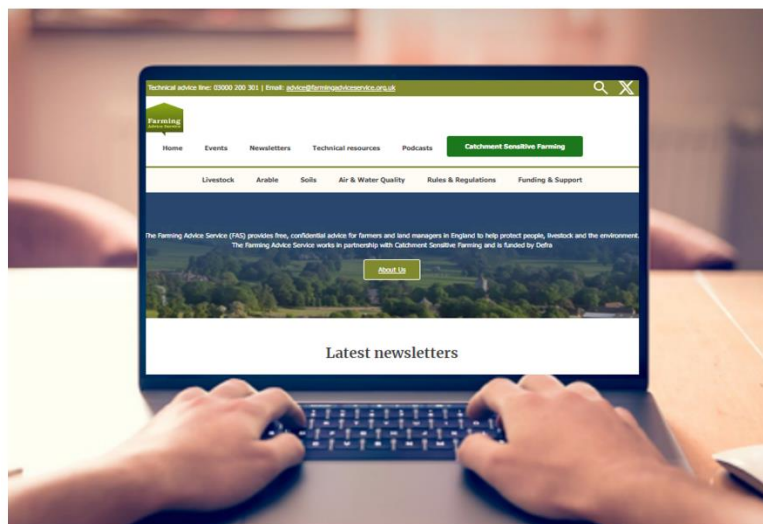


FAS Webinar: Thursday 18th December 4-5:15pm

Farm Finance Planning in 2026



Webinar agenda



- Cashflow Budgeting - Kev Bevan
- Making Tax Digital - Gary Craig
- Farming Toolkit For Assessing Nature Market Opportunities – Laura Harpham

The most important budget – a cashflow

18th December 2025

Kev Bevan

Overview



- Why do a cashflow budget?
- How?

Why budget?

English farmers are dealing with an uncertain world

- The switch from BPS to public goods payments (mainly SFI)
- Price volatility
- Input cost inflation and spikes
- Variable weather
- Top performers are generally good budgeters
- The bank manager!

Why budget?

**“Lack of profit is like a cancer,
it kills (a business) slowly.**

**Lack of cash flow is like a heart attack.
It kills quickly.”**

Theo Paphitis (of Dragon’s Den)



What are you looking for?



- How bank balance changes in the short term (coming year)
- Will there be an overall surplus (positive net cashflow)?

Farm in Numbers

Annual Income

£130k

Annual Expenditure

£125k

Surplus

£5k

£

£

£

£

Micawber's Cashflow Lesson for Farmers

Spend less than you earn –
and you'll find happiness.

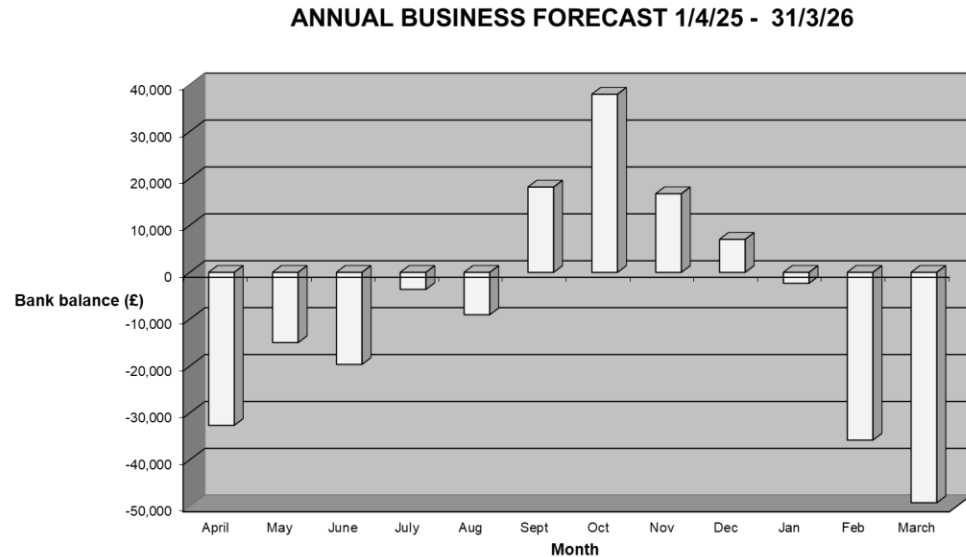
Spend just a little more –
and you'll find *misery*.

–Wilkins Micawber

What are you looking for?

