

Facilities Management from A to Z



Based on The FM Lexicon by Martin Pickard
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Budgeting

Expenditure on the occupation of property and the provision of facilities services is usually a major proportion of an organisation's total outgoings. As a result the FM budget comes in for intense scrutiny. This means that the ability to interpret and present financial data, an understanding of the impact of the spend on corporate accounts and a familiarity with the language and techniques of the finance professional are all invaluable skills for a facility manager.

Budgets are the monetary manifestation of operational plans and the control device for measuring actual results. A really thorough budgeting exercise starting from a zero baseline provides a really strong framework for operational plans. This makes the inevitable iterations of the budgeting process much easier to manage as all costs relate to clearly defined activities. Those facility managers who treat the budget round lightly make themselves the target of even closer scrutiny and often suffer from arbitrary cost cutting mandates.

While the facilities budget is significant in size the percentage over which a facility manager has effective control is strictly limited. As much as 75% of the budget may be required for fixed commitments like rent and rates, other legally binding expenses such as long term service contracts are equally predictable and while the outgoings on some items like utilities or telephony are variable they can be difficult to control. As a result any budget cuts imposed by the corporate finance function can have a disproportionately large impact if the facilities costs are not sufficiently detailed.

Most budgets are divided between Revenue and Capital expenditure. The Revenue budget is used to cover the purchase of goods and services for operational use that are expensed within a single year of financial accounting. The Capital budget is generally associated with fixed assets which will have a value on the organisations balance sheet and which will be depreciated over a number of years.

The Chartered Institute of Management Accountants (CIMA) www.cimaglobal.com have a useful series of technical guides including "*A guide to devolved budgeting*" which new managers may find helpful.