

What is a budget?

A budget is a financial plan showing income and expenditure. It is normally drawn up on a yearly basis, as part of the overall money management of your group.

It is a way of setting out all the costs of everything you are going to spend. You can then plan how you are going to raise the money needed. It also provides you with the means of controlling your expenditure, monitoring fundraising, and managing money.

No budget is ever 100% accurate. It is your best guess of what money you will need at the time of drawing up your plan. Events can change during the year; you may incur unforeseen costs or even underspend on some items.

Groups need to keep an eye on their budget and revise it from time to time. However, the more time and thought you put into planning it, the more accurate it is likely to be. Preparing the budget

There is nothing mysterious about writing a budget. It's like writing a shopping list, together with the cost of each item. You must then work out where you will get the money to pay for it all.

Start work as soon as you can on the budget, don't wait until you have to fill in a grant application form because you may not leave yourselves enough time.

This is particularly true if you are a new group or the project you are applying for money for is a new venture for you as you will have to work out all your costs from scratch. Work out your costings. You can do this under budget headings.

You need to take account of the following:

Make sure that your figures are as accurate as possible. Don't just guess costs or use old costs you might end up with a shortfall that could have been avoided.

Get estimates from a few different suppliers, use catalogues, talk to other groups running similar projects.

If you are employing workers make sure you check out local pay rates. If possible, tie their wages into the relevant local authority pay scales (NJC pay scales – a copy of which is available from RCVDA). Don't forget to include the costs of Employer's National Insurance, pension contributions if applicable, annual pay rises and yearly salary increments.

Make sure you don't under-cost the work as this will lead you into financial problems. But, just as importantly, don't over-cost the work as this may mean that your bid is rejected by funders.



Make sure you don't miss out any 'hidden' costs like insurance, maintenance, repairs, travel, training, heating, lighting, rent etc.

If you are applying for money for more than one year you need to take account of inflation, replacement equipment, pay rises and the like.

Are your costs?

- one-off capital items like equipment
- setting up costs
- are they project costs with a clear start and end date
- are they ongoing revenue costs like wages and rent?

Most local authorities and charitable trusts divide their grants into capital and revenue. Divide your budget up in the same way to help you decide where to apply for what, and to keep track of your fundraising targets.

Income

You now need to produce a similar list of all the possible sources of income with as realistic an estimate as possible of how much money you will get from each. However, your income budget is much harder to predict than your expenditure budget.

Your income budget is only an estimate of what you are likely to raise, but it is a way of setting targets. Start with the total amount you need to raise and then break it down into a series of smaller amounts, identifying where each of these amounts can be raised from. This will make the task less daunting.

Keep a regular check on this side of your budget as you may need to revise your fundraising targets if money is not coming in, or more has come in from a particular funder.

Now look again at all your figures

- Have you left anything out?
- Are you going to spend more than you think you will get in?
- If so, how will you meet this shortfall?
- Are there other options or contingency plans that you can put in place
- If your main source of funding fails to come through, what are you going to do about it?

Using the budget

Budgets aren't simply a means of getting a grant. They also act as a guide during the year as to whether you are spending your money as you had planned. Your budget will warn you if you are overspending or underspending or even spending in unexpected areas.



You should monitor your budget regularly every month to check spending against income and to review your fundraising attempts if necessary. You may need to adjust your budget if situations change.

Around eight to nine months into the financial year, you should start preparing the next year's budget. You should, by then, have a clear idea of how accurate your current budget has been and what adjustments you need to make for the coming year. If you are making changes in the way you operate, increasing your activities, moving premises, in need of new equipment, make sure that you cost them into the new budget.

Presenting financial information to funders

You need to present a clear and detailed budget to funders. If you are writing a letter of application attach a separate budget sheet rather than trying to put lots of financial detail in your letter. Make sure your figures are broken down into separate items of expenditure - it isn't good enough just to say 'we need £10,000 to keep our service going'.

Keep evidence of what your figures are based on (written quotes, local authority pay scales and so on) in case funders ask for justification.

If you are submitting your coming year's budget to funders, make it perfectly clear which elements of it you are asking them to fund if it's not the whole amount. Show what other sources of income you expect in addition to their contribution.

Break down your costings into capital and revenue amounts. If you are seeking revenue funding for one year then give a brief description of how you hope to raise money to keep the project going in future years.

You can also contact us to speak to a member of staff who will be pleased to offer further support.

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