

PLANNING YOUR BUDGET



Introduction

This Toolkit will help you construct a basic budget, setting out your plans in an understandable and appropriate financial description of activity.

A good budget will help you keep control of finances, making decisions based on reality not guesswork, and help you to ensure that the money you have is used to the best effect. It will also demonstrate to grant-makers that your finances are likely to be managed effectively.

This Near Neighbours Toolkit has been developed in partnership with the St Philip's Centre and has been written by John McCallum, Near Neighbours East Midlands Coordinator.

John would like to acknowledge the many people and organisations that have provided information and advice that have contributed to the information in each toolkit.

INFORMATION

For more advice and support on any of the issues raised in the toolkit please contact Near Neighbours on:

w www.near-neighbours.org.uk

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PLANNING YOUR BUDGET

Planning a budget can take time, especially when you are exploring the costs you might face with your activity. Therefore budgeting for a new activity should begin as soon as you possibly can. If all the facts are yet to be revealed, reasonable assumptions can be made in an outline budget that, if nothing else, will identify gaps for you to research. It may take some time to get accurate figures, and then another wait to get the figure agreed by your Place of Worship's governing body or your Management Committee, so if you can begin to think ahead about financial needs you will be able to shorten the overall process.

What is the difference between accounts and budgets?

In very simple terms, accounts record what you have spent and what money has come in to your organisation, whereas a budget is what you plan to spend and what monies you expect or hope to come in. Most organisations that are incorporated (have a legal identity e.g. Limited Company, Registered Charity, Community Interest Company, etc.) are required to follow a set standard of financial reporting that dictates how their accounts are set out. However it is up to your organisation to find the best budget format that helps you plan your activity.

How do you begin?

Your budget will aim to reflect the plans that your organisation has, in terms of its money, or lack of it, so the best starting point is to have a think about your faith group or project's aims for the coming year. How much will it cost to achieve those aims, what income will be coming in, and from where? Once you've thought about this, maybe you will have written a plan of action, you can then set out two different budget headings - Income, and Expenditure - and begin to allocate different items to these.



Expenditure:

You will need to write down all your relevant expenditure items. Normally, it is helpful to divide items between capital and revenue expenditure. Capital expenditure relates to the purchase of items that have a lifespan of several years and are usually 'one-off' expenses i.e. a building extension, a new desk or a computer. Revenue expenditure relates to recurring expenses such as accommodation rent, membership subscriptions or staff wages.

Here are some examples of expenditure budget headings:

Capital:

- Building Construction Costs
- Building Renovation Costs
- Permanent equipment
(i.e. Photocopier purchase)
- Minibuses
- Furniture and fittings
- Playgroup Toys

Revenue:

- Salaries and National Insurance
- Heating/Lighting
- Office Rent
- Telephone
(including internet access where needed)
- Volunteer Expenses
- Maintenance of Equipment
- Training
- Photocopier running costs

Each budget item ideally needs to be costed carefully and realistically - if possible getting quotes from several sources (for large sums of money funders often require you to gain 3 or more quotes from reputable suppliers or contractors). You may find it helpful to visit another place of worship or community group that runs a similar project to yours to find out what they have learned about the pitfalls and hidden costs in budgeting.

If your budget is planned to be for more than one year, typically a 3 year period, you will often need to add on a percentage cost to account for assumed inflation in years 2 and 3 (at the time of writing, March 2017, 2.3%). The costs of some items in your budget may have to be calculated from a number of factors, inflation being only one of them. Don't forget to keep records of your calculations, in case you are asked how you arrived at your figures by a funder.

If you are thinking of employing a worker, don't forget to include an amount for National Insurance (rates available from HMRC), and if relevant to budget for wage increases, pension, employers' liability insurance, expenses, training, office or housing accommodation, internet access, and equipment. It would be normal to plan for a 3 year period as funders are unlikely to give grant aid for longer periods.

Income:

Put down all sources of actual income for the project and, below that, you're expected/hoped for income with a reasonable figure for each. This has to be realistic but as people of faith you will not want to limit what might be divinely inspired so try to achieve a happy balance between hope and reality because not everyone who you might need to show your budget to will be as optimistic, or as faithful, as you. Therefore it is usually best to be conservative in what you plan for as it will in general be better to exceed expectations than to fail to meet them. The more realistic detail you provide the better because external decision makers have experience of a lot of comparable projects. They will be keen to see if your assumptions about income bear reality to what is truly achievable and offers what you actually need to deliver your project.

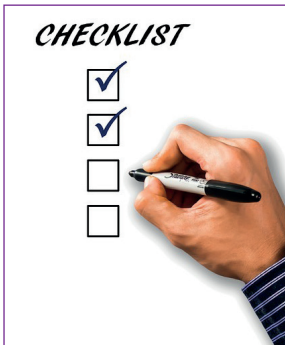
Possible income headings might include:

- Personal giving (e.g. the place of worship collection or project member's subscription)
- Local fundraising
(fetes, jumble sales, sponsored walks etc.)
- Restricted income
(money given for a specific purpose)
- Statutory authority contracts/grants
- Charitable grants and donations
(i.e. from grant making trusts)
- Charging for Room Hire
- Legacy giving
- Gifts in Kind
(e.g. donations of equipment and you might also put some value on the time per hour your volunteers offer)
- Sale of services
- VAT reclaim (on certain place of worship renovation schemes)

Figures for your income and expenditure might then be set out as in the example at the end of this guide.

