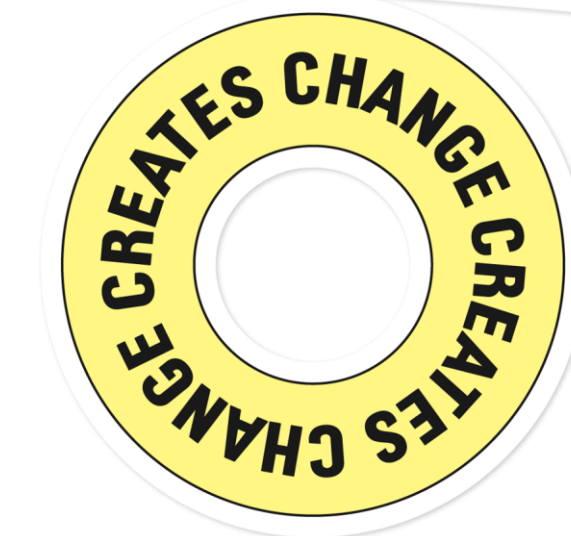
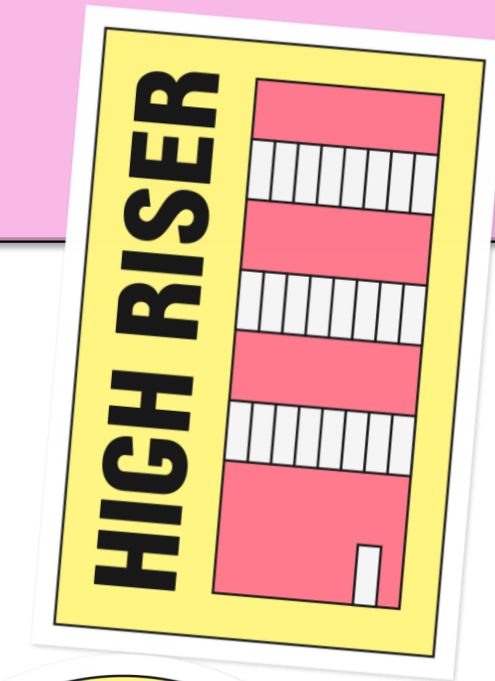
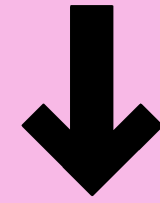


BUDGETING & MANAGING YOUR PROJECT COSTS



HOW TO MAKE THE MOST OF THIS SESSION

WHY IT'S IMPORTANT



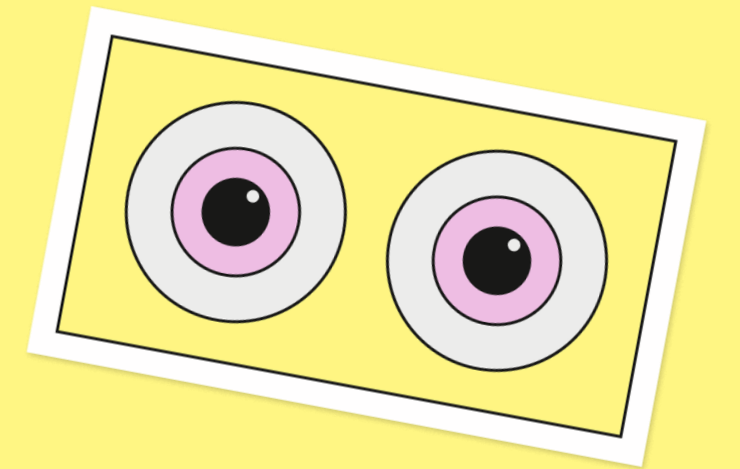
- A creative solution to a social need is only part of the equation – **making sure the numbers & finances stack up is equally important**
- Developing **Budgeting & Finance skills** is key to understanding your financial viability, making decisions and being able to communicate your plans with others
- Using tools to help with **Project Budgets & Cashflow** help you to be clear in your **future planning** and are needed to consider income generation planning, funding needs and applying for wider funding bids or investment



