

# Budget Management

A tropical beach scene with two people walking on the sand, a sailboat, and a forested hill in the background. The sky is clear blue, and the water is turquoise. The sand is wet and reflective.

for

Program managers and staff

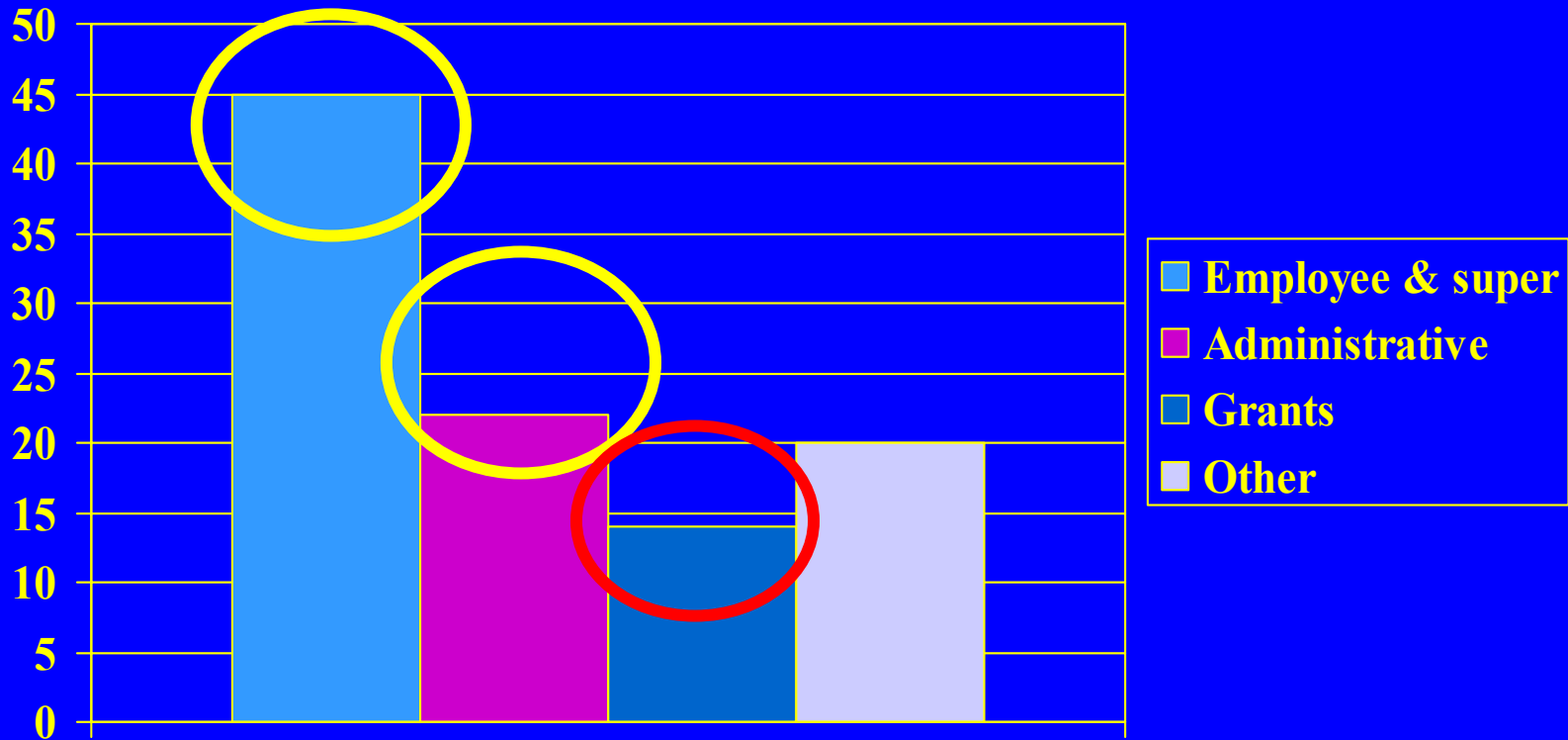
# Learning outcomes

- *Tools and techniques for monitoring budgets and addressing issues*
- *Tools and techniques for constructing a budget*
- *5 rules for managing budgets*

