



HEY. A Guide to Cash Flow Forecasting

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1. Introduction

This guide has been designed to provide an insight into cash flow forecasting. It describes the nature of cash flow, how to forecast it and explains why it is so important to forecast as accurately as you can to enhance short term business survival and develop longer term prosperity.

The guide contains a series of practical steps and a worked example to help you to put together your first cash flow forecast. A blank cash flow template accompanies this guide.

Understanding your cash flow will help you make better business decisions as you learn the skills of entrepreneurship.

Intended Readers:

This guide is primarily aimed to assist those who are not familiar with cash flow forecasting, in particular, individuals who are thinking about starting their first business venture as well as those who have recently started their first business and are now trying to better understand and manage their current and potential future financial situations.

The information provided in this guide has been prepared for individuals who do not have a financial background. Any financial jargon used in this guide is explained as are the basics of the methods and techniques used that enable you to forecast your business cash flow.

Important Notes:

1. Rules on taxation are changed by Government from time to time. Please always refer to the Her Majesty's Revenue & Customs (HMRC) website for the latest information on taxation and allowances. HM Revenue & Customs - GOV.UK (www.gov.uk)
2. You should keep all your financial receipts and any paperwork associated with your trading activities. It is a legal requirement and your Bookkeeper, Accountant or HMRC Inspector will want to see them all when it comes to producing your end of year accounts and/or calculating any tax liabilities you may owe.

Other Guides in the Series:

A Guide to developing a Business Plan

A Guide to understanding your Target Market (Market Research)

A Guide to developing a Sales & Marketing Plan

A Guide to Branding

A Guide to the Marketing Mix (Media Channels)

2. Case Study: The Call Answering Company



"The Business Centre is a fabulous place. The first thing I noticed was the importance they place on being Covid safe, and they are always offering the help and advice that businesses need."

Sam Waslin

Cash flow and confidentiality are key for a business which is setting down roots in a hotbed for fledgling firms as it approaches its second anniversary.

The Call Answering Company was founded by Sam Waslin as a sole trader when she couldn't find anybody to manage phone calls for her transcription business and husband Andy's work as a driving instructor.

Even with the country in the grip of Covid, Sam set her company on a course for growth, building a team which includes daughter Emilie and choosing premises which support business development.

She said: "With me running my business and Andy working as a driving instructor we found we'd be answering calls on holiday or missing them. I looked at options for having someone to do it for us and I didn't like what I found."

From the outset The Call Answering Company offered a 24/7 service on the basis that demand is much higher outside normal business hours. But that commitment comes at a cost.

Sam said: "One of the main challenges is estimating overheads. Typically you think it will cost what you can afford. You have initial costs particularly if you employ people straight away – a significant outlay even before you get any revenue, and there will always be bills that you didn't anticipate.

"The next hardest thing is getting your head around legislation and regulations. Employing staff can be a minefield on its own. Doing the job is the easy part.

"The most significant regulations involve GDPR. We hold a lot of information that is easily identifiable and we take some payments over the phone. So we are conscious of data security and we have various safeguards, including confidentiality agreements with every member of staff."

Relocation in summer 2020 to The Deep Business Centre provided the flexibility and support that Sam needs as she prepares for a post-Covid surge in activity.

She said: "We have private rooms next to our main office, giving me the space to work on the business rather than in the business. We are taking on someone under the Kickstart scheme and we expect to recruit more call handlers as businesses become more active.



3. Financial Forecasting

What is Financial Forecasting?

Financial forecasting is an important way to help you to manage your business and its costs as well as to plan for the future. It involves producing estimates of key financial aspects of a business, such as how much profit (or loss) it is generating, its net worth and the amounts of money (cash) it needs to operate successfully (cash flow), to name a few. Failing to calculate or forecast this information can make the difference between success and failure for a business.

Forecasting techniques typically rely on a set of assumptions being made about what might happen in the future so that the financial consequences can be calculated and assessed. Different future situations can be defined by adjusting the assumptions made, so that a selection of different future situations (or forecasts) can be made.

These typically include three situations, namely: (i) a best case situation, (ii) a worst case situation and finally (iii) the most likely or realistic situation. The most likely or realistic situation should reside between the best and worst case situations, in terms of the assumptions made. Nevertheless, it is true to say that some of the figures will be best guesses based on the information that you have available to you at the time you are preparing your forecasts.

