

## Top Tips for Monitoring and Reviewing Your Budget

Creating your budget is only one step in the budgeting process. You also need to keep an eye on how you are doing against what you had planned, and to carry out a proper review at the end of the budgeting period. Use these top tips to monitor and review your budget successfully.

### Effective monitoring

#### Make monitoring a priority

If things are going off course, you need to know about it as soon as possible so that you can take any necessary action. It is a good idea to mark budget monitoring as a top priority item on the appropriate team meeting agenda. Try to avoid 'urgent' agenda items being given precedence over budget discussions. Even better, hold a separate budget monitoring meeting or set time aside with individual team members to explore any major variances in depth.

#### Focus on the main issues

At budget monitoring meetings stick to the highlights and big issues. You may want to acknowledge smaller budget items that are proceeding according to plan, but you do not need to discuss them. Use your time to concentrate on the important issues.

#### Look out for warning signs

All things going well, you should not be surprised by anything on your budget report. Your operational management activities ought to have led you to expect what you see. If this is not the case then either:

- the budget is wrong
- you are doing the wrong things; or
- no clear link has been made between your operational plans and decisions, and your budget

If you are taken aback by your budget report, it is time to start finding out why.

#### Take appropriate corrective action

If your budget does go off course, don't leave corrective action until it is too late to do anything. For example, imposing blanket spending restrictions in the last couple of months of a budget year is unlikely to get your budget back on track. When things go wrong, make sure that you all agree on the corrective action that you need to take and assign responsibility accordingly. Document what you have agreed and issue the note of the meeting within 24 hours.

While it is important to take timely action if your budget is not going according to plan, it is just as important to avoid making snap decisions, or to alter your budget at the slightest sign of a problem. Carefully think through any planned corrective action before implementing any changes. You may wish, for example, to consider if your action might have any undesirable or unintended side effects. Will it happen in time for the next monitor report or is it likely that you will not see the results for more than two budgeting periods?

#### Communicate progress – the good and the bad

It can be motivating for your team or department to hear good news, e.g. that you are 20% ahead of budget for the quarter. So share good results with your team if and when appropriate. Similarly, don't hold back bad news unless there is a very good reason for doing so. If you believe that you are heading for an overspend, sharing this information early may encourage employees to redouble their efforts, e.g. focusing more effort on sales, or offering suggestions about what they and the rest of your team or department can do to reduce expenditure.

### Effective reviewing

#### Review promptly

As your budgeting period (e.g. quarter end, financial year) draws to an end, it is important to start putting some review plans in place. This means booking a date soon after your budget ends to get together with the relevant people to

discuss how you performed against your budget.

### **Review thoroughly**

It is important to reflect on all aspects of the budgeting process, from drafting and negotiating your budget to monitoring it throughout the budgeting period. Before holding a budget review meeting, look over any key documentation and note down some relevant discussion points, for example:

- the approved budget you worked to, and the main budget items listed
- whether you met your original budget, and any mitigating factors that need to be taken into account if you did not
- key activities in the budgeting process, and how well these went
- who was involved in the budgeting process, their responsibilities and whether these were met
- any major assumptions that were made in preparing the original budget, and what impact (if any) these have had on your budget

It is also a good idea to seek input from others who may not necessarily be involved in the budget review meeting itself. For example you may wish to get feedback on your budget from your manager and also team members who were involved in the construction or spending of your budget. You may even wish to get some constructive feedback from a member of your finance department.

### **Establish key learning points**

Once you have had a chance to conduct a thorough review, it is important to list the key lessons learned. These should then be translated into agreed action points, with someone (it may be you) taking responsibility for implementing each action. Keep a note of these actions handy when you come to draft your next budget, as this will remind you of any changes that need to be included in the budgeting process.

### **Related Items**

#### **Related Resources**

- The Importance of Tracking and Monitoring Your Budget