# Tools and techniques for monitoring budgets



# Key territory expenditure items



# Financial management

- *Expenses are incurred in providing services and outputs.*
- *For financial management we need to know the cost of providing those services and outputs for a particular time period (month, year).*
- *Accounting aims to record the expenses we incur in a month or a year for providing services in that same month or year.*

# Employee expenses

## *Overview*

- *Accounting allocates expenditure from the time of payment to the time the services are provided by staff*
- *Recreation and long service leave expenses are accrued*
- *End of month adjustment and reversal*

# Employee expenses – leave

## *Key elements*

- *Expenses include the fortnightly salary and the accrual of RL and LSL*
- *Four (or more) weeks of RL and 9 days of LSL are accrued through the year while the person is working.*
- *When a person is on leave there is no expense because services are not provided*

# Employee expenses – leave continued

## *Example*

- *Salary of \$60,000 p.a. (\$5,000 per month)*
- *RL builds up by about 1.7 days per month = \$390*
- *Monthly expense is \$5,000 + \$390 = \$5,390*

# Employee expenses – leave continued

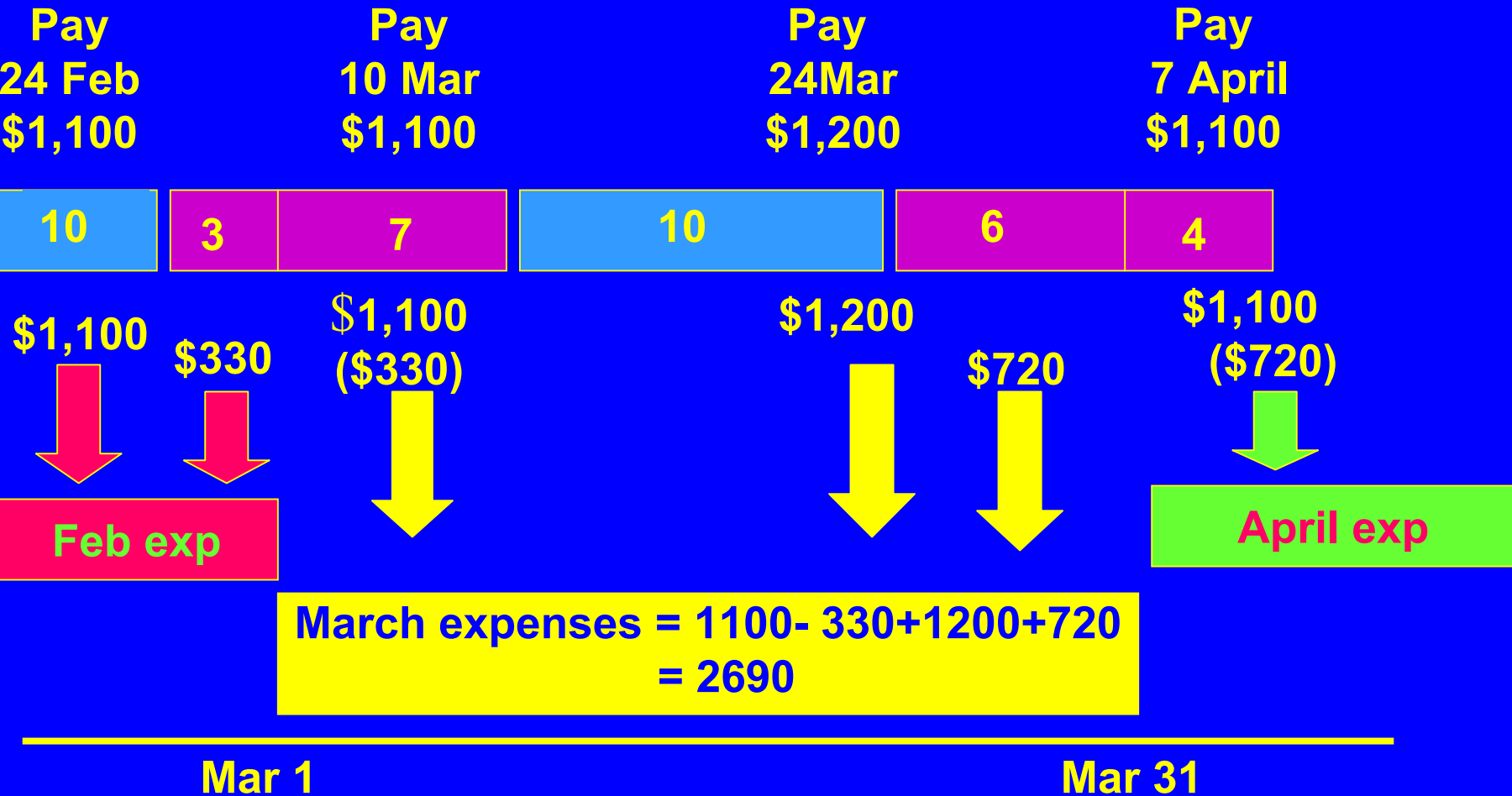
Salary	RL exp	Expense	RL Provision	HRMS
\$5,000	\$390	\$5,390	\$390	1.7
\$5,000	\$390	\$5,390	\$780	3.4
	<b>Three months</b>		\$1,170	5.1
			”	
			”	
	<b>12 months</b>		\$5,000	20
<b>weeks leave</b>				
\$5,000	-\$5,000	\$0	\$0	0

