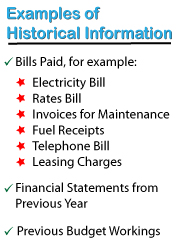
**Information Sources for Budgeting**

**Use historical information**

In creating a budget for ***next*** year, your first step is to have a look at ***last*** year's financial statements and budget (if they exist).

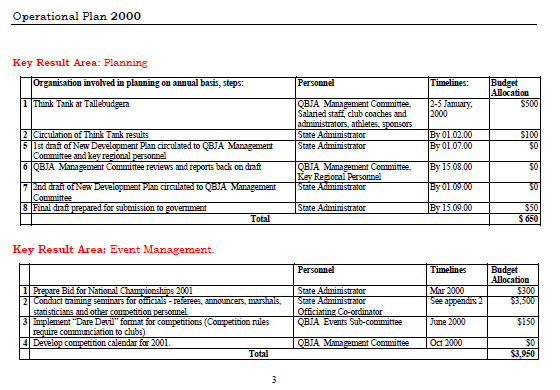
Unless there is a change in the number of people employed, or the location and type of business, the overheads of the business for last year will be a good indicator of next year's overheads.

Costs such as electricity, rent, rates, administration costs, leasing and audit fees are overheads, and they will largely remain the same from year to year. However a small increase should be planned due to inflation.

If your organisation has been in operation at least one year, there should be plenty of historical financial data to help you predict next year's income and expenditure.

**Look at the business plan**

Business plans and budgeting are inseparable. All businesses should develop a business plan. The purpose of developing a business plan is to set the goals and objectives of the business ([the strategic plan](http://www.leoisaac.com/planning/index.htm)), and to determine what work must be done and by whom to achieve these objectives ([the operational plan](http://www.leoisaac.com/operations/top025.htm)).



Although historical data helps to predict income and expenditure for next year, the business plan may contain new strategies that will radically change the pattern of income and expenditure.

Formulating a budget is therefore a major part of the developing the business plan.