

# **Creating more cash in your business**

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Areas to cover.....

- How to produce a budget
- When to produce a budget
- What should be included
- What if the answer you get is not what you want



## How to produce a budget

- **Use the tools readily available**
- **Make the time**
- **Gather all the information – don't guess**
- **Be realistic**
- **Only use last year as a guide**
- **Top down or bottom up**



## When to produce a budget

- **In good time**
- **Before you start trading**
- **It's a key part of your business plan**
- **Before your new financial year starts**



What should be included

- **Commentary – even if you are the only one who will read it!**
- **Sales summary**
- **Profit and Loss**
- **Balance Sheet**
- **Cashflow forecast**
- **Is it a plan for growth??**



What if the answer is not what you want

- **Review your budget regularly**
- **Do not “make” it work**
- **Be realistic.....**
- **Understand what must change**



The benefits of having a budget:

- Reduced risk of poor cash-flow
- Allocate appropriate resources to projects
- Monitor performance
- Improve decision-making
- Identify problems before they occur - such as the need to raise finance



**Thank-you for time and attention**

**Richard Dare**

**Outsourcing Director**



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**Small Business Director**



# Benchmarking Your Business

- What is benchmarking ?
- Why is it important ?
- How to use benchmarking effectively ?



## What is benchmarking ?

- **Comparisons with competitors**
- **Processes**
- **Practices**
- **Performance**
- **Finding a better way.....**



## What is benchmarking ?

Also...

- Reference point by which performance is measured
- Indicator of what can and is being achieved



## Why is benchmarking important?

- **Facilitates change**
- **Helps you understand how your business really works**



## Why is benchmarking important?

Also.....

- **Improves efficiency**
- **Cost effectiveness**
- **Leads to making more money.....**



## Summary of the benefits

### The benefits of benchmarking:

- Better control
- Reduced risk
- Improved performance
- Save money



## Using Benchmarking Effectively

- What can I benchmark?
- Against what or who?
- Interpretation
- Making the changes



## What Can I Benchmark?

- **Simple**

- Basic Key performance ratios

- Gross Profit
- Net Profit
- Debtors
- Creditors
- Stock
- Cash (liquidity)

## What Can I Benchmark?

### • **Business Specific**

- Output/sales per staff
- Chargeable hours per staff
- Machine hours
- Machine downtime
- Delivery times



## Against What ?

- **Previous years accounts**
- **Forecasts and budgets**
- **Competitors**
- **Industry standards**

## Interpreting the result

- **Results are meaningless without comparisons**



## Interpreting the result

### Example

	Client %	Industry average %	Industry best %
Pre tax Profit	4.2	4.1	9.4
Return on capital	21	20.54	54.74
Return on total assets	7	6.59	17.53
Current ratio	1.0	1.12	1.79

## Case Studies

- Motor Engineers – outsourced finance, monthly figures
- Issue
  - Busy but not generating enough profit
- Remedy
  - Use Industry Standard for hours charged and recovered and rate business against those figures



## Case Studies

- Results
  - Able to set targets
  - Monitor progress
  - Improve profitability



## Case Studies

- Waste disposal company
- Issue
  - Margins were volatile
  - Needed more control
- Remedy
  - Benchmark key direct costs
  - Route profitability



## Case Studies

- Results
  - Better control of costs by better use of service providers
  - Better route efficiency
  - Purchase of better plant and equipment
  - Better cash retention and profitability



## Final Thoughts

- **Better understanding**
- **Improvement**
- **Efficiency**
- **Enhanced Profitability**
- **Cash Improvement**



## Why is it important?

- We know we need to benchmark, but we are just too busy.
- If you don't benchmark and then implement the improvements based upon it, you will find yourself out of business.
- Then you will have plenty of time to benchmark, but it won't matter.



**Thank you for time and attention**

**Roger Duckworth FCCA  
Small Business Director**

