

## E2 Manage finance for your area of responsibility (DR5T 04)

### Unit summary

#### What is this Unit about?

This Unit is about managing finance in order to achieve the stated objectives for your area of responsibility. It involves developing and agreeing a master budget for your area and using this to monitor evaluate and control performance and take action to deal with identified variances.

Delegating responsibility for budgets for clearly defined activities is a key aspect of this Unit. The 'area of responsibility' may be, for example, a branch or department or functional area or an operating site within an organisation.

#### Who is this Unit for?

The Unit is recommended for middle managers.

#### Links with other Units

This Unit is linked to Units **B1 Develop and implement operational plans for your area of responsibility (DR47 04)** and **E1 Manage a budget (DR5F 04)** in the overall suite of National Occupational Standards for management and leadership.

#### Skills

Listed below are the main generic 'skills' which need to be applied in managing finance for your area of responsibility. These skills are explicit/implicit in the detailed content of the Unit and are listed here as additional information.

◆ communicating	◆ negotiating
◆ decision making	◆ contingency planning
◆ questioning	◆ information management
◆ consulting	◆ problem solving
◆ monitoring	◆ thinking systematically
◆ assessing	◆ leadership
◆ delegating	◆ motivating
◆ acting assertively	◆ planning
◆ valuing and supporting others	◆ prioritising

## **E2 Manage finance for your area of responsibility (DR5T 04)**

### **Outcomes of effective performance**

You must be able to do the following:

- 1 Confirm your financial responsibilities, including the limits of your authority, with those to whom you report.
- 2 Gather and evaluate available financial information and the objectives and associated plans for your area and consult with colleagues to identify priorities, potential problems and risks.
- 3 Identify and make use of opportunities to delegate responsibility for budgets for clearly defined activities to colleagues in your area, providing them with the required on-going support and resources.
- 4 Discuss and, if appropriate, negotiate delegated budgets with colleagues and agree provisional budgets.
- 5 Consult on and develop a realistic master budget for your area and submit it to the relevant people in the organisation for approval and to assist the overall financial planning process.
- 6 Discuss and, if appropriate, negotiate the proposed master budget for your area with the relevant people in the organisation and communicate the final budget to colleagues in your area.
- 7 Establish systems to monitor and evaluate performance against delegated budgets and the master budget and put contingency plans in place.
- 8 Identify the causes of any significant variances between what was budgeted for and what actually happened and discuss and ensure prompt corrective action is taken, obtaining agreement from the relevant people if required.
- 9 Propose revisions to the master budget, if necessary, in response to variances and/or significant or unforeseen developments and discuss and agree the revisions with the relevant people.
- 10 Provide on-going information on the financial performance of your area to relevant people in your organisation.
- 11 Advise the relevant people as soon as possible if you have identified evidence of any potentially fraudulent activities.
- 12 Encourage colleagues in your area to think about and identify ways of reducing expenditure and increasing income, selecting and pursuing those ideas which have potential for implementation.
- 13 Review the financial performance of your area, particularly in relation to achievement of the stated objectives, and identify improvements for the future.

**Behaviours which underpin effective performance**

- 1 You act within the limits of your authority.
- 2 You are vigilant for potential risks.
- 3 You develop systems to gather and manage information and knowledge effectively, efficiently and ethically.
- 4 You clearly agree what is expected of others and hold them to account.
- 5 You respond quickly to crises and problems with a proposed course of action.
- 6 You comply with, and ensure others comply with, legal requirements, industry regulations, organisational policies and professional codes.
- 7 You prioritise objectives and plan work to make best use of time and resources.
- 8 You use communication styles that are appropriate to different people and situations.
- 9 You take and implement difficult and/or unpopular decisions, if necessary.

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### **Knowledge and understanding**

You need to know and understand the following:

### **General knowledge and understanding**

- 1 The purposes of budgetary systems.
- 2 The importance of agreeing financial responsibilities, including the limits of your authority, for your area with those to whom you report.
- 3 Where to get and how to evaluate the available financial information in order to be able to prepare a realistic master budget for your area.
- 4 The importance of taking account of the objectives and associated plans of your area in developing and operating the master budget.
- 5 How to identify opportunities and delegate responsibility for budgets.
- 6 The importance of consulting with colleagues in identifying priorities, potential problems and risks and generally preparing the budget for your area.
- 7 How to discuss, negotiate and confirm budgets with colleagues in your area and with people who control the finance and the key factors that should be covered.
- 8 How to establish systems to monitor and evaluate performance against budgets.
- 9 The importance of contingency plans and the type of contingencies that may occur.
- 10 The main causes of variances and how to identify them.
- 11 What different types of corrective action could be taken to address identified variances.
- 12 The importance of agreeing revisions to the budget and communicating the changes.
- 13 The importance of providing regular information on the financial performance of your area to relevant people and what they might want to know.
- 14 Types of fraudulent activities and how to identify them.
- 15 How to encourage colleagues to think about ways of reducing expenditure and increasing income.
- 16 How to review the financial performance of your area against the stated objectives.

