

# Finance Board Packs

Naziar Hashemi, Head of Social Purpose and Non Profits

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# Trustees' legal responsibility

- Legal duty to manage charity's resources responsibly.
- Must protect the charity's assets, including its money and property.
- Must make informed decisions about the charity's financial position.

Therefore, must maintain suitable internal financial controls which will help the charity:

- identify and manage risks with its finances and assets
- keep good quality accounting records
- prepare timely and relevant financial information
- make sure its financial reporting complies with the relevant legal requirements.

# Understand your charity's financial information



All trustees should have access to clear, accurate and up-to-date financial information, for example:

- the latest management accounts. These usually report performance against budget and may include estimates for future periods
- the reasons for any differences between your financial forecasts and the charity's current financial position
- details of cash flow and closing bank balances.

Your charity's financial position and performance should be:

- a standing agenda item at trustee meetings
- sent to each trustee before the meeting.



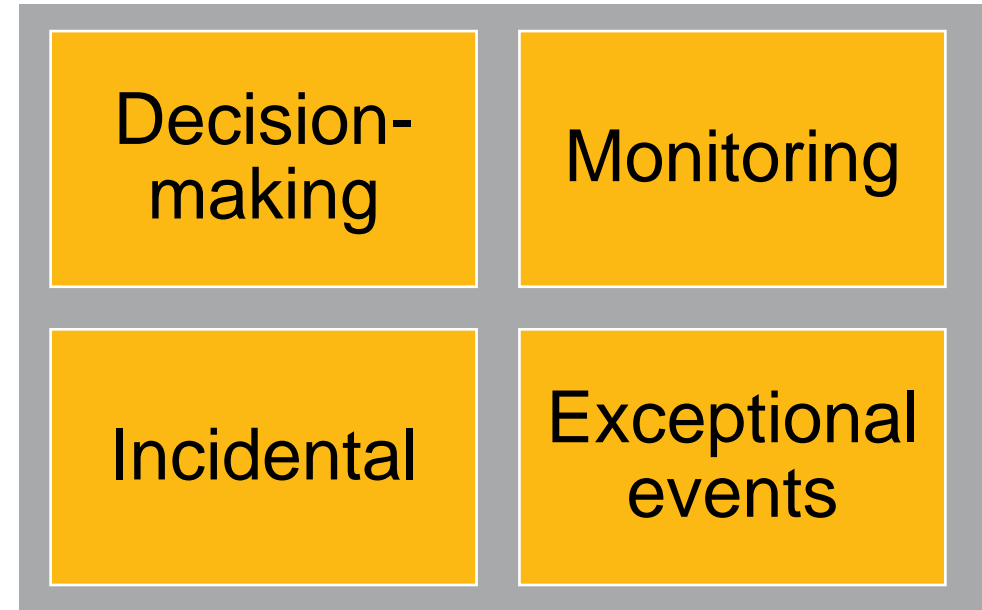
# The basics for the Board pack

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- Focus on information, including financials and risks, which enables the Board to make key strategic decisions.
- Be well presented and provide insights.
- Contain information which allows the Board to stay up to date on plans and a forward look.
- Be provided in time for the Board to read and digest before meetings.
- Be easy to understand and relate to key KPIs.

# Too much information

- Why do we need it?
- How is it going to be used?
- How do we get it?
- How reliable is it?
- Who is it for?



**Less data – more knowledge.**



# Management accounts

## Audience

- Anyone involved in the charity who needs to use information in order to inform their decision making.

## Content

- There is no such thing as a ‘typical’ set of management accounts – form and content are flexible and can be designed to meet the needs of the user.

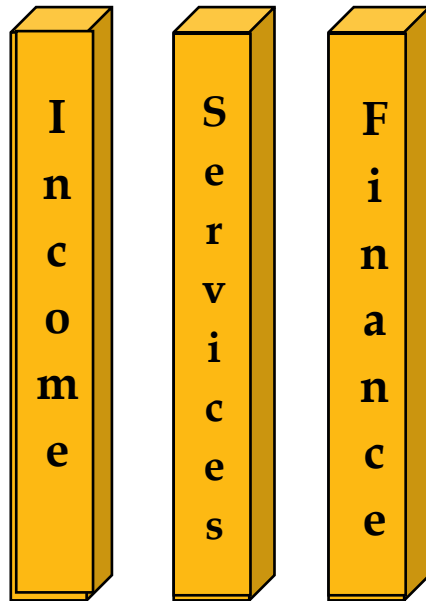
**Better to talk about management information**



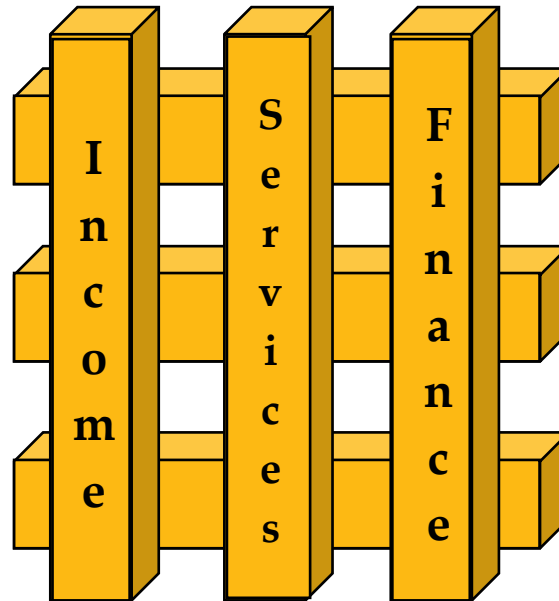
# What does a typical set of management accounts look like?

