Involving Communities Ltd

Financial Planning and Control.

http://involvingcommunities.co.uk

Once your business plan has been written and clear plans have been set out for the future, financial forecasts can then be drafted which summarise, in financial terms, what this will mean for your organisation.

Financial planning and control can be split into 3 key areas:

Budgeting. Financial Forecasts. Monitoring Performance

1. Budgeting

Setting targets for income and expenditure for the next 12 months

Income forecasts will normally start from information such as planned opening hours, the number and ages of the children likely to attend and fee income rates

Cost forecasts will be calculated from the number of staff needed, their hourly rates, hours worked, rent and rates payable

Ultimately the budget set will generate a profit and loss forecast

2. Financial forecasts

Profit and loss forecasts

Summarise the income and expenditure likely for the setting for 2 to 3 years ahead

Income is shown when it is earned by services offered, costs are included as they relate to that income and so a monthly forecast and annual profit or loss can be predicted

Cash flow forecasts

These are related to the profit and loss forecasts but instead of forecasting income and expenditure they predict when the cash is likely to be received into and paid out of the organisation's bank account

The bottom line of a cash flow forecast predicts what is likely to happen to the organisation's bank balance

Good cash flow forecasting is crucial to make sure that the organisation does not run out of cash

3. Monitoring performance

As part of the budgeting process you are setting targets for what should be achieved

With monitoring performance you are comparing actual levels of income and expenditure with the forecast, investigating and correcting any variances, feeding back the results, and if necessary, amending the plan