Program Financial Management Plan

Enhance Your Program Management with PMI Standard Templates

Welcome to the Program Management Templates designed according to **PMI's Standard for Program Management - Fifth Edition (2024)**. These templates are invaluable tools for professionals preparing for **PgMP Certification** on [**Knowledge Map**](https://knowledgemap.pm) (https://knowledgemap.pm). By completing these templates for your real programs, you seamlessly blend real-world experience with PMI program management concepts, ensuring a comprehensive understanding and practical application.

Explore the full range of templates to streamline your program management processes and elevate your expertise. Available Templates:

* Program Business Case
* Program Charter
* Program Management Plan
* Program Risk Register
* Program Benefits Register
* Benefits Management Plan
* Stakeholder Register
* Stakeholder Engagement Plan
* Program Governance Plan
* Program Change Request
* Resource Management Plan
* Risk Management Plan
* Schedule Management Plan
* Scope Management Plan
* Program Performance Report
* Change Log
* Change Management Plan
* Communications Management Plan
* Financial Management Plan
* Information Management Plan
* Lessons Learned Register
* Procurement Management Plan
* Quality Management Plan
* Final Program Report

To access and benefit from these templates, visit: [KnowledgeMap.pm/Certifications/PgMP](https://knowledgemap.pm/certifications/pgmp)

Utilize these structured, professional templates to ensure your program's success and to boost your readiness for PgMP certification.

Financial Management Plan Template

*This template, along with the guiding questions, helps ensure that all relevant financial aspects of the program are effectively managed and communicated, facilitating better decision-making and control.*

Once the program receives initial funding and begins paying expenses, the financial effort moves into tracking and managing the program’s funds and expenditures. Monitoring the program’s finances and controlling expenditures within budget are critical aspects of enabling the program to meet the goals of the funding agency or of the higher organization. A program where its costs exceed the planned budget may no longer satisfy the business case used to justify it, and may be subject to termination. Even minor overruns can be subject to audit and management oversight and should be justified. Typical financial management activities should be undertaken to identify factors that create changes to the baseline budget.

As part of this activity, payments are made in accordance with the contracts, with the financial infrastructure of the program, and with the status of the contract deliverables. Individual component budgets are closed when work is completed on each component. Throughout the program, as changes are approved that have significant cost impacts, the program’s budget baseline is updated accordingly and the budget is rebaselined. New financial forecasts for the program are prepared on a regular basis and communicated in accordance with the program communications management plan. Similarly, approved changes, either to the program or to an individual component, are incorporated into the appropriate budget. All of these activities may result in updates to the program management plan.

PROGRAM COST ESTIMATION

Program cost estimation is performed throughout the course of the program and is a fundamental part of the overall business case justification. Many organizations use a tiered funding process with a series of go/no-go decisions at each major stage of the program. They agree to an overall **Financial Management Plan** and commit to a budget only for the next stage at each governance milestone.

A weight or probability may be applied, based on the quantitative risk analysis and complexity of the work to be performed, in order to derive a confidence factor in the estimate. Statistical techniques, such as Monte Carlo simulation, may also be used. This confidence factor is used to determine the potential range of program costs. When determining program costs, decision makers should consider not only the development and implementation costs but also sustainment costs that may occur after the program is completed. Calculating the full life cycle costs, including transition and sustainment costs, results in the total cost of ownership. Total cost of ownership is considered to be relative to the expected benefit of one program against another to derive a funding decision. There are numerous estimating techniques to derive program cost estimates.

Program cost estimates should also identify any constraints and assumptions upon which the estimates are made, as these constraints and/or assumptions may prove unfounded in the course of program delivery and require reconsideration of the program business case or revision of the program management plan.

Finally, program cost estimation can support or guide cost estimation at the component level.

Any prevailing program-level cost estimation guidance intended for use at the component level should be documented and communicated to component managers.

The outcomes of this activity include program cost estimates, program cost estimation assumptions, and component cost estimation guidelines.

PROGRAM FINANCIAL FRAMEWORK ESTABLISHMENT

The type of program and the funding structure dictate the financial environment for the duration of the program. Funding models vary, including those that are:

* Funded entirely within a single organization,
* Managed within a single organization but funded separately,
* Funded and managed entirely from outside the parent organization, and
* Supported with internal and external sources of funding.

Often the program itself may be funded by one or more sources, and the program components may be funded by altogether different sources. In addition to funding sources, the timing of funding has a direct impact on a program’s ability to perform. To a much greater extent than for projects, program costs occur earlier (often years earlier) than their related benefits. The objective of financing in program development is to obtain funds to bridge the gap between paying out monies for development and obtaining the benefits of the programs. Covering this large, negative cash balance is a key challenge in program financing. Due to the large amount of money involved in most programs, the funding organization is rarely a passive partner but instead has significant inputs to program management and decisions made by the business leads, technical leads, and the program manager. Due to this, communications with the program sponsor and other key stakeholders should be proactive, as complete as possible, and timely.

A program financial framework is a high-level, initial plan for coordinating available funding, determining constraints, and determining how funding is allocated. The financial framework defines and describes the program funding flows so the money is spent as required to realize the program benefits and achieve transition.

As the program financial framework is developed and analyzed, changes may be identified that impact the original business case justifying the program. Based on these changes, the business case should be revised with full involvement of the decision makers.

