John Tennent – Honorary Treasurer

Chartered Accountant – Deloitte

Currently: Honorary Treasurer The Air Ambulance Service, London Marathon Foundation and Medicalert, on the Charity Committee of ICAEW

Formerly: Honorary Treasurer of Samaritans, Helen & Douglas House and PACT. Finance Committee RSPCA

Day Job: CEO of Corporate Edge – Provide strategy and finance development to organisations
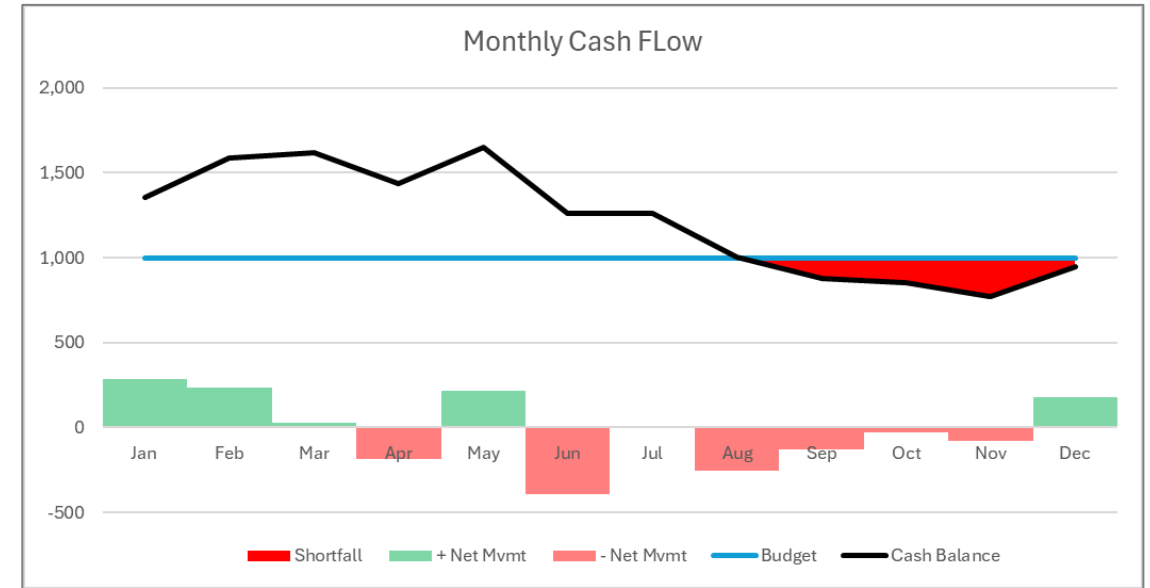
Author of 3 books for The Economist

Content

Cash Flow Forecasting

The Data

Cash Flow Visualising

The Chart

Treasury Management

The Resources

Monthly Cash FLow

Legend: Shortfall, + Net Mvmt, - Net Mvmt, Budget, Cash Balance

Maturity Ladder

			£,000 Actual	£,000 Target	£,000 Difference	Status
Current			340	500	160	Shortfall
Notice	30-60 days		250	250	-	At Target
	60-90 days		250	250	-	At Target
	90-120 days		250	250	-	At Target
Bonds			2,500			
Total			3,590			

	£,000	Start	End	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25
Bonds	600	01/04/2024	31/03/2025	600	-	-	-	-	-
	600	01/07/2024	30/06/2025	600	600	600	600	-	-
	400	01/09/2024	31/08/2025	400	400	400	400	400	400
	300	01/10/2024	30/09/2025	300	300	300	300	300	300
	600	01/01/2025	31/12/2025	600	600	600	600	600	600
Invested	2,500			2,500	1,900	1,900	1,900	1,300	1,300
Becoming available				600	-	-	600	-	400

Sound Financial Management for your Charity

Sustainable	Can we clearly see a path that takes us into future?	**3/5 year plan Going Concern**
Shock Proof	Can we survive a significant hit?	**Reserves**
Liquidity	Are we able to pay our bills	**Cash flow**

