



FINANCIAL PLANNING

New Futures: Former Places of Worship
Workshop for COSS 12th February 2026

Session content

- Project and organisational budgeting
- Monitoring and reporting
- Full cost recovery
- Cashflow projections

Session aims to give you:

- An understanding of what is required to manage your finances effectively within a community organisation
- Knowledge of why financial planning is important and how it is used long term

Financial Governance

What is it? – a quick reminder

- Directing, guiding, controlling
- Board share that responsibility

Elements of good financial governance

- Stewardship – taking care of
- Accountability – being answerable for
- The annual accounts demonstrate these - but retrospectively
- Good financial management makes sure you can

Financial Management

More than “looking after” the money

- Setting up appropriate financial systems
- Keeping financial information up to date
- Setting up meaningful reporting systems
- Allocation of tasks
- Dealing with external regulators
- Maintaining asset registers
- Retention of financial records – 6 years

Financial Systems

Rules to manage & control finances – the basis of good financial management

- for control – well run finances now
- for planning – looking forward
- for monitoring – looking back; accountability

Systems' notes formalise & document procedures

- Who does what? How is it done?
- What checks and balances do we have?

Systems should be documented then reviewed regularly

Fund Accounting

What makes charity accounts different

Different types of funds:

- **Restricted** – specified purposes
- **Unrestricted** – free funds
- **Designated** – 'earmarked'/set aside

Systems need to separately identify these for management purposes and reporting to both funders and the Board

Budgets & Business Planning

Forward planning = good governance

Planning should be:

- Strategic, operational & financial
- Ideally for 3 years to avoid short-termism
- Part of a workable, timed, viable plan
- Project budgets for different strands of activity
- Overall budget is to pull it all together

Budgets & Business Planning

Budgeting starts by clarifying:

- What are we trying to do i.e. project objectives and activities?
- How will we deliver each activity?
- What resources (people/premises/stuff) do we need to deliver the activities?
- What will these resources cost?
- Where will the money come from – income generation, donations, grants?

Budgets & Business Planning

Other key elements to consider:

- Do we have both the capacity and capability to deliver all activities?
- Can we manage it all effectively?
- Have we included capital costs?
- Does it all stack up financially?
- Do all the projects/activities fit together into a meaningful whole?

Budgeting

This is an integral part of the business planning process

Budgets are forecasts / projections of:

- spending required to carry out planned activities
- income and funding expected

They are vital for funding applications, and also for setting prices and selling services

Budgeting Headings

- Should be consistent and useful to you
- If they match funder headings, it will make it easier to monitor and report on spend
- Don't just keep using budget headings because we always have....
- Think about how far figures have to be split
- Think in terms of function i.e. cost drivers
- Consider project life phases – start-up; active phase; and close down - to make sure that all of the costs are covered

Budgeting Process

- Costs have to be realistic & full costs
- Income has to be realistic & achievable
- If the budget shows a deficit/loss, decisions have to be taken about how to plug the gap or reduce costs
- “What if?” scenario planning allows the Board to look at options
- Where there is uncertainty, it makes sense to have a ‘Plan B’

Costing

- Think through each cost e.g.:
- Staff costs – not just salary; E'ers NIC, pension, training, recruitment, expenses, etc
- Building costs – insurance, servicing, maintenance (both ongoing and long term), heating & lighting, janitorial costs, etc.
- Resources and equipment – not just purchase price but running costs, spares, insurance, testing, anything required to make it work
- Governance costs - Board meetings, AGM, accountancy/audit

Stating Assumptions

Assumptions are just how you worked out the numbers in the budgets.

- Writing them down in one place makes sense - partly on the “going under the bus” principle
- Mainly so that others, like budget holders, the Board and funders, can see – and challenge - the basis of the calculation
- It also helps to work out what isn't working

Stating Assumptions

Here's an example:

Space hire income – rising from £1,200 to £2,880/month over 3 years

- Year 1 - 10 groups/week @ 2 hours per session @ £15/hour x 48weeks = £14,400 p.a.
- Year 2 - 15 groups/week @ 2 hours per session @ £18/hour x 48weeks = £25,920 p.a.
- Year 3 - 16 groups/week @ 2.5 hours per session @ £18/hour x 48weeks = £34,560 p.a.
- What would you question?

Full Cost Recovery (FCR)

- Full cost recovery is about recognising the whole cost of running a project or activity
- Not just the costs directly incurred by the project but a reasonable share of the overheads
- It ensures that all costs are covered → no holes in the budget → sustainability
- It raises awareness of the full cost of providing a service, space hire, etc.

