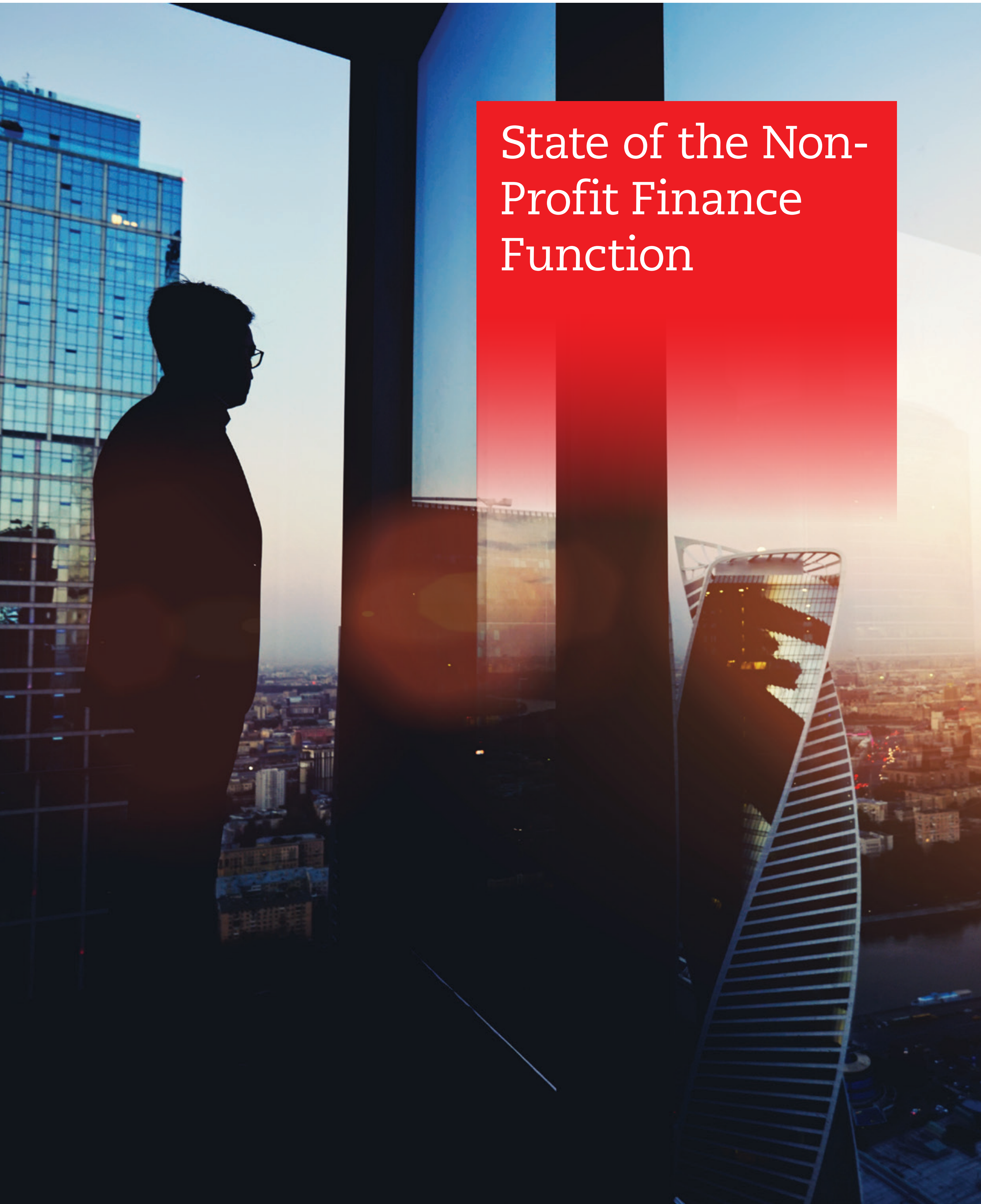
Responsible Finance

Think Ahead ACCA

State of the Non-Profit Finance Function



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Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers. More information is available at: **www.accaglobal.com**

About Responsible Finance

Responsible Finance is the voice of the responsible finance industry, working to increase access to fair finance. We support a strong and growing network of finance providers who are building resilient economies throughout the UK. Our network is locally responsive, tailoring services to the needs of the areas within which we operate. We offer a personal service, a supportive approach and a real alternative to traditional bank lenders and finance providers. At our heart is the idea of bringing social and economic benefits to people, places and businesses. Our network provides finance to people and businesses who are often excluded; we aim to build hope, create opportunity and change lives – for us that's responsible finance.

