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THE BUDGET WORKBENCH 30

How to Build Your First Project Budget



Budget the whole delivery commitment

A credible amount starts with scope, evidence and assumptions.

Define the result

Clarify the project objective, deliverables, acceptance and transition needs. Decide which costs the budget covers, including internal effort and external purchases where relevant.

Inspection-app case

A field team needs a small app, prepared devices, tests, training and support handover. Counting development alone would leave costs outside the apparent commitment.

Use a consistent basis

Record currency, price date, tax treatment, cost categories and the reporting convention. This guide uses illustrative dollars and explicit baseline and reserve assumptions.

TAKE IT TO YOUR PROJECT

Write the scope and accounting basis for your first estimate.

Break the scope into costable work

A useful work breakdown reduces omissions and double counting.

Choose manageable components

Define work packages that can be estimated, owned and checked. Connect each package with the work, resources and completion evidence needed.

App case

Use analysis, design, build, testing and training as the compact estimating groups. Add devices, licences and travel as distinct cost items under clear boundaries.

Check interfaces

If testing effort is already in a supplier price, do not add it again as a separate internal charge without a reason. Keep inclusions and exclusions visible.

TAKE IT TO YOUR PROJECT

Identify one cost that could be counted twice.

Choose an estimating method

Use the evidence available for the decision rather than forcing false detail.

Compare the methods

Analogous estimating uses comparable past work. Parametric estimating applies a relevant rate to a quantity. Bottom-up estimating adds defined components. Each needs credible data and assumptions.

App case

A previous app can inform an early range. A defined training package can use estimated hours and a suitable rate. A detailed build estimate may combine several work items.

Check the basis

Adjust comparables for scope, price date, complexity and delivery conditions. State uncertainty and seek independent review where it materially improves the decision.

TAKE IT TO YOUR PROJECT

Choose a method for one package and name its evidence.

Estimate labour hours

Hours should describe the work under a stated delivery assumption.

Build the quantity

Ask the people who understand the work to estimate effort, including relevant reviews, verification and coordination. Separate productive effort from simple calendar availability.

App case

The illustrative quantities are analysis 40 hours, design 60, build 180, testing 80 and training 20. These estimates need validation against the actual scope.

Make assumptions explicit

Rework, specialist input and staff readiness can affect the effort. Record what is included and which uncertainty could change the number.

TAKE IT TO YOUR PROJECT

Write one effort estimate with its included work.

Select suitable rates

A rate must match the cost perspective you are estimating.

Define the unit

Confirm whether the rate is salary-only, fully loaded internal cost or a supplier charge. Record currency, period and what is included.

App case

Use illustrative hourly rates of $35 for analysis, $40 design, $45 build, $35 testing and $30 training. The rates are estimating inputs, not market recommendations.

Avoid mixing bases

A supplier rate may include overhead and profit while an internal labour figure may not. Align the basis before comparing or combining the amounts.

TAKE IT TO YOUR PROJECT

State what your chosen rate includes.

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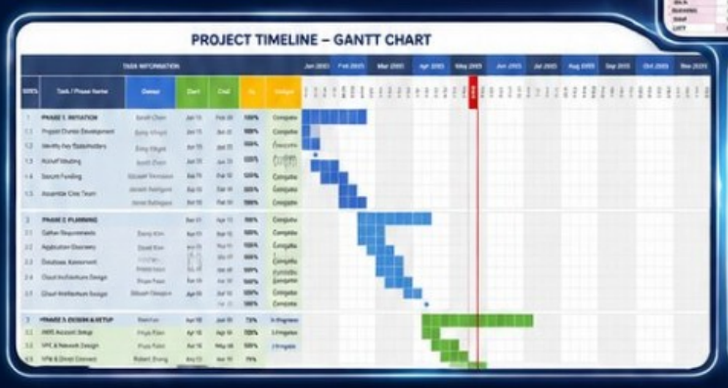
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Calculate the labour subtotal

Multiply each effort quantity by its corresponding rate.

Work the lines

Analysis: 40 x $35 = $1,400. Design: 60 x $40 = $2,400. Build: 180 x $45 = $8,100.

Complete the calculation

Testing: 80 x $35 = $2,800. Training: 20 x $30 = $600. Total labour is $15,300.

Cross-check the estimate

Confirm that the quantities and rates refer to the same scope and period. A correct sum cannot establish that the effort estimate is realistic.

Work	Hours x rate	Cost
Analysis	40 x $35	$1,400
Design	60 x $40	$2,400
Build	180 x $45	$8,100
Testing	80 x $35	$2,800
Training	20 x $30	$600

TAKE IT TO YOUR PROJECT

Recalculate all five lines and challenge the largest assumption.

Add non-labour costs

Purchases, access and transition can materially change the total.

Identify the items

Consider equipment, licences, materials, travel, facilities, supplier services and relevant operating transition costs. Apply the project's agreed cost boundary.

App case

Licences cost $1,200, prepared devices $1,800 and travel $700. Non-labour subtotal is $3,700, bringing the base estimate to $19,000.

Check inclusions

This example assumes the stated amounts cover the relevant cost basis and no separate indirect or tax addition applies. A real estimate must verify those conditions.

TAKE IT TO YOUR PROJECT

List three non-labour items and who can validate them.