Management Accounts for XXXX Museum to 30th June 2016									Financial year end date
Period No	4								30-Jun-16
	Current Period			Year to Date			Annual		Notes on Variances
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Projection	
<b>Income</b>									
DCMS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Arts Council England	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
HLF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other Lottery Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Local Authority Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Earned Income - e.g Generated Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other Public Subsidy - e.g Local Authority	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Contributed income - e.g Sponsorship, donations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total Income</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	
<b>Expenditure</b>									
<b>Staff Costs</b>									
Salaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Social Security Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Pension Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Temporary Staff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total Salaries</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Project Expenditure</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Overheads</b>									
Rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Rates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Heat/Light/Water	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Insurances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Telephone & Fax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Cleaning	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Print/Post/Stationery	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Advertising & Promotion	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Consultants Fees & Subscriptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Legal & Professional	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Audit & Accountancy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
General office expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Office Equipment Purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total Overheads</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Total Expenditure</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	
<b>Operating Surplus/(Deficit)</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	

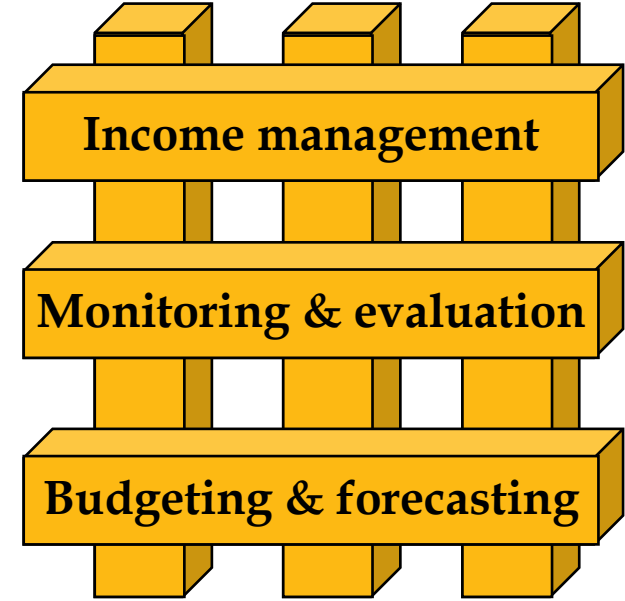
# Break down silos



Silo mentality to functions rather than process



Horizontal linkages in process acknowledged but silos dominate



Consider end to end process



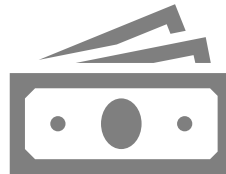
## Performance measure

A quantification of how well activities within a process or the outputs of a process achieve a specified goal

What do we want to measure?  
How do we want to measure it?  
What will we use the measure for?



**Quality-based measures**  
examine how well products or services meet needs.



**Cost-based measures**  
address the financial side of performance.



**Time-based measures**  
focus on speed and responsiveness.

# Performance measures (1)

**Resource measures** – basis for measuring efficiency.

- Number of teachers or rooms hired.
- £ cost.
- Cost per hour of training provided.
- Quality measures should be tracked.

**Workload measures** – can be used for tracking resource requirements.

- Total number of calls.
- Those left unanswered.
- Waiting time for callers.

**Output measures** – measure volume of programme activity.

- Number of training programmes.
- Number of hours of volunteers.
- Number of calls answered.

**Productivity** – output / input.

- Usually measure rate of production per specific unit e.g. staff and should reference unit of time.
- Number of students counselled per counsellor – per day.

**Efficiency measures** - ratio of outputs to the £ cost of all the resources used in producing them.

- Cost per seminar provided.
- Cost of training programmes.
- Cost per person in residential care.

**Service quality measures** – quality measures.

- Hard or soft measures.
- Objective quantitative data.
- Includes compliance measures e.g H&S, safeguarding, serious incidents.

