

CONSTRUCTION RISK CHECKLIST > During-construction > Align Incoming and Outgoing Payments

Profit Doesn't Matter If You Run Out of Cash

Many profitable building businesses experience cashflow problems. The reason is simple: money is often going out faster than it is coming in.

Materials may need to be ordered and paid for weeks before the next progress payment is received. Subcontractors may require payment before the builder has been paid by the client. Even a profitable project can create financial pressure if cashflow is not managed carefully.

The key is to align incoming payments with outgoing costs wherever possible.

Cashflow Management Checklist

- 1. Do payment milestones match the actual cost profile of the project?**
- 2. Are deposits sufficient to cover early material purchases?**
- 3. Are progress claims issued promptly?**
- 4. Do payment claim due dates support cashflow requirements?**
- 5. Are supplier payment terms understood and negotiated where possible?**
- 6. Are subcontractor payment dates aligned with client payments?**
- 7. Have major material purchases been identified in advance?**
- 8. Is a cashflow forecast maintained for the project?**

Builders should review the programme and identify when significant costs will be incurred. Progress payment milestones should, where possible, coincide with these costs. For example, if joinery, trusses or specialist materials require substantial upfront payments, the payment schedule should ensure funds are received before those commitments are due.

The most successful builders manage cashflow proactively rather than reactively.

Because projects rarely fail due to lack of profit. More often, they fail because cash runs out before the profit arrives.