**Narrative for Cashflow Report for**

**Jan 2017**

Following the January re-forecast, cashflow is now looking good across the whole year. The forecast deficit in March and April has been reconciled and is no longer predicted to be a problem.

The two main issues that have been dealt with from the last forecast are that the falling rolls income payment was forecast incorrectly. This year we have budgeted £714,162, so at the time of completing the first forecast, and based on the information I had (we get the money in March), we forecast the full amount in march. I have since analysed the falling rolls thoroughly, including the payment schedule, and found that we already had almost £300,000 of this years’ allocation in the bank which was paid last year and brought forward as it was allocated to this years’ budget. We are due to receive £520,00 in March, some of which will be allocated to this year and some will be taken forward as it is allocated to next years’ budget. This is because ECC make the payments based on the financial year and then they are adjusted to the academic year.

The other major issue in the initial forecast was linked to the “Creditors from last year” item. This had a total of £665,323 and I was advised to show this all going out in September (which I did), as it was payments that would have been made straight away relating to the end of the previous year.

When doing the cashflow in September and October, we worked from the bank statements to record income and expenditure against the correct category. In doing so I recorded some large payments (mainly to the CIF EFA project categories), to the correct group, but they were then duplicated with the September creditors from last year group, effectively counting the expenditure twice.

It became obvious that each month our actual bank balance was significantly higher than the predicted so we were not in a bad position as predicted.

Having corrected the expenditure and left it showing against it’s correct cost group and not the creditors from last year as well, the figures aligned far more accurately. I then discussed the issue with Essex Finance to double check the accuracy, and they agreed that the revised expenditure profiling was correct. They also said it doesn’t matter if the September expenditure is broken into groups or all shown against creditors from last year, but in future forecasts it will be one or the other not both.

For the January re-forecast I profiled Sept-Dec expected payments to be the same as the actuals. This gave us a clear idea of how much was left to spend in each of the categories. I then forecast the Jan-Aug expenditure based on this information to profile expected cashflow as accurately as possible for the rest of the year.

The next re-forecast is due to be completed in April.