

## Budgeting for Treasurers

Budgeting is simply the process of planning your Chapter's finances for a specified period, usually 12 months. It is made up of all the activities you plan to undertake in the next 12 months expressed in terms of money.

In other words, it is a statement of anticipated income, expenditure, profits and cash flows.

A budget is a key management tool, as many chapters operate without capital or reserves, so operating losses can have a devastating impact. Your budgeting will tell you whether your income is likely to exceed your expenditure, and if so by how much.

A common way of determining the budget is to refer to the past period as a baseline, say last two years, then adjust the income and expenditure by applying a percentage increase for inflation.

This method has its disadvantages as it does not consider whether activities and costs are still appropriate and if a mistake is made one year, it is likely to be repeated the following year.

With zero-based budgeting, you start from scratch each year and justify spending on a cost-benefit basis. This means with expenditure you look at what the Chapter has spent previously on rent, rates, electricity, insurance, water, stationery, phone, postage etc. You build into that figure at least a 2.5 % increase of the amount. For example, postage for the previous year was \$255.00 x 2.5% = \$6.40. This year's allowance for postage would be \$261.40.

Some budgets will be drawn up for the financial year of June to June and others will operate on a calendar year. Here are the eight steps that Whata Chapter No 1 took to prepare its annual October to October budget:

1. Looked at last year's income
2. Looked at the timing of last year's income
3. Asked, 'What will happen this year?'
4. Worked out this year's overall figures
5. Drew up the income side of the budget month by month
6. Followed the same steps for expenditure
7. Discussed the options
8. Presented the budget for sign-off.

The Chapter reviewed past records of revenue and income (membership fees, sales, grants, fund-raising, interest), looked at past records of expenditure (room hire, insurance, functions), assessed income and expenditure, predicted increases or decreases in the year ahead, studied timing, noticed when most income flowed in and when regular bills were paid, and lastly, looked at likely variations in the year ahead.

**Special events:** A significant proportion of many budgets come from fund-raising. Many Chapters run the same fund-raising events year-after-year, but you also need to watch for new opportunities as the success of your traditional fund-raising activities may vary from year to year.

**Membership:** Many not-for-profit Chapters get a high proportion of their income from membership fees, so it is important to keep a close eye on when memberships fall due so you can remind your members to renew promptly. Also review membership fees to ensure your Chapter is keeping up with running costs.

**EXAMPLE 1**

Last Year's Income	
	Last year
Membership Fee	750
Collections	372
Competition	1200
Functions	900
Interest	48
Trading Table	360
<b>Total income</b>	<b>\$3,630</b>

**EXAMPLE 2**

This Year's Budget for Income	
	This year
Membership Fee	790
Collections	409
Competition	1320
Functions	1125
Interest	49
Trading Table	396
<b>Total income</b>	<b>\$4,089</b>

Last Year's Expenditure	
	Last year
Administration fee	180
Rent	1800
Insurance	255
Stationery	120
Postage	216
Phone	30
Jewels	800
Function Costs	675
<b>Total Expenditure</b>	<b>\$3,401</b>

This Year's Budget for Expenditure	
	This year
Administration fee	195
Rent	1845
Insurance	261
Stationery	123
Postage	221
Phone	31
Jewels	720
Function Costs	210
<b>Total Expenditure</b>	<b>\$3,606</b>

Look at smarter ways of doing business for example instead of getting outside caterers for the luncheon do the catering yourselves. Look at more/different ways of fund raising for the Chapter.

I have attached in Annex A an example of a two year Statement of Income and Expenditure and Balance Sheet for year ending 31 October 2013 for Whata Chapter No 1.