Treat uncertainty explicitly

A reserve should have a reason and a control rule.

Use a suitable assessment

Identify uncertain quantities, rates, risks and correlations where relevant. Use proportionate analysis to choose a funding confidence and response rather than adding an unexplained percentage.

App case

After reviewing identified delivery uncertainties, the illustrative plan includes $1,500 contingency within the baseline. Document the assessment and the person responsible for its use.

Keep categories clear

Under this example's convention, a separate $1,500 management reserve sits outside the performance baseline and requires the appropriate authorisation to use.

TAKE IT TO YOUR PROJECT

Explain the basis and authority for one reserve amount.

Build the budget bridge

Show how the base estimate becomes the controlled financial commitment.

Calculate the baseline

Base cost $19,000 plus contingency $1,500 gives a cost baseline of $20,500 under this example's convention.

Calculate total funding basis

Adding a separate $1,500 management reserve gives a project budget of $22,000. Confirm the organisation's own definitions before using the same labels.

Preserve the meaning

Contingency and management reserve should not become unexplained balancing figures that hide known missing scope. Estimate known work in the relevant package.

TAKE IT TO YOUR PROJECT

Reconcile base estimate, baseline and total budget without counting a reserve twice.

Time-phase the costs

The total is not enough to know when funding and decisions are needed.

Align with the plan

Distribute estimated costs over the scheduled work using a justified basis. Confirm supplier payment terms, labour timing and relevant funding constraints.

App case

An illustrative baseline allocates $5,000 to preparation, $9,000 to build and $6,500 to verification and transition, totalling $20,500.

Separate cash timing

An advance payment, invoice date and incurred cost can occur at different times. Build the cash-funding view using the actual terms rather than assuming it equals the cost profile.

TAKE IT TO YOUR PROJECT

Identify the period with the greatest funding need.

Review commitments and actuals

An order and an incurred charge need separate records to avoid duplication.

Use the definitions

A commitment records an authorised future obligation under the relevant process. Actual cost records incurred work under the project's rules. Forecasts must account for both coherently.

App case

A $5,000 supplier order has $2,000 incurred and $3,000 still open. Adding the whole order to the incurred $2,000 would overstate that purchase's exposure.

Reconcile the records

Check purchase orders, invoices, accruals and remaining obligations with finance or procurement. Use consistent cutoff dates.

TAKE IT TO YOUR PROJECT

Reconcile one open order before including it in a forecast.

Test the assumptions

A credible estimate explains which inputs could change the result.

Use a sensitivity check

Vary a material quantity or rate while keeping the other assumptions visible. Identify whether the change affects linked work or only one line.

App case

If build effort rises from 180 to 220 hours at $45, the extra 40 hours add $1,800. Base estimate becomes $20,800 before reconsidering related uncertainty and reserves.

Interpret carefully

A sensitivity result is a conditional calculation, not a new authorisation or a complete risk assessment. Explain the cause and options.

TAKE IT TO YOUR PROJECT

Calculate the effect of a plausible change in your largest cost driver.

Seek review and approval

The budget needs a decision supported by the scope and estimate basis.

Prepare the evidence

Present the work breakdown, quantities, rates, data sources, assumptions, uncertainty, timing and proposed controls. Resolve significant omissions or inconsistencies.

App case

The reviewer asks whether support handover and test devices are included. The team checks the package definitions and revises the estimate if required before approval.

Record the commitment

Capture the authorised amount, version, date, approver and conditions. Define which changes or forecasts need escalation.

TAKE IT TO YOUR PROJECT

Name the authority required for your proposed budget.

Update the forecast

The remaining-work estimate should reflect current evidence.

Use the relationship

Expected total cost equals actual cost to date plus the forecast cost of remaining work, using a consistent scope and cutoff.

App case

Actual cost is $6,000 and remaining-work forecast is $15,000, including the outstanding supplier obligation. Expected total is $21,000, or $500 above the $20,500 baseline.

Explain the decision

Compare options and authority. A management reserve exists in this model, but using it still requires the defined approval and a clear reason.

TAKE IT TO YOUR PROJECT

State the forecast gap and its main cause.

Control changes to the cost basis

A scope addition can affect quantities, risks and timing together.

Assess the proposal

Estimate the complete impact, including delivery and operating effects. Compare alternatives and seek the decision required by governance.

App case

Adding offline synchronisation changes build, testing, support and security review work. A coding-only amount would omit relevant effects.

Maintain traceability

Record the approved change and update affected estimate, baseline, schedule and forecast records. Keep previous versions available for explanation.

TAKE IT TO YOUR PROJECT

Trace a change through every cost item it affects.



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Your first-budget desk check

A useful budget can be explained and updated by someone other than its author.

Check completeness

Does the estimate cover the authorised work, purchases, verification, transition and relevant indirect treatment? Are quantities and rates supported and consistently defined?

Check control

Are uncertainty, reserves, time phasing, approval and reporting rules clear? Can actuals, commitments and remaining work be reconciled without duplication?

Use the app case

The base $19,000 estimate, $20,500 baseline and $22,000 total budget each have a distinct stated basis. Apply your organisation's conventions and evidence when adapting them.

TAKE IT TO YOUR PROJECT

Prepare a budget note that explains the scope, numbers, assumptions and next approval.