

[• TRAINING BUDGET • GUIDE](#)

# How to plan a training budget *with a skills matrix*

Training budgets are too often set by last year's number plus a bit, then spent on whatever courses come up. A skills matrix replaces that with something defensible: it shows precisely where the gaps are, how big they are, and which ones matter most, so every pound is aimed at a real capability gain. This is how to turn the matrix into a budget you can build, justify and measure.



**Dr Alex J. Martin-Smith**

CMGR · MBA · LLM · DBA

**Reading time** 12 min · **Method** Upleashed 0 to 5 capability framework · **Updated** May 2026

## THE SHORT ANSWER

To plan a training budget with a skills matrix, start from the gaps it reveals, fund mandatory and compliance training first as protected spend, then allocate the rest to the highest-impact gaps, choosing for each whether to build, buy or borrow the training. Tie the spend to the capability gain it buys, so the budget is justified by outcome, not cost. In short: **the matrix turns a training budget from a guess into a defensible plan, aimed at the gaps that matter and measured by the capability it builds.**

#### KEY TAKEAWAYS

- **Start from the gaps, not last year.** The matrix shows where the gaps are and how big, so the budget is built on evidence, not history.
- **Fund compliance first.** Mandatory and safety training is protected spend; it comes out before any discretionary development.
- **Allocate the rest by impact.** Direct the remaining budget to the highest-impact gaps, tied to business goals.
- **Build, buy or borrow.** For each need, choose internal development, a bought course, or coaching and mentoring, on cost and fit.
- **Budget by outcome, not cost.** Justify spend by the capability gain it buys, which is exactly what the matrix lets you show.

#### — START HERE

## Budget from the gaps, *not from history*

Most training budgets are set the lazy way: take last year's figure, adjust a little, and spend it on whatever courses appear. The result is money spread across generic training that may or may not touch a real need. A skills matrix offers a far better starting point, the actual gaps, so the budget is built from evidence of what the team needs, not from what was spent before.

### The matrix is the evidence base

A training budget should answer one question: what capability do we need to build, and what will that cost? The matrix answers the first half directly. It shows every gap, where current sits below required, and **how big each is** in levels, across the whole team. That turns budgeting from guesswork into costing: you are no longer asking "how much should we spend on training?" but "what will it cost to close these specific, prioritised gaps?", a question finance and leadership can actually engage with.

### Compliance first, then impact

Not all of the budget is discretionary. **Mandatory and compliance training**, safety, regulatory, statutory, is protected spend: it must be funded first, before anything else, because the cost of not doing it is unacceptable. Only once that is covered do you allocate the remainder to the **highest-impact gaps**, the ones most critical to the business and to performance. This mirrors

how capable L&D functions budget: fund the non-negotiables, then invest the rest where it moves the needle most.

## Build, buy, or borrow

For each gap you choose to close, there is more than one way to pay for it, and the cheapest is often not a course at all. The three options are **build** (develop training in-house), **buy** (a licensed course or external provider), and **borrow** (coaching, mentoring, or shadowing an internal expert). A quick win on a skill where you already have a Level 4 expert may cost almost nothing to borrow; a specialist gap with no internal expertise may have to be bought. Matching each gap to the right option is how a budget stretches.

---

### — WHY IT MATTERS NOW

## Untargeted spend *cannot be justified*

Training budgets are under pressure, and the spend that survives scrutiny is the spend that can show a return. A budget built on a skills matrix is defensible precisely because every pound is tied to a named gap and the capability it buys.

1–5%

INDUSTRY RULE OF THUMB

of payroll is a common training-budget benchmark; the matrix shows where within that to aim it.

8%

GARTNER, 2024

of organisations have reliable workforce skills data, so most budgets are set without knowing the real gaps.

85%

WEF, 2025

of employers plan to prioritise upskilling, which makes targeting the training budget well more important than ever.

The shift in how good organisations budget is from **cost-based to impact-based**: not "how much will training cost?" but "how will this investment improve capability and performance?". A skills matrix is what makes impact-based budgeting possible, because it lets you connect each line of spend to a specific gap and the capability gain closing it delivers. That is what survives a finance review: a budget where compliance is protected, the rest is aimed at the highest-impact gaps, each need is met the most cost-effective way,

and the whole thing can be measured afterwards by re-scoring the matrix. Untargeted spend cannot make that case; a matrix-built budget can.