We need to be able to forecast with confidence (not accuracy)

Cash Flow Forecasting

Add operating and capex budgets — Start with your budgets so you have a consistent reference point for all your forecasts

Determine phasing / patterns of cash movements — Use experience to determine if seasonal patterns exist and could be expected – try the 100% allocation method

Determine lag effects — Some income and expenditure will have a lag between recognition and receipt

Determine periodic events — Try using =MOD to set up periodic events on a reoccurring basis

Exclude endowment and restricted funds — Understand if you are using in general funds money that has restrictions

Legacies (???) — Your guess is as good as mine – though past trends may imply some validity to your expectations

Avoid stressing about single point assumptions — Use a range of values to determine the significance of the likely outcomes

Cash Flow Forecasting

Budget to cash   £,000

Seasonal Profile

Periodic Profile

Factors that can be changed

BUDGET		Basis	Factor	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Total
Income	Regular giving	Declining	0. %	1,000	995	990	985	980	975	970	966	961	956	951	946	11,675
	Charity shop (net)	Seasonal profile	1,800	145	110	179	196	185	144	128	97	148	161	136	171	1,800
	Events	Quarterly	25	0	0	25	0	0	25	0	0	25	0	0	25	100
	Gift Aid	One time	250	0	0	0	0	250	0	0	0	0	0	0	0	250
	Local Authority contracts	Monthly - start April	185	0	0	0	185	185	185	185	185	185	185	185	185	1,665
	Legacies	Average of last two years	200	0	0	0	0	0	100	0	0	0	0	0	100	200
	Total Income			1,145	1,105	1,194	1,366	1,600	1,429	1,283	1,248	1,319	1,302	1,272	1,427	15,690
Expenditure	Payroll	Pay rise from April	4%	(898)	(898)	(898)	(934)	(934)	(934)	(934)	(934)	(934)	(934)	(934)	(934)	(11,099)
	Rent		55	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(660)
	Utilities		35	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(420)
	Depreciation	Property addition in July	28	(50)	(50)	(50)	(50)	(50)	(50)	(78)	(78)	(78)	(78)	(78)	(78)	(768)
	Other costs		145	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(145)	(1,740)
	Total Expenditure			(1,183)	(1,183)	(1,183)	(1,219)	(1,219)	(1,219)	(1,247)	(1,247)	(1,247)	(1,247)	(1,247)	(1,247)	(14,687)
Surplus / Deficit				(38)	(78)	11	147	381	210	36	1	72	55	25	180	1,003

Cash Flow Forecasting

Seasonality

Allocate 100% across the year

Take an average

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2024	Actual	149	110	17	190	182	140	131	95	145	155	138	173	1,783
2023	Actual	126	99	184	181	169	133	111	88	135	149	120	152	1,627
2024	%		8.4%	6.2%	9.8%	10.7%	10.2%	7.9%	7.3%	5.3%	8.1%	8.7%	7.7%	9.7%	100.0%
2023	%		7.7%	6.1%	10.1%	11.1%	10.4%	8.2%	6.8%	5.4%	8.3%	9.2%	7.4%	9.3%	100.0%
Average	%		8.1%	6.1%	9.9%	10.9%	10.3%	8.0%	7.1%	5.4%	8.2%	8.9%	7.6%	9.5%	100.0%

Periodic Events

Month		1	2	3	4	5	6	7	8	9	10	11	12
Mod	3	1	2	0	1	2	0	1	2	0	1	2	0

Use =MOD(value, divisor) trigger periodic events

Cash Flow Forecasting

Avoid unnecessary detail e.g. minimal impact areas where each month has a similar lag

