Management Information, Budgets and Forecasting

What does Actual vs Budget really mean?
Reforecasts – how to do them, and how often
Fast close – how to do this better

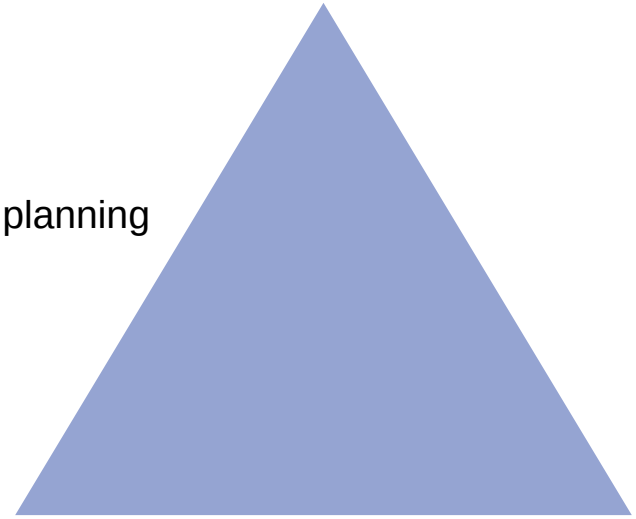
MOORE Kingston Smith
Fundraising & Management

MKS FUNDRAISING AND MANGEMENT TEAM

Impact

Impact Management
- Predictive impact modelling
- Strategic decision making
- Stakeholder engagement

Good Financial Management
- Business model development
- Finance and funding reviews
- Building finance models and scenario planning
- Costing and cost recovery

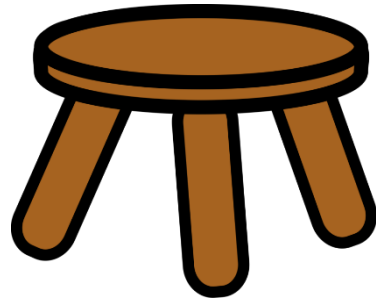


Finance **Fundraising**

Strategic Fundraising Advice
- Funding reviews
- Strategic fundraising support
- Strategy and case for support reviews

FINANCIAL MANAGEMENT INFORMATION

WHAT DOES GOOD FINANCIAL MANAGEMENT INFORMATION LOOK LIKE



- Is relevant
- Is accurate enough
- Provides **explanation** as well as data
- Is **forward-looking**
- Includes **cash flows** not just cash balances
- Is easy to read and understand
- Arrives on a **timely** basis

Thanks to John Tranter ©

- The biggest indicator of financial stress is that management information is not produced

DECISION MAKING

DECISION MAKING

What are you using financial management information to make decisions on?

- 90% of people when asked say decision making but can’t explain what decisions they are using it for

THE COMPONENTS OF FINANCIAL MANAGEMENT INFORMATION

Management Information should look to include the following:

- Income and Expenditure (not SoFA)
- Balance Sheet
- Reserves (Restricted vs Unrestricted)
- Cashflow

The drivers of financial management information

Poll: How often do you prepare Management Information?

Full pack every quarter (with reforecast)

Flash figures every month (income and expenditure)

Cashflow when you need it

ACTUAL VS BUDGET

Actual	Budget	Variance	% Variance	Reforecast
£35,000	£50,000	£15,000	30%	£42,500

Q: Is this good or bad?

The corner stone of good financial management information

BUT… more is needed

THE COMPONENTS OF FINANCIAL MANAGEMENT INFORMATION

	YTD Actual	YTD Budget	YTD Variance	Annual Budget	Annual Forecast	Annual Variance
Results	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Fundraising	50	75	(25)	150	180	30
Contract Income	600	445	155	890	800	(90)
Grant Income	70	68	2	135	140	5
	720	588	132	1,175	1,120	(55)
Expenditure						
Information & Advice	85	63	(22)	125	147	(22)
Services Expenditure	520	500	(20)	1,000	1,040	(40)
Overheads	105	93	(13)	185	210	(25)
	710	656	(55)	1,310	1,397	(87)
Net Surplus / (Deficit)	**10**	**(68)**	**78**	**(135)**	**(277)**	**(142)**

CONTROL

Simple Income and Expenditure Model

	Service 1	Service 2	Service 3	Membership	Workshops Conferences & Training	Other Income / Costs	Total
Income	100,000	97,167	33,333	23,995	75,616	2,136	332,247
Expenditure							
Staff: Direct	42,154	49,095	12,466	0	29,945	0	133,660
Non-Staff: Direct	12,542	1,654	0	0	38,439	1,150	53,785
Staff: Indirect & Direct Support costs	26,080	21,580	5,301	5,474	20,759	43,635	122,829
Non-Staff: Indirect & Direct Support costs	6,286	5,371	1,535	1,659	4,624	8,317	27,793
Contribution	12,938	19,468	14,031	16,862	(18,152)	(50,966)	(5,819)
Net Margin	13%	20%	42%	70%	-24%	NA	-2%
Allocation of Overheads	15,872	14,165	3,519	1,300	17,095	(51,952)	0
Surplus / (Deficit)	(2,934)	5,302	10,512	15,561	(35,247)	986	(5,819)

Q: Is this fair on budget holders?

