

PREPARING A BUDGET

Budgets are important tools to help leaders and boards to understand what resources are available and how best to use them.

In times when resources, both financial and personnel, are not under pressure it may be seen as an unnecessary step. But it is at these times when it is still important to prepare budgets to help the ministry understand what resources they have and how best to utilise them effectively.

When resources are under pressure, a budget is important to identify excess spending, to allow leaders and boards to ask effective questions, and to forecast potential scenarios.

The below checklist is a tool to help churches, camps and support ministries to put in place an initial budget, ask the right questions around that budget, and make decisions that will support the ministry in their vision.

BUDGET CHECKLIST

1. GATHER THE DATA

The first place to start is to take the full years data from the last financial year and place it into a spreadsheet showing income *less* expenses *totals* surplus/deficit.

Ideally if you can break this down into months it will help you in the following steps.

2. LOOK BACK

Is the data accurate? Go through the list line by line and ask yourself the question *Is this reflective of the norm?*

Where it may not be reflective of the norm is scenarios such as, if you received a one-off insurance payment, you took up a special offering for a project, or your staffing levels have changed.

When it is not the norm make a note on the spreadsheet for reference.

3. LOOK AHEAD

Once you have a good understand of the prior year, you can use this data to help form the next year's budget.

The first step in looking ahead is to reflect on your vision statement as a ministry. This statement is what should drive all financial decisions.

Have a think about what the next year is looking like. Are you taking on a new project, stopping a program, or do you plan on changing your staffing levels for the next year?

Are there any changes that you see could impact on the finances? Make a note of them on the spreadsheet for reference.

4. PREPARE THE FIRST DRAFT

Now go through your previous years data line by line and make a best guess of what the next year will look like, taking into account the notes made in 2. Looking Back and 3. Looking Ahead.

If an income line or expense line is forecast to stay static, ie what you paid for power last year is going to be the same for next year, ask yourself if this is accurate.

5. REVIEW THE DRAFT BUDGET

Once the line by line information is in the budget, have a look at the projected surplus or deficit for the year.

If you have projected a deficit, is this a one off based on a specific circumstance creating increased expenses (ie, a project or a trip), or is it reflecting reduced income that can't cover operating expenses.

If you have projected a surplus, what do you plan to do with the surpluses. Consider how you can support other ministries or people within your community with these surpluses.

6. PRESENT THE DRAFT BUDGET

Now you have a good handle on the draft budget, present it to the leadership or board for further discussion.

Be open for discussions from people who may consider a different scenario with the information or who are able to give greater detail into why a trend is happening.

7. FINALISE THE BUDGET

Once the leadership or board have agreed to the budget presented you can finalise it. But it is worth noting that a finalised budget is not the end. Often when situations arise, you can use this base budget to model what if scenarios.

What if scenarios are situations like, if your income was to reduce by 20%, what will happen? Do we have enough in reserves to carry us for 2-3 months? 6-12 months?

8. NEXT YEAR

When the next year comes around you can take this budget, alongside the actuals for the year and show the variance.

Did you meet your budget? Overspend your budget? Underspend your budget? Why?

Now go back to 1. Gather the Data, but this time you can take the prior year's actuals (income *less* expenses *totals* surplus/deficit) in one column and the prior year's budget in another column to start asking the questions.