

CHAPTER

13

MANAGING PROJECT CASH FLOW

TEAM PRAYER

Generous God, we thank you for Your abundant blessing and all that you have entrusted us with. By your Spirit we pray for gifts of wisdom and foresight when making these important financial decisions in our Church. Amen

Once you have successfully managed to obtain sufficient funding for your building project for it to become a reality, one of the biggest problems you may find will be managing the cash flow while the works are in progress. Cash flow refers to how money flows in and out of the project, and how much money you have in hand at any one time. Few funders pay the whole grant amount up front, which means that sometimes, without careful planning, you will suffer cash flow problems.

One of the most important things to consider is organising your cash flow so that you can pay any contractor in a timely manner when they submit an invoice. They may have a workforce who need to be paid or materials that need to be paid for. Organise your cash flow so that the contractor is not put in a difficult position. They deserve to be paid in a prompt and timely manner.

Firstly though, you need to be aware of the different types of funding a project may require, that funders may or may not offer. You will be receiving some money for the development and building stage and other money for the longer-term running of the project.

Having your own reserves is important. Many funders will expect your community group to make a small financial contribution to the project anyway – perhaps 10%. However, this reserve may also prove useful for your cash flow too as it may help you have money in hand when you need it. As was mentioned in Chapter 11, the Listed Places of Worship Grant Scheme can also be useful here too.

BUILDING PROJECT CASH FLOW

Having more than one funder may feel more complicated than it needs to be, however, if they have different payment schedules, this can be a benefit. Funder A may release 50% of their grant money at the start of the project, while Funder B will only release grant money against paid expenditure. This means that you can use the first grant payment from Funder A to pay the first invoices you receive. These then become ‘paid’ invoices, which enables you to claim a grant payment against them from Funder B. This money then enables you to pay more invoices, and so on.

CASE STUDY

ST MARY MAGDALENE, ALSAGER, DIOCESE OF CHESTER, COFE

www.stmarysalsager.org

Population: 11,775 (2011 Census)

The small market town of Alsager in Cheshire is close to Stoke-On-Trent. Its Grade II church had no toilet or kitchen facilities, and needed to use its east-end vestries for children's work. The village also had no other real capacity for community events.

Completed in 2011, a major reordering of the church helped consolidate the parish's relationship with the local community and raise its profile.

The church was re-ordered internally – comfortable chairs replaced the pews and kitchen, toilet and office facilities were added along with AV equipment and a nave altar. A new complex at the west end (the West Room) consists of a meeting room/ choir vestry, kitchen, three toilets (including disabled) and an upstairs office and storage. Capacity was also built in to create a first floor room over the new meeting room if this is required in the future.

The acoustics are excellent and there is a good sound reinforcement system. The building comfortably holds 350-400 seated. Both the church itself and the West (10-15 people) and McDonald (over 20 people) rooms are now used not only for services and quiet prayer but also for meetings, classes, concerts, exhibitions and fund-raising events – by schools, charitable organisations.

Alsager Music and Arts and other non-profit organisations use the venue and letting is administered by Open Door, the church's enrichment project. There are no charges for use by charities or for charitable fund-raising. St Mary's is a Fairtrade Church and on most Sundays there is also a small Fairtrade stall in church.

CASH FLOW FORECASTS – CAPITAL AND REVENUE

Cash flow forecasting is the estimation of income and expenditure of your project over a given period (including timings and amounts). It is a tool to plan the project's expected **budget** over the length of the project.

Capital Cash Flow

You must work with your architect to ensure, that while it can never be 100% accurate, it does provide an indication of where financial problems may occur and gives you time to plan and manage any financial risks.

Forecasting is based on past performance and on 'best guess' information regarding figures and the knowledge of your professional adviser, your architect. As time goes by, forecasts should be checked against actual performance to make sure no significant variance has occurred.

