

Cashflow and budgets

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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.

Isn't that 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.

- 1 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.

Cashflow forecast: an example

	April	May	June	July	August	September	
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 and 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 brought forward	D 500	6,800	4,875	225	6,725	3,775	
Balance carried forward to next month	6,800	4,875	225	6,725	3,775	375	C + D

- Income. Work out when the money is likely to come in. Enter it in the table.
- In our example the grant comes in quarterly from 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 carried forward) 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.

2 | Budgets: a simple guide

What is a budget?

It's 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 to monitor spending 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: grants, donations, fees, bank interest, membership.

List the costs: *Capital projects* (e.g. a building), builder's labour, materials, planning and building regulation fees, architects and surveyors, other tradesmen, decorating and equipping. *Revenue projects* have running costs which can be broadly split into two categories:

Wages and salaries: Gross wages, employers national insurance, pension costs.

Overheads: Rent, rates, heat, light and water, insurance, 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 negative your budget is not viable and needs some more planning. If it is positive you can expand it by listing out the details of the income and expenditure.
- Use the budget to plan and monitor income and expenditure. Plan to take action quickly if income falls short of the target or expenditure exceeds it.
- Remember your budget is not cast in stone. You may need to revise it if there is a big change, like losing 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.

Further help

Ask BVSC Helpline

0121 678 8888
askbvsc@bvsc.org

Development Agencies website

Links and information for developing voluntary and community organisations.
www.birmingham-da.org

CASH-online

www.cash-online.org.uk

Finance Hub

www.financehub.org.uk