



C Masters Development Services cc CK number 1996/049880/23
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Top tips for preparing proposal budgets

1. ***Ensure that the full, realistic costs of the project are included in the budget, including the staff and support (overhead) costs***

Projects are generally carried out within the context of an established organisation, with all its necessary infrastructure and systems. It is therefore right that the funding for each project also contributes proportionately towards these costs. When submitting the budget, be clear about the basis on which these costs are shared or allocated. Even if, after negotiation, the particular funder is not prepared to finance the full costs, those costs will need to be financed from other sources.

2. ***Align the funder budget with the organisation's financial reporting structure***

Reporting on the project's finances is much easier if the format of the budget aligns with the format and line items in your financial records (the chart of accounts). Where these are not aligned, recording and reporting become more difficult and therefore more inefficient.

3. ***Align the proposal budget with the organisation's financial year***

If the dates of the resulting funder contract align with the financial year of the organisation, there is both less chance of having to make calculations of income to be deferred to later periods and better alignment with the organisation's annual work plan and organisational budget.

4. ***Keep a record of your budget assumptions***

It is frighteningly easy to forget the thinking that goes into preparing a budget. Keep detailed notes of your assumptions and workings in the development of the budget so that you, and others who come after you, know how the figures in the budget, that support the activities, were arrived at. This will enable you to better allocate actual expenditure and monitor and explain income and expenditure variances.

5. ***Aim for flexibility***

Try to have as few budget line items as possible, while keeping them linked to the organisation's financial reporting structure. This will make financial reporting easier and will avoid the need for many and varied explanations of budget variances, or for requesting numerous budget changes during the life of the contract. Both before and during a contract period, communicate with your funders as soon as you become aware of changes that may impact on the activities, their timing and/or the budget itself.

6. *Relate the project activities to the budget line items*

Consider carefully how you will link project activities to the organisation's financial reporting system so that reporting against the budget is made as easy as possible. This will be of particular concern if your budget lines are not just expense items but are costs per activity or deliverable ("output"). Having done this linking, it is also important to train the staff who carry out the activities (and so often commit to expenditure) to allocate the spending to particular line items.

7. *Use the format required by the funder*

If a funder has a particular budget format for its proposals, stick to it. If the organisation needs to do something differently, ask permission; if you do not, this may lead to problems in getting the grant approved.