

Pathways to Management and Leadership

Level 3: Principles of
Management and Leadership

Unit 314

Managing Budgets and Resources

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Unit 314: Managing Budgets and Resources

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Managing Budgets and Resources

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About this workbook

The unit

The main purpose of this workbook is to support you as you study for the Chartered Management Institute Level 3 qualification — Principles of Management and Leadership, so it specifically focuses on the content of the syllabus for Unit 314 Managing Budgets and Resources. This is about the need to manage budgets and all resources within an organisation.

This workbook provides underpinning knowledge and develops understanding to improve your skills as well as to prepare for future assessment. If you are studying towards the Level 3 qualification, then you will be assessed by your approved centre on 'your knowledge and understanding of' the following learning outcomes:

1. Understand the importance of managing resources in an area of responsibility
2. Understand the use of budgets in an organisation
3. Understand how to manage costs within a budget
4. Know how to monitor and control a budget in an area of responsibility.

The aims of this workbook

This workbook aims to help you learn about:

- The role and purpose of resources and budgets in an organisation
- How budgets are developed and used
- How to monitor costs within a budget
- How to monitor and control budgets within an area.

Syllabus coverage

The table below shows which sections of the workbook address the assessment criteria of the qualification syllabus.

Unit 314 Managing Budgets and Resources		Addressed within section
Syllabus coverage		
1.1	Explain types of resources managed within own area of responsibility	1
1.2	Identify the importance of managing resources effectively in own area of responsibility	1
1.3	Explain methods used to achieve value for money when managing resources	1
2.1	Outline the purpose of a budget	2
2.2	Explain the types and use of budgets within an organisation	2
2.3	Explain the importance of operating within a budget	2
2.4	Explain how organisational governance informs the management of budgets	2
3.1	Explain the types of costs within a budget	2
3.2	Identify sources of information on costs in a budget	2
3.3	Identify the systems used for managing costs within a budget	2
3.4	Explain limits of authority when managing costs within a budget	2
4.1	Explain methods for monitoring a budget	4
4.2	Outline the actions to take to control a budget	4
4.3	Identify a process to escalate problems and changes to a budget in own area of responsibility	4

Getting started

Whilst the scale, significance and complexity of managing budgets and resources will vary between organisations and according to responsibilities of jobs, the principles and understanding will ultimately be the same.

To begin with a manager should be able to understand what resources are and the importance of managing these in an organisation. The manager should be able to identify the different resources available and required by him/her in terms of their role and area of responsibility and the importance of control. It will also require the need to explain the methods of controlling resources and costs.

Understanding the purpose of budgets is key for a manager; all resources used have a cost implication and the manager should be able to outline these and relate and explain how they are used and identified within budgets. The manager should be able to identify and explain the types of budgets within an organisation and the importance of operating within a budget. It is also vital that the manager can explain how organisational governance informs the management of budgets

Knowing how to explain the various costs will require the manager to also identify the sources of information on the costs within a budget and also the systems for managing these costs. It is also important that he/she can explain limits of authority when managing costs within a budget.

Finally, an effective manager should be able to explain methods for monitoring a budget and to outline the various actions required to take to control of a budget. This will involve developing knowledge and skills of identifying a process to escalate problems and changes to a budget within an area of responsibility.

This workbook sets out to equip managers with the knowledge, tools and techniques for managing and monitoring costs, resources and budgets and be able to do this will help in contributing to the delivery of a budget.

How to use the workbook

The workbooks provide ideas from writers and thinkers in the management and leadership field. Those offer opportunities for you to investigate and apply these ideas within your working environment and job-role.

Structure

Each workbook is divided into sections that together cover the knowledge and understanding required for that unit of the Level 3 Principles of Management and Leadership. Each section starts with a clear set of objectives that identify the background knowledge to be covered and the management skills in the workplace that enable you to demonstrate this knowledge. You do not have to complete the sections in the order they appear in the workbook, but you should try to cover them all to make sure that your work on the unit is complete. There are self-assessment questions at the end of each section that allow you to check your progress. You may want

to discuss your answers to the self-assessment questions with your line manager or a colleague.