Besides the annual balance, when will cash be tight?

i.e., What is likely to happen to your bank balance?



Doing a Budget

Annual Income

?

Annual
Expenditure

?

Surplus

?

£

£

£

Cashflow
Budget

Income

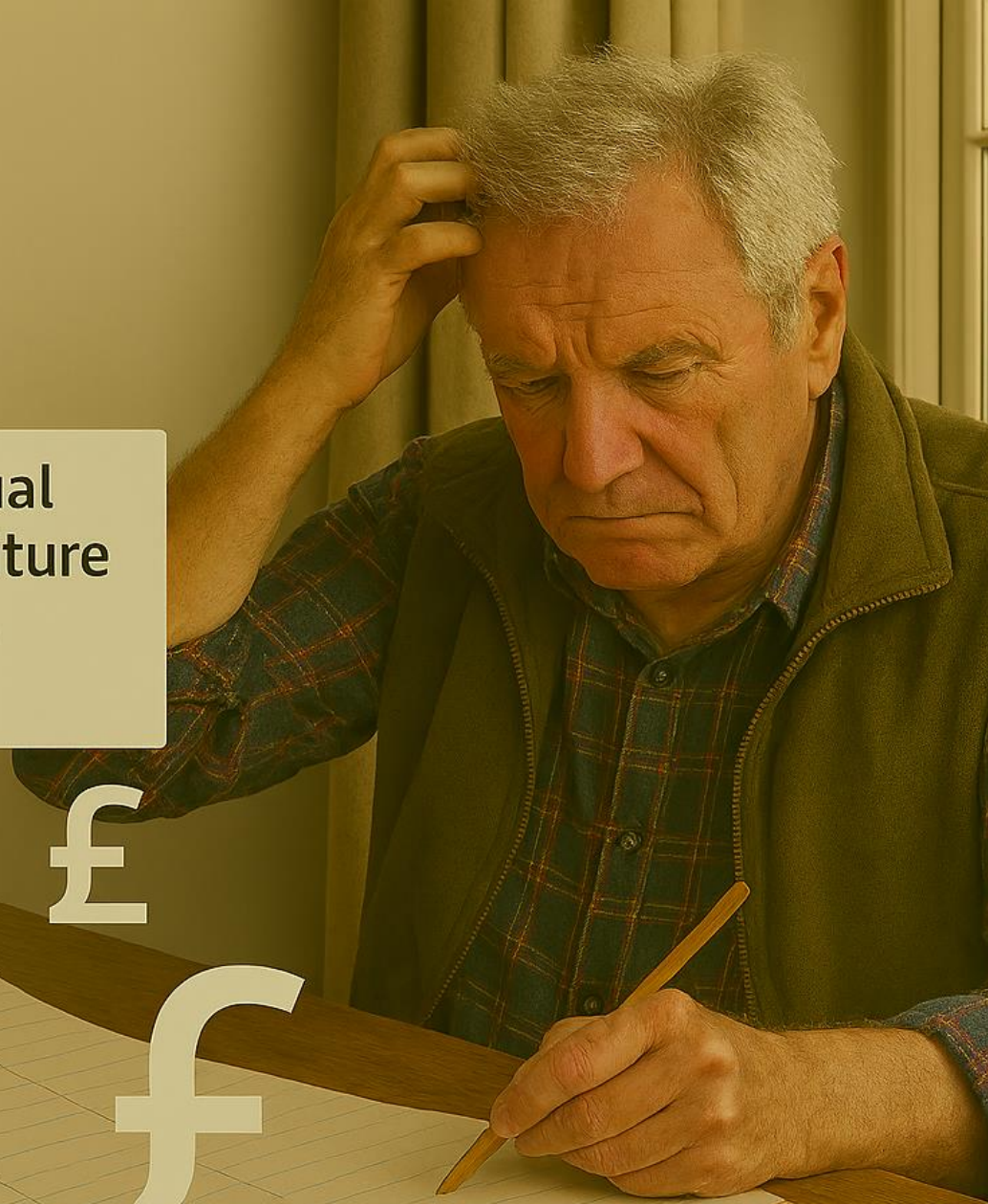
Milk sales
Household sales
Compensation
Subsidies

Expenditure

21
58
47

37
47
42

Each morning



Guiding principle – all cash in all cash out



- Cash in
 - Income from trading (eg, cattle sales, holiday lets, SFI)
 - Income from capital sales (eg, land)
 - Income from savings (capital introduced)
- Cash out
 - Spending on trading (eg, fertiliser, vet & med, rent, loan interest)
 - Capital spending (eg, new buildings, machinery, loan repayments)
 - Personal spending (eg, drawings, tax, pension, capital withdrawn)

When it goes through the bank

- Calculation of **profit** and **change in net worth** requires extra work

Top tips



- Don't let perfect be the enemy of good
- Use several drafts rather than trying to get it right first time
- Build in a Plan B and C (contingency planning)

And, above all, remember.....

