



## FACT SHEET 14

# Drawing up a Budget

### What is a budget?

“A budget is a plan of income and expenditure” (Dictionary definition).

A budget enables you to make financial decisions and keep control of a real set of figures, rather than using pure guesswork to see where you are.

Whether you are seeking funding for a new project or for the continuation or development of an existing one, you need to know just how much money is involved and therefore you need to prepare a budget. Your budget must include all the money that you expect to come in (and where you expect it to come from), and all the money that you will need to spend to make the project happen.

When working out what you are going to spend, it is important to distinguish between capital (usually for equipment and building costs) and revenue (usually for on-going running costs) and to show them separately in your budget. This is particularly important if you are applying to a number of funders for a project which involves both capital and revenue. If you receive a grant for a particular aspect of your project (e.g. to buy a new minibus - capital) you cannot use that money to meet any of the other costs (e.g. fuel, or the expenses of your volunteer driver - revenue).

The table below is an example of how you might set out the budget for a two-year project. This covers the revenue income and expenditure you will need to meet your running costs. If you are setting up a new project or expanding an existing project, you may also need some capital costs (sometimes called ‘one-off’ or ‘start up’ costs) for things like equipment, additional desks and telephones.

Depending on the size and nature of your project, some of the items listed will not be relevant to you. There may, of course, also be other costs for your project, which are not included here. But working through the list should be a useful reminder of the importance of including everything – both income and expenditure, and however large or small. The words written in bold are the headings you would probably include in your final budget and on most grant application forms; the others are suggestions of the items that make up that category of income or expenditure.

It can be difficult when you are working out your future income to know how confident you can be. If, for instance, your Christmas Fair has risen over £1,000 for the last three years, it would be reasonable to budget that amount again this year. If you have applied for a £1,000 grant (each) from four Charitable Trusts, you might want to put £2,000 in the budget to allow for only a 50% success rate. You have to make a certain number of assumptions. There will probably be a gap between the expected income and the likely expenditure; this is the money you are fundraising for. You need to think about how you will manage if you are not successful with your applications or (more likely) if the money does not come through as quickly as you had hoped.

### **Top Tips:**

- Do try to get accurate figures whenever you can. Look in equipment catalogues for current prices. Get quotes from suppliers and ask people in other organisations how much it costs them to run their minibus. Do not pad these figures out as funders are very experienced at reading budgets;
- If you employ staff on incremental salary scales, make sure you tie them into local authority pay scales (NJC scale). Use these scales to calculate how much you will have to pay them next year (as this will affect your costing) – salary increments.
- Do not forget to include NI, Pension and other possible on-costs that the organisation may need to cost in (cleaners etc);
- For all your figures, build in realistic price rises if your project runs for more than one year, and remember that there could easily be more than six months between sending in your grant application and the project getting started.
- Do not underestimate the time it will take to do the work and get all the figures together. It is not an easy task;
- Keep comprehensive notes on how you calculated your figures, so that you can explain them, if you need to. Also date your costings, as once they have been revised a few times, they all look the same;
- Have you left anything out?? Check again!
- Use the budget! Check your budgets monthly and compare with monthly expenditure;
- Budgets are not simply ways of getting a grant, they can warn of an under spend, overspend, spending in unexpected areas, etc. Use the information and act on it

### **Common Mistakes**

1. **Forgotten Costs:** things such as Professional fees, VAT, training, publicity, etc often get overlooked
2. **Hidden Costs:** These are often things not directly associated with the project, e.g. central costs such as reception, newsletter costs, producing annual reports & accounts, etc.
3. **Understated Costs:** Often budgets for next years projects are based on last year's actual costs. Need to remember to include rate of inflation as over three years, this will make a huge difference.

4. It doesn't add up: simple arithmetical errors bring the accuracy of the budget into question (evidence of competence with figures?!). It is always possible to approach funders for more money, but NOT for "extra money" that you should have anticipated in your original application.

|   | Year 1<br>£ | Year 2<br>£ | Total<br>£ |
|---|-------------|-------------|------------|
| <b>INCOME</b>   |             |             |            |
| <b>Fundraising events</b><br>Christmas Fair<br>Jumble sale(s)                                   |             |             |            |
| <b>Other fundraising activities</b><br>Donations<br>Street collections                          |             |             |            |
| <b>Grants</b><br>Charitable Trusts<br>Neighbourhood Forum                                       |             |             |            |
| <b>Membership</b><br>Annual subscriptions/fees  |             |             |            |
| <b>Income from activities</b><br>Café takings<br>Keep fit class payments                        |             |             |            |
|   |             |             |            |
| <b>TOTAL INCOME</b>   |             |             |            |
| <b>EXPENDITURE</b>  |             |             |            |
| <b>Staff costs</b><br>Salaries, national insurance, pension, travel and training                |             |             |            |
| <b>Premises costs</b><br>Rent<br>Heating and Lighting<br>Cleaning                               |             |             |            |
| <b>Capital Costs</b><br>Equipment, furniture, computer  |             |             |            |
| <b>Office/admin costs</b><br>Phone, post, stationery, printing                                  |             |             |            |
| <b>Volunteer costs</b><br>Travel, training, meals   |             |             |            |
| <b>Insurance</b><br>Service running costs<br>Food for café<br>Minibus fuel, road tax, servicing |             |             |            |
| <b>TOTAL EXPENDITURE</b>  |             |             |            |
| <b>BALANCE STILL TO BE RAISED</b>   |             |             |            |

**Related Cumbria CVS Fact sheets**

FACT SHEET15, Accounts and Book - Keeping

FACT SHEET 16, Cash Flow Forecasts and Budgets

**Further Support and Advice is available from Cumbria CVS Locality Offices in:**

**Barrow:** 72-74 Scott Street, Barrow-in-Furness, LA14 1QE. Tel: 01229 823144

**Carlisle:** 27 Spencer Street, Carlisle, CA1 1BE. Tel: 01228 512513

**Eden:** 6 Hobson Court, Gillan Way, Penrith, CA11 0DT. Tel: 01768 800350

**South Lakeland:** Stricklandgate House, 92 Stricklandgate, Kendal, LA9 4PU. Tel: 01539 742627

**West Cumbria:** Community Resource Centre, 12a Selby Terrace, Maryport, CA15 6NF  
Tel: 01900 819191

Visit **Cumbria CVS Website** at: [http://www.thirdsectorcumbria.org.uk/support\\_CumbriaCVS.html](http://www.thirdsectorcumbria.org.uk/support_CumbriaCVS.html)

**Cumbria CVS Training Course information**

Is available on our website: [www.thirdsectorcumbria.org.uk/support\\_cumbriacvs\\_training.html](http://www.thirdsectorcumbria.org.uk/support_cumbriacvs_training.html)

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