



Budget

Preparing a Budget

A budget is a way of thinking ahead financially. Accounting looks backward, at what income you have received and the amount you have actually spent. Budgeting looks forward. It predicts the Expenses you expect to incur and the Income you hope to bring in. The Budget provides confidence to the Management Committee, the Coordinator, other staff and Members that the financial position of the House at the end of the year has been planned and will enable the House to go forward into future years in a positive manner.

Tips for the development of a Budget:

- The Treasurer is responsible for ensuring the Budget is presented to the Management Committee prior to the start of the year, however the Coordinator and/or Book-keeper are typically responsible for significant elements of the process.
- Make sure that the program staff work closely with the administrative staff and the Coordinator right from the beginning of the budget cycle.
- Begin by reviewing your previous year's budget in comparison with your actual results in that year as per your financial statements.
- What can you learn from how your estimates for last year's operations went?
- Did you have any surprise costs that you hadn't budgeted for in the previous year?
- Check your Service Plan against the reality of your budget.
- Did the budget allow you to achieve your objectives comfortably? Was there scope for savings? Are there any changes that could have reduced costs?
- Now look at this year's plans. Do they include any new activities that you expect will result in increased costs?
- Go over each item. What was it last year? Have there been any external changes that would alter this - new tax laws, rising prices, changed practices?

Preparing a Budget really does need a computer and a spreadsheet program. Most spreadsheet programs are very user-friendly with straightforward pull-and-drop commands that can serve your needs in an uncomplicated way.

Budget Calendar

Budget years are generally aligned with tax years, beginning in July however they can be aligned with calendar years, beginning in January. The Management Committee needs to decide what financial year they have based on the needs of the House. The work of drawing up a budget must begin well in advance. Count back from either July or January; how long will it take to collect the necessary information about planned programs, staffing changes, new equipment needed to be purchased, grant applications? How long will it take to have the Management Committee finally sign off on the budget document?

It's important that the process of preparing the Houses' Budget involves everybody who's going to be affected by it. Make sure that the program staff work closely with the administrative staff right from the beginning of the budget cycle.

Budget Presentation

In designing your budget frame work you need to ask:

How do you bring money into the organisation? **(Income)**

The standard major income items are:

- Grants
- Memberships
- Fees
- Sales
- Donations / Fundraising
- Interest
- Other (other items that don't fit under these headings)

What are the things you spend your money on? **(Expenses)**

The standard major expense items are:

- Salaries
- Superannuation / WorkCover
- Rent
- Utilities
- Telephone / Information Technology
- Stationery / Photocopying / Printing
- Insurance
- Accounting
- Cleaning
- Travel / Motor Vehicles
- Depreciation
- Other (other items that don't fit under these headings)

Add or remove your own special categories to these. Put in sub-headings where they represent significant sums (and check your formulas to make sure you're not double counting them).

Now you have to estimate what the figures will be in each category. Remember, you're not costing what you did last year, or even what you're doing now; you want to know what it will cost to deliver the objectives set out in your Plan for next year

In making this estimate you can draw on all the available information - what the figures were like last year, what grant applications you have in at the moment and what the demand for your services is presently like - but at some point, you will always have to make the best estimate possible.

You can't know whether this year for the first time in living memory it will rain on the day of the fete - but you can't wait till the day of the fete to find out, either. A sound rule is to be conservative about estimating income and expansive about estimating expenses.

Staff costs will probably be the major expense of the Budget. Work these out on a separate spreadsheet. Include salary and separately superannuation and WorkCover.

You can have one Combined Budget for the whole House, with headings like the ones given above, or you can have separate budgets for each section or each project and a Total budget to sum them up. Combined budgets are simpler to run, but you can overlook trouble developing in a particular area if the results are spread across the whole House.

Budget Balancing

You can then move to subtract Expenses from Income to determine whether you're going to have a surplus or a deficit. A surplus or deficit represents the difference between projected income and expenses. If the income is greater than the expenses for a given period, the difference is a surplus. If the expenses are greater than the income for that period, the difference is a deficit. This gives you a preliminary summary.

The Management Committee can decide to run a deficit, or a surplus, if you want, as long as you have a long-term plan in place - there's nothing that says you have to balance the accounts every year, particularly if you have special programs or if you ran a surplus last year.

If you come out behind, check everything again. Is there any scope for increased Income? Do not just go back to the "donations" entry and raise it until the problem goes away. This is a very short-term solution indeed. Do you have any money in your accounts to cover it? Is there any scope for cutting costs while still achieving the objectives? If so, what (or who) are you going to drop? If you cut programs, how much will this reduce costs? If any positions are involved, discuss it with the people. If you can't achieve your goals on that money, which of your goals are you going to compromise? Again, you'll have to take it to the Management Committee.

Budget Monitoring

In your accounting software include a month-by-month comparison with the Budget. This is only an indication, as month-to-month variation can be just random fluctuation. In particular, look at the pattern of income and expenses in previous years.

Don't necessarily just divide the year's budget into twelve equal parts. Does money go in or out at any particular times every year? For example, do membership fees come especially at the beginning of the year, or do donations come in before the end of the financial year? Information from budget monitoring, i.e. the Operating Report, must be made available to the Coordinator and the Management Committee on a regular monthly basis.

Remember that a budget only records money changing hands. Your budget can be encouragingly in surplus even when you are in big trouble. If, for example, you have contracted to deliver services over two years, received all the money in the first year, and spent most of it. You then enter the second year with a small surplus and no extra expenditure - but in fact all your staff may be committed to undertake work for which you will earn no extra income.

Finally, remember a Budget is important, but it is only one of a range of management tools.

EXAMPLE OF A COMBINED BUDGET

Income	Last year	This year	Next year (Budget)
	\$	\$	\$
Grant – Operating Ongoing			
Grant – Operating Project			
Grant - Capital			
Memberships			
Fees			
Sales			
Donations / Fundraising			
Interest			
Other			
Subtotal Income			
Expenses	Last year	This year	Next year (Budget)
	\$	\$	\$
Salaries			
Superannuation / WorkCover			
Rent			
Utilities			
Telephone / Information Technology			
Stationery / Photocopying / Printing			
Insurance			
Accounting			
Cleaning			
Travel / Motor Vehicle			
Depreciation			
Other			
Subtotal Expenses			
Projected surplus (or deficit)			

Ongoing: Income expected to be received every year

Project: Income expected to be received only once or twice

Capital: Income received to purchase or build a major physical asset

Date to be reviewed: November 2020