

# 13: an important cashflow number

Why a cashflow forecast is key in times of uncertainty



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## Why do we use a 13-week cashflow model?

A 13-week period will typically capture the most important financial figures. This will include weekly and monthly receipts and payments, quarterly payments such as VAT, as well as rent and interest charges.

Monthly and quarterly payments are often seen as the most important and, by incorporating cycles into reporting, management teams will be able to identify peaks and troughs over the period, and ensure these can be planned for moving forward.

Extended forecasts may be required for seasonal businesses

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I know what receipts and payments for the next few weeks will be, but how do I forecast beyond that?

The forecast for the first few weeks will always be the most accurate. As the current debtor, creditor and stock position unwinds, management teams will sometimes need to make assumptions for the latter part of the 13-week period.

To do this as accurately as possible, it is wise to look at historic trends. Assumptions that are based on previous activity can be reasonably supported and, for those occasions where a judgement call needs to be made, we would recommend this is discussed with the wider management team. That way, the whole organisation takes ownership of the model and the accuracy and ability to forecast will improve over time.

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We are clear on how to forecast in normal times, but the financial uncertainty makes forecasting difficult

Many costs such as utility supplies and stock have seen a significant increase recently. Debt collection may also be proving more difficult as clients may also be feeling the squeeze of higher costs.

However, it is even more important in times of uncertainty that cashflow is closely monitored over a 13-week period and doing so may mean that significant issues are identified in advance.



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## What other immediate steps should management take?

Stakeholder management is of vital importance in any crisis. Management teams must have regular contact with customers, suppliers, contactors, employees and funders to ensure all parties have the information they need at the time they need it most.

Trust is also a key factor in stakeholder management and during a time of crisis it can be easily broken. This is why communication is so important, and management teams should only commit to payments when there is overall visibility of the businesses' position and its ability to do so.

Management should record all key decision making.

