

BUDGET MONITORING

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LEARNING OUTCOME

Explain how to monitoring financial performance against an operational budget

Understand how to use this information to manage costs

Jan	6.42	0.11
Feb	0.70	8.08
Mar	0.35	8.71
Apr	8.01	5.70
May	8.54	7.19
Jun	7.79	5.90
Jul	8.77	9.71
Aug	9.71	8.45
Sep	8.45	6.10
Oct	6.10	
Nov		

ITS ALL OVER AND
THE NEXT YEAR HAS
BEGUN!

Final phase of the budget process - monitoring,
investigation and control

Monthly budget reports

- Comparison of budget projections and actual costs
for the month)
- Variance column

VARIANCE

The difference between the budget and the actual performance

Positive variance (favourable variance)

- Actual expenses are similar or less than budgeted
- Actual revenues are similar or greater than budgeted

Negative (unfavourable variance) variance

(Sometimes indicated in parentheses)

- Actual expenses are greater than budgeted
- Actual revenues are lower than budgeted

CALCULATING VARIANCES IN EXPENSE BUDGETS

Variance = Budget - Actual

	Budgeted	Actual	Variance
Staffing (RNs)	\$ 119,232.00	\$ 142,000.00	\$ (22,768.00)
Supplies	\$ 42,000.00	\$ 41,000.00	\$ 1,000.00
Drugs	\$ 25,000.00	\$ 20,000.00	\$ 5,000.00
Medical Gases	\$ 8,000.00	\$ 7,450.00	\$ 550.00

VARIANCE - WHEN
DO YOU WORRY?

Continued increase in
variance

Duration (3 months a
trend)

Institutional policies /
guidelines

Impact/concern if
variance were to
continue for the
remainder of the year

COST CONTAINMENT

Is the unfavourable variance controllable?

Control strategies may need to be implemented

For example:

- If it is staff overtime are there actions you can take to reduce that overtime?
- If it is supply costs are there changes you can make to reduce those costs



CONTROLLING THE COST OF SUPPLIES

Careful use of supplies and equipment

- Monitoring use
- Encouraging practices to control waste and prevent loss to pilfering
- Increasing the cost sensitivity among nursing personnel

Selecting products that have the desired qualities at the lowest price

Examine the processes used in providing care



INFLUENCE OF PATIENT
CARE REQUIREMENTS
ON COST

Need to monitor patient acuity and volume and adjust staffing levels

Consider cost cutting options:

- Limit or eliminate overtime
- Reduce staff turnover rate
- Streamline work processes
- Incorporate technology where feasible
- Use less expensive staff categories

BALANCING THE BUDGET

Adjustments may be needed so the budgets budget targets are met by the end of the fiscal year

These methods include line-item flexibility and adjustment authority

Line-item Flexibility

- Authority to transfer funds from one line item to another
- Usually must be within the same category
- Sometimes requires additional budget justification or approval

BUDGET REVISIONS

Need authority to revise the budget over the fiscal year

Required if the variance is expected to continue for the remainder of the fiscal year

Justification for this revision will likely be required

For example: the acuity patients being admitted to your unit has markedly increased with a necessary increase in staffing to provide safe and quality care

ASKING FOR A BUDGET REVISION

Information that is likely to be required if you have to ask for a budget revision:

- The line item(s) requiring adjustment
- Variance amounts
- Frequency and trend of the variance
- Sources of the variance (controllable vs uncontrollable)
- Control actions that have been taken to date and the results of those actions

Remember the question:
“How much of the total variance is due to lower activity and how much is due to cost control?”

