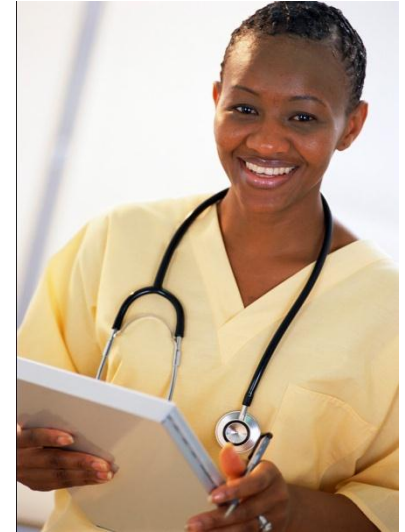


# Budgetitis



A disease caught by treasurers and budget holders who become over possessive about funds, information and resources.

1<sup>o</sup> symptom: Value of the Balance Sheet more important than mission.

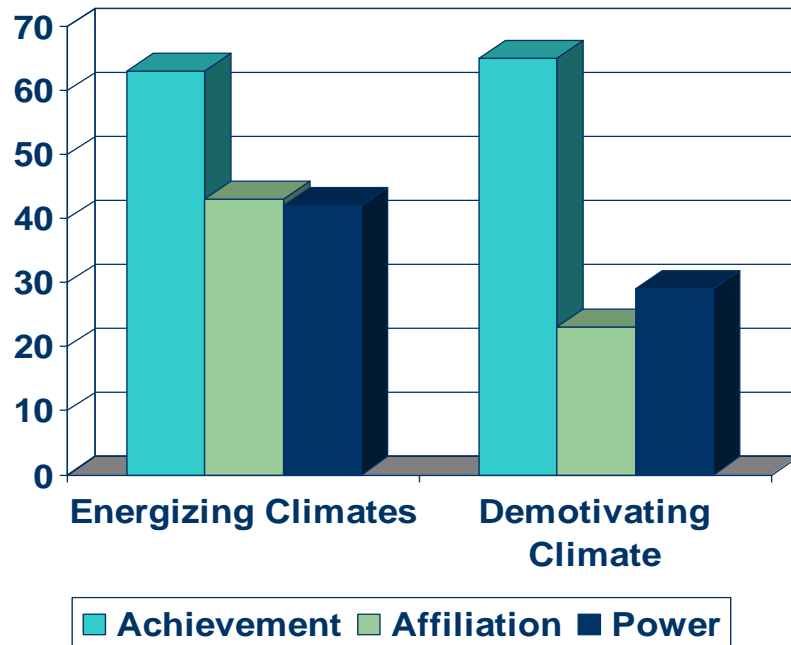
2<sup>o</sup> symptom: They regard questions about their work and method intrusive.

# Causes of Budgetitis

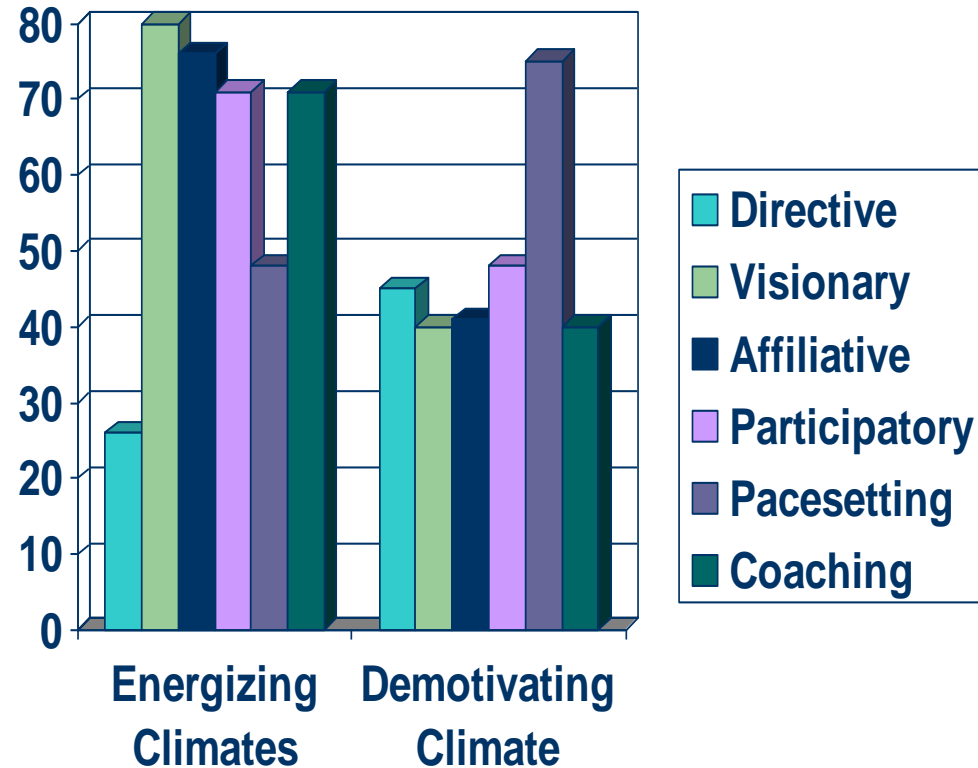


- “By relentlessly focussing on tasks and goals an executive or company can over time damage performance.
- Overachievers tend to command and coerce, rather than coach and collaborate, thus stifling subordinates. They take frequent shortcuts and forget to communicate crucial information and are oblivious to the concerns of others.”

