

# Budgeting your income & expenditure

Just before the beginning of each financial year the Treasurer, working with the Group Scout Leader, should ask the leaders in the group to set out their ideas of events and activities that they are planning to hold for their section with their rough costings as well as items of expenditure that might be required for the coming year. This can then be matched against likely income from subscriptions and events so a budget can be prepared. This will help map out everyone's plans and ensure that the Group will not be faced with the situation of having to say that there are not enough funds in the bank to pay the bills.

A budget for a fundraising application may not be the same as your group's annual budget. If you are applying for a specific project (rather than a grant towards your overall work), the funder may ask for a project budget only. We look at project budgets later in this section.

A budget is always an internal document for your own group's use. You will not be held to it by a funder or some other outside body. In the section 'Using the budget' we look briefly at what to do if your financial circumstances change and you have to change your plans and budget accordingly.

## **Preparing a budget**

There is nothing mysterious about writing a budget. It is like writing a shopping list, together with the cost of each item. You must then work out where you will get the money to pay for it all.

Writing a budget should be part of the process of planning your group's work. In order to write a realistic budget, you must have a fairly clear idea of your group's activities in the year ahead. The best way is to hold a meeting and discuss what you want to do. Your treasurer will then be in a position to prepare a draft budget for the group executive committee to look at.

## ***Step one – items of expenditure***

Write a list of all the items which you are likely to need to pay for, known as expenditure headings. It is important to list all the 'hidden' costs of your activities (the overheads).

Revenue items are all the day-to-day items, sometimes referred to as running costs. These include rent, postage and refreshments. If you plan to run an event where you will have both costs and income, you should show the event as both an item of expenditure and an item of income – do not include the net figure alone. A typical event of this type would be a fun day or coach outing.

## ***Step two – costs***

Estimate the cost of each item of expenditure and be as realistic as you can. Sometimes it can be difficult to work out costs, but don't just guess. It will help to talk to people in other groups and look in shops or suppliers' catalogues. For larger pieces of equipment, contact 2 or 3 companies and ask for quotes.

Think through your activities carefully - what will you have to pay for when you hold a meeting or organise an outing? That way you are less likely to forget something important.

If you are basing a lot of your expenditure of previous years remember to increase them in line with inflation. You should still think carefully when writing a later budget to make sure that it reflects what you plan to do. Your group's activities are not identical from year to year, so don't just copy your budget!

It is important to keep notes of how you arrive at your figures. For example, note down that 'hall hire' is a known cost based on 26 weeks or that the figure for 'telephone' is a rough estimate based on another group's bills. That way you will be able to explain your figures to the group or easily check them.

Typical expenses will be:

- annual membership subscription payment to the District,
- activity expenses for the sections (which may be handled by sectional treasurers),
- subsidy of major events,
- expenses to leaders and supporters,
- training fees,
- insurance,
- purchases of equipment,
- meeting arrangements and their associated costs (i.e. AGM costs),
- rent, if you use other people's premises, or the costs of running your own Headquarters, which might include:
  - rates,
  - insurance,
  - gas and electricity
  - water
  - repairs and/or improvements
  - cleaning
  - ground rent.

### **Step three – income**

Make a list of all the likely sources of money and estimate realistically how much you will get from each of them. Your main source of income could likely to be from weekly membership subscriptions. Again, keep notes of how you arrive at your figures. It is particularly important to note the date when grants (and other large sums of money) are expected – unless you plan well, you may not have enough money at a particular moment if the grant has not yet come, even though your budget shows enough income for the year.

Typical sources of income will be:

- membership subscriptions which could be paid weekly, termly or annually
- fundraising
- grants
- donations
- sponsorship
- interest on investments
- gift aid
- hiring/leasing property.

If you are waiting to hear the result of grant application, you can show the grant in the budget, but you should mark it 'unconfirmed'. However if you have little hope of getting the grant, do not show it in the budget. Make a note of any grant applications that are not included.

