the client makes a decision positively towards your involvement in full possession of the possible outcomes as they should.

The CBILS client contact campaign...

You must consider a suite of tools to communicate 1-on-1 client calls. CBILs triage calls by your team. A client webinar or zoom group meeting. Video recording of your CBILS proposition. Email marketing of your CBILS position. Social media messaging on CBILS.

Lots to consider but like your initial client care calls, you could manage this campaign (and you need to see it as a campaign!) by first instigating triage-type calls that your team can make.

- First, you should consider recording a short video (the script below takes is around 2/2.5 minutes) which adds the human touch and gets your face in front of clients again.
- You should also consider creating a dedicated response option for clients, for example by creating a new email address CBILS@[firmname].co.uk or a chat facility on the website or an online enquiry form.
- Finally, the person(s) making the calls should have access to a calendar option (like Calendly) to allow them to book longer calls with the appropriate account manager if required.

These triage calls can then point clients to the video and landing option. Triage calls should be:-

- No more than 10 minutes
- Handled by someone really great at telephone skills
- Across your whole client-base
- Reflect conversations you've already had about CBILS with some clients

The objectives here are threefold:

- Another great client care touch, showing that you're there for your clients
- Create/heighten awareness of the CBILS scheme
- If necessary, book in a longer call with the account manager/partner/director to discuss whether or not a CBILS loan might be required

Triage call script

Please feel free to adapt this script to make it truly personal and relevant to your firm.

"Hi [client name], it's [team member] from [firm name] calling – is this a suitable time to talk; it should only take 5 minutes or so?"

If no, arrange a time to call back – if yes, continue along these lines...

"That's great. [Account manager name] has asked me to give you a quick call because we're trying to help as much as we can just now. One of the best ways we feel we can help is by helping you be sure you have enough cash to see you through this challenging business trading period. If you haven't already watched our short video on emergency cash availability, have a look at [this link; our website etc]."

If I were to ask you one question about your cash position, it'd be this – if we look ahead for at least 6/9 months, does your cash flow suggest you definitely will not need emergency cash?"

If yes:

“That’s great [client name] – if that changes, be sure to give us a call or email us on CBILS@xxx. co.uk.

If no, or unsure:

“Okay, what I can do is book you in for a longer call with [account manager/partner] to look into this in a bit more detail – shall we check your diary availability?”

Video Script

A short pre-recorded video is a great way to leverage your messaging and extend your reach. It also touches clients in a different way and allows clients to interact with you but at a time of their choosing. It’s important that it’s you or one of your senior team on the video to make it personal for your clients.

Here’s an example of the sort of script you might use:-

“Hi, it’s [name] from [accountancy firm] here.

As you know, cash is king in business – never more so than now.

It’s vital to keep the cash pumping through the veins of your business.

And so, it’s really important for you to consider all your options available to your business under CBILS – this stands for Coronavirus Business Interruption Loan Scheme.

If your business is unaffected by the covid-19 situation it’s possible that you may not need a CBILS loan.

Or you may be in the opposite camp – you definitely DO need a CBILS loan, maybe because you’ve no income or maybe you need extra cash to fund additional stock purchases etc.

Perhaps you’re unsure?

Is a CBILS loan right for you and your business?

None of us knows how long the economic uncertainty around corona virus will go on for.

But when I talk with other business owners like you, they usually answer in terms of months, not weeks.

And if the economic impact does last over many months, possibly into 2021 doesn’t it make sense to seriously consider your cash flow resources for later in 2020 and beyond? Not just over the coming weeks.

We think it does.

Other questions are important too.

How long will CBILS funding be available for? How long will the banks support the programme?

Again, we simply don't know. But our view is that it's better to be towards the front of the CBILS queue than towards the back.

Timing is really important here – we expect large volumes of CBILS requests. We're not sure how quickly the banks are dealing with such requests. But confident they'll take longer as time goes by and probably be more difficult to obtain.

So, doesn't it pay to get your CBILS process going sooner rather than later?

We need to factor in the time taken for us to bring your accounts up to date, plus management accounts, maybe even a forecast depending on criteria. That's why we've been pushing Cloud software adoption, so we can prepare your information more quickly.

So, our strong view is that to apply for a CBILS loan early makes sense – it gives you the equivalent of a cash flow insurance policy – the ability to access money should you need it later in the year.

