

Facilities Management from A to Z

Based on The FM Lexicon by Martin Pickard
published monthly in Facilities by Lexis Nexis between 2008 and 2016

Y

ear End

The end of an organisation's financial year can be a challenging time for facility managers. Budgets must be determined, reports completed, forecasts and business cases submitted for approval, annual supplier negotiations must be concluded and, for some, there is a rush to complete projects while funding is still available.

Facility Managers need to ensure that their approach to managing budgets at the end of the financial year reflects the culture of their organisation and its priorities and that they are not merely playing 'the budget game'. Key to the successful management of budgets at year-end is the budget-holder's relationship with their finance support staff.

Any changes that have been made to the accountability arrangements during the year need to be clearly articulated. Faced with extreme budget pressures, decisions may be taken that change priorities, authority levels or contract terms. In these circumstances, the implications for the budget should be clarified within the year-end report.

The same applies to management reorganisations within a financial year. It is inappropriate for the budget holder to be held responsible for the outturn of expenditure against the original budget if they were not accountable for the activity when the original budget was set. A 'line needs to be drawn' under the performance of the original budget holder to reflect the timing of any change in accountabilities.

At year-end, FM Budget holders will usually be responsible for contributing to the budget setting process by inputting information about service trends and activity levels upon which a fair budget can be calculated, and for reaching agreement with finance support staff that the budget is a fair reflection of the cost of these activity levels.

Finance and support staff are usually responsible for notifying budget holders of financial decisions being made elsewhere in the organisation which may affect the facilities budget in the year ahead. These might include headcount growth or capital project work which may have an impact on day-to-day service budgets. FM budget holders need to be made aware of these and their financial implications before their budgets are set, and immediately they are known for budget monitoring purposes.

Many organisations are required to undertake annual closure of their accounts to meet legal requirements or to ensure public accountability is upheld. While it is only a single point in time for budget management, the year-end is the point at which financial performance can be most accurately judged, and when facility managers are most held to account within the organisation for that performance.

It is when the most rigorous analysis of the budget position is undertaken, because all creditors and debtors have to be identified and details incorporated into the accounts and when all internal budget transactions have to be completed.

The degree of variation between what was expected to be the facilities budget outturn and the actual outturn is an indication of the quality of the ongoing budget management system. If large variations from the previous budget monitoring statement and forecasts occur, this needs to be investigated to establish which element of the budget management system has failed to deliver accurate information or forecasts.

Organisation policy will determine how the outturn for individual FM budgets is to be handled. Some budget holders may be allowed to carry forward any underspend or be expected to 'claw back' any overspends. Some organisations use the final outturn as the starting point for the new year's budget which can encourage end-of-year 'spending sprees' by managers keen to avoid losing resources.

However these issues are handled, it is clear that the year-end is a period when the facilities budget will be under close scrutiny and a facility manager must make good use of their financial management skills.

The FT Guide to Finance for Non Financial Managers by Jo Haigh (published by the Financial Times ISBN-10: 0273756206) is a helpful guide to budgeting and management accounting aimed at general managers like those in FM