

# Financial Budgets:

## Part 2

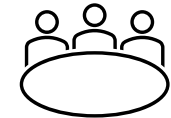
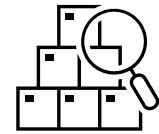
## Actual v Budget



*I'd like to begin by acknowledging the Traditional Owners of the land on which we meet today. I would also like to pay my respects to Elders past and present.*

# What we will cover today:

1. Introduction
2. Recap on Part 1 - What is a budget
3. Budget Example
4. Actual v Budget Analysis and Example
5. Variance
6. Presenting a Finance Report to the Committee
7. Useful Links
8. What Next
9. Q&A



## 2. Recap on Part 1

Part 1 covered the fundamentals of a budget to provide information on how to create a budget for the 2024-25 financial year.

- Why you should have a budget
- What a budget includes
- How to create a budget & what to analyse
- How to present the budget to the Committee

Example

DRAFT FY25 Budget

Operating Revenue

	FY2025	July	August	September
Meals - Subsidised	\$ 126,500	\$ 10,542	\$ 10,542	\$ 10,542
Meals - HCP	\$ 11,000	\$ 917	\$ 917	\$ 917
Meals - NDIS	\$ 7,000	\$ 583	\$ 583	\$ 583
Meals - Full Fee	\$ 3,000	\$ 250	\$ 250	\$ 250
Donations & Fundraising	\$ 2,000	\$ 167	\$ 167	\$ 167
Other Income	\$ -	\$ -	\$ -	\$ -
	<b>\$ 149,500</b>	<b>\$ 12,458</b>	<b>\$ 12,458</b>	<b>\$ 12,458</b>

Cost of Goods Sold

Provisions	\$ 160,000	\$ 13,333	\$ 13,333	\$ 13,333
Packaging	\$ 5,400	\$ 450	\$ 450	\$ 450
Freight	\$ 2,600	\$ 217	\$ 217	\$ 217
	<b>\$ 168,000</b>	<b>\$ 14,000</b>	<b>\$ 14,000</b>	<b>\$ 14,000</b>

GROSS MARGIN **-\$ 18,500** **-\$ 1,542** **-\$ 1,542** **-\$ 1,542**

Operating Expenses

Consumables (Assets < \$1000)	\$ 2,000	\$ 167	\$ 167	\$ 167
Bad and Doubtful Debts Expense	\$ 1,200	\$ 100	\$ 100	\$ 100
Bank Charges	\$ 100	\$ 8	\$ 8	\$ 8
Gifts & Donations inc. Hardship	\$ 1,250	\$ 104	\$ 104	\$ 104
Information Technology	\$ 2,420	\$ 202	\$ 202	\$ 202
Professional fees (Audits etc)	\$ 3,500	\$ 292	\$ 292	\$ 292
Depreciation	\$ 1,320	\$ 110	\$ 110	\$ 110
Insurance - General	\$ 2,200	\$ 183	\$ 183	\$ 183
Admin Expenses (Printing & Stationery etc)	\$ 300	\$ 25	\$ 25	\$ 25
Repairs & Maintenance	\$ 500	\$ 42	\$ 42	\$ 42
Subscriptions & Memberships	\$ 5,000	\$ 417	\$ 417	\$ 417
Sundry	\$ 1,200	\$ 100	\$ 100	\$ 100
Volunteer	\$ 4,920	\$ 410	\$ 410	\$ 410
	<b>\$ 25,910</b>	<b>\$ 2,159</b>	<b>\$ 2,159</b>	<b>\$ 2,159</b>

Employee Expenses

	<b>\$ 70,150</b>	<b>\$ 5,846</b>	<b>\$ 5,846</b>	<b>\$ 5,846</b>
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Utilities

Utilities (Gas/Electricity/Water)	\$ 3,000	\$ 250	\$ 250	\$ 250
Communication / Telephone	\$ 600	\$ 50	\$ 50	\$ 50
	<b>\$ 3,600</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 300</b>

