

# Cash flows are the way forward

Like we've said in our [Budget Don't Fudge It - the ins and outs of budgets quick read](#) most creatives aren't exactly excited to crack open excel and get down to some serious financial planning. However, the good news we are here to spread is that there are just two spreadsheets you need to include in your business plan – a budget, and a cash flow forecast.

The even better news is that our [Budget Building template](#) will help you build your annual budget. Meanwhile this quick read you've already dived into, along with our [Cash Is King cashflow template](#), will get you in the flow with your cash flow forecasting.

## **Think of your cash flow forecast as a prediction of your bank account**

After your budget, your cash flow forecast is the other key bit financial planning information you'll want to include in your business plan. At its simplest, cash 'flow' is basically the amount of money you receive in a given period minus the amount of money you've spent. It's money that's left that 'flows' into the next month.

Meanwhile, a cashflow forecast is like a prediction of your bank statement for a given period in the future. We've said elsewhere that business planning involves a lot of educated guess work, and building a cashflow forecast is exactly about that. You build it by basically spreading out the figures in your annual budget over a given period, guessing how your income and expenditure might be spread out across the year. In a business plan, you'd normally have a cash flow for each year the plan covers.

## Why having a cash flow is a super smart thing to do!

A good cash flow forecast might just be the most important single piece of a business plan. All the strategy, tactics, and ideas you've come up with for taking the creative world by storm mean nothing if you aren't going to have enough money in the bank to pay your bills.

That's why a cash flow forecast is so important. It helps you predict how much money you'll have in the bank at the end of every month, regardless of how profitable your business is. And it helps you highlight in advance the months where things might get a little bit sticky from a cash point of view, **so that you stand a better chance of being able to do something about (see below for some ideas on that)**. When times are tough, an up-to-date cash flow can be the difference between sinking and swimming.

When it comes to cash flow, knowledge really is power. And having a cashflow forecast makes you infinitely more knowledgeable.



## How do you build a cashflow forecast?

We've included an example cashflow forecast here, that's based on a made up annual festival. You'll see what we meant when we said that it looks like a budget spread out over a year. We're going to walk you through that example now, so that you get inside how a cashflow forecast works. And don't worry, our [Cash Is King cashflow template](#) has all the formulas built in so that, when you get to doing your own cash flow, don't need to do any of the adding up or moving around yourself!

### FESTIVAL

INCOME	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
Ticket sales		5000	15000	10000					500			2000	32500
Sponsorship		5000			5000								10000
Merch sales				2500									2500
Grants	10500					4500						1000	16000
Donations				1500									1500
<b>MONTHLY TOTAL</b>	<b>10500</b>	<b>10000</b>	<b>15000</b>	<b>14000</b>	<b>5000</b>	<b>4500</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>3000</b>	<b>62500</b>

EXPENDITURE	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	
Artist fees				15000	10000								25000
Production costs			1600	3200	3200								8000
Marketing	2000	500	500					250		500	250		4000
Riders/catering				2000	1000								3000
Salaries/team costs	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000
Overheads													5000
<b>MONTHLY TOTAL</b>	<b>3250</b>	<b>1750</b>	<b>3350</b>	<b>21450</b>	<b>15450</b>	<b>1250</b>	<b>1250</b>	<b>1500</b>	<b>1250</b>	<b>1750</b>	<b>1500</b>	<b>1250</b>	<b>60000</b>

<b>Monthly surplus/deficit</b>	<b>7250</b>	<b>8250</b>	<b>11650</b>	<b>-7450</b>	<b>10450</b>	<b>3250</b>	<b>-1250</b>	<b>-1500</b>	<b>-750</b>	<b>-1750</b>	<b>1500</b>	<b>1750</b>	
Bank b/fwd	10000	8250	16500	28150	20700	10250	13500	12250	10750	10000	8250	6750	
Bank c/fwd	8250	16500	28150	20700	10250	13500	12250	10750	10000	8250	6750	8500	

### **First up the basic income and expenditure stuff...**

- Each month column includes a summary of money that came in that month (the first blue line) and the same for money that went out (2nd blue line). Starting from the budget you've created, use what you know about previous years and plans for the coming year, to allocate what you think is a sensible amount of income and expenditure for each month. Remember to allow for bumper months (e.g. when ticket sales are going to be at their highest) and leaner spells (say when you're laying out for materials but aren't selling much), and also allow for the lag between invoices going out and money actually reaching your bank account.

- Each column also includes the surplus/deficit for that month, which is what we call the figure you get when you take away the expenditure from the income. You'll make a surplus (or profit) if you made more than you spent, and deficit (or loss) if you spent more than you earned. Sometimes this figure is simply called a 'balance', which is positive if your earnings outstripped your spending, and negative if you spent more than you earned. Make sense? Good!

- You'll see that this is the case for every month in the cashflow forecast above.

### **Now for the flow bit...**

- Firstly, each month you bring forward (b/f) the amount of money you have left in the bank on the last day of that month. In the example above the festival had £1000 in the bank at the end of March (the month before this cashflow started), so that's the figure you see in the 'Bank b/f' line for April.

- Next up, you add your monthly surplus or deficit to your bank f/w total. That gives you the total amount you are going to carry forward to next month (your 'Bank c/fwd' figure). This is basically all of the money you have left at the end of that month. Again, it could be a negative or positive figure, depending on the kind of month you've had. In our example the April carry forward figure is £8250.
- The final bit of the flow is that the 'bank carry forward' figure for one month, gets carried forward (as the name suggests) and reappears in the following month's 'bank brought forward figure'. That's because you've brought it forward from the previous month; it's **flowed** from the previous month to the current one. So in our example below, the April 'carry forward' figure of £8250 can be copied into the May 'brought forward' figure.

We hope this all makes sense! If you're ready to make a start on your own cash flow forecast, then come back to the Toolkit in the coming weeks to access our [Cash Is King cashflow template](#)? It has all the formulas built in so that you don't need to do any of the adding up or moving around yourself!