



Leading the way
for charity finance

Finance for non-finance people



Avoiding the *Nightmare with
the numbers*



About the presenter: Caron Bradshaw CEO of Charity Finance



Trained as a Barrister but working with accountants for 30 years!

Not an accountant - but maybe honorary one?

Women of the Year 2020 non-CCAB at Women in Finance and Accountancy Awards



Content of session

- **Basics to get started**
- **So much more than keeping the score**
- **Building blocks of financial management**
- **Risky business**
- **Rainy day reserves**



Before we get started

Money is a means to an end not an end in itself

Accounting rules are designed with for profit in mind

SORP interprets accounting rules into a charity context

There are myths a plenty



Basics to get started – main take aways:

The trustees have ultimate and equal responsibility for understanding the numbers and making decisions which deliver on the strategy of your

Understanding the numbers, whatever your role, enables you to make better and more sustainable decisions which can lead to greater

Understanding the financial impact of the things you do helps your charity be more sustainable.



So much more than keeping the score

Unpack the jargon

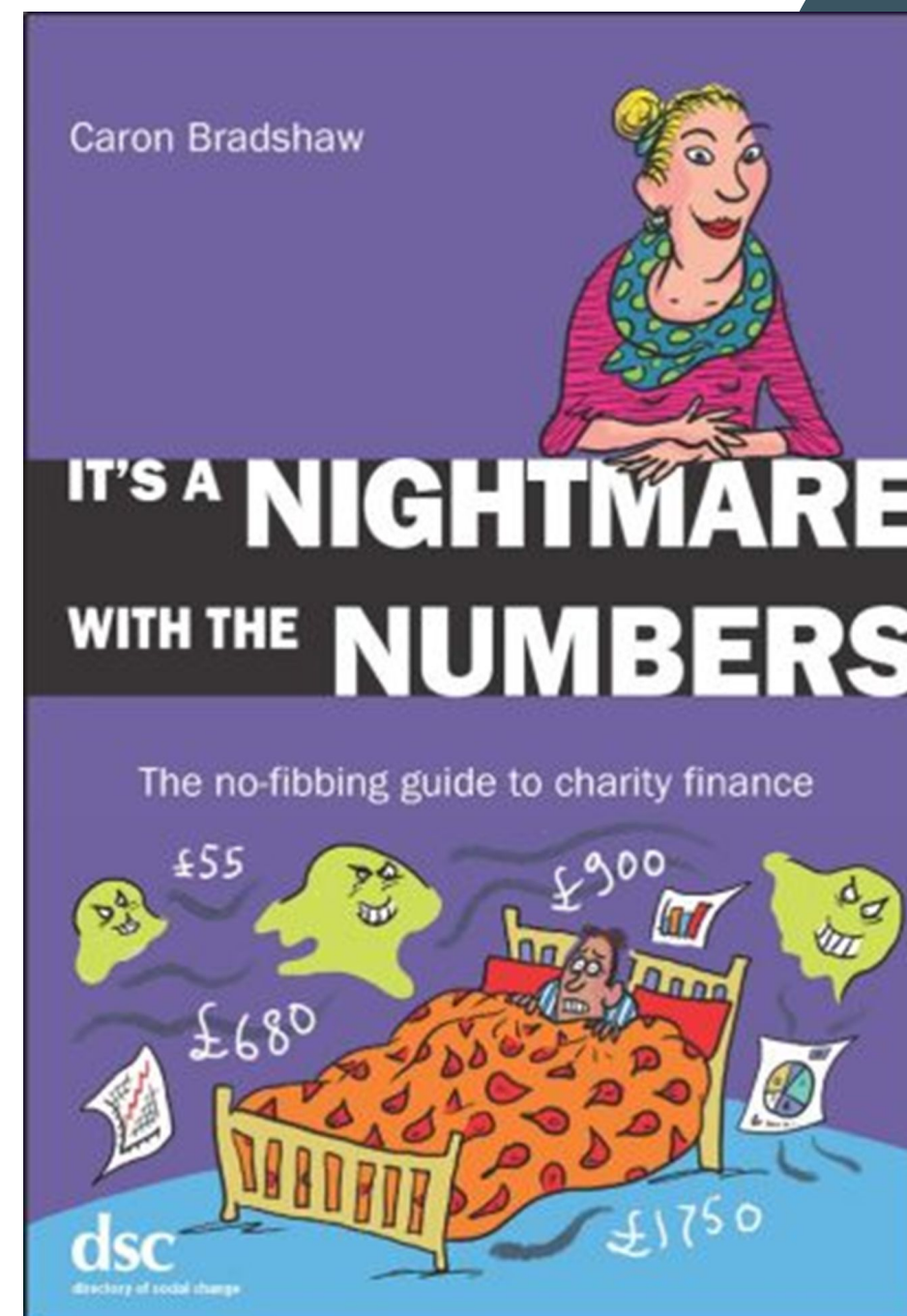
**Recognise different skills for different
roles**

