



**Community &
Voluntary Services**
cheshire east

Financial Management – Preparing and Managing Your Budget –

Wednesday 28th July

Welcome

This is an introductory session going over the basics of budgeting

Outcomes for the Session

Understand what to consider in the development and monitoring of Budgets
Understand the basics of monitoring a cash flow

What do you want to gain from the Session?

Budget Setting and Approval

- **Budget Setting** - Who is responsible for creating
- **Budget Content** – what you may be considering including
- **Budget Planning Cycle** – dates, actions and responsibilities
- **Budget Revisions** – how are these approved
- **Budget Holders** – who they are and authorisation levels

Staff	Certify details on transaction as correct	Authorise payment	Authorisation level
Chief Executive	✓	✓	Up to £10,000
Finance Manager	✓	✓	Up to £500
Budget Holder	✓		Up to £500
Finance & Compliance Sub Committee		✓	Between £5,000 and £10,000
Board of Trustees		✓	Over £10,000

Timescale	Action	Responsibility
Monthly reports, quarterly reviews	Meetings with budget holders to review year to date and implications for next year's budget	Chief Executive and Finance Manager
Monthly meetings and quarterly reviews	Gap analysis	Chief Executive and Management team
September - December	Budget preparation	Chief Executive
January / February meeting	Draft budget submitted to Audit Committee	Chief Executive
March board meeting	Budget revised according to Audit committee requests and submitted to Board for approval	Chief Executive
April	Approved budgets distributed to budget holders	Finance Manager

What is a Budget?

- **It's a financial Plan**

Why have a Budget?

- **Control our finances**
- **Monitor our income and expenditure**
- **Understand what it costs to run the service**

Types of Budget

- **Incremental Budgeting – Building on a previous budget**
- **Zero Budgeting – starting from scratch**

How are your accounts/budget produced

Receipts and Payments – recorded at a cash basis

Accruals – accounting in the period but may not be paid then e.g. invoice driven

Setting and Approving of Budget

- **Involvement of staff and volunteers**
- **Formal approval from Trustees and Committee**

Preparing a Budget

- **Ask yourself**
 - **What are we planning to do?**
 - **What do we need to make that happen?**
 - **What will those things cost?**
 - **What income do we know we have?**
- **Things you may want to consider**
 - **Salaries – include oncosts NI and Pension – consider % uplift from previous years**
 - **Cost of office space, internet, utilities, phone etc**
 - **Insurance**
 - **Travel – staff and volunteers**
 - **Training – staff and volunteers**
 - **Marketing costs**
 - **Evaluation / Quality costs**
 - **Project costs e.g. venue hire, refreshments, materials Equipment costs**

Calculating the Cost

There is no perfect way to do this, but you can:

- **Make best guess estimates –**
 - **These must be based on something solid e.g.**
 - **your travel expenses were £3000 last year, expect staff to do the same this year, or**
 - **external room hire was £5000 last year expected to need the same amount of rooms.**
- **Gather quotes for services**
 - **This is good if it is something you haven't done before and don't have a good solid estimate, or it could be something you haven't done for a few years and the prices therefore may have changed.**
- **Speak to others about their experiences of costs**

Budgets can be updated if things change but you don't want it to be because your estimate was significantly out. This may affect your ability to deliver the service.

Calculating the Cost – Types of cost

In the budget setting consider whether your costs are:

- **Fixed** – These are costs that generally don't change/vary depending on activity
- **Variable** – These are costs that can increase or decrease depending on your activity

Examples of Fixed costs:

Rent
Insurance
Accountancy costs

Examples of Variable costs

Staff of volunteer
Travel Expenses
Salaries
Project costs e.g. venue hire, refreshments

Capital or revenue

- **Capital costs** pay for new assets which can be normally used for more than 1 year. E.g. Computers, gazebo, furniture
- **Revenue costs** are generally expenses used within the current year and are costs required to meet the ongoing operational costs. This also includes repair and maintenance to capital assets. E.g. Salaries, utilities and rent, travel, venue hire, insurance

Budget Lines / Cost Centres

You may want to consider putting some costs together under one heading. For example, Water, heating under Utilities.

