

Planning your Budget

What is a budget?

A budget is your group's plans for the coming year set out in money terms. It helps you ensure that you have the money to do what you want to do, and it enables you to make financial decisions and keep control on a concrete set of figures rather than relying on pure guesswork about where you are.

Why is a budget important?

- it is part of overall management, not a separate activity, and is a key tool in financial planning
- it ensures the organisation has the resources to carry out its objectives
- it is a way of being accountable
- it enables you to do a cashflow projection.

Whose responsibility is budgeting?

Producing the budget for an organisation is the responsibility of the management committee. They may delegate the nuts and bolts work of putting the budget together to the Treasurer or member of staff, but the committee must agree the final budget.

When should we start?

New groups should start now. Existing groups should start halfway through their financial year. Don't underestimate the time it will take to do the work needed to get accurate figures. It may take three months to get all the figures together and agreed by the group. Start work as soon as you can on the budget, don't wait for grant application forms as you may well have to fill them in quickly.

How do we begin?

Start off by thinking about what your group's aims are. What finances will you need to achieve those aims? Ask yourselves what will you be doing next year, you may be doing the same as this year but it's likely there will be some changes - maybe new services, perhaps an expansion of some activity. So the first stage of drawing up the budget is planning and making decisions about what your group will do next year. Once you've thought about what you want to do, you can write down all the likely categories of expenditure and income - your budget headings.

Budget headings

Your budget is divided into two halves: income - the money you expect to come in; and expenditure - the money you will spend on running the organisation, all its activities and services.

Expenditure

The expenditure budget may be further divided into capital and revenue budgets. The Capital budget is the financial plan for buying new fixed assets - medium to long-term. The Revenue budget is the working budget of the organisation which relates to its daily activities, it's running costs and project costs, for example:

- the basic costs that nearly every group has - such as postage, stationery and perhaps rent, heat and electricity
- expenditure particular to the work a group does - such as transport or catering.

CIB has a suggested template.

Income

- In many organisations income is more likely to change than expenditure. You should record the assumptions on which your decisions are based - why do we think we will get this amount from this source?

How to start

- Work out how much you need under each heading.
- Visit other groups similar to yours and be prepared to learn from their experience.
- If you are in a building with other groups, find out what their heating bills are like
- If you can find out the precise cost of something - do! Get quotes from a few different suppliers or use catalogues to get prices of equipment.
- If you employ workers tie them in to relevant local authority pay scales, making sure you have an up-to-date copy of the scales. Don't forget to include costs of Employer's National Insurance, pension contributions, salary increments, annual pay rises.
- If you're planning expenditure for next year don't forget to add on inflation at the current rate (around 3%)
- Keep notes on how you reach your figures, so that you can explain them if asked.
- Repeat the process for the Income side of the budget, look at all the possible sources of money and estimate realistically how much you will get from each.
- Now look again at the figures. Have you left anything out?

Using the Budget

Your budget is your guide to whether you are spending money as you had planned. Comparing it to your monthly expenditure can warn of a overspend or underspend or spending on an unexpected area enabling you to keep on track.

- Is there an income shortfall - that is, are you going to spend more than you are expecting to get in? If so how are you going to meet the shortfall? Make sure that the income budget is linked to a fundraising plan. This may be the point at which you set your fundraising targets for the next year.
- You should start planning your next budget before the current one ends, so that the process continues.