Welcome to this information sheet on budgeting for health and safety, which accompanies the mini-lecture presented by Jo Kitney for the London South Bank University’s Occupational Health Nursing Degree Program. Jo Kitney is a Visiting Teaching Fellow for the London South Bank University and Managing Director of Kitney Occupational Health and Safety.

To see the mini-lecture on Budgeting for Health and Safety and other lectures in this series go to: [http://vimeopro.com/kitney/lsbu](http://vimeopro.com/kitney/lsbu)

**Introduction**

Health and safety legislation is very clear in its requirement for employers and persons running businesses to manage hazards and risks and meet obligations. Aside from the need to meet legal obligations, managing health and safety at work is an important part of good business management and the right investments in health and safety can be really beneficial and make a difference to the success or failure of an organisation.

Although some health and safety initiatives require little or no capital expenditure, the effective management of health and safety at work does require money to be spent. In this mini-lecture and information sheet, budgeting for health and safety is considered.

**What is Budgeting?**

In its simplest form, budgeting means allocating resource – generally money – for a specific activity, project or service. The size and amount of the budget will depend on a number of factors – such as the outcome...
that is needed (such as a service that needs to be provided), available resource and costs that will be incurred.

Health and safety budgets are used to list down the costs associated with running health and safety services, providing training, buying and servicing equipment etc. Budgets needs to list pretty much everything that will be needed to make sure health and safety is well met. These costs soon add up, so it’s important to understand costs in advance and to track spending to make sure money is being managed and well spent.

You can see on the following slide that budget may be allocated for fixed items with a known cost, such as a salary, purchasing and servicing equipment, and may be more open ended and allocate a sum to broadly cover numbers of staff and health and safety needs, such as such as health surveillance, vaccinations, personal protective equipment and training.

**Why is Budgeting Important?**

Budgeting is important because it encourages forward thinking and decision making. It quantifies costs and resource allocation. Budgeting also encourages an organisation or work area to check on spending to make sure money is being spent when and where it should be and to identify areas of over or underspend.

The process of setting a budget involves thinking about goals and plans and what is needed to make these happen. Budgeting encourages a business to plan and made decisions around what it can resource and what
it can’t. This is really important as a lack of resources (and the right type of resources) is a common reason for health and safety obligations and needs not being met.

Budgeting is important because it focuses attention on what will be done and how money will be spent. Anyone working in health and safety will know that a budget allocation if often the difference between an activity or project happening, and not.

Whilst taking action for health and safety is considered essential to meet legal obligations and business needs, it’s naive to think employers or those who run businesses are going to spend money on anything that is not justified. It’s reasonable for a business owner or manager to question how money will be spent and the gain the organisation will get from this.

These gains may be compliance with legal obligations, preventing injury or ill health, improving knowledge, culture and safe behaviours and, more commonly these days, extending the purpose of health and safety to securing a healthy and fit workforce through health and wellbeing programs.

**Types of Budget**

There are a number of different types of budgets and each type serves a different purpose. You can see the some of the different types of budgets listed on the slide here.

**TYPES OF BUDGET**

- Capital budget (capital asset acquisitions, major costs)
- Operating budget (products and services likely to be used)
- Cash budget (cash inflows and outflows)
- Sales budget (sales that are expected)
- Personnel budgets (costs of salary, wages, labour)
- Project budget (set costs for a specified activity)

From an occupational health and safety perspective, the main budgets used are a capital budget, an operating budget and a project budget.

A capital budget is used to forecast costs of major capital purchases, such as computers and health surveillance or noise monitoring equipment/ whilst an operating budget is used to forecast costs of products and services a business may use in a budgeted period. From a health and safety perspective, these may include external audits, vaccinations, hearing tests and personal protective equipment. A project budget may be set for a defined piece of work or project to list down and track costs.

Many organisations will use an operating budget for health and safety to make sure the day to day costs are accounted for, with capital expenditure used where a large item of equipment or software is needed, such as a new computer or audiometry machine. Operating budgets are most commonly used in health and safety, which typically has two parts: the expenses budget and the revenue budget.
The expense budget indicates all expected expenses for the coming year, whilst the revenue (or income) budget shows all projected revenues for the coming year. For many organisations, a health and safety budget will mainly feature expenses rather than revenue – which is one of the main reasons why health and safety is seen as a ‘cost’ as it doesn’t, on the budget spreadsheet, generate income.