---

— WHAT IT ANSWERS

## Four budget questions the matrix answers

A skills matrix turns the four hardest training-budget questions from guesswork into evidence. Each is one a finance director will ask, and one the matrix lets you answer.

ANSWERS 01

### What do we need to fund?

The gaps, named and sized. The matrix shows exactly which capabilities fall short of target, so the budget funds real needs rather than generic courses.

ANSWERS 02

### What comes first?

Compliance and the highest-impact gaps. The matrix lets you protect mandatory spend and rank the rest, so the budget is allocated in priority order.

ANSWERS 03

### What is the cheapest way?

Build, buy or borrow. By showing where internal experts already exist, the matrix reveals which gaps can be closed by coaching rather than bought-in training.

ANSWERS 04

### Did it work?

Re-score and see. Because capability is measured, you can show the gain the spend delivered, the outcome that justifies next year's budget.

Together these turn a budget conversation from a defensive one into a confident one. Instead of justifying a lump sum, you present a plan: here are the gaps, here is what we will fund first, here is how we will close each most cost-effectively, and here is the capability gain we expect, and will measure. That is a budget tied to business outcomes rather than to last year's number, and it is exactly the case that **wins funding and survives cuts**, because its value is visible.

---

— THE SCALE BEHIND THE SCORES

# The 0 to 5 capability framework

Budgeting from capability needs a scale that quantifies both the gap and the gain. This framework, developed by Dr Alex J. Martin-Smith, gives each level a weighting, so you can express team capability as a percentage and show, in real numbers, how much a training investment lifts it.

---

<b>0</b>	<b>No skill required or desired</b> <span>EXCLUDED</span>
	Not needed for the role within the next year. In budgeting, it keeps spend off skills the role does not need, so no money is wasted closing non-gaps.
<b>1</b>	<b>In training / Trainee</b> <span>WEIGHTING 25%</span>
	Up to 75% trained. A skill sitting at Level 1 against a target of 3 is a large, often costly gap, the kind that needs a proper, funded programme.
<b>2</b>	<b>Developing capabilities</b> <span>WEIGHTING 50%</span>
	More than 75% trained. A Level 2 against target 3 is a one-level gap, often a low-cost quick win that coaching or borrowing can close cheaply.
<b>3</b>	<b>Capable</b> <span>WEIGHTING 75% · USUAL TARGET</span>
	100% trained, consistent quality, works unsupervised. The usual target, so no budget is needed for anyone already here, a saving the matrix makes visible.
<b>4</b>	<b>Subject Matter Expert / Trainer</b> <span>WEIGHTING 100%</span>
	Can train others. Your Level 4s are the "borrow" option: internal experts who can close others' gaps through coaching at little cost.
<b>5</b>	<b>Strategic ownership / Leadership</b> <span>WEIGHTING 100%</span>
	Defines processes and standards. A long-horizon investment, usually budgeted as deliberate leadership or succession development.

---

## Express the budget as a capability gain

Because each level carries a weighting, Level 1 = 25%, 2 = 50%, 3 = 75%, 4 and 5 = 100%, you can express the team's capability as a percentage today and model what each training investment would lift it to. That converts a budget line from a cost into a **capability gain**: "this spend takes the team from 58% to 88% capability on the skills that matter". That is the language that wins a budget conversation, outcome, not outlay.

**A worked example.** Costing a gap the cheapest way:

```
Gap CRM, three people at Level 2 vs target 3 (one-level gap)
options buy a course (££) vs borrow your Level 4 expert to coach (£)
choose → borrow - same capability gain, a fraction of the cost.
```

