

Budgets for community groups

A small groups' guide to preparing and using budgets

What is a budget?

- ♦ A budget tells the story, in money terms, of what your group's plans are.
- ♦ A budget can be annual – a plan for all the costs over a year. It can also be specific to a particular event or project that you are planning.
- ♦ You need a budget in order to apply for a grant, because you have to tell the funder exactly what you need the grant for, and what other money you will be receiving.
- ♦ A budget helps you to make financial decisions and keep control during the year / during your project.
- ♦ A budget might change over the year, if your plans change, but having one makes it much less likely that you'll run out of money by mistake.

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 then work out where you will get the money to pay for everything.

What will you need to pay for?

Write a list of all the items that you are likely to need to pay for. Think through every activity or event you will run, and all the things that will cost money.

Here are some suggestions of things you might need to pay for, to help get you started. You might have other things that aren't listed.

- ♦ Venue hire
- ♦ Refreshments
- ♦ Publicity
- ♦ Stationery
- ♦ Phone calls
- ♦ Equipment (hire or purchase)
- ♦ Website costs
- ♦ Transport
- ♦ Insurance
- ♦ Safeguarding training
- ♦ First aid kit
- ♦ Sessional worker fees

Estimate the cost of each item of expenditure as accurately as you can. When you first start out 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 on websites.

If you have been running the same activities for a while, you can base your estimates on previous years – but remember to increase them in line with inflation. You should still think carefully about whether you will be changing anything this year – a group's activities are not identical from year to year, so don't just copy your old budget!

If you will be spending money on an activity for which you will also be generating income (e.g. hiring a coach and then selling places on a trip), you should still include the *whole cost* of the activity as expenditure (every penny spent, including any cash you got from fees or contributions).

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 insurance 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.

How much will you receive as income?

Make a list of all the likely sources of money and estimate how much you will get from each of them.

If you are applying for a grant, list the grant, but note that it is "unconfirmed". Also include any other types of income you will get – funders always want to know what other income you will have, as well as their grant.

There may be some income that is uncertain. For example, if you charge membership fees, the amount you will receive will depend on how many members you have. Try to make the best estimate you can. It probably won't be 100% accurate, but it will be good enough to help you give you a rough idea of how much money you will have available during the year.

If you will be receiving money for an activity for which you will also be spending money (e.g. hiring a coach and then selling places on a trip), you should still include *all the income*. Don't leave anything out, even if it will be spent as soon as you receive it. Also make sure you include any income you will receive in cash (e.g. member's contributions).

Keep notes of how you arrive at your figures. For example, note down that "membership fees" is based on x number of members paying x amount each. That way you can keep track during the year, and notice if you are not getting as much income as you thought you would.

Also keep note of when you expect to receive different bits of income. This way you can ensure you don't make plans to spend money before you have it!

How much will you have at the beginning?

If you are making an annual budget, note down how much you expect to already have at the beginning of the year. This is called "Reserves". You can just put one total figure, or, if you prefer, you can break it down into different types of reserves, depending on how you will use them:

- ♦ **Restricted reserves:** This is money that must be spent on specific things. It is usually grant funding that has been given to your group to run a particular activity or project.
- ♦ **Designated reserves:** This is money that your group is planning to spend on specific things. It's not restricted, but it's also not available for new ideas because you've already allocated it to some particular future cost.
- ♦ **Free reserves:** This is money that the group holds but has not yet decided how to use.

How much money will you end up with?

If you are making an annual budget, calculate how much you will have left at the end of the year. The answer to this will depend on how much you start off with at the beginning, how much you will receive, and how much you will spend.

If you will receive *more* money than you will spend, this is called **net income**. You will finish the year with more money than you started with.

If you will receive less money than you will spend, this is called **net expenditure**. Net expenditure can be okay if you already have plenty of money in the bank, but it will mean you finish the year with less money than you started with.

If you will receive and spend the exact same amount, you will finish the year with the exact same amount of money as you started with. This is called a balanced budget.

If you are making a budget for a specific project (rather than a general annual budget), it is usually important to ensure it is balanced. If your project will cost more money than it will generate in grant funding or other income, your group will end up having to pay the difference out of its reserves.

