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MHA MacIntyre Hudson
CHARTERED ACCOUNTANTS, TAX AND BUSINESS ADVISERS

Building stronger charities through improved financial management

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MHA MacIntyre Hudson

15 May 2014



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1. Introduction
2. What, when and who?
3. Financial Performance – budgets, actuals and forecasts
4. Cashflow – making sure you can pay the bills
5. Balance Sheet – keeping track of promises
6. Integrated reporting – key performance indicators



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1 .Introduction

What are the challenges?

- Donors need assurance that their gift is in safe hands.
- Funders need assurance that their contract terms have been met.
- Trustees and staff need assurance that resources are being fairly applied.
- Regulators and Auditors need assurance that legal framework is met.



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2. What, when and who

What to provide?

- Financial Performance – actual, budgets and forecasts
- Cashflow – making sure you can pay the bills
- Balance Sheet – keeping track of promises
- Integrated reporting – key performance indicators



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2. What, when and who

When should the information be provided?

- Annually, quarterly, monthly, weekly, daily

Who needs to know?

- Managers and staff, trustees and external stakeholders



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3. Financial Performance

1. Current and historic reporting, dovetail with SORP headings where possible.
 - Essential - actual for year to date (YTD), budget and variance.
 - Useful – latest month and YTD for previous year (for variance use £ and %, highlighting the top 5.)
2. Forecast for the year, annual budget and variance.
3. Detailed reporting
 - Reporting by activity, department or site
 - Reporting by expenditure type
 - Reporting by fund



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	Dec-12				Dec-11	Nine months to December 12				Dec-11	Forecast to March 13			
	Actual	Budget	Variance		Actual	Actual	Budget	Variance		Actual	Actual	Budget	Variance	
	£	£	£	%	£	£	£	£	%	£	£	£	£	%
Income														
Fundraising	35,236	30,000	5,236	17%	53,116	202,038	250,000	-47,962	-19%	245,283	212,038	300,000	-87,962	-29%
Legacies	14,583	10,000	4,583	46%	6,283	68,020	90,000	-21,980	-24%	66,028	292,315	120,000	172,315	144%
Contracts - North	58,050	60,000	-1,950	-3%	17,080	425,096	420,000	5,096	1%	126,052	525,326	540,000	-14,674	-3%
Contracts - South	16,253	12,500	3,753	30%	29,352	87,082	112,500	-25,418	-23%	286,174	108,500	125,000	-16,500	-13%
Total Income	124,122	112,500	11,622	10%	105,831	782,236	872,500	-90,264	-10%	723,537	1,138,179	1,085,000	53,179	5%
Expenditure														
Fundraising	8,150	7,500	650	9%	12,050	73,121	62,500	10,621	17%	53,116	84,035	75,000	9,035	12%
Legacies	2,500	1,000	1,500	150%	875	7,898	9,000	-1,102	-12%	8,947	8,629	12,000	-3,371	-28%
Contracts - North	50,051	51,000	-949	-2%	15,085	461,078	399,000	62,078	16%	196,025	575,496	459,000	116,496	25%
Contracts - South	15,550	20,000	-4,450	-22%	30,032	139,950	135,000	4,950	4%	331,058	160,308	165,000	-4,692	-3%
Head Office	12,050	7,500	4,550	61%	8,327	65,968	67,500	-1,532	-2%	62,052	82,684	90,000	-7,316	-8%
Total Expenditure	88,301	87,000	1,301	1%	66,369	748,015	673,000	75,015	11%	651,198	911,152	801,000	110,152	14%
Surplus/(Deficit)	35,821	25,500	10,321	40%	39,462	34,221	199,500	-165,279	-83%	72,339	227,027	284,000	-56,973	-20%



