



## *Better budgeting*

### **12 – The budget outturn**

It doesn't matter too much whether we're over or under budget during the year. What's crucial is where we'll be against budget at the year-end. That's the budget outturn.

So we always need to have the year-end position in mind.

This means budget setting isn't a one off process before the year starts. It's something we keep coming back to during the year as we re-plan how we'll hit our remaining objectives.

The monthly report may have an expected end of year outturn column. If it does, it'll be wrong. It's probably calculated as actual YTD costs plus the budget for the rest of the year.

This forgets what we looked at in article 10. It's only right if we're bang on plan with what we've delivered – which is unlikely!

The year-end outturn should be actual YTD costs plus our forecast for the rest of the year.

Our forecast is what our budget would have been, had we known then what we know now! So we need to be constantly updating our budget for the rest of the year.

An alternative calculation is the YTD variance against budget, plus any expected variances for the remainder of the year. The expected variances will come out of the timing differences we've identified (article 10), and any ongoing impact from the variance analysis (article 11).

If you're forecasting a year-end variance (whether adverse or favourable), flag it up as early as possible. Then the organisation has time to deal with it effectively.

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