A scenic landscape featuring a stone house with a tiled roof and two chimneys, situated in a lush green field. A large, leafy tree stands to the right of the house. In the foreground, a stone wall runs across the frame, and a dirt path leads towards the house. The background shows rolling green hills under a sky with soft, white clouds.

Plans are nothing;
planning is everything.

—Eisenhower

Example and templates

- Example to demonstrate
- AHDB free template
- Subscription templates
 - (eg, Xero, Sage)
 - General forecasting Apps (eg, float, FUTRLI)
 - Farm specific Apps (eg, Figured)

ANNUAL BUSINESS FORECAST

1/4/25 - 31/3/26

CASH FLOW

John Williams, Pinetree Farm

Scenario: Baseline forecast

	Annual Balance	Balance to allocate	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	
Store lamb sales	27000	0								9000	18000				27,000
Finished lamb sales	102600	0					22800	34200	45600						102,600
Breeding sheep sales	0	0													0
Cull sheep sales	21250	0					16850						4400		21,250
Wool sales	1280	0					1280								1,280
Suckled calf sales	69550	0	69550												69,550
Store cattle sales	0	0													0
Finished cattle sales	2416	0	2416												2,416
Breeding beef cattle sales	0	0													0
Cull beef sales (incl. bulls)	20900	0						19200		1700					20,900
Basic Payment	3400	0									3,400				3,400
Government public goods schemes income	8000	0			2,000			2,000			2,000			2,000	8,000
Private sector public goods schemes income	0	0													0
Agricultural contracting	400	0			400										400
Other Trading Income	360	0						360							360
Farm diversification income	8400	0	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Machinery Sales	0	0													0
Capital sales	0	0													0
New loans (including family)	0	0													0
Capital grants	3000	0										3,000			3,000
Personal capital introduced	0	0													0
Output VAT			140	140	220	140	396	140	140	140	140	140	140	140	2,016
VAT Reclaimed			667	6,696	7,587	2,281	2,616	3,431	1,281	1,766	867	961	916	1,287	30,359
TOTAL RECEIPTS			73,473	7,536	10,907	3,121	44,642	60,031	56,721	22,306	7,107	4,801	6,156	4,127	300,931
PAYMENTS			April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	
Sheep purchases	5950	0					5,950								5,950
Beef cattle purchases	5500	0								5,500					5,500
Sheep concentrates	10240	0	790											9,450	10,240
Beef concentrates	7475	0										1,245	1,245	1,250	7,475
Roughages	11000	0						11,000		1,245	1,245	1,245	1,245		11,000
Seasonal grazings & winterings	0	0													0
Vet & Med	14500	0	2,000	750	3,000		2,500		2,500		1,500		2,250		14,500
Other livestock expenses	22500	0	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	22,500
Forage seed	1000	0			1,000										1,000
Forage fertiliser & lime	26000	0	20,000		2,500		3,500								26,000
Forage sprays	550	0			550										550
Other forage expenses	1700	0		500			600		600						1,700
Diversification trading costs	1800	0	450			450			450				450		1,800
Casual/relief labour	750	0	750												750
Regular labour	32000	0	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,666	2,674	32,000
Paid directors (Ltd company)	0	0													0
Machinery repairs	9000	0		2,000		3,500			2,000			1,500			9,000
Farm vehicle repairs	2500	0		500		500			500		500			500	2,500
Farm vehicle fuel	2000	0	166	166	166	166	166	166	166	166	166	166	166	174	2,000
Machinery fuel & oil	6000	0		1,500		1,500			1,500		1,500		1,500		6,000
Electricity	900	0		225		225			225		225		225		900
Domestic heating fuel	2600	0			500			700						700	2,600
Contracting & hire	14000	0			3,000		11,000		700		700				14,000
Livestock haulage	950	0	400				150	100	150	150					950
Rent	0	0													0
Property repairs	12000	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Council tax & water	2400	0	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Insurance	5500	0								5,500					5,500
Miscellaneous	3500	0	290	290	290	290	290	290	290	290	290	290	290	310	3,500
Miscellaneous (non VAT)	840	0	70	70	70	70	70	70	70	70	70	70	70	70	840
Leasing payments	0	0													0
HP payments	11770	0		1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	11,770
Loan payments	12000	0				3,000					3,000				12,000
Overdraft Interest			158	316	471	710	618	301	0	0	36	160	264	486	3,519
Machinery purchases	14000	0	8,000			6,000									14,000
Equipment purchases	0	0													0
Farm buildings and infrastructure investment	0	0													0
Other capital expenditure	0	0													0
Personal drawings & tax	30000	0	2,000	2,000	2,000	5,000	2,000	2,000	2,000	2,000	2,000	5,000	2,000	2,000	30,000
Personal capital withdrawn	0	0													0
Input VAT			6,836	7,727	2,501	2,756	3,827	1,421	1,906	1,007	1,101	1,056	1,427	807	32,375
VAT adjustment				6,000											0
TOTAL PAYMENTS			47,651	22,856	25,859	26,253	35,707	29,359	18,688	24,464	17,419	16,748	16,249	25,566	306,619
NET CASHFLOW			25,822	-15,320	-14,952	-23,132	8,935	30,673	38,033	-2,158	-10,312	-11,947	-10,092	-21,438	-5,888
BANK BALANCE															
Opening			-41,100												
Closing			-15,278	-30,598	-45,549	-68,681	-59,746	-29,074	8,959	6,801	-3,511	-15,458	-25,550	-46,988	

