

Keeping track of the money your group is going to spend is fundamental to the success of your project. If you don't have the money to meet your expenses you won't be able to achieve your objectives.

Where to start

The size of your budget depends on your objectives. Larger organisations may have complicated budgets, broken down to relate to individual projects. Smaller groups may have a very simple budget, but the same principles apply.

You will need to work out:

- How much it is going to cost to run your group
- Where the money is coming from
- Ways to increase income if you have insufficient funds
- Have written confirmation, approving any grants you have applied for before you start work on your project

It is important to be able to account for all your funds because:

- Members and external funders want to know how the money they have raised has been spent
- You need to monitor what you have actually spent against what you thought you would spend, so that you can keep track of your financial resources

Preparing a budget

In small organisations the budget planning is usually led by the Treasurer, although the final budget must be approved by the Committee or Board of Trustees. However, it is important to consult with the people who are going to be working on the project as they are more likely to stick to a budget they have helped to develop. They will also help to identify areas of expenditure that may have been overlooked.

You need to think about the direct costs of your project e.g. venue hire, printing costs etc. and, if running more than one project, any indirect costs e.g. management expenses.

List all the items of expenditure you can think of and all sources of income you expect to receive.

Remember to:

- Consider the time period for your budget; will your project last one year or three?
- Identify what income has been received
- Identify income you hope to receive e.g. grants applied for but not confirmed
- Include in kind contributions e.g. time given freely by volunteers including committee members/trustees

If your expenditure is greater than your income the project is not viable as illustrated below:

Example Budget:			
Income	2009/10	2010/11	
Grant	1,000	500	Confirmed
County Council	1,000	1,000	Unconfirmed
Fundraising Activity	500	500	Anticipated
Total	2,500	2,000	
Expenditure			
Venue Hire	1,400	1,600	
Printing	500	500	
Postage	500	500	
Volunteer Expenses	100	100	
Total	2,500	2,700	

If all income is received the project will be viable in 2009/10 but not in 2010/11. If the unconfirmed/anticipated income is not received who will pay for the project?

Information

- Know your objectives
- Know the resources you will need to complete your objectives
- Know where you can get funding from

Preparing your budget

- Make a list of what you need
- Attach a cost to each item on the list
- Identify a funding source for each item on the list

Preparing your cash flow

- Establish when you will receive your income e.g. grants
- Estimate when you will have to make payments
- Identify any periods where you have low levels of cash

Keeping records

- Record all transactions
- Update your budgets and cash flow statements
- Know what and when information has to be reported to others e.g. Funders

Bookkeeping

Once your project is up and running you need to record both your income and expenditure. For smaller projects this can be done using a paper based cash book. You don't have to use spreadsheets or specialist software, although these may be used where available and can be useful where more than one project is underway.

All transactions should be recorded, both income and expenditure. It is useful to keep separate records for cheque transactions and loose (petty cash) as this makes it easier to check the bank statements.

It is important to keep:

- Receipts for everything you buy
- Remittance advices/letters when you receive a grant
- Receipts you give acknowledging a donation
- Invoices you give to anyone for work you have done
- Bank statements

Exactly how much information you have to report depends on the size and structure of your organisation.

Compare what you receive and spend against your original budget, you may run into problems if you are spending too much.

Cash flow

Your budget determines whether your project is viable. Cash flow forecasting enables you to establish possible 'peaks and troughs' within the cash balance. Despite having secured an income for the whole year, you may find that cash levels decrease significantly for a month or two if expenditure exceeds income in the short term.

You need to be sure that cash is available when you need it e.g. if a grant payment is delayed do you have enough cash to pay for a venue booking? A cash flow forecast allows you to manage your money so you can meet your liabilities. See Figure 2.

If the balance carried forward is almost nil, you will have to watch what you spend as you are in danger of running out of cash. In the example in Figure 2, any extra spending in February would result in the bank account being overdrawn. Unless additional cash can be found, payments may need to be delayed until the grant has been received.

If you find you have large amounts of cash available you may want to consider putting them in a savings account to earn interest, rather than leaving them in a bank account paying little or no interest.

Example cash flow forecast			
£	Jan	Feb	March
Income			
Grants			2,000
Bank Interest	50		
Earned Income	200	50	
Total	250	50	2,000
Expenditure			
Venue Hire	300	300	300
Insurance	50	50	50
Printing	100		
Postage			20
Total	450	350	370
Excess/Deficit	(200)	(300)	1,630
Balance brought forward	500	300	-
Balance carried forward	300	-	1,630

Figure 2

Useful websites

www.cumbriaaction.org.uk

www.charity-commission.gov.uk

www.thirdsectorcumbria.org.uk

More information

ACT Development Officers can offer further support and advice. A range of additional Guidance Sheets are also available on our website.

Cumbria CVS can help with funding information; for more details visit the Third Sector Cumbria website (see Useful Websites)

For more information please contact us at Action with Communities in Cumbria on Tel: 01768 840827 or visit our website: www.cumbriaaction.org.uk

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