One of the important roles of anyone working in health and safety is to make sure that budgets are well set and give the right return on investment. This may be reducing accidents, injuries and sickness absence rates, compliance with obligations and raising health and wellness to help create a more productive workforce. Health and safety is a cost, but it should still give a return that the organisation will benefit from.

Other budgets to be aware but may not be used for most health and safety services are a cash budget that projects cash flow for the next year and a sales budget, which indicates the sales and income a business expects to make in the coming year.

**How is a Budget Set?**

When it comes to setting budgets, the management style of an organisation and the type of budget being used will determine how the budget is set. Many traditional companies use top down budgeting, which is where top management outline figures and available budget for middle and lower level managers to plan their work and costs around.

Other organisations use bottom-up budgeting, which is where lower and middle level managers anticipate their departments resource needs and put these into a budget, which is passed up the organisation to top management. You can see this outlined on the slide here.

What works well in most organisations is a combination of both top down and bottom up budgeting, as it draws on top management knowledge of company goals and available resource and on lower and middle management knowledge of day to day operations.

As you can see on the following slide, a budget is usually set out in a table and will have a number of entries in it, for example the item required (or being budgeted for), a cost per item and numbers required, or an overall cost.
Costs may be final if figures are known, or they may be forecasted or projected to help calculate a budget before actual costs are known. Budgets are generally set towards the end of one financial year, for the coming year, or at the start of a project if it’s a one off item of work.

Whilst it’s important to have structure around budget setting, it’s also important to have some flexibility as things may change through the period that the budget is set for.

**Decision making around Budgets**

The decision on whether budget will be provided for health and safety may not be clear cut, with decisions made by management often objective and values based. Both of these matter in finding money and budgeting for health and safety.

Whilst the need to comply with health and safety is a known, businesses will often manage and budget for health and safety differently. Some put health and safety high on the agenda, some integrate health and safety into quality, environment and the wider business management, some go beyond compliance and promote health and wellness, some just want to be compliance and others do very little and then react when accidents happen.

There’s a catch budgeting for health and safety - with those who spend money up front more likely to have a good safety record with minimal injury and ill health. Those who don’t budget and invest in health and safety generally incur costs after an incident – such as for sick leave, investigations and managing prosecutions and claims.

Questions that can be asked to help determine a budget for health and safety are:
Health and safety is not a trivial cost to an organising and planning for is important. It’s not unusual to have some debate around where money will be spent on health and safety. Debates which can, at times, get heated.

Agreeing on the goals, what needs to be done and the must have’s will help in getting consensus for a budget plan. Where disagreements happen, the underpinning causes are often a lack of agreement on goals, standards that will be achieved and available resource. It is these that need to be resolved to get agreement on budget and investments for managing health and safety at work.

**Return on Investment**

Where money is spent on health and safety, whether this is meeting legal obligations or going beyond compliance, this must be seen as an investment and, like any investment, it must have a return.

The budget holder is entrusted to manage the budget and spend according to what has been agreed. The return on investment is the fulfilment of the goals and aims that were set down during the budget planning, along with any wider benefits that may be realised such as a good morale, a productive workforce, a positive safety culture along with trust and respect between the organisation and its workers.
There is no doubt that well set goals, a clear understanding of what will be achieved and the budget to achieve this pays real benefit to any organisation or company. Similarly, delivering on these goals and the expected achievements for health and safety re-inforce the value that good management of health and safety has for an organisation.

Failure to deliver will quite reasonably result in questions being asked about the effectiveness of health and safety and the personnel who are responsible for managing health and safety within an organisation.

Further Information

For information on London South Bank University’s Occupational Health Nursing Degree Program go to: http://www.lsbu.ac.uk/courses

For information on Kitney Occupational Health and Safety and to read other information sheets and articles written by Jo Kitney, go to www.kitney.com

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