Assumptions – Farming income

- What 12-month period?
- Estimate physical performance for that year
 - Livestock reconciliation
 - Crop reconciliation
 - Feed budget

	1-Apr-25							31-Mar-26	
Sheep	Opening Number	Births	Deaths	Bought	Sold	Transfer In	Transfer Out	Closing Number	Target
		////////						0	0
Lambs		1500	40		1200		260	0	0
Ewe hoggs	260	////////	5			260	255	260	260
Gimmers & MA ewes	1000	////////	35		220	255		1000	1000
		////////						0	
Tups	21	////////	3	7	5			20	20
		////////						0	
Total Sheep	1281	1500	83	7	1425	515	515	1280	1280

Assumptions – Farming income

	Annual Balance
Store lamb sales	27000
Finished lamb sales	102600
Breeding sheep sales	0
Cull sheep sales	21250
Wool sales	1280
Suckled calf sales	69550
Store cattle sales	0
Finished cattle sales	2416
Breeding beef cattle sales	0
Cull beef sales (incl. bulls)	20900

- Set your prices realistically
 - Spot markets
 - Contracts
- Good price sources
 - AHDB
 - Farming press
- Sensitivity analysis (later)

Figures worked up in assumptions page
feed through

Finished lamb sales	Aug	200 hd	114	22,800	Avg 19kgdwt @ 600p
	Sept	300 hd	114	34,200	
	Oct	400 hd	114	45,600	
				0	
				0	
Total cash		900		102,600	

Assumptions – Public goods, Diversification and Other income

Basic Payment	3400
Government public goods schemes income	8000
Private sector public goods schemes income	0
Agricultural contracting	400
Other Trading Income	360
Farm diversification income	8400

- Big change in public support
- Private funding too
- “Farm” diversification
 - eg, cottage letting
 - Traditional contracting
- Other trading income
 - eg, wayleaves

Farm diversification income					0
Cottage rental	Monthly	12	700		8,400
					0
					0
					0
Total cash				0	8,400

Assumptions – Capital & Personal income

Machinery Sales	0
Capital sales	0
New loans (including family)	0
Capital grants	3000
Personal capital introduced	0

- Machinery sales part-ex netted of purchase price
- New loans entered here
- SFI capital grants

Capital grants			0	
	Jan	3,000	3,000	Protective fencing for new hedges
			0	
Total cash	0		3,000	

Farming Advice Service

- Sources
 - Last year's invoices
 - Farming press
 - Costings books (eg, Nix)
 - AI (eg, Google Gemini, MS Copilot)
- Don't agonise over timings especially with 1st draft

Diversification trading costs	Quarterly	4	450	1,800	
				-	
				-	
				-	
Total cash				1,800	

Farming Advice Service

- Farming companies
- Private share (eg, domestic fuel)
- Miscellaneous (non-VAT)

