



WE DISCOVER, WE GROW

Girlguiding

Budgets

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Introduction

Before you start fundraising, you need to put together a budget for your project, whatever the amount of funding you require. A budget details the planned expenditure (and sometimes income) for your project and is normally required as part of a grant application. A clear and accurate budget demonstrates to a potential funder that you've done your homework and that you have a clear understanding of the financial issues involved.

Expenditure

Direct and indirect costs

To cost a project accurately you need to include all relevant costs, both direct and indirect, that are necessary to run your project.

Direct costs are the obvious costs of the project.

Indirect costs are the hidden costs (that is, the core costs or overheads) that support your project.

Direct costs

- Capital costs, see page 4
- Salaries (including National Insurance and pension contributions)
- Travel (mileage is calculated at £0.40/mile)
- Child care
- Volunteers' expenses
- Fundraising expenses
- Training (if that is the aim of the project)

Indirect costs

- Premises (rent, rates, maintenance, cleaning, electricity, depreciation, health and safety measures, security etc)
- Central costs (insurance, banking, auditing)
- Administration (telephone, postage, stationery)
- Management/supervision
- Percentage of paid staff time (and cost)
- Ongoing training and recruitment

If you are applying only for direct costs, such as camping or IT equipment, then your job is easy: simply list the items of expenditure and put a figure against each.

Projects that involve indirect costs are not so straightforward, as it is difficult to allocate exact figures. The best way to approximate the indirect costs of your project is to work out what proportion of your organisation's core costs the project will need. These figures are likely to come from your organisation's budget, which is based on past experience.

Case study: Indirect costs

A County wants to hold a meeting of all Leaders to plan how to recruit more Leaders. The direct costs of such a project would be travel, refreshments, pens and paper. The four-hour meeting is to be held at the County headquarters, which operates 80 hours/month. The County administrator, who is paid £8/hour inclusive, spends three hours organising the project. The indirect costs of the project would be 5 per cent of the County headquarters' monthly premises and central costs, and £24 for the administrator.

Some funders specify that they fund only 'projects' or that they do not fund indirect costs. Third-sector umbrella groups such as the National Council for Voluntary Organisations (NCVO) are challenging this mindset, and there is progress, particularly with some of the larger funders. Statutory funding is now governed by the principles laid down by the Compact, a framework for best practice between government and voluntary organisations when working together to deliver shared objectives. Try to include a realistic share of the indirect costs in each project budget. This is known in the trade as 'full cost recovery'. A growing number of funders are recognising the need for core funding provision.

It seems easier to obtain funding for direct costs than for indirect costs, but do not be tempted to leave the latter (less attractive) elements out as they are part of the real cost of running a project. If the indirect costs of a project are not funded, the project is not fully funded.

Capital and revenue costs

There is a further difference that most funders make in the types of costs, and many will specify which type of costs they are willing to fund.

Capital costs are one-off, physical costs.

Revenue costs are ongoing, non-physical costs.

Capital costs

Land (purchase, development or landscaping)

Buildings (purchase, construction or refurbishment)

Professional charges (accountancy, architectural, feasibility study etc)

IT equipment (software, hardware and installation)

Office equipment (desks, chairs, photocopiers etc)

Camping, sports and arts equipment

Vehicles

Publicity

Revenue costs

Premises (rent, rates, maintenance, cleaning, electricity, depreciation, health and safety measures, security)

Central costs (insurance, banking, auditing)

Administration (telephone, postage, stationery)

Management/supervision

Salaries (including National Insurance and pension contributions)

Training and recruitment

Travel (mileage is calculated at £0.40/mile)

Child care

Volunteers' expenses

Fundraising expenses

Important points to remember when costing your project

- **Be accurate and realistic:** Your budget will be scrutinised by the funder, so do not exaggerate costs as this may result in an unsuccessful application. On the other hand, under-estimated costs may lead to insufficient funding and difficulties in realising your project.
- **Use estimates and logical comparisons:** It is important to base your figures on estimates. Capital costs should be based on genuine quotes; it is best to get three competitive quotes and include these with your application, explaining your reasons for your chosen quote. Remember that you don't necessarily have to choose the cheapest quote if you have a reason for wanting to accept another. Refurbishment and construction projects will require professionally drawn up plans and costs, and should include a contingency. Revenue costs should be based on past experience, such as invoices and receipts. Salaries should be based on Girlguiding's pay scale.
- **Use up-to-date figures:** All costs need to be based on recent quotes or experience, or updated by a clear and realistic percentage (see the next paragraph). Some funders may have specific requirements for the age of your quotes.
- **Take inflation into account:** If your project is to take place over several years, your budget should allow for inflation. Simply increase each year's total expenditure by the rate of inflation: for example, if inflation is 3 per cent, a project that cost £10,000 this year would cost £10,300 next year. Some funders have guidelines on how they prefer you to account for inflation. Current inflation rates can be found on the Internet.
- **Include VAT:** There is much confusion about when VAT applies and when it does not. It is best to include VAT costs in a budget unless you know you are exempt and have it confirmed in writing from a Customs and Excise Office. Remember to ensure that VAT is included in any quotes you get for capital items.

