



# What do budgets actually tell us?

**TN108** Training Notes series: Administration

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**These notes are designed to help church leadership groups to understand the proper place of a church budget, and its use in decision-making.**

**The aim is to show that a budget, in what it says and in how it is agreed, offers an accurate reflection of the church's spiritual priorities and is therefore a key document at the heart of church life.**

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A budget is, at the least, a forecast of the financial future. It is a vital part of the strategic plan for the next year or further ahead. It therefore should include regular items of expenditure, the cost of special projects, and the means of financing future plans.

It should show a target of income levels in the light of planned expenditure. A 'balanced budget' is one where the reasonable expectation of income can match the levels of anticipated expenditure. A 'deficit budget' is one where the income does not match planned costs.

It should be a creative document, not one where a Treasurer has simply added an inflationary increase to every figure in the previous year's estimated accounts.

But it should be much more than even this. It becomes a key statement of faith in God. It should lead the church to prayer. It may be the information you provide to everyone on an annual day for reconsidering giving. It can tell someone much about the spiritual state of your church.

A budget includes financial information but speaks loudly about the heart of the church's spiritual life. What it includes, how it is produced and who has control over it, says much about the church's idea of Christian community.

Let me explain.

## How a church budget speaks

A proper budget is so much more than some rough estimates of costs and giving for the coming year. Here are five messages a good budget should put across.

### 1 **An outworking of the church's purpose and plan**

The budget for the coming year provides part of the financial section of the strategic plan. Therefore it has to be true to your church's purpose, the reason for your existence. So expect the expenditure figures to tell you something about enabling people to grow in their relationship with God, with each other and with the world.

These will not necessarily be the budget heads. But the budget should indicate how your financial resources are being allocated in each of these areas: salaries and costs for staff leading these ministries plus other resources and activities that enable them.

The plan for this year will lie within this overall purpose. If this includes a major development in one area, the budget highlights the anticipated cost, including administrative back-up. If you are letting out a new church centre, the budget shows the anticipated income in line with what you are planning.

### 2 **A statement of the church's vision and faith**

But purpose and plan alone are not the whole story. A budget expresses something of your vision for the future, the point you believe God is calling you to head towards, and so your faith in him that, with his blessing, you will be able to reach that point. This applies to both expenditure figures and to what is shown for giving.

A proper budget expresses belief in God and so should be a document that shapes your prayer priorities for the year. Finance and vision go together. Budget and prayer should be partners.

This in turn means that the budget should not just be something that belongs to the Treasurer, but a key planning document that is owned by, first, the leadership and then the entire membership.

Church accounts are important documents but they are records of the past. A budget is all about the future – and deserves to be taken in more detail than the historical record. A good budget should excite, but perhaps also challenge, everyone. It is a key statement of faith.

### 3 **A practical demonstration of the church's values**

How the budget is presented says much about your church's basis of belief and its way of working. It should therefore accurately reflect all your church stands for. Here are some examples.

- A training figure shows that you seek to develop your members in ministry.
- A maintenance provision budget shows you are preparing yourselves to be ready for future costs.
- A community services section indicates that you seek to care for those in your local area.
- The budget will show how highly you regard global mission work.

Highlighting points such as these shows the value placed on them. But the way the budget is put together, and the manner in which it is agreed, should also give a clear indication of the church's values.

#### 4 **An assurance of wise stewardship**

A good budget is a tool for wise and careful oversight of your church's resources. It protects against unauthorised overspend and can even avoid unwise underspend. With careful choice of budget heads and holders, you can give ownership of ministry to people while ensuring there are limits, above which a leadership body will need to take decisions.

So a budget is a means of ensuring that your church finances are handled with wisdom by everyone involved, rather than in a haphazard way depending on sudden whims. It gives the Trustees a measure of how well things are going throughout the year so that problems can be noticed and acted on before they become crises. It is a key means of monitoring the plan. It also avoids projects being quietly erased by a few who oppose them.

#### 5 **A measure of spiritual health**

The above four points should ensure that the church budget becomes a vital statement of spiritual health, of your church's belief in God and a basis for all your prayers for the church this year. Budgets should be realistic yet somewhat scary for they lie at the heart of the spiritual life of your church.

I often state that a church budget tells me more about a church's spiritual state than almost any other indicator. It speaks of giving levels, priority ministries, the vision held and the meaning of discipleship. Yet finance is rarely included in any marks of a healthy church. It should be. And the budget for the future, more than the accounts of the past, is the key to that.