This approach is frequently used when preparing a business plan or making a loan application to raise money, although the understanding you can gain from creating your forecasts can assist you much more broadly when making key business decisions.

What is a Personal Survival Budget?

Your business will not be able to survive for very long if it can't support you sufficiently well financially. When considering starting up a new business, you should calculate what you will need to take from the business to live on. This can be done by producing a list of your personal expenditure commitments plus a small contingency should something unexpected occur in the meantime. This is called a 'Personal Survival Budget' and it will help you to identify an amount of money that your business will need to generate as a surplus over and above all the business expenditure that your business will incur in order to trade. You will use this figure in your business cash flow forecasts.

What is Cash Flow Forecasting?

A cash flow forecast is an essential tool that will help you to better understand and prepare your business for the future. It is an important management technique that can provide visibility of the future financial performance of the business and support key business decisions in the day to day operation of the business and for its development and growth.

Why is Cash Flow Forecasting Important?

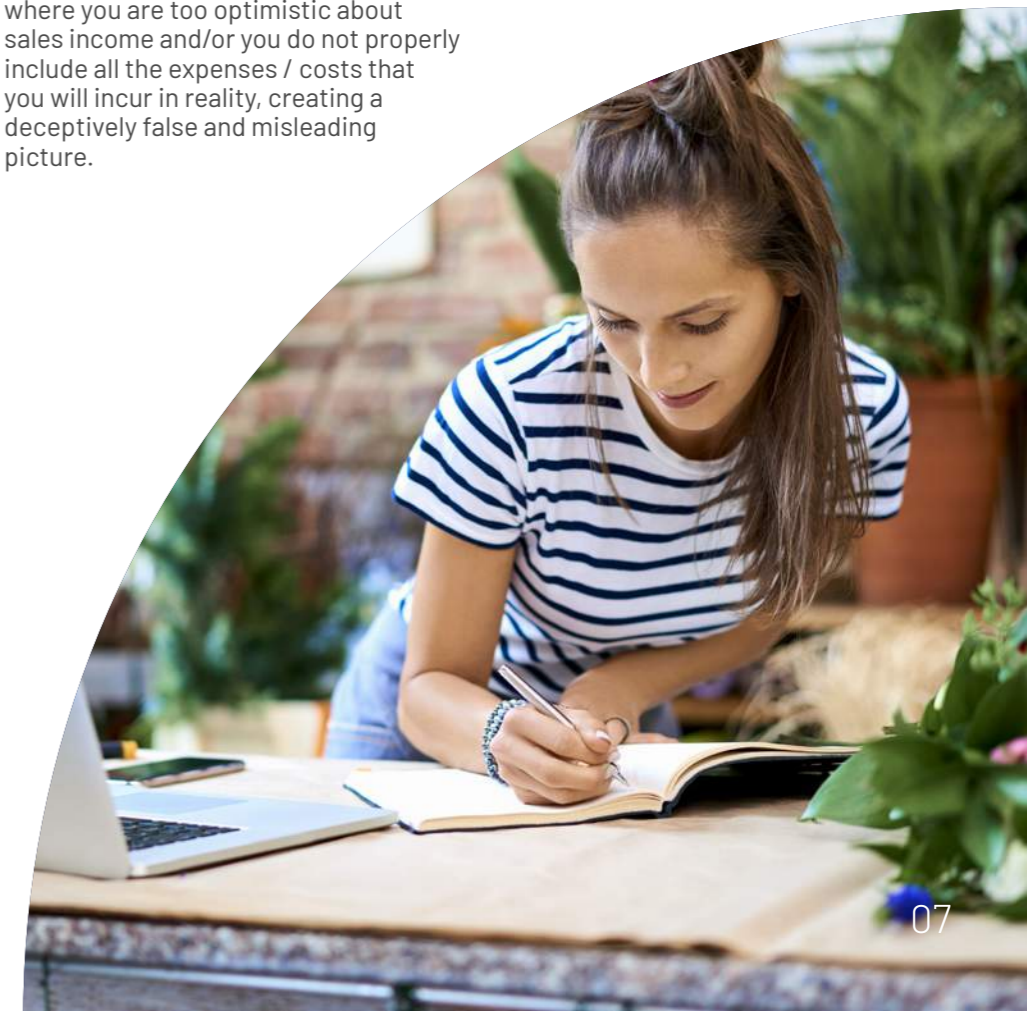
A business needs money (or cash as it is referred to) to operate. If it does not have enough cash then it will not be able to pay its suppliers, employees and anyone else that it may owe money to. If a business runs out of cash (or credit from its suppliers, etc.) and can no longer pay its way, it will eventually be unable to continue to receive the materials, labour, equipment and other things that it needs to operate and therefore fail to meet its customer commitments. This can lead to insolvency or bankruptcy and all the difficulties and anguish that come with this situation.