SESSION OVERVIEW



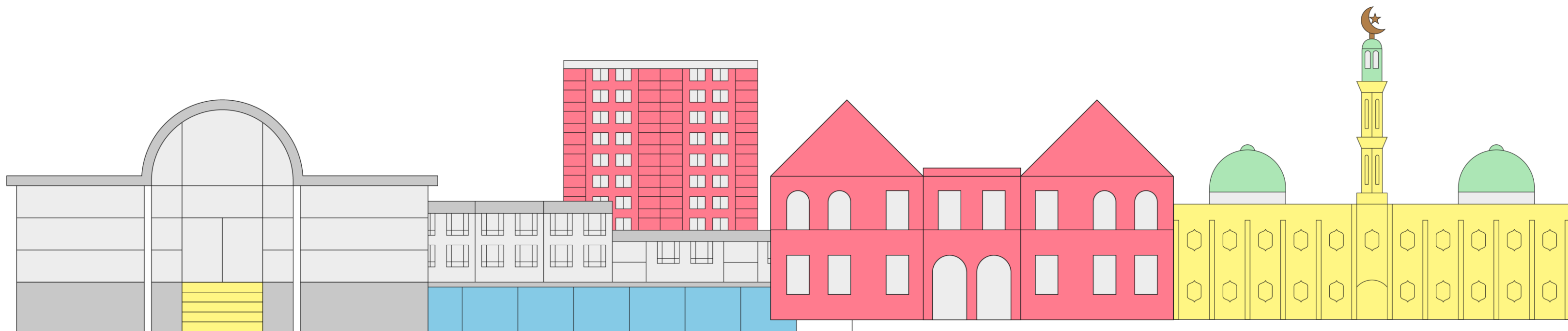
- Understand **5 key steps in the Finance Cycle**
- Identify **Key Financial Tools**; what do they tell us and why are they important?
- How budgeting information tells you where an project/organisation is in terms of **financial viability** and where it can go



FINANCIAL TOOLS – 5 STEPS

5 steps essentials for a Healthy Financial Foundation

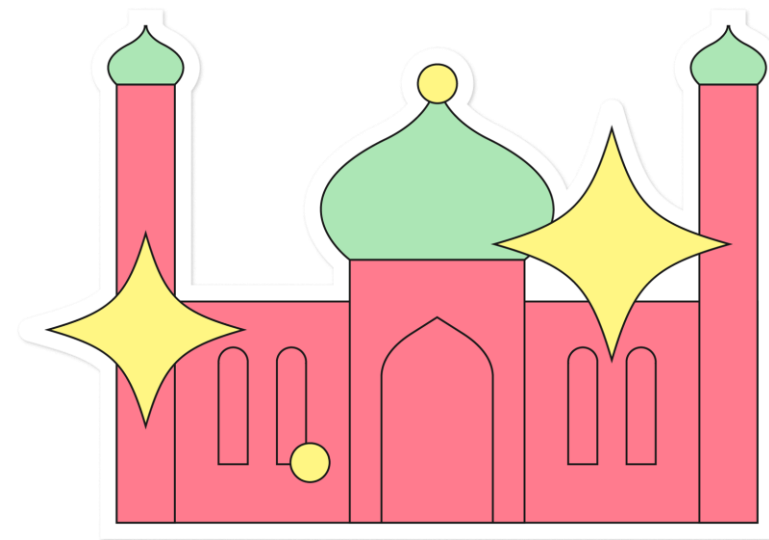
- 1. Budget** – build an honest Budget
- 2. Cashflow** – recognise the timing of Cash
- 3. Review & identify** the areas to strengthen
- 4. Measure performance** of Budget vs Actual
- 5. Amend & update** the Budget accordingly



FINANCIAL TOOLS

Are important because:

- They give you **greater confidence** in being able to read & use them
- To help you understand how they can work for you, the Trustees/
Board, and **provide insight** & feed-forward control
- Think of them as **essential key workers** - detail without them is not useful



BUDGETS

Why are they important?

- Cost behaviour analysis
- Income stream analysis – allows you to see how different streams of income are expected to behave
- Evaluation
- Motivation
- Information Sharing
- Expectation
- Strategy Delivery
- Clarity
- Problem identification



BUDGETING METHODS

- **Zero Based Budgets** – starting from scratch - justifying all Income & Expenditure
- **Rolling Budgets** – take the Budget as it is & amend for any changes – e.g. adding a percentage for inflation

Gathering information for the production of your Budget

- **Top Down Budgets** – Information controlled by Management, and used to help deliver the strategy as they see fit for the organisation
- **Participative** – Information gathered from around the organisation and 'build up'

Best practice is a combination of Top Down **and** Participative (dependent on size)

BUDGET WORK THROUGH

Key Things to think about:

- Treat the creation like a **science**; the review as an **art**
- '**Granularity**' is key - get to the basic unit - the Budget can then serve as building blocks
- **Build, challenge & ensure you record** assumptions and workings



BUDGETING METHODOLOGY

- Gather as much information as you can
- Apply **logic**
- Be as **honest** as you can
- Start early & build across multiple phases
- **Check** to build in as much expectation as you can (a PEST review)
- **Step away** from it & check to see if it aligns with the company vision
- **Re-visit** & ensure you are happy with it