# Employee expenses – end of month adjustments

## *Key elements*

- *2 or 3 pays per month, paid in arrears*
- *services provided in one month are often paid in the following month – a pay will often cover parts of two months*
- *as a pay day may be after the end of month cut-off, we may have to estimate the cost of services up to the end of the month*

# Employee expenses – end of month adjustments

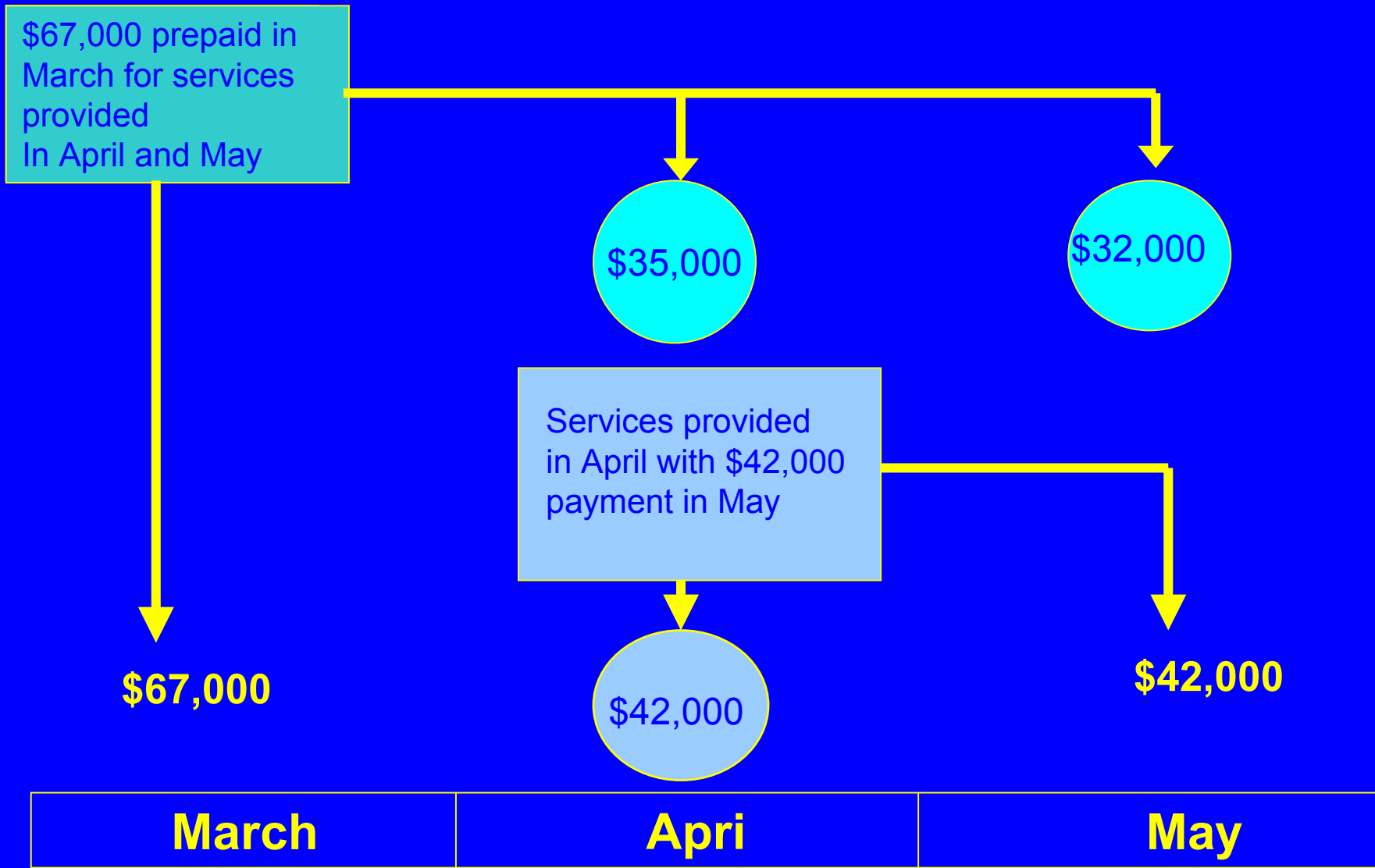


# Supplies and services

## *Overview*

- *Large amounts and ongoing amounts should be allocated to the month where the service is provided*
