

FINANCE & BUDGETS

WORKSHOP GUIDE



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LEARNING OBJECTIVES

Any business needs a thought through set of plans to be successful. There are long term strategic marketing plans, short-term sales plans, production plans...and so on. The critical financial plan is the budget. Even though it is based on forecasts and sophisticated assumptions, it is a commitment. When you make a budget, you commit yourself to a plan or standard of performance upon which lots of other commitments depend.

This guide is designed for a manager or a facilitator to deliver a short workshop featuring videos from the Video Arts Workplace Essentials Series. Each video comes with a series of activities around the following structure:

LOOK - watch the video and reflect on the content and message.

THINK - activities and questions linking the video to their own experience and workplace.

REMEMBER - a summary of the key learning points.

Each section relating to the video will last around 15 minutes.

ACTION PLAN - At the end of the series of videos and activities delegates should be encouraged to share the most important actions they will take and record actions on their Personal Action Plan sheet.

FEATURED VIDEOS

- Constructing a budget
- Coordinating a budget
- Controlling a budget

VIDEO 1 – CONSTRUCTING A BUDGET

LOOK (play the video, 3 minutes)

When you prepare a budget, you work out all the sources of revenue and all the areas of costs; decide what you think you can sell, for how much and what it will cost you to do so. You'll need judgement and consultation. Budgets are based on assumptions and guesses. What other people think is as important as what you think. Good budgeting is as much about the proper handling of people as it is about the proper handling of numbers.

THINK (10 minutes discussion)

Ask the group to discuss the best approach to take when constructing a budget.

Suggest to the group that there are 5 important 'don'ts' when constructing budgets;

1. Don't just add x% to last year's figures to arrive at this year's. Circumstances may have changed and past performance is just one guide amongst several.
2. Don't indulge in wishful thinking. "We sold 100 this year, but only 80 last. We'll sell 120 next year to make up." The vital question is what evidence is there? You need more to go on than faith.
3. Don't be deliberately pessimistic, either because you're lazy or you want an easy time, or because you want to be able to show off later and say "Look, I beat my budget".
4. Don't deliberately pad your budget, generating unnecessary expenditure this year because you fear future cut backs.
5. Don't use budgets as political weapons for building empires, taking on excess staff or resources simply to promote the status and importance of your own department.

REMEMBER (recap, 2 minutes)

- Set standards.
- Forecast sales / count costs.
- Be realistic.

VIDEO 2 – COORDINATING A BUDGET

LOOK (play video, 3 minutes)

It would be pointless if each division or department in an organisation simply went off and calculated its own costs, wrote its own mini-budget and then someone lumped them all together to make the master. Budgets have to fit together which demands co-ordination.

THINK (10 minutes)

What's the best way to figure out your limiting factor?

You need to start with your major limiting factor. Think about what yours might be:

- How many can we sell?
- How many can we make?
- What will cash flow allow?

REMEMBER (recap, 2 minutes)

- Consult and co-ordinate with all departments.
- Establish limiting factors.

VIDEO 3 – CONTROLLING A BUDGET

LOOK (play, video 3 minutes)

Having set the standards and got a co-ordinated plan, you have to measure actual performance against it. This is known as 'variance analysis'. A variance is the difference between budgeted and actual performance; a deviation from the standard. It could be positive or negative. Either way, it will have consequences for the budget as a whole and so action must be taken to allow for its effects.

THINK (allow 10 minutes)

Ask the group to discuss what general aspects of controlling budgets they find most difficult?

Ask them to think about the 3 critical steps to controlling budgets;

- First you must **review** actual performance. The frequency with which you need to do this depends on how quickly you need to know about variances in order to do something about them.
- Don't keep secrets about variances – **react** and share the details. If the budget has been properly co-ordinated it can become risky not to keep other people informed.
- **Revise** - take control action as appropriate to either get the budget back onto its original course, or revise the original budget commitments to take account of the new facts.

REMEMBER (recap, 2 minutes)

- Review.
- React.
- Revise.

FINANCE & BUDGETS – ACTION PLAN

Remind the group of the key learning points from this session.

Divide the group into pairs. Ask each member of the group to identify one specific action they will take to apply what they have learned when they return to work.

Ask for two or three examples. Bring the session to a close.