If you do this make sure either you are aware what is in there or are/can monitor the different elements separately. Depending on the size of your organisation you may have accounts with combined headers for your Trustees, but the budget managers see more detail.

Unit Costs

Depending on your service you may want to know the unit cost of what you deliver. For example, serving food and the cost of a sandwich, e.g., cost of roll, ingredients, staff time to make.

Planning a Budget

	Project A	Project B	Project C	Core	Budget
Income					
Restricted Grants					0
Donations					0
Trading					0
Unrestricted Grants					0
Total Income					0
Expenditure					
Salaries	20000	20000	20000	10000	70,000
Gas				5000	5,000
Rent	4000	4000	4000	3000	15,000
Website		4000	11000		15,000
Postage			3500	500	4,000
Travel	1000	2000	1500	1500	6,000
Total Expenditure	25000	30000	40000	20000	115,000
Surplus / Deficit					-115,000

Income

When setting the budget, you will have known and expected income and may have a funding target.

You need to consider

Income which is known, or you have high levels of confidence in, e.g.

- **grants or contracts that you have already secured**
- **Trading income that you have had previously and would expect to get**
- **Donations/membership which again you have previously secured**

Income which may be part of a wider fundraising plan and isn't already secured or maybe new e.g.

- **A plan for a new fundraising/donation project**
- **General grants needed not applied or fully identified**

You may want to show the unknown either in the top line or show it as a plan to fill any deficit.

Trustees should be clear when they are approving the budget what the financial position of the charity is.

Example Budget

Income	
Restricted Grants	57,000
Donations	18,000
Trading	27,000
Unrestricted Grants	8,000
Total Income	110,000
Expenditure	
Salaries	75000
Gas	5000
Rent	15000
Website	15000
Postage	4000
Travel	6000
Total Expenditure	115,000
Surplus / Deficit	-5000
Fundraising plan	
Grant from xxxx	5000 due to be submitted June 22
Surplus / Deficit	0

Discussion

Thinking about your costs

- **Do you have a budget?**
- **How do you prepare this?**
- **What do you need to do differently?**

3. Management Reports – Monitoring your finances

Two types of Reports

- Financial Report
- Cash flow report

Financial Report – Management Accounts

- provide a regular check of the income and expenditure
- Enable monitoring of variances

Cash Flow- Show the predicted income and expenditure

- Are you able to meet your obligations

For both reports need to consider

- How and who they are prepared by
- Who they are distributed to
- Who reviews and analyses them



Tools to monitor and report – Example Spreadsheet

Excel – This can be used to provide reports to the relevant stakeholders and can be a way to manage the financial data

Benefits – most people are familiar with and can set up budgets

Cons- this is not secure and can be easily changed – incorrect formuleas

Budgeting Software

e.g. Calaxa - links to your accounting software and can produce reports in a preformatted way.

Benefits – links to your accounting software so will contain all data

Cons – there is a cost and you need to learn how to use it.

Would recommend that if you are paying staff or have contracts that you consider using an accounting package e.g. Sage, Xero, Quickbooks

These secure your finances and mean they are auditable and you can identify funding between projects.

	Project A	Project B	Project C	Core	Budget
Income					
Restricted Grants	22000	15000	20000		57,000
Donations	3000			15000	18,000
Trading		15000	10000	2000	27,000
Unrestricted Grants			10000	3000	13,000
Total Income					115,000
Expenditure					
Salaries	20000	20000	20000	10000	70,000
Gas				5000	5,000
Rent	4000	4000	4000	3000	15,000
Website		4000	11000		15,000
Postage			3500	500	4,000
Travel	1000	2000	1500	1500	6,000
Total Expenditure	25000	30000	40000	20000	115,000
Surplus / Deficit					0