- *Other amounts can be recorded to the month when invoice received*
- *Important to get the annual information right*
- *Use the accounts receivable system and the supply system to record transactions*

# Supplies and services



# Tools for managing budgets

## FMS and HRMS reports

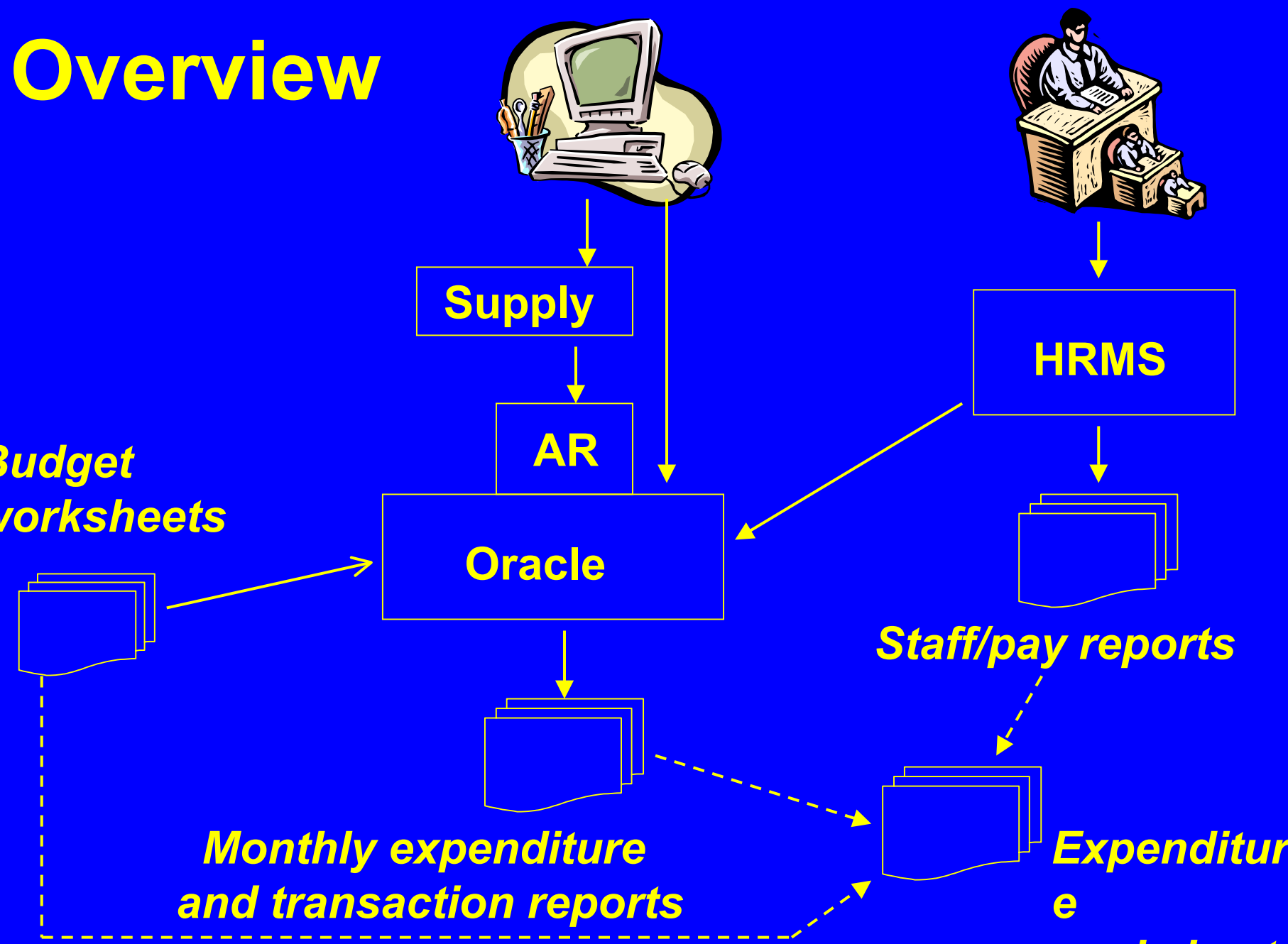
1. *Staff and pay report eg fortnightly PERSPECT APPN*
2. *Oracle monthly budget and actual expenditure report*
3. *Oracle monthly transaction report*

