Budgeting in Program Planning and Evaluation

PHC 6102
Principles of Health Policy and Management
Objectives

• To define and describe the basic concepts of budgeting
• To describe the uses of a budget
• To describe different types of budget
• To outline the basic format for a project budget
What is a Budget?

- Financial plan for an organization
- Cyclic process
- Measurement performance tool of a program or an organization
- Can vary and be created based on a particular focus of the organization
- Relates to future period of time and involves predictions and assumptions
- Can also be expressed in terms of units of output that need to be purchased or achieved
Budget Uses

- Forecasting
- Planning
- Coordination
- Control
- Motivation
Types of Budget

- Forecast Budget
- Performance Budget
- Cash Budget
- Production Budget
- Master Budget
Budgeting Techniques

• Incremental budgeting
  – Uses past historical budget as basis for setting future budget

• Zero based budgeting
  – opposite to incremental budget
  – Each time budget is started from scratch
  – Used by most US governmental agencies
Budgeting Terminology

- Operating Budget
  - Annual appropriation of funds for on-going program costs

- Fixed costs
  - Rent, salaries, insurance cost

- Variable costs
  - Coping program handouts, program advertising

- Direct and Indirect costs
  - Direct: Salaries, supplies used with clients
  - Indirect: Rent, utilities, facilities management, telephone
Budgeting Terminology Cont.

• Operational costs
  – Organizing a village meeting, training workshop, and running an awareness campaign

• Administrative costs
  – Office maintenance, IT costs, office or business security guard

• Capital Cost
  – computers, research equipment, office furniture, vehicles, office building

• Personnel cost
  – Advertising for employees
Pertinent Budget Details

• Break-Even Analysis
  – Mathematical determination of the point at which expenses related to providing a program are equal to or less than the revenues generated for or from the program

• Funding for Evaluation
  – Funds must be allocated to support the evaluation before the program begins

• Budget Justification
  – Explanation of why dollar amounts are requested
A Planning and Budgeting Process


Departmental and Organizational Budget – Prepare financial budgets that support operational plans

Do these budgets fit with financial and planning objectives?

Yes

Budget approval and implementation of departmental budget

Measurement of actual financial performance against budget and analysis of variance (rate, additional outlay or timing)

Revision of plans and budget

N0
## Simple Budget Format

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>Duration/number</th>
<th>Price/Unit ($)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
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<tr>
<td>Title 1</td>
<td>Hours</td>
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<tr>
<td>Title 2</td>
<td>Day</td>
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<td>100</td>
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Sub total personnel 1600

<table>
<thead>
<tr>
<th><strong>Direct costs</strong></th>
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</thead>
<tbody>
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<td>item 1</td>
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<td>200</td>
<td>400</td>
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<tr>
<td>Item 2</td>
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<td>50</td>
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<tr>
<td>Item 3</td>
<td>Unit</td>
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<td>40</td>
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</table>

Sub total direct costs 490

**Total project costs** 1090
Questions

1. Define the basics concepts of budgets and budgeting.
2. What type of budgets are used?
3. What are the main uses of budgeting?
4. What are the different techniques used in budgeting?
5. What is break-even analysis and budget justification?
References