CASH FLOW	Basis	Factor	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Total
Surplus / Deficit			(38)	(78)	11	147	381	210	36	1	72	55	25	180	1,003
Lag effects	Local authority	Reverse earned month	0	0	0	(185)	(185)	(185)	(185)	(185)	(185)	(185)	(185)	(185)	(1,665)
		Insert paid month	3	0	0	0	0	0	0	185	185	185	185	185	185	1,110
Capex	Add back depreciation		50	50	50	50	50	50	78	78	78	78	78	78	768
	Capex	New Building	(500)	(500)	(500)	(500)	(500)	(500)	0	0	0	0	0	0	(3,000)
		Other Equipment	(30)	0	0	(30)	0	(150)	(150)	0	0	(30)	0	0	(390)
VAT	VAT	Per Month	40	80	(140)	(140)	280	(140)	(140)	280	(40)	(40)	80	(40)	(40)	0
Net Cash Movement			(438)	(668)	(579)	(238)	(394)	(715)	244	39	110	183	63	218	(2,174)
Opening Balance			2,147	1,709	1,041	462	224	(170)	(884)	(640)	(601)	(491)	(308)	(245)	
Closing Balance			1,709	1,041	462	224	(170)	(884)	(640)	(601)	(491)	(308)	(245)	(27)	
Restricted funds			250	250	250	250	250	250	250	250	250	250	250	250	

VAT should gross up and be recovered leaving a timing difference

You are using Restricted Funds to help cover the General Fund

Cash Flow Visualisation

1911 Arthur Brisbane said "**Use a picture. It's worth a thousand words**"...

Excel has Charts (or is it graphs?):

- A chart is a graphic representation of data

- A graph is a diagram of a mathematical function

Ehrenberg 's view of a chart: "a means of making results clear and memorable though not good for communicating quantitative details or complex story-lines. A chart should be easy on the eye and the message it portrays should be capable of being summarised in a sentence".


Monthly Cash FLow
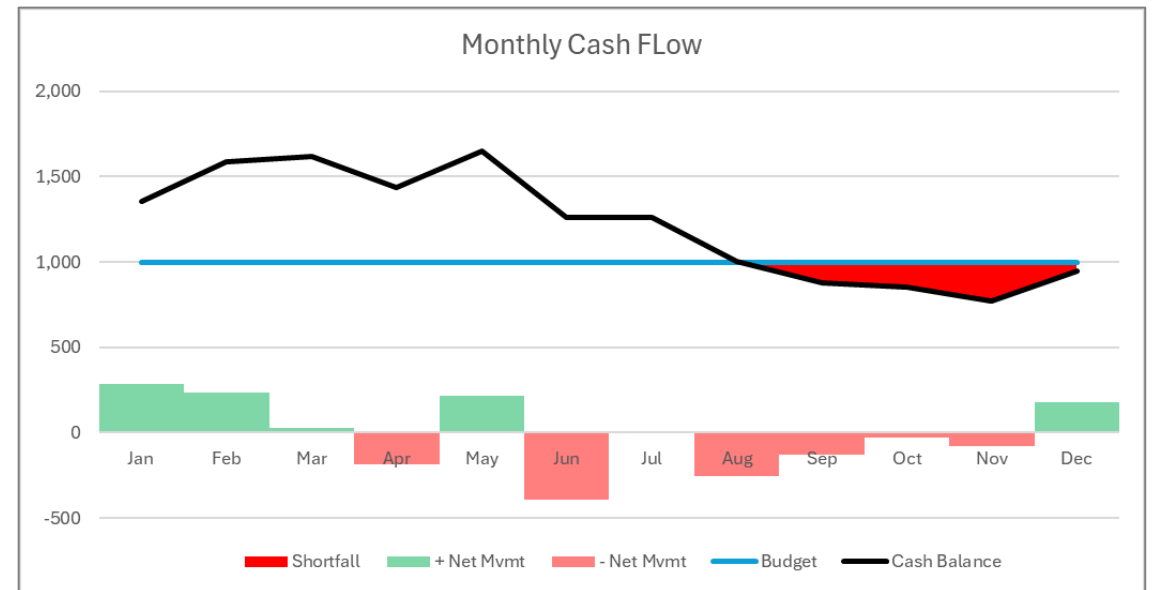
Cash Flow Visualisation

