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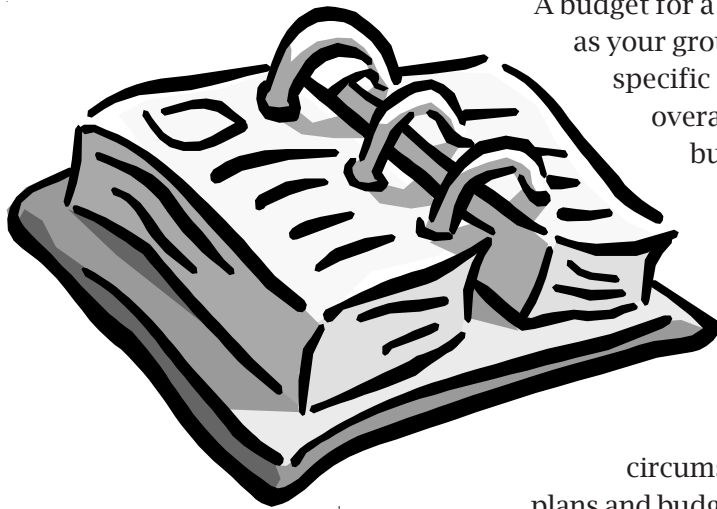
Budgets

For community Groups

This information sheet is intended as a guide to writing a budget for small community groups. It should also be helpful to slightly larger groups which perhaps have one or two paid workers.

What is a budget?

- H A budget tells the story, in money terms, of what your group plans to do over the coming year.
- H It is an estimate of how much money you need - proper budgeting will help ensure that you don't run out of money or face unexpected costs during the year ahead.
- H It will help you make financial decisions and keep control during the year.



A budget for a fundraising application may not be the same as your group's annual budget. If you are applying for a specific project (rather than a grant towards your overall work), the funder may ask for a project budget only. We look at project budgets at the end of this sheet.

A budget is always an internal document for your own group's use. You will not be held to it by a funder or some other outside body. In the section 'Using the budget' we look briefly at what to do if your financial circumstances change and you have to change your plans and budget accordingly.

Preparing a budget

There is nothing mysterious about writing a budget. It is 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.

Writing a budget should be part of the process of planning your group's work. In order to write a realistic budget, you must have a fairly clear idea of your group's activities in the year ahead. The best way is to hold a meeting and discuss what you want to do. Your treasurer or other people will then be in a position to write a draft budget for the group to look at. The time to do all this is before the start of your group's financial year.



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Step one - items of expenditure

Write a list of all the items which you are likely to need to pay for, known as expenditure headings. There is a checklist of common headings in Appendix 1.

It is important to list all the 'hidden' costs of your activities - the overheads. For example, taking a group of children on an adventure weekend will involve costs such as travel, volunteer's expenses, insurance and refreshments for the journeys as well as the fees of the adventure provider.

You should show capital items and revenue items separately. Capital items are expected to last at least 2 years; they include equipment, buildings or work to improve buildings, and land. Small pieces of equipment are not counted as capital items. Groups usually set a threshold, such as £250, above which equipment counts as capital.

Revenue items are all the day-to-day items, sometimes referred to as running costs. These include rent, postage and refreshments.

If you plan to run an event where you will have both costs and income, you should show the event as both an item of expenditure and an item of income - do not include the net figure alone. A typical event of this type would be a fun day or coach outing.

Step two - costs

Estimate the cost of each item of expenditure and be as realistic as you can. In the first year, it can be difficult to work out costs, but don't just guess. It will help to talk to people in similar groups and look in shops or suppliers' catalogues. For larger pieces of equipment, ring 2 or 3 firms and ask for quotes. If you plan to employ a worker, there are a range of things to consider - please see the box below. Think through your activities carefully - what will you have to pay for when you hold a meeting or organise an outing? That way you are less likely to forget something important.

When your group has been going for a year or more, it is easier to write a budget. You can base your running costs on the expenditure of previous years - but remember to increase them in line with inflation. You should still think carefully when writing a later budget to make sure that it reflects what you plan to do. A group's activities are not identical from year to year, so don't just copy your budget!

Important: keep notes of how you arrive at your figures. For example, note down that 'hall hire' is a known cost based on 26 weeks or that the figure for 'telephone' is a rough estimate based on another group's bills. That way you will be able to explain your figures to the group or easily check them.