Sometimes you will plan to use money which you already have in the bank. For example, you may have received a grant before the start of the budget year (a grant in advance) or a grant may spread across 2 of your financial years.

Or, you may have been deliberately building up reserves in order to fund work in the budget year. All you need to do is to include the amount in your budget, just like any other income item, headed 'Grant in advance from (name of funder)' or 'Drawn from reserves'.

Remember to include when income is likely to be received and when outgoings are likely to occur. It is no good having a budget which balances out by the end of the year if you have been in the red for much of the period.

### ***Step four – balancing the budget***

Show your estimates to other people in your group to try and ensure that they are accurate and nothing is missing. If you are fortunate, you will have a balanced budget – your estimated income will be the same as your planned expenditure. If you are even more fortunate, you will be anticipating more income than you need – a surplus. If this is the case, you can include an expenditure item 'Surplus transferred to reserves' in order to balance the budget.

Unfortunately, all too often, groups find that they just do not know where they will get all the money which they need – a deficit. When this happens, you should at this stage show the deficit in your draft budget.

### ***Step five – approving the budget***

Once complete the annual budget should be presented and approved by the group executive committee. It is important to accept that it is the group scouters' meeting which decides both the programme for the young people and the need for equipment. The role of the executive committee is to resource the needs. If the needs are beyond the resources available it must be the group scouters' meeting and not the executive committee which decides the programme and equipment priorities.

Make sure you draw the committee members attention to unconfirmed grants – the group will need to assess whether you are likely to get the grants.

If you have a deficit budget, the group scouters in conjunction with the group executive committee will have to decide whether to scale down the activities or whether more fundraising is realistic. You should not balance the budget by writing in 'other fundraising' unless you genuinely believe you can raise the money. It is far better to start the year with a realistic budget and plan of activities. If you manage to raise more than you first expected, you can always increase your activities during the year. But if you start the year spending unrealistically, you will soon be in trouble.

The budget must be formally approved by the executive committee. If the committee suggests only minor changes to the draft budget, the meeting can approve it there and then. But if the group ask for lots of minor changes or a really major one, you may need to rewrite the budget and take it to a later meeting for approval. The budget which you finally approve must balance.

### ***Using the budget***

Keeping track of your finances At least every quarter, the treasurer should present a finance report to the group executive committee. This should show the actual income and expenditure to date, including unpaid bills, and compare those figures with the budget. This will help you assess whether your finances for the year are on track.

If there is a major difference between the budget and the actual figures, you may need to adjust your plans. For example, if income is much lower than forecast, you should consider where to make savings; if some costly activities have not taken place, you will have money available to spend elsewhere.

You should only alter the budget during the year to take account of major differences. And remember: this can only be done by a meeting of your group executive committee.

### ***Fundraising applications***

If you are applying for funding for your group as a whole, you can send a copy of the annual budget to the funder.

In the case of a specific project, the costs of the project will be included in your annual budget expenditure but the funder may ask for a project budget only. Most project funders will ask for your group's overall budget in order to satisfy themselves that your group is able to run the project. They will want to see that your group as a whole has a clear plan of activities and a balanced budget.

It is very important to show clearly in your overall budget which costs will be met by a grant for a project and which by general income. Remember that if you receive funding for a specific project, you will be able

to use the grant to pay only for the costs of the project itself. You will not be able to use the money for the general costs of your group or for another project. This is also true of a grant for capital equipment.

Think carefully about what you will actually have to do to run the project and include these costs in the budget. If you do not claim them in the grant, you will end up subsidising the project out of your general funds – this will force you to cut back other planned activities.

Checking that the grant matches your budget:

- The grant award letter or 'conditions of grant' form from the funder will spell out what the money is to be used for.
- If you have been awarded the full amount, the grant is most likely to pay for the project as described in your application – but always check the details.
- If the grant is less than you applied for, check what the grant covers and amend your overall budget at the next meeting, if necessary.
- If the funder gives grants only to registered charities, grants for projects or capital equipment will be classed as restricted funding.