NARRATIVE

The narrative is to give some context to your data. It looks to answer the **“So what?”** to the figures…

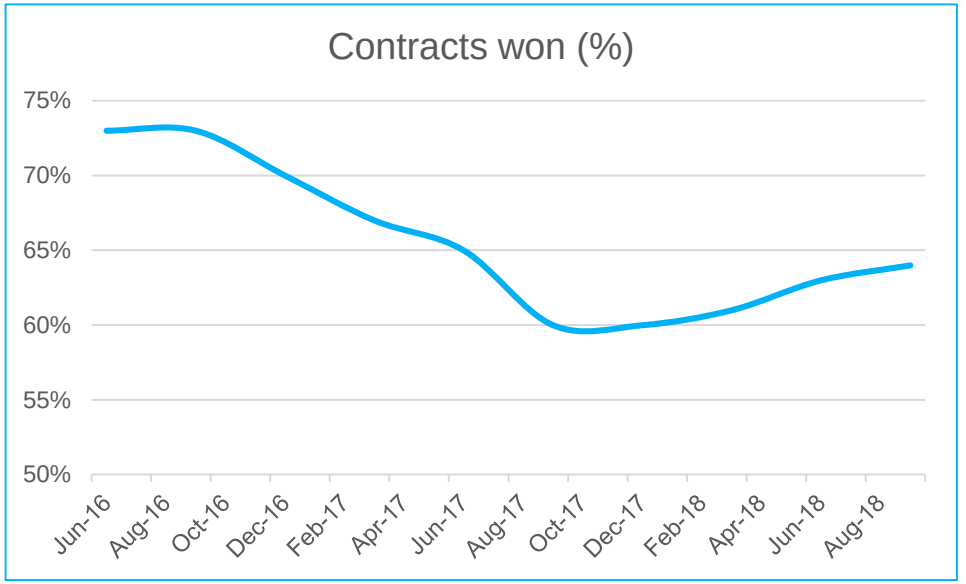
- Income is up, so what?
- Our reserves have fallen, so what?
- Expenses have decreased, so what?

This should involve the people who are accountable for budgets. Finance can’t do this alone!!

THE ‘FINANCIAL DRIVERS’ OF YOUR ORGANISATION – ARE YOU MEASURING WHAT MATTERS?

What really drives your organisation?

- What is your Pipeline of Grants and Contracts?
- Number of service users / Number of cats homed

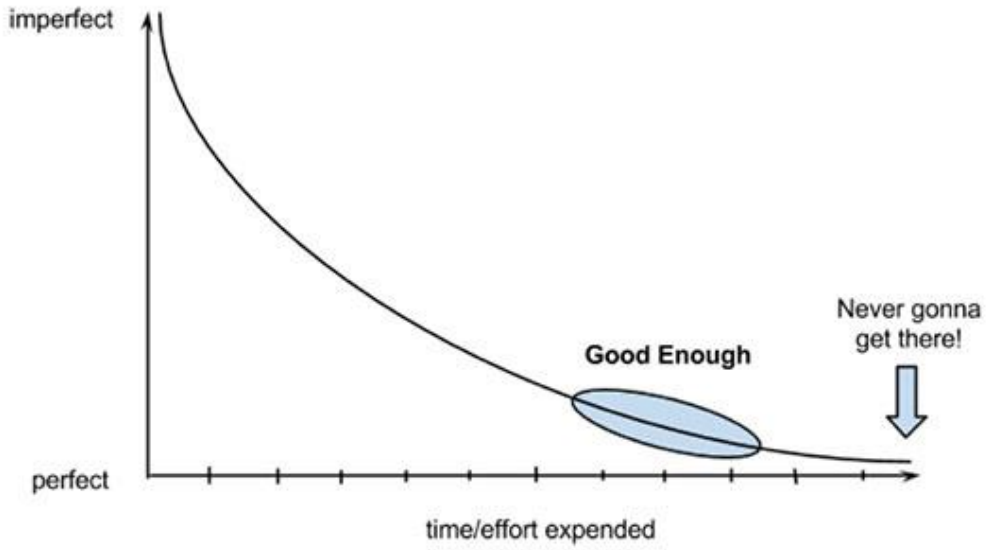


- Overhead Recovery %
- Activities or Cost Centres?

Any tips?

Fast Close

- Don’t try to get MI 100% accurate at month-end.
- Is it good enough for our decision making process?
- Are your reporting tools good enough?

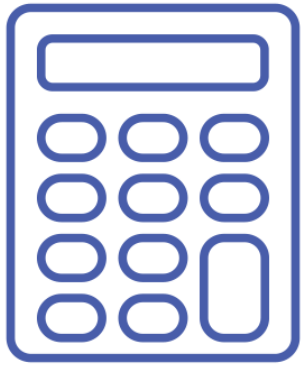


Poll: How long does it take you to prepare your management information after period-end?

BUDGETS AND BUDGET MONITORING

Budgets should be:

- Realistic / achievable
- Motivating
- Set by programme/service leads with input from finance
- Monitored and updated periodically
- Make it clear what is included in them!!



Who sets your budgets?

Who monitors your budgets?

What about variances – are budget holders held to account?

TEETH

Who holds your budget holders to account:

- Finance?
- CEO?
- No-one?

Who has the teeth?

Does Finance (or anyone else) have the teeth needed to hold budget holders to account for variances?

MANAGEMENT INFORMATION

- Actual vs Budget – the building blocks of financial management information
- Narrative and Context
- Reforecasts – critical
- Drivers – are you measuring what matters?
- Fast Close – getting management information materially correct
- Having Teeth

Any questions?

USEFUL RESOURCES

Lots coming up … Stay Connected!

Online Courses

10 September 4pm – Impact and Finance

24 September 4pm – Fundraising

Useful resources on our MKSFM website

- Full Cost Recovery webinar and thought-piece
- How and Why Impact Measurement is crucial for your organisation
- MKSFM Impact Measurement Toolkit
- Fundraising through a Crisis
- Cultural Sector Fundraising during the Pandemic
- Effective grant applications in Covid-19
- How can your charity be the best that it can be?

Ongoing services: bid-writing, cost recovery, impact measurement, stakeholder engagement, fundraising

Get in touch on charityfinance@mks.co.uk to arrange a 30-minute surgery about your finance queries or challenges

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