Without robust methods of managing the cash flow in a business, you could find yourself getting into financial difficulties with little or no warning. It would be reckless not to do any cash flow forecasting at all. This would be like trying to manage your business wearing a blindfold, you would not be able to see what was going on or what the implications would be if certain situations or decisions are made. It can however, be just as reckless if your forecasting is wildly out too, especially where you are too optimistic about sales income and/or you do not properly include all the expenses / costs that you will incur in reality, creating a deceptively false and misleading picture.

Business lenders / Banks are not so readily inclined to give cash to a business that is in financial distress, especially where it has no cash flow forecasts or has forecasts that were over optimistic and misleading. Lenders will have little confidence in new business forecasts that are clearly inaccurate.

Cash Flow Forecasting is ideally needed to be done before a business is started, to check that it is commercially viable from the outset. Whilst financial forecasting is needed throughout the life of a business as the forecast information underpins many of the key decisions that will need to be made, it is important to master this skill as early in your business venture as you can.

Better to be prepared and ready than inadvertently stumble into financial distress and hardship.



4. Practical Steps to Financial Forecasting

In practical terms, a cash flow forecast is simply a record of when you think you will receive cash in your business and when you think you will have to pay it out.

When preparing your business plan, you should ideally include monthly cash flow forecasts for at least 1 year, preferably 2 years ahead. In addition, you should include yearly cash flow forecasts for typically 3 years beyond that to provide an outlook of 5 years in total.

Refer to appendices 7.1 & 7.2 for a blank cash flow forecast form (template) and associated assumptions table respectively. These show the typical content and layout of a cash flow forecast accompanied by a separate table for writing down any key assumptions that you may make. The specific headings included in these tables may vary from business to business, depending on what the business does.

A worked example is illustrated in appendices 7.3 & 7.4

Approach to Cash Flow Forecasting:

You must select a time period for your cash flow forecast, this is typically your accounting year. If for example you choose to end your accounting year at the end of April, your cash flow forecast will run from 1st May to 30th April, each year. Your 1st month (month 1) will be May, your 2nd month (month 2) will be June and so on with your 12th month being April.

Cash flow forecasting can be divided into four main steps, as follows:

Step 1: Identify and record the cash you have at the start point (opening balance)

Step 2: Record all the cash you think you will receive during the forecast period (i.e. specific month) noting the different sources you have received it from

Step 3: Record all the cash payments you think you will have to pay out during the forecast period noting what the payment was for and who you paid it to

Step 4: Identify and record the cash you have at the end point (closing balance)

Repeat these 4 steps for each new period that you are forecasting, for example, if you are forecasting monthly, the closing balance of the month that you have just forecast will now become the opening balance for the next month, and so on, until you have completed all 12 months of your accounting year period.

Cash Flow Forecasting in Detail:

It is important to start with the most realistic scenario / situation you can when learning how to forecast your cash flow. Take a cautious approach when making assumptions about the cash you think that you will receive in each forecast period and make sure that you include every business cost and expense to avoid underestimating just how much cash you will need in each period that you forecast. Don't forget, the main reason for forecasting cash flow is to identify when your need for cash is at its greatest so that you can define what your funding requirements will be in any specific forecast period. Where you identify a shortfall in cash, your forecast should give you time to raise the finance needed in good time, thereby averting a crisis.

Using the blank cash flow forecasting tables (illustrated in appendices 7.1 & 7.2) that accompany this guide, complete the 4 steps for each month in your accounting year, following the instructions as below:

Step 1: Opening Balance

This is the total amount of cash that the business has at the start of your forecasting period. It may exist as 'cash in your hand' and/or 'cash in your business bank account' (if you have one). It is always a good idea to keep your personal money separate from your business money and having a business bank account is a good way to do this.