Summarise your final data ready to chart in a variety of ways.

|		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Receipts		1,017	1,103	1,234	965	1,027	988	854	1,055	1,101	964	865	1,285
Payments	Opex	(730)	(812)	(1,205)	(903)	(812)	(1,311)	(853)	(822)	(1,205)	(923)	(851)	(1,107)
	Capex	0	(56)	0	(245)	0	(67)	0	(488)	(24)	(67)	(94)	0
	Total	(730)	(868)	(1,205)	(1,148)	(812)	(1,378)	(853)	(1,310)	(1,229)	(990)	(945)	(1,107)
Cashflow	Bal B/fwd	1,066	1,353	1,588	1,617	1,434	1,649	1,259	1,260	1,005	877	851	771
	Receipts	1,017	1,103	1,234	965	1,027	988	854	1,055	1,101	964	865	1,285
	Payments	(730)	(868)	(1,205)	(1,148)	(812)	(1,378)	(853)	(1,310)	(1,229)	(990)	(945)	(1,107)
	Bal C/fwd	1,353	1,588	1,617	1,434	1,649	1,259	1,260	1,005	877	851	771	949
Movement		287	235	29	(183)	215	(390)	1	(255)	(128)	(26)	(80)	178

Start by deciding – what is the message I want to convey?

Cash Flow Visualisation

I'm never a fan of multi lines – too much to interpret and what is it telling me anyway?
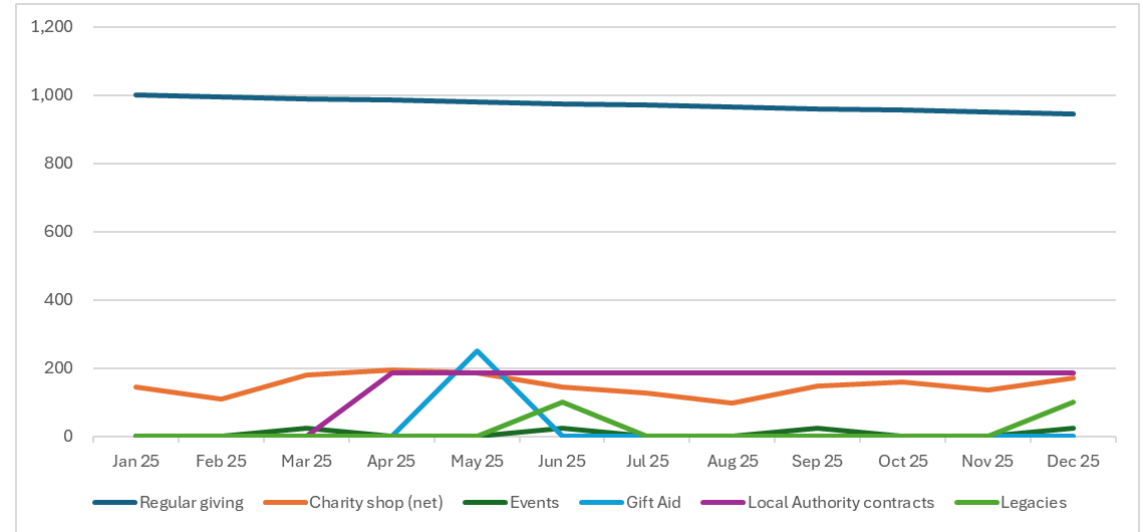
I never like stacked column charts – what have I learnt?
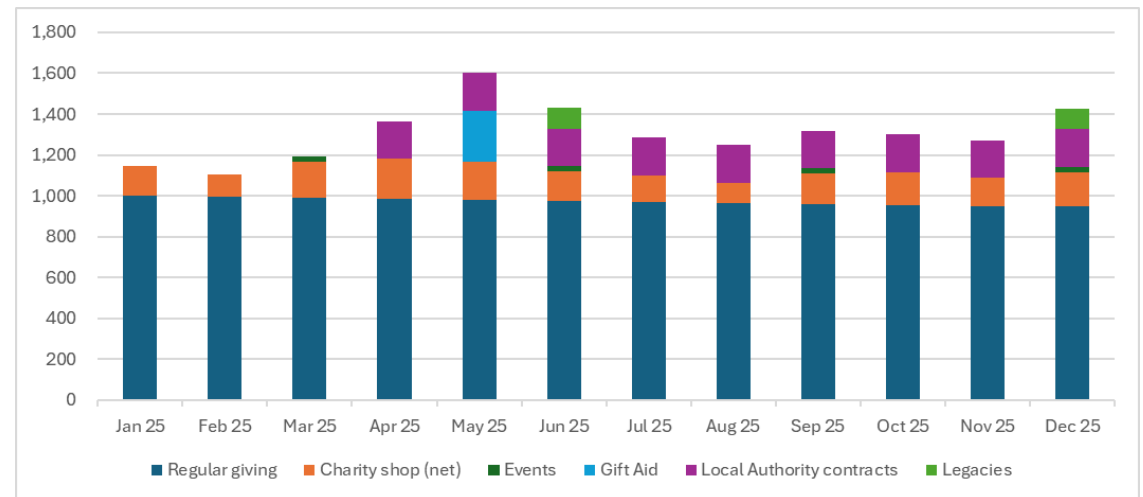
Visualisation ≠ a colourful chart

