**Risk Management- Monitoring**

**Contingency planning**

Setting a budget also means dealing with unpredictability. Not everything goes to plan, so an important step in the budgeting process is to plan for contingencies.

One way of dealing with this is to include a line item in the expenses section of the budget called ‘Contingencies’. If you do this, don’t make the figure too large, otherwise you will be tempted to record unexpected expenditure on other line items under ‘contingencies’. If you’ve underestimated expenditure on maintenance, for example, show it in your financial records as maintenance costs rather than hiding it in ‘contingencies’. If you’re up front about an overrun in maintenance costs, it’s there as a reminder when you’re preparing next year’s budget. It is preferable to think through which line items in the budget might be affected if things don’t go according to plan and then increase or decrease expenditure in those line items.

Similarly, you need to look at income in the same way. For example, if a grant you’re expecting doesn’t eventuate, what impact will that have on the overall budget? If you’ve created a separate budget for the project’s income and expenditure it will have less impact because your overall operating budget isn’t affected. However, if you’ve allocated 15% of the project funds as income to help cover overall administrative costs at the station, you need a Plan B to accommodate the possibility of the grant not being received and Plan B is likely to involve cutting expenditure somewhere else.

In summary, the safest course of action with regard to budgeting is to:

Use a combination of incremental and zero-based approaches to budgeting (see notes for previous topic).

Do separate budgets for core operations and external grant projects (not doing this has been the downfall of many organisations).

Keep any line item for expenditure on ‘contingencies’ low.

Do two budgets - a ‘best case’ and a ‘worst case’ if there are too many unknowns with regard to income. Your Board needs to know as much as possible about potential income and expenditure if they are to make responsible financial decisions. As a manager, you too need to be realistic, since you’re the one who has to oversee the finances on a day-today basis.

**Monitoring and Managing Your Station’s Finances**

Once you have developed a budget it should be entered into your accounting software. This makes it possible to create reports which compare the actual expenditure and income against revenue and expenditure in the budget figures. It also lets you see how well you are performing against your income targets.

The budget to actual figures should be reviewed on a regular basis each month to track your financial position and as a minimum on a quarterly basis. Regular review means you will be able to see any difficulties arising at an early stage and make adjustments if required.

There are several different formats of reports and you should talk with your accountant and auditor who can advise you on the ones you need.

Here’s an example:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| XYZFM  | Monthly Actual  | Monthly Budget  | YTD Actual  | YTD Budget  | Variance  | Annual Budget  |
| Income  |
| Sponsorship  | $450  | 1,500  | 7,000  | 10,500  | -3,500  | $18,000  |
| Membership  | $100  | 250  | 1,500  | 1,750  | -250  | $3,000  |
| Donations  | $200  | 66.66  | 350  | 466.66  | -116.66  | $800  |
| On Air Fees  | $350  | 458.33  | 4,000  | 3,208.33  | 791.67  | $5,500  |
| Miscellaneous Fees  | $700  | 833.33  | 6,000  | 5,833.33  | 166.67  | $10,000  |
| TotalIncome  | $1,800  | 3,108  | 18,850  | 21,758.33  | -2908.33  | $37,300  |
| Expenses  |
| Accountancy  | $250  | $275  | $2,200  | $1,925  | -$275  | $3,300  |
| Advertising and Promotion  | $100  | $41.66  | $200  | $291.62  | $91.62  | $500  |
| Bank Fees and Charges  | $150  | $16.66  | $150  | $116.62  | -$33.38  | $200  |
| CDs  | $30  | $25  | $50  | $175  | $125  | $300  |
| Commissions  | $100  | $333.33  | $2,200  | $2,333.31  | $133.31  | $4,000  |
| Depreciation - Other  | $167  | $166.66  | $1,166.62  | $1,166.62  | $0.00  | $2,000  |
| Electricity  | $320  | $75.00  | $600  | $525.00  | -$75.00  | $900  |
| Insurance  | $375  | $375  | $2,625  | $2,625  | $0  | $4,500  |
| Internet Costs  | $38  | $37.50  | $262.50  | $262.50  | $0.00  | $450  |
| Postage  | $10  | $37.50  | $150.00  | $262.50  | $112.50  | $450  |
| Printing and Stationery  | $35  | $166.66  | $900  | $1,166.62  | $266.62  | $2,000  |
| Rent on land and Buildings  | $250  | $250  | $1,750  | $1,750  | $0  | $3,000  |
| Repairs and Maintenance  | $100  | $333.33  | $600  | $2,333.31  | $1,733.31  | $4,000  |