And because there's so much uncertainty about later in the year it pays to get started on CBILS now. We'll be in touch again soon – please take our call – or feel free to contact us. We're here to help"

Pricing of additional work

In looking after your own firm, you must balance your focus between cash/billings and goodwill.

It's nice to be able to help clients and there's nothing easier to create a short-term goodwill hit than giving away something free that a client previously paid for.

Clearly though that's not sustainable, nor is it necessarily expected by clients. In challenging times, you'll be helping clients in different ways than you expected:

- Maybe you're having far more contact with clients than you ever had
- At some point, you're likely to be asked to do more work for a client, be it to help with furlough; a cash flow projection or maybe some strategic planning

What's important is to manage helping the client (the goodwill part) alongside the cash part (getting paid at an appropriate rate). Let's explore how...

It's important simply to be helping at this time – we cannot be selling.

EXAMPLE: One firm recently suggested they had a moral obligation to help clients in desperate need for a CBILS and didn't feel right about charging them when in such desperate need. All credit to this firm for managing a difficult situation with a long-term view of the client relationship and an eye on keeping them as a future client.

But as suggested at the start of this document you have 3 categories of client:

- a. Clients who are so well funded they need no borrowing to see them through the next few months and beyond the repayment of delayed VAT and other postponed amounts
- b. Clients who are desperate for funds now – you'll already be talking with these
- c. Clients who have yet to make their mind up about the relevance of a CBIL for their business or talk to you about this

The third group are not desperate and need advice/guidance – for which you can provide different options around extra work orders. For example, for a client needing a cash flow done, you could provide:-

Level 1 – A free simple template so the client can do it themselves

Level 2 – Offer to check the client's work and input your thoughts, knowledge and expertise for a small fee

Level 3 – Fully "done-for-you" cash flow to maximise the possibility of your loan request being accepted. This should be priced at or around your normal price for such a service, subject to using a script like the one below that mellows the impact of charging and shows your firm in a caring light...

"We'd normally charge you £xxxx for this extra work. Times being as they are, I'm proposing we only charge you £yyyy instead. Also, rather than bill you straight away and in one lump sum, wouldn't you prefer us to split the payments over 3 months, or even 6 if you'd prefer?"

The importance of payment terms: Offering payment terms on the work you're doing to support your clients on CBIL cash flow forecasting etc positions your firm as being supportive and helpful.

This approach also adds to cash flow by starting the 3 or 4 months of payments at the start of the process – now.

Some firms we've spoken to have chosen to charge 'at cost' for this work so that they can be genuinely seen to be on the side of the business owners in submitting CBILS applications. The caring approach though has a pricing conversation and a payments conversation with clients in advance of the work.

R&D claims

Businesses accustomed to claiming Research & Development tax credits need to exercise caution. Under HMRC regulations, businesses cannot claim R&D tax credits as well as a CBILS loan since both are categorised as state aid. **See the information from our friends at Whisper Claims** (don't worry about the branding – it's an example of a white-labelling service they provide)

Ultimately, businesses must prioritise their needs and while receipt of a CBILS loan may jeopardise R&D tax credits, cash in hand may well be the higher priority so needs to be looked at on a client by client basis.

Capitalise CIBLS checklist

Our friends at Capitalise provide a finance search facility for accountants and their clients. They have significant experience in accessing the lending market to help find the most appropriate deal for your clients.

Evidence suggests that businesses which use the services of an accountant to access funding are four times as likely to have funding approved. Similarly accountants who use the services of a specialist like Capitalise further increase their client's likelihood of a successful application.

See this checklist which might help you. You can access more information at www.capitalise.com and/or via our contact Phil Hobden (phil.hobden@capitalise.com)

NB. There's also evidence to suggest that you'll have more success approaching a client's existing bank.

Tools and resources – cash flow templates (2020); Float; Fluidly; Futrli etc

The following isn't an exhaustive list but should provide some useful tools and links to allow you to help clients.

2020 Group

Some great tools including a simple cash flow and a more detailed, complex one

Capitalise.com

Help access funding from the most appropriate lender

Fathomhq.com

Offers comprehensive financial intelligence; performance reporting; dashboards and consolidations

Floatapp.com

Offers a real-time visual view of cash flow – fully integrates with QBO and Xero

Fluidly.com

Fluidly's real-time cash flow forecasting software connects to your accounting software and uses the data in it to automatically build a detailed baseline cash flow forecast

Futrli.com

AI-powered cash flow software for every business

Remarkable
Practice inspiring remarkable results
in your accountancy firm

remarkablepractice.com