It's a way of conveying information effectively and quicker than a data table with a paragraph of text.

Cash Flow Visualisation

What is your message and thus choose the chart to help you to convey that.

A waterfall (or bridge) chart shows our net monthly position and that year end is not that far from where we began.

Monthly Cash Flow Movements
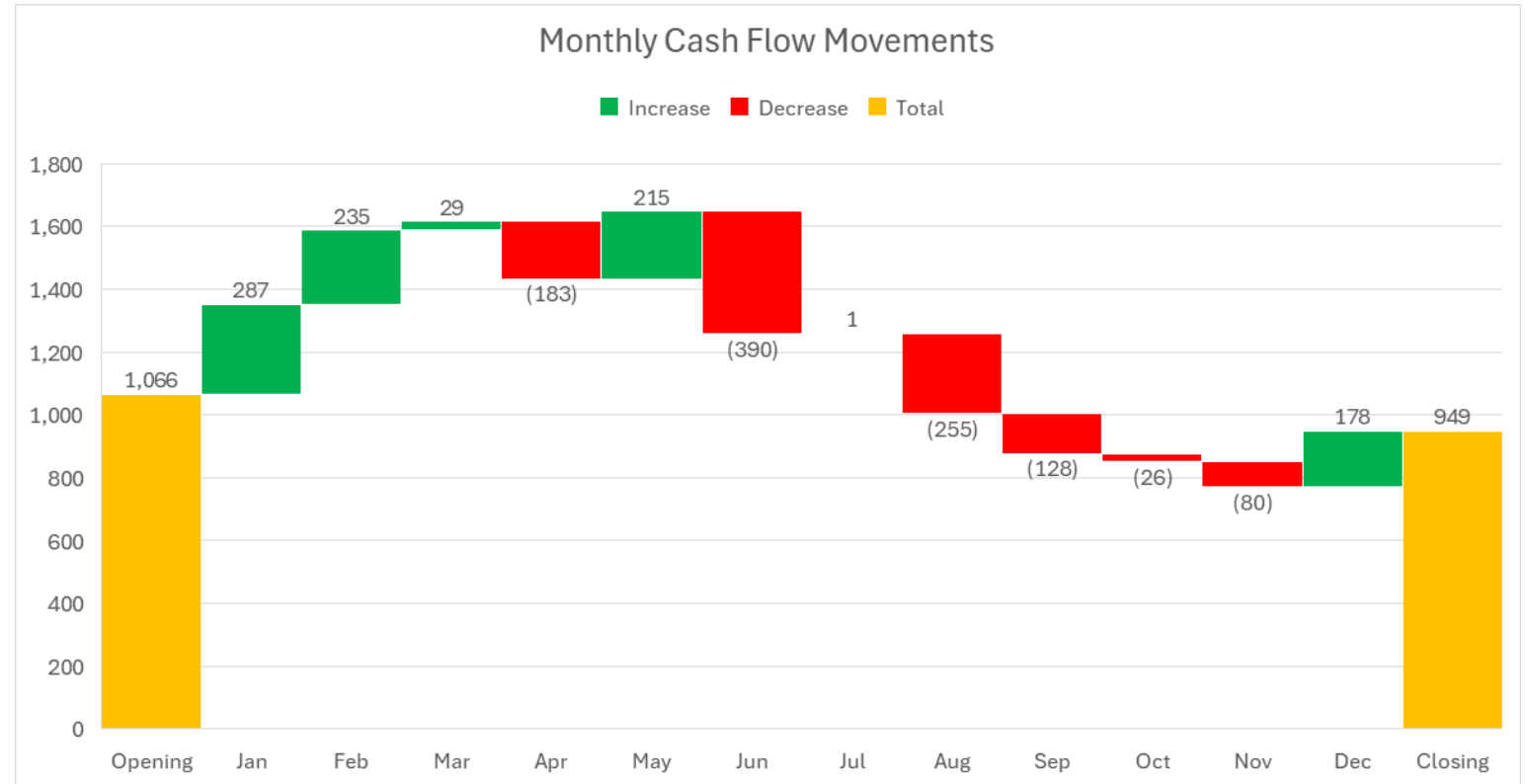
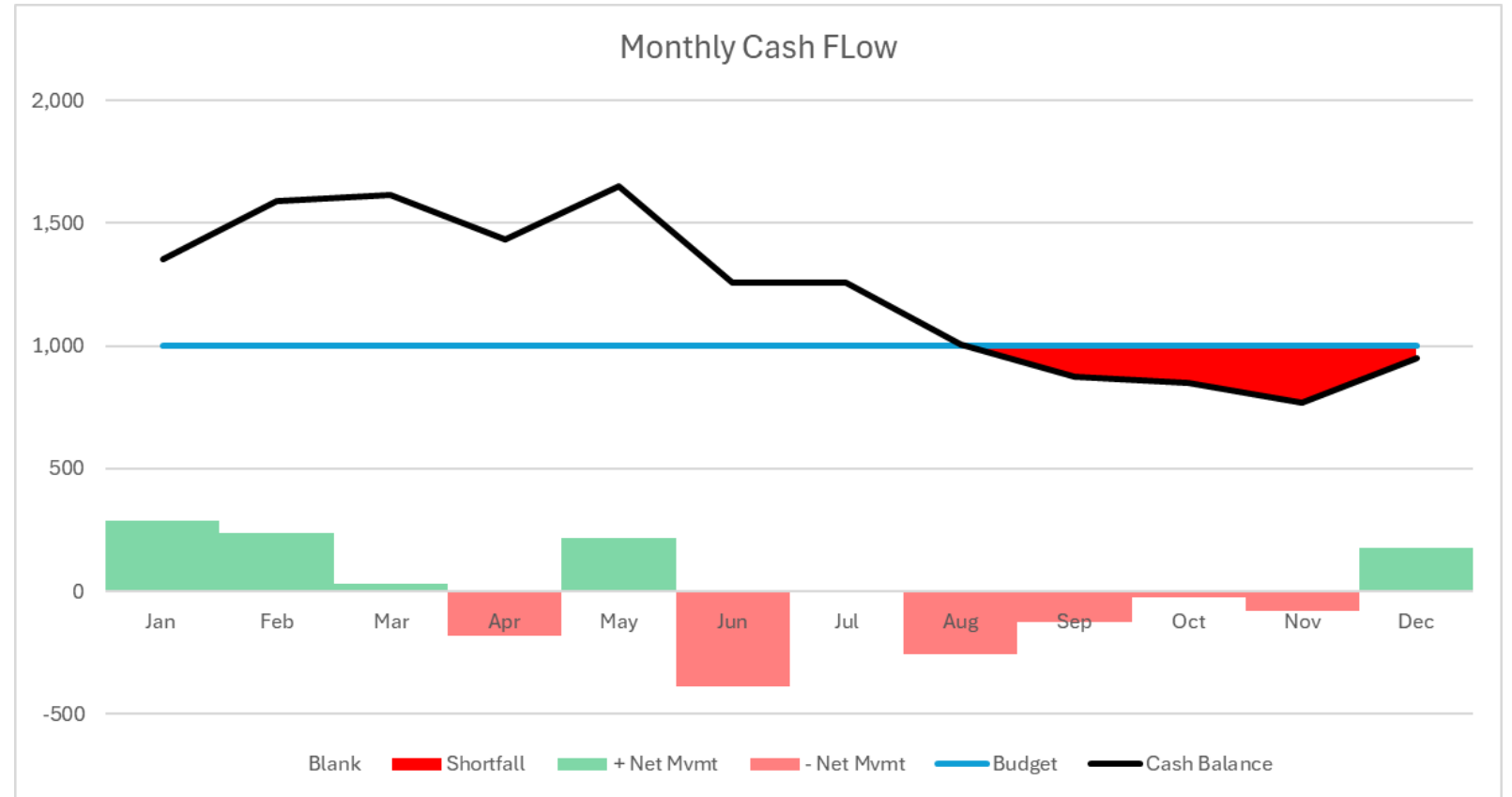|	Opening	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Closing
Movement	1,066	287	235	29	(183)	215	(390)	1	(255)	(128)	(26)	(80)	178	949

