

Rolling out BudgetPak and On-going Usage

Review and Discussion

April 19, 2017



Goals

- Understand what you need to prepare prior to rolling-out
- Understand various options
- Ideas for getting the most value of BudgetPak throughout the year
- Share best practices on engaging users and keeping them engaged





- Preparation prior to roll-out
- End-user training recommendations
- Use of zero-based budgeting versus baseline budgeting
- Use of versions and drafts
- On-going activity – budgeting & forecasting
- Client case story of roll-out and ongoing usage
- Discussion topics

Overall considerations for Rolling out BudgetPak and Ongoing Usage:

- What do you want to accomplish?
- Are you replacing a process or improving a process?
- What is your timeframe?
- Who is involved?

Consider the following elements when preparing to roll-out BudgetPak for budgeting or forecasting:

- Determine when the process begins and ends
- Decide on a training method and potential exercises
- Determine which budget methods you want your users to use for certain accounts
- Review the *End User Preparation Checklist*
- Review the *End User Getting Started Guide template*, and customize it for your own version names, timeline, and process

Determine whether you want to use a zero-based or baseline budget:

Quick review:

Zero-based budgeting

- **All expenses – both old and new - must be justified for each new period based on demonstrable needs and costs**
 - Automatic increases to a prior period's budget are avoided
 - Resulting budget is well justified and aligned to strategy
 - Potentially time consuming

Baseline (traditional or incremental) budgeting

- **Begins with the current year's budget (or forecast) as a starting point**
 - Simple and easy to setup and understand
 - Funds are historically allocated so departments are operated in a consistent manner
 - Could cause waste by encouraging a 'spend it or lose it' mentality
 - Does not encourage innovation or response to changing circumstances

With BudgetPak you can decide on the best approach for your organization:

■ **Zero based:**

- All account values start out blank
- Use Guidelines in 'Version comparison watch box' and in budget method 'by percent increase'
- Import and use prior periods information for Line item details, Notes, and ActionPaks

■ **Baseline budgeting:**

- All of the sections, except for headcount review, assets, shared ActionPaks, and spreading are pre-filled with the default values
- Budget Managers only have to address the accounts that they want to

■ **Hybrid approach:**

- Use incremental budgeting for some accounts - keep baseline amount or Use 'by percent increase' budget method
- Zero-based budgeting for other accounts - use most appropriate budget method

Decide how many drafts and versions to use:

- **One sign-off version**
 - Simple and easy to use; but limited
- **Multiple draft versions/one sign-off version:**
 - End users can choose to 'try out' different draft versions of the budget prior to copying to final signoff version
- **Multiple versions/multiple sign-off versions:**
 - Finance requests specific types of budgeting plans, such as growth plan and conservative plan
 - Different assumptions can be applied to each version (drivers, calculations, prepopulated values and employees)

Decide how often to budget or forecast throughout the year and at what level of detail:

■ Budgeting considerations:

- **Functionality** – e.g. salary planning, assets, ActionPaks, budget methods
- **Number of Budgeting Rounds** – e.g. preliminary, proposed budget, final/approved
- **Who to involve during each round** – finance only, all budget holders or anything in between

■ Forecasting considerations:

