

# Community Led Local Development

## Guidance Note: Producing a cash flow

What should it include?





## **CLLD Producing a cash flow**

### **Introduction**

Cash flow is the money that is moving (flowing) in and out of your business over a period of time. When you apply for a CLLD grant of any size, regardless of whether it is ESF or ERDF, you will need to provide us with a cash flow forecast.

A cash flow forecast can help you:

- plan out how much you expect to make in sales/revenue
- plan how much you expect to spend in costs
- understand when cash will come into your bank account and leave it

As payments from CLLD are made in arrears, we need to be sure you are able to fund the project and your other regular outgoings before we agree to offer you a grant.

### **What should my cash flow forecast look like?**

Your cash flow should ideally cover a period of 2 years or the duration of your project (whichever is greater) and include the following sections. Once put together they will form your cash flow forecast:

#### *A sales/revenue forecast*

This should contain details of how much you are expecting to receive in sales or revenue per month – this is money actually coming into your bank account not just having an invoice raised for it. To help, you can use historical information for your organisation to see if there were any trends in income, these could be seasonal etc.

If you are using your grant to purchase a new piece of equipment, don't forget to increase your sales forecast following the purchase. This will after all be the aim of the CLLD support.

Also include any cash injections from loans etc.

#### *A costs forecast*

Under your sales forecast you should detail your cost forecast per month, this should include all your day-to-day running costs. This could be phones, stationery, rent, utilities, marketing etc. Use your last accounts and bank statements to get this as accurate as possible.

Don't forget that if you have predicted an increase in the sales section, there is likely to be a proportionate increase in the costs section to go with it.

Salaries may increase over the lifetime of your project; make sure you allow for this.

Make sure any costs are shown in the month they will leave your bank account, not the month you make the purchase. If you buy items that you are invoiced for, you may not actually pay for them until the following month.



Include any repayments for loans etc.

Be realistic and make allowances for one off purchases of equipment for the business.

If you are a sole trader include withdrawals you may make from the business for your living expenses.

#### *A cash flow*

If you add up all the money spent each month, and take that away from the money coming in each month, this will show you how much more you've earned than spent (cash inflow) or how much more you've spent than earned (cash outflow).

Finally, add this to the closing balance on your bank statement for the end of the previous month to see how much you expect to have in the bank at the end of future months. Ideally this amount should increase month on month.

#### **What additional evidence should I provide?**

As well as the cash flow forecast we will need to see:

- your most recent bank statement
- your most recent set of accounts
- an overdraft agreement if applicable
- evidence of salary payments (to match the bank statement provided)

#### **What will the CLLD team be checking when they assess my cash flow forecast?**

When we review your cash flow forecast we will look at the following:

- that the opening balance on your cash flow matches the closing balance on the bank statement provided
- that sales/turnover is expected to increase following the grant offer
- if bank loans have been taken out to cover the cost of the project, they have been included in your figures
- that VAT has been included where appropriate
- that the grant payments are shown on the practical date they will be received
- if you have said you will create jobs that your salary expenditure increases accordingly
- that your overheads are realistic and tie in with previous accounts
- that any negative balances are covered by an overdraft agreement

If any problems are identified we will get in touch to ask you for clarification.



**What do I do next?**

If you have any other queries regarding your cash flow forecast please contact your local facilitator. The CLLD team also have a cash flow template they can provide you with.