Cash Flow Visualisation

A combination of chart types shows we are running below target for three months.

Line chart for the balance

Block chart for monthly movement

Area chart to highlight the balance below target

Monthly Cash FLow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
+ Net Mvmt	287	235	29	0	215	0	1	0	0	0	0	178
- Net Mvmt	0	0	0	(183)	0	(390)	0	(255)	(128)	(26)	(80)	0
Cash Balanc	1,353	1,588	1,617	1,434	1,649	1,259	1,260	1,005	877	851	771	949
Budget	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Shortfall	0	0	0	0	0	0	0	0	123	149	229	51
Blank	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	877	851	771	949

Treasury Management

Maturity Ladder

			£,000	£,000	£,000										
			Actual	**Target**	**Difference**	**Status**									
Current			340	500	160	Shortfall									
Notice	30-60 days		250	250	-	At Target									
	60-90 days		250	250	-	At Target									
	90-120 days		250	250	-	At Target									
Bonds			2,500												
Total			3,590												

	£,000	Start	End	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26
Bonds	600	01/04/2024	31/03/2025	600	-	-	-	-	-	-	-	-	-	-	-
	600	01/07/2024	30/06/2025	600	600	600	600	-	-	-	-	-	-	-	-
	400	01/09/2024	31/08/2025	400	400	400	400	400	400	-	-	-	-	-	-
	300	01/10/2024	30/09/2025	300	300	300	300	300	300	300	-	-	-	-	-
	600	01/01/2025	31/12/2025	600	600	600	600	600	600	600	600	600	600	-	-
Invested	2,500			2,500	1,900	1,900	1,900	1,300	1,300	900	600	600	600	-	-
Becoming available				600	-	-	600	-	400	300	-	-	600	-	-

Build a maturity ladder. Set targets for access levels.