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	Dec-12				Dec-11	Nine months to December 12				Ytd 2011	Forecast to March 13			
	Actual	Budget	Variance		Actual	Actual	Budget	Variance		Actual	Actual	Budget	Variance	
	£000	£000	£000	%	£000	£000	£000	£000	%	£000	£000	£000	£000	%
Income														
Fundraising	35.2	30.0	5.2	17%	53.1	202.0	250.0	-48.0	-19%	245.3	212.0	300.0	-88.0	-29%
Legacies	14.6	10.0	4.6	46%	6.3	68.0	90.0	-22.0	-24%	66.0	292.3	120.0	172.3	144%
Contracts - North	58.1	60.0	-1.9	-3%	17.1	425.1	420.0	5.1	1%	126.1	525.3	540.0	-14.7	-3%
Contracts - South	16.3	12.5	3.8	30%	29.4	87.1	112.5	-25.4	-23%	286.2	108.5	125.0	-16.5	-13%
Total Income	124.2	112.5	11.7	10%	105.9	782.2	872.5	-90.3	-10%	723.6	1,138.1	1,085.0	53.1	5%
Expenditure														
Fundraising	8.2	7.5	0.7	9%	12.1	73.1	62.5	10.6	17%	53.1	84.0	75.0	9.0	12%
Legacies	2.5	1.0	1.5	150%	0.9	7.9	9.0	-1.1	-12%	8.9	8.6	12.0	-3.4	-28%
Contracts - North	50.1	51.0	-0.9	-2%	15.1	461.1	399.0	62.1	16%	196.0	575.5	459.0	116.5	25%
Contracts - South	15.6	20.0	-4.4	-22%	30.0	140.0	135.0	5.0	4%	331.1	160.3	165.0	-4.7	-3%
Head Office	12.1	7.5	4.6	61%	8.3	66.0	67.5	-1.5	-2%	62.1	82.7	90.0	-7.3	-8%
Total Expenditure	88.5	87.0	1.5	2%	66.4	748.1	673.0	75.1	11%	651.2	911.1	801.0	110.1	14%
Surplus/(Deficit)	35.7	25.5	10.2	40%	39.5	34.1	199.5	-165.4	-83%	72.4	227.0	284.0	-57.0	-20%

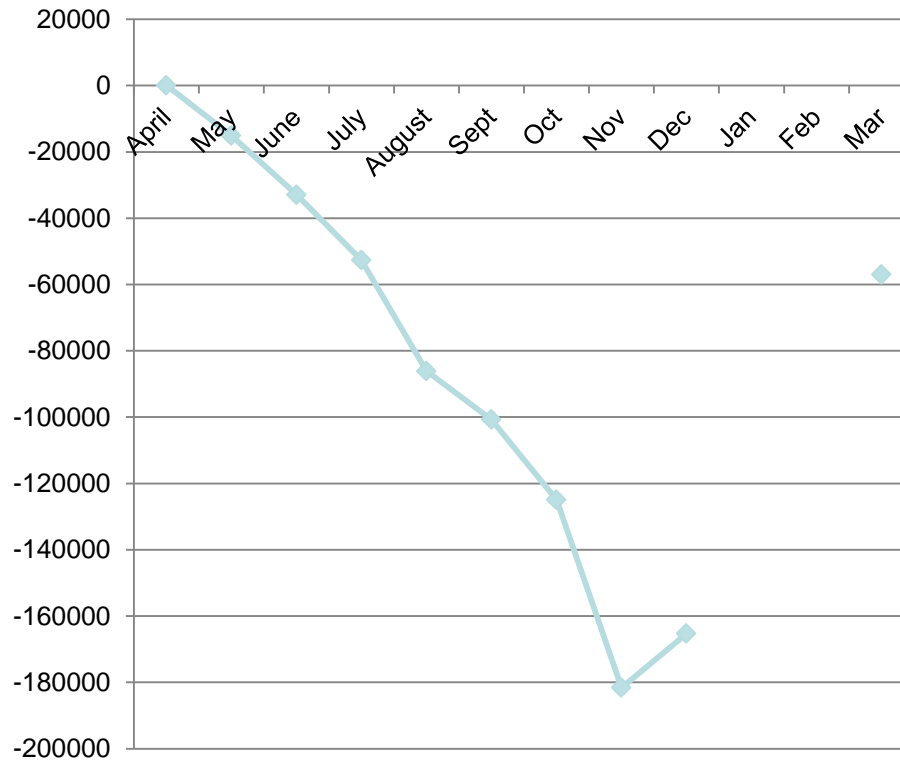


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Variance from budget 2012/13



Forecast



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4. Cashflow

Decisions about cash are at the heart of financial management and information will need to be **readily available** and **frequently reviewed**.

A Cashflow report:

- makes sure that there is cash available to pay bills when they become due (guarding against insolvency).
- is used for treasury management – borrowing and investment
- usually weekly or daily.



