



# Mali Enterprising Leaders (MEL)-England

Webinar #17 Cashflows and Financial  
Management

Date 20<sup>th</sup> January 2021

3.30pm - 5.00pm



# Cashflows and Financial Management

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# Cashflows and financial management

- Explain what a financial statement is
- Explain the different elements of a budget
- Expand on how the budget is translated into a cashflow



# The next application

- Are final accounts all ready and tidied up
- Do we have the management accounts up to the period of the application ready
- Are our budgets accurate and reasonable
- Have we covered all our costs
- Have we shown a track record for delivery and reporting
- Can we manage the funds using existing systems
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# Financial Statements

- Income and expenditure accounts - performance
- Balance sheet - wealth
- Budgets - future intention
- Cashflows - health and liquidity
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# Sample final accounts

internet Watch Foundation Statement of Financial Activities Year Ended 31st March 2007				
	Restricted	unrestricted	Total 2007	Total 2006
	£	£	£	£
<b>Incoming resources</b>				
Incoming Resources from Generated Funds				
Voluntary Income		15,575	15,575	70,000
Investment Income		15,340	15,340	8,379
Incoming resources from Charitable activities	335,837	710,214	1,046,051	823,033
<b>Total Incoming resources</b>	<b>335,837</b>	<b>741,129</b>	<b>1,076,966</b>	<b>901,412</b>
<b>Resources Expended</b>				
Cost of Charitable Activities	244,938	611,424	856,362	807,732
Governance costs		19,725	19,725	14,374
<b>Total resources expended</b>	<b>244,938</b>	<b>631,149</b>	<b>876,087</b>	<b>822,106</b>
Net Incoming resources for the year	90,899	109,980	200,879	79,306
Fund balances brought forward at 1st April 2006	-	412,132	412,132	332,826
<b>fund balances carried forward at 31st March 2007</b>	<b>90,899</b>	<b>522,112</b>	<b>613,011</b>	<b>412,132</b>

Internet Watch Foundation Summary Consolidated Balance Sheet 31st March 2007		
	2007	2006
	£	£
<b>Fixed Assets</b>		
Tangible Fixed Assets	54,994	12,194
	54,994	12,194
<b>Current Assets</b>		
Debtors	197,776	278,863
Short term Investment	575,251	-
Cash at bank and in hand	52,177	357,479
	825,204	636,342
Creditors accounts within one year	- 267,187	- 236,404
Net Current Assets	558,017	399,938
<b>Total Assets less Current Liabilities</b>	<b>613,011</b>	<b>412,132</b>
<b>Funds</b>		
Restricted Funds	90,899	-
Unrestricted Funds	522,112	412,132
<b>Total Charity Funds</b>	<b>613,011</b>	<b>412,132</b>



# What is a budget

- A financial plan that estimates your expenditure and forecasts your income and gives you the opportunity to think about what to do with the difference
- We all budget with our households pitting our salaries against what we spend.
- The chancellor does a budget but in these days of COVID-19, he is spending and has sleepless nights as to how he is going to pay for it



# Assumptions about future

- We have to be realistic about the future so base our budgets on **past performance**
- We have to judge the timing of our receipts and examine terms and conditions of our funding
- We have to estimate how we **apportion** our expenditure and **allocate** our costs in the face of inflation
- Zero based or incremental based budgeting





## Forecasting the income

- How much we have is based on what we have accumulated from previous years if we have been prudent - our existing funds
- What we expect to get from **grants, gifts, contracts and trading** - our proposed activities
- If we must cover all our costs, then we must charge for management costs on all the projects - this concept of **full cost recovery** - this is important for issues of internal monitoring and review of the project



## Elements of a budget - How costs behave

- **Staff costs** - we should include all costs - the higher the demand for activities the larger the costs
- **Material costs** - the more we provide the service the more these will increase, though the unit cost may fall
- **Capital equipment** - do we lease or buy, these costs are used over a longer period of time
- **Overhead costs** - premises, energy, communications, financial, compliance and legal and sundry items - Remain static in the short term but can spike up with increased service provision
- **Management and supervision** - full cost recovery - planning, monitoring and evaluation costs



## Organisational costs and project costs

- All costs must have a basis - they are either actual costs or they must be estimated
- The main elements of a budget are the same whether we are dealing with the costs of setting up a new organisation or whether we are running a three or six months project
- Examples of budgets and how costs behave
  - Two year budget for an advocacy project to deal with health inequalities
  - three month project for school kids