**Model for understanding finance
resources**



Glossary of terms

www.dsc.org.uk/publication/its-a-nightmare-with-the-numbers/#





Different Skills/different roles

**Single finance role
covering
everything?**

Blend of roles?

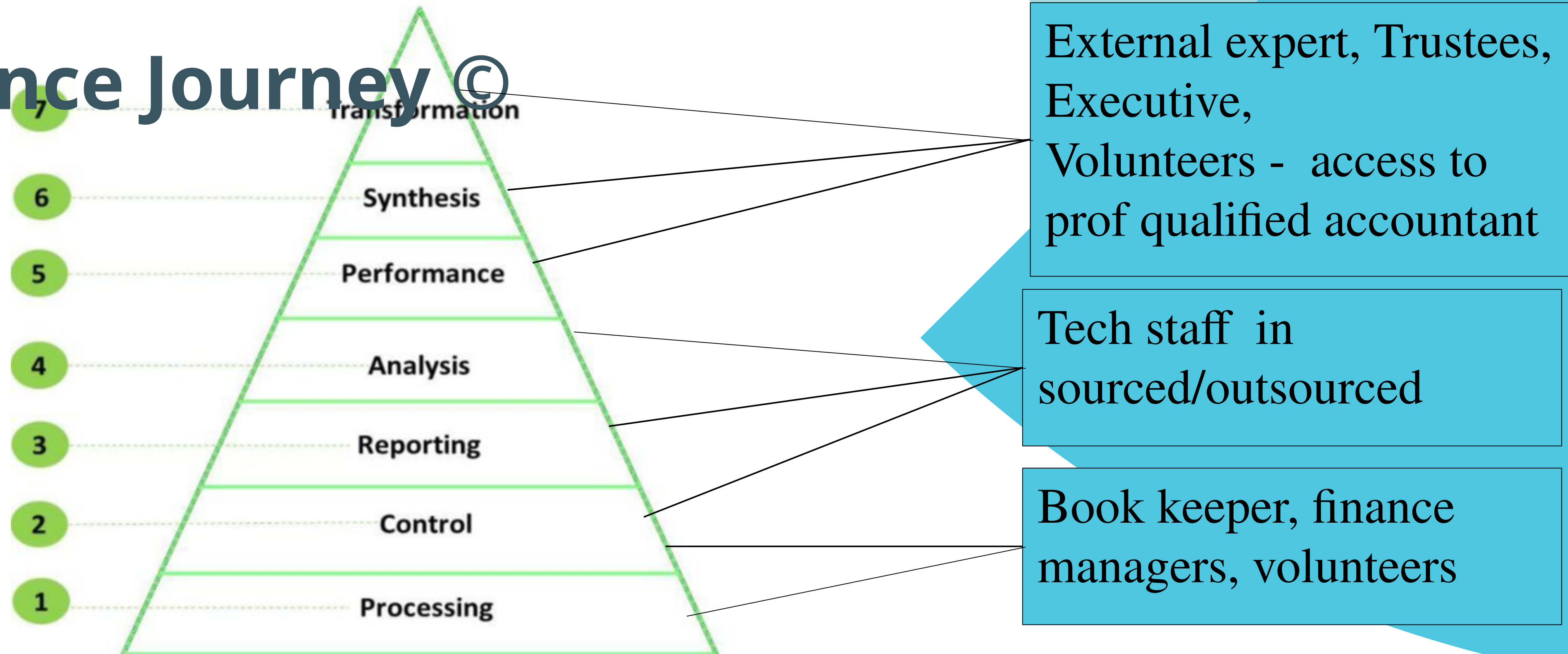
Inhouse and paid

Volunteers

Outsourcing



Model for understanding financial resources - The Finance Journey ©





So much more than keeping the score– main take aways:

