Finance

New Financial Plan

<u>Document Control</u>

Editor	Date	Update
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1.0 Introduction

1.1 Reasons for a new financial plan

The original financial plan grossly and constantly underestimated the number of hours people would be working. The table below shows this.

Week	Predicted	Actual	Ratio A/P (ideal: <1)
3	£812.50	£859.38	1.06
4	£800.00	£1,456.25	1.82
5	£1,150.00	£1,537.50	1.34
6	£1,475.00	£2,421.88	1.64

Figure 1 – Predicted Vs Actual labour spend for weeks 3-6, inclusive

The current loan amount was achieved through the predicted numbers; if this trend of underestimated expenditure continues, then the company will go bankrupt. Therefore, a new financial plan (with an increased loan amount) has been produced.

1.2 General overview

This includes a new financial plan in a spreadsheet. This spreadsheet includes two tables: "New Financial Plan" which contains the new financial plan for the whole project, and "Latest Labour Hours" which breaks down the predicted labour hours. It is assumed that we are amending the original financial plan, eg. weekly interest rates are calculated the same way as in the original plan, so is the new loan, etc.

Latest Labour Hours is a more detailed table for predicting the number of hours people will be expected to work compared to the equivalent table in the original financial plan, as every employee is accounted for separately. Every employee has filled in their own predicted working hours. This new table requires an updated timesheet to fill in the "Actual" part of Latest Labour Hours. It is assumed that working hours will be dependent on the deadlines everyone in the group has, for example in weeks ten everyone will be working more hours on programming because the first iteration is due in that week.

Minor other adjustments have been made to the financial plan as appropriate, such as getting the loan later than we had planned for originally.

2.0 Changes to the Financial Plan

There have been several changes to the financial plan. These include:

- We are using the actual working hours for weeks 3-7 of the spring term, as these are now known to us.
- The first loan has been moved to week 9, as that is the week the new financial plan will be submitted and also the week we got the original approved loan. This may change to a later week. If so this will only mean that the increased

> interest from the new loan will only occur later on, and this will result in less money owed to the bank in interest.

- We are expecting roughly between 100 to 200 hours total (all employees) every week. There is only one exception, and that is the week just before the final presentation. This is because from experience doing the Tender Presentation, most employees will spend many hours working towards that.
- We are expecting between 200 to 300 hours total (each employee) throughout project. All but one employee has predicted a number between these, and it is still above 150 hours.
- We recalculated the loan according to our new Labour Hours and other smaller changes, like getting the loan later than originally planned.
- An overhead recovery rate has been added in the main spreadsheet.
- We have a new labour hour prediction process, which is explained in more detail below.

3.0 Variance on Latest Labour Hours

The way that the labour hours have been predicted has changed. Between employees, the type of work and the due dates of various deliverables the number of hours predicted vary significantly. These include:

- It is important that everyone in the company contributes to the financial work. Every employee did their own time estimates as they know best how many hours to predict they will work each week. This allows for the fact that some employees will work more hours than others.
- Employees have checked their deadlines outside the project and have reduced their predicted working hours that week accordingly.
- Different employees have different specialities which they will focus on. For example, the Finance Manager will spend more time on Finance than the Project Manager, especially when there is a financial hand in due in that week.
- Meeting hours are not included in this table: it is assumed, like in the previous financial plan, that every week there will be a total of four hours of meetings for each employee excluding the Easter holiday.

This should produce a much more accurate way of estimating the labour hours per week. It predicts more time, which is what we would expect and aspire towards. The actual predictions are in the spreadsheet called "Latest Labour Hours".