

BUDGETING FOR AN APPLICATION

What is a budget

A budget is an estimate of how much money a group needs to spend and raise in order to carry out its work.

Why does a group need a budget?

There are many reasons why a group needs a budget:

- Groups need to be aware of how much their work is going to cost. Most groups do not have an unlimited pot of money to finance their activities, so they will need to fundraise to find the money.
- A budget will show the management committee of the group exactly how much work they can fund with the money they already have, and how much they need to raise from other sources.
- A budget also shows funders and other organisations that the group is professional and planning ahead. It will show funders that a group really does need funding. Few funders will support groups who do not know how much money they really need.
- Setting a budget will also help prevent confusion within the group. The whole committee should decide what they should do over the next year, agree some clear aims and agree a budget to match.

Will a budget give us extra work?

- Especially for a newly-established group that has not been spending much money, putting the first budget together will take longer than in the future. But next year, you will be able to look at what you spent last year and that will help you set the budget.
- The Treasurer may find that there is a bit more work, but at least he/she will be able to tell the group exactly what their financial position is, which is vital!
- For a budget to work well, the committee also needs to review what is actually spent with what was predicted in the budget. This might mean that committee meetings are a few minutes longer.

How to start to put a budget together

Here is just one way a group can put together its budget:

1. Get two sheets of blank paper. Write "Income" on the top of one sheet and "Expenditure" on the top of the other.
2. Take the Expenditure sheet of paper and write down everything that the group spends money on. You may find that certain items can be put together under one heading. For example stamps, envelopes, pens and paper could be under the heading "Office Stationery". Once you are sure that you have thought of everything, insert the heading onto the template budget at the end of this section.

3. Then try and estimate how much money is spent on each item. If for certain items you find this difficult, try and work out how much you would spend on it every month, and then multiply it by 12 to get the cost over one year.
4. Now you can look at what income you will need. Repeat step 2 for the income. Do you have any guaranteed income for that year? How much money will you have in the bank at the start of the year?
5. Compare your total expenditure figure with the total income figure. Do you need to raise money to spend what you want to this year?

What should go under the Expenditure heading?

Everything that the group will spend money on. You might want to divide up the expenditure into two sections:

Revenue costs

These are the ongoing costs. Here are some examples:

- wages
- pensions
- stamps
- telephone bills
- insurance
- photocopying
- gas and electricity bills
- training costs
- volunteers' expenses
- rent of premises

Capital costs

Here are some examples:

- vehicles
- computers
- chairs
- desks
- buildings
- telephones
- bookcases
- refurbishment costs
- kitchen crockery
- play equipment

What should go under the Income heading?

All the money that the group is expecting to be given to them. You might want to use the following headings in the Income section:

Grants	Money given to the group from grant-making trusts, the National Lottery distributors, and other bodies. Many grants can only be spent on certain activities. This type of grant is also known as restricted funding.
Service Level Agreements	Health authorities, local authorities and other statutory bodies may also provide funding as part of a service level agreement where for a certain amount of money your organisation provides a particular service.
Donations	Money that is given to your organisation, mainly from individuals. It can be in many forms such as cheques, cash, standing orders etc.
Fundraising	Money that you have raised by putting on an event, doing a tin collection at the local supermarket, putting on a raffle or jumble sale, running the marathon etc.
Fees	Some groups have a small membership fee. Other groups, especially coffee clubs and youth clubs, have a small entry charge.
Interest	Money in a bank account can gain interest (if you have any money!).

BUDGET TEMPLATE

Budget Template

Please use this table to put together your budget

EXPENDITURE		
Item	Amount	Working out
eg Rent	£4,992	£416 per month x 12
Total expenditure		
INCOME		
eg Membership Fees	£1,000	100 members @ £10 a year
Total income		