

Our policies, templates and other documentation are provided as guides, for your charity personnel and trustees, to review and amend in order to best serve the needs of your organisation. Trustees in particular, should always be aware of any adopted policy, its wording and implications. Trustees are responsible for the charity's governance. Trust Advice exists to support trustees and charity personnel; we cannot accept any liability for any result of the use, or reliance on, these guides. **Please contact us if you would like help understanding Trustee responsibilities.**

Briefing on Ten Tips for a Successful Budget

Updated: May 2021

Introduction

What makes a good budget? In all the budget bloopers and blunders we've seen, the same few problems keep rearing their ugly heads. To avoid them, here are the top ten most important features of a successful budget.

Top Tips

It goes without saying that all the bigger charities will have solid budgeting systems in place. Small to medium charities particularly if they are new may not have got around yet to this particular discipline.

- 1. Ensure you have categories that fit your particular situation and your spending patterns, not some other charity's.**
- 2. Accurate income projections.** Take a realistic view of the trends and patterns, whether annual or cyclical or growth (or contraction) based. You may be an optimist or a pessimist. Hopefully there is enough of a team mix to produce a healthy balance.
- 3. Enough categories** to give you a meaningful picture, but not so much detail that tracking is complex and hard to focus on.
- 4. Inclusion of quarterly/ annual and one off expenses;** Insurances, licenses, service contracts, repairs etc. Do you need a sinking fund for replacements and renewals?
- 5. Regular review** of categories to determine if you need more or fewer, review of expenses, and brainstorming about ways to trim costs in each category.
- 6. Cash expenditure tracking and recording.** Cash spending is a big leak in many budgets. Cash disappears quickly and if you don't keep track as you go along you'll have a

distorted understanding of your spending. Do you have a good petty cash system that works?

7. Reserves and Provisions: Where possible treat an addition to reserves and provisions just as you would a bill you owe.

8. Be Realistic: Many charities operate on a hand to mouth basis and have soldiered on in faith for many years. This isn't going to change especially where a charity is growing and there's a lag in donations which often take time to catch up with growth. Budgeting isn't about just tracking your costs, it's about setting financial goals. Without goals, your budget is just a pair of handcuffs.

9. Use the process to Identify spending patterns you may not have been aware of when you weren't tracking your spending. A budget laid out on a monthly basis will give you advance warning of any cash flow problems that might arise during the year.

10. Most important of all, use it as a tool to motivate people and keep positive can do attitudes!

This is the end of the document:

We hope this has been helpful to you. Please get in touch if something isn't covered here you want to ask about. We will be very pleased to hear from you. If you would like more information, further details around membership or to upgrade your membership, visit: www.trustadvice.org.uk. Please also see our website for details of ways we can help you and services we offer.