# Pathology of Budgetitis

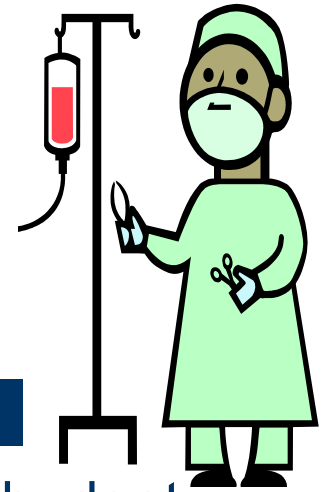


**Motivators**



**Leadership Style Mix**

# Remedial care of Budgetitis



1. Engage in a spiritual visionary endeavour – don't allow budget holders to become uni-dimensional performers.
2. Create opportunities for regular accountability. Facilitate socialised power rather than personalised power.
3. Become joint owners – don't allow budget controllers to become sole authorities – engage their skills.
4. Increase coaching, decrease pacesetting and contain directive attributes in leadership.
5. Have clear balanced strategic intent including fiscal goals. Don't allow accumulation to be the default purpose, have a clear reserve policy.

# Develop a refined sense of Stewardship

- Honour what has been given
- Use power with a sense of grace
- Serve purposes greater than yourself



Peter Block

# **Money flows through our lives like water**

**– at times plentiful, at times a trickle.**

**Each of us is a glass with limited capacity; after which, the water goes down the drain.**

**Some are larger, some smaller, but with capacity to receive more than we need when we allow it.**

**When you make an offering, the glass will be filled again and again and again.**



*~Suze Orman, [The 9 Steps to Financial Freedom](#)*

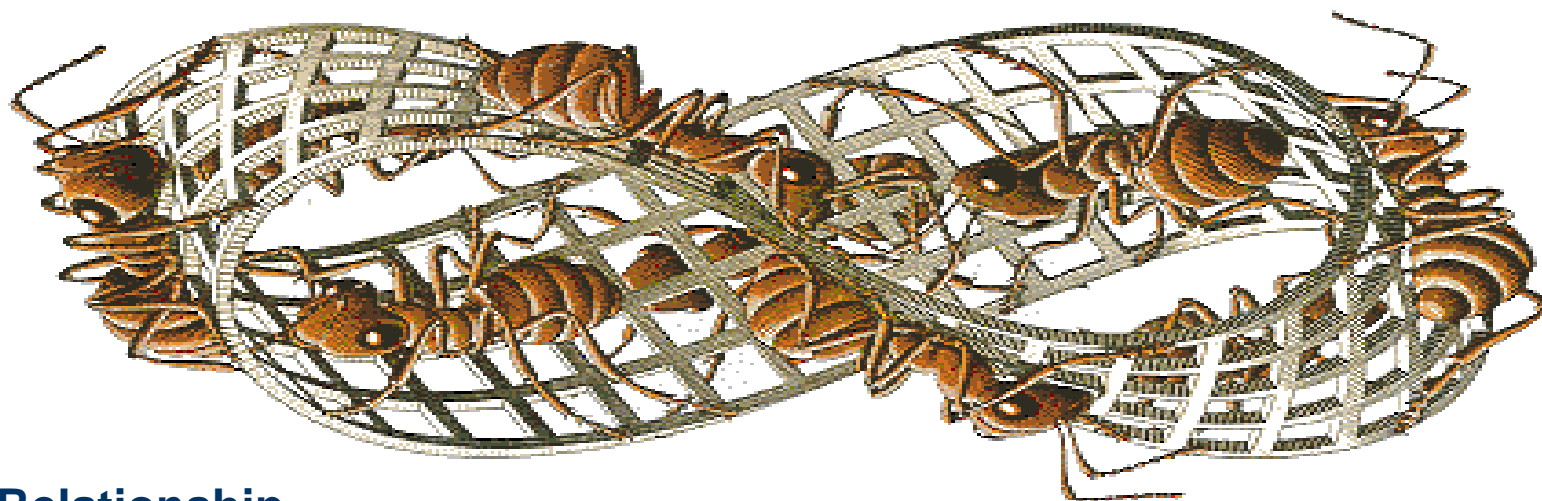
# Donor giving as an infinite loop

Either the donor identifies the issue or the organisation identifies the donor

Organisation further engages The Donor-investor

Evaluation ongoing

Investment made



Relationship grows

Investment renewed

Budget managers keep the loop dynamic

# Transformational Gifts and Sponsorship

- Has an impact on the organisation, its constituency, the donor, and the community.
- Is cultivated by authentic relationship creation and stewardship.
- Are more than gifts – they are investments.
- Rooted in mission belief, issue driven
- Investors expect a return on their values and the management of the investment.
- Make the mission big in the eyes of investors.