Activities

Throughout the workbooks there are activities for you to complete. These activities are designed to help you to develop yourself as a manager. Space is provided within the activities for you to enter your own thoughts or findings. Feedback is then provided to confirm your input or to offer more ideas for you to consider.

To get the best from the workbooks, you should try to complete each activity fully before moving on. However, if the answer is obvious to you because the issue is one you have encountered previously, then you might just note some bullet points that you can then compare quickly against the feedback. You may sometimes find it difficult to write your complete response to an activity in the space provided. Don't worry about this — just keep a separate notebook handy, which you can use and refer to as needed.

Try not to look at the feedback section before completing an activity. You might like to try covering up the feedback with a postcard or piece of paper while you are working through an activity.

Timings

Timings are suggested for each section and activity, although it is important that **you** decide how much time to spend on an activity. Some activities may occupy only a few moments' thought, while others may be of particular interest and so you might decide to spend half an hour or more exploring the issues. This is fine — the purpose of the activities is to help you reflect on what you are doing, and to help you identify ways of enhancing your effectiveness. It is always worth writing something though, even if it's brief — the act of writing will reinforce your learning much more effectively than just referring to the feedback.

Scenarios

There are scenarios and examples throughout each workbook to illustrate key points in real workplace settings. The scenarios cover a wide range of employment sectors. As you work through, you might like to think of similar examples from your own experience.

Planning your work

The reading and reflection scenarios and activities in each section of the workbooks are designed to take around two hours to complete (although some may take longer). This is a useful indicator of the minimum length of time that you should aim to set aside for a study session. Try to find a quiet place where you will not be interrupted and where you can keep your workbooks, notes and papers reasonably tidy. You may also

like to think about the time of day when you work best — are you a ‘morning person’ who likes to get things done at the start of the day, or do you work better in the evening when there may be fewer disturbances?

Preparing for assessment

Further information on assessment is available in the Study Support section of ManagementDirect, CMI’s online resource portal. If you have any further questions about assessment procedures, it is important that you resolve these with your tutor or centre co-ordinator as soon as possible.

Further reading

Suggestions for further reading and links to management information are available via ManagementDirect. You will also find titles for Supporting Resources at the end of each section and Further Reading at the end of the workbook.

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Section 1: Understand the importance of managing resources in own area of responsibility

Learning outcomes and assessment criteria (about 3 hours)

By the end of this section you will understand the importance of managing resources in your own area of responsibility in an organisation and by completing this section you will be able to:

1.1	Explain types of resources managed within own area of responsibility
1.2	Identify the importance of managing resources effectively in own area of responsibility
1.3	Explain methods used to achieve value for money when managing resources

In this section, you will start by considering what resources are available within organisations; this will look at different types of resources. You will also explore the different types of resources within an area of responsibility. The section then moves on to explore the importance of managing resources effectively within own area of responsibility. Finally, the section examines the methods used to achieve value for money when managing resources. It considers the need for value for money and the complexity of achieving this.

The different types of resources within organisation

Resources

We will start this section by looking at definitions of resources.

The starting point for anyone dealing with resources is to be clear about what resources are.

The Oxford Dictionary defines resources as a stock or supply of money, materials, staff, and other assets that can be used on by a person or organization in order to function effectively:

Source: <https://en.oxforddictionary.com>

Wikipedia - a resource is a source or supply from which benefit is produced. Resources can be broadly classified as bases upon their availability there are renewable and non-renewable resources. Typically resources are materials, energy,

services, staff, knowledge, or other assets that are transformed to produce benefit and in the process may be consumed or made unavailable

Source: <https://en.wiktionary.org/wiki/resources>

Resources can also be considered as assets or belongings.

Other definitions are widely found, including those provided by professional accountancy bodies such as CIMA, ACCA and CIPFA.

Having considered what resources are, we need to think about the different types available:

Activity

Activity 1.1 Definitions of resources

(about 15 minutes)

Having looked at some different definitions of resources (including those listed above) suggest about 6 resources that must be available in an organisation?

