

Tools and templates



Creating a short-term cash flow forecast

A cash flow forecast will give you a clear overview of the money coming in and out of your business. Use our checklist to develop your approach to short-term cash flow management.

Top tips before you start:

- Keep it simple. This approach deliberately compromises on detail to make things faster and simpler
- Add and amend details as you get clearer on when each amount of cash will come in or go out
- Add transactions on the date that the money enters or leaves the account, rather than the time the work is invoiced
- Use the 80:20 rule; 80 per cent of your overhead expenses and costs will usually come from your top five to 10 overhead accounts by value. Concentrate on those top accounts first and don't spend too much time on very small expenses
- Round items up to the nearest £10, £100 or £1,000. Group smaller accounts together into a single, approximate amount. You can always refine or revise later

Short-term cash flow template

Layout

Use a spreadsheet to create your layout, including the following:

- This is a 90-day forecast, so include a daily breakdown on your template, with the days and dates in each entry
- Include a starting balance
- Consider whether this needs to include weekends or not, depending on your trading patterns
- Lay out the days within clearly numbered weeks
- Use sums to automatically calculate the daily and weekly totals of each column

Income

In this section, outline any cash that has come in to the business:

- Use a new line for each type of sale, service type or client
- Include additional lines for income like grants and loans

Costs

This is where you record any cash that has gone out of the business:

- Include costs of sales, project costs and delivery costs

Tools and templates



Overheads and other outgoings

Consider if you have had to pay for anything extra, such as:

- PAYE Salaries (including NI & pensions)
- VAT
- Corporation Tax
- Loan repayments
- Rent and premises costs
- Dividends
- Legal and professional fees
- Business rates
- Subscriptions
- Insurance
- Any other overheads

Cash balances

The final section of your spreadsheet should give you an at-a-glance guide to your cash balance. It should include:

- Opening balance
- Total cash in
- Total cash out
- Closing balance

Visualising your cash flow

As you enter more data into your spreadsheet, you'll be able to generate a useful cash balance chart. This will give you a clear overview of how your cash flow is moving and allow you to spot any patterns over the three-month period.