## Organisation records

1. *Budget worksheets*
2. *Expenditure worksheets*

*Handout 1*

# Overview



# Staff/pay reports and Oracle reports

*Examples of reports*

*Exercise 1*

# Monthly checklist

- 1. Review service and activity information*
- 2. Review staffing/pay reports eg PERSPECT APPN reports*
- 3. Review monthly Oracle Month and YTD, and transaction reports*
- 4. Identify significant variances and reasons for variances. Identify trends in expenditure.*
- 5. Project expenditure for the rest of the year*
- 6. Take advisory/corrective action*

*Handout 2*

# Employee and super expenses - check for:

- *Correct number and names of staff – only paying for your own staff*
- *New staff – impact on expenditure*
- *Accrual impacts – check transactions*
- *Leave impacts – processing lags, leave taken/not taken*
- *Pay increases – impact on expenditure*

# Supplies and services - check for

- *Poor budgeting – lags, incorrect amounts*
- *Processing delays*
- *Unbudgeted expenditure – unplanned, poor controls on expenditure*
- *Contractors and consultancies*
- *Someone else's expenses*

# Expenditure reports

## *Exercise 2*

# Tools and techniques for monitoring budgets

*Questions ?*

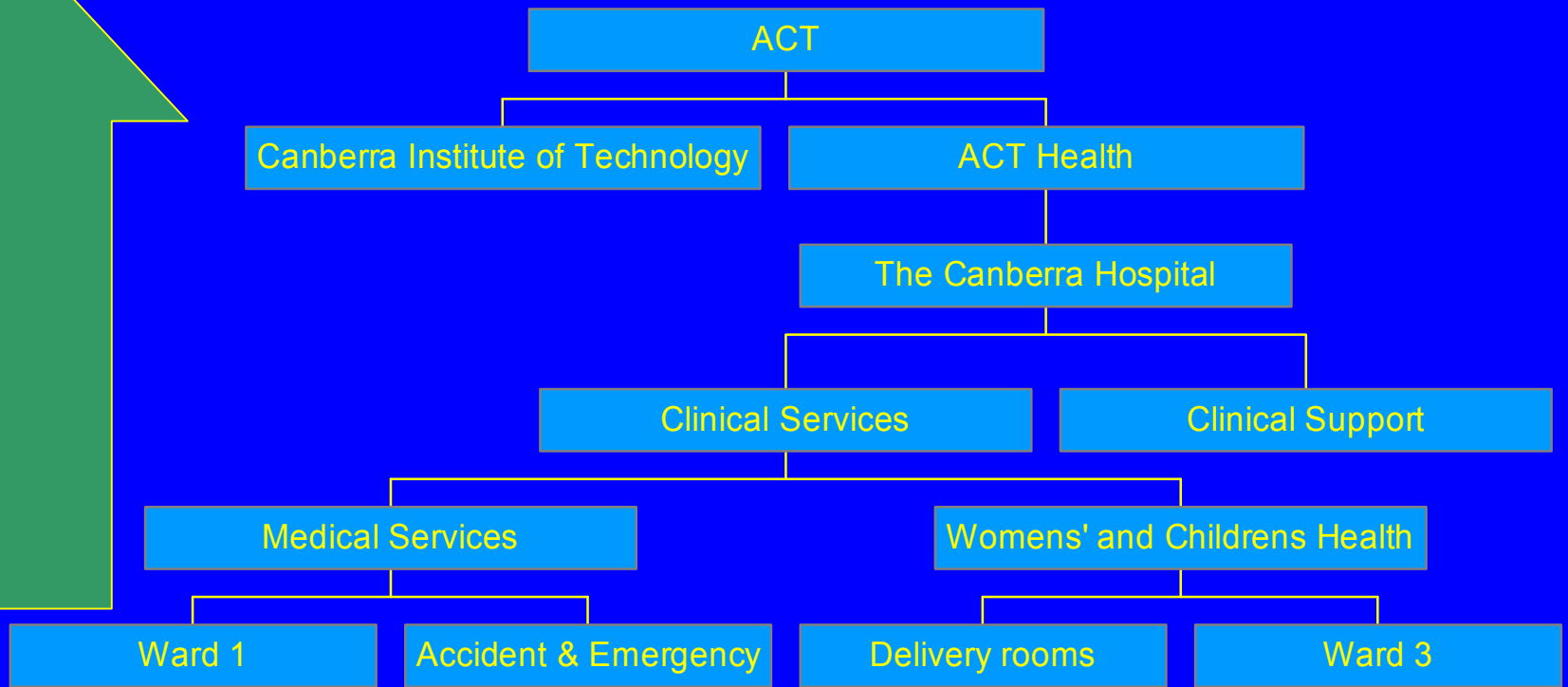
# Coffee Break



# Constructing budgets



# The Budget process



# Qualities of a good budget

*Plan for the financial resources used to meet service objectives*

- *Management tool*
- *Easy to use*
- *Facilitates comparison with expenditure*
- *Provides the indicator for action*

# Employee expenses

- *Determine projected service levels, staff numbers/levels/FTEs;*
