ADVANCED FINANCE, MODULE 1

Budget and the annual plan

A budget is the year written down before it happens, so that every month can be read against it. After this module you can build one from the drivers of the clinic rather than last year plus five percent, read a budget versus actual report, and know which variances matter.

> **Advanced track.** This assumes Finance 1 through 9. If revenue per provider hour and treatment margin are new terms, start there.

Build it from drivers, not from last year

"Last year plus 5 percent" is not a plan; it is a hope with a spreadsheet. A driver based budget starts from the things you control and computes revenue from them:

Driver	Harbor Aesthetics, plan	Where it comes from
Provider scheduled hours a month	380	The template (Operations 2)
Utilization	78%	Last six months' trend plus the evening blocks
Revenue per booked hour	$520	Last six months, plus the September price change
Service revenue a month	**$154,000**	**380 x 78% x $520**
Retail attachment and average retail ticket	30% x $95	Scorecard
Members and monthly fee	150 x $149	Membership plan (Operations 6)
Total revenue a month	**$185,000**	**Service plus retail plus membership**

Then the costs, each tied to its driver: product at the treatment margin from the unit table (Finance 7), provider pay from the plans (Finance 8), the desk from visits per day, marketing from the cost per new patient you are targeting times the new patients you need, and the fixed lines (rent, software, insurance) from the contracts. Seasonality by month from the last two years. The result is twelve columns that a P&L can be laid next to.

The three scenarios

Build the plan once, then change three drivers to make a low case and a high case: utilization five points either way, the membership count, and the cost per new patient. The low case is the one to fund: cash runway (Finance 9) has to survive it. The high case is the one that tells you when the next hire is affordable (Finance 8). The plan is the one the targets on the scorecard come from.

Budget versus actual

From the third month with Benchmark, the package includes a column for the plan next to the actual, with the variance in dollars and percent. Most lines will be off; the point is to know which ones matter.

Line	Plan	Actual	Variance	Read
Service revenue	154,000	147,200	(6,800) (4.4%)	Utilization 74% not 78%. Two open Thursday evenings. Fix: the recall list.
Product cost	42,400	44,900	2,500 (5.9%)	Margin down 1.5 points. Supplier increase not yet repriced. Fix: Finance 7.
Marketing	12,000	11,400	(600)	Under plan and new patients on target. Fine.
Rent	8,000	8,000	0	Fixed. Never a variance worth reading.
Software	1,900	2,600	700 (37%)	Two new subscriptions nobody approved. Fix: Finance 6.

Which variances matter. Percent tells you whether something changed; dollars tell you whether to care. A 37 percent software variance is $700; a 4 percent revenue variance is $6,800. Read the revenue driver first, the product margin second, the rest in dollar order. Three variances a month get a fix; the rest get a note.

When the plan changes

A plan is rebuilt when a driver changes for a reason, not when a month misses. A new provider, a price change, a lease renewal, a new location: rebuild. A slow February: read it against the seasonality you already put in, and hold. Owners who rebudget every month are chasing the actuals; owners who never rebudget are reading against fiction by June. Quarterly review, annual rebuild.

Where Benchmark comes in. The plan is built with you in the first quarter of every engagement from the model, the scenarios are run, and the targets on your scorecard come from it. Budget versus actual is in the package from month three in every plan, with the three variances that matter named in the read.

Try it yourself

- [ ] Compute your own service revenue driver: scheduled hours times utilization times revenue per booked hour. Compare to last month's actual.
- [ ] Write the low case: utilization five points lower. Does runway survive three months of it?
- [ ] Take last month's P&L and rank the lines by dollar variance from what you expected. Circle three.

Check yourself: Advanced 1

A driver based revenue budget starts from

- Last year plus a percentage
- Scheduled hours, utilization and revenue per booked hour
- The marketing budget

Revenue is computed from what you control.

The scenario to fund cash against is

- The plan
- The low case
- The high case

Runway has to survive the low case; the high case times the next hire.

Software is 37% over plan ($700); service revenue is 4% under ($6,800). Read first

- Software, the percent is bigger
- Revenue, the dollars are bigger and it is the driver
- Neither

Percent says something changed; dollars say whether to care.

The budget is rebuilt when

- Any month misses
- A driver changes for a reason: a hire, a price change, a lease, a location
- Never

Quarterly review, annual rebuild, and a rebuild on real driver changes.

Budget versus actual appears in the package from

- Month one
- Month three, once there is a baseline
- Year end

Targets set from two months of real numbers, then the comparison every month.

Pick an answer for each question.

Want this done, not just explained?

The 10-Day Sprint finds the leaks for $1,000, one time. After that, on the plan, the scorecard keeps coming and at least one growth initiative is executed with you every month. Plans from $2,299 a month. Everything in this module is part of that work.

See the sprint and pricing | Text Nate

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