

Financial training For non financial staff



The financial training specialists

Making sense of budgets (Budgeting)

I've been asked to put together a finance day for a New Managers programme.

A manager needs to achieve their targets or objectives: that means delivering goods or services (whether that's for internal or external customers). And they need to come within their budget.

But how are these two goals related?

The new manager needs to understand their targets and objectives. What do they need to achieve, within what timescales? And what development issues do they need to address to remain fit for the future?

The main role of the manager is to mastermind and oversee this big picture. They need to prevent crises, foresee bottlenecks, and deal with problems in advance. This involves planning, communication, motivation, etc.

So they need to have the right resources available. A key resource is people: the right people with the right skills at the right time. And then there's the "stuff" they need: equipment; supplies; training; etc.

The budget is simply the cost of those resources. The manager needs to know how their required resources will cost.

The budget allocation is how much the business can afford. If the cost is greater than the allocation, there's a problem. Can the manager achieve their objectives more cost-effectively? If not, can the business afford to spend more (perhaps robbing Peter to pay Paul)? If not, there needs to be a compromise on what's delivered.

But that's the main plank of budgets: "How much will it cost to achieve your objectives, and can we afford it?"