This report aims to define the non-profit finance function through the lens of both non-profit organisations and their stakeholders, and examine its role within the changing operating and funding landscape.

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Theodora Hadjimichael
Policy & Research Manager
Responsible Finance
t.hadjimichael@responsiblefinance.org.uk

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Executive summary

This report was developed to provide insight into an important, yet often neglected, aspect of the non-profit sector: the finance function.

This report was developed to provide insight into an important, yet often neglected, aspect of the non-profit sector: the finance function. Not-for-private-profit organisations are set up to serve a social purpose and often that social purpose, not the finance function, is the driving force of the organisation.

The research was conducted through a survey of non-profit organisations and interviews with representatives of both non-profit organisations and funders. The findings indicate that there are three components of the finance function in non-profit organisations: management reporting; financially qualified staff; and governance and culture. Together these components can comprise a robust finance function that is embedded within the organisation and drives its development.

The findings of this research show that there is recognition across non-profit organisations that the finance function should play a driving role, as it does in the commercial sector. Despite this, at the moment, the finance function is subject to underinvestment and is not prioritised. Instead, resources are directed towards short-term planning and objectives. This, coupled with low numbers of senior managers with a financial background, is particularly common within early-stage non-profit organisations. This risks the development of the finance function in the long-term, affecting the organisation throughout its lifetime.

The findings also indicate that across the UK there is a patchy business support network for non-profits. The regulatory and reporting requirements for non-profits are complex and often changing, so when organisations do not have the in-house skills or capacity they seek external support to fill these gaps. In practice, they find business support options difficult to navigate, and the quality is inconsistent. Likewise, training and continuing professional development (CPD) courses vary in quality and availability across the country.

The minimisation of the finance function in the non-profit sector – for reasons related to capacity, funding, staff and management skill sets, and even culture, ultimately reduces the organisation's ability to fulfil its social mission. The two are closely tied, and good financial management enables and preserves the social function.

The operating environment is now pushing the evolution of non-profits towards prioritisation of financial management. Trends such as decreasing sources of core grant funding and the rise of repayable social investment and payment by results contracts all favour organisations that can demonstrate value for money and organisational viability.

The research reveals a number of factors that will help non-profit organisations develop a robust and embedded finance function. Proactive, internal cultural change towards prioritising finance and making management decisions that are based on financial planning is core to this. Industry bodies can also offer support, through strengthening knowledge-sharing networks and training opportunities. Finally funders and government, driving much of the environmental change for the non-profit sector, could simplify their requirements (such as reporting), to enable non-profit organisations to operate more efficiently. Together these measures, by supporting the alignment of the finance function with the organisation's mission, will enable non-profit organisations to continue generating important social value.

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1. Introduction

Giving value for money and demonstrating cost efficiency is becoming increasingly relevant to no-profit organisations as the operating and funding landscape shifts.

Non-profit organisations are social-purpose businesses that reinvest profits into achieving the organisation's mission, rather than distributing them to shareholders. Therefore, rather than being accountable to their shareholders as for-profit companies are, they are accountable to a range of stakeholders such as funders, the government, and the client group(s) they serve. As social-purpose organisations, non-profits aim to provide products and services that meet a social need.

In for-profit SMEs, the finance function has been found to play the driving role in phases of growth and transition, and thus firms develop and invest in their finance function to reach the next stage in their lifecycle. In the non-profit sector, fulfilling the social mission is the top organisational priority, and financial management is viewed as secondary to this mission – rather than its driver.

Yet good financial management enables non-profit organisations to carry out their missions efficiently, and achieve value for money. For many non-profit organisations, financial management is also important for demonstrating to funders and other external stakeholders that the organisation is viable and will continue achieving social impact in the future. While a number of factors will enable an organisation to fulfil its mission successfully, financial management, at the very minimum, allows the organisation to keep its doors open, and good financial management plays a role in securing new funding and contracts, which helps the business to grow, scale up, and make an even greater impact.