It is important to understand the specific and unique needs of the program sponsor and the funding organizations’ representatives with regard to financial arrangements. The program communications management and stakeholder engagement plans may need updates to reflect these needs.

Financial framework establishment usually occurs during the program formulation subphase as part of program definition.

The outputs of this activity include the program financial framework, business case updates, and updates to the program communications management and stakeholder engagement plans.

PROGRAM FINANCIAL MANAGEMENT PLANNING

Program financial management comprises the activities related to identifying the program’s financial sources and resources, integrating the budgets of the program components, developing the overall budget for the program, and controlling costs during the program. In this context, the **Program Financial Management Plan** is a component of the program management plan that documents the program’s financial aspects: funding schedules and milestones, initial budget, contract payments and schedules, financial reporting activities and mechanisms, and the financial metrics.

The **Program Financial Management Plan** expands upon the program financial framework and describes the management of items such as risk reserves, potential cash flow problems, international exchange rate fluctuations, future interest rate increases or decreases, inflation, currency devaluation, local laws regarding finances, trends in material costs, and contract incentive and penalty clauses. The plan should include an approval or authorization process to allocate funds for program components. For programs that are funded internally, either through retained earnings, bank loans, or the sale of bonds, the program manager should consider scheduled contract payments, inflation, the aforementioned factors, and other environmental factors. When developing the **Program Financial Management Plan**, the program manager should also include any component payment schedules, operational costs, and infrastructure costs.

Developing the program’s initial budget involves compiling all available financial information and listing income and payment schedules in sufficient detail, so the program’s costs can be tracked as part of the program budget. Once baselined, the budget becomes the primary financial target that the program is measured against.

It is important to develop financial metrics by which the program’s benefits are measured.

Developing these metrics is usually a challenge as cause-and-effect relationships are often difficult to establish in an endeavor the size and length of a program. One of the tasks of the program team and the program steering committee is to establish and validate these financial performance indicators.

As changes to cost, schedule, and scope occur throughout the duration of the program, these metrics are measured against the initial metrics used to approve the program. Decisions to continue, cancel, or modify the program are based, in part, on the results of these financial measures. Program financial risks that are identified as part of the **Financial Management Plan** should be incorporated into the program risk register.

The outcomes of this activity include:

* Initial program budget,
* Program funding schedules,
* Component payment schedules,
* Program operational costs,
* Inputs to the program risk register, and
* Program financial metrics.

# Financial Framework Establishment

Explain the financial framework, including how funding is coordinated, constraints, and allocation methods:

* What are the primary funding sources for the program?
* How is the timing of funding coordinated with program needs?

**Key Elements**:

* Funding sources and models (internal/external)
* Timing of funding
* Financial framework updates

# Cost Estimation

Detail the process for estimating program costs, including development, implementation, and sustainment costs:

* What techniques will be used to estimate program costs?
* What assumptions and constraints are considered in cost estimation?

**Key Elements:**

* Estimation techniques (e.g., Monte Carlo simulation)
* Constraints and assumptions
* Cost estimation guidelines for components

# Budget Development

Describe how the overall program budget is developed by integrating the budgets of the program components:

* How will the initial program budget be compiled?
* What schedules are used to track income and payments?

**Key Elements:**

* Initial budget compilation
* Income and payment schedules
* Budget baseline

# Financial Management and Control

Outline the activities for tracking and controlling program costs to ensure they remain within budget:

* How will program expenditures be monitored and controlled?
* What process will be followed to rebaseline the budget if necessary?

**Key Elements:**

* Monitoring expenditures
* Budget rebaselining
* Financial forecasts

# Financial Reporting

Detail the mechanisms and schedules for financial reporting to stakeholders:

* What mechanisms are in place for regular financial reporting?
* How will financial performance indicators be communicated to stakeholders?

**Key Elements:**

* Reporting activities and mechanisms
* Financial metrics and performance indicators
* Communication of financial status

# Risk Management

Describe how financial risks are identified and managed throughout the program:

* What financial risks have been identified for the program?
* How will these risks be managed and mitigated?

**Key Elements:**

* Risk reserves
* Potential financial risks (e.g., cash flow, exchange rates, inflation)
* Incorporation into the program risk register

# Approval and Authorization Process

Explain the process for approving and authorizing funds for program components:

* What are the approval thresholds for allocating funds?
* What procedures are in place for authorizing financial decisions?

**Key Elements:**

* Approval thresholds
* Authorization procedures
* Decision-making criteria

# Operational Costs

List and explain the program’s operational costs, including component payment schedules and infrastructure costs:

* What are the detailed operational costs of the program?
* How will component payment schedules be managed?

**Key Elements:**

* Detailed operational costs
* Schedule for component payments
* Infrastructure cost management

# Metrics and Performance Indicators

Detail the financial metrics used to measure the program’s benefits and performance:

* What financial metrics will be used to measure program performance?
* How often will these metrics be measured and validated?

**Key Elements:**

* Development of financial metrics
* Validation of performance indicators
* Regular measurement against initial metrics

# Communication and Stakeholder Engagement

Outline the communication plan for keeping stakeholders informed about the program’s financial status:

* How will financial information be communicated to stakeholders?
* What strategies are in place to engage stakeholders regarding the program’s financial status?

**Key Elements:**

* Proactive communication strategies
* Stakeholder engagement plans
* Updates to program communications management plan