Every Project Manager needs to deliver on time and under budget. But how do you measure your progress against budget to know if you're on track? In this newsletter, we'll tell you how. So read on to learn...

How to Measure Progress against Budget

A "project" by definition will always have a limited timeframe and a fixed budget. The "budget" is the amount of money that the Project Sponsor is willing to spend to achieve the project objectives. So here are some tips and hints on setting your budget and measuring progress against it.

Don't fix it in concrete

Your first job as a Project Manager is to ask your Sponsor "So how long have I got and what's the budget?". Your next job is often to ask for more time and money to boost your chances in succeeding.

You can do this by writing a Business Case, Feasibility Study, Project Charter to show your Project Sponsor that you will need more money than that identified to date, to meet the project objectives. When you have agreed on an amount that you believe is adequate, ask them to "fix this amount as a budget, but make available another 10-20% as contingency". That way, your budget isn't fixed in concrete. Yes it's an agreed amount but at least you have contingency.

Planning ahead

Right at the outset, create a Financial Plan so that you have a detailed view of all of the expenses that are going to arise and when they will be incurred. And if you haven't done it already, complete a Project Plan so that you know the cost of every task to be completed.

In this way, you know for every week in the project the amount of money that will be consumed. Make sure that the amounts in your Financial Plan and Project Plan align with the budget set. That way, you know that you have a good chance of delivering within budget from the outset.

Setting out

From the minute you've set the budget, you need to start

recording the actual cost of the project. This includes the actual cost of your time, your staff, contractors, equipment and materials. If you're using internal staff, then assign a standard rate to the hourly cost of these resources and ask them to complete a Timesheet so you know how many hours they are spending on the project.

If you don't have a financial system, then use a spreadsheet to record the daily cost of the project. And if you want to get specific, then also record the costs against the tasks in your project plan. By accurately recording the project costs throughout the entire project, you will be able to ensure you keep on track.

Keeping on track

To check whether you're on track, monitor your actual costs vs. your planned costs, and identify any deviations. If you're always under your planned weekly cost, then you're likely to deliver your project under budget. It's that simple!

Method123 offers templates to help you manage progress against budget. See the Watch this video or Method123.

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