

# MULTI-YEAR BUDGETING

*Tips*

AFOA.CA





## INTRODUCTION

Multi-year budgeting is an essential practice for effective long-term financial planning, particularly for finance staff within Indigenous organizations. This guide offers clear and practical tips to help you understand and implement multi-year budgeting.

## KEY CONCEPTS

### WHAT IS MULTI-YEAR BUDGETING?

- **Definition:** Multi-year budgeting involves creating a budget that spans multiple years, typically three to five years.
- **Purpose:** It helps in long-term planning, ensuring financial stability, and aligning resources with strategic goals.

### BENEFITS OF MULTI-YEAR BUDGETING

- **Predictability:** Provides a clearer financial outlook over a longer period.
- **Strategic Planning:** Supports long-term projects and initiatives.
- **Risk Management:** Helps in identifying and mitigating financial risks early.



## STEPS TO CREATE *A Multi-Year Budget*

### 1 DEFINE OBJECTIVES

- **Long-Term Goals:** Establish the organization's long-term financial and operational goals.
- **Alignment:** Ensure the budget aligns with strategic priorities and community needs.

### 2 GATHER HISTORICAL DATA

- **Financial Statements:** Collect past financial data, including income statements, balance sheets, and cash flow statements.
- **Trend Analysis:** Identify trends in revenue, expenses, and other key financial metrics over previous years.

### 3 FORECAST REVENUES AND EXPENSES

- **Revenue Projections:** Estimate future revenues based on historical trends and market conditions.
- **Expense Projections:** Forecast future expenses, categorizing them into fixed and variable costs.
- **Inflation Adjustments:** Adjust for inflation and other economic factors that may impact costs over time.

### 4 PLAN FOR CAPITAL EXPENDITURES

- **Long-Term Investments:** Identify and plan for significant capital expenditures, such as infrastructure projects or equipment purchases.
- **Funding Sources:** Determine potential funding sources for capital projects, including grants and loans.

### 5 CREATE THE MULTI-YEAR BUDGET

- **Year-by-Year Breakdown:** Develop detailed budgets for each year within the multi-year period.
- **Consolidated Overview:** Provide a consolidated view of the entire multi-year period for a holistic perspective.

### 6 REVIEW AND ADJUST

- **Internal Review:** Conduct thorough reviews with department heads and key stakeholders.
- **Adjustments:** Make necessary adjustments based on feedback and new information.
- **Approval:** Obtain formal approval from senior management or the governing body.

#### TOOLS AND TECHNIQUES

##### Excel

- **Templates:** Use multi-year budgeting templates available from FMFMB or other partners.



## PRACTICAL TIPS

### *For Finance Staff*

#### STAY ORGANIZED

- **Data Management:** Keep all data well-organized and easily accessible.
- **Documentation:** Document all assumptions, sources, and methodologies used in the budgeting process.

#### COLLABORATE

- **Engage Stakeholders:** Involve relevant departments and stakeholders in the budgeting process.
- **Seek Guidance:** Don't hesitate to ask for help from more experienced colleagues or mentors.

#### CONTINUOUS LEARNING

- **Training:** Participate in training sessions and workshops on budgeting and financial management.
- **Resources:** Utilize online resources, books, and professional networks to enhance your knowledge.

#### MONITOR AND REVIEW REGULARLY

- **Quarterly Reviews:** Conduct regular reviews to compare actual performance against the budget.
- **Adjust as Needed:** Be prepared to make adjustments based on changing conditions and new information.

#### CONCLUSION

Multi-year budgeting is a powerful tool for long-term financial planning and sustainability. By following these steps and using the right tools, finance staff can create effective and accurate multi-year budgets that support the financial health and goals of their Indigenous organization. Regular practice, collaboration, and continuous learning will further improve your budgeting skills.