HOW TO APPROACH A BUDGET

List all of your activities

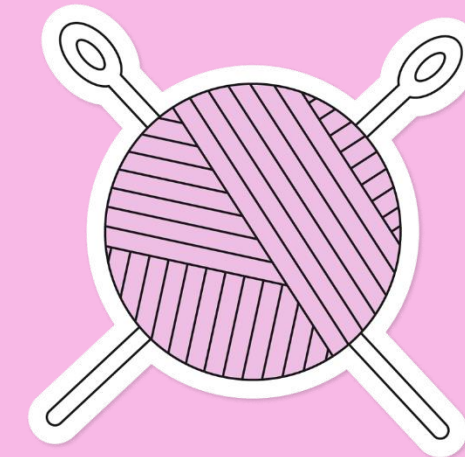
Classify them into broad categories:

- **Income** (the amount applied for)
- **Expenditure**

From all of your expenditure list

Classify them further into:

- **Fixed costs**
- **Semi-fixed costs**
- **Variable costs**



BUDGETS – PROJECT COSTING

Full Cost Recovery

- The ability to fully understand all of your **current & anticipated costs** for a project enable you to price the cost for the goods/service correctly to ensure you are **cost neutral** & at least '**breaking even**'
- It is important to ensure the budget reflects **all of the costs** involved & those that would be involved in undertaking the task
- This way you build in **true costs** & ensure a **contingency**



BUDGET TEMPLATE



Lay all the costs out into the Budget schedule provided

- If Income exceeds expenditure you have a budget **surplus** or **profit**
- If expenditure exceeds income you have a budget **deficit** or **loss**



CASH FLOW FORECAST

Why are they important?

The cash flow is vital in informing of how much cash there is to be able to pay essential **costs, wages & suppliers**

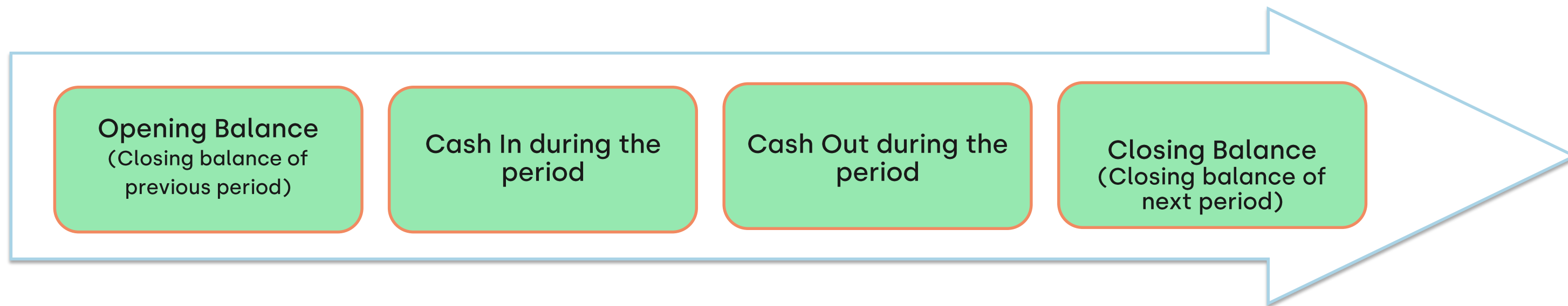
Key Points:

- The cash flow must only contain items which are **cash**
- Include the **items/service** as & when it is paid for, even if paid for in advance of use
- **Be clear** about the items, set separate lines to be able to understand their cash impact better
- Be honest about transactions, it is easy to **miss items**
- **Be honest** about all items & services needed and their cash value
- If not paid for, but expected, use official quotes or estimates from the supplier



CASH FLOW FORECAST

Key action is to detail the opening balance



- Each item is either **Cash in** or **Cash out**
- The **Closing balance** informs of the available cash
- For you, funding applications, planning and the Cashflow represents survival based on cash availability

CASH FLOW FORECAST

Cashflow for 12 month period

Year	2020	2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Month	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
	Oct Closing Balance (Enter your own figure)	Nov Closing Balance	Dec closing balance	Jan closing balance	Feb closing balance	Mar closing balance	Apr closing balance	May closing balance	Jun closing balance	Jul closing balance	Aug closing balance	Sep closing balance	
Opening Cash (£)	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Receipts													
Sales Income													0
Grant Funding 1													0
Furlough Income													0
Giftaid Reclaims													0
Legacies													0
Loans													0
Donations													0
Incoming cash total (A)	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Payments													
Salaries													0
NIC													0
Pensions													0
Rent/Rates													0
Insurances													0
Elec													0
Gas													0
Water													0
Travel													0
Accommodation													0
Printing													0
Stationery													0
Professional Fees													0
Contractors													0
Legal													0
Accounting													0
Audit													0
Repairs													0
Maintenance													0
Sundry Costs													0
Fixed Assets													0
Computer													0
Fixed Asset 2													0
Taxation													0
Outgoing cash total (B)	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow (A -B)	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Cash Position (£)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	Opening Balance	
	Balance less	less Net	less Net	less Net	less Net	less Net	less Net	less Net	less Net	less Net	less Net	less Net	
	Net Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow	