### **Variations in budget construction**

But it's not just the content. Budget *preparation* enables you to make choices with a number of variables which then say something too. Consider the following which are all interlinked.

#### 1 **The number of budget holders and the level of empowerment**

This is a **people issue**. The greater the number of budget holders, and so the greater the number of budget heads, the more you delegate authority to people to take decisions on what to spend and when. People come to 'own' their area of ministry.

##### **Spectrum line 1**

At one end you have the Treasurer as the sole budget holder and so nil empowerment to people to own the costs of their area of ministry. At the other end you have every area of church life with its own budget and maximum empowerment. But see 2 below.

#### 2 **The number of budget heads and the possibility of confusion**

This is a **communication issue**. The greater the number of budget heads, the more complex the figures become and so the more chance you have of losing sight of the big picture and getting caught up in detail.

**Spectrum line 2**

At one end you have a very basic budget with no detail, and so little understanding of what is actually going on. At the other end you have so much detail that decision-makers (who may not be financial experts at all) are confused and unable to make sensible decisions.

**3 The limits on spending and the frustration of safety**

This is a **risk issue**. What many budgets do is to enable a budget holder to authorise expenditure that is regular and anticipated plus one-off items that fall under a certain financial limit. So a budget holder might be able to spend up to £100 within an agreed annual total but if a sudden emergency arose for new equipment costing £250 or any one item costing more than the £100 limit, they would need authorisation from a higher source.

**Spectrum line 3**

At one end you have budget holders given authorisation to spend everything in their total at one go if they wish. At the other end you restrict them to very minor purchases and so stifle any creativity.

**4 The proportion that is fixed and the freedom for adjustment**

This is a **control issue**. Many churches have a sizeable part of their expenditure fixed externally with little scope for variation. One example would be a Church of England church where the diocesan 'share' or 'quota' to cover the cost of clergy, housing and central resources is set centrally and may account for the majority of the total expenditure. This is actually a voluntary payment but dioceses seek a 100% contribution.

Other churches may have a large proportion of their expenditure covering staff remuneration or building maintenance which cannot be varied quickly or easily.

**Spectrum line 4**

At one end there is total control over all areas of expenditure. At the other all costs are fixed along with income streams other than giving, and the budget variations can only be in adjustments in giving levels.

**Questions to discuss**

- 1 Does your church produce a budget each year and then do the Trustees monitor it regularly? If not (on either point), why not?
- 2 If you do produce a budget, how well does it score on each of the five markers above (purpose/plan, vision/faith, etc.)? Does it need to be presented in a different way to help it be seen to be each of these five? <sup>1</sup>
- 3 Where does your church currently sit on each of the four spectrum lines above? Are you happy that this reflects both your values as a church and the way you operate in practice? <sup>2</sup>
- 4 How creative are you in presenting the budget to, first, Trustees and then to the whole church, so that you encourage maximum understanding and ownership? <sup>3</sup>

- 5 Who owns the church budget? Is its final decision led from a detailed financial perspective or from a wider strategic vision?
- 6 How much focus on prayer is there in budget decisions and then actions?

The budget should be the key financial statement for your church, with the accounts as a means of ensuring integrity in the handling of finance and the story of how the budget worked out.

If you want help in how to prepare budgets, there are a number of online resources. For example, see the paper, *Financial planning and budgeting for churches*, available free of charge on the Stewardship website at <https://www.stewardship.org.uk/resources/briefing-papers> (search there for the title).

### Footnotes

- <sup>1</sup> For example, if you have one figure for all salaries, might it be better to allocate each of those salaries to an area of ministry to give a more helpful picture? If you let out rooms, would it be helpful to factor in part of your building maintenance costs to give a better indication of surplus or deficit?
- <sup>2</sup> For example, do you want to give people greater ownership of their budgets and so adjust budget heads and level of authorisation?
- <sup>3</sup> Financial experts are not always the best communicators.

These notes are available at <https://www.john-truscott.co.uk/Resources/Training-Notes-index> then TN108. See also Articles A7, *Understanding stewardship*, and A18, *Administering church funds*, plus Training Notes TN29, *What's your real church income?* and TN98, *An outline Church Financial Policy*.

John's resources are marked for filing categories of Leadership, Management, Structures, Planning, Communication and Administration. File TN108 under Administration (with a link to Planning)

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