Project Delivery Phase Cash Flow

	St. Anychurch Project ref. 2407.01 Oct-17								VAT Rate	20%
	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Jun-18	Jul-19	COSTS	
Construction Costs										
Architects Fees	£500.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£0.00	£518.00	£10,618.00
CDM Principal Designer Fees	£0.00	£100.00	£100.00	£100.00	£100.00	£100.00	£0.00	£500.00	£0.00	£1,000.00
Quantity Surveyors Fees	£0.00	£300.00	£300.00	£300.00	£300.00	£300.00	£0.00	£1,000.00	£0.00	£2,500.00
Professional Fees Sub Total	£500.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00	£1,600.00	£1,500.00	£518.00	£14,118.00
VAT @20% (Fees)	£100.00	£400.00	£400.00	£400.00	£400.00	£400.00	£320.00	£300.00	£103.60	£2,823.60
Stage 2 Contract Works										
Splitlath Building Conservation	£0.00	£25,788.63	£49,527.77	£47,670.13	£41,135.54	£15,235.65	£25,788.64	£5,398.59	£5,398.59	£215,943.54
Contingency Expenditure*	£0.00	£4,166.66	£4,166.66	£4,166.66	£4,166.66	£4,166.66	£4,166.70	£5,398.59	£5,398.59	£25,000.00
Total contract sum + Contingency	£0.00	£29,955.29	£53,894.43	£51,836.79	£45,302.20	£19,402.31	£29,955.34	£5,398.59	£5,398.59	£240,943.54
VAT @20% (Contract + Contingency)	£0.00	£5,991.06	£10,738.89	£10,367.36	£9,060.44	£3,880.46	£5,991.07	£1,079.72	£1,079.72	£48,188.71
Construction monthly expenditure	£600.00	£38,346.35	£66,833.32	£64,604.15	£56,762.64	£25,682.77	£37,866.41	£8,278.31	£7,099.91	£308,073.85
Activity Costs										
Activity Costs	£1,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£1,000.00	£0.00	£0.00	£2,000.00
Equipment and Materials (activity)	£1,500.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£1,500.00
Professional Fees relating activity	£720.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£720.00
Other Costs										
Inflation ¹	£7,180.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£7,180.00
Volunteer Time	£250.00	£0.00	£0.00	£0.00	£0.00	£250.00	£0.00	£0.00	£0.00	£500.00
Total Activity and other costs	£10,650.00	£0.00	£0.00	£0.00	£0.00	£250.00	£1,000.00	£0.00	£0.00	£11,900.00
VAT Activity and other costs	£2,130.00	£0.00	£0.00	£0.00	£0.00	£500.00	£200.00	£0.00	£0.00	£2,380.00
Activity and other monthly expenditure	£12,780.00	£0.00	£0.00	£0.00	£0.00	£300.00	£1,200.00	£0.00	£0.00	£14,280.00
Total Monthly expenditure	£13,380.00	£38,346.35	£66,833.32	£64,604.15	£56,762.64	£25,982.77	£39,066.41	£8,278.31	£7,099.91	£320,353.85
Delivery Phase Income										
HLF Grant	£96,750.00				£77,400.00			£19,350.00		£193,500.00
LPOW (VAT)	£0.00	£2,870.60	£6,391.06	£11,138.89	£10,787.36	£9,460.44	£4,330.46	£6,511.07	£1,379.72	£51,469.87
Parish reserves	£0.00			£31,000.00	£10,000.00		£31,321.00		£0.00	£10,000.00
Other Fundraising										£62,321.00
Volunteer Time	£250.00								£250.00	£500.00
Total Monthly Income	£97,000.00	£2,870.60	£6,391.06	£42,138.89	£98,167.36	£9,460.44	£35,651.46	£26,111.07	£1,379.72	£320,353.91
Running Monthly Balance	£97,000.00	£86,490.60	£54,535.31	£29,840.88	£63,404.09	£16,101.89	£25,770.58	£12,815.24	£5,916.65	£0.06

Notes:

* included within tendering sum. Excluded within cashflow

** Included outwith tender sum in the event that commencement cannot be until spring 2018 due to bat hibernation constraints



Fig 7 Cash Flow Template spreadsheet for a building project

Revenue (Future) Cash Flow

Community use of a church building will incur various expenses including utilities, insurance costs, and ongoing maintenance.

As part of your business planning you will have identified these (Chapter 8). Plan to review these costs on a regular basis so you can assess whether you need to make changes to any sources of income the project generates. Rental fees should keep in line with inflation and will have to go up along with all your other costs will. You should have already considered this as part of the **business planning stage** and when looking at the **project's economic sustainability**.

The below table is an example of a cash flow forecast for a community group with a small pot of funding.

Expenditure	Jan (£)	Feb (£)	Mar (£)	Apr (£)	May (£)	Jun (£)	Total (£)
Rent	200	200	200	200	200	200	
Phone	50			50			
Gas/Electric		30			30		
Insurance			200				
Total	250	230	400	250	230	200	1560
Income							
Subs	40	40	40	40	40	40	
Grant						5000	
Total	40	40	40	40	40	5040	5240

(Example from the Community Accountancy Service www.c-a-s.org.uk)



In the example below, the group's total expenditure over the next six months is well below their income for the period (£1,520 compared to £5,240). However, because the grant doesn't come in until the end of the period (June), there is a risk that their bank account becomes overdrawn before they receive the grant.

By using cash flow forecasting in this way, the group or organisation can identify a possible shortfall in its finances and take steps to remedy the situation before it becomes a problem. With a bit of planning and forward thinking, it's possible to be able to keep cash flow problems to a minimum.

TOP TIPS



- Set up a spreadsheet or table with known dates of when you'll need to pay out money, and when you can claim it from funders. Visualising the cash flow will illustrate any potential difficult periods.
- If you have different funders paying for different elements of your project, write on the back of the receipt/invoice which funder you can claim this expenditure from.
- Give each receipt a unique sequential number as you receive it. (001, 002, 003, etc.) Then you can record when you received it, when it was paid, and which funder's grant you claimed it against.

CHAPTER 13 CHECKLIST 

Have you planned how your funder's payment/claim systems will affect your cash flow?

Have you established what your project's future cash flow and financial commitments will be, once it is up and running?



Farmers' Market in Deddington church © Judy Ward July 2013