

## MAKE YOUR BUDGET WORK - CONTENTS

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## **PART 1: MAKE YOUR BUDGET WORK**

### **1.1. A big opportunity**

Whether you are a new manager preparing a budget for the first time, or have several years of budget experience, you can get a big payback from the world's oldest management tool.

As a manager, regardless of who you work for - shareholders, donors, a congregation, or a department in the public sector - you are responsible for looking after resources and money belonging to other people. Those people want controls in place to ensure their money is managed responsibly. So most of us start our financial year by preparing a budget. It's the oldest and the most widely practiced business tool. The word "budget" comes from the purse in which Roman soldiers carried their pay. Napoleon used budgets. Shaka used budgets.

But the way budgets work in many companies and government departments leaves lots of room for improvement. Your budget system isn't working if:

- You can't meet your sales and service delivery targets.
- You overspend on costs which should be easy to budget, like stationery or telephones.
- You are unable to spend your full budget allocation due to poor planning or lack of capacity.
- Monthly budget reports come out 15 to 20 days after each month end, and no one complains that the figures are late.
- Budget reports are filed away without any analysis, action plans, or follow up.
- Management reviews result in across the board, arbitrary cutbacks of costs.
- Department heads submit their budgets long after deadlines have passed, after several reminders from budget accountants.
- The budget is only finished some time after the new financial year has started.
- It takes too long, involves too many people, and costs too much.
- Budgeting is seen as a "have to" exercise which produces a set of figures that will satisfy head office or Treasury.
- The figures are out of date soon after the budget is approved.
- Strategy, budgeting, and performance contracts are independent systems, driven from different parts of the business.