



# Budgeting: a buzzword, or a blueprint for financial success?

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At this time of the year, the gears start grinding in preparation for a new year.

A new year signals the need for fresh financial planning; and, inevitably, you will have heard this buzzword in the context of your church, conference or union.

With the cost-of-living crisis at an all-time high since the 1950s, along with high inflation rates leading to increases in the cost of staffing, energy costs and vital provisions, charities across the UK are facing struggles as the demand for their services is increasing while funding is on the decline.

Many charities have not recovered from the COVID-19 pandemic, and are now having to make difficult decisions as they consider the future.

In the midst of the pandemic, the Treasury Department was able to pause for a moment to reflect on how it could adapt to the needs of people, which increased over the pandemic.

It gave the department time to reflect on what had been working well, where improvements could be made, and what new ideas could be implemented. As a charity, it gave us a chance to evaluate which of our services we could make more accessible to our members, enabling us to put our money where our values were.

In these turbulent financial times, the importance of having a well-defined reserves policy becomes paramount. Thankfully for the BUC and its entities, denominational

policy requires the minimum level of working capital to be based on six months of core expenses (plus the value of donor-restricted funds) and a minimum level of liquidity to be based on three months of core expenses. Working capital measures an organisation's ability to generate cash to pay for its short-term daily operations; it is the difference between the organisation's current assets (those that are expected to be used up within twelve months, such as cash) and its current liabilities (such as debts or bills owed by the company within the next twelve months).

Working capital provides insight into the overall financial health of an organisation by analysing whether it would be able to cover its current liabilities with its current assets.

This has been crucial for surviving during the pandemic. This has also given the BUC an opportunity to reassess the level of working capital, which has now been set at twelve months, should a situation like the pandemic occur again. Currently, the BUC's working capital rests at nine months as of the time of writing, and we are slowly rebuilding our reserves to ensure we are able to meet the twelve-month working capital benchmark.

Rebuilding our reserves has also meant that the budgeting process has taken a prudent approach, and the BUC has also actively sought to diversify our assets through ethical investments. We are currently in the process of creating an asset management advisory, which will enable us to achieve this goal. The search for individuals who possess the relevant skills in this area is underway, and we hope that the group will be fully operational in 2024.

In the meantime, the budgeting

process is a way of using the assets we have to further the causes we care about. This begins every October with the Compensation Review Committee (CRC), which is made up of church members like yourself, who are tasked with assessing factors of the wider economy, such as the standard of living, mortgage rates, public sector wages, and so on to recommend yearly salary levels across the BUC.

The BUC Finance Committee, which is a subcommittee of the Executive Committee, then reviews the recommendations made by the CRC in order to recommend action to the BUC Executive Committee.

The Executive Committee then carefully deliberates over these recommendations and finally takes a vote in the maximum rates for the year ahead.

You might remember that in our first article we mentioned the importance of transparency, and how there are internal and external controls in place to ensure that every last penny that we spend is spent in line with our values and beliefs – this is a prime example of how that happens, whether it be in our daily practices or in big-picture decisions like this.

Once the BUC Executive Committee has voted the maximum rates, it is up to the various finance and executive committees of the conferences, missions, schools and so on to adopt these rates, going through the same stringent analysis that the BUC goes through when assessing this in the context of their own mission-driven goals.

The budget not only sets the stage for strategic priorities in the upcoming year, but also serves as a blueprint for achieving these objectives, while ensuring that the necessary funds are available to