

# ITS ALL OVER AND THE NEXT YEAR HAS BEGUN!

Final phase of the budget process - monitoring, investigation and control

Monthly budget reports

- Comparison of budget projections and actual costs for the month)
- Variance column

# VARIANCE

The difference between the budget and the actual performance

Positive variance (favourable variance)

- Actual expenses are similar or less than budgeted
- Actual revenues are similar or greater than budgeted

Negative (unfavourable variance) variance (Sometimes indicated in parentheses)

- Actual expenses are greater than budgeted
- Actual revenues are lower than budgeted

# CALCULATING VARIANCES IN EXPENSE BUDGETS

Variance = Budget - Actual

	Budgeted	Actual	Variance
Staffing (RNs)	\$ 119,232.00	\$ 142,000.00	\$ (22,768.00)
Supplies	\$ 42,000.00	\$ 41,000.00	\$ 1,000.00
Drugs	\$ 25,000.00	\$ 20,000.00	\$ 5,000.00
Medical Gases	\$ 8,000.00	\$ 7,450.00	\$ 550.00

# VARIANCE - WHEN DO YOU WORRY?

Continued increase in variance

Duration (3 months a trend)

Institutional policies guidelines

Impact/concern it variance were to continue for the remainder of the yea

### COST CONTAINMENT

Is the unfavourable variance controllable?

Control strategies may need to be implemented

#### For example:

- If it is staff overtime are their actions you can take to reduce that overtime?
- If it is supply costs are there changes you can make to reduce those costs



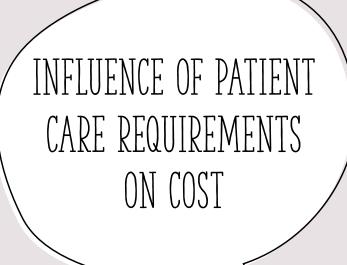
# CONTROLLING THE COST OF SUPPLIES

Careful use of supplies and equipment

- Monitoring use
- Encouraging practices to control waste and prevent loss to pilfering
- Increasing the cost sensitivity among nursing personnel

Selecting products that have the desired qualities at the lowest price

Examine the processes used in providing care



Need to monitor patient acuity and volume and adjust staffing levels

Consider cost cutting options:

- Limit or eliminate overtime
- Reduce staff turnover rate
- Streamline work processes
- Incorporate technology where feasible
- Use less expensive staff categories

# BALANCING THE BUDGET

Adjustments may be needed so the budgets budget targets are met by the end of the fiscal year

These methods include line-item flexibility and adjustment authority

Line-item Flexibility

- Authority to transfer funds from one line item to another
- Usually must be within the same category
- Sometimes requires additional budget justification or approval

# BUDGET REVISIONS

Need authority to revise the budget over the fiscal year

Required if the variance is expected to continue for the remainder of the fiscal year

Justification for this revision will likely be required

For example: the acuity patients being admitted to your unit has markedly increased with a necessary increase in staffing to provide safe and quality care

# ASKING FOR A BUDGET REVISION

Information that is likely to be required if you have to ask for a budget revision:

- The line item(s) requiring adjustment
- Variance amounts
- Frequency and trend of the variance
- Sources of the variance (controllable vs uncontrollable)
- Control actions that have been taken to date and the results of those actions

