

# Procurement Advisory Notice 14/2020

## For suppliers – Maintaining cash flow during COVID-19

The impact of COVID-19 may mean that there is pressure to adopt alternative approaches to how cash flow is maintained in the economy.

Suppliers can explore alternative approaches to help sustain their business and their supply chain, during the COVID-19 emergency.

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### Cash flow management

Approaches to maintain and manage cash flow amidst the current challenges may include the following:

#### Retaining usual accounts receivable processes to suppliers in your supply chain

- Existing suppliers will be relying on the usual accounts receivable process that have been assigned to their account (e.g. credit limits, payment terms, discounts, tax rates and return policies).
- Diversions from the usual practices – for example, abrupt changes to credit terms - can cause unnecessary stress to suppliers already under pressure.
- Changes should be carefully considered as part of the business' sustainability strategy with the view to retaining suppliers to the business, where possible.

#### Establishing payment plan options with suppliers to spread cash flow

- A payment plan option can be established with your suppliers to assist in forecasting future cash flow and spread costs across coming months.
- There are many software products available to facilitate the set-up and ongoing administration of a payment plan system or you can develop your own internal process.
- Appropriate professional advice (e.g. legal and/or financial) should be sought prior to entering into a payment plan with any supplier in your supply chain.

#### Exploring a business line of credit from your bank or a reputable lender

- Like a credit card, a business line of credit can be applied for, and specified credit limit approved, where funds can be drawn from as needed.
- The credited amount attributes an interest rate that is generally less than that of a credit card and unlike a traditional business loan, you are only responsible for paying back the amount used plus any applicable interest incurred.

### Be proactive and prepared

As a supplier, you may consider the following actions to mitigate the economic impacts to your business during the COVID-19 pandemic:

- ensuring invoices are correctly rendered and valid to facilitate faster payment

- reviewing your business model to see where efficiencies (e.g. supply chain, minimum stock levels, alternative product delivery channels, sourcing from local suppliers and manufacturers) can be achieved
- speaking to the Queensland Government contract manager regarding your contract obligations and where there may be opportunity for flexibility
- being able to evidence how your business is meeting public health requirements for employees and customers (e.g. personal protective equipment, sanitiser, social distancing etc.)
- understanding what options are available to your business through Queensland and Australian Government support schemes.

## Where to go for more information

Businesses who currently supply to government and may be at risk of not being able to continue to supply, should make contact with the contracting agency as soon as possible to see what alternatives are available.

There are extensive support packages for suppliers and information to assist you during the COVID-19 emergency, as follows:

- [Queensland Health](#) – health updates and conditions
- [Business Queensland](#)
  - Queensland COVID-19 Jobs Support Loans
  - Financial workshops and business mentoring for small and medium enterprises
  - Payroll tax support
  - Information for Queensland businesses regarding procurement including supplying to government, preparing tenders, workshops
  - General information to support Queensland businesses during COVID-19
- [Australian Government Economic Response to the Coronavirus](#)
  - Support for businesses and individuals
  - Small and medium businesses guarantee scheme
- Helpful articles/documents:
  - [Business lines of credit](#)
  - [Deloitte report - Make your working capital work for you: Strategies for optimising your accounts receivable](#)