- *Convert to annual \$ salary amounts. Review PY \$ Calculate/estimate flow on \$ amounts – penalties, overtime, EPSC (3%), LSL & leave loading (4%), workers compensation (dept rate), superannuation (12.4%). Review PY \$*
- *Review pattern of expense through the year - allocate to months. Review PY \$*
- *Document in Budget work papers*

# Services and supplies expenses

- *Review service levels, accounts, PY actuals*
- *Build up amount for each account*
- *Admin on-costs – about \$7,000 to \$10,000 per FTE but depends on area - check*
- *Review pattern of expense through the year - allocate to months to reflect expenditure*
- *Document in Budget work papers*

# Budgeting tips

- *Use round numbers for annual budget*
- *Aggregate similar items*
- *Level of detail should reflect importance*
- *The budget should reflect the actual pattern of expenditure through the year*
- *No negatives*

# Constructing budgets

## *Exercise 3*

# Constructing budgets

*Questions ?*

# 5 Rules



*for managing budgets*

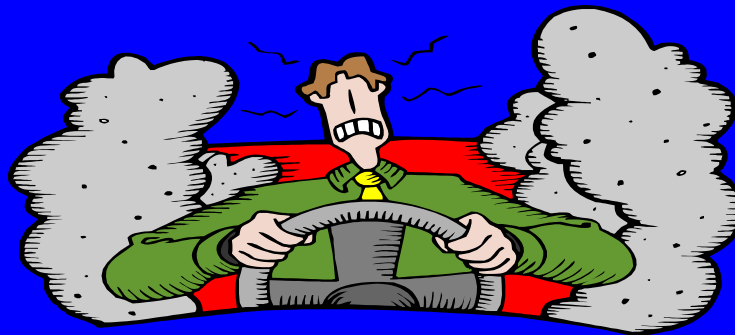
# 5 Rules for managing budgets



1. *Set a good budget in the first place*
2. *Monitor expenditure and identify patterns*
3. *Assess the financial consequences of trends and of new actions*
4. *Identify reduction strategies*
5. *Keep the foot on the brake*

# Keep the foot on the brake

- *Mental approach – it is always easier to spend money than not to spend it*
- *If you are not saving money, you are spending it*
- *Maintain a strong approach for identifying and holding savings*



**Questions ?  
Evaluation**