# Performance measures (2)

## Effectiveness measures

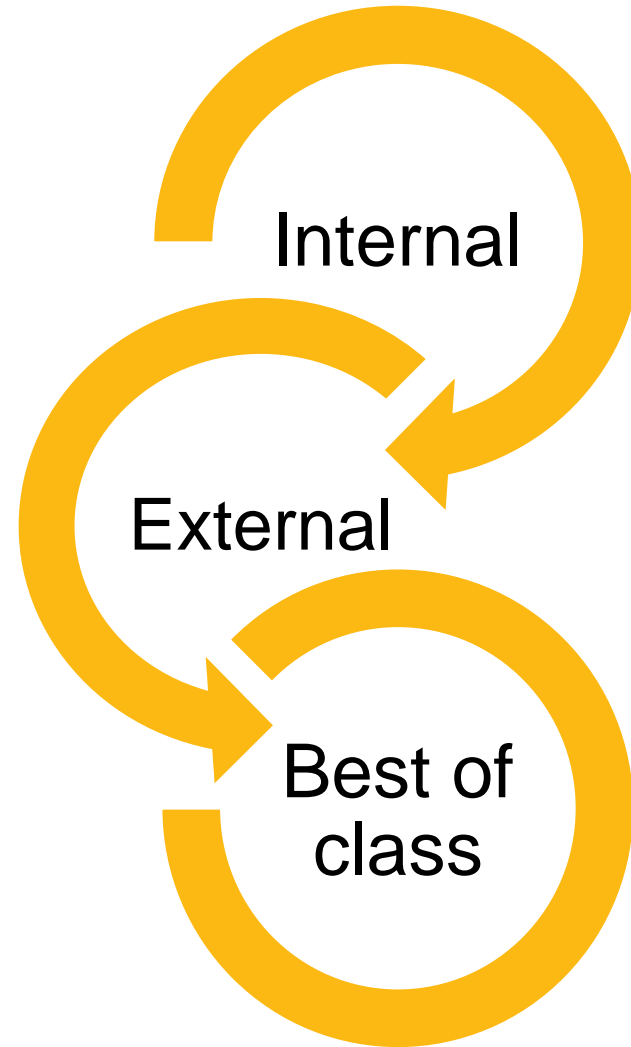
- Most important measure as it represents the degree to which a programme has achieved its intended outcome.
- Number of young people who are in employment six months after the initial placement.
- Increase in the number of young people in permanent employment after one year.

## Cost effectiveness measures – measures relating cost to outcome.

- Cost per young person placed in employment/work experience.
- Cost per young person in employment in six months.
- Cost per drug death avoided (difficult to measure).

## ‘Customer’ satisfaction measures – related to service quality and effectiveness measure but different.

- Provide a complementary perspective.
- Focus on real programme effectiveness.
- Client evaluation forms.
- Complaints/feedback forms.



## Don't underrate internal benchmarking

*The process of comparing internal results with standard measurements.*

- One period to another.
- One operation to another (e.g. care homes, schools, programmes, campaigns).
- ROI.
- IT costs as a % of x.
- Acq'n cost of a new donor.
- Advocacy or fundraising.
- Call centre response times.

### Key Performance Indicators



# External benchmarking

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*Comparing your organisation's results against others in your own sector or industry.*

- Need to identify similar organisations.
- Need to understand differences.
- Can be formal or informal.
- Can lead to new thinking and new way of doing things.
- Many sources of information.



# Rolling forecasts

1

Decide which metrics are being tracked.

2

Determine forecasting period; 6, 12, 18 months.

3

Use real time data for the new forecasts.

4

Bring in different perspectives – share the forecasts.

5

Analyse and adjust.

# What are the key questions?

**Think about what information you need to make decisions?  
Are you getting the right information at the right time?**

Some examples:

- Where are there shortfalls on programmes and so where is the funding need greatest?
- What programmes are over funded or are we struggling to spend existing funds?
- What data do I need around third-party fundraisers so I can be satisfied they are performing in line with expectations?
- How much money can we afford to commit to a particular programme or project?
- Should we authorise an investment in a new fundraising initiative?
- How reliable are the forecasts for donations for the next three years and what are these based on?
- Have we allocated enough resources to be able to deliver on our priorities?
- What is the burn rate on our restricted funds and what is the impact on indirect cost recovery?
- How financially sustainable are the local councils we receive funding from?
- Do we have any non-statutory services at risk of funding cuts?

# What else?



- Must understand the reserves policy and the reserves position
- Must understand the impact of financial decisions on different types of reserves
- Must understand liquidity v reserves
- Must understand funds held by branches and subsidiaries
- Must understand the key risks, risk appetite and risk velocity

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Total unrestricted funds	60,394	69,059	83,801	95,119	98,598
Less unrestricted tangible fixed assets	84,342	87,796	91,045	107,733	109,178
	-23,948	-18,737	-7,244	-12,614	-10,580
Represented by:					
Net Current assets/liabilities	-15,514	-10,305	1,440	2,113	8,080
Long term liabilities	-8,401	-6,484	-8,281	-7,464	-7,865
Pension liabilities	-33	-1,948	-403	-7,586	-10,795
Transfers				323	
	-23,948	-18,737	-7,244	-12,614	-10,580
Total income	158,451	153,812	151,631	162,022	175,895
Net deficit	-7,933	-11,268	-15,864	-4,405	-4,987

**Do you  
understand  
the financial  
model?  
Have you  
considered  
underlying  
risks?**



# Thank You



**Naziar Hashemi**

**Head of Social Purpose & Non Profit  
Organisations**

**[Naziar.hashemi@crowe.co.uk](mailto:Naziar.hashemi@crowe.co.uk)**