

# Funding Advice Bureau

SYFAB guide to...

## Budgeting for groups and projects

A budget describes your organisation in monetary terms. It is a plan that shows your income (money coming in) and expenditure (money going out). Your budget is your financial plan for the future, and your accounts look back at what has already happened.

Your organisation will produce an annual budget for the whole organisation. You will also need to include a budget each time you write a funding application that costs out the work you are fundraising for.

Depending on the funder and what you are applying for, you may have to produce a separate budget for your funding bid that just covers the costs of the project or activity you are raising money for. But if you are a very small organisation that covers all of its costs from just one or two grants, you could include your organisation budget with your application.

In this sheet, we run through the basics involved in producing a simple budget for your organisation. The section 'Presenting financial information to funders' has some brief advice on budgets for funding applications.

### Why have a budget?

You need a budget because it helps you to do the following:

- manage your money
- identify your expenditure (costs)
- identify what money you need to raise to cover your costs
- control your expenditure
- monitor your fundraising
- write project budgets for your funding applications.

In fact, it is impossible to run an effective group without one, no matter how small you are.

It is the treasurer's role to write your budget but the whole of your committee is responsible for the finances of your group, so everyone needs to understand the budget and agree with it.

When you write your budget, it will be based on what you know at the time. Some of the figures may have to be included as estimates if you don't have all of the information yet. For example, if you are fundraising, you won't know yet how much you will raise in the coming months. All of the figures should be as accurate as possible, so put plenty of time and thought into planning it.

Things can often change during the year; you may have unexpected costs or spend less on some things. You need to look at your budget regularly in your committee meetings and make any adjustments that are necessary.

### Preparing

It can take a lot of time and effort to draw up a budget. It may take several months to get all the figures together and for your group to agree them. So, start work on it as soon as you can.

### Expenditure

When working out how much money you will spend during the coming year you need to take account of the following:

- Make sure that your figures are as accurate as possible. Don't just guess costs or use old figures – you might end up not having enough money. Get estimates from a few different suppliers, use

catalogues, and talk to other groups running similar projects.

- Make sure you don't under cost your work as this could lead you into financial problems. But, just as importantly, don't over cost the work because funders will reject any applications you make based on figures that are too expensive.
- Make sure you don't miss out any 'hidden' costs, for example insurance, maintenance, repairs, travel, training.
- If you are applying for money for more than one year, don't forget to include inflation, replacement of equipment and any repairs.

## Capital and revenue costs

Capital costs are items of expenditure that are tangible and physical for example, equipment, a building, new windows for a building, a minibus or a computer.

Revenue costs are items of expenditure that are ongoing for example, rent, heating, volunteer expenses.

Some funders will only fund capital or revenue, not both. Separating capital and revenue headings in your budget can help you decide where to apply to for each item.

## Income

Your expenditure list sets out your spending requirements. You need to produce a similar list of all possible sources of income. Be as realistic as possible when estimating how much money you will get from each source.

Bear in mind that your income budget is only an estimate of what you are likely to raise. It is much harder to predict than your expenditure budget. But it is a way of setting targets.

Start with the total amount you need to raise and then break it down into a series of smaller amounts; identify where each of these amounts can be raised from. Keep a regular check on your budget, as you may need to revise your fundraising targets if money is not coming in, or more has come in from a particular funder.

## Now look again at all your figures

- Have you left anything out?

- Are you planning to spend more than you think you will get in? If so, how will you meet this shortfall?
- If any of your funding fails to come through, what are you going to do about it? Are there other options or contingency plans you can put in place?

## Example budget

### Income

Local authority small grant (grant secured)	2,000
Lottery small grant (grant applied for, waiting for decision)	2,500
The XYZ Trust (application not yet submitted)	1,000
Service user fees (projected based on 8 users/week at £1 each)	400
Fundraising quiz nights (projected 20 teams overall at £5 entry)	100
<hr/>	
<b>TOTAL INCOME</b>	<b>£6,000</b>

### Expenditure

Rent	1,000
Heat & light	300
Insurance	300
Stationery	100
Phone	200
Post	150
Printing and photocopying	100
Publicity	200
Training	300
Volunteer expenses	800
AGM	300
Travel	500
Repairs and maintenance	300
Computer	500
Office furniture	700
<hr/>	
<b>TOTAL EXPENDITURE</b>	<b>£5,750</b>

## Reviewing the budget

You should use your organisation budget as a guide during the year to check whether you are spending your money as you had planned.

Your treasurer should compare the budget to your income and expenditure and report back to the group regularly. Depending on your group's current activities, you may want to check the budget once a month. By doing this, you will know if you are over spending, under spending or spending in unexpected areas. It will also help you to review your fundraising attempts (if necessary).

About nine months into the financial year, you should start preparing the next year's budget. You should, by then, have a clear idea of how accurate your budget is and what adjustments you will need to make for the coming year.

If you plan to make changes in the way you operate, for example, increasing your activities or moving premises, make sure that you cost these changes into the new budget.

## Presenting financial information to funders

Funders always ask you to include financial information with your application. They will generally ask you to include your most recent accounts (the summary of your actual income and expenditure in the past year), and for a budget for the work you are raising money for. This project budget is a clear summary of planned expenditure involved in the particular project or activity that you need funding for. If you are not asking the funder to pay for the whole project, you should also include information on the planned sources of the remaining income. Keep evidence of how you worked out your figures (written quotes, catalogue prices and so on) in case funders ask you how you decided how much you need.