Giving value for money and demonstrating cost efficiency, particularly to funders, is becoming increasingly relevant to non-profit organisations as the operating and funding landscape shifts. In particular, sources of core grant funding, such as local authorities, are cutting back. Other government budget cuts have led to the rise of payment by results contracts, which present new cash flow challenges for organisations. Another development has been the social investment market: both the sources and scale of funding available, and the tools to access that capital (such as tax reliefs, bonds, and investment readiness programmes). The sophistication of the social investment market potentially enables non-profit organisations to take on debt to fund their activities and growth, but it also places additional requirements on those seeking this type of funding to demonstrate that they are 'investment ready' and can service their debt. Together, these developments present an operating environment that is increasingly requiring non-profit organisations to demonstrate good financial management as well as social impact.

Given these factors, this report on the state of the non-profit finance function aims to:

1. define the non-profit finance function through the lens of both non-profit organisations and their stakeholders, and

2. examine the role of the non-profit finance function within the changing operating and funding landscape (e.g. grant funding cuts, increase of social investment, and funder requirements for reporting and governance), and its impact on an organisation's adaptability and ability to change.

2. Methodology

Non-profit organisations are broadly defined as social-purpose businesses that cannot distribute profits to shareholders, and instead must reinvest them into the business.

2.1 DEFINITION OF A NON-PROFIT ORGANISATION AND STUDY POPULATION

Non-profit organisations are broadly defined as social-purpose businesses that cannot distribute profits to shareholders, and instead must reinvest them into the business. There are a variety of legal structures that allow non-profit organisations to incorporate, each with different legal and regulatory requirements for the organisation's activities and reporting. These are:

- company limited by guarantee
- community interest company
- community benefit society
- a cooperative
- a trust

Organisations can also be registered with the Charity Commission,[1] which has its own requirements and regulations with which organisations must comply. Many of these legal structures have asset locks in their articles, which legally prevent organisations from distributing their profits. Non-profit organisations are also called community, voluntary, or social enterprises. Despite the legal structure or label, non-profit organisations are all driven by social, environmental, or community missions, and in many cases aim to address market failure. This report uses the broad definition of 'not-for-private-profit organisations'.

There are a wide range of stakeholders that are affected by and have insight into the non-profit finance function. In this report, the immediate stakeholders in the organisation's finance function are defined as funding and business support intermediaries, and government bodies. Funders include both grant makers and social investors. End beneficiaries are not included here as stakeholders with a direct interest in the finance function, although the research made it clear that the finance function has an impact on the fulfilment of an organisation's social mission.

1 https://www.gov.uk/government/organisations/charity-commission

In this research, the activities and perspective of the finance director/officer were the focus, although the senior management and trustees have an important role to play in an overall robust finance function.

2.2 RESEARCH METHODOLOGY

The study on the state of the non-profit finance function was conducted in three phases:

- a literature review
- the survey and analysis
- interviews with non-profit organisations and support/finance intermediaries.

The survey population was ACCA members working in charities and clients in receipt of social investment from community development finance institutions (CDFIs). The sample population was therefore biased, having either an ACCA-qualified staff member, or having satisfied a due diligence process to receive social investment (or both), representing a level of financial capability and a sophisticated finance function. Although this sample may not be entirely representative of the population of non-profit organisations, the findings and recommendations are relevant to the broader population, particularly given the changing funding and operating landscape. In total there were 153 survey responses.

The survey was followed by six in-depth interviews with non-profit finance directors, and five interviews with representatives from non-profit funders.[2]

2.3 COMPONENTS OF THE FINANCE FUNCTION

The survey and interviews explored broad aspects of financial management within non-profit organisations. From the findings, the components of the finance function are defined as:

- management reporting
- financially trained staff, and
- governance and culture

This assessment is based on how non-profit organisations characterised their finance function, how funders and support intermediaries defined it and what they prioritised when assessing an organisation. Broadly this definition covers how finance is managed within an organisation – the day-to-day aspects of reporting, who is responsible for the finance function, and where it sits within the organisation's structure. Each of these layers and the way in which they are linked relate to an organisation's ability to adapt, and to be resilient.

The following actors either carry out or have another direct impact on the finance function:

- the finance director/finance officer: the role(s) within the organisation looking after finance on a day-to-day basis
- chief executive/senior management: feed into reporting and use management information produced for decision making
- trustees/directors: can advise on an ad hoc basis; use management information for decision making.

In this research, the activities and perspective of the finance director/officer were the focus, although the senior management and trustees have an important role to play in an overall robust finance function.

