What is a budget?

- A budget helps your group to plan over a coming year - it outlines the work you do in financial terms and applies both cost and value to your organisational objectives and outcomes
- A budget is an estimate of how much money you need - getting this right can help you anticipate costs and plan for expenditure appropriately
- Having a budget in place can help you make financial and organisational decisions.

To write a good budget you must have a clear understanding of your organisation it's objectives and vision. You must involve key stakeholders who will be able to support you and provide the information you need to ensure your budget is realistic and relevant.

The same applies when you are writing a project budget for a fundraising application. Your HR department will be able to help you with salaries and on-costs, other programme managers could help you with activity costs. You could even talk to other organisations and establish their project costs, or even suppliers.

A funder may require that you submit a full organisational budget, or more likely your annual accounts. Alongside this they will request a project budget which will refer specifically to the costs of the project you wish to fund. However, this doesn't mean you should forget about other organisational costs! Not all funders allow you to apply to cover your core costs. You should however consider these costs for any application to ensure and show that you are able to cover any shortfall.

Core Cost Analysis or Recovery

This is an understanding and analysis of all the costs of running your organisation – direct running costs of projects including salaries, materials, venue hire etc. *and* the core costs* of your organisation including other salaries, rent and utilities. The aim of this analysis is to ensure you are able to cover, or recover, the true cost of running your organisation. By assessing and apportioning the core costs to either specific projects or to thematic areas of programming you can ensure not only that you can continue to offer all your services or programmes, but that you also have a better understanding of the needs of your organisation.

There are many tools to help you analyse and interpret your costs. A good place to start is with the cost allocation template provided by ACEVO Full Cost Recovery Guide

The template used by TNA, adheres to the principles behind The Chartered Institute of Public Finance and Accounting (CIPFA) guidance on best value accounting for local authorities Best value accounting: code of practice, CIPFA, 2000.

*also known as running costs or overheads

The six step process of the core cost analysis template

The template calculates the full cost of a project or activity by using the following process:

1. Calculate the direct costs of the selected project or service;
2. Calculate the overhead costs for the organisation as a whole;
3. Allocate premises and office costs to the project, to the central functions (HR, finance etc.), and to general fundraising;
4. Allocate central function costs (now including a portion of premises and office costs) to the project, to governance and strategic development, and to general fundraising;
5. Allocate governance and strategic development costs (now including a portion of premises and office costs, and central functions costs) to the project, and to general fundraising;
6. Allocate general fundraising costs to the project if it needs to draw on fundraised income.

Budgeting for projects - the direct costs

Write out the objectives and anticipated outcomes of the project, then write the tasks and activities required to achieve each objective and output required to achieve the outcomes. Look at each line and estimate the costs involved – don't just guess: ring suppliers and get at least three quotes. Get information directly from other departments and stakeholders. Break down any activities into components – for example a training event may require a trainer, venue, travel, materials, refreshments, advertising and some administration. Keep notes of how you have arrived at your costings and make sure you have talked them through with colleagues or managers. Apply the results of your core cost analysis and that is pretty much it. The process is not complex, it just requires a starting point and attention to detail. The better you understand your project and organisation, the better placed you are to do this. Good luck!