Jargon is plentiful – don't be afraid to ask for explanations

Successful finance functions blend skills from a range of different individuals

Use the Finance Journey to assess what you need and ensure you've the right skills on your staff and board



The building blocks of financial Management

Principles of forecasting and budgeting

Financial management tools

Presenting data effectively



Budgeting Basics

The future is not predictable and certain; our best guess (budget) is only ever a guess

We should use budgets as a sat nav uses a road map (though there may be non-negotiables you have to deliver to eg covenants)

Always start with your 'why' – money is the means to an end not the end in itself.



Link between strategy and budget

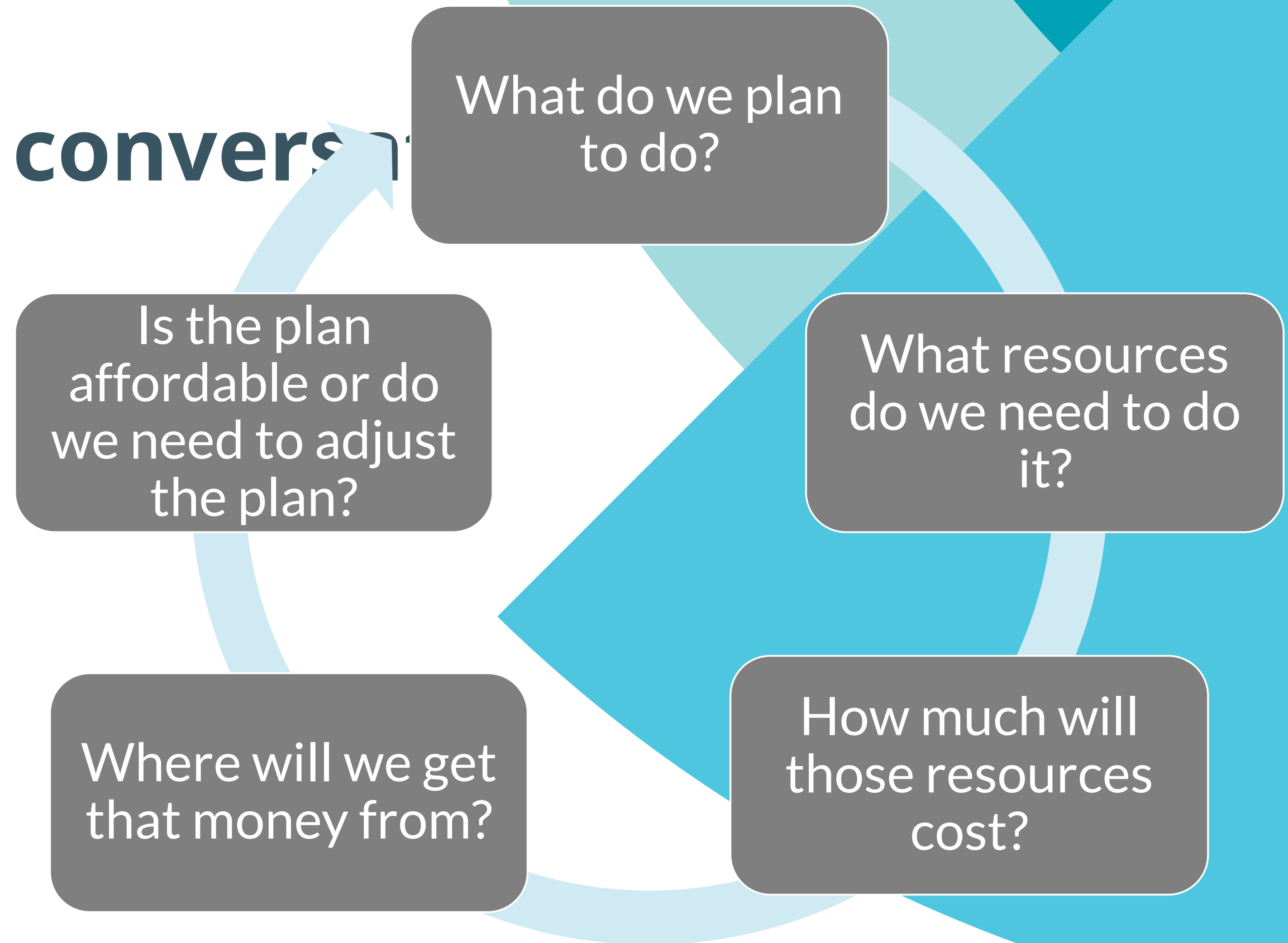
Strategic plan
setting out
what your
charity wants to
achieve