Make it clear which elements of your project you are asking that particular funder to fund (if it's not the whole amount). Show what other sources of income you expect in addition to their funds.

If you are seeking funding for revenue costs give a brief description of how you hope to raise money to keep the project going in future years, or what will happen when the work finishes (an exit strategy).

## Budgeting for multiple projects or funders

Securing core cost funding helps to stabilise an organisation, but it can be challenging to find as funders like to see clear outcomes for their money. It's not easy to show this when what you need is money for rent, rates and the electricity bill. One approach is to divide up the core costs and share them out between your different projects or areas of work. This process is called 'apportionment'. When you have a system for apportioning your core costs to your projects, this is called 'full cost recovery'. It gives you a basis on which to ask funders to contribute towards your core costs when you apply to them for project funding. It's generally easier to build up your core cost funding like this than to get a grant just for core costs.

### Full cost recovery - the basics

There are three steps to setting up your full cost recovery system.

#### 1. Identify your cost centres

For budgeting purposes, projects are sometimes called cost centres. A cost centre may consist of a single project or activity, or it might make sense for you to group projects or activities together. For instance you might separate or group your work by location, by activity, beneficiary, or funding stream.

#### 2. Identify direct costs and core costs

A good way of working out which are direct and which are core costs is to ask yourself which costs would disappear if the activity or service was no longer delivered. For example, if you employed a worker to run a play scheme, when the play scheme ended that post would no longer be needed. That would be a direct cost. On the other hand, the post of an admin worker who looks after the bookkeeping and manages the office would be a core cost, because the post would still be there regardless of which activities you were running.

#### 3. Apportion your core costs

Once you have identified your core costs, you need a method for apportioning them to each project or cost centre. Three methods which are often used are staff time, headcount, and floorspace. You can use different ones for different items, whichever makes the most sense. Let's take office rent as an example of a core cost item to be apportioned:

##### Staff time

If your organisation has a number of staff and

volunteers in at different times working different amounts of hours on different projects, then you might want to work out how many hours are spent on each project or cost centre and use that as the basis to divide your office rent.

Total hours worked by team per week = 200

Total hours by project/cost centre:

Project A = 100 hours / 50%

Project B = 20 hours / 10%

Project C = 80 hours / 40%

You would therefore apportion 50% of the rent costs to Project A, 10% to Project B and so on.

### Headcount

Perhaps everyone works similar amounts of hours, is each assigned to a single project, and has their own desk. In this case the headcount approach could be more appropriate.

Total number of staff and volunteers = 8

Total staff by project/cost centre:

Project A = 4 staff / 50%

Project B = 2 staff / 25%

Project C = 2 staff / 25%

### Floorspace

Maybe each project has its own designated area in the office. How much floorspace does each occupy?

Total office floorspace = 80 sq m

Total floorspace by project/cost centre:

Project A = 40 sq m = 50%

Project B = 10 sq m = 12%

Project C = 30 sq m = 38%

There is no right or wrong way to apportion core costs. The main thing is to choose a method that is fair, that you can justify to funders, and make sure you stick to it.

For more detailed guidance on full cost recovery see the **Further help** section below.

South Yorkshire Funding Advice Bureau

Unit 3 - G1 Building

6 Leeds Road

Sheffield S9 3TY

Telephone: 0114 261 5141

Email: [enquiries@syfab.org.uk](mailto:enquiries@syfab.org.uk)

Website: [www.syfab.org.uk](http://www.syfab.org.uk)



SYFAB is part of South Yorkshire Community Foundation Ltd.  
Registered Charity No: 1140947 Reg. Company No: 7545536  
© 2013-2015 SYFAB / South Yorkshire Community Foundation Ltd. All rights reserved.

## Further help

You may be able to get help from your local Voluntary Action. Some of them run community accountancy projects.

South Yorkshire CVS contacts:

### Voluntary Action Barnsley

Telephone: 01226 320100

Website: [www.vabarnsley.org.uk](http://www.vabarnsley.org.uk)

### Voluntary Action Rotherham

Telephone: 01709 829 821

Website: [www.varotherham.org.uk](http://www.varotherham.org.uk)

### Voluntary Action Sheffield

Telephone: 0114 253 6600

Website: [www.vas.org.uk](http://www.vas.org.uk)

Currently no facility in Doncaster

Toolkits and resources:

### Community Accounting Plus

Free downloadable spreadsheet templates, with video guides and other resources for voluntary and community groups.

Website: <http://www.caplus.org.uk/node/63>

## Further reading

### Voluntary but not Amateur (Chapter 8)

Ruth Hayes and Jacki Reason

### Writing Better Fundraising Applications (chapter 5)

Michael Norton and Mike Eastwood

### The Charity Treasurer's Handbook

Gareth G. Morgan

Available from Directory of Social Change (DSC)

Directory of Social Change

Telephone: 0845 077 7707

Website: [www.dsc.org.uk](http://www.dsc.org.uk)

Our information is produced for local community and voluntary groups. No permission is needed for limited reproduction if SYFAB are acknowledged. Large scale reproduction or inclusion in publications for sale must have written permission from SYFAB.

**SYFAB**