

Funding: Preparing a Budget

What is a Budget?

A budget is a prediction on paper, as accurate as you can make it, of what you are likely to spend in the coming year.

- Sometimes you might need to be able to do this for the next three to five years.
- This is essential to inform your fundraising strategy

It's always best to have a prepared budget developed in advance, and kept to hand for when you are ready to make funding applications. This avoids having to invent or guess at a budget, or roughly put one together, just to complete a funding application form

A budget can be for an individual project, all of your projects, or for your entire organisation.

- It's a good idea to develop individual project budgets first, then compile them into an overall budget for your organisation.
- This will help you identify any gaps in core costs or overheads.
- You can then apportion these costs appropriately across your project
- When funding opportunities for core costs become available, you have carefully produced figures ready to use, rather than guesswork

A budget has a number of purposes and uses. It is:

- A fundraising aid which gives you the financial information needed for grant applications
- The money part of a project plan
- A financial statement for the future indicating a groups viability
- A forecast which helps identify weak areas and allows you to make plans to overcome these
- A management tool which allows you to control the group's income and expenditure
- A way of identifying whether your ideas and aspirations are realistic and achievable
- Helps you separate out the costs of individual projects, which together form the basis of an overall budget and identify priorities in your funding strategy.

Preparing a Budget

If you are already established you will have the basis of information from previous years to help you with financial predictions. However there are several factors which need to be taken into consideration. There are four stages which you need to go through in order to plan a budget.

Stage One

You need to plan forwards–

- What are you going to do over the next year to three years?
- Is it new work or are you a new organisation?

Once you have decided this then you can start working out the cost of doing the work. This can be done in a few different ways – ask groups who are doing similar work/ activities, obtain quotes from relevant companies e.g. gas, electricity, telephone etc. and find out the cost of hiring rooms, renting or – where there is a realistic business case - buying premises.

Stage Two

Using the plan you have developed in stage one, begin to draw up your draft budget. You need to separate it into headings and think carefully about your spending in each one. You might find these headings useful:

Premises

Rent, Heat/Light, Insurance, Cleaning, Building Maintenance.

- How much do you pay currently / what quotes do you have for likely costs?
- Are any major repairs likely to be necessary?
- Will there be an increase? - this could be due to cost of living, new developments or expansion of the project.

Staff Costs – including sessional workers and volunteers

- Who do we / want to employ?
- How much are they/ should they be paid or reimbursed?
- What wage increases are likely for the time of this budget? Include anticipated increments and cost of living rises in this calculation.

- When calculating staff costs don't forget to include Employers' National Insurance contributions, Pension Costs, expenses, Recruitment Costs and Training/ Supervisory Support Costs.
- Compare to previous years' costs. You need to be able to justify any new work you want to undertake and be as realistic as possible about additional costs.
- Remember that employing new members of staff will have implications to your everyday running costs and asset costs – they will need somewhere to work and equipment/ a budget to do it with!
- If employing staff for the first time you must make sure you have considered whether the management committee have the expertise to do this properly or whether they need training or outside help—this will also need to be budgeted for.
- Volunteers also have costs implications. You will need to allow for training and all out of pocket expenses e.g. travel, childcare, subsistence (food).

Assets

- Do you need to buy or replace any fixed assets?

Assets include desks, chairs, bookcases, computers and other pieces of equipment or furniture you need to do your work.

Administration/other costs

Printing, Postage, Stationery, Telephone, Equipment Maintenance, ICT equipment and maintenance, Meeting Costs, Audit/independent examiners fees, Event Costs

- Try and be as realistic as possible – many of these costs can mount up especially if you do regular mailings as part of your work.
- Remember to look at your spending on maintenance - if you are spending a lot of money on maintaining old equipment which is struggling to cope with the amount of work you do it may be time to buy new which will have an impact on the assets section of your budget.

Stage Three

- Look at the draft budget with the management committee. Everyone concerned with the running of the organisation and responsible for its work should look carefully at the budget to make sure it is realistic.
- It is bad practice for your administration costs to be too big in comparison to your staff costs.
- Make sure any increases in costs are justified.

- Don't set an unrealistically low budget in the hope that it will be easier to attract funding – you need to be able to carry out the work you have raised money for.
- Make sure that you can relate the budget to the work you are doing and can separate the costs out if you run more than one project / type of activity.
- Make sure that you have included everything – e.g. if you are applying for funds to run an event/training have you included childcare costs?

Stage Four

- Use the budget to help plan your funding strategy. It will depend on the amount of money you need as to who the most appropriate funders might be.
- You need to make sure that previous years accounts are in order and that your financial systems are working properly. You might need to get your accounts audited. It is important to demonstrate to funders that you are able to manage money.
- If you are new or expanding you need to make sure that you have appropriate financial systems in place. The accounting system you use to manage £3,000 will probably not be adequate to manage £30,000.
- Remember that you will have to adapt your budget to the funder you are applying to. Sometimes they might have space for budget on the application form and you need to be clear about whether this should be for all your work or just what you are asking them for.
- The running costs should be spread between the different projects/ activities rather than asking funders to support running costs on their own.

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Information sheet updated January 2021

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