Miscellaneous (non-VAT)						0	Bank charges, magazines, etc
						840	
						0	
						0	
Total cash						840	

Assumptions – Capital & Personal expenditure

Leasing payments	0
HP payments	11770
Loan payments	12000
Overdraft Interest	
Machinery purchases	14000
Equipment purchases	0
Farm buildings and infrastructure investment	0
Other capital expenditure	0
Personal drawings & tax	30000
Personal capital withdrawn	0

- HP & loans include interest
- Overdraft interest calculated automatically
- Drawings & tax

HP payments	From May	11	1,070	0	Part-ex £45k - £15k = £30k over 3yrs No deposit At £1070/m starting May £6k VAT reclaimed in May
				11,770	
				0	
				0	
Total cash				11,770	

Personal drawings & tax	Drawings Tax	Monthly	12 2	2,000 3,000	0	January and July
					24,000	
					6,000	
					0	
Total cash					30,000	

Assumptions – Bank interest & VAT

- Setting overdraft interest rate
- VAT squares to zero (Watch! HP VAT)

Interest Rate
General VAT rate
Domestic heating VAT rate

12.5%
20%
5%

Interest charge includes premium over base and is calculated on a daily basis. Some trial and error may be needed to accurately calculate interest charges. Checking against previous year may help.

VAT tally

VAT out 2,016
VAT reclaim 30,359
VAT input 32,375
Net VAT

For simplicity, VAT is reclaimed the following month with the final month of the year reclaimed in the first month to 0 square VAT account to zero. Use "VAT adjustment" for one off changes to VAT.

- Opening bank (in the Farm ID page)

First month of forecast:	April
Opening bank balance (£-/+)	-£38,600
Less unpresented cheques (£)	£3,000
Plus unpresented receipts (£)	£500
Opening bank balance in cashflow forecast (£-/+)	-£41,100

Allocate figures by month

Figures feed through from Assumptions page



Often have actuals for initial months

	Annual Balance	Balance to allocate	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Store lamb sales	27000	-27000												
Finished lamb sales	102600	-102600												
Breeding sheep sales	0	0												
Cull sheep sales	21250	-21250												
Wool sales	1280	-1280												
Suckled calf sales	69550	-69550												
Store cattle sales	0	0												
Finished cattle sales	2416	-2416												
Breeding beef cattle sales	0	0												
Cull beef sales (incl. bulls)	20900	-20900												

Failsafe – “Balance to allocate” must be 0



Then allocate total figure across year



	Annual Balance	Balance to allocate	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Store lamb sales	27000	0							9000	18000				
Finished lamb sales	102600	0					22800	34200	45600					
Breeding sheep sales	0	0												
Cull sheep sales	21250	0					16850						4400	
Wool sales	1280	0					1280							
Suckled calf sales	69550	0	69550											
Store cattle sales	0	0												
Finished cattle sales	2416	0	2416											
Breeding beef cattle sales	0	0												
Cull beef sales (incl. bulls)	20900	0						19200		1700				

1st draft – how does it look?