2 Including grant makers and social investors. The funders interviewed provided formal and informal business support and referral services for non-profits.

3. State of the non-profit finance function

The finance function in non-profit organisations is acknowledged by both finance officers and stakeholders as key to organisational success, long-term viability, and efficient working, but this has not translated into practice across the board.

3.1 GENERAL FINDINGS

The finance function in non-profit organisations is acknowledged by both finance officers and stakeholders as key to organisational success, long-term viability, and efficient working, but this has not translated into practice across the board.

Within non-profit organisations, there is evidence of a change of trajectory towards greater prioritisation, organisational understanding, and integration of the finance function. This development can be driven internally by a persistent individual who stimulates behavioural change over time, or new management's introduction of new priorities and culture, but largely it is driven externally by the changing landscape's demands for a different set of organisational standards.

> 'A non-profit finance officer is a lonely job'

It was noted in an interview with a funder, and corroborated by both finance officers and representatives from other funders, that being a finance officer in a non-profit organisation can be a lonely job. A finance officer can often feel unsupported internally and detached from the rest of the team, particularly in contexts where finance is not integrated with areas responsible for the social mission. This detachment is compounded by the complexities of a frequently changing operating environment for non-profits. Across the UK there are inconsistent peer networks and external resources for finance officers to access for sharing knowledge and filling any skills gaps. This isolation reflects aspects of the non-profit finance function that are presented in the findings below.

3.1.1 What are non-profit organisations prioritising in practice?

As a sign of the gradual transition towards alignment of the finance function with functions responsible for social impact, survey results show non-profit organisations reporting the prioritising of activities skewed toward the short-term running of the business, although with some activities that indicated long-term planning. When asked about the year ahead, organisations reported that they will prioritise business planning, raising external finance, and front-line activities. This reflects the environment in which non-profit organisations operate, which

> Young firms appear to be prioritising financial management and governance, which is an encouraging sign for the development of their finance function.

places an emphasis on short-term planning. As one finance officer said, and others echoed: 'our focus is on surviving the next 12 months'.

Overall, what organisations are doing less is investing in financial management, their human resources, IT, governance, and legal systems, which is concerning for the development of an embedded finance function given the long-term and cross-cutting impact that these investments have. These are all components of a strong foundation for long-term financial planning. In particular, small firms are prioritising these functions less, and are demonstrating a bigger division between their highest and lower priorities – probably owing to organisational capacity. On the other hand, young firms (0–3 years) appear to be prioritising financial management and governance, which is an encouraging sign for their development; this will be explored further in section 3.2.7–3.2.9.

3.1.2 Low levels of understanding about the non-profit finance function among external stakeholders

The interviews with non-profit organisations and funders indicated that the short-term focus is in part driven by external stakeholders, such as funders and governments, as often funding, contracts, and other support are available for a limited time. Organisations reported conforming their planning and projections to these

Figure 3.1a: What non-profit organisations are prioritising over the next 12 months (top three) by size (# employees)

