



CASHFLOW AND BUDGETS

1. What is a cashflow forecast?

A cashflow forecast looks at the future and predicts how money will come in to and go out of your organisation.

Is this the same as a budget?

No. A budget plans which sources of income and costs will fall into which period. Often money does not change hands at exactly the same time as a piece of work is done. A cashflow forecast will map when the money actually changes hands.

Why is it important?

Your budget may show that your project is **viable** (planned income is more than or equal to expenditure). But, for example, if you receive a grant late you may not be able to pay your employees. This could lead to a very early end to your project. Looking at the timing of money going in and out is therefore essential.

How do I start?

Cashflows can cover any period of time but are usually done on a monthly, or quarterly basis.

- Set up a table like the one below. If you have already done a budget you can use the headings for your income and expenditure.
- Income. Work out when the money is likely to come in. Enter it in the table. In our example the grant comes in each quarter starting in April.
- Work out when you will have to pay the bills. Enter it in the table. For example you may have to pay the rent each month, but the electricity bill comes in once a quarter. In our example the insurance premium is paid in one go, you may pay yours each month.
- Add up your table following the simple guide letters.
- Look to see if the balance at the bottom ("balance c/fwd") is positive. If the number is close to zero you will have to keep a close eye on the monies going in and out. If the number is a negative amount you will have to plan how you are going to pay the bills, e.g. arrange to pay later, arrange an overdraft facility with the bank or chase up any money owing to you.

CASHFLOW FORECAST: AN EXAMPLE

		Apr	May	Jun	July	Aug	Sept	
INCOME								
Grants		10,000			10,000			
Bank Interest				100			100	
Fees			2,000			750		
	A	10,000	2,000	100	10,000	750	100	
EXPENDITURE								
Wages/Tax		3,200	3,200	3,000	3,000	3,000	3,000	
Rent		500	500	500	500	500	500	
Electricity			175			200		
Insurance				1,000				
Subscription			50					
Accountancy				250				
	B	3,700	3,925	4,750	3,500	3,700	3,500	
Total Inflow (Outflow C)		(6,300)	(1,925)	(4,650)	6,500	(2,950)	(3,400)	A - B
Bank balance b/fwd		500	6,800	4,875	225	6,725	3,775	D
Balance c/fwd to Next month		6,800	4,875	225	6,725	3,775	375	C + D

2. Budgets - a simple guide

What is a budget?

A budget is a plan of how you are going to spend your money.

Why is it a good idea to have one?

It gives you a yardstick against which you can monitor the actual spends once a project has started. It allows you to see whether a project is likely to be worthwhile in money terms.

If your planned expenditure is greater than your expected income you are on to a non-starter and need to have a rethink.

If you are planning a budget for the whole organisation it may be easier to break it down into individual projects, or parts of your activity.

When preparing a budget it is important to consult with the people who are going to be responsible for working within it. If people are involved in setting a budget they are more likely to stick to it.

How do I start?

Set out your objectives – what is the budget for?

- **List all expected sources of income e.g.**
Grants - Donations - Fees - Bank Interest - Membership
List the costs: **Capital projects (e.g. A Building)**
Builders labour - Materials - Planning & building regulation fees - Architects & Surveyors - Other tradesmen - Decorating and equipping
- **Revenue projects** have running costs, which can be broadly split into two categories: **Wages & Salaries.**
Gross wages - Employers national insurance - Pension costs

3. Overheads

- Rent
- Rates
- Heat –
- Light and water
- Insurances
- Printing, stationery, postage
- Telephone
- Training
- Publications and subscriptions
- Minor equipment

If you make goods to sell you will have production costs. If you buy in goods for resale you will have the cost of stock purchases.

What do I do next?

Prepare a simple table

Expected Income A 100,000
Expected Expenditure B Wages and Salaries 70,000
C Overheads 28,000
D Total Expenditure 98,000
Net Surplus (A minus D) 2,000

If the bottom figure is a negative number your budget is not viable and needs some more planning. If it is a positive figure you can expand it by listing out the details of the income and expenditure.

Use the budget to plan and monitor both income and expenditure. Plan to take action quickly if the income falls short of the target or the expenditure exceeds it.

Remember your budget is not cast in stone. You may need to revise it if there is a big change, e.g. you lose a grant.

Tip: Unless you are dealing with a totally new project a useful starting point is to use the headings on your last set of accounts.

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