April - March

	Total Budget	Qtr 1 and 2			Qtr 3 and 4			Total	
		Forecast	Actual	Variance	Forecast	Actual	Variance	Forecasted	Variance
Project A	25,000	0	0	0	25,000	0	-25,000	25,000	0
Project B	30,000	5,000	0	-5,000	25,000	0	-25,000	30,000	0
Project C	40,000	0	0	0	40,000	0	-40,000	40,000	0
Core	20,000	5,000	0	-5,000	15,000	0	-15,000	20,000	0
Total Income	115,000	10,000	0	-10,000	105,000	0	-105,000	115,000	0
Expenditure									
Salaries	70,000	35,000	0	35,000	35,000	0	35,000	70,000	0
Gas	5,000	1,000	0	1,000	4,000	0	4,000	5,000	0
Rent	15,000	12,000	0	12,000	3,000	0	3,000	15,000	0
Website	15,000	15,000	0	15,000	0	0	0	15,000	0
Postage	4,000	3,000	0	3,000	1,000	0	1,000	4,000	0
Travel	6,000	5,000	0	5,000	1,000	0	1,000	6,000	0
Total Expenditure	115,000	71,000	0	71,000	44,000	0	44,000	115,000	0

Surplus / Deficit	0	0	0
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Cash Flow			
Balance in Bank	37,500		
Cash In		10,000	105,000
Cash Out		71,000	44,000
Bank Balance		-23,500	37,500

**Overall Budget
Organisation x**

	Total Budget	Forecast	Qtr 1 and 2		Qtr 3 and 4			Total	
			Actual	Variance	Forecast	Actual	Variance	Forecasted	Variance
Project A	25,000	0	10,000	10,000	15,000	0	-15,000	25,000	0
Project B	30,000	5,000	5,000	0	25,000	0	-25,000	30,000	0
Project C	40,000	0	20,000	20,000	20,000	0	-20,000	40,000	0
Core	20,000	5,000	5,000	0	10,000	0	-10,000	15,000	-5,000
Total Income	115,000	10,000	40,000	30,000	70,000	0	-70,000	110,000	-5,000
Expenditure									
Salaries	70,000	35,000	35,000	0	35,000	0	35,000	70,000	0
Gas	5,000	1,000	1,000	0	4,000	0	4,000	5,000	0
Rent	15,000	12,000	6,000	6,000	9,000	0	9,000	15,000	0
Website	15,000	15,000	7,500	7,500	7,500	0	7,500	15,000	0
Postage	4,000	3,000	3,000	0	1,000	0	1,000	4,000	0
Travel	6,000	5,000	2,500	2,500	3,500	0	3,500	6,000	0
Total Expenditure	115,000	71,000	55,000	16,000	60,000	0	60,000	115,000	0

Surplus / Deficit	0	-5,000	-5,000
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Cash Flow
Balance in Bank **37,500**

Cash In **40,000** **70,000**

Cash Out **55,000** **60,000**

Bank Balance **22,500** **32,500**

Discussion

- **Do you produce Management Accounts or monitor a cash flow?**
- **What challenges have you had with this?**
- **Or any Questions**

Accounts - Requirements

Charitable companies and unincorporated organisations	Charitable incorporated organisations (CIOs)
<p>Income under £10,000 You only need to report your income and spending.</p>	<p>You must answer questions about your charity in an annual return and include PDF copies of your:</p> <ul style="list-style-type: none"> • trustee annual report • accounts
<p>Income between £10,000 and £25,000 You must answer questions about your charity in an annual return. You do not need to include any other documents.</p>	
<p style="text-align: center;">Income over £25,000</p> <p style="text-align: center;">You must answer questions about your charity in an annual return. You will need to get your accounts checked and provide PDF copies of your:</p> <ul style="list-style-type: none"> • trustee annual report <ul style="list-style-type: none"> • accounts • independent examiner's report <p style="text-align: center;">You also need a full audit if you have:</p> <ul style="list-style-type: none"> • income over £1 million • gross assets over £3.26 million and income over £250,000 	

Accounts - Requirements

Questions in annual Return – Charity Commission

The questions you will be asked depend on your income, the type of charity and what the charity does.

You may be asked about:

- financial information, like income and spending
- income or contracts from central government or local authorities
- income from or work done outside the UK
- trading subsidiaries
- trustee payments
- staff salary bands and benefits

Charitable Companies

If you are a charitable Company and are registered with Companies house you also need to submit your accounts with them.

Evaluation

[Please complete our evaluation form. This helps us to improve our training and to identify new topics.](#)

<https://www.surveymonkey.co.uk/r/Finance-Budgets-28-07-21>