PROJECT BUDGET

Initiation

Project budget

Every project will incur costs, either directly or indirectly, through use of time and resources that may have been used for other work. As a project manager you need to be mindful of recording and monitoring the budget.

Initiation

The purpose of this phase is to develop a clear understanding of what your project is, what you want to achieve and how you plan to get there.

Key points

1. Build a project budget

You will need to identify the cost of the project to have it approved. Sometimes this is a formal process, with costs identified through a business case, or you may have received a grant for a particular project. In other cases, a less formal process may exist. Once the budget is approved, the team can begin to identify activities, milestones and resources, and align these to the budget and project timeline.

2. Make it realistic

If you are new to project budgeting, then ask for some help to build a realistic budget. A good starting point is to look at other projects and how they have been budgeted in your organisation. Usually budgets include common elements, such as labour costs, material costs, venue hire, catering and travel. This will provide you with a solid baseline upon which to deliver a project budget.

3. Be prepared to change

The initial project estimate is just that – an estimate. As the project progresses it is common to adjust budget projections. For example, during the diagnostic phase a larger number of consultations requiring travel may be requested by the sponsor that was not considered in the initial budget build. These changes must be clearly recorded to demonstrate the impact on your project budget.

4. Monitor the budget

The project budget is a living part of your project. The project manager is responsible to keep track and should review with your team, stakeholders and sponsor on a regular basis. Keeping sponsors and managers updated on the project budget builds trust and credibility between project managers and sponsors.

Considerations and tips

The ability of a project manager to deliver a project on time and on budget is highly regarded, especially as health services must demonstrate responsible financial management for expenditure of public funds.

The sponsors' frame of reference

Understanding what needs to be delivered from the sponsors' frame of reference is extremely important to achieving project success. Understanding this will allow the project team to better identify the resources and deliverables, and budget accordingly.

Consider project contingencies

Projects that will demonstrate a strong return on investment make sense. Your planning or finance team may be able to help you quantify the monetary outcome expected from achieving your project objectives, which you can balance against the expected project costs.

Agree on how to measure

Direct project costs are obvious and easy to estimate and monitor, however indirect costs are more complex. Finance teams and managers can help you establish budget tables with clear measurables to make monitoring easier.

Continually review

If you don't discuss or document the project budget with the steering committees, the project costs can exceed the allocated budget and put your project at risk. It is preferable to declare a 10% overrun in budget when it is identified, rather than wait until the project is 50% over budget.

What's in a budget?
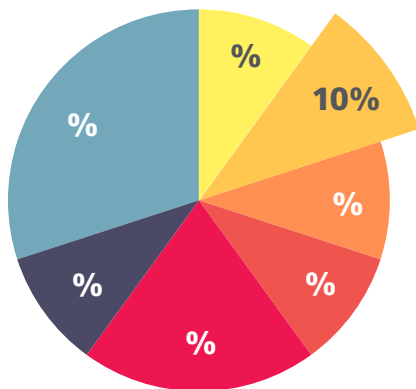
Direct and Indirect costs

Labour cost
- backfill

Materials
- printing, flyers,
  workshop materials

Travel
- flight, accomodation

Venue hire
- catering

Technology

Further information

Next Steps

Project budgeting is important for getting your project funded and keeping it running. Allocating time with the correct people to estimate the project costs initially will set your project on the right path to delivering the agreed outcome on budget.