

Budgeting for Brexit: Where to start

To prepare a **budget** a useful starting point can be the farm accounts, however it's important to understand what the figures in the accounts mean. To learn more view our online tool here:

<https://www.fas.scot/understanding-farm-accounts/>

Some other points to note if you intend to use your farm accounts as the starting point for a farm budget or cashflow:



1. The amount in your farm accounts for livestock or crop sales will represent not only the amounts physically sold during the year, but also the change in the value of stock held on farm at the end of the year. The formula used is

Sales + Closing Stock – Opening Stock – Purchases.

Example: At the start of the year you have £2,000 of calves on the farm. During the year you sell half of the current season calf crop for £10,000, have the same value of calves still on the farm at the end of the year, and buy one calf for £1,000. The value of calves produced during the year is: £10,000 + £10,000 - £2,000 - £1,000

2. The amounts in your accounts for heat and light, council tax, vehicle running costs etc will be the amount net of the private use element – normally between 30% and 70% is claimed as business expenditure. The balance will be included in your drawings.

Example: The business claims 70% of the electricity costs as a business expense. The electricity cost shown in the accounts is £1,400 – therefore the total amount paid for electricity was £2,000, with 30% (£600) shown in the partners' drawings, and £70% (£1,400) shown as business expenses.

You would include **£1,400** in the **budget** but you may need to show all **£2,000** in the **cash-flow**.

3. Subsidy income in the accounts can be tricky to interpret because payments don't necessarily come in at the same time each year. Look carefully at the subsidy figures to make sure that (a) the figure in your accounts doesn't include income from more than one year, and (b) they don't include payments that you won't get in future, for instance if you've now concluded the Young Farm Top Up period, or have given up land. **Remember that LFASS payments will be reducing too – down to 80% in 2019.**

For more information about producing a budget and sources of help with this contact the Helpline on 0300 323 0161.