

# Facilities Management from A to Z



Based on The FM Lexicon by Martin Pickard  
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## **Z**ero Based Budgeting

Zero-based budgeting is a useful technique for facilities financial planning and decision-making which reverses the normal process of traditional incremental budgeting. In many organisations facility managers generate their annual budget by proposing variations to the previous years approved spend with no reference made to actual expenditure. Other organisations base each years FM plan entirely on actual spend plus or minus an adjusting figure.

In Zero-Based Budgeting the plan has to be justified in complete detail by for every item of facilities spend starting from the bottom up. A zero-base approach takes no account of whether the total budget is increasing or decreasing but merely identifies what is going to be spent on each line.

Although it requires significant extra effort this approach is very helpful for facility managers and enables a much more efficient allocation of resources, as it is based on actual needs and benefits. The process of building a budget from bottom up helps the FM in the drive to find cost effective ways to improve facilities operations and highlights areas of the budget which may have become inflated over the years.

This approach is particularly useful in FM and other service departments where the output is difficult to identify as challenges from financial controllers are much easier to defend and the consequences of possible budget cuts can be easily identified and informed decisions can be made. FM service teams can also be much more involved in the budgeting process which increases their motivation and provides a sense of ownership over the targets they will then be committed to deliver. Dependencies upon and support to other departments within the organisation can also be highlighted which increases cross team communication and coordination and demonstrates the service team's contribution towards strategic goals.

Zero-Based Budgeting is not without its problems. It can be extremely time-consuming and difficult to define every line of activity and information may not be available to fully support the decision process. It can also be difficult to justify every detail of planned expenditure. Long term investment in research or learning and development can be much harder to justify than specific operational needs.

Many facility managers may lack the necessary financial competence to carry out a full Zero-Based Budgeting process and additional training may therefore be required. The concept must be clearly understood by all managers involved and it can be difficult to administer and communicate the budgeting because more people are involved in the process.

In a complicated function like facilities management where multiple services and activity lines may need to be replicated across a large property portfolio or cross charged against multiple cost or profit centres, Zero-Based Budgeting can be a really useful discipline but will take much longer than other more simple methodologies.

Some organisations only carry out a full Zero-Based Budget review every few years to reduce the resource demand that is required. However, once the detailed model has been created it can be used to control and monitor activity throughout the year which can provide a solid platform for the next years review. An early start to the rebudgeting process will put the FM in a good position ahead of the formal business timetable.

*The Chartered Institute of Public Finance and Accountancy (CIPFA) has a useful download on Zero Based Budgeting at [www.cipfa.org.uk/pt/download/zero\\_based\\_budgeting\\_briefing.pdf](http://www.cipfa.org.uk/pt/download/zero_based_budgeting_briefing.pdf)*