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Employing staff

- H you could link pay to local government pay rates – speak to the City Council’s Voluntary Sector Unit or to the local Unison branch
- H you could look at job adverts in the local papers to see what wages are paid by comparable jobs
- H remember to budget for annual pay rises - if pay is linked to local government rates, pay awards are agreed nationally
- H will you pay staff annual increments (increments are for each year of service up to a maximum number of years, and are separate from pay rises)?
- H will you make contributions to a staff pension scheme?
- H remember to include Employers’ National Insurance

Step three - income

Make a list of all the likely sources of money and estimate realistically how much you will get from each of them. Again, keep notes of how you arrive at your figures. It is particularly important to note the date when grants (and other large sums of money) are expected – unless you plan well, you may not have enough money at a particular moment if the grant has not yet come, even though your budget shows enough income for the year.

If you are waiting to hear the result of grant application, you can show the grant in the budget, but you should mark it ‘unconfirmed’. However if you have little hope of getting the grant, do not show it in the budget. Make a note of any grant application which is not included.

Sometimes you will plan to use money which you already have in the bank. For example, you may have received a grant before the start of the budget year (a grant in advance) or a grant may spread across 2 of your financial years. Or, you may have been deliberately building up reserves in order to fund

work in the budget year. All you need to do is to include the amount in your budget, just like any other income item, headed ‘Grant in advance from (name of funder)’ or ‘Drawn from reserves’.



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Step four - balancing the budget

Show your estimates to other people in your group to try and ensure that they are accurate and nothing is missing.

If you are fortunate, you will have a balanced budget - your estimated income will be the same as your planned expenditure. There is an example of a balanced budget in Appendix 2.

If you are even more fortunate, you will be anticipating more income than you need - a surplus. If this is the case, you can include an expenditure item 'Surplus transferred to reserves' in order to balance the budget.

Unfortunately, all too often, groups find that they just do not know where they will get all the money which they need - a deficit. When this happens, you should at this stage show the deficit in your draft budget.

Step five - approving the budget

Take the budget to a meeting of your group or its management committee for their comments and alterations. Make sure you draw their attention to unconfirmed grants - the group will need to assess whether you are likely to get the grants.

If you have a deficit budget, the group will have to decide whether to scale down the activities or whether more fundraising is realistic. You should not balance the budget by writing in 'Other fundraising' unless you genuinely believe you can raise the money. It is far better to start the year with a realistic budget and plan of activities. If you manage to raise more than you first expected, you can always increase your activities during the year. But if you start the year spending unrealistically, you will soon be in trouble.

The budget must be formally approved by the group. If the group suggest only minor changes to the draft budget, the meeting can approve it there and then. But if the group ask for lots of minor changes or a really major one, you may need to rewrite the budget and take it to a later meeting for approval. The budget which you finally approve must balance.



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Using the budget

Keeping track of your finances

At least every quarter, the treasurer should present a finance report to the group (or the committee). This should show the actual income and expenditure to date, including unpaid bills, and compare those figures with the budget. This will help you assess whether your finances for the year are on track.

If there is a major difference between the budget and the actual figures, you may need to adjust your plans. For example, if income is much lower than forecast, you should consider where to make savings; if some costly activities have not taken place, you will have money available to spend elsewhere.

You should only alter the budget during the year to take account of major differences. And remember: this can only be done by a meeting of your group or its management committee.

NB. If some or all of your work is funded by grants and you plan to make major changes to your activities, it is a very good idea to contact the funders and negotiate with them before going ahead.

Fundraising applications

If you are applying for funding for your group as a whole, you can send a copy of the annual budget to the funder.

In the case of a specific project, the costs of the project will be included in your annual budget expenditure but the funder may ask for a project budget only. Most project funders will ask for your group's overall budget in order to satisfy themselves that your group is able to run the project. They will want to see that your group as a whole has a clear plan of activities and a balanced budget.

It is very important to show clearly in your overall budget which costs will be met by a grant for a project and which by general income. Remember that if you receive funding for a specific project, you will be able to use the grant to pay only for the costs of the project itself. You will not be able to use the money for the general costs of your group or for another project. This is also true of a grant for capital equipment.

