



Finance Operating Policy: Budgets

Budgets

- 1.1** The trustees acknowledge that everything comes from God and that in no way does the construction and subsequent use of a budget reduce the church's reliance on God as the provider.
- 1.2** The trustees believe that there is significant benefit for the church in the construction of an annual budget. In the context of weighing the cost of being a disciple, Jesus illustrates the benefit of forward planning when speaking of a man who started, but failed to finish, a tower as he ran out of money (Luke 14:28 – 30).
- 1.3** The trustees see the main benefits of an annual budget as:
- Helping the church to prioritise its resources;
 - Providing an early indication of the church's financial position thereby allowing the overseers and trustees an early opportunity to react to situations, particularly when there are sudden and unexpected changes to conditions;
 - Providing supporting evidence of "going concern" status to auditors;
 - Adding a layer of accountability within the church's financial controls;
 - Helping the congregation and church attendees to take "ownership" for the future;
 - Demonstrating good practice.
- 1.4** The trustees recognise that the budget is a financial representation of the vision of the church and should not simply be an end in itself. However, they also understand that not every aspect of a vision can necessarily be achieved in any one time period.
- 1.5** Recognising that the budget is a financial representation of the vision of the church, the trustees should seek to balance the activities of the church with its ability to pay for them.

This does not necessarily mean that budgets are expected to deliver surpluses in every year, but that over the medium-term the trustees remain confident that the church can operate as a going concern able to meet its liabilities as they fall due.

- 1.6** Where a deficit budget is approved, the trustees should take account of the church's current level of reserves as well as its reserves policy (see separate policy) to ensure that reserves are maintained at an adequate level.

Budget Holders

- 2.1 Budget holders are responsible for expenditure charged to their budget and should approve all expenditure charged to it.
- 2.2 Budget holders are responsible for ensuring that expenditure remains within budget bringing any concerns promptly to the attention of the chair of Trustees.

Budget Construction

- 3.1 Budgets will normally be constructed on an annual basis. Budget setting should start no later than October and should be finished by the end of December. The budget must be approved before the start of the new financial year.
- 3.2 Budgets should be compiled on a cash basis using the same payment cycle as used for any internal reporting so that measurements and variances are not distorted by seasonal factors, planned projects or capital expenditure.
- 3.3 Budget construction is the responsibility of the Trustees. The budget must be constructed in conjunction with Budget holders, the church treasurer and the Overseers.
- 3.4 Draft Budgets should be constructed using the management accounts for the current year, information about reserves and direction from the Overseers and Budget Holders about the projected expenditure in the new financial year as found in the strategic plan.
- 3.5 A finalised budget will be formally agreed at the last trustees meeting of the year.
- 3.6 Once agreed by the trustees a version of the budget (simplified if appropriate) will be presented or otherwise made available to budget holders and congregation attendees.
- 3.7 Internal reporting (see separate policy) should include a comparison of income and expenditure against budget. The complete financial position measured against the budget should be reviewed by the trustees on a regular cycle at least quarterly. In the event that the actual income and expenditure figures indicate a significant variation to the budget, this should be brought to the attention of the trustees and discussed as part of a formal trustee meeting.
- 3.8 In cases where the actual results reveal a significant negative position against the budget, the trustees should discuss the implications with the overseers before deciding on a course of action designed to bring the financial projections back in line with budget within an agreed and reasonable time frame.