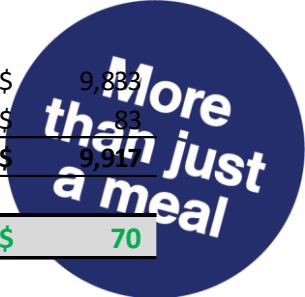
TOTAL EXPENSE **\$ 99,660** **\$ 8,305** **\$ 8,305** **\$ 8,305**

OPERATING SURPLUS / (DEFICIT) **-\$ 118,160** **-\$ 9,847** **-\$ 9,847** **-\$ 9,847**

External Funding Sources

Commonwealth Grants (CHSP)	\$ 118,000	\$ 9,833	\$ 9,833	\$ 9,833
State Grants	\$ 1,000	\$ 83	\$ 83	\$ 83
	<b>\$ 119,000</b>	<b>\$ 9,917</b>	<b>\$ 9,917</b>	<b>\$ 9,917</b>

NET SURPLUS / (DEFICIT) **\$ 840** **\$ 70** **\$ 70** **\$ 70**





# 3. Actual v Budget Analysis

- **What** – Looks at what you have ‘actually’ spent over a selected period against your budget for the same period
- **Why** – provides guidance on how you are tracking against the budget and allows you to identify;
  - Areas of overspend or underspend
  - Unusual expenses or misallocations
  - Strategies to reduce expenses or increase income
  - Are the assumptions incorrect or irrelevant
  - Track CHSP Outputs
- **When** – monthly or quarterly, monthly is ideal as this will pick up any anomalies or errors early & allow time to for remedies before they become a bigger issue.

August Actual v Budget									
	Selected Period	Budget	Variance	% Variance	YTD	Budget	Variance	% Variance	Notes
<b>Operating Revenue</b>									
Meals - Subsidised	\$ 9,859	\$ 10,542	(\$683)	-6%	\$ 21,000	\$ 21,083	(\$83)	0%	various clients in hospital or away
Meals - HCP	\$ 950	\$ 917	\$33	4%	\$ 1,865	\$ 1,833	\$32	2%	
Meals - NDIS	\$ 583	\$ 583	\$0	0%	\$ 1,160	\$ 1,167	(\$7)	-1%	
Meals - Full Fee	\$ 150	\$ 250	(\$100)	-40%	\$ 300	\$ 500	(\$200)	-40%	
Donations & Fundraising	\$ -	\$ 167	(\$167)	-100%	\$ 20	\$ 333	(\$313)	-94%	
Other Income	\$ -	\$ -	\$0	0%	\$ -	\$ -	\$0	0%	
	\$ 11,542	\$ 12,458	-\$ 916		\$ 24,345	\$ 24,917	-\$ 572		
<b>Cost of Goods Sold</b>									
Provisions	\$ 12,000	\$ 13,333	\$1,333	10%	\$ 25,656	\$ 26,667	\$1,011	4%	
Packaging	\$ 500	\$ 450	(\$50)	-11%	\$ 870	\$ 900	\$30	3%	
Freight	\$ 190	\$ 217	\$27	12%	\$ 380	\$ 433	\$53	12%	
	\$ 12,690	\$ 14,000	\$ 1,310		\$ 26,906	\$ 28,000	\$ 1,094		

- By including YTD figures this allows for an overall picture of how you are tracking.
- Conditional formatting is a useful tool to in alerting you to significant variances by setting a threshold. You can set this on values or percentages. Here I have set a threshold of \$200.
- Notes are important to explain the variance.

