



## *Better budgeting*

### **11 – Variances**

After the last article you understand where you are against your budget *in the context of what you've delivered*. The words in italics are crucial!

The next stage is to work out what went wrong or better than expected (both of these are important!).

We use the variance column for this. The variance is the difference between our budget, and what we've actually spent. It's useful to think of variances as favourable (in our favour) or adverse (working against us).

Adverse variances will include costs being more than budget, or income being less.

If you've already identified lots of timing and delivery differences from the previous article, you might want to adjust your budget column to reflect these. Then your revised variances reflect "real" over and underspends.

Highlight the largest variances.

Remember that the financial variances are only a symptom – you need to find the cause. Three useful questions are:

- 1 what's happened to cause the variance?
- 2 what are you doing about it?
- 3 what are the wider implications (especially the impact on your year-end budget)?

Don't forget the favourable variances. If something went better than expected, how can we make that happen again, and spread the good practice?

These aren't financial questions, they're questions about what's happened.

You need to ask them to understand what's happened, and do something about it.

You also need to ask them because your boss will ask them, and you want to show that you're on top of what's happening in your area!

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