Operational
plan setting out
activities for the
year necessary
to deliver the
strategy

Budget setting
out specific
numbers
reflecting
activities



Starting a budget conversation





Putting together an effective budget

What resources?

Time, people, equipment etc

**Hidden costs?
Eg: VAT**

One off or ongoing costs?

Fixed or variable income?

Fixed or variable costs?



What can throw you off course?

**Economic
conditions**

**Things
cost more**

**Hidden
costs**

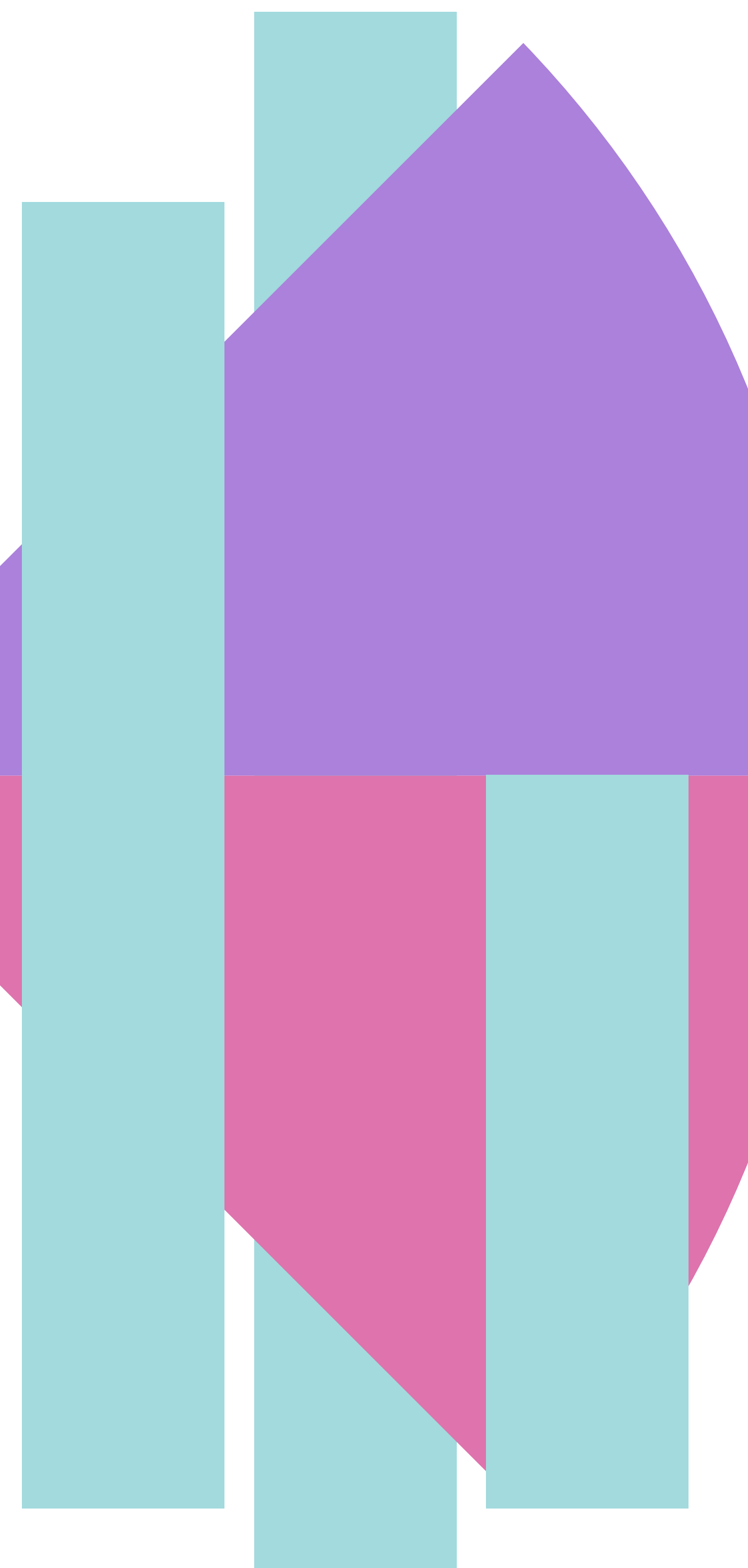
**Priorities
changing**

**Income is
worth less**

**VAT &
other
technical
matters**

**Reality
not
matching
theory**

**New
opportunities**





Management information must haves

**Financial reports
produced monthly**

**Best examples
mirror structure &
content of budget
Are reliable,
relevant & timely**

**Could be made up:

cash flow forecast,
draft balance
sheet, draft SOFA,
KPIs or just
'accounts'**

**Most
important
message – does
the
information
help you
manage???**



Forecasting foundations

Consistency:

Mirror structure & content of budget and other management information

Frequency:

Enough to be helpful and drive action

Accuracy:

Balance between optimism and realism



Cashflow crucials

**Detailed
information
plotting cash in
and cash out for a
defined period**

**Helps identify
pinch points:
Can income be
brought forward
or expenditure
delayed?**

**One area
where it's
better to be
pessimistic!**



Reporting to the board

What does the board need to be able to quickly form an accurate picture?

How can the board members be given the relevant history and context in

How can the information be made more accessible?



Building blocks of financial management– main take aways:

**Trustees -
Unpack jargon,
seek clarity, be
clear on what
you want,
when and why**

**Trustees – stay
at the strategic
level and avoid
the weeds**

**All – don't be
falsely
reassured or
preoccupied
with
performing to
budget**

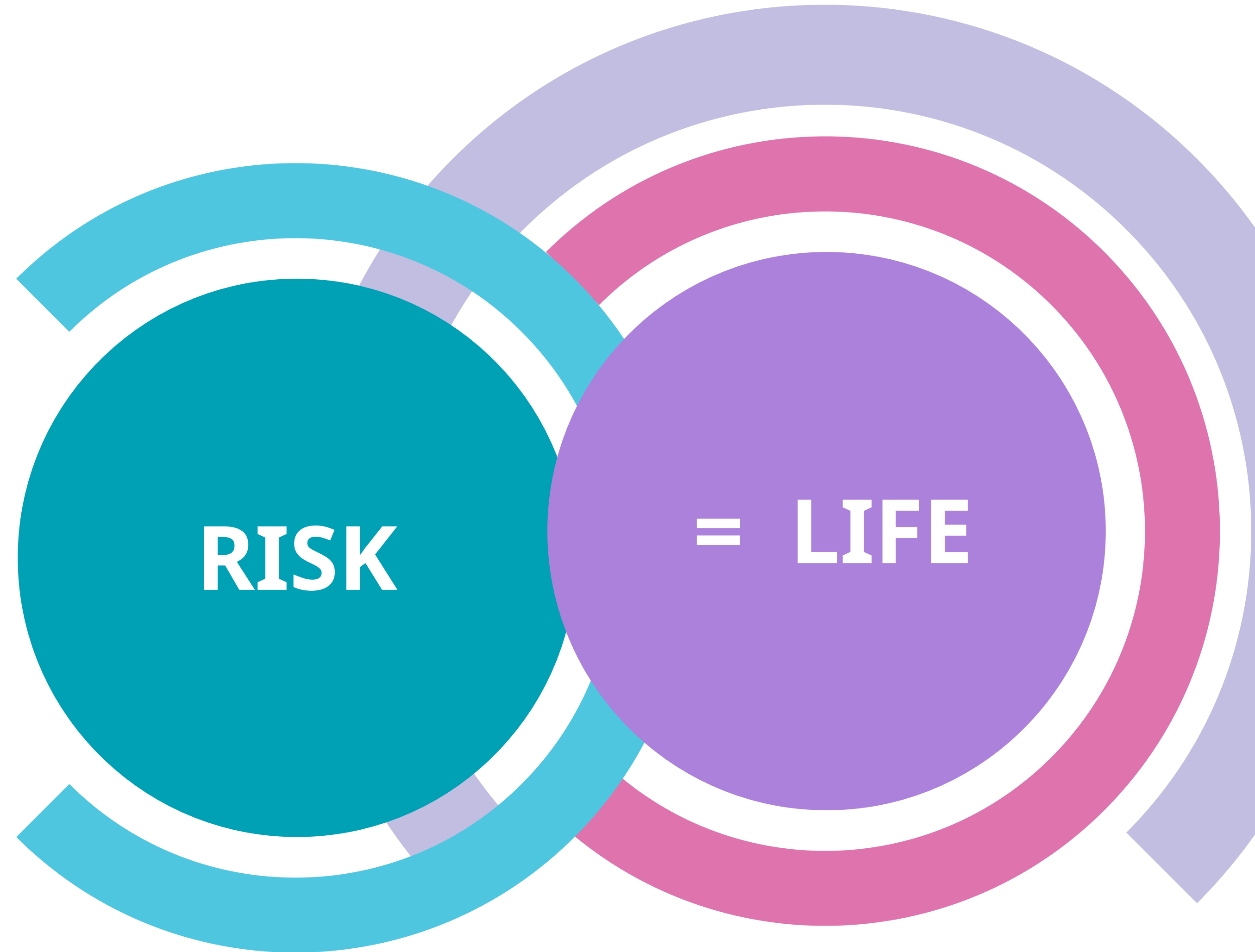


Risky business

Terminology and common risk management
tools
Compliance requirements for risk
management
Making risk management work in your
org

CC 26: Charities and Risk Management

Identifying and managing things that might or are likely to happen to a charity over its lifetime is a key part of effective governance – whatever your size or however simple or complex you might be.





Nature of risks

**Governanc
e**

**Operation
al matters**

Finances

**Law &
other
complianc
e matters**

**Things
specific to
your
charity**



Risk Management common tools





Risk appetite

Risk averse:

those matters for which your charity has zero tolerance

Moderate tolerance:

those matters where there is a chance that things will not go to plan but, on balance, the chance of success is greater than failure

High tolerance:

those matters where your charity is keen to innovate or take on a high risk of failure because the level of potential reward is also high.



New Approach to risk: Kaplan and Mikes' model

External

Be prepared (eg,
Natural disasters
World wide economy,
Pandemic)

What if?
Planning

Preventable

Minimise harm (eg, Fraud,
H&S, Safeguarding)

