

Financial Reports

Whatever system you have for keeping your accounts, one of the most important aspects is the information that goes to the Committee. All the Committee Members are responsible for controlling the money and making the decisions on the activities of your group. If you do not receive good information, you cannot do your job properly as a Committee. There is no single rule for financial reports to the Committee, as each group will have its own needs. Some may have a Finance Sub-committee, which will have the time to look at more detail than the full Committee. It is up to the Committee to decide the information that it requires.

What is the purpose of the report?

Reports help us to look backwards so that those people who actually manage the money can account for their actions. However, the main reason for receiving the reports has to be that the Committee needs to look forwards to see if it needs to take any action. A report may also be required for Funders. If possible, the report should be designed in a way that meets all your needs in one go. You do not want to have to spend time producing different reports for different purposes.

A written report is best.

The members of the Committee should receive a written financial report a few days in advance of the meeting. This will enable them to consider the report and will save time at the meeting itself. The Treasurer and/or senior staff member would normally prepare the report. Sometimes, the Treasurer may simply give a brief verbal assurance that all is well. This is not sufficient and should not be accepted by the other Members of the Committee. It can lead to rumours that something funny is going on, even if there isn't. More seriously, there is no way that the Committee can properly control the finances and make informed decisions.

What level of detail is required?

Any Committee member will know that financial reports, which are too detailed, are almost as bad as those with too little information. For example, figures should be rounded up to the nearest £. The more digits there are on the page, the less clear the report, and, at the level of the Committee, pennies are not 'material'. The financial report should answer questions not raise them. There should always be written comments to explain the importance of the numbers.

One major issue to decide is the basis on which the report is presented. For most groups, a simple report prepared on a Receipts and Payments (or Cash) basis is fine. Others may wish to have a more complex Accruals based report (this involves adjusting the numbers for things like liabilities and debtors, making provisions etc.). For most groups a simple record of what's come in and what's gone out is sufficient.

Another issue is to consider whether to include all your headings or categories, or whether to group some of them together. For example, you could report separately for salaries, pension and Inland Revenue payments, or you could group them together under staff costs.

Reports for different parts of the organisation

Many groups will need to produce reports, which show the results for a particular section of their organisation. This may be a separate House or Project, or some form of Restricted Fund. These reports should be prepared in the same way as the overall report. Where costs are shared between a number of projects, these may have to be apportioned.

Key Points about Reports

- Make sure each person understands them - use whatever language you like.
- the information must be relevant and timely.
- too much detail provided too often may hide what is really going on.
- the main focus has to be forward looking.
- the report compares what actually happened to the 'plan' agreed by the Committee.
- one page of numbers and one of comment - anything over two sides is too long!
- producing reports every 3 months is a good rhythm to aim for.
- the figures should be cumulative for the year to date.
- watch out for the need to account separately for 'restricted' funds
- notes should explain reasons for any major differences between actual and budget
- the notes should also give a general conclusion to guide the Committee and point out any decisions, which should be taken.

An example...

Treasurer's Report : April - June 20XX

In	Actual	Budget	Difference	Notes
Grants	5000	5000	-	
Fees	1000	4000	(3000)	1
Bank Interest	1200	1000	200	2
Donations	100	250	(150)	
Total In	7300	10250	(2950)	
Out				
Salaries	5500	6000	500	3
Training	0	0	-	
Rent	1000	1000	-	
Phone	300	200	(100)	
Sundry	0	25	25	
Total Out	6800	7225	425	
Surplus/Deficit	500	3025	(2525)	4

Notes

- 1. There is no explanation for this, we simply received less than we hoped for. Clearly this may require a review of our Fee generating services. I propose that this be considered as a separate item on the next agenda.
- 2. The bank interest is higher due to interest rates being higher than we expected in the budget.
- 3. The underspend on salaries is due to one member of staff taking unpaid leave as agreed at the last meeting.
- 4. Although we made a "surplus" in the first 3 months of £500, when we compare the actual figures to our budget, the general picture is most concerning. To pay for future plans, we should have made a surplus of £3,025 this quarter, but we are some £2,525 below our target. I would not expect this to continue in the next quarter, but we will need to keep an eye on the situation - particularly the fees.

In conclusion, the position is not good. If we are unable to resolve the problem of low fee income, we may have to review the proposed salary increases and other issues.

J Williams, Treasurer, (date)