

Budget reports and forecasting

How to go about it and what should be included.



Overview

- Budget planning and forecasting
- Preparing a budget – things to be aware of.
- Budget profiling
- Budget monitoring and review



Budget planning and forecasting

A budget is a plan for achieving a particular result, a financial road map across a specified time period to an agreed destination.

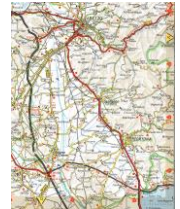
Budget planning and forecasting

Our road map to our desired destination, should be:

- forward looking
- based on a number of assumptions, trends and historic data
- Requires an understanding and assessment of various scenarios and risks



Mileage from "BOONDOCKS USA" To		
Honolulu	3,906 mi	Kona Falls 32,400 ft
London	4,265 mi	Sandy Pt. Camp 672 mi
Anchorage	4,172 mi	Bay of Tranquility 228,857 mi
Moscow	6,098 mi	Williams 19,648 in
Riyadh	8,152 mi	Blairburg 81,500 cm
Beijing	8,633 mi	Des Moines 104 km



Budget planning and forecasting – Acquisitions

Am I expecting to renew the subscriptions I subscribed to last year?

How much did I spend on these subscriptions last year and in what currency.

What was the average exchange rate last year.

What key currencies do I expect to spend in this year?

How much do I expect to spend in each of these currencies?

What are the exchange rates I am basing my GBP outturn assumption for the coming year on?

What is the inflation trend for these subscriptions over the last 5 years

What level of inflation am I predicting for the coming year?



Budget planning and forecasting

Journal Subscription Budget Planner - high level							
Resource Type	Currency	Subs costs from last FY to renew	Est value cessations	Assumed level of inflation for planning purposes	Assumed subs cost in new FY (original currency)	Assumed Exchange rate for planning purposes	Projected budget req'd GBP
Journal Subscription renewals	GBP	200,000	-2,000	5%	207,900	1.000	£207,900
Journal Subscription renewals	USD	100,000	-1,000	5%	103,950	1.288	£80,707
Journal Subscription renewals	Euro	50,000	-500	5%	51,975	1.169	£44,461
Total Projected							£333,068



Preparing a budget

It is important to understand the budget cycles, cost types and accounting practices within your own organisation that impact upon setting the budget and profiling spend

- Planning cycle
- Financial Year
- Exchange rate risk management
 - VAT payments
 - Accruals
 - Prepayments
 - Capital
 - Revenue



Preparing a budget

Accruals – benefit followed by invoice

Costs/sales recognised in the period they relate to rather than when cash changes hands.

Adjustments made near end of period they relate to.

e.g. a telephone bill rec'd 2 months after year end which charges for the previous three months.

Here we must accrue for 1/3 of the total. This brings 1/3 of the bill into the year just ending.



Preparing a budget

Prepayments – invoice followed by benefit

Pre-payments are the opposite of accruals – where an invoice has been received before the period-end which relates in whole or in part to the next period.

e.g. An invoice is rec'd for a subscription for £12,000 paid 3 months before the year-end for which 9/12 of the subscription period/invoice total relates to the next period. Here a prepayment would defer £9,000 into the next period.



Preparing a budget

Impact of prepayments on the previous journal subscription budget plan

Journal Subscription Budget Planner - high level - FY 1st Aug 2019 to 31 July 2020										
Resource Type	Currency	Subs costs from last FY to renew	Est value cessations	Assume d level of inflation for plannin g purpose s	Assume d subs cost in new FY (original currency)	Assume d Exchan ge rate for plannin g purpose s	Projected budget req'd GBP	Prepayment -proportion of sub spend to roll over into next FY = 5/12	Value of prepayme nt to roll into next FY 5/12	Projected budget req'd GBP
Prepayment roll over from previous FY (subs 1 Aug 2019 to 31 Dec 2019)	GBP								0	£145,833
Journal Subscription renewals 1 Jan 2020 to 31 Dec 2020	GBP	200,000	-2,000	5%	207,900	1.000	£207,900	0.417	-86,625	£121,275
Journal Subscription renewals 1 Jan 2020 to 31 Dec 2020	USD	100,000	-1,000	5%	103,950	1.288	£80,707	0.417	-43,313	£37,394
Journal Subscription renewals 1 Jan 2020 to 31 Dec 2020	Euro	50,000	-500	5%	51,975	1.169	£44,461	0.417	-21,656	£22,805
Total Budget							£333,068			£327,307

Profiling

A budget is a plan for achieving a particular result, a financial road map across a specified time period to an agreed destination.

To help us manage our budget effectively it is helpful to breakdown our journey to our agreed destination into stages against which we can monitor progress

Profiling

To accurately manage and profile your budget you need to have a good understanding of what expenditure or income is likely to occur and when.