If you owe your bank money (through a bank overdraft) then you should record this figure in brackets to denote that it is a minus amount and if your cash flow forecast is made before you start trading, your opening balance is likely to be nil.

Remember, once you start forecasting, your opening balance will simply be the closing balance from the previous forecasting period.

Step 2: Cash Receipts

Cash can be generated in a number of different ways and it is important to separate these into distinct categories to best understand how you think that your business will operate over the accounting period.

The key categories are:

Cash from Sales: You will enter here the cash you expect to receive from the sale of products and/or services you think you may provide. In this category, you will record the cash received at the 'point of sale', for example, if you run a retail shop, most of your sales are likely to be over the counter and you would receive the cash at the time when you hand over the products or complete a service.

If you are registered for Value Added Tax (VAT), enter the cash from sales figure you expect to receive, including VAT.

Cash from Debtors: A debtor is a customer who you do not expect to receive cash from straight away at the 'point of sale' (when you hand over the products or complete the services) but you would send them an invoice instead with a time allowance for them to send you the cash they owe you, for example, 30 days (1 month) from the date of invoice. You will record here the amount of cash due to you from invoices in the forecasting period that you expect to receive the cash. If you raise an invoice in January with an allowance of 30 days for the debtor to pay you, you would enter the figure in February when you would expect to receive this cash.

If you are registered for VAT, enter the cash from sales figure you expect to receive, including VAT.

Cash from VAT (Net Receipts): This will not apply to you if you have not registered for VAT so enter 'Nil' here. If you are registered for VAT, then only in rare circumstances might you receive cash from the VAT system, so you would typically enter 'Nil' into this category, unless one of the following situations applies to your business.

Cases in which you might receive 'cash from VAT' are where you may have spent a lot of money on purchases (on which you can claim back VAT) and this is greater than the sales upon which you can charge VAT. This situation may occur when starting a new business and sales are still relatively small. There are a few other circumstances where you may receive cash from VAT, such as, when your business has seasonal sales but its expenses remain relatively fixed across the year or where your business sales are zero-rated so you do not charge VAT on your sales but you can claim back the VAT on your purchases.

You can make your returns for VAT on a monthly or quarterly basis, so make sure you enter any cash from VAT receipts in the forecasting period that you expect to receive them.

Other Income: You will enter the cash received here from any other miscellaneous sources of income, for example, you may have received interest on cash in your bank or had a refund for a purchase that you returned.

Sale of Assets: You will enter here any cash received from the sale of any business assets such as office furniture, equipment or tools. This is more likely to occur when your business is established and is replacing assets as it grows. Cash received from the sale of products and services do not go in this category, but in the 'Cash for Sales' and/or 'Cash from Debtors' categories.

Capital Introduced: This is a special category that is not involved with the trading activities of the business (i.e. selling things). You will enter the sums of cash here that are invested into the business by you and/or others (excluding a bank overdraft). This will include cash that you get from your savings, friends and family and any loans that you may receive. Take care to put the exact amounts in the forecast period that you expect the cash to be received, even if it is separate amounts in specific months.

These categories will enable you to record all the different types of cash you may receive in your business. Take care to ensure that you allocate each cash receipt to the appropriate category and in the specific forecasting period that you expect to receive the cash.

Step 3: Cash Payments (Expenses)

A cash payment occurs when money goes out of the business. There are many different things that it can be spent on, some will be 1-off purchases, others may be more regular fixed costs as well as those purchases that vary as the sales increase and fall such as raw materials and labour costs. As was the case for the cash receipts, it is important to separate the cash payments into distinct categories to best understand how you think that your business will operate over the accounting period.

The key categories are:

Cash Purchases: You will enter here the cash you expect to pay out at the 'point of purchase', when you get the items you have bought from a supplier. You will need to make assumptions about what you will be purchasing this way and when your purchases will be collected / delivered as this is the time that you will pay for them.

Enter the full amount of your payment to your supplier (including VAT) whether you are registered for VAT or not.

Supplier Payments: This category of financial transaction occurs when you receive an invoice for payment from your supplier for their materials and/or services. You will record here when you expect to pay the supplier, although there may be contract terms that you have negotiated that will define how much time your supplier will allow you to make payment. A typical assumption would be to allow 30 days (1 month) for your forecasting, although it will be better for your cash flow if you were to take longer to pay these bills, but you will need to weigh up the risk of a supplier charging you interest for late payment and also reducing the goodwill they offer to you when you want to purchase from them again.

