

# *How to make friends with budgeting*



Ask the average creative what words come to mind when they think about budgets, and experience as trainers tells us that they'll most often come back with the likes 'hard',

'boring', 'necessary', 'scary' or 'offputting'. But the truth is that budgets are actually your friend, and along with financial projections and a cashflow, are a really useful business planning tool.

Budgets are a financial description of your organisation. Every budget tells a story, even though it doesn't contain many words. And as creatives, we all know the power of a well written story right?

So, as we say in our business planning training, 'you need to budget, not fudge it!'

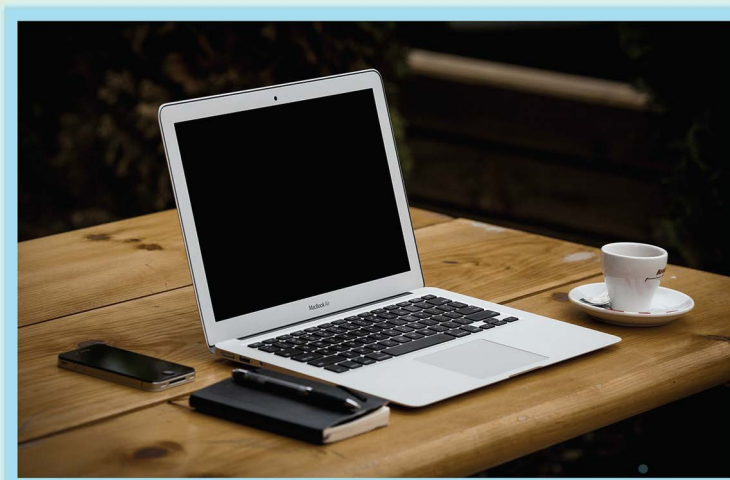
If you need to switch up your thinking about budgets a little bit, it can be useful to ask yourself to list the things that budgets help you with. Go on, try it....It might just change how you think about them.

Meanwhile, we've made a list of some of the ways that we think budgets help with our business planning...

- They provide a financial description of your future plans – they tell you how much you're expecting to spend, and earn.
- Crucially they tell you how much profit you're expecting to make.
- They are great risk control documents (for more on managing risks see our [Belt and Braces – Managing Risk quick read](#) and [Putting it on the Line risk register template](#)).
- They tell your story, and communicate as much about you or your business as your website or any of your marketing materials do.
- Having one demonstrates that you are serious and business-like.
- They can boost your confidence; they make things feel real and hopefully achievable.
- A budget that's thorough and contains the right level of information enhances your credibility.
- They give funders, bankers, partners and commissioning organisations the confidence to work with you.
- They keep you grounded.

Very few of us would put doing a budget at the top of our 'favourite things to do' list. 'I'm a bit scared of budgets' or 'I'm not good at all the financial stuff' are two of the most common business planning gremlins people mention to us when we do our business planning training. (See our [Slaying Your Gremlins quick read](#) for more on business planning gremlins.)

Nonetheless, working on your budget for the period you're planning for is an essential part of business planning, so



we've put together some of our top tips here that – along with our explanation of what goes in a budget and our [Budget Building template](#) – will hopefully mean you're a bit less freaked out and a lot more fired up...

- Don't put it off – doing a budget really helps you figure out how realistic your ambitions are; the analogy that sticks for us is 'there's no point planning to build a 3 bed house if you can only afford to build a 1 bed flat'. Doing a budget will help you work out what's feasible. Our [Budget Building template](#) will help.
- Yes, you're right. Like most business planning stuff you do, the budgeting is basically the best, most informed guessing or predictions you can make. It's an iterative process, a bit messy, and the chances are you'll do several versions of your budget before you land on the one that works. So, you start with your best guess – a 'fudget' and build from that. (See our [Projecting the Future quick read](#) for more on exploring different financial scenarios.)
- Always have 1 budget document you can totally trust, where you feel really confident about the figures. Having one of these will make you feel better, and help you sleep at night!

- If you are working up a version of your business plan to show to a funder or a bank, you'll probably want to create a slightly simpler version of your budget (e.g. just list total ticket sales income, rather than split it into weekend tickets/day tickets etc). The person reading it will be looking for just the headlines! And do check if they have a template they want you to use, or example budgets online. That can really help. So too can asking a friend or colleague who's already had funding from them. We are stronger together!
- Sticking with budgets to show funders or investors... Remember every budget tells a story! Hopefully the story you've told in your plan (via your vision, mission, aims and objectives etc) means they're already excited about your work and ambitions. The story you tell in your budget needs to give them confidence in your financial planning, and also say 'your help is crucial if we are to make happen all this brilliant stuff you're really excited about'.

It can be tricky to know how to organise and document your thinking in a budget so we've put together an example budget for a small annual festival, along with some definitions of different types of income and expenditure. It's not meant to be exhaustive, but will hopefully help you get started. If you find it useful do head over to our [Budget Building template](#) which will help you build a similar looking budget





Split up your income under headings, such as earned income, grants, donations, miscellaneous.

**'Direct costs'** are sometimes called **'variable'** or **'project'** costs. They go up and down depending on how much you do.

**'Overheads'** are sometimes known as **'fixed'** costs. That's because these are costs that you'll incur regardless of how much you do. They include the wages of your core team, accountancy costs etc.

ANNUAL INCOME		
<b>Earned income</b>		
Ticket sales	£32,500.00	
Sponsorship	£10,000.00	
Merchandise	£2,500.00	
Sub total		£45,000.00
<b>Grants</b>		
Arts Council grant	£14,000.00	
Local authority grant	£2,000.00	
Sub total		£16,000.00
<b>Other income</b>		
Donations	£1,500.00	
Sub total		£1,500.00
<b>TOTAL INCOME</b>		<b>£62,500.00</b>

EXPENDITURE		
<b>Direct costs</b>		
<b>Artistic costs</b>		
Artist fees	£25,000.00	
Artist riders/catering	£3,000.00	
Sub total		£28,000.00
<b>Production costs</b>		
Staging	£3,500.00	
Equipment	£3,000.00	
Production crew	£1,500.00	
Sub total		£8,000.00
<b>Marketing costs</b>		
Designer	£1,200.00	
Fliers	£700.00	
Print ads	£1,000.00	
Digital ads	£300.00	
Exit leafleting	£300.00	
Other promo material	£500.00	
Sub total		£4,000.00
<b>Overheads/management costs</b>		
<b>Staff costs</b>		
Director (p/t)	£13,000.00	
Book keeper	£2,000.00	
Sub total		£15,000.00
<b>Overheads</b>		
Accountancy	£1,980.00	
Insurance	£1,100.00	
Web hosting etc	£400.00	
Subscriptions	£200.00	
Bank charges	£120.00	
Phone/internet	£1,200.00	
Sub total		£5,000.00
<b>TOTAL ANNUAL EXPENDITURE</b>		<b>£60,000.00</b>
<b>ANNUAL PROFIT/LOSS</b>		<b>£2,500.00</b>

### Contingency is crucial

Contingency is what we call the small amount of money you may want to set aside in your budget for 'just in case' moments. You can do that by either including a specific contingency figure at the bottom of your expenditure (so it would have its own budget line), or by adding contingency into each bit of expenditure or each type of spend (so it's hidden within each budget line). Including some contingency is considered smart, so do add some to yours planning figures, and make sure you explain how you've done so. As a rule of thumb, somewhere between 5-10% of costs is probably about the right amount. Anything more and there's a risk that you'll look lazy or like you don't know what you are doing.