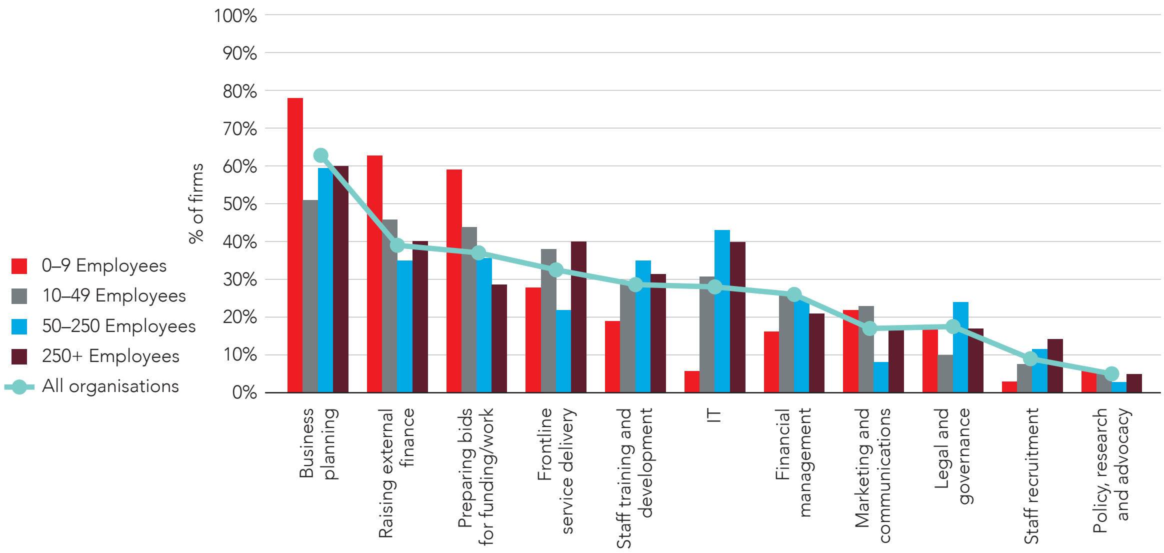
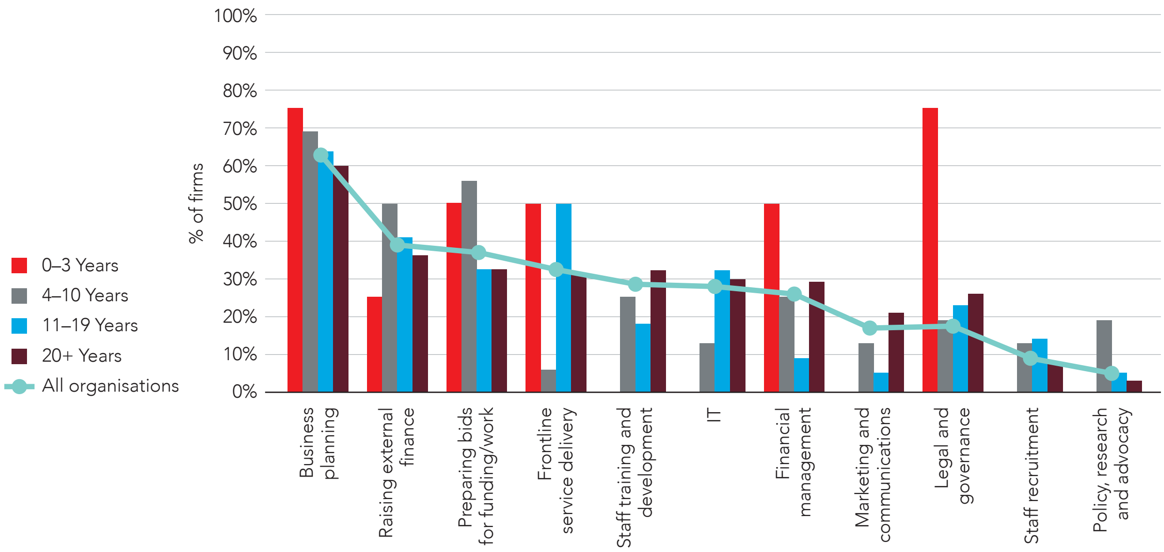


Figure 3.1b: What non-profit organisations are prioritising over the next 12 months (top three) by age



A common sentiment expressed among non-profit organisations was that funders, and the public sector in particular, assume that non-profits are administratively inefficient, and therefore expect to operate at a loss.

funding, contract, or support parameters, and work towards meeting these requirements. While some social investors, such as CDFIs social investment funding intermediaries (SIFIs), and some grant-making organisations are familiar with this aspect of the non-profit sector, and provide flexible and 'patient' products, many stakeholders do not provide this as an option. As a result, this can place pressure on organisations to allocate resources to

achieve near-term project completion, rather than investing in the human capital, systems, and organisational activities that would sustain the organisation and its social impact in the long-term.

During the interviews, a common sentiment expressed among non-profit organisations was that funders, and the public sector in particular, assume that non-profits are administratively inefficient, and therefore expect to operate at a loss (or that there is a reserves fund to cover losses). A common result of this assumption is for funders to support a front-line post or a programme, but not the overhead for maintaining those activities. This demonstrates a misunderstanding between the funders and the organisation, and presents a subsequent challenge for non-profit organisations: that there is a cost attached to governance and operating efficiently.

Organisations reported that even if they demonstrate value for money and the ability to cut costs while improving performance, this performance is rarely acknowledged, much less rewarded with better financing or contract terms. In contrast, when private sector firms improve their performance, increased efficiency is typically recognised by investors or shareholders. The lower level of understanding about how organisations operate and what some finance directors characterised as lack of interest can serve as a disincentive for non-profit organisations to continue to become more efficient and achieve value for money.