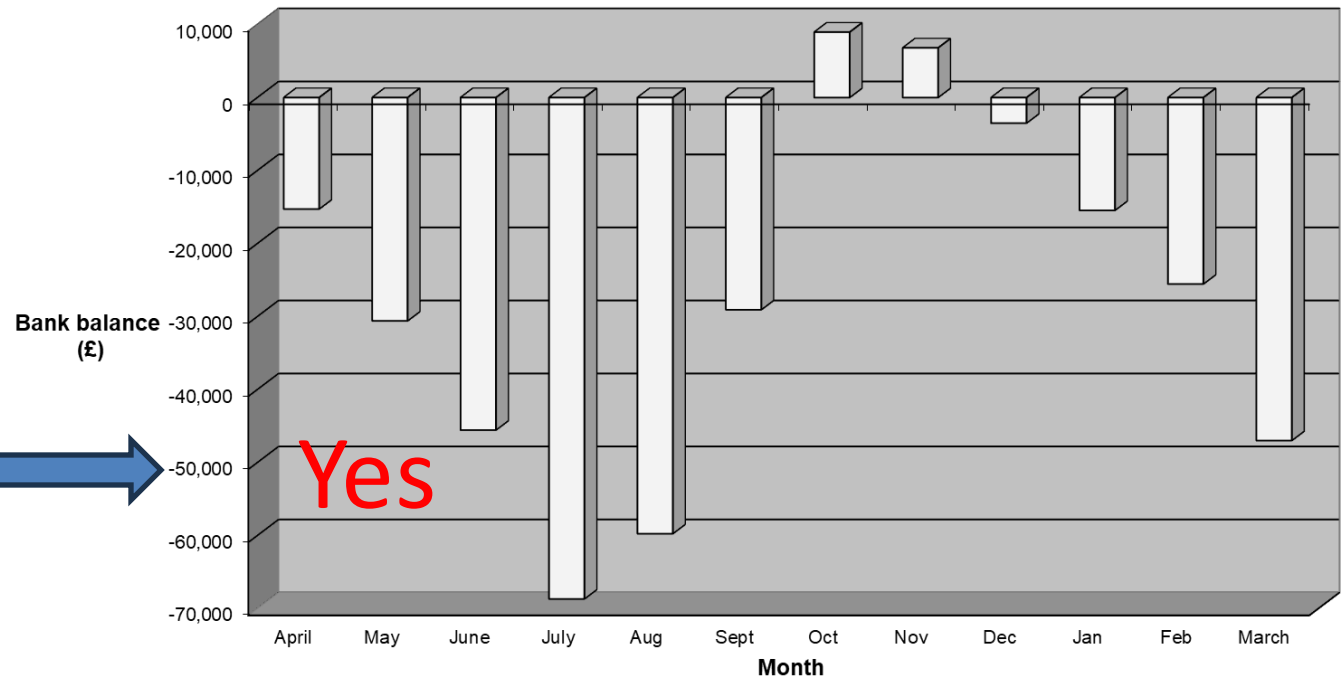
Is overall net cashflow positive?



NET CASHFLOW	25,822	-15,320	-14,952	-23,132	8,935	30,673	38,033	-2,158	-10,312	-11,947	-10,092	-21,438	-5,888
BANK BALANCE													
Opening	-41,100												
Closing	-15,278	-30,598	-45,549	-68,681	-59,746	-29,074	8,959	6,801	-3,511	-15,458	-25,550	-46,988	

No

ANNUAL BUSINESS FORECAST 1/4/25 - 31/3/26



Is this farm's
(£50k) OD
limit
breached?



What are the options?

Difficult year

- Change timing of sales / purchases
- Defer flexible expenditure
 - Prop R&M
 - Reinvestment
- Capital introduction
 - Savings
 - Loans

May require fundamental change in farm policy if cashflow problem looks ongoing (options appraisal)

Good year

- Infrastructure (prop R&M)
 - Buildings, fences, yards, drains, etc
- Maintenance fert & lime
 - Lime, P and K
- Pay down debt quicker
- Build up savings (buffer)
- Top up pension
- Machinery reinvestment

Does the update work?

Farming
Advice Service

£20,000 of savings introduced in June

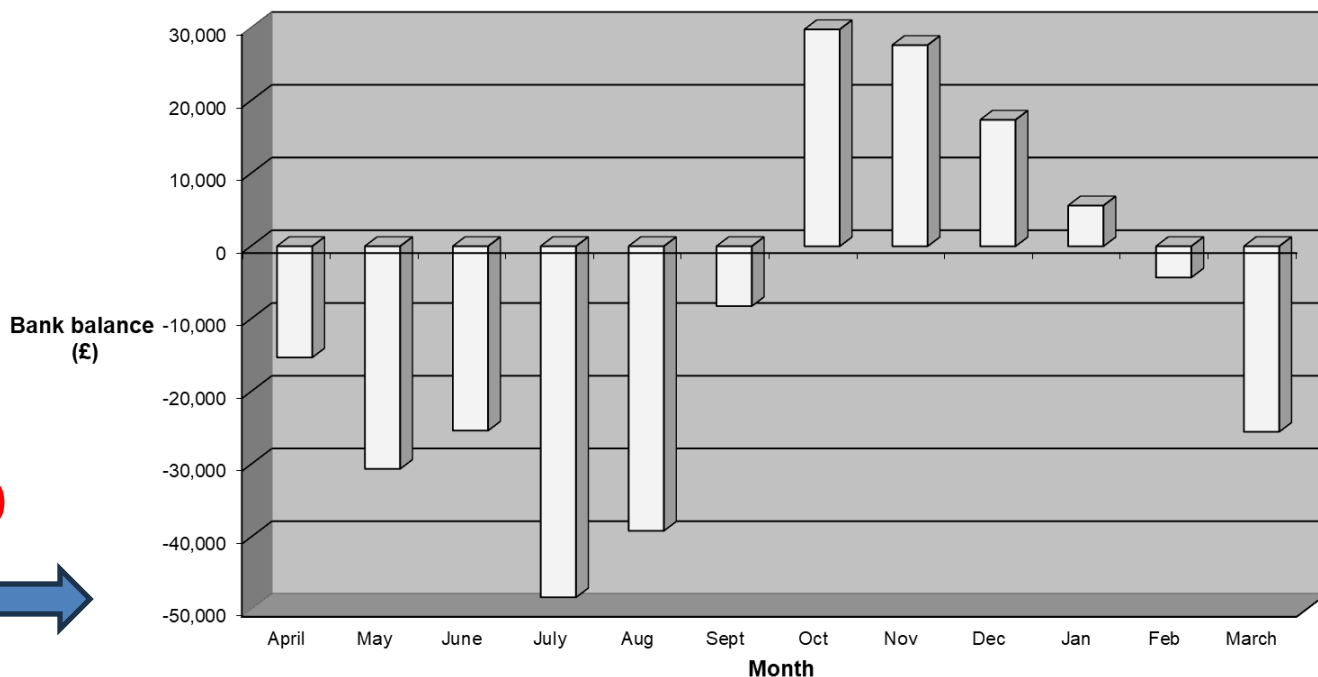
Is overall net cashflow positive?