If there is a shortfall between your income and expenditure you may have to adapt your plans and consequently reduce your budget. The alternative is to show further fundraising expectations that, although not yet achieved, will demonstrate to a decision maker that you are actively searching for the balance of monies that you need.

Financial Management Checklist



Your project/organisation should carry out the following financial tasks every year to facilitate your plan of action, commonly called a business plan:

- Prepare a budget
- Set down procedures for action to oversee your project's finances
- Ensure that management/staff/volunteers are trained in financial procedures
- Develop a Project Promotion/Marketing Strategy
- Ensure that you have the best banking/saving deals available
- Ensure that your budget headings and account books are consistent
- Agree a detailed activities reporting programme which meets the requirements of your funders
- Explore all possible sources of income



Using a budget as a tool:

Budgets are useful tools to assess how your organisation's finances are progressing during the year. If you regularly compare your expenditure to your budget, you will be aware of any overspend or under-spend, in enough time to ensure that you can take action to remedy a problem. This should normally be done at least once a month during the year by the project management committee's Treasurer (this is called management accounting).

Your annual budget needs to be compiled about three months before the start of the new financial year. Depending on the size and costs of your activity it is normal to have a regular budget management review by the place of worship committee or management committee involving the checking of expenditure and income against budget totals (this will normally be compiled by the organisation's Treasurer). Almost as soon as you have written it your budget will inevitably need to change. For instance you might have a burst pipe that you need to have repaired, or increase in the cost of energy bills due to international oil prices rising. If you are regularly reviewing your budget on what you have already spent it will be easier to manage the ups and downs of budgetary variation.

Further information



Grant Making Trusts will tell you that many of the applications they receive have budgets that simply do not add up and this sometimes means that they will reject your application for funding. Ensure that you get a competent third party to check your budgetary figures for accuracy and that they are understandable before sending them off to a funder. If you are expecting a funder to give you a sum of money, it would not be unreasonable for them to expect you to provide accurate financial information.

Always check with a funder or another decision maker on the budget information they need from you before you send it. You might initially be asked for a summary budget and this is when you need to combine a number of allied headings from your total budget into a few summary headings. For instance you might have a summary heading 'Total Staff Costs' and this might include: wages, national insurance, pension contribution, employers' liability insurance and staff training.

A budget would normally be an integral part of your written plan that describes your project. Make sure that you keep it updated as things can quickly change and may provide a contradictory message to a funder. As already suggested if your sums do not add up, your application might be rejected regardless of the worth of activity.

This Toolkit should only be used as an indicator of issues to consider when budgeting for fundraising and does not guarantee success from any fund giver. Please note that Near Neighbours and its officers cannot provide financial advice and this should be sought from a suitably qualified source.

Example Budget

Bloggsworth Community Development Project

Projected Budget 2018-2019

This example involves employing a worker, setting up a basic office and a small amount of money for working with groups in the community. Larger projects would obviously need more resources and detail than is shown here. Projects involving building work will often need detailed figures provided by your Architect. When these are complex it may be better to show them in detail on a separate sheet.

INCOME	2013	2014	2015
Grant making Trusts	20,000	9,000	10,000
Local fundraising (coffee mornings, sales of work)	600	650	700
Local Authority Grants #	3,000	3,000	3,000
Project Community Work Fund ~	3,750	3,800	3,850
Rents from Hall	600	650	700
Interest on invested capital ^	60	50	50
Contract from GP Commissioner (Use of building by nurse clinic)	5,400	5,534	5,570
Total Income:	33,410	22,684	23,870
EXPENDITURE	2013	2014	2015
Full Time Worker Costs:			
Salary (assuming 3% inflation)	20,000	20,600	21,218
Employers National Insurance	1,700	1,750	1,800
Pension Contributions @ 6% *	1,200	1,236	1,273
Employer's liability insurance	50	50	50
Total:	22,950	23,636	34,341
Running Costs:			
Office Rent	480	494	506
Gas/Electricity	120	124	128
Telephone/Internet	360	370	380
Stationery/printing	150	155	160
Travel	150	155	160
Training	500	520	540
Volunteer expenses	200	210	215
Group Development Activities (i.e. Hire of rooms, refreshments, etc)	400	420	440
Total:	2,360	2,448	2,529
Depreciation on Set Up Costs:			
Office Furniture	700		
Computer	1,000		
Total:	1,700		
Total Expenditure:	27,010	26,084	26,870
Planned Surplus/Loss	6,400	(3,400)	(3,000)

Note to the Budget

- # Comprising £3,000 per annum in years one and two and £2,500 in year three from Bloggshire County Council and a grant from Bloggshire Parish Council of £500 in year 3
- ~ Project Community Work Fund is donations from the people of Bloggsworth
- ^ A restricted fund held by the Community Development Project Council for community benefit
- * Pension contributions are comparable with other local voluntary organisations

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