August Actual v Budget										
	Selected Period				YTD				Notes	
	Budget	Variance	% Variance		Budget	Variance	% Variance			
<b>Operating Expenses</b>										
Consumables (Assets < \$1000)	\$ -	\$ 167	\$167	100%	\$ 200	\$ 333	\$133	40%		
Bad and Doubtful Debts Expense	\$ -	\$ 100	\$100	100%	\$ -	\$ 200	\$200	100%		
Bank Charges	\$ 8	\$ 8	\$0	0%	\$ 17	\$ 17	\$0	0%		
Client Gifts & Donations inc. Hardship	\$ 100	\$ 104	\$4	4%	\$ 100	\$ 208	\$108	52%		
Information Technology	\$ 100	\$ 202	\$102	50%	\$ 200	\$ 403	\$203	50%		
Professional fees (Audits etc)	\$ 1,000	\$ 292	(\$708)	-243%	\$ 800	\$ 583	(\$217)	-37%	Financial Review for FY24	
Depreciation	\$ 90	\$ 110	\$20	18%	\$ 180	\$ 220	\$40	18%		
Insurance - General	\$ 183	\$ 183	\$0	0%	\$ 367	\$ 367	(\$0)	0%		
Admin Expenses (Printing & Stationery etc)	\$ 40	\$ 25	(\$15)	-60%	\$ 40	\$ 50	\$10	20%		
Repairs & Maintenance	\$ 250	\$ 42	(\$208)	-500%	\$ 250	\$ 83	(\$167)	-200%	Plumber to fix toilet	
Subscriptions & Memberships	\$ 417	\$ 417	\$0	0%	\$ 833	\$ 833	\$0	0%		
Sundry	\$ -	\$ 100	\$100	100%	\$ -	\$ 200	\$200	100%		
Volunteer	\$ 700	\$ 410	(\$290)	-71%	\$ 700	\$ 820	\$120	15%	National Meals on Wheels Day gifts	
	\$ 2,888	\$ 2,159	-\$ 729		\$ 3,687	\$ 4,318	\$ 631			
<b>Employee Expenses</b>										
	\$ 6,350	\$ 5,846	-\$ 504	-9%	\$ 12,196	\$ 11,692	-\$ 504	-4%	Chef on extended personal leave, casual staff req'd	
<b>Utilities</b>										
	\$ 50	\$ 300	\$ 250		\$ 100	\$ 600	\$ 500		utilities due in September	
<b>TOTAL EXPENSE</b>	\$ 9,288	\$ 8,305	-\$ 983		\$ 15,983	\$ 16,610	\$ 627			

- Professional Fees: Although August is overbudget significantly, the YTD balance will even out if the review was included in the budget.
- Employee Expenses: Have you budgeted for any casual positions to cover leave?
  - You can aggregate types of expenses to simplify the process.



August Actual v Budget									
	Selected Period	Budget	Variance	% Variance	YTD	Budget	Variance	% Variance	Notes
<b>External Funding Sources</b>									
Commonwealth Grants (CHSP)	\$ 9,833	\$ 9,833	\$0	0%	\$ 19,667	\$ 19,667	\$0	0%	
State Grants	\$ 83	\$ 83	\$0	0%	\$ 167	\$ 167	\$0	0%	
	\$ 9,917	\$ 9,917	\$ -		\$ 19,833	\$ 19,833	\$ -		
<b>NET SURPLUS / (DEFICIT)</b>	<b>(\$519)</b>	<b>\$70</b>	<b>(\$589)</b>		<b>\$1,289</b>	<b>\$140</b>	<b>\$1,150</b>		

<b>CHSP Outputs</b>	Selected Period	Budget	Variance	% Variance	YTD	Budget	Variance	% Variance
	1,020	1,151	(131)	-11%	2119	2,303	(184)	-8%

Total Contract Value	\$ 117,999.96
Unit Price	\$ 8.54
Total Units	13,817
Units per Month	1,151

- Your funding should be consistent, unless ad hoc funding has been received.
- Keeping track of CHSP outputs &/or total outputs is an important aspect of Meals on Wheels.
- The above tells me that in August we delivered 89% of CHSP outputs & YTD we have delivered 92%.

# 4. Variance

- A variance is an accounting term to describe the difference between the actual cost or revenue compared to the projected cost or revenue as outlined in the budget.
- It can be favourable or unfavourable.
- Your general ledger accounts should be reviewed regardless of a variance or not.
- **Causes of variances**
  - Incorrect assumptions or errors in the budget.
  - Incorrect GL used
  - Out of the ordinary expenses: natural disaster, asset repairs or replacement.
  - Influx of clients, think of COVID when it first hit Australia. A lot of services saw significant increase in clients & thus outputs.
  - Timing issues; a prior month invoice being processed in the current month
- **Look for inconsistencies;** If Meal Income is down & COGS is up....why? Error, timing, spoiled stock, are you not charging clients correctly, have COGS gone up and not planned for?