# 13-week cash flow forecast example

Please feel free to use the template below and discuss with your accountant

|                                                    | Week 1          | Week 2          | Week 3          | Week 4          | Week 5          | Week 6           | Week 7           | Week 8           | Week 9           | Week 10          | Week 11          | Week 12          | Week 13          |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>£</b>                                           |                 |                 |                 |                 |                 |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Cash Receipts</b>                               |                 |                 |                 |                 |                 |                  |                  |                  |                  |                  |                  |                  |                  |
| Unwind of aged debtors                             | 40,000          | 30,000          | 20,000          | 10,000          | 10,000          | 10,000           | 5,000            | 5,000            | 2,000            | 2,000            | -                | -                | -                |
| New sales                                          | -               | -               | -               | -               | -               | 150,000          | 160,000          | 170,000          | 180,000          | 190,000          | 200,000          | 210,000          | 220,000          |
| Other receipts                                     | -               | -               | -               | -               | -               | -                | -                | -                | -                | -                | -                | -                | -                |
| <b>Total Cash Receipts</b>                         | <b>40,000</b>   | <b>30,000</b>   | <b>20,000</b>   | <b>10,000</b>   | <b>10,000</b>   | <b>160,000</b>   | <b>165,000</b>   | <b>175,000</b>   | <b>182,000</b>   | <b>192,000</b>   | <b>200,000</b>   | <b>210,000</b>   | <b>220,000</b>   |
| <b>Cash Payments - Business as Usual</b>           |                 |                 |                 |                 |                 |                  |                  |                  |                  |                  |                  |                  |                  |
| Unwind of aged creditors                           | (30,000)        | (27,000)        | (24,000)        | (21,000)        | (18,000)        | (15,000)         | (12,000)         | (9,000)          | (6,000)          | (3,000)          | -                | -                | -                |
| New supplier payments                              | -               | -               | -               | -               | -               | (90,000)         | (96,000)         | (102,000)        | (108,000)        | (114,000)        | (120,000)        | (126,000)        | (132,000)        |
| Payroll                                            | -               | (30,000)        | -               | -               | -               | (30,000)         | -                | -                | -                | (30,000)         | -                | -                | -                |
| PAYE arrears                                       | -               | -               | (9,000)         | -               | -               | -                | -                | -                | -                | -                | -                | -                | -                |
| PAYE current                                       | -               | -               | -               | -               | -               | -                | (9,000)          | -                | -                | -                | (9,000)          | -                | -                |
| Rent                                               | -               | (25,000)        | -               | -               | -               | -                | -                | -                | -                | -                | -                | -                | -                |
| Rates                                              | -               | (1,000)         | -               | -               | -               | (1,000)          | -                | -                | -                | -                | (1,000)          | -                | -                |
| Overheads                                          | (2,000)         | -               | -               | -               | -               | (2,000)          | -                | -                | -                | (2,000)          | -                | -                | -                |
| Direct debits                                      | (500)           | -               | -               | -               | -               | (500)            | -                | -                | -                | (500)            | -                | -                | -                |
| VAT arrears                                        | -               | -               | (35,000)        | -               | -               | -                | -                | -                | -                | -                | -                | -                | -                |
| Bank loan - repayments                             | (10,000)        | -               | -               | -               | -               | (10,000)         | -                | -                | -                | (10,000)         | -                | -                | -                |
| Bank loan - interest                               | (500)           | -               | -               | -               | -               | (500)            | -                | -                | -                | (500)            | -                | -                | -                |
| Contingency                                        | (1,000)         | (1,000)         | (1,000)         | (1,000)         | (1,000)         | (1,000)          | (1,000)          | (1,000)          | (1,000)          | (1,000)          | (1,000)          | (1,000)          | (1,000)          |
| <b>Total Cash Payments</b>                         | <b>(44,000)</b> | <b>(84,000)</b> | <b>(69,000)</b> | <b>(22,000)</b> | <b>(19,000)</b> | <b>(150,000)</b> | <b>(118,000)</b> | <b>(112,000)</b> | <b>(115,000)</b> | <b>(161,000)</b> | <b>(131,000)</b> | <b>(127,000)</b> | <b>(133,000)</b> |
| <b>Net Cash Flow - with cash payments as usual</b> | <b>(4,000)</b>  | <b>(54,000)</b> | <b>(49,000)</b> | <b>(12,000)</b> | <b>(9,000)</b>  | <b>10,000</b>    | <b>47,000</b>    | <b>63,000</b>    | <b>67,000</b>    | <b>31,000</b>    | <b>69,000</b>    | <b>83,000</b>    | <b>87,000</b>    |
| Opening Balance                                    | 100,000         | 96,000          | 42,000          | (7,000)         | (19,000)        | (28,000)         | (18,000)         | 29,000           | 92,000           | 159,000          | 190,000          | 259,000          | 342,000          |
| <b>Closing Balance</b>                             | <b>96,000</b>   | <b>42,000</b>   | <b>(7,000)</b>  | <b>(19,000)</b> | <b>(28,000)</b> | <b>(18,000)</b>  | <b>29,000</b>    | <b>92,000</b>    | <b>159,000</b>   | <b>190,000</b>   | <b>259,000</b>   | <b>342,000</b>   | <b>429,000</b>   |
| Overdraft                                          | (250,000)       | (250,000)       | (250,000)       | (250,000)       | (250,000)       | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        |
| <b>Headroom</b>                                    | <b>346,000</b>  | <b>292,000</b>  | <b>243,000</b>  | <b>231,000</b>  | <b>222,000</b>  | <b>232,000</b>   | <b>279,000</b>   | <b>342,000</b>   | <b>409,000</b>   | <b>440,000</b>   | <b>509,000</b>   | <b>592,000</b>   | <b>679,000</b>   |
| <b>Net Cash Flow</b>                               | <b>(4,000)</b>  | <b>(54,000)</b> | <b>(49,000)</b> | <b>(12,000)</b> | <b>(9,000)</b>  | <b>10,000</b>    | <b>47,000</b>    | <b>63,000</b>    | <b>67,000</b>    | <b>31,000</b>    | <b>69,000</b>    | <b>83,000</b>    | <b>87,000</b>    |
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| <b>Closing Balance</b>                             | <b>96,000</b>   | <b>42,000</b>   | <b>(7,000)</b>  | <b>(19,000)</b> | <b>(28,000)</b> | <b>(18,000)</b>  | <b>29,000</b>    | <b>92,000</b>    | <b>159,000</b>   | <b>190,000</b>   | <b>259,000</b>   | <b>342,000</b>   | <b>429,000</b>   |
| Overdraft                                          | (250,000)       | (250,000)       | (250,000)       | (250,000)       | (250,000)       | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        | (250,000)        |
| <b>Headroom</b>                                    | <b>346,000</b>  | <b>292,000</b>  | <b>243,000</b>  | <b>231,000</b>  | <b>222,000</b>  | <b>232,000</b>   | <b>279,000</b>   | <b>342,000</b>   | <b>409,000</b>   | <b>440,000</b>   | <b>509,000</b>   | <b>592,000</b>   | <b>679,000</b>   |

# Our team

For free of charge initial advice, please feel free to reach out to any of our Teesside advisory team



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