Control
Compliance
Follow protocols

Strategic

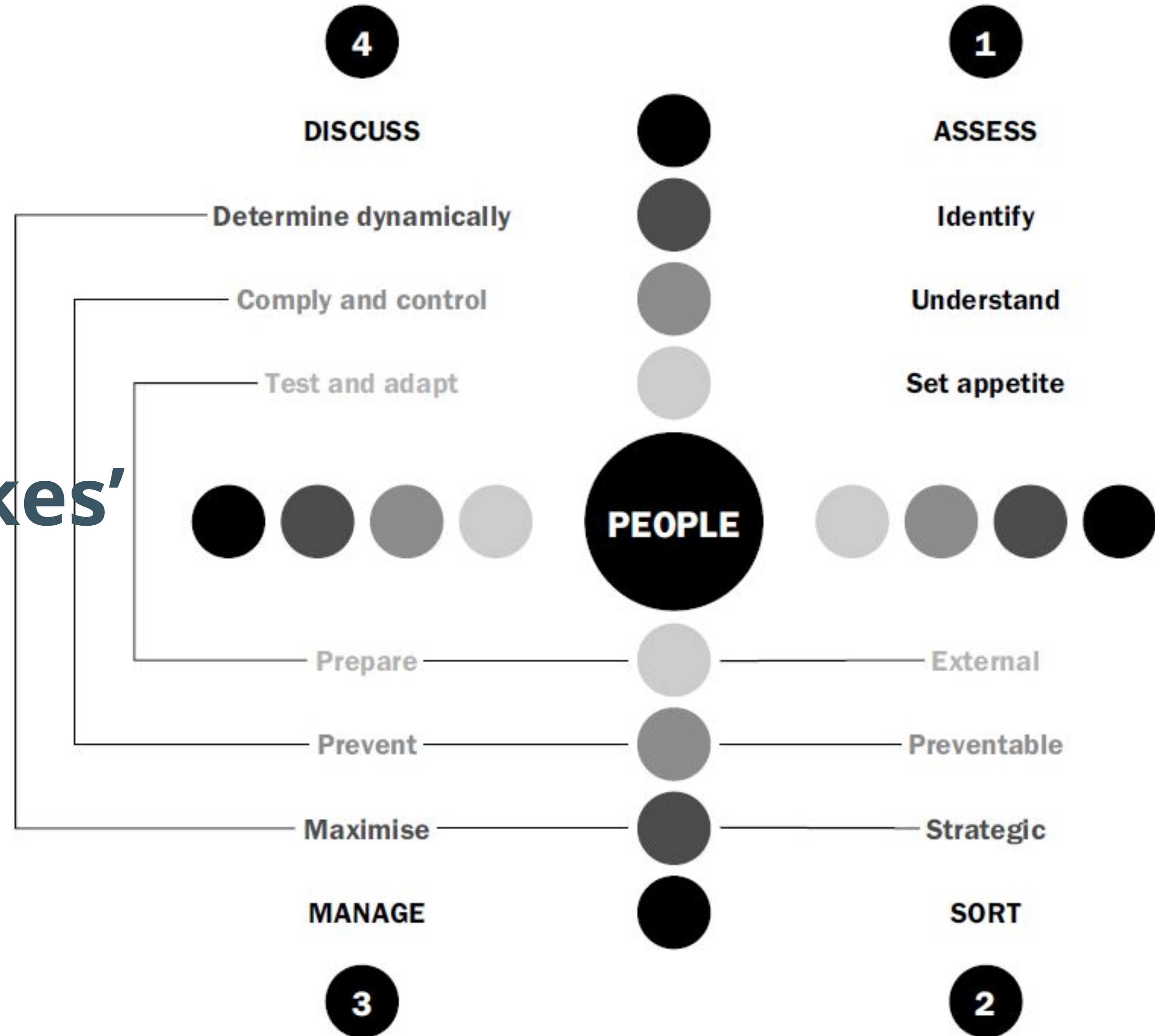
Maximise opportunity
(Income streams,
collaborations, New
services
Creativity)