Yes



NET CASHFLOW	25,822	-15,320	5,257	-22,921	9,148	30,888	38,033	-2,158	-10,276	-11,787	-9,873	-21,216	15,599
BANK BALANCE													
Opening	-41,100												
Closing	-15,278	-30,598	-25,341	-48,261	-39,113	-8,225	29,808	27,650	17,374	5,587	-4,285	-25,501	

ANNUAL BUSINESS FORECAST 1/4/25 - 31/3/26



Is the (£50k)
OD limit
breached?

No



Stress testing: “what-if” analysis

Risks affecting farming

- Production (eg, weather, disease)
- Market (prices, costs)
- Financial (interest rates)
- Institutional (support, legal, tax)
- Human (illness, succession)

Typical to test how cashflow affected by main income sales being (say 20%) better / worse than in your baseline budget

Scenario	NCF	Profile	Observation
+20% calf / lamb sales	£56,635	<OD limit	But still need £20k injection in June
Baseline	£15,599	<OD limit	
-20% calf / lamb sales	-£27,009	>OD limit	Need £50k injection in June

Contingency planning

It is good practice to have options in mind if the year goes worse than expected so that can act quickly

e.g. How could this farm deal with a drought?

- Wean lambs earlier
- Sell all culls ASAP
- Sell more lambs' store
- Buy in standing crop

... or better than expected!

e.g. Given a very good growing season, sell more lambs finished

- Take legal options to minimise tax bill as per “good year” noted earlier (eg, increase property R&M spend)

A Working Tool



- Check monthly but analyse by quarters
- On target then carry on
- Significantly up or down
 - A timing issue?
 - Implement contingencies
 - Shortcut budget update
- 9-month check especially important

And remember.....

A scenic landscape featuring a stone house with a tiled roof and two chimneys, situated in a lush green field. A large, leafy tree stands to the right of the house. In the foreground, a stone wall runs across the frame, and a dirt path leads towards the house. The background shows rolling green hills under a sky with soft, white clouds.

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planning is everything.

—Eisenhower

Making Tax Digital



Gary Craig

HMRC Change Management Team

Making Tax Digital for Income Tax

Getting ready for the new way to
do tax returns



Farming Toolkit For Assessing Nature Market Opportunities



Department
for Environment
Food & Rural Affairs

Farming Advice Service

The logo for the Farming Advice Service, featuring the words "Farming" and "Advice Service" in a green, sans-serif font, with "Farming" on the top line and "Advice Service" on the bottom line. The logo is set against a white background that is shaped like a speech bubble pointing downwards.

- Technical advice line: 03000 200 301
- Email: advice@farmingadvice.service.org.uk
- Website: farmingadvice.service.org.uk

The Farming Advice Service is funded by the Department for Environment, Food and Rural Affairs (Defra). We provide free, confidential advice to help farmers and land managers in England understand and meet the legal requirements in English law around certain farming activities to protect people, livestock and the environment.