INCOME & EXPENDITURE SCHEDULE

- A record of the **Income & Expenditure** for the organisation
- It reflects the **Income & costs** incurred over a given period of time, e.g. a month, quarter or a year
- It provides vital information about an organisation's ability or inability to **generate income** by increasing revenue, reducing costs, or both

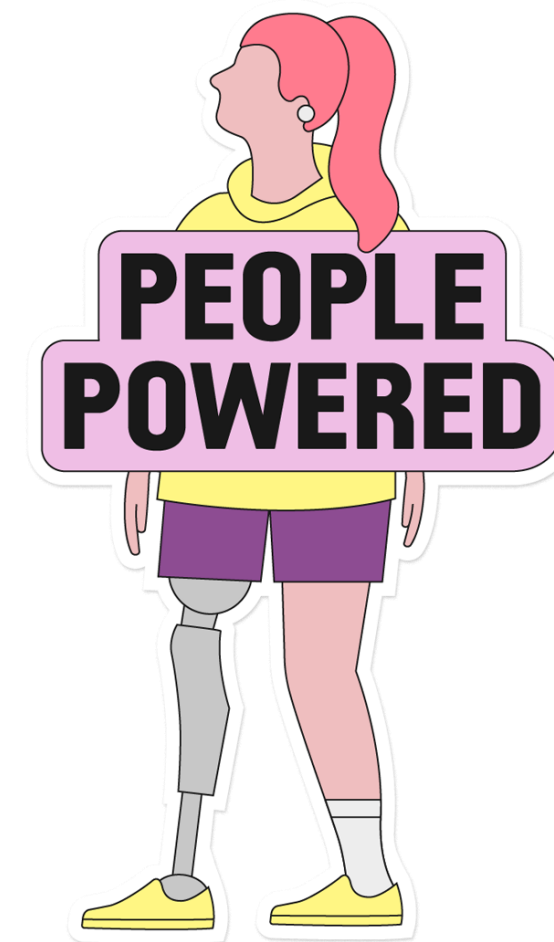


INCOME & EXPENDITURE SCHEDULE

Income incurred in the period (A)

Expenditure incurred in the period (B)

Surplus / Deficit for the period (A-B)



INCOME & EXPENDITURE SCHEDULE

Good Giving Organisation			
April Month	2021		
Income	£	£	
	Actual	Budget	Var to Budget
Sales	500	450	50
Donations	250	300	-50
Grants	200	200	0
Income Total	<u>950</u>	<u>950</u>	<u>0</u>
Expenditure			
Staff Costs	120	120	0
Materials	25	20	5
Travel	20	15	5
Insurance	30	30	0
Expenditure Total	<u>75</u>	<u>65</u>	<u>10</u>
Surplus/(Deficit)	875	885	

INCOME & EXPENDITURE SCHEDULE

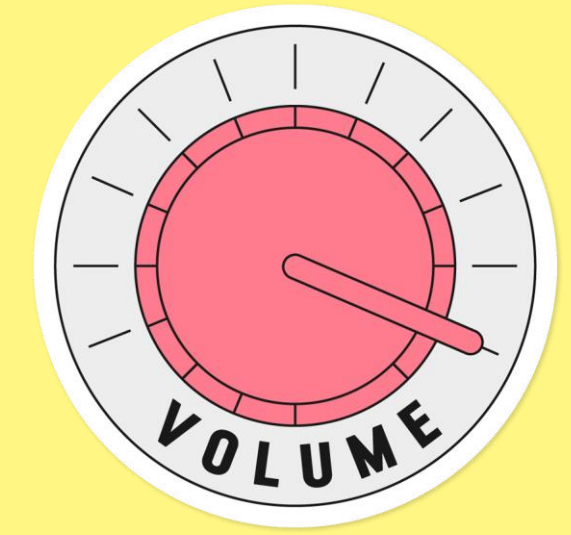
- The Income & Expenditure schedule can be used to measure performance, signal risk and opportunity when measured against the budget and prior year detail
- This allows comparison in performance, and highlights variances to be investigated
- The feed forward mechanism is here - identify the reasons behind the variances to give insight into how the organisation can move forward by stopping negatives, and reinforcing positives



SESSION SUMMARY

- **Be honest and authentic**, with your budget to have clarity, granularity and accuracy to help inform and communicate your plans
- **Use tools and aids** to save time, present things clearly in formats that can be shared and easily updated
- **Reduce risk** by involving and informing others, accessing wider support and regularly revising financial information so it is as current as possible





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