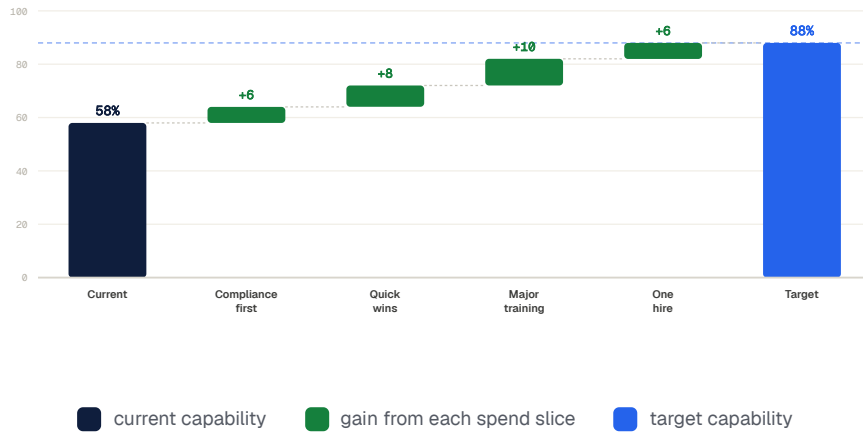
---

— [SEE THE SPEND WORK](#)

## The capability *bridge*

Here is a training budget shown as a bridge: how each slice of spend lifts the team from its current capability to target. Compliance is funded first, then the quick wins, then the major programme, with a hire closing the gap that training alone cannot. It turns a budget into a story of capability built, pound by pound.

#### HOW THE BUDGET LIFTS TEAM CAPABILITY (%)



58 → 88%

**capability lifted by the plan:** compliance first, then quick wins, a major programme, and one hire

*Illustrative budget on the Upleashed 0 to 5 framework. Each green step is the capability gain a slice of spend buys, building from current to target.*

#### HOW THE BUDGET WAS BUILT

- **Compliance is funded first.** The first step is protected spend, mandatory and safety training, because it is non-negotiable. It comes out of the budget before any discretionary development is considered.
- **Quick wins are cheap capability.** The next step buys a big gain for little money, one-level gaps closed by coaching and borrowing internal experts, so the budget goes furthest here first.
- **The major programme is the big investment.** The largest funded step is a proper programme for the two-level gaps, real money, planned and justified by the capability it builds.
- **A hire closes what training cannot.** The final step is recruitment: where no internal route reaches target in time, a hire bridges the rest. Build, buy, borrow, and sometimes recruit.

#### — STRETCHING THE BUDGET

## Build, buy or borrow each gap

For every gap you fund, choose the most cost-effective way to close it. The matrix helps by showing where internal expertise already exists. Here is how the three options compare.

Option	What it is - best for	Cost
<b>Borrow</b>	Coaching, mentoring or shadowing an internal Level 4 expert; best for quick wins where the skill exists in the team	Lowest
<b>Build</b>	Developing training in-house; best for skills specific to your organisation, reusable across many people	Medium
<b>Buy</b>	A licensed course or external provider; best for specialist or certified skills you lack internally	Highest
<b>Recruit</b>	Hiring the capability in; best when no internal route reaches target in the time available	Separate budget

The discipline is to reach for the cheapest option that actually closes the gap. The matrix is what makes this possible: by showing your Level 4 and 5 experts, it reveals which gaps can be **borrowed** at almost no cost through internal coaching, reserving the bought-in budget for the specialist skills you genuinely lack. A budget built this way, borrowing where you can, buying only where you must, stretches far further than one that defaults to external courses for everything.

— AVOID THESE

## Six mistakes in training budgets

**MISTAKE 01**

**Last year plus a bit**

Budgeting from history ignores the real gaps. Build the budget from the matrix, on evidence of what the team needs.

**MISTAKE 02**

**Compliance unprotected**

Discretionary spend should never crowd out mandatory training. Fund compliance first, then allocate the rest.

**MISTAKE 03**

**Buying everything**

Defaulting to external courses is expensive. Borrow internal experts for quick wins; buy only the specialist gaps.

**MISTAKE 04**

**Spreading it thin**

A little on every gap closes none. Concentrate the budget on the highest-impact gaps that matter most.

**MISTAKE 05**

**Budgeting by cost, not impact**

"How much will it cost?" is the wrong question. Frame spend by the capability gain it buys.

**MISTAKE 06**

**No measurement**

Spend with no follow-up cannot be justified. Re-score the matrix to show the capability the budget delivered.

The method is free. A ready-made matrix just makes the budget *build and prove itself*.

Everything here works in a blank spreadsheet, and that is a fine place to start. A purpose-built template just makes budgeting easier: with current and required levels in place, the gaps and their sizes are calculated for you, team capability is expressed as a percentage, and re-scoring after training shows the gain, so you can build the budget from evidence and prove its return when the next budget round comes.