Feedback

You may have identified some of the following:

- *time available to undertake work and work activities*
- *IT including computers*
- *data and information needed for business activities*
- *labour including people available to undertake work*
- *equipment including machinery*
- *stock, raw materials and finished goods*
- *skills and knowledge of staff to undertake work or job task*

- *finance to fund business activities*
- *facilities including offices, warehouses and factory space.*

Time

This is often forgotten when considering resources, however as there is a fixed amount of time available for work tasks, it must be managed efficiently and effectively.

It is also important to ensure that sufficient and appropriate time is allocated to work tasks, otherwise other resources may be impacted and end up with costs to your department.

Data and Information

Both data and information are essential to the effective management of all organisations and sections within them. Often data and information available is out of date or irrelevant.

Labour with relevant skills

People are a vital resource to any organisation and department, without people work tasks cannot be undertaken. It is also vital that these staff must have the appropriate skills and knowledge to undertake the work. It is important to remember that staff are human with feelings unlike other resources detailed.

Equipment including machinery and IT

The need for different types of equipment depends on the nature of the organisation and also the section within it. A factory will have very different equipment needs to a hospital or a law firm. As will a production manager, needing large machinery to an office administrator, who will mostly require IT, photocopying and scanning equipment.

Stock, raw materials and finished goods

If an organisation is making products or selling products for sale to either the public or to wholesalers then they must have sufficient stock of raw materials or goods.

It is also important that there is a sufficient supply of stock for an organisation to function effectively and for its people to carry out tasks e.g. stationery.

Finance to fund business activities

It seems very obvious, but organisations (and households) require adequate funding to function effectively. The need for appropriate funds is right from an organisational level through to funds within a department or section, including funding to cover staff, travel, stationery, equipment and so on.

Activity

Activity 1.2 Resources that you manage

(20 mins)

Having considered the various types of resources that should be available, we need to think about the availability and importance of each to you within your area of responsibility or that you come across.

From the categories provided below, what resources are available and managed by you within your area of responsibility.

Feedback

Types of Resources	Do you Manage?	Give example(s)
Time available to undertake work		
Data and information		
IT equipment		
Labour including people available to undertake work		
Equipment -		

including office equipment or machinery		
Stock - raw materials and supplies		
Finance - budget		
Facilities - office, factory, storage space		

Having considered the resources available and managed within an area of responsibility, consideration must be given to the possible consequences of resources not being available to the work area or project. This will allow you to move on to study the importance of managing resources effectively and the ways that this might be achieved.

Activity

Activity 1.3 Resource Requirement
(about 20 minutes)

Having considered the resources required and managed within your area of responsibility, outline the need for and consequences of not having sufficient resources (as identified above)?

Feedback

You may have identified some of the following:

You might think this is an obvious question, but it's an important one.

- *Without active management of resources, things can easily get out of hand. A project or work area may end up without the right information, poorly equipped, under-budgeted, or with people who don't have the right skills for the job. You may not have sufficient stationery (if that is an area of*

responsibility), the photocopying budget may be inadequate and so on depending on your area of responsibility.

- *It is rare that organisations will always have all the resources available to undertake work. This could be because of budget and money constraints, skills shortages, limited capacity of machinery and equipment or supply shortages, but resources must be managed as efficiently and effectively as possible.*

The importance of managing resources effectively in own area of responsibility

Having identified and explained the types of resources within organisations, we now consider the importance of managing these resources effectively.

Effective purchasing is about buying the right goods and services, from the right source, at the right time, at the right price, in the right quantity and of the right quality required by an organization, to enable it to fulfil its commitments and achieve its objectives. Effective purchasing maximizes efficiency and is consistent with the organization's overall strategy. (CMI Checklist 126 Controlling costs.)

We need to consider the need to ensure that resources are available to meet demand within your area of responsibility, the problems that can be encountered if resources are not managed effectively or the consequences of any oversupply, shortage or quality of supply of resources.

If we consider both the resources that we are responsible for and those critical to the overall organisation, then how important is it to ensure that particular resources do not go into short supply? We also have to consider that there isn't an oversupply or that there is an issue with the quality of any goods and services?

Activity

Activity 1.4 Supply of Resources

(about 20 minutes)

Having considered the resources that are required and managed within your area of responsibility, outline some problems that you encounter with continuity of supply leading to over or under supply in the resources you are responsible for.