Costing and FCR

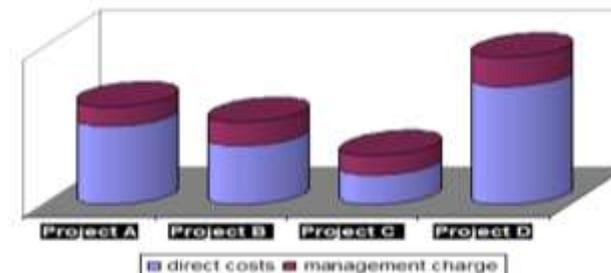
- The aim is to share overheads fairly between activities



Costing and FCR

- The traditional approach – enough to cover all overheads?

project costing - direct + % for management



FCR – Cost Allocation

**direct costs of activity / project
+ share of overheads**

- Overheads are shared out based on:
- types of overhead – office & admin; property costs; management
- the most appropriate method of sharing

FCR – Cost Allocation

Different methods can be used for different categories of costs

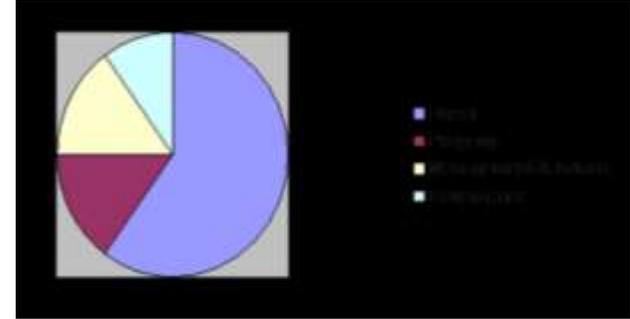
- Direct project staff numbers or full time equivalents (can be volunteers)
- Project staff hours, where hours too variable to calculate FTEs
- Staff time based – can be used for managers' time if managing more than one project and/or substantial enough to justify separate calculation

FCR – Cost Allocation

Methods of allocation

- Floor space occupied – where projects use defined spaces
- Premises usage – length of time project uses premises X floor space occupied, where premises used by different projects at different times
- Direct project expenditure – LEAST favoured but allowable for small projects where overheads are small compared to direct project costs

Full Costs Covered!



Full Cost Recovery

- TNLCF are clear that they expect FCR
- Will accept any fair & reasonable method – rational and justifiable
- Website has guidance in Resources section, including an Excel FCR template – 8 step process which works out how much it will allow under FCR – and full guidance notes on its use
- <https://www.tnlcommunityfund.org.uk/funding-guidance/full-cost-recovery>

Keeping It Real

- The aim is generally to break even or have a small surplus. Numbers have to be real so budgeting is a team exercise combining operational knowledge and financial skills.
- Don't underestimate costs – happens often with costs like maintenance and utilities
- Funders don't like "contingencies" but you need to build 'wiggle room' into individual cost categories on a justifiable basis
- Can you build in a contribution to reserves?

Reserves

- Reserves = “free” funds i.e. not restricted, designated or represented by fixed assets
- For contingency planning, security or to fund growth or new projects
- See OSCR’s guidance
<https://www.oscr.org.uk/guidance-and-forms/charity-reserves-factsheet/>
- No ‘ideal’ level of reserves
- Reserves policy – in place and in TAR

Budget Monitoring and Management Reporting



Budget Monitoring

- Budgets can be revised in the light of significant changes
- These can be changes caused by internal decisions
- More often caused by external factors e.g. funding cuts/rejection
- Revision essential for monitoring
- It is important to monitor budget v actual on an ongoing basis

Variations

Variations are just differences

- **Negative variations** =
income **less** than budget
costs **more** than budget
So generally not good news and need investigation (if significant)

- **Positive variations** =
income **more** than budget
costs **less** than budget
Sounds like better news – but not always

Variations

Variations are differences that need explanations &/or decisions

Concentrate on significant variations

Questions to ask:-

- What is different from expected?
- Why has it happened?
- Will it sort itself out? timing differences
- What can we do about it?
- How does it impact on this year?
- How does this impact on future years?

Reporting to the Board

- Board has ultimate responsibility
- The Board should **UNDERSTAND** reports, not just nod them through
- Reports are sent out before the Board meeting to allow time to read properly
- Figures, and implications, should be discussed at each Board meeting
- Anything odd should be explained
- Reports should be discussed and formally approved and a copy kept with Minutes

Reporting to the Board

- No set format for management accounts
- The aim is to show relevant info – as simply as possible
- Budget/variance type report(s) do this
- Board should get overall figures + project figures/reports where they are off track
- Notes explain main points – in plain English
- Funding summary/update is useful
- Finance sub-group can look in more detail at all of budgets, etc.

Questions to Ask

- Is the income coming in as expected?
- Are there any unexpected costs?
- Are there any other outstanding costs?
- Are we operating at a surplus or loss?
- How much of the bank balance relates to restricted funds and how much to unrestricted funds?
- Is the grant funding spend on track?
- Are funded projects delivering agreed outcomes?

Cashflow Projections

- These look complicated but they simply show CASH IN & CASH OUT on a month-by-month basis
- It is a tool used to forecast bank balances, to make sure there is enough in the bank
- It avoids financial crises and panic
- Essential for big capital projects to ensure contractor payments can be made on time
- Important where income is seasonal or retrospective

What to look for in Cashflows

The bottom line is the one to watch

RED negative figures mean **NO CASH**

Actions to correct this:-

- **Reprofile or postpone some spending**
- **Chase up amounts owed**
- **Renegotiate grant/contract payments**
- **Negotiate an overdraft**
- **Arrange a loan – usually cheaper than an overdraft**

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