Use the better rates for longer term bonds by having their maturity staggered so a quarter becomes available each quarter.
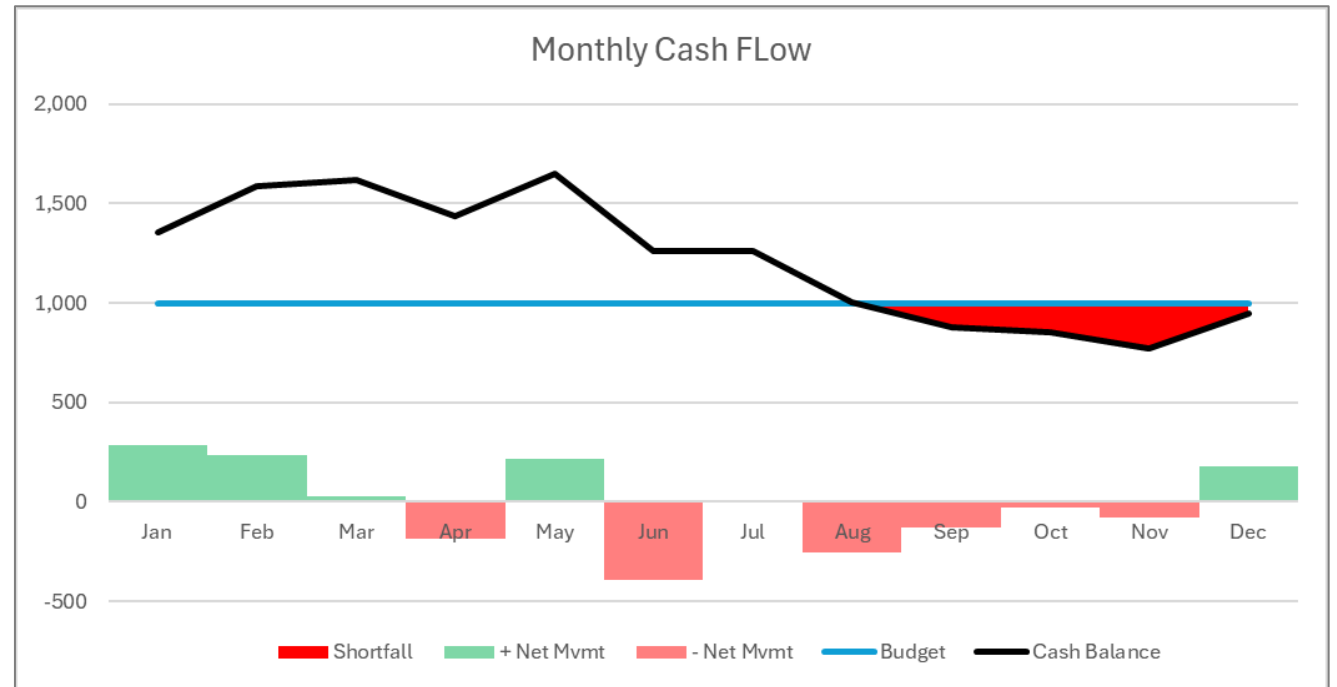
Cash Flow Top Tips

One version of future   Align your cash flow with your budgets (operational and capex)

Err on the side of caution   Better to have too much cash (lost interest opportunity) than be out of cash

Rest of the year is not long enough   Keep a rolling 12 months and preferably as part of a three year plan – early warning of impending problems allows for planning

Consider investments   Where there are reserves that will be rarely used a better return may be achieved in an investment fund. However, access may be required during crisis (pandemic) when markets may be low and losses become realised

Avoid single point assumptions   Stress test with alternative scenarios to ensure robust plans are presented

No Surprises   Trustees hate surprises – keep them informed should a situation develop

Build Your Own

Best way is to have a go yourself

Need help? Just email me at:

John-tennent@corporateedge.co.uk

Questions