Write up your draft budget

Once you have worked all this out, write it up in a way that others can understand. You can either do this on paper, or on a computer using a spreadsheet program such as Excel.

Write it up in this order:

- ♦ Income items: list each item of income, with the amount you expect to receive.
- ♦ Income total: the total amount of income (all the items added together)
- ♦ Expenditure items: list each item of expenditure, with the amount you expect to spend.
- ♦ Expenditure total: the total amount of expenditure (all the items added together)
- ♦ Net income / expenditure (subtract the total expenditure figure from the total income figure)
- ♦ Reserves at the beginning of the year (the amount you have to start off with)
- ♦ Reserves at the end of the year (the amount you will have at the end).

Your budget should end up looking something like this:

All Together youth football club budget 2018-19

Income	Notes	Amount (£)
Brighton & Hove City Council	confirmed grant	2000
Williams Charitable Trust	grant applied for	1000
Donations	expected	455
Sponsorship by local firms	promised	250
Membership Subs	expected	130
Raffles	estimated	120
Bank interest	estimated	5
Total Income		3960
Expenditure	Notes	Amount (£)
Venue hire	quotes received	1200
Volunteer expenses	estimate	750
Refreshments	estimate	1200
Football coach fees	quotes received	750
Insurance	quotes received	300
Website costs	estimate based on last year	100
Phone credit	estimate	60
Stationery and printing	estimate based on last year	100
Total Expenditure		4460
Net income / expenditure	Net expenditure	-500
Reserves at 1st April 2018	Money we have at the beginning	540
Reserves we will have at 31st March 2019	Money we will have at the end	40

Check the budget with other people, and have it agreed at a meeting

Take the draft budget to a meeting of your group. Ask people to think carefully about the different costs that might need to be covered, and help to make sure you haven't forgotten anything.

If there is going to be net expenditure (you'll spend more than you receive), discuss this as a group. Is everyone happy to dip into the group's reserves? Is there enough reserves to dip into? Do you need to change your plans to save some money, or think of some new ways to generate income? Having net expenditure every year will eventually mean you run out of money altogether, so even if you agree that it's okay this year, you may want to think about your long term plans to generate more money or make savings.

If the group suggests minor changes to the budget, you could make them in the meeting and then ask the group to approve the new version. If larger changes are needed, you may need to go away and rework the draft, and bring it back to a future meeting to be checked and agreed by the group.

Using the budget

Keeping track of your finances

The treasurer should regularly present a finance report to the group (or the committee). This should show the actual income and expenditure to date, and compare those figures with the budget. This will help you assess whether your finances are on track, and will help to tell you how much money you have left for different things. For more help with keeping financial records, see our information sheet *The Treasurer's Role*.

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 expected, you should consider where to make savings.

Changing your budget

You might get new information during the year, or after your project has started, which makes you want to change your budget. For example, you might not receive a grant you had applied for, or you might negotiate a discount on something you need to pay for, which will save you money.

Small groups can make changes to the budget during the year – just make sure you give it a new title, like "Budget 2018-19 amended June 2018", so that you can also refer back to the original version if you need to. Changes must be agreed at meetings, just like the original budget.

Larger organisations don't usually make changes to their budget during the year. Instead they might produce a new document, called a projection, at the end of each quarter (each three month period). A projection is like a budget, but is produced during the year instead of at the beginning. It is a prediction of how much income and expenditure the organisation think they will have by the end of the year, based

on what has happened so far, and it helps the organisation to keep track throughout the year.

If you are spending grant funding, you must be sure to spend it on the costs it was given to you for. Most grants are given for specific activities or projects. If you want to change your plans, you should draft an amended budget and then send it to the funder asking for permission to make the changes.

More information

The following Resource Centre information sheets provide more help with planning activities, raising money and managing your group's finances:

- ♦ *Planning a funding application*
- ♦ *Writing a funding application*
- ♦ *Your group's money*
- ♦ *The treasurer's role*
- ♦ *Financial rules*
- ♦ *Event planning checklist*