



# FUNDING FACTSHEET 10

## Budget Planning

This factsheet is part of a series of ten. The other factsheets are **1: General Procedures; 2: Sources of Funding; 3: Making Applications; 4: Writing an Application Letter; 5: Applications to Trusts; 6: Sustainability; 7: Do's and Don'ts; 8: Crisis Funding; 9: Funding Budgets explained.**

### Preparing the Budget

If you are an established group or organisation 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 forward plan -

- What are you going to do over the next one 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 buying premises.

### Stage Two

Using the forward plan in stage one 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/Rates, 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?
- What wage increases are likely for the time of this budget? Include increments and cost of living rises in this calculation.

When calculating staff costs don't forget to include Employers' National Insurance, 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

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implications. You will need to allow for training and all out of pocket expenses e.g. travel, childcare.

### 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, Stationary, Telephone, Equipment Maintenance, IT, 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 if your administration budget seems 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.

### **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. Some times they might have space for a 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

### **Further Information**

There are a number of publications which might help you with preparing a budget in the NCVS library. It will depend on your organisation as to which might be better for you so feel free to come and browse.

#### **FURTHER HELP**

Core Services  
Dudley Council for Voluntary Service  
7 Albion Street  
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DY5 3EE

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[www.dudleycvs.org.uk](http://www.dudleycvs.org.uk)