These mismatches can also be challenging during growth and transition phases for non-profit organisations (such as when taking on debt finance for the first time). When the operating environment is not flexible itself and does not provide the right incentives for good financial management, non-profit organisations may find it difficult to meet the underlying demands.

3.1.3 Business support is welcomed but where to go and whom to trust?

The survey and interviews both indicated that owing to limited capacity and in some cases a lack of staff skills within the finance function, it is common for non-profit organisations to outsource to, or seek advice from, external advisers. Non-profit organisations seek this kind of external support from a variety of sources, the most common being paid consultants, trustees and board members, accountants, and lawyers.

Despite there being a variety of sources of support, non-profit organisations overwhelmingly reported that the support system is difficult to navigate, and the quality of support is not consistent across the UK.

There were mixed reports of the value added by obtaining external support. While it provides additional capacity and expertise in areas where the internal team does not have a core competency, there were concerns that because of the inconsistent quality, the advice given is not consistently accurate and that organisations could benefit by having more control.

Younger firms found aspects of management reporting more challenging than established firms.

3.2 STATE OF THE FINANCE FUNCTION

Using the findings from the survey interviews with non-profit organisations and their stakeholders, this section discusses the state of the three components of the finance function – management reporting, financially qualified staff, and governance and culture.

3.2.1 What is management reporting?

Management reporting involves:

- producing reliable management accounts that are up to date and accurately reflect the organisation's financial position; any gaps or changes are explained in the management report narrative
- producing budgets and forecasts that are realistic and explaining any projected changes, and
- ensuring regulatory and tax compliance.

3.2.2 Why is management reporting important?

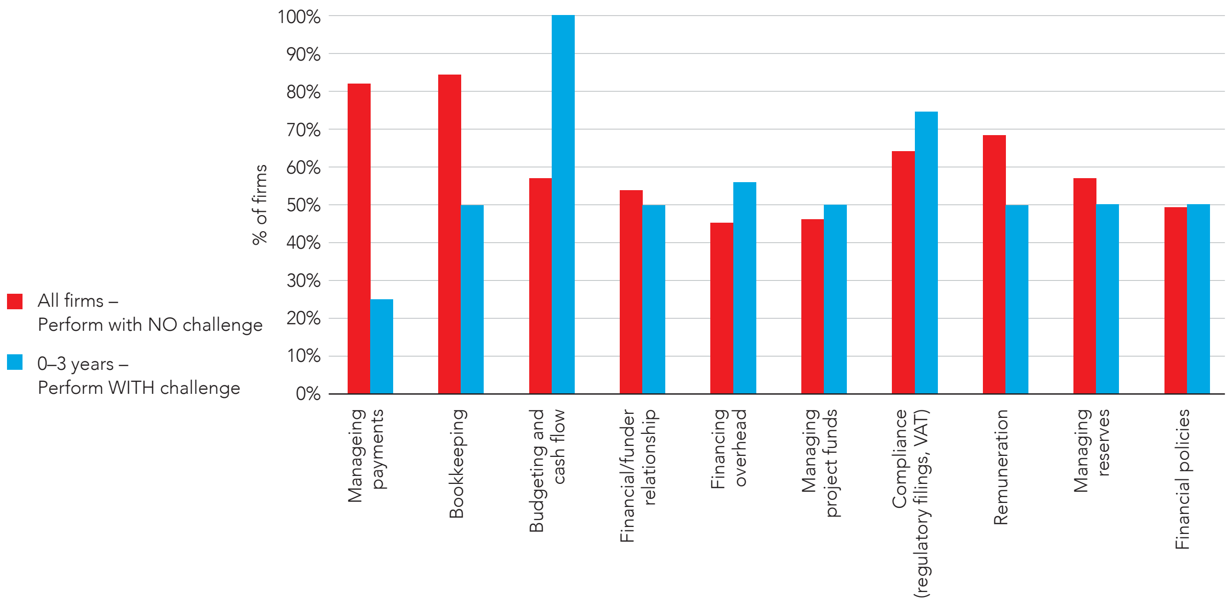
Funders – whether disbursing grants or repayable investment – first look at management accounts and reports when assessing an organisation. Funders active in the non-profit space are flexible and understand the constraints within the sector – for example, a lack of sophisticated accounting software is not a deal breaker for those funders. Even so, they will interrogate the accounts to a greater or lesser extent, and red flags such as dramatic changes in income not explained in the report narrative, or out-of-date accounts, could cause a funder not to progress the application (or possibly to provide only a conditional offer). These red flags are indicative of poor financial management, which could ultimately undermine the organisation's long-term viability and achievement of its mission. Fundamentally sound management reports indicate that the organisation will be in operation in the long-term and assures social investors, particularly, that they will be repaid.