When you write a project budget it is important to include all the 'hidden extras', such as volunteers' expenses, travel, printing and photocopies and phone calls.

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If you are running a project from your own premises, you should include some of the rent and costs such as cleaning and heating. These can be worked out as a proportion of the overall costs. For example, based on the amount of space which the project occupies in the building. Or, if the project is half of your work then charge half of your rent to it.

Think carefully about what you will actually have to do to run the project and include these costs in the budget. If you do not claim them in the grant, you will end up subsidising the project out of your general funds - this will force you to cut back other planned activities. There is an example of a project budget in Appendix 2 - it is taken from the example annual budget.

Checking that the grant matches your budget

- H The grant award letter or 'conditions of grant' form from the funder will spell out what the money is to be used for.
- H If you have been awarded the full amount, the grant is most likely to pay for the project as described in your application - but always check the details.
- H If the grant is less than you applied for, check what the grant covers. Amend your overall budget at the next meeting, if necessary.
- H If the funder gives grants only to registered charities, grants for projects or capital equipment will be classed as Restricted Funding.



Budgets

Appendix 1

Income and Expenditure headings

These are some standard headings. Not all of them may apply to your group and you may need to include others – just use headings which you find useful.

Income headings

H	Drawn from reserves	H	Donations
H	Grant in advance	H	Sponsorship from firms and businesses
H	Balance of grant received in previous financial year	H	Fundraising events, eg jumble sale, fete or fair, social evening
H	Grants – for capital	H	Raffles
H	Grants – for revenue	H	Sales, eg goods, publications, refreshments
H	Members' subs		
H	Entrance fees		

Expenditure headings

Capital

- H Office equipment, eg computer, photocopier, printer, telephone system
- H Equipment for your activities, eg minibus, play equipment, furniture, catering equipment
- H Equipment for your premises, eg burglar alarm
- H Works to improve your premises
- H Purchase of building or land

Revenue

Main activities

- H Hire of hall (if separate from your own premises)
- H Volunteer costs
- H Training
- H Travel
- H Materials, books and small items of equipment
- H Membership mailings
- H Publicity and leaflets

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H Repair of equipment

H Outings

H Other activities

Admin costs

H Book-keeping

H Payroll service

H Postage

H Printing, photocopying & stationery

H Telephone & fax

H Internet costs

H Insurance

Premises

H Rent & rates

H Water

H Heat and light

H Cleaning and rubbish collection

H Health & Safety

H Repairs and maintenance

Staff costs

H Wages and Employer's National Insurance

H Pension (contributions by employer)

H Recruitment (adverts, postage of application packs, etc.)

H Training

Fundraising costs

H Hire of hall (for jumble sale, fete, etc.)

H Publicity and other costs

Management and administration

H AGM and annual report.

H Examination of accounts

H Professional fees, eg solicitor

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Appendix 2

Example of a balanced budget and (in box) a project budget

Downs Community Association

Budget 2005-06

Income

Brighton & Hove City Council	1,000
Williams Charitable Trust	1,000
Donations	200
Sponsorship by local firms	250
Membership subs	130
Raffles	120
Jumble sale	75
Refreshment sales	560
Takings for coach trips	300
Bank interest	<u>5</u>
	<u>3,640</u>

Expenditure

Summer festival	
<i>Entertainers and bands</i>	750
<i>Firework display</i>	700
<i>Children's prizes</i>	75
<i>Insurance</i>	300
<i>Publicity and programme</i>	100
<i>Volunteers' expenses</i>	45
<i>Catering</i>	200
<i>Admin costs</i>	30
Coach trips	350
Hall hire	750
Volunteers' expenses	15
Raffle prizes	40
Catering	250
Telephone	20
Printing & stationery	10
Postage	<u>5</u>
	<u>3,640</u>

Downs Community Association Summer Festival 2005

Project budget for application to Williams Charitable Trust

Income

Brighton & Hove City Council	1,000
Williams Charitable Trust	1,000
Sponsorship by local firms	<u>200</u>
	<u>2,200</u>

Expenditure

Entertainers and bands	750
Firework display	700
Children's prizes	75
Insurance	300
Publicity and programme	100
Volunteers' expenses	45
Catering	200
Telephone	20
Postage	<u>10</u>
	<u>2,200</u>