# The Budget

Is a dream  
with  
price tags



# BUDGET

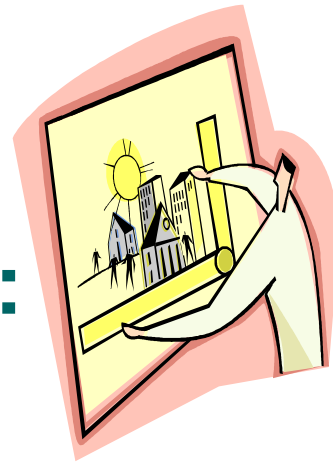
	Annual	To Date	Over / Under	Variation
Income				
a)				
b)				
c)				
Expense				
d)				
e)				
f)				
Outcome				

**A financial plan that sets out anticipated revenue streams **and/or** anticipated expense categories over a forthcoming time period.**

**Budget types include:**

**Income, Service, Capital Expenditure, Departmental, Projects, Cash flow and the Master/Combined Budget**

## Budget – architectural design reflects:



- Structural relationships in the Church
- Creativity in identifying partner streams
- Willingness to generate resources
- Balance between people, overheads, capital resources and service delivery.
- Capacity to be strategically specific

# Matching design and dream

- Does the plan satisfy the stated objectives and mission of the church/project?
- Do initiatives fit the strategic plan?
- Is there consensus with regard to the best way of meeting objectives?
- Is the dream a viable vision or a nightmare?
- Can the dream be shared?

# Strategic Balance

- Only holistic strategies are sustainable!
- (Geographic extension is not always appropriate!)
- Projects that distort sound stewardship may end up being divisive. (Dependence on external resources becomes self defeating)
- Beware the bearer of gifts! (Donors have ego's)
- Determine the validity of a strategic approach before being seduced by carrots.
- Match lifetime costs & sponsorship of projects

# Advantages:

- A pro-active plan demonstrating forethought.  
(a mechanism for overcoming impulsive and random behaviour)
- Creating a budget is a coordinating act.  
(a mechanism for prioritisation and choice making)
- Creates a framework for synergistic effort.  
(a way of working harmoniously with consensus)
- Creates standards for achievement and incentives
- Defines the boundaries of control
- Defines the boundaries of empowerment
- Defines a democratic public relations framework

## Drawbacks:

- Increased bureaucracy and paperwork (It is a means – not an end!)
- Time consuming exercise (but an opportunity for relationship building)
- Inflexible and restrictive (empowering up to the boundary – but a platform for negotiation.)
- Resistance to restriction (more consultation the better the compliance)
- KISS (Keep it simple stupid) Over complexity is regressive.

# The budgetary process

- Be objective in estimating income stream
- Calculate the cost of service delivery
- Identify / negotiate structural & equipment cost
- Coordinate departmental requirements
- Calculate cash flow implications
- Negotiate, build consensus and approval
- Monitor application and variation
- Take corrective action on unbalanced variations.



# The Politics – Budgetary Information

- Gives ownership to stakeholders
- Empowers discussion on the issues not the personalities
- Spreads responsibility for stewardship
- Charts the pageant of the dream
- Opportunity for change

# Budgetary taboo's

- Don't play games – be honest with yourself, clients and donors.
- Don't hide bad news, be open.
- Don't cry wolf – in order to raise funds.
- Don't over egg the case. Fit the economics of the program to the economics of the client.
- Don't leave things to the last minute. People need time to accommodate to your developing vision.

# Budgetary Timing

- Working Capital = continuity reserve
- Development cost – getting the business going
- Income stream – Cash from sales / services
- Direct Costs are those that derive from the service.
- Investment
- Capital purchases (buy / lease)
- Tolerance – how much rubber?

# Budgetary evaluation – what if?

- Income varies beyond expectation?
- Income arrives late / early?
- Service costs increase / decrease ?
- Costs of purchased goods change?
- Value of money varies inflation or exchange?
- Marketing / promotion requirements change?
- Contract, Taxes, Insurance, Statutory costs?
- Political support changes?

# Managing the budget

- Structure the management tool to the budget
- Retain and record data immediately
- Produce timely reports in simple outline
- Explain significant variances
- Make adjustments to accommodate variance.
- Renegotiate recasting when plans change

# Active Resource Generation

Commit to balancing efforts spent on resource development with those spent restraining expense.

Motivation, Development and Engagement contribute as much to budgetary outcome as post match analysis

Financial Management is about people not programs. Church growth is an outcome of people growth.

# A question of numbers

Is expense within annual bounds?

Does expense meet expectation to date?

Is the variation significant?

Is the weighted variation significant?

How does actual compare with prior year?

What is the cause of variation?

Should something be done to change the budget?

# Forecasting

- Trend analysis – (Use dynamic data with prudence)
- What is the limiting factor?
- Detailed cost analysis – (Use actual cost with 2-5% variation allowance)
- Gather relevant information
- View the economic environment.
- View the internal mood / environment.
- Use independent advice
- Identify the risks (Upper and Lower bounds)