# Hitting Income Targets



<b>INCOME</b>		<b>Year One</b>	<b>Year Two</b>
GLA		60,000	60,000
London Corporation		10,000	25,000
Trust for London		0	30,000
Cabinet Office		15,000	50,000
Home Office		0	30,000
Bridge House Trust		0	30,000
TSB		0	25,000
Hilden Trust		7,500	15,000
Tudor Trust		0	30,000
Lottery		0	50,000
Others:		5,340	62,980
<b>TOTAL INCOME</b>		<b>97,840</b>	<b>407,980</b>

# Staff Budget -50%



Staff	Year One	Year Two
Director		35,000
Policy Co-ordinator		25,000
Development Coordinator	10,000	25,000
Information Officer		22,000
Finance & Admin Manager		25,000
Administrator/Secretary	7,500	15,000
Consultancy Support	19,800	10,000
	<b>37,300</b>	<b>157,000</b>
<b>Employment Costs</b>		
Advertising and Selection @ 7%		15,700
NI and Benefits @ 20%		31,400
	<b>11,190</b>	<b>47,100</b>
	<b>48,490</b>	<b>204,100</b>

# Project and material costs -8% 33%



		Year One	Year Two
Organisation of Conferences x 2			8,000
Commissioning Policy papers x 9			36,000
Printing Costs of Reports x 5			20,000
Website development and maintenance		1,500	5,000
Seminar costs		2,000	36,000
Other Consultation events		2,000	12,000
Workshop Costs x 2		2,000	16,000
		<b>7,500</b>	<b>133,000</b>

# Capital costs - 16% - 2%



equipment	Year One	Year Two
6 PCs @t £1,200 each	3,600	3,600
2 Printers and scanners @ £1,500	1,500	1,500
Accessories @ £100 per workstation	400	110
software subscription	840	
Audio video	200	600
white boards	200	
Document scanners	4,350	1,000
kitchen equipment	400	
Telephone system	2,000	
	<b>13,490</b>	<b>6,810</b>
furniture		
6 Workstations @ £300 each	900	900
8 Chairs @ £80 each	640	
6 filing cabinets @ £95 each	380	190
10 Meeting tables @ £120 each		1200
10 Meeting chairs @ 50		500
6 Cupboards @ £120 each	720	
	<b>2,640</b>	<b>2,790</b>
<b>Total Capital Costs</b>	<b>16,130</b>	<b>9,600</b>

# Overhead costs - 26% -11%



Overheads		Year One	Year Two
Rent		8,000	8,000
Rates @ 40% of rent		3,200	3,200
Electricity and Heating		500	1,000
Members meetings expenses		800	2,000
Telephone and Apps		1,500	3,000
Printing, Postage and Stationery		1,500	2,500
Publicity and advertising		600	2,000
Catering and hospitality		500	1,000
Audit and Accountancy		800	1,500
Legal and Professional		800	1,500
Staff Training		600	3,000
Volunteers recruitment and expenses		960	1,920
Insurance		500	1,000
Repairs and Renewals		200	1,500
Maintenance and Cleaning		960	4,160
General Office Expenses		1,000	2,000
Room hire for meetings etc		1,500	3,000
Subscriptions and Publications		500	1,000
Travel and subsistence		800	2,000
Miscellaneous expenses		500	1,000
<b>Sub Total Overheads</b>		<b>25,720</b>	<b>46,280</b>



# Management costs 0% - 5%



- Most trustees and board members are volunteers and donate their time to the organisation providing valuable expertise
- They assist in planning projects, in raising funding and attending meetings where decisions are made
- Increasingly they have a role in the monitoring of projects and carrying out some evaluation work and even drafting and presenting reports
- Some of this work needs to be compensated for in terms of management expenses and honorariums and when not paid out they can be used as in kind match funding
- The principle of covering all our costs is an important one

	Year One		Year Two
Collection of monitoring information			5,000
review meetings			5,000
external evaluation and report			5,000
			<b>15,000</b>



# The process of budgeting

- It is based on the requests and demands of service users and takes into account what we can deliver
- Starting point is the most accurate figures of previous years activities and whether we made a surplus or a deficit
- Then we examine what the management priorities are in terms of proposed services and activities
- Finance officers work on the budget and then approved by the finance committee and the whole board
- Then it is communicated to management and staff
- Then it is monitored by the treasurer



## Illustrative case - project

- Organisation provides several programmes throughout the year focusing on pride and dignity for the young ones - Black history and science electives for the weekends
- Younger children who accompany their older siblings are offered Black Arts sessions
- In the light of primary school children staying at home to stay safe, there is a suggestion that these children are offered some assistance as the organisation moves into a new mode of working incorporating new technology
- This is a simple budget during this period for funds that would be expended over a three month period providing a service to 30 children or 60 children as the case may be



