**Budgeting and Managing Money for CSAs**

An open session to explore how to budget for your CSA and how it might be made to work for you. All CSAs differ in the exact nature of how they work and there is no one prescriptive finance and budgeting option. Answers depend to some extent on the size and turnover of the business.

**PRICING** (KEY CONCEPT)

Pricing is a balance between competing factors and there is no easy answer, but you need to be realistic for what you are offering:

* you need to cover the costs of production, provide a fair wage and a surplus for future investment in order to have an economically sustainable enterprise
* you need to consider the competition (e.g. pricing of other box schemes, other CSAs and even shops/supermarkets)
* you need to consider what your customers are, can and will pay! (what is weekly spend on average?)
* one of the significant contributing factors to CSA burnout and failure is setting the share price too low. Bear in mind that it is time-consuming to adjust the price if members pay by standing order, so this is not something that you want to have to do too often – future cost rises need to be taken into account when a price is set

Below are some of the factors that you need to consider:

**BUDGETING vs. CASH FLOW (OR DON’T CONFUSE INCOME WITH PROFIT)** (KEY CONCEPT)

Income needs to cover expenditure. Example budget and cash flow. The budget sets the amount that is planned to be spent on any particular item over a certain period, while the cash flow looks at the movement of money in and out of the business, and projects what will be in the bank at the end of the month/year. It can be adjusted as real spend becomes known. A cash flow plan is essential to highlight if the business is at risk of running out of money. Budgets and spend should be overseen by the steering committee, directors or equivalent!

For this CSA, the main income is share sales:

* share membership by far the most lucrative and dependable income stream in terms of income for amount of work done to get it.
* upfront payment by members at beginning of season minimizes bookkeeping and assures income but monthly standing order probably more realistic
* try to avoid cash payments unless you have a good set-up to handle them

Expenditure should cover full cost of farm operation (production costs and farm expenses) for the year:

* wages (grower, don’t forget the cost of employment)
* seeds (not VATable generally)
* inputs (generally VATable)
* company administration (membership, payroll, bookkeeping, certification, annual returns etc.)

**BOOK KEEPING** (KEY CONCEPT)

* get a proper bookkeeping and/or accounts package and learn how to use it (see accountant below)
* pay someone to do the books
* do the books regularly (at least once a week) and pay suppliers on time.
* reconcile the books to the bank account on a monthly basis (especially to check everyone is paying!)
* always pay wages on time.

**REGISTER FOR VAT**

For higher turnovers (say £40-50,000+) there are definite advantages for registering for VAT as the CSA generally has to pay VAT on goods and services purchased, which can only be reclaimed if you are VAT-registered. As vegetable sales are zero-rated for VAT purposes there is very little that needs to be paid over to HMRC, so this usually means that you can claim a quarterly tax refund. . For turnovers above £79,000, registration is obligatory.. Good accounts packages will prepare your VAT return for you. There are some tricky questions around membership benefits etc. as well as sales of non-food goods if you are VAT registered which might need an accountant to resolve in some cases.

**PAYROLL**

Good accounts package can handle pay roll (which is now real time with HMRC) although a payroll company might be easier for you (an accountant might do this as part of the service they offer). If you pay growers as self-employed you are responsible for ensuring that they are genuinely self-employed (they should be registered) and this generally means they don’t have regular hours or pay, they use their own equipment and/or obtain income from more than one source otherwise you might have a hefty fine/NI bill if the books are inspected.

**PENSIONS**

From 2016 you will need to automatically enrol anyone eligible on a pension scheme (basically those over 25 earning more than £10,000 per year through the payroll). You will need to offer the pension to others earning below this who will have the right to opt in. The company will have to match contributions for eligible persons but not necessarily those who elect to opt in and this will rise from 1% to 5% of salary over the coming years (for both employee and employer!)

**GET (AND BUDGET FOR) AN ACCOUNTANT** (KEY CONCEPT)

An accountant can help set up the book keeping, do the accounts at the year end and prepare the company returns making things easier but they do cost! You might have a member who is willing to do this as treasurer but don’t underestimate the *w*ork involved!

**GRANTS/ FINANCE**

Think carefully about using grants unless you need to make capital investments as they can distort expenditure unrealistically leading to ongoing need to source more grants to pay wages etc.. Alternative sources of finance include member loans, crowd sourcing or unrelated community fundraising activities but you need to be aware that in the long term your income should cover your revenue costs. It is a good idea to have a medium/long term business plan.

**Discussion** - do you agree with these points?

**Roles**- paid or member roles for bookkeeping and accounting? How is this best split?

**What has worked for you in your CSA? Or would you recommend?**