

Financial Budgets: Part 1



I'd like to begin by acknowledging the Traditional Owners of the land on which we meet today. I would also like to pay my respects to Elders past and present.

What we will cover today:

1. What is a budget
2. Why have a budget
3. What a budget includes
4. How to create a budget
5. Analyse the budget
6. Things to consider
7. Presenting the Budget to the Committee
8. Useful Links
9. What Next
10. Q&A

1. What is a Budget

A budget is your financial plan for the year ahead.

It is an estimation of income and expenses for that given period, often a financial year but can be project related.

It is an on-paper measure of the profit & loss you will make.

Budgets are essential for tracking the financial health of your service, like your profit & loss but with metrics to compare against.

2. Why have a Budget

- It provides a projected result at the end of the financial year.
- It provides an indication if you need to increase costs or reduce expenses
- It helps you to allocate funds
- Set & report on business goals. E.g. purchase of new equipment
- Aids cash flow by providing a projection if there will be any negative cashflow months to ensure you have cash reserves
- Provides a pivotable plan if things change to help you reallocate resources

3. What a Budget Includes

- **Income (revenue)**
 - Client Contributions, CHSP & Other Funding, Donations, Interest.
- **Cost of Goods Sold**
 - Raw Ingredients/Provisions
 - Packaging
 - Freight
- **Expenses**
 - Recuring – payroll, rent, utilities, communication, subscriptions & membership fees, insurance,
 - Sundry – office supplies, volunteer or client gifts, Christmas Party, training, IT, staff amenities
 - Depreciation & Bad Debts
 - CHSP or other funding repayments if appropriate

Example

DRAFT FY25 Budget

Operating Revenue

	FY2025	July	August	September
Meals - Subsidised	\$ 126,500	\$ 10,542	\$ 10,542	\$ 10,542
Meals - HCP	\$ 11,000	\$ 917	\$ 917	\$ 917
Meals - NDIS	\$ 7,000	\$ 583	\$ 583	\$ 583
Meals - Full Fee	\$ 3,000	\$ 250	\$ 250	\$ 250
Donations & Fundraising	\$ 2,000	\$ 167	\$ 167	\$ 167
Other Income	\$ -	\$ -	\$ -	\$ -
	\$ 149,500	\$ 12,458	\$ 12,458	\$ 12,458

Cost of Goods Sold

Provisions	\$ 160,000	\$ 13,333	\$ 13,333	\$ 13,333
Packaging	\$ 5,400	\$ 450	\$ 450	\$ 450
Freight	\$ 2,600	\$ 217	\$ 217	\$ 217
	\$ 168,000	\$ 14,000	\$ 14,000	\$ 14,000

GROSS MARGIN **-\$ 18,500** **-\$ 1,542** **-\$ 1,542** **-\$ 1,542**

Operating Expenses

Consumables (Assets < \$1000)	\$ 2,000	\$ 167	\$ 167	\$ 167
Bad and Doubtful Debts Expense	\$ 1,200	\$ 100	\$ 100	\$ 100
Bank Charges	\$ 100	\$ 8	\$ 8	\$ 8
Gifts & Donations inc. Hardship	\$ 1,250	\$ 104	\$ 104	\$ 104
Information Technology	\$ 2,420	\$ 202	\$ 202	\$ 202
Professional fees (Audits etc)	\$ 3,500	\$ 292	\$ 292	\$ 292
Depreciation	\$ 1,320	\$ 110	\$ 110	\$ 110
Insurance - General	\$ 2,200	\$ 183	\$ 183	\$ 183
Admin Expenses (Printing & Stationery etc)	\$ 300	\$ 25	\$ 25	\$ 25
Repairs & Maintenance	\$ 500	\$ 42	\$ 42	\$ 42
Subscriptions & Memberships	\$ 5,000	\$ 417	\$ 417	\$ 417
Sundry	\$ 1,200	\$ 100	\$ 100	\$ 100
Volunteer	\$ 4,920	\$ 410	\$ 410	\$ 410
	\$ 25,910	\$ 2,159	\$ 2,159	\$ 2,159

Employee Expenses

	\$ 70,150	\$ 5,846	\$ 5,846	\$ 5,846
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Utilities

Utilities (Gas/Electricity/Water)	\$ 3,000	\$ 250	\$ 250	\$ 250
Communication / Telephone	\$ 600	\$ 50	\$ 50	\$ 50
	\$ 3,600	\$ 300	\$ 300	\$ 300

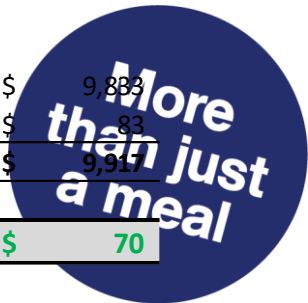
TOTAL EXPENSE **\$ 99,660** **\$ 8,305** **\$ 8,305** **\$ 8,305**

OPERATING SURPLUS / (DEFICIT) **-\$ 118,160** **-\$ 9,847** **-\$ 9,847** **-\$ 9,847**

External Funding Sources

Commonwealth Grants (CHSP)	\$ 118,000	\$ 9,833	\$ 9,833	\$ 9,833
State Grants	\$ 1,000	\$ 83	\$ 83	\$ 83
	\$ 119,000	\$ 9,917	\$ 9,917	\$ 9,917

NET SURPLUS / (DEFICIT) **\$ 840** **\$ 70** **\$ 70** **\$ 70**



4. How to Create a Budget

- **Look at Prior Year income & expenses**

Have there been any extraordinary expenses or income items. Do not include these items. E.g Covid Funding, Adhoc grants, large donations, one-off purchases

- **Decide on the type of budget – static or seasonal**

Static: The budget is divided equally across all months

Seasonal: Takes into account high and low periods & each month is apportioned based on outputs.