# Staff costs

- Staff cost assumptions - new development worker to be employed initially on a part-time basis at the rate of £20 an hour for 3 days a week over the 3 months
- Part-time sessional workers may be required when dealing with 60 young people instead of 30 young people and this will be at the rate of £10/hour over the same period
- Volunteer expenses assume £10/day for one volunteer and for 2 volunteers when there are 60 children
- 20% have been added to the staff costs to take consideration of National insurance and other benefits

Staff costs	30 children	60 children	
Development worker	3,780	3,780	three days a week at £20/hour
Sessional workers		2,520	sessional worker needed with more demand
Advisor	500	500	initial setup costs
volunteers expenses	360	720	£10 a day
	4,640	7,520	
on-costs @20%	928	1,128	
	<b>5,568</b>	<b>8,648</b>	



# material costs

- Most project ad material costs increase with the numbers of people served so in this case the cost of crayons and paper double with the number of people

materials	30 children	60 children	
art paper	600	1,200	Paper increases with more participants
crayons	150	300	Crayons increase with more participants
	<b>750</b>	<b>1,500</b>	



# Capital and equipment costs

- Capital and equipment costs tend to remain the same over the short term

	30 children	60 children	
Capital and equipment			
Camera	350	350	fixed cost irrespective of numbers
Laptop	850	850	
Zoom	45	45	
	<b>1,245</b>	<b>1,245</b>	



# Overhead costs

- Most overhead costs remain the same but some of the costs may vary with the increase in numbers

Overhead	30 children	60 children	
Premises	100	100	
Energy	100	100	
Communication	100	200	
Administration	100	200	more administration and contact
Finance	50	50	
	<b>450</b>	<b>650</b>	



# Management costs

- In this case we have applied management costs of 10% to account for the cost of supervision, monitoring and evaluation of the project after the three months

	30 children	60 children	
<b>Staff+Materials+Equipment +Overheads</b>	8,013	12,043	
management costs	801	1,204	costs of supervision of the project
<b>total</b>	<b>8,814</b>	<b>13,247</b>	



# Indicative budget

<b>Staff costs</b>	30	60	
Development worker	3,780	3,780	
Sessional workers		2,520	
Advisor	500	500	
volunteers expenses	360	720	
	4,640	7,520	
on-costs @20%	928	1,128	
	<b>5,568</b>	<b>8,648</b>	<b>65%</b>
<b>materials</b>			
art paper	600	1200	
crayons	150	300	
	<b>750</b>	<b>1500</b>	<b>11%</b>
<b>capital</b>			
Camera	350	350	
Laptop	850	850	
Zoom	45	45	
	<b>1,245</b>	<b>1,245</b>	<b>9%</b>
<b>Overhead</b>			
Premises	100	100	
Energy	100	100	
Communication	100	200	
Administration	100	200	
Finance	50	50	
	<b>450</b>	<b>650</b>	<b>5%</b>
	<b>8,013</b>	<b>12,043</b>	
<b>management costs</b>	<b>801</b>	<b>1204</b>	<b>10%</b>
	<b>8,814</b>	<b>13,247</b>	



# Why budgeting is important

- Help to manage cash and control credit
- to control our operations and make sure that we do not run out of money, we also need to ensure that we can anticipate shortages and generate surplus
- to measure our performances resolving unplanned activities. If our plans are inefficient our operations will be ineffective
- Accurate budgets will help if we have to determine alternative course of action



# Cash cycle

- Capital translated into assets - debtors, stocks, equipment
- Assets used to develop and deliver services
- Income generated from sale of services
- Income used to pay creditors and other liabilities
- Residue is paid out to investors
- Retained earnings used to invest in materials for service delivery
- More income generated to provide more services



# Preparing the forecast

- State all underlying assumptions and they must be realistic
  - Period of credit given to users
  - Period of credit from our suppliers
  - Loans to be repaid and the terms and conditions
- Not about profit and loss - cash receipts and payments during a period
- Depreciation is not included
- VAT is included if you are registered



## Stages of forecast

- Determine opening balance
- Calculate projected income - historical level, anticipated changes in service delivery, inflation and VAT
- Split income between cash and credit
- Calculate projected income from debtors
- Calculate projected purchases - cost of service and stocks
- Split purchases into cash and credit
- Calculate cash inflows and outflows
  - Salaries
  - material
  - Overheads
  - Capital
  - Management fees



## Timing

- Insurance paid yearly
- Taxes paid half yearly
- Grants received quarterly
- Major utilities paid quarterly
- Rent paid quarterly
- Salaries and on costs paid monthly
- Recruitment costs paid occasionally
- Equipment bought as and when
- Materials paid

