T3SC Factsheet
Budgeting

Money management – cashflow forecasts and budgets

Managing money is vital to the success of any organisation. It is especially important when money is tight, or when you are managing other people's money. Producing accounts will tell you what you did with the money you had last year. However, it is also important to look ahead to determine how much money you will need to keep things ticking over so you know how much fundraising you need to do?

Cashflow forecasting

This looks at the expected income and expenditure for your group over a period of time, for example six months. Whilst they can never be 100% accurate, they do provide an indication of where financial problems may occur, and so give you time to plan a remedy for them. Forecasting will be based on past performance and on 'best guess' information regarding figures, and as time goes on, forecasts should be checked against actual performance to make sure no significant variance has occurred.

Expenditure	Jan	Feb	Mar	Apr	May	Jun	
Rent	200	200	200	200	200	200	
Phone	50			50			
Gas and elec		30			30		
Insurance			200				
Total	250	230	400	250	230	200	1560
Income							
Subs	40	40	40	40	40	40	
Grant						5000	
Total	40	40	40	40	40	5040	5240

In this example, the group's income over the six months is clearly well above their expenditure for the period, £1,520 compared to £5,240. However, because the grant doesn't come in until the end of the period, the group could be in trouble if they don't have anything in the bank they can use until the grant comes in! By using cashflow forecasting in this way, they can identify a possible funding shortfall, and take steps to remedy the situation before it becomes a problem.

Budgeting

Budgets can be produced for a whole organisation, or just a one off project. They will give you an overall figure for the cost of the project, and so enable you to raise the funds to cover it. When producing a budget, it is important to be realistic in your costing, and if you don't have an exact price make an educated guess. Never underestimate your likely costs in order to make your project seem less expensive than it really is, this will only lead to a shortfall in funding, and give you problems in trying to deliver the project with the funds available. It is also important to include all relevant costs and is worth discussing the project with a number of different people within the organisation to make sure all likely costs have been considered. If you are running several projects, try to apportion any central costs such as admin or rent for your building proportionately to each project. Whatever you do, don't leave it out completely! **If you are applying externally for funding for your project**, be aware that funders generally have a good idea how much things should cost, and don't mind paying the going rate. However, do make sure that your potential funder will pay for all the items in your budget. All funders vary, some will provide for capital items or buildings, running costs or staff wages, others won't.

Funders will usually provide guidance on what they will pay for, so be sure to read this carefully before applying, and make sure the budget you supply to them reflects what you are asking them to pay for! Full cost recovery is the term often used to mean making sure that all of your support costs are covered by each project that you run. If you have six projects running, the easiest way is to divide your central costs by six, but a more accurate method would be to apportion the costs according to the time and resources actually used by each project. This can be more difficult to do, but provides a more accurate reflection of the true costs of the project. See below for a sample budget sheet:

Type of cost	Description of cost	£ Amount
Revenue costs		
Salaries, NI and pensions		
Recruitment		
Training		
Travel and other expenses		
Rent		
Heating / Lighting / Water		
Postage		
Telephone / Fax		
Insurance		
Childcare		
Volunteer expenses		
Publicity		
Translation		
Room hire		
Other*		
Other*		
Capital costs		
Computer equipment		
Other equipment		
Reference material (books etc)		
Building		
Other*		

*please give details

When putting together a budget, some funders like to divide costs into capital and revenue costs. An easy way to remember the difference between the two (but by no means foolproof) is to think of capital costs as ones that you pay once to buy some equipment or a building for example, whereas revenue costs can be recurring and ongoing.

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