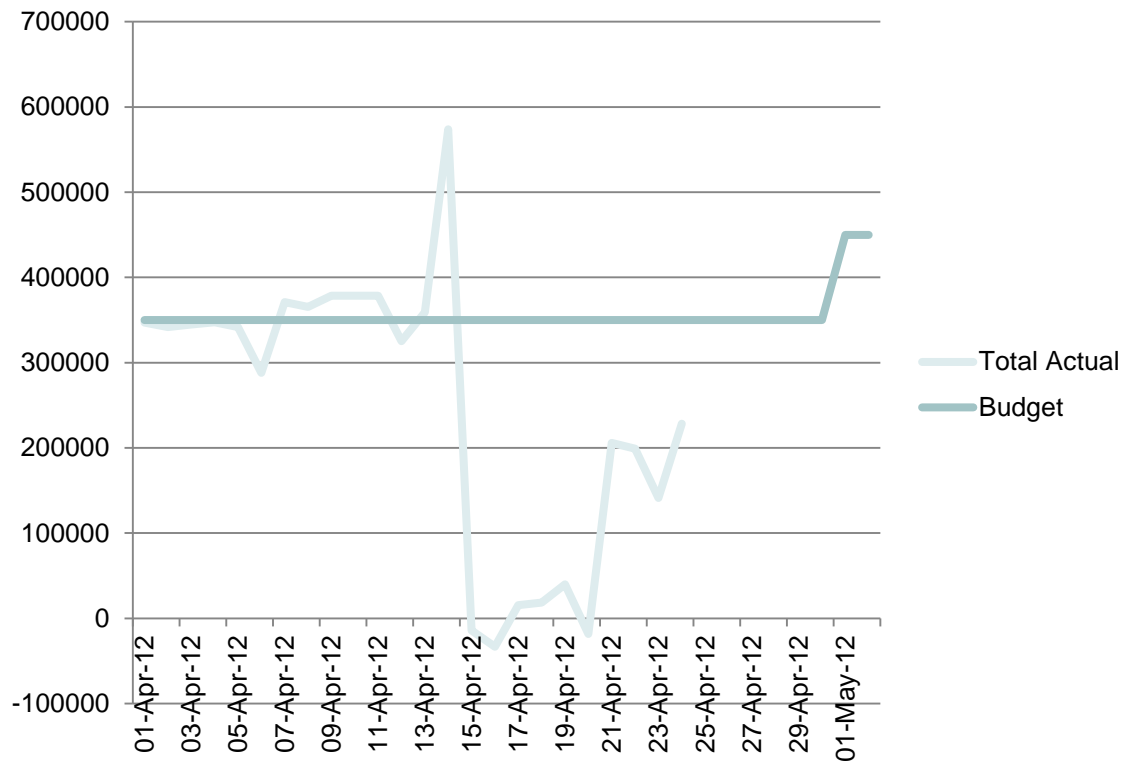
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Total Cash 2012-13





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5. Balance Sheet

The balance sheet lists all assets and liabilities. At the year end the audit process means that it is complete and correct but during the year some entries, such as depreciation, may not be made.

- Identifies main assets and liabilities e.g debtors, stock and creditors
- Balances can be compared over time and active management encouraged
- Helps to reconcile income and expenditure and ensure completeness



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		As at 31.12.12		As at 31.3.12	
Fixed Assets	Freehold Buildings	275,000		275,000	
	Computer Equipment	15,000		10,500	
	Furniture	9,157	299,157	12,568	298,068
Current Assets	Stock	3,569		3,569	
	Trade Debtors	158,479		189,263	
	Accruals & Prepayment	35,000		69,750	
	Cash and Bank	245,986	443,034	210,613	473,195
Current Liabilities	Trade Creditors	176,892		138,047	
	Deferred income	16,582		78,349	
	Other creditors	27,826	221,300	58,197	274,593
Net Current Assets			221,734		198,602
Long term liabilities	Mortgage		125,000		135,000
Net Assets			<u>395,891</u>		<u>361,670</u>
Funds					
Restricted			59,728		38,197
Unrestricted			336,163		323,473
Total Funds			<u>395,891</u>		<u>361,670</u>



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5. Key Performance Indicators

- Choose a small number (less than 10) that have a connection with the financial reports – e.g number of donors, paying entrants or staff full time equivalents.
- The numbers should give the reader a better understanding of the accounts.
- It is better to have two or three indicators that are well used and understood, than a larger number that can become unwieldy



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5. Example Key Performance Indicators

Fund raising:

1. Number of regular donors – 580, **37 less than planned**
2. Average value of monthly donation - £15.87, **£5.87 better than planned**

Contracts:

3. Planned outcomes North – 287, **13 less than planned**
4. Planned outcomes South – 5,003, **897 less than planned**

Staff:

5. Year to date sickness – 7.5%, **2.5% better than sector average**



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6. Financial Risk

Integrate the financial risks within the Accounts pack.

- Guards against silo thinking
- Is far more likely to prompt action
- Ensures that risk ratings are linked to financial forecasts



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7. Conclusion

Good management accounts achieve a balance between a number of attributes:

- Accuracy and timeliness – quicker accounts mean compromises over accuracy and potentially more time in preparation and more rigidity over methodology.
- The cost of preparation and the value of good financial decisions taken on the basis of the information provided – every organisation has its own style and approach to risk
- Good management accounts help decision makers to be confident that they have understood issues and can respond appropriately.



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