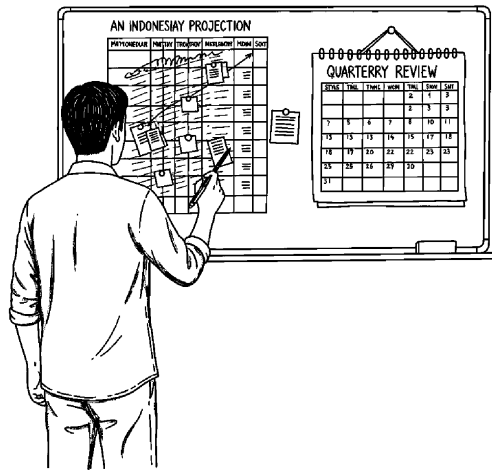


Zero-Based Budget Rebuild — One Category

For use when a single expense category has not been reviewed from first principles in more than one year. Not for the full budget — one category at a time, on a rotating annual schedule.



What This Is For

Budget inertia is the condition where spending continues because it was approved once and no one has been tasked with questioning it since. It is not fraud and it is not negligence. It is the predictable result of incremental budgeting: last year's approved number plus a percentage. Zero-based budgeting breaks that cycle by changing the question from 'how much more than last year?' to 'should this exist at all?'

This worksheet runs one category through that question in two working days. It is not a full organizational ZBB — that would consume months for a business with a small finance team and produce the same result for most categories (keep everything). The value is in targeting the categories most vulnerable to spending inertia: administrative costs, consulting retainers, digital subscriptions, and marketing agency contracts. These categories accumulate unjustified spending quietly, line by line, because no single manager is responsible for their overall efficiency and no single item is large enough to trigger scrutiny on its own.

Benefits

What you get when you actually run this worksheet on a real situation:

- Identifies spending that is no longer relevant but continues because no one asked the relevance question — the category most operators do not know they have.
- Produces documentation of why each line item exists, which becomes institutional memory when the person who approved it three years ago has left.
- Surfaces duplicate subscriptions and unused contracts within the two-day review period, generating savings that take effect within 30 days of the decision.
- Creates governance evidence — a written justification record per line — that is concrete value during due diligence or audit review.
- Establishes a rotating annual audit cycle so that each major category gets reviewed from zero once every two to three years without overloading the finance team.

Framework To Use

— Three-Question ZBB Filter

Three questions per line item. If a line cannot answer all three, it is a savings candidate.

How To Use

Follow these steps in order. Each one builds on the previous.

- 1 Select the category for this cycle. Rotate by year: administrative costs, then marketing, then consulting and professional services. Choose the category that has grown the most without a clear operational explanation.
- 2 Extract all recurring transactions in that category from the past 12 months. Source: bank statements, credit card reports, vendor invoice lists. Include everything that appears more than four times in 12 months from the same vendor.
- 3 Compare the extracted list to the list of vendors management believes is active. The gap between the two is the starting point — items in the extract but not in management's awareness are the highest-priority candidates.
- 4 For each line item, answer the three-question filter: function, current user, and more efficient alternative. Items that cannot answer the first two questions are deletion candidates. Items where the answer is 'not sure' need clarification from actual users before a decision.
- 5 Prepare a decision package for each item still deemed relevant: current cost, alternative options with their costs, and a recommendation: keep, switch vendor, renegotiate, or stop.
- 6 Present the decision packages to management. The board decides based on the packages, not based on inertia. Items recommended for elimination should be acted on within 30 days of the decision.
- 7 Set a follow-up date 60 days after decisions are made. Verify which items have been cancelled or renegotiated. A ZBB that produces a list but no completed actions recovered nothing.

Example Use

A distribution business eight years into operation runs a ZBB on its administrative cost category. The finance manager extracts all recurring administrative charges from the past 12 months. The list has 23 line items. Management believed there were 15.