3.2.3 The state of financial reporting

Overall, non-profit organisations reported that they perform the functions of management reporting with no challenge. Nonetheless, younger firms (0–3 years old) found aspects of management reporting more challenging than established firms. They were more likely to report finding aspects such as bookkeeping, managing payments, budgeting and cash flow, and compliance issues (such as VAT) to be challenging.

On the other hand, the results did not vary as much when comparisons were based on the size of the organisation, indicating that young firms, regardless of size, face a different set of priorities at their early stage, and the capacity and skill set of the team performing these core functions within financial management, are limited.

Figure 3.2: Proportion of all firms performing financial management functions with NO challenge, and young firms (0–3 years old) performing WITH challenge



Social investors in particular, such as CDFIs and SIFIs, reported reviewing the qualifications of the finance officer when assessing an application for funding.

44%

of organisations surveyed did not have a budget for their finance officers' CPD

3.2.4 What is meant by 'financially qualified staff'?

Having financially qualified staff entails:

- those who manage the organisation's finances have been trained in finance.
- degrees, qualifications, and continuing professional development (CPD) training are all signals that the person or team managing the organisation's finances is competent and capable, and therefore that the information that they compile and present, which is intended to underpin the senior management's decisions, is reliable.

3.2.5 Why is having financially qualified staff important?

Generally, having qualified finance staff ensures a level of good practice. Finance officers can have a degree in finance or a finance qualification that indicates a background in finance. Having financially trained staff gives stakeholders, particularly funders, confidence that the organisation's finances are being managed by someone who understands them, and the information used to inform management decisions accurately reflects the organisation's financial position. Social investors in particular, such as CDFIs and SIFIs, reported reviewing the qualifications of the finance officer when assessing an application for funding.

3.2.6 The state of financially qualified staff

The majority of survey respondents (99%) had a degree or other qualification in finance, though this was expected given the population surveyed (ACCA members and social investment recipients). A high proportion, 92%, had a professional accountancy qualification, such as ACCA or ACA.

Nonetheless, a degree or qualification is only one element of a financially skilled team. Non-profit organisations reported staff skills as one of the largest barriers to developing their finance function. Finance officers echoed this challenge in interviews, stating that it was challenging to attract and retain qualified staff in non-profit organisations, as is providing opportunities for adequate training and continuing professional development (CPD). Finance officers cited CPD budgets, and lower compensation in the non-profit sector compared with the private sector as barriers to achieving skills robustness within the finance function.

As mentioned by several representatives from support and funding intermediaries interviewed, the finance function in the non-profit sector is a 'different beast' from what is found elsewhere. Non-profit finance officers themselves cited compliance functions such as aspects of VAT reporting, additional reporting (to the Charity Commission, to funders, to Companies House, to government), and needing always to demonstrate value for money, as elements of the finance function that are specific to the non-profit sector. In addition to these, the frequently shifting landscape in charities regulation and compliance makes it challenging for finance officers to stay up to date. Five per cent of survey respondents reported having a degree or qualification specifically in charities accounting, but the majority of finance officers interviewed stated that they learned these elements on the job, without formal training.

Helping finance officers stay up to date and increasing their understanding of non-profit finance is done through training and CPD. Among the organisations surveyed, 44% did not have a budget for their finance officers' CPD. Among small and young firms this trend was more pronounced, with 78% of firms with fewer than nine employees and 75% of firms less than three years old, not having a CPD budget. Although the funders and support intermediaries interviewed acknowledged that this is typical of their experience with small and young firms' bootstrapping behaviour, it could be representative of a larger trend in underinvestment and de-prioritisation of an organisation's financial management in its early stages, leading to a weaker finance function and culture around finance in the longer term.

3.2.7 What are governance and culture?

Governance and culture determine:

- how senior