Income

Funding your project

If you are applying to funders for a portion of your budget, they will often ask how you intend to fund the rest of it. Sometimes they want a breakdown by source (that is, how much you think you might get from trusts or companies etc). However, they might ask for detailed information about other applications you are submitting and when you will get the decision. If you already have a significant gift towards your target it's good to highlight this as it gives the funder confidence to know that others trust you to deliver the promised project.

- **Income estimation:** When you are applying to a funder for a part of your expenses, you need to indicate how much you are likely to raise (or have already raised) from other sources. Clearly if you know already how much they have donated you can say so with certainty; in the case of other sources say how probable it is that you will get the amount you've applied for. You can always inform the funder of any updates - a great opportunity for communication.
- **Honesty and openness:** Be truthful when responding to a funder's request for information on other grants you have applied for. Funders do communicate with each other. Budgets
- **Long-term projects:** If your project is ongoing you will need to show how you intend to meet costs once the funding period ends. This is often called an 'exit strategy'. For example, if you are raising a large sum for a building or equipment you will need to explain how you intend to maintain the building in future years - perhaps through subscription fees?

In-kind support

In-kind support is goods, commodities, or services gifted to an organisation - for example, donated furniture, free transport or discounted professional fees. All in-kind support should be costed and accounted for in your budget, as these are items that you would have otherwise paid full price for. Simply record the total, full price value of the donated item as a cost and record the value of in-kind support as a source of income.

Case study: Donations

Your local church allows you free use of its hall for your weekly unit meetings. The church would normally charge £20 - over a year that would work out as an in-kind donation of £720 (£20 x 36 weeks, allowing for school holidays).

Case study: Discounts

Your local hardware store is willing to give you a 10 per cent discount on paint you need to redecorate your hut because you are a non-profit organisation. The paint normally costs £100 - the value of the in-kind support would be £10 (10% of £100).

Volunteers: Volunteers are Girlguiding's most valuable source of in-kind support. If your project includes volunteer input that you would otherwise need to pay for, such as supervision or administration, you may account for this in your budget.

Case study: Volunteers

Your Brownie unit is planning to go on an overnight residential in London. To include the voluntary contribution to this trip in the budget simply list Youth Work and Supervision as an item of expenditure, and Volunteers as a source of income.

Match funding

Some funders set a limit on how much of a project's total costs they will fund. For example, a funder might require 10 per cent match funding - this means that you will need to find other sources of income for 10 per cent of the total cost of the project. Any match-funding conditions will be set out in the funder's guidance notes.

Match funding could come from other fundraising efforts, such as a sponsored fun run, or from your own reserves. It will make a better impression if you contribute more than the very minimum level of match funding. Many funders will consider the value of in-kind contributions as match funding.

Demonstration effect: Proving that you have income from other sources can act as an indicator of your ability to manage grants and demonstrates interest from others. This should have a positive influence on a funding decision.

Top tips

- **Simplicity:** Funders aren't particularly interested in the minute details of your budget, such as how much your postage costs. If they need to know the details of your calculations they will ask.
- **Presentation:** Where the funder supplies an application form, a table is often provided for you to list the items of expenditure. Some funders provide a table for the sources of income also; others might simply ask you to describe how you intend to fund the rest of your project. Where there is no application form and you are required to write an application letter, present your budget in a table or spreadsheet. Remember to label the columns and rows clearly.
- **Arithmetic:** Make a good impression by ensuring that your figures add up: check that all columns and rows are calculated correctly. It may be useful to get someone else to check your sums and the clarity of your budget.
- **Value for money:** Does the total cost of your project appear reasonable in relation to your project? This is an important consideration for funders who want to ensure their money is supporting projects that help further their respective missions.