



Landcare Notes

Budgeting

Putting together a budget is important as it sets up the group's financial plan for the coming year, and predicts financial performance for that year.

This Landcare Note outlines what budgeting entails and offers information on how to prepare and use a budget.

What is a budget?

A budget is the tool for planning your finances, usually for a 12-month period during the financial year (July 1 to June 30). The budget will tell you if the incoming funds will cover your expenses and usually includes all the activities you're planning for the year.

Usually it will be your treasurer who manages the budget and accounts on a day-to-day basis, but preparing the budget should be done in consultation with the whole committee.

There are various forms of budget but all are designed to be a statement of anticipated sales, expenditure, profit and cash flows that is set up in accordance with the plans of the group preparing it.

The budget is a tool to help you understand what resources you have available and how they are to be used, and is a key reference point for the committee to know you're not generating an operating loss.

Equally important is the fact that a budget provides a transparent document of your finances for access by members, accountants and auditors (see Landcare Note 4.1: Financial Management).

How to do a budget

Your group may be fairly small and not have a large budget to manage. In this case you only

need a simple method to keep track of your finances and ensure you can report to the group and others when necessary.

When you start creating a budget, you need to look back at the past year to see what is likely. You should also consider the best and worst case scenarios and how you would manage them.

The *Guide for Community Treasurers* (see below) offers more detail and some templates you can refer to when you are preparing your budget.

A computer spreadsheet is a useful tool for keeping track of your finances. You can report the group's income and expenses and create special budget lines for particular projects.

The general steps

You need to establish a time frame for your budget, and whether you will use a calendar year (January to December) or a financial year (July to June).

Use a budget planner if you want to forecast the year ahead (see references below for where to find an example). Include income such as membership fees, sponsorship, grant and fundraising. There may have to be various estimates so don't be overly optimistic – and don't make plans you don't think you can achieve.

For estimating expenses, use the experience of past years and past budgets and consider what will happen in the upcoming year. If you are a new group, think about your planned activities over the next year. What can the estimated income cover? You will need to think about expenses such as postage, room hire, insurance and catering. What commitments are associated with the income (especially with respect to grants or sponsorship), and what other outstanding commitments exist?



Victorian
Landcare
Program

Landcare Notes

Landcare Note 4.4

The committee is responsible for finalising and agreeing to the budget and once it is agreed to, the treasurer must keep track of the figures. The budget should be reviewed during the year and revised if necessary.

Links to project planning

When you take on a specific project with dedicated money, it is best to produce a specific project budget, as a section or separate to your annual budget (see Landcare Note 5.1: Project Planning).

As a guide, follow these six steps to prepare an annual July-to-June budget:

1. Look at last year's income and expenses – consider both amount and timing
2. What are the expected income and expenses for the coming year?
3. Draw up the income side of the budget, separated by month and that includes a line at the bottom for the total.
4. Draw up a second column for expenses, separated by month and includes a line at the bottom for the total.
5. If total expenses exceed income, discuss the options for increasing income or reducing expenditure. Adjust the budget as necessary.
6. Present the budget for sign-off

Key tools

Budget planners in various forms may help you prepare your budget. See the references to *Our Community* and Australian Government for examples of layout and content.

Further references

Victorian Landcare Gateway:

www.landcarevic.org.au

Landcare coordinators in your region – contact your Catchment Management Authority
Australian Government – Personal Budget Planner:

<http://www.understandingmoney.gov.au/content/default.aspx>

Our Community – Budgeting for Treasurers: Help Sheet 5:

http://www.ourcommunity.com.au/financial/financial_article.jsp?articleId=2205

Related Landcare Notes

This Landcare Note is one of a series. These notes provide an excellent guide for the ongoing operation of your group.

Landcare Note 5.2: Project Planning

Landcare Note 4.1: Financial Management

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