

Financial training For non financial staff



The financial training specialists

Warning signs 3 (Budgeting)

The first two financial warning signs we looked at were the behaviour of managers in meetings when finance is on the agenda; and the sales people.

The third sign is about budget holders: maybe that includes you!

There are two interesting questions to ask budget holders. "Whose budget is it?" And "What do the numbers in your budget mean?"

Many budget holders see it as being "Finance's budget" that has been hoist upon them as a responsibility. The danger here is that the budget holder feels no responsibility for their budget.

And if budget holders see the budget simply as yet another target, but a financial one this time, that misses the whole point of the budget.

As managers we have targets to achieve or deliver over the year. To achieve these, we need a plan, and adequate resources. Those resources have a cost, and the budget is the pot of money we are given to finance the resources we need.

So if as budget holders we don't have a clear link between our objectives, our resources, and our budget, we are unlikely to achieve our objectives within budget.

If our budget is the pot of money we are given to finance the resources we need to achieve our objectives, then it is very much our budget, and not Finance's. We need to understand whether it's enough money, and how we're going to use it. And if our objectives are increased during the year, we may need more budget.