Inaccurate profiling can mask and make identification of real problems/variances more difficult as the following examples show



Profiling

Budget profiling and variances - Example 1													
	Budget	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Quarterly spend		0	0	6000	0	0	6100	0	0	6100	0	0	6000
Even spread budget	24000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Monthly Variance		2000	2000	-4000	2000	2000	-4100	2000	2000	-4100	2000	2000	-4000
YTD Variance		2000	4000	0	2000	4000	-100	1900	3900	-200	1800	3800	-200
Budget profiling and variances - Example 2													
	Budget	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Quarterly spend		0	0	6000	0	0	6100	0	0	6100	0	0	6000
Quarterly budget profile	24000	0	0	6000	0	0	6000	0	0	6000	0	0	6000
Monthly Variance		0	0	0	0	0	-100	0	0	-100	0	0	0
YTD Variance		0	0	0	0	0	-100	-100	-100	-200	-200	-200	-200
Overspend against budget = minus variance													
Underspend against budget - positive variance													



Profiling

Acquisition budgets, can be difficult to profile due to the number of resources, items or agreements managed.

Tips

- Use trend data from previous years (accounting for any known changes) to profile your spend
- For monographs base your profile on monthly predicted number of items rec'd multiplied by est. average price per book



Budget monitoring and review

Reports

Your institution will provide you with a set of reports, usually on a monthly basis to help you monitor actual expenditure against budgeted figures

Differences , known as variances should be carefully analysed and where necessary responded to.



Budget monitoring and review

Reports

Dummy Budget Report Period Oct/19-20 currency GBP								
	Current Month		Year to Date			Full Year		
	Actual	Approved Forecast	Actual	Approved Forecast	Variance	Approved Forecast	Full Year % spent	Budget remaining
Income	105,000	150,000	300,000	300,000	0	1,000,000	30%	700,000
Total income	105,000	150,000	300,000	300,000	0	1,000,000	30%	700,000
Expenditure								
Salaries	13,000	13,700	44,600	41,100	3,500	162,000	28%	117,400
Office consumables	100	550	4,300	1,650	2,650	7,600	57%	3,300
Travel & Subsistence	100	0	900	4000	-3,100	4000	23%	3,100
Acquisitions	30,000	29,167	180,000	87,500	92,500	327,307	55%	147,307
Total Expenditure	43,200	43,417	229,800	134,250	95,550	500,907	46%	271,107
Gross margin/Net Expenditure	61,800	106,583	70,200	165,750	-95,550	499,093	0	428,893



Budget monitoring and review

Causes of variances

- Budget inaccuracies
- Timing variations
- Incorrect postings (review transaction level reports)
- Changed circumstances: the basis on which figures were projected have changed or are no longer applicable



Budget monitoring and review

Changed circumstances that can affect budgets include:

- **Staff vacancies, absence (e.g. impact on ordering/receipting levels for monographs)**
- **Currency rate changes**
- **Unexpected price rises**
- **Product changes/takeovers**
- **Major new contracts/renewal negotiations**
- **Cancelled orders/cessations**



Budget monitoring and review

Types of variance

- Short term variances, caused by timing/accounting differences that will be rectified within the quarter/financial year.
- Delays that might result in the need to make a bid to carryover funds into the next FY
- Projected income overachievement
- Projected income underachievement
- Projected revenue overspend
- Projected revenue underspend



Budget monitoring and review

It is important to consider what remedial action can be taken to manage any variance and to communicate variances in a timely manner. Analysis is key to understanding:

- why variances have occurred**
- what action needs to be taken to rectify the situation (including escalation)**
- How to avoid similar occurrences in the future.**