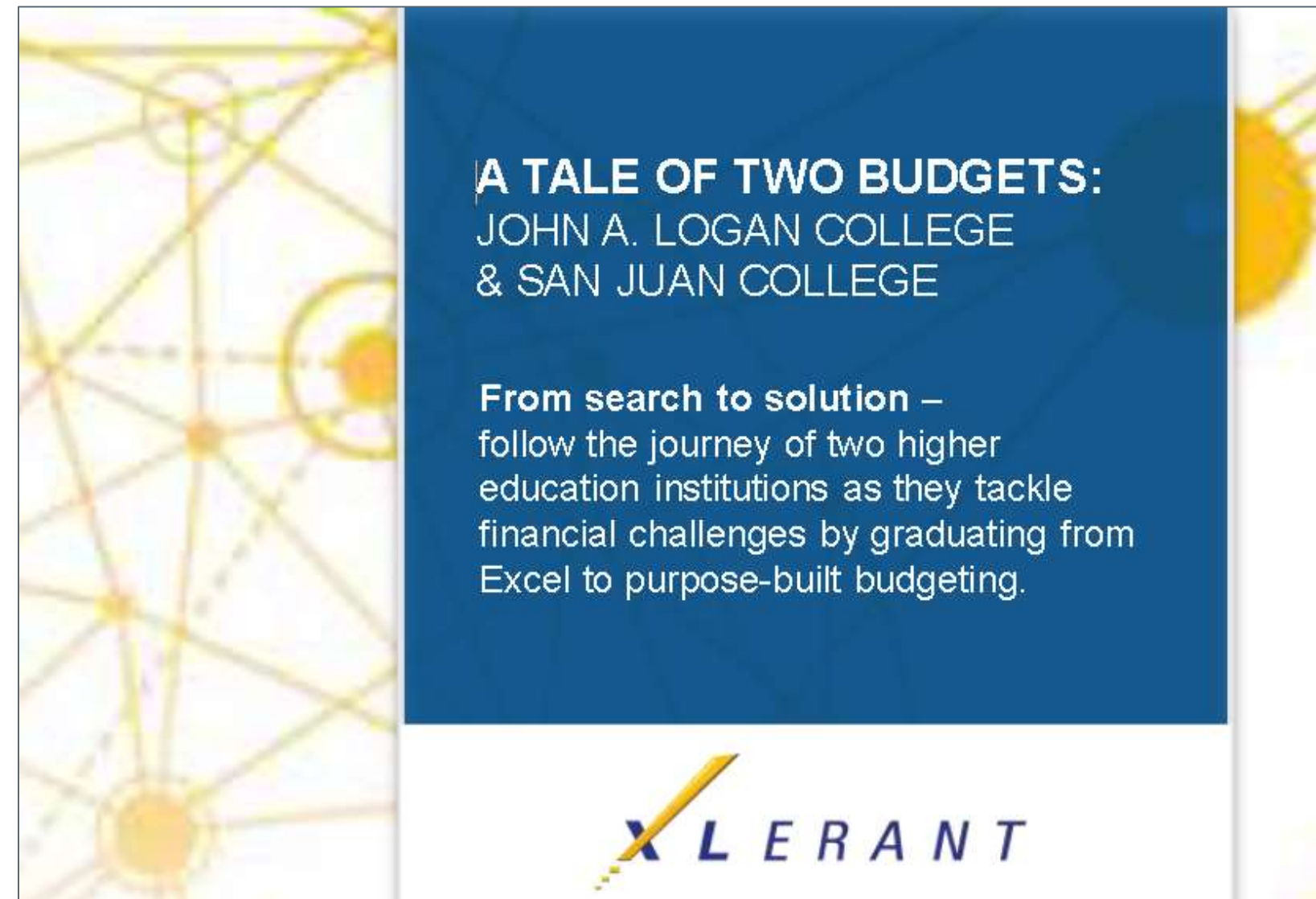
- **Frequency** - monthly, quarterly, semi-annual basis
- **Level of detail** - forecast (at account level) or detailed forecast at employee, line item detail and asset level
- **Version control** – continue to update one forecast version throughout the year or create a new forecast version for each forecasting cycle
- **Who to involve** – finance only, all budget holders or anything in between



John A. Logan College

From the eBook:

A Tale of Two Budgets - John A. Logan College and San Juan College





John A. Logan College

“Historically at John A. Logan, money was flowing a lot better than it has been,” says Brad McCormick, Vice President for Business Services and College Facilities.

Five years ago, declining enrollment and reduced funding forced Brad’s team to make some dramatic changes.

To get a better hold on their numbers, John A. Logan decided to adopt a **modified zero-based budgeting plan**.

“We needed to shift towards a very specific line-item-by-line-item, ‘what’s-the-money-going-to-be-spent-for’ kind of budget environment, and we had never done that before.”

- Brad McCormick, John A. Logan College



John A. Logan College

Justifying the numbers:

“In the first year of use, we told a lot of folks, ‘You need to use as many details as you can because that’s the way your supervisors on up the chain will know what you’re doing.’

We still had those who were simply applying a percentage increase and moving on.

And then the second year, people began to learn that by putting in the details, it was less likely that their budget was going to get cut.

*So it’s building the momentum within the college for people to understand that **the more detail they provide, the more secure their budget becomes.**”*

- Brad McCormick, John A. Logan College



John A. Logan College

Use of ActionPaks:

This was the impetus for important discussions related to overall strategy and has sparked creative brainstorming about funding through alternate channels, such as new student fees or grants.

*It unleashed everyone's wildest imaginations, and they came forward in the budget process. Of course, we couldn't approve every initiative – but one of the nice features for budget officers is **even if your special initiative is not approved, it doesn't get blown away.** It can be retained and saved for next year's consideration."*

- Brad McCormick, John A. Logan College



John A. Logan College

Outcome – Reducing Contingency Dollars:

They have been able to reduce the general contingency in the budget.

“Prior to this and going back many years, we would have as high as 8% of the total operating funds in contingency. [Now] we’ve been able to get down to a total operating fund contingency of \$190,000 with a \$30 million budget, and that probably can come down a little more.

It’s because we’re able to account for all the variables – there aren’t as many unexpected expenses.”

- Brad McCormick, John A. Logan College

Possible Discussion Points

- In what ways did you change your process? For example, did you...
 - Did you switch from annual budgeting to monthly budgeting?
 - Do you use zero-based or baseline budgeting?
 - Did you begin Forecasting in addition to Budgeting? How often do you forecast?
 - Did you have more people involved in the budgeting process than previously?
 - Have you used ActionPaks?
- How have you engaged your users in the process and kept them engaged?
- What has been the most important process you have implemented?
- How else can we help?



Q&A

Thank you!