Divergent thinking
Experiment

'Learning' culture

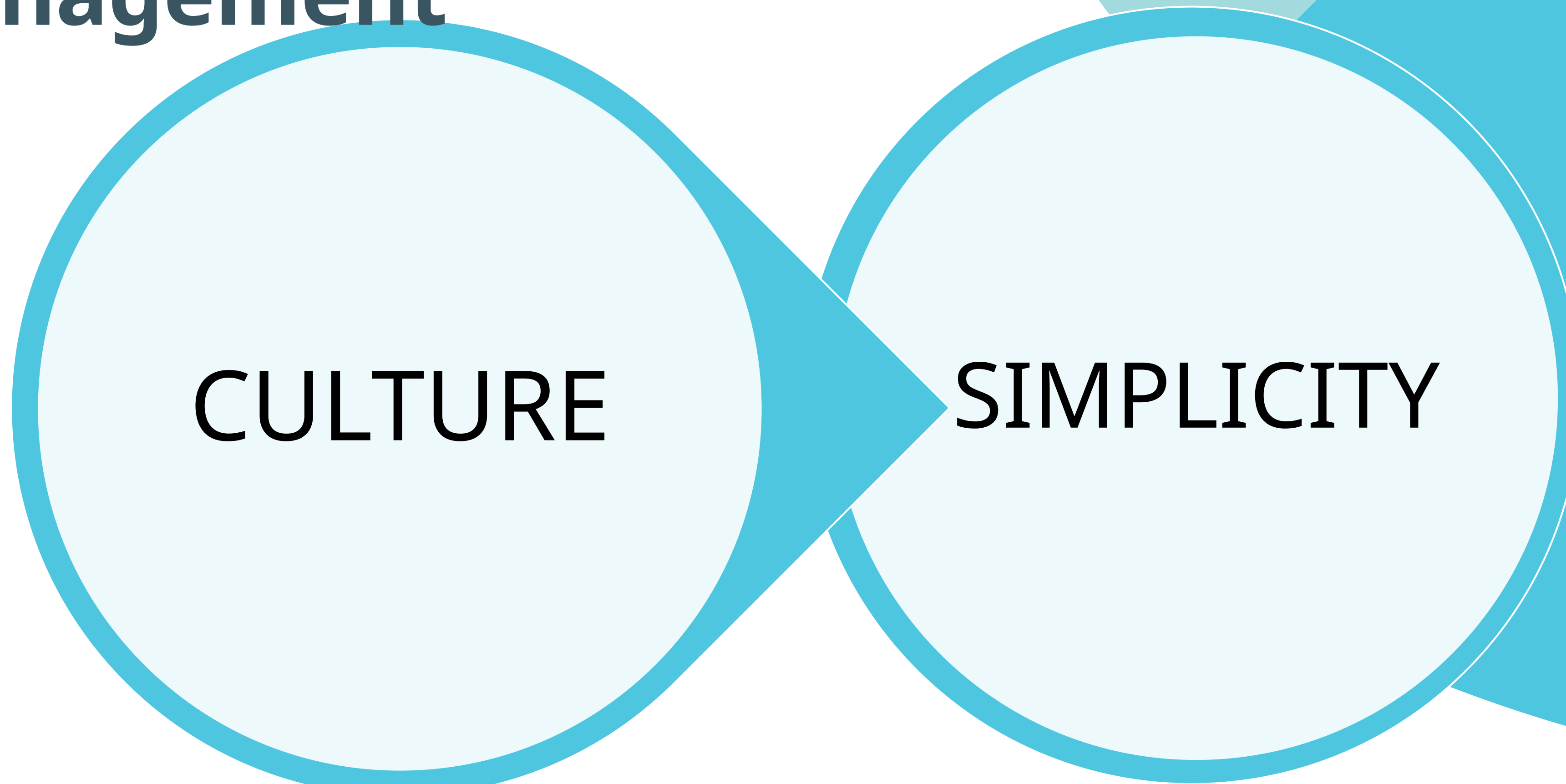


Developed from
and based
on Kaplan and Mikes'
model





Critical factors for successful risk management





Risky Business – main take aways:

**Have clear
jargon free risk
models that
drive change**

**Organisations
don't have risk
appetites -
people do**

**Embed risk
culture at all
levels**



Rainy day reserves

Legal position and best practice

How to calculate reserves

Issues to test your thinking on reserves



Six month myth





Putting together a policy

WHY ?

**the purpose for
which you
want to hold
reserves**

WHAT?

**the amount
you want to
hold**

HOW ?

**The
methodology
used to
calculate**



Rainy day reserves – main take aways:

**Be clear on
why you hold
reserves and
how they
relate to your
financial**

**Be ambitious
about what
your resources
can achieve –
focus on
beneficiaries**

**Be transparent
with your
policy and how
you are
performing
relative to it**



Thank you for your attention - hope you found the session helpful and enjoyable!

For more information and support www.cfg.org.uk

Some other links:

<https://www.cfg.org.uk/membership>

<https://worldpay.dsc.org.uk/publication/its-a-nightmare-with-the-numbers/>

<https://worldpay.dsc.org.uk/publication/investing-for-charities/>