

Budgeting 101

Grant Kennedy

Your **Budget** flows from your **Strategic Plan**

Your **Strategic Plan** is:

- A map to help you navigate – stay on course.
- A *dynamic* document
- It details your ministry's present situation
- It outlines your future goals
- It shows how your ministry plans to get from *where it is* to *where it would like to be*.

Start by asking...

What do we want to do or achieve?

How are we going to do it?

Where are we now?

How are we going to get from here to there?

Next look at your present situation

What is the situation we find ourselves in?

What do we do?

How do we do it?

How do we link our *purposes* to our *capabilities*?

Look at your Mission Statement and your Vision Statement – do these need working on?



Your *Mission Statement*

Focuses what your ministry does today

Drives the ministry forward

Could change as your business circumstances change. Eg as digital broadcasting takes a foothold your emphasis on FM broadcasting might need to be revised.

Your *Vision Statement*

Focuses on what you want your ministry to become. "We See..." statements

Gives the ministry direction

Should not change often since it is linked to ministry's foundation

Developing your Strategic Plan is sometimes called a *No Numbers Budget*. Because your money shouldn't tell your ministry what it is going to do.

Once you understand, and have articulated, your Strategic Plan, and your Mission, Vision and Shared Values, now you are ready to look at numbers.

Your budget will reflect the priorities of your ministry.

Budgeting

Your budget is just a tool. It is only one tool in a range available for management.

It is a tool you can use to measure *progress* and *capabilities*.

Progress towards achieving your plans

Capabilities to do your planned activities

Its usefulness is only as good as the records you keep.

In preparing your budget you are really putting on paper your best guess. But that is only half the equation. The other half is faithfully recording your real and actual numbers.

When reporting your actuals there is no place for guessing.

Your Budget (plan) must balance over the 12 months. While some months might show a loss, they should be compensated by a profit in other months so end up showing a profit (or at least not a loss).

As you go through the year your reporting will track your progress and enable to make an alterations based on actual performance vs the budget (plan).

Terms

Operational Items

- Regular monthly or annual costs
- The regular cost of doing business
- Eg, staff wages, maintenance, utilities

Capital Items

- Items of retained Value
- Usually attract depreciation (for the accountants)
- Eg, Computers, transmitters, furniture, buildings

One basic question you can ask to access is “Will it have any value in 2 years’ time?”
if the answer is *Yes* it is probably a *capital* item,
if the answer is *No* it is probably an *operational* item.