## Cash Flow statement for the year April 2019 to March 2020

	April	May	June	July	August	Sept	Total
<b>incoming Resources</b>							<b>0</b>
National Lottery Charities Board					10,000		10,000
London Boroughs grants		12,500					12,500
European Social Fund			15,601		20,000	20,000	75,601
The Baring Foundation	2,500						2,500
The Barrow Cadbury Trust	15,000						15,000
Lord Ashdown Trust			16,000				16,000
Other Grants_- _Membership					5,000		5,000
Research & consultancy							0
Other receipts- Local authority					900	1,000	2,900
Bank Interest	1,455	782					2,237
<b>Total Income</b>	<b>18,955</b>	<b>13,282</b>	<b>31,601</b>	<b>35,900</b>	<b>21,000</b>	<b>21,000</b>	<b>141,738</b>
							0
<b>Resources Expended</b>							<b>0</b>
Staff Costs	12,110	12,110	12,100	12,100	12,100	12,100	72,620
Training & recruitment	1,234						1,234
External Trainers /staff	560	720					1,280
Premises	1,450	1,450	1,450	1,450	1,450	1,450	8,700
Conferences / seminars facilities		5,000					5,000
Communications		120			120		360
Reports and newsletters	4,000	2,400			5,600		12,000
Travelling and subsistence		50			50		150
Audit and accountancy -	1,750						1,750
Postages	1,650	120				500	2,270
Fundraising Activities	5,122	1,576					6,698
Telephone Fax & internet cost	2,163	1,900			500		4,563
services Charge	1,721	1,721					3,442
Fixed Assets		3,266					3,266
Other Expenses	500	332			500	1000	2,332
<b>Total Resources Expended</b>	<b>32,260</b>	<b>30,765</b>	<b>13,550</b>	<b>20,320</b>	<b>14,050</b>	<b>14,720</b>	<b>125,665</b>
							0
Net Balance	-13305	-17483	18051	15580	6950	6280	16073
Balance Bfwd	15000	1695	-15788	2263	17843	24793	
Balance Cf	1695	-15788	2263	17843	24793	31073	



## Monitoring

- Budgets roll and must be reviewed
- Variance analysis as a tool for future budgets
- amended in the light of new information
- decisions must be taken at management
- all must be informed of current position
- problems if this is not done
- jeopardise future funding



# Budget variances

BUDGET Control Example									
Budget and actual statement for the three months to June 2020									
Budgets headings	Budget 3 Months			Actual Expenditure			Variance		
Salaries	57,000.00			60,194.00			- 3,194.00		
Equipment	2,500.00			1,873.00			627.00		
Travel	1,600.00			200.00			1,400.00		
Training-Staff	500.00			1,927.00			- 1,427.00		
Allocated Admin Cost	8,650.00			-			8,650.00		
<b>Total</b>	<b>70,250.00</b>			<b>64,194.00</b>			<b>6,056.00</b>		
Notes									
1 What questions would you ask about this statement if it were for your department									
2 The staff cost may be higher than expected what are the reasons									
3 why is there no allocated admin - actual									
The total positive variance of 6056 might be misleading									
4 The staff cost may be higher for a no of reasons It could be some expenditure for July salaries has been included by mistake I									
5 Training costs may be overspent or may just be one event held this year to cover the whole year									
6 The allocated admin - cost of central service- the charge tend to be made at the end of the year									



## Benefits of cashflow

- Integrate and evaluate effect of planned activity
- Anticipate cash surpluses and shortages and deal with them
- Compare actual performance to budget performance
- Identify unplanned events
- Establish inefficient planning procedure
- Determine inefficient operations
- Evaluate alternative courses of action
- Calculate funding requirements
- Promote a forward looking organisation



## The next application

- Are final accounts all ready and tidied up
- Do we have the management accounts up to the period of the application ready
- Are our budgets accurate and reasonable
- Have we covered all our costs
- Have we shown a track record for delivery and reporting
- Can we manage the funds using existing systems

# Q&A

# Resources

**Ubele:**

<https://www.ubele.org/covid19-supporting-bame-communities>

**London Community Foundation:**

<https://londoncf.org.uk/>

**Covid 19 Funders:**

<http://www.covid19funders.org.uk/>

**Covid-19 BAME Resource Hub:**

<https://sparkandco.co.uk/>

**Funding Central**

<http://www.fundingcentral.org.uk/>

A searchable database of funding opportunities, Funding Central has useful advice and guidance on different sources of funding

**The Resource Centre:**

<https://www.resourcecentre.org.uk/information/writing-a-funding-application/>

**Other resources**

<http://www.equinoxconsulting.net/resources/managementguides/budgeting.pdf>



# Thank you!

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