The first unknown item: a photocopying and printing services contract, \$156 per month, running since year one. The team that used it switched to digital two years earlier. The contract was never terminated because no one knew who was responsible for ending it. Annual cost of the unused contract: \$1,872. Decision: cancel immediately.

The second group: three project management software subscriptions — one from operations (\$89/month), one from logistics (\$79/month), one from finance (\$65/month). All three subscriptions perform the same function. They were purchased separately by different department heads at different times. Annual cost of the two redundant subscriptions: \$1,848. Decision: consolidate to the operations subscription by end of month; cancel the other two.

A document delivery service contracted in year two of operations: \$340 per month. A competing service now quotes \$220 per month for the same delivery windows. The contract has a 30-day termination notice. Decision: give notice this week; switch provider next month. Annual saving: \$1,440.

Total savings identified in a two-day review: \$5,160 per year, recurring. None of these items appeared on any previous month's reconciliation as a problem. Each was individually too small. Collectively, they were \$430 per month of spending no one was getting value from.

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For every line where active use is 'No' or 'Unclear': that is a savings candidate. Write one sentence on the effort required to eliminate or renegotiate it, and one sentence on the risk of doing so. If risk is 'none,' the decision is already made.
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2. After completing all rows: total the amount flagged for elimination or renegotiation. What percentage of the category's current monthly spend does this represent? If above 10 percent, this category review has already paid for the time invested.
-

3. Set a follow-up date 60 days from today to verify which flagged items have been acted on. A zero-based review that produces a list but no completed actions recovered nothing.
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Tips and Traps

TIPS

- Pull the recurring transactions extract before asking management what they think is in the category. The gap between the extract and management's list is where the most productive findings usually live.
- Run the review for categories where no single person is explicitly responsible for efficiency — administrative costs, multi-department subscriptions. These accumulate fastest because no one's performance is measured against them.
- Set the 30-day action deadline at the time of the decision, not after. An open-ended 'we'll cancel that soon' has the same cost as no decision.

TRAPS

- Applying ZBB with a cost-reduction target in mind before running the filter. A target of 'cut 20 percent from this category' is not ZBB — it is a forced reduction that eliminates spending based on pressure rather than relevance. Some lines may be underbudgeted; the filter should show that too.
- Reviewing only the categories management already suspects are inefficient. The most productive ZBB reviews find problems in categories no one was suspicious of.
- Running the review but not completing the cancellations. The two-day review is not the work — the 30 days of execution following it is the work.

Appendixes

Appendix A – Recurring Transaction Extract Method

- Step 1: Pull bank statements and credit card reports for the past 12 months.
- Step 2: Extract all transactions that appear > 4 times from the same vendor.
These are recurring charges – contracts and subscriptions.
- Step 3: Group by vendor. Calculate total annual spend per vendor.
- Step 4: Sort by annual spend, largest first.
- Step 5: Compare vendor list to management's "known active vendors" list.
Document every item in the extract but not in management's list.
These are the highest-priority review candidates.

Common findings in administrative ZBB reviews:

- Subscriptions still billed after the project they served ended
- Contracts auto-renewed at a price never renegotiated since signing
- Duplicate tools purchased separately by different departments
- Vendor contracts for a team or function that was reorganized or reduced

Appendix B – Decision Package Format (One Page Per Item)

Item name and vendor:

Current monthly cost (\$):

Function (one sentence – what business task does this perform?):

Current users (name / department / frequency):

Date of last contract review or renegotiation:

Alternative options:

Option A: [description] – [monthly cost]

Option B: [description] – [monthly cost]

Recommendation: [] Keep [] Renegotiate [] Switch [] Eliminate

Reason (one sentence):

Implementation steps if not Keep:

Notice period required:

Decision date required by:



WHERE THIS WORKSHEET COMES FROM

Budget Forecasting Methods

A Budget Never Revised Is Fiction That Gets Funded

by Ibrahim Anwar

This worksheet is one of nine in the *Budget Forecasting Methods* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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