Enter the full amount of your payment to your supplier (including VAT) whether you are registered for VAT or not.

Payroll Payments (Wages / Drawings):

You will enter here the net amount you expect to pay for wages (or drawings) after deducting Tax and National Insurance Contributions (NIC) through the 'Pay As You Earn' (PAYE) scheme.

For the purposes of Cash Flow Forecasting, you may want to make a very simple and crude estimate of your Tax and National Insurance Contribution deductions, in which case you could typically split your gross wages (or drawings) with 70% allocated to the amount you would pay yourself and the remaining 30% allocated to deductions. The PAYE / NIC taxation deductions are entered in the next category.

If you would however prefer to calculate a more precise figure for your deductions, see Her Majesty's Revenue & Customs (HMRC) website for further details (see page 3), or find a suitable website that provides a salary calculator, an example is as follows: <https://www.thesalarycalculator.co.uk/salary.php>

PAYE / NIC Taxation Deductions: Personal taxation and how / when it is paid is different depending on the structure of your business and the legal status people have within a business. The taxation systems are also subject to change by the Government so it is always best to check with a Payroll Clerk, Bookkeeper and/or Accountant to ensure that you have the latest information about the personal taxation system before undertaking your cash flow forecasting of this category. The main types of deductions are as follows:

Deductions from Employees: these will comprise of income tax (subject to a personal tax allowance) and National Insurance Contributions (subject to classification categories). Other deductions may include employee pension contributions, student / other loan deductions, attachment of earnings (debt repayment

contributions), etc. These PAYE payments are made on-line to Her Majesty's Customs & Excise (HMRC) before the 22nd of the following month through the Real Time Information (RTI) / Full Payment Submission (FPS) system.

If your business is a limited company and you pay yourself a salary as a director your personal tax and National Insurance Contributions will be deducted through the PAYE scheme. Depending on your circumstances, tax due on any dividend payments you receive may be collected through a 'Self-Assessment' scheme and requires completion and submission of an SA 100 form annually.

Deductions from Employers: a separate Employers Contribution (tax) is charged to a business. This is based on a percentage of the employee wage bill and it is collected through the PAYE scheme.

Deductions from Sole Traders / Partners: The personal tax collection system for sole traders and partners is different, you will pay tax and class 4 NIC based on the profit your business makes each year. This is collected through a 'Self-Assessment' scheme and requires completion and submission of an SA 100 form annually. Tax payments are made in 2 or 3 amounts, by the 31st January, 31st July and the remaining balance in the following 31st January. These figures should not be entered in this category but the category entitled 'Business Tax Payments' (below).

You should however enter your class 2 NIC payments in this category which will be due to be collected and paid each month through the PAYE scheme.

Pension (Auto Enrolment): You will not need to set up the workplace pension (auto enrolment) scheme if you are the sole director or business owner of that company, if you do not want to. You will however need to set up a workplace

pension scheme when you take on your first employee. You are required to pay money into your pension scheme, after you've put your member of staff into it and every time you pay them, unless they want to opt out of the scheme.

The amount you and your staff member pay into your pension scheme may vary depending on which pension scheme you choose.

VAT (Net Payment): This will not apply to you if you have not registered for VAT so enter 'Nil' here. If you have however registered for VAT then you should estimate the amount of VAT that you will be paying on your agreed VAT return dates. If you make VAT repayments on a monthly or a quarterly basis, then you should put your estimate in the specific month that you are due to pay it.

If you have recently started a business and registered for VAT voluntarily, then it might be worth you using the cash accounting scheme for VAT. You can calculate your estimate for VAT payment by firstly calculating the amount of VAT that you will collect from your customers each month. You will have collected this cash on behalf of the HMRC (VAT office) and will need to pay it to them on the due date (monthly or quarterly). You can however deduct the VAT that you are able to claim back on the purchases you have made. The amount to be paid to the HMRC (VAT office) will be the VAT collected from customers less the VAT claimed back from your purchases, for the relevant period (monthly or quarterly).