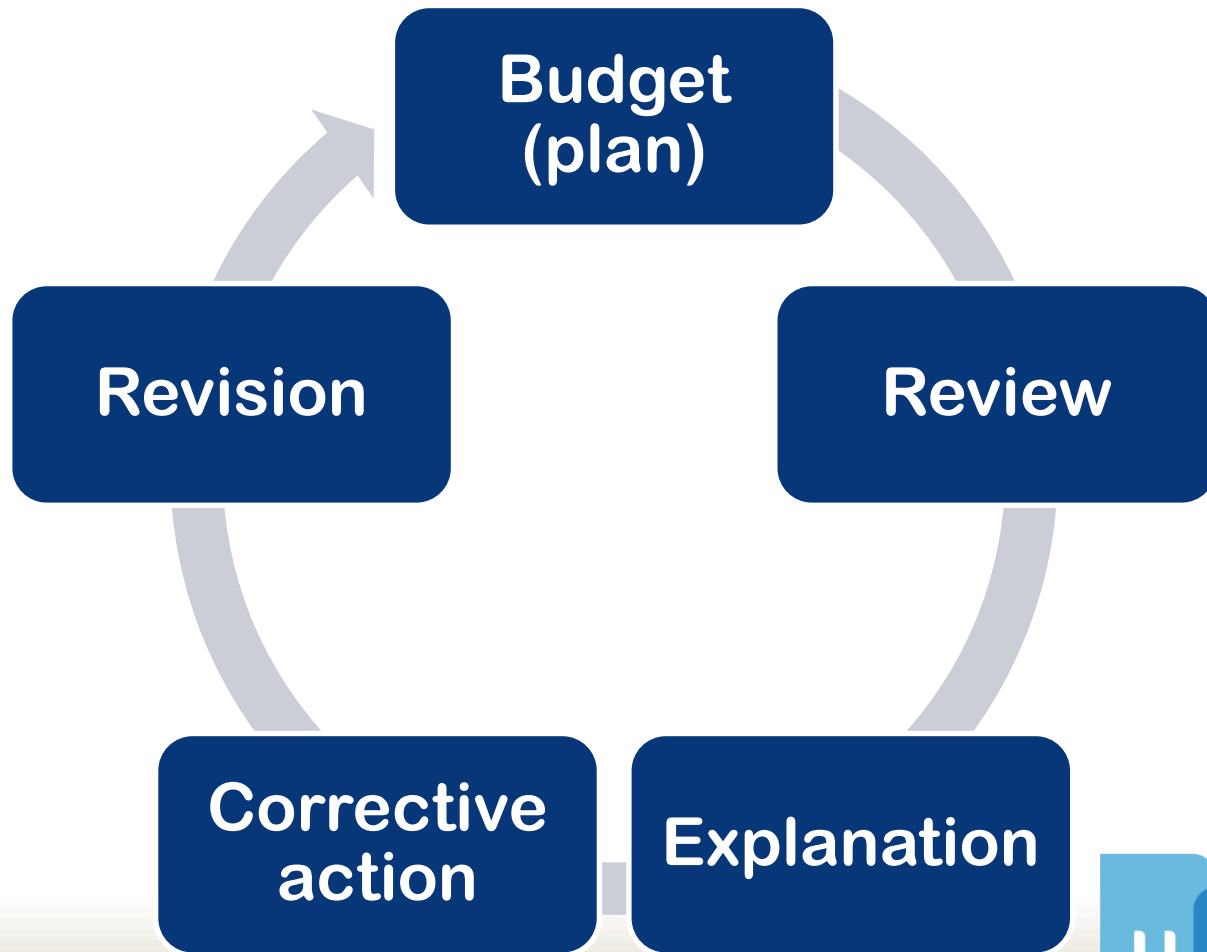


Budget monitoring and review

The environment in which we operate is constantly changing and the assumptions we made when setting our original budget may need review and revision.

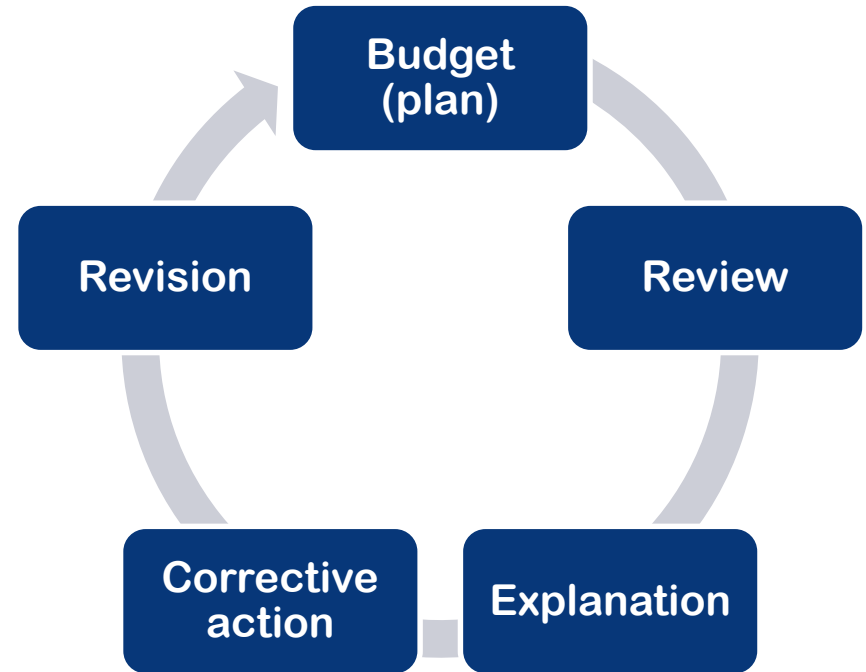


Budget monitoring and review



Budget planning and forecasting

The budget review cycle is a useful tool in helping us understand the impact of those changes, both positive and negative, and determine what action needs to be taken to still achieve our desired goals



Thankyou

Any questions?