# 5. Presenting to the Committee

- A Finance Report should be submitted outlining the surplus or deficit for the period and the reason for the deviation.
- Details of key variance's appropriate to the service should be highlighted with an explanation.
- The amount of detail will depend on your audience; high level or more detailed.
- E.g. By aggregating utilities, a positive telephone bill variance of \$90 & negative water bill variance of \$50 will result in a net positive variance of \$40 and not require explanation to your audience.

From an analysis level this still should be looked at, as negative variance overtime could result in problems down the track.

- Other things to include;
  - CHSP Outputs
  - Accounts Receivable & Payable aged balances
  - Compliance: has your BAS & Super been lodged
  - Cashflow forecast
  - Any significant financial matters that have, may or will affect your budget.
  - A copy of the Balance Sheet

Below are examples of graphs and tables you can include;

	Month to Date	Budgeted	\$ Diff - Fav/ (Unfav)
<b>Total Outputs</b>	<b>1,543</b>	<b>1,751</b>	<b>(208)</b>
Meals - Subsidised	9,859	10,542	(683)
Meals - HCP	950	917	33
Meals - NDIS	583	583	-
Meals - Full Fee	150	250	(100)
Grant income	9,917	9,917	-
Other income	-	167	(167)
Total Income	21,459	22,375	(916)
Total Cost of Goods Sold	12,690	14,000	1,310
Total Operating Expenses	2,888	2,159	(729)
Total Employee Benefits	6,350	5,846	(504)
Total Utilities	50	300	250
Total Expenses	9,288	8,305	(983)
<b>Operating Surplus/(Deficit)</b>	<b>(519)</b>	<b>70</b>	<b>(589)</b>

Year to Date	Budgeted	\$ Diff - Fav/ (Unfav)
3,183	3,503	(320)
21,000	21,083	(83)
1,865	1,833	32
1,160	1,167	(7)
300	500	(200)
19,833	19,833	-
20	333	(313)
44,178	44,750	(572)
26,906	28,000	1,094
3,687	4,318	631
12,196	11,692	(504)
100	600	500
15,983	16,610	627
1,289	140	1,150

Outputs	CHSP P/M	1151	
Output Type	Total	July	August
CHSP	2,119	1,099	1,020
HCP	1,023	521	502
NDIS	37	18	19
Full Fee	4	2	2
<b>Total</b>	<b>3,183</b>	<b>1,640</b>	<b>1,543</b>
% to Contract	92%	95%	89%

Operating Expenses have been aggregated, you may wish to remove certain expenses and show them separately. E.g. MOWQ includes professional fees as a separate line.

Category	Under/Over	Explanation
<b>Meal Income</b>	Under	various clients in hospital or away
<b>COGS</b>	Under	in-line with reduced meals
<b>Operating Expenses</b>	Over	\$1000 Financial Review costs, \$250 to fix toilet, \$700 NMOW Day gifts
<b>Employee Benefits</b>	Over	Chef on extended personal leave, casual staff required

## 6. Useful Links

[Business.gov.au – create a budget](#)

an excel budget template is available to download

[MYOB – How to make a budget](#)

[XERO – How to create a budget](#)



# 7. What Next

This webinar forms a part of a series of budget webinars I will conduct.

Part 3 will be on budget reviews.

A thorough review should be conducted at least at the 6-month mark or half-way through your project, unless any significant events occur then a review should take place to consider this change.

## 8. Q & A and Feedback

This is a new area of webinars and I welcome all feedback on the topic. I have started at a basic level and appreciate that you are at all different levels of understanding and experience.

Would you like more detail on a particular area of budgets or finance?

Contact: [naomi.jackett@qmow.org](mailto:naomi.jackett@qmow.org)