**Industry/sector specific knowledge and understanding**

- 1 Factors, processes and trends that are likely to affect financial management in your industry/sector.
- 2 Legal, regulatory and ethical requirements in the industry/sector.

**Context specific knowledge and understanding**

- 1 The scope and nature of your area of responsibility including the vision, objectives and operational plans.
- 2 Your financial responsibilities, including the limits of your authority.
- 3 The people you report to in your organisation.
- 4 Financial information available in your organisation.
- 5 Activities for which budgets have been delegated.
- 6 The budgeting period(s) used in your organisation.
- 7 Organisational guidelines and procedures for the preparation and approval of budgets and for monitoring and reporting of performance against budgets and revising budgets.
- 8 The agreed master budget for your area, including delegated budgets.
- 9 Systems established for managing and evaluating performance against budgets.
- 10 Contingency plans put in place.
- 11 What to do and who to contact if suspect fraud has been committed.
- 12 Who needs information on the financial performance of your area, what information they need, when they need it and in what format.

## E2 Manage finance for your area of responsibility (DR5T 04)

### Evidence Requirements

Outcomes	Evidence of Outcomes: ◆ possible examples of evidence	Behaviours	Knowledge and Understanding		
			General	Industry specific	Context specific
	<b>Budgets for your area of responsibility that you have developed or:</b>				
1	◆ notes, minutes or other records of meetings with other managers and subordinates in which you have agreed the objectives and criteria for developing and agreeing a (master) budget for your area of responsibility, and other's responsibilities for developing budgets for specific functions or activities	1, 2, 3, 4, 6, 7, 8, 9	1, 2, 3, 4, 5, 6, 7, 9	1, 2	1, 2, 3, 4, 5, 6, 7, 8
2	◆ documents, spreadsheet printouts and other records of financial information and past budgets, forecasts of future activity, income/revenue and expenditure, costs and prices that you have used to prepare a draft budget	2, 3, 6, 7	1, 3, 4, 6	1, 2	1, 2, 4, 5, 6, 7, 8
3	◆ draft budgets, background papers to support your draft, and notes, minutes and other records of negotiations with subordinates and colleagues and line managers to agree and finalise or to revise budgets	1, 2, 4, 6, 7, 8, 9	1, 2, 4, 5, 6, 7, 9	1, 2	1, 2, 3, 4, 5, 6, 7, 8
4	◆ e-mails, memos or newsletters you have prepared, presentations you have made and notes or minutes of meetings you have held to communicate to colleagues the financial objectives of the organisation and your area of responsibility, the agreed budgets and the constraints or other requirements relating to their implementation and control	1, 4, 6, 8, 9	1, 2, 5, 6, 7	1, 2	1, 2, 3, 4, 5, 6, 7, 8
	<b>Records of budgets outturns and reviews of your management or supervision of budgets, and reports and other reviews of financial performance:</b>				
7	◆ details or specifications of systems you have introduced or authorised, for monitoring budgetary performance, identifying variances and alerting others to the need for action	1, 2, 3, 4, 6, 7	1, 8, 10, 11, 13, 15	1, 2	1, 2, 4, 5, 6, 7, 8, 9, 12
8	◆ data on budgetary performance; variance analysis; monitoring for accuracy, validity and fraudulent behaviour; budgetary reports and proposals for action in the light of budget outturns or requirements for changes	2, 5, 6, 8, 9	1, 9, 10, 11, 12, 13, 14, 15, 16	1, 2	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
9	◆ reports or other reviews of your financial performance, achievement of financial objectives and any action you took (or didn't take) in the light of budget outturns	1, 2, 6, 8, 9	1, 9, 11, 12, 13, 14, 15, 16	1, 2	1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12
10	◆ personal statements (reflections on your use of information to construct and monitor a budget, delegate responsibility to others, negotiate and give and obtain approval for budgets, supervise others' budgetary monitoring, your own monitoring of outturns and any changes that were needed)	2, 5, 6, 7, 9	1, 8, 9, 10, 11, 12, 13, 14, 15, 16	1, 2	1, 4, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12

*To be completed by the Candidate*

**I SUBMIT THIS AS A COMPLETE UNIT**

Candidate's name: .....

Candidate's signature: .....

Date: .....

*To be completed by the Assessor*

*It is a shared responsibility of both the candidate and assessor to claim evidence, however, it is the responsibility of the assessor to ensure the accuracy/validity of each evidence claim and make the final decision.*

**I CERTIFY THAT SUFFICIENT EVIDENCE HAS BEEN PRODUCED TO MEET ALL THE ELEMENTS, PCS AND KNOWLEDGE OF THIS UNIT.**

Assessor's name: .....

Assessor's signature: .....

Date: .....

**Assessor/Internal Verifier Feedback**

*To be completed by the Internal Verifier if applicable*

***This section only needs to be completed if the Unit is sampled by the Internal Verifier***

Internal Verifier's name: .....

Internal Verifier's signature: .....

Date: .....