



# Preparing an income and expenditure budget

The budget is a tool that enables you to allocate resources in order to carry out your plans. It helps to identify at an early stage any future problems that may arise during the year. A budget is basically a table with two columns listing the items of your planned expenditure against the income you hope to achieve. Your budgeting has to take into consideration certain assumptions. In some cases, your elements of your income or expenditure will be easy to calculate but there will be instances where you will need to establish an estimate.

You must think about the financial implications of your carnival activity at the early stage of planning. You should aim for your budget to have a surplus (more total income than total expenditure), or, at least to break-even (zero balance - no surplus or shortfall). A budget showing a loss should be avoided. This will cause you problems at a later stage if there is no money left but invoices still to be paid. If you do have a deficit budget (a shortfall) then you need to think carefully about what areas of expenditure you can cut from the budget or how you can raise additional money to bring your budget to a surplus or break-even position.

Your budget estimates should be realistic figures and with some expectation of success. Producing a balanced budget by adding extra pounds here and there in your income forecast or knocking-off a few pounds from your expenditure does not make the budget that realistic. Don't place too much emphasis on raising funds from unknown or unexplored sources of money just to balance off your budget.

In addition, funding bodies often offer less funding than requested so it is advisable to prepare budgets that take into account different financial situations.

## Expenditure

You will incur expenditure in order to make the costumes for your troupe. This will probably include purchasing fabrics and materials. You may need to buy equipment to make costumes or back-packs and you may pay people to help you to design and make your costumes. You may also have general overheads to pay for, such as, rent, heating and light.



Once you know what your costumes will cost you then need to draw up a budget for the touring of the band. The touring costs will include some or all of the following: coach hire, truck hire, PA system, generator, DJ, petrol, insurance, general expenses, such as refreshments.

Adding together the cost of producing your costumes and the touring costs will give you the total planned expenditure for the tour. You then need to think about ways to make money to cover this expenditure.

## **VAT**

You should also bear in mind that most purchases of goods and services will include Value Added Tax (VAT). If you are not VAT registered then you will not be able to recover this expenditure and therefore you should make sure that your budgets are inclusive of VAT. If you are registered then you have to charge VAT on your fees and services.

Value Added Tax is a tax that applies to most business transactions involving the transfer of goods or services. When you buy anything you will most likely to be charged VAT on your purchases. You must register for VAT if your supply of taxable goods and services is more than £61,000 over the last 12-month period but you can also register voluntarily if you think it is in your best interests. Businesses registered for VAT will have to keep proper VAT records on incoming and outgoing transactions and pay VAT to HM Revenue & Customs (HMRC).

## **Income**

Once you have set out your planned expenditure you will need to consider how to generate income to cover your costs. The main sources of income generated by carnival bands are:

- Fees from appearances (at carnivals, festivals, corporate events, etc)
- Grant income (e.g. Arts Council England, your local authority, the National Lottery and other public sector agencies, such as Neighbourhood Renewal)
- Charitable Foundations and Trusts
- Sponsorship from businesses and corporations

You will need to decide on a reasonable 'price' to charge carnival organisers. You can establish this by calculating the amount of money you need to raise to cover your costs with what you think organisers are prepared to pay and the number of dates you want to commit to. You might research what other bands receive in fees but you may need to remember that generally it's only experienced bands that usually receive top fees.



A number of bands receive contracts or grants from local authorities, other public bodies and educational institutions to run workshops for children, young people and the wider community.

Other ways of earning money include charging membership fees or subscriptions; running fund-raising events – dances, BBQ's, raffles, etc; costume making fees and costume hire.

In the long run, it is advisable to achieve an annual surplus or 'profit' each year, which can be ploughed back into the band. These are called reserves. Having reserves makes good sense as you can dip into your reserve fund to cover emergencies, or, if you need to purchase new equipment.