*The Advanced Excel Skills Matrix expresses capability as a percentage and calculates every gap, the basis for building a budget by impact and proving its return by re-scoring, all on the same 0 to 5 framework used throughout this guide.*

TRY IT FREE

£0

The online 5x5 builder maps a small team in your browser, with no sign-up. See the gaps behind a budget.

MOST POPULAR

£199

The full Excel template: capability percentages, calculated gaps and analytics, up to 30 people and 30 skills. One-off, yours forever.

WHEN YOU ARE READY

£1

Upgrade to PulseAI in your first year for a living, web and mobile version with AI skill suggestions and reminders.

## — COMMON QUESTIONS

### Quick *answers*

#### **Q How do I plan a training budget with a skills matrix?**

Start from the gaps the matrix reveals and their sizes, fund mandatory and compliance training first as protected spend, then allocate the rest to the highest-impact gaps, choosing build, buy or borrow for each. Tie every line to the capability gain it buys, and re-score afterwards to prove the return.

#### **Q How much should a training budget be?**

A common rule of thumb is 1 to 5% of payroll, but that sets the size, not the aim. The more important question is where the money goes, and that is what the matrix answers: it shows the real gaps and their priority, so whatever the total, it is allocated to the capabilities that matter most rather than spread generically.

#### **Q What should be funded first?**

Mandatory and compliance training, safety, regulatory, statutory, as protected spend. The cost of not doing it is unacceptable, so it comes out of the budget before any discretionary development. Only once compliance is fully funded do you allocate the remainder to the highest-impact development gaps.

## Q What does build, buy or borrow mean?

Three ways to close a gap: build (develop training in-house), buy (a licensed course or external provider), and borrow (coaching or mentoring from an internal expert).

Borrowing is usually cheapest where the skill already exists in the team, which the matrix shows; buying is for specialist skills you lack internally.

---

## Q How do I justify the budget to finance?

Frame it by impact, not cost. Present the named gaps, what you will fund first, how you will close each most cost-effectively, and the capability gain you expect, expressed as a percentage the matrix can show. A budget tied to measurable outcomes is far easier to approve and to defend than a lump sum.

---

## Q How do I measure the return on training spend?

Re-score the matrix after the training. Because capability is measured on a defined scale, you can show the gain each investment delivered, "this spend took the team from 58% to 88% on the priority skills". That measured outcome is the evidence that justifies the spend and supports next year's budget request.

---

### — ABOUT THE AUTHOR



## Dr Alex J. Martin-Smith

CMGR · MBA · LLM · DBA

Alex is the creator of the Upleashed capability framework that powers Skills Matrix Template, the award-winning Excel skills matrix. A Chartered Manager with an MBA, an LLM and a doctorate in business administration, he has spent more than two decades helping operations, HR and quality teams turn capability from a gut feel into something they can measure, manage and prove.

Connect on LinkedIn: [linkedin.com/in/alexmartinsmith](https://www.linkedin.com/in/alexmartinsmith)

A stylized, handwritten signature in black ink that reads "Alex J. Martin-Smith".

Dr Alex J. Martin-Smith

### — SOURCES

Gartner. (2024). *Talent management research: Workforce skills data*. Gartner.

Martin-Smith, A. J. (n.d.). *The 0 to 5 capability framework*. Upleashed Limited.  
<https://upleashed.com/capability-framework/>

World Economic Forum. (2025). *The future of jobs report 2025*. World Economic Forum.

## Spend it where it *builds* *capability*.

You now have the budget method. The quickest way to start is to pull your gaps from the matrix, ring-fence the compliance spend, and cost the rest by impact, borrowing where you can and buying only where you must. A budget built on the matrix is one you can justify going in, and prove coming out.

[Try the free 5x5 builder →](#)

[Get the template, £199](#)

Award-winning method · 148,000+ teams · instant download · single-team licence

---

**Skills Matrix Template** — the award-winning Excel skills matrix by Upleashed. [skillsmatrixtemplate.com](https://skillsmatrixtemplate.com)  
Powered by [Upleashed Limited](https://upleashed.com) · [upleashed.com](https://upleashed.com)