You should note that if you are making VAT return payments quarterly, then you will be holding the VAT collected each month in your business. This can create an illusion that you have more money available to you than you actually do. Remember, you will have to pay it back to the HMRC (VAT Office).

Business Tax Payments: Your tax calculations are different depending on the type of business you run.

If you operate a limited company, enter the amount of corporation tax that you estimate you will need to pay and when you will pay this. Corporation tax is based on the company's profit and it is payable within nine months of the company's end of accounting year. Note that corporation tax charges may be changed by the Government from time to time.

If you are a Sole Trader or Partner, your tax and class 4 NIC payments will be due to be paid in 2 to 3 amounts, by the 31st January, 31st July and the remaining balance by the following 31st January.

Property Rent: Enter here the amount of rent you will pay each month or quarter period. Include any administration fees that are directly related with moving into a new property and when you will need to pay these.

Business Rates: Enter the amount of Business rates that you expect to pay. Make sure that you put the right amount in each of the months that you will make a payment.

Energy: Energy costs typically include the costs you expect to incur for heating, lighting and any other power that is consumed by the business. Remember that energy costs tend to be seasonal with the costs of heating and lighting rising during the winter months. These are likely to be paid monthly in arrears, although you may opt to pay quarterly.

Communications: Communication costs typically include mobile phone usage, data access and any roaming charges, landlines for office use as well as internet service provider fees and charges. You may also have purchased software licences or cloud based data storage facilities that have monthly usage fees associated with them or alternatively, annual subscription payments. Ensure that you go through the details of this cost category to ensure that you do not miss out any expenditure. Many of these bills will be paid monthly in arrears, some may involve additional excess usage charges that will require estimation too.

Insurances: Use this category to include all your business insurance payments if they add up to a reasonable size. Typical insurance policies might include cover for Public Liability, Professional Indemnity, Office / Buildings Insurance, Health Care and Motor Insurance, etc.). If the total cost of insurances are fairly minimal, then you will not need a separate category for insurances, these costs can be included in the category entitled 'Other Payments'.

Professional Fees: This category can include a fairly wide range of different types of expenditure from bookkeeping and accountancy fees, consultancy and training fees, etc. Care is required when completing this category, you will have to make assumptions about what sort of professional support you will need, when and for how long, so that you can come up with a good 'ball park' forecast for these expenses.

General Expenses: Enter here your estimate for the total amount of small on-going or recurring expenses that you think you will occur and in the specific month that you expect to pay them. The types of incidental items to be included are, for example, postage, packaging and stationary as well as sundry items. Take care to identify what you expect you may need to run your business.

Bank Interest and Charges: Enter here all the charges that you expect to have to pay to your bank and/or financial loan provider. This will include monthly bank account usage fees, any overdraft facility fees and interest charges on any loans that your business may have taken out. Take care to correctly identify the frequency that these payments are due to ensure that you enter them in the right forecast period.

Other Payments: Enter here any other payments that you expect to make that are not covered by any of the other categories. This should include insurances if they are relatively small but where they are of a reasonable size, you should create a separate category for them (see earlier comments).

Capital Expenditure: This categories is used where you plan to purchase any machinery, equipment and/or tools, such as a computer, a car or other items that your business will need. Enter here the amount (including VAT) and when you estimate when you will pay for it. You may have a number of different payments options, so if you are paying for it in full as a cash payment, then enter this amount in the forecast period you expect to make this payment. If you intend to buy a capital item using hire purchase or a loan, enter the amount of the deposit and the monthly repayments separately in forecast periods that you have contracted to pay them.

Step 4: Closing Balance

Calculate the closing balance for the forecast period by adding the opening balance (step 1) to the total cash received (step 2) and then subtract the total sum of the payments (step 3) to result in the closing balance (Step 4). Remember, the closing balance then becomes the opening balance for the start of the next forecasting period (i.e. a month).

To undertake a monthly cash flow forecast for a full accounting year, then you would simply repeat the 4 step process above (page 6) for each month in turn until you have completed all 12 months.

5. Appendices



Appendix 7.2 - Cash Flow Forecast Assumptions Table

Company Name		CASH-FLOW FORECAST											
Scenario: Realistic		Year Ended: 31st December 2021											
Forecast Assumptions													
Opening Bank Balance													
Cash Receipts													
Cash from Sales													
Cash from Debtors													
Cash from VAT (Net Receipts)													
Other Income													
Sale of Assets													
Capital Introduced													
Total Receipts/Income													
Less:													
Cash Payments (Expenses)													
Cash Purchases													
Supplier Payments													
Payroll (Wages/Drawings)													
PAYE/NIC Taxation Deductions													
VAT (Net Payment)													
Business Tax Payments													
Property Rent													
Business Rates													
Energy Costs													
Communications													
Insurances													
Professional Fees													
General Expenses													
Bank Interest & Charges													
Other Payments													
Capital Expenditure													
Total Expenditure													
Closing Balance													

Appendix 5.1 - Blank Cash Flow Forecast Template (Form)

Company Name		CASH-FLOW FORECAST																																																																																																																																																																																																																																																																																																																																																																																																																																																
VAT Registration No. - Not Registered		12 months to Year Ended: 31st December 2021																																																																																																																																																																																																																																																																																																																																																																																																																																																
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Do NOT type in shaded areas		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year to Date																																																																																																																																																																																																																																																																																																																																																																																																																																				
Opening Bank Balance		January	February	March	April	May	June	July	August	September	October	November	December	Totals																																																																																																																																																																																																																																																																																																																																																																																																																																				
Cash Receipts															Cash from Sales														£0.00	Cash from Debtors														£0.00	Cash from VAT (Net Receipts)														£0.00	Other Income														£0.00	Sale of Assets														£0.00	Capital Introduced														£0.00	Total Receipts/Income		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	Less:															Cash Payments (Expenses)															Cash Purchases														£0.00	Supplier Payments														£0.00	Payroll (Wages/Drawings)														£0.00	PAYE/NIC Taxation Deductions														£0.00	Pension (Auto Enrolment)														£0.00	VAT (Net Payment)														£0.00	Business Tax Payments														£0.00	Property Rent														£0.00	Business Rates														£0.00	Energy Costs														£0.00	Communications														£0.00	Insurances														£0.00	Professional Fees														£0.00	General Expenses														£0.00	Bank Interest & Charges														£0.00	Other Payments														£0.00	Capital Expenditure														£0.00	Total Expenditure		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	Closing Balance		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Cash from Sales														£0.00	Cash from Debtors														£0.00	Cash from VAT (Net Receipts)														£0.00	Other Income														£0.00	Sale of Assets														£0.00	Capital Introduced														£0.00	Total Receipts/Income		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	Less:															Cash Payments (Expenses)															Cash Purchases														£0.00	Supplier Payments														£0.00	Payroll (Wages/Drawings)														£0.00	PAYE/NIC Taxation Deductions														£0.00	Pension (Auto Enrolment)														£0.00	VAT (Net Payment)														£0.00	Business Tax Payments														£0.00	Property Rent														£0.00	Business Rates														£0.00	Energy Costs														£0.00	Communications														£0.00	Insurances														£0.00	Professional Fees														£0.00	General Expenses														£0.00	Bank Interest & Charges														£0.00	Other Payments														£0.00	Capital Expenditure														£0.00	Total Expenditure		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	Closing Balance		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00															
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Appendix 5.4 – Example Cash Flow Forecast Assumptions

Example:		CASH-FLOW FORECAST											
ABC Limited		Year Ended: 31st December 2021											
Scenario: Realistic													
Forecast Assumptions													
Opening Bank Balance		Assume Nil at start of first trading month											
Cash Receipts		Estimated point of sale transactions (based on market research)											
Cash from Sales		Estimated sales from customer who want monthly payment account (30 day terms)											
Cash from Debtors		Assume Nil											
Cash from VAT (Net Receipts)		Assume Nil											
Other Income		Assume Nil											
Sale of Assets		Will put in £450 of personal savings in month 1 (may need to get short term loan / bank overdraft to overcome cash flow shortages)											
Total Receipts/Income													
Less:													
Cash Payments (Expenses)		Assume 10% of total sales											
Cash Purchases		Assume 35% of total sales											
Supplier Payments		Assume £1,500 (Gross) Wages / Drawings each month to live											
Payroll (Wages/Drawings)		Calculated PAYE & NIC based on Gross Wages / Drawings of £1,500 per month											
PAYE/NIC Taxation Deductions		Calculate auto enrolment pension (employer and employee contributions) if applicable											
Pension (Auto Enrolment)		Not VAT Registered Yet											
VAT (Net Payment)		Nil - Year 1: Due to be paid in 2022 (within 9 months of year end)											
Business Tax Payments		Small office contract - fixed monthly fees of £250 per month											
Property Rent		Rates assessed at £45 per month for 12 months per year											
Business Rates		Seasonal profile based on landlord estimate of £125 per month (peak) to £80 per month (trough)											
Energy Costs		combined costs for mobile phone, internet and land line per month											
Communications		Public liability and professional indemnity cover only											
Insurances		Marketing consultant support in April 21											
Professional Fees		Enter £35 per month contingency											
General Expenses		Figures directly from the Bank (Account charges - Year 1)											
Bank Interest & Charges		Enter £15 per month contingency											
Other Payments		Office set-up, furniture and ICT equipment spread over months 1 to 4											
Capital Expenditure													
Total Expenditure													
Closing Balance													

Appendix 5.3 – Example Cash Flow Forecast

Example		CASH-FLOW FORECAST												
ABC Limited		12 months to Year Ended: 31st December 2021												
VAT Registration No. - Not Registered														
Version No. 1														
Date Issued: 7th January 2021														
Do NOT type in shaded areas		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year to Date
Opening Bank Balance		January	February	March	April	May	June	July	August	September	October	November	December	Totals
		£0.00	£179.40	£433.85	£488.20	£567.60	£103.00	£193.60	£40.80	£875.20	£754.60	£391.00	£396.60	
Cash Receipts														
Cash from Sales		£2,000.00	£1,000.00	£1,000.00	£1,500.00	£1,500.00	£1,000.00	£1,000.00	£500.00	£2,000.00	£1,500.00	£2,000.00	£1,000.00	£16,000.00
Cash from Debtors			£2,500.00	£2,500.00	£2,500.00	£3,000.00	£2,500.00	£2,000.00	£1,500.00	£2,500.00	£3,000.00	£2,500.00	£2,000.00	£26,500.00
Cash from VAT (Net Receipts)														£0.00
Other Income														£0.00
Sale of Assets														£450.00
Capital introduced		£450.00	£3,500.00	£3,500.00	£4,000.00	£4,500.00	£3,500.00	£2,000.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£3,000.00	£42,950.00
Less:														
Cash Payments (Expenses)														
Cash Purchases		£200.00	£100.00	£100.00	£150.00	£150.00	£100.00	£100.00	£30.00	£200.00	£150.00	£200.00	£100.00	£1,600.00
Supplier Payments		£1,225.00	£1,225.00	£1,225.00	£1,400.00	£1,575.00	£1,225.00	£1,050.00	£700.00	£1,575.00	£1,575.00	£1,575.00	£1,050.00	£14,175.00
Payroll (Wages/Drawings)		£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£1,098.84	£13,186.08
PAYE/NIC Taxation Deductions		£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£361.96	£4,345.52
Pension (Auto Enrolment)		£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£68.60	£823.20
VAT (Net Payment)														£0.00
Business Tax Payments														£0.00
Property Rent		£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£3,000.00
Business Rates		£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£540.00
Energy Costs		£125.00	£125.00	£125.00	£125.00	£80.00	£80.00	£80.00	£80.00	£100.00	£125.00	£125.00	£125.00	£1,315.00
Communications		£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£75.00	£900.00
Insurances		£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£45.00	£540.00
Professional Fees					£300.00									£300.00
General Expenses		£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£420.00
Bank Interest & Charges		£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£120.00
Other Payments		£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£180.00
Capital Expenditure		£300.00	£300.00	£100.00	£100.00									£800.00
Total Expenditure		£2,529.40	£3,754.40	£3,554.40	£4,079.40	£3,829.40	£3,409.40	£3,234.40	£2,834.40	£3,879.40	£3,854.40	£3,904.40	£3,279.40	£42,242.80
Closing Balance		£-£179.40	£-£433.80	£-£488.20	£-£567.60	£103.00	£193.60	£40.80	£875.20	£754.60	£391.00	£396.60	£707.20	



HEY
Start-
ups



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🌐 HEY Growth Hub



Hull and
East Yorkshire
Local Enterprise
Partnership



Department for
Business, Energy
& Industrial Strategy



European Union
European Regional
Development Fund

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