- **Consider if outputs will go up or down**

- **Work out how much it costs to buy or produce your meals**

Refer to the next slid

- **Apply % increase to expenses e.g. insurance, utilities, wages**

- **Accurate information where possible, assumptions should be used with caution. Take your time & be thorough**

4. How to Create a Budget cont.

Work out how much it costs to buy or produce your meals

Cooking Services: What are your total COGS and divide this by your outputs (e.g. \$83,400 / 8,286 = \$10.07)

Buy-in Services: Provisions are generally fixed, variable costs like freight should be separated

Outputs = 8,286

Meals sold @ \$10.00			
	COGS	Operating Expenses	TOTAL
	(\$83,400.00)	(\$54,860.00)	(\$138,260.00)
Cost Per Meal	(\$10.07)	(\$6.62)	(\$16.69)
	Client Contributions	Funding	TOTAL
	\$ 82,860.00	\$ 43,931.78	\$ 126,791.78
Cost Per Meal	\$10.00	\$5.30	\$15.30
		Loss Per Meal	(\$1.38)

Costing \$16.69 to produce an output

Only receiving \$15.30 in return, resulting in a loss to the service

Meals sold @ \$11.00			
	COGS	Operating Expenses	TOTAL
	(\$80,000.00)	(\$52,000.00)	(\$132,000.00)
Cost Per Meal	(\$9.65)	(\$6.28)	(\$15.93)
	Client Contributions	Funding	TOTAL
	\$ 91,146.00	\$ 43,931.78	\$ 135,077.78
Cost Per Meal	\$11.00	\$5.30	\$16.30
		Gain Per Meal	\$0.37

A \$1 increase & reduction in expenses has resulted in a gain per meal

5. Analyse the budget

Once you have created your budget, analyse the income & expenses to ensure accuracy and nothing is missing. It may also help you identify patterns.

Are you making a loss?

- Look at ways to cut costs;
 - Look at specials, bulk buying, shop around, charitable organisations e.g. Foodbank & always ask for a NFP discount
 - Consider effective use of staff, is this something a Volunteer could do?
 - Is part-time more cost effective than casual
- Do you have a lot of food wastage?
 - Look at moving away from just a package to single meals
- Do you need to increase the client contribution
- Do you need additional funding

Are you are making a profit?

- Pay your debts first
- Retain a surplus
- Do you need to purchase small or large assets or improve on operational items like software & hardware

6. Other Things to Consider

- **Are you paying too much for your financial review or audit**

With the recent changes by the ACNC, a large number of services have no obligation to have their accounts reviewed or audited. Best practice is to have a review

- **Your budget should be exclusive of GST**

- **Prepare a basic cashflow alongside your budget to show your end position with regards to physical cash at the end of the budget period.**

This can be done monthly or annualised

7. Presenting the Budget to the Committee

Prepare a memo to accompany the budget to provide commentary on income and expenses.

- Highlight key items the committee need to consider
- Assumptions made
- Increases or decreases applied

Provide a cashflow showing what your current cash flow position is now and at the end of the budget period.

Cash Reserves as of 31 March 20XX	\$30,000
FY25 Budget Surplus	\$840
Cash Reserves as of 30 June 20XX	\$30,840

Provide simple graphs and tables to highlight changes.

Income	FY24	FY25	Change
Meals – CHSP	\$124,000	\$126,500	\$2,500
Meals – HCP	\$7,000	\$11,000	\$4,000
CHSP Funding	\$114,000	\$118,000	\$4,000

8. Useful Links

[Business.gov.au – create a budget](#)

an excel budget template is available to download

[QLD Government: Business QLD – Budgets & Forecasts](#)

[MYOB – How to make a budget](#)

[XERO – How to create a budget](#)

9. What Next

This webinar forms a part of a series of budget webinars I will conduct.

Part 2 will be about how to report on budget outcomes which is known as Actual v Budget.

This will look at the process on how prepare an actual v budget report and look at what a variance is and how to treat them.

A budget review is another process and I feel it is best to split this out to a part 3. A thorough review should be conducted at least at the 6-month mark or half-way through your project.

10. Q & A and Feedback

This is a new area of webinars and I welcome all feedback on the topic. I have started at a basic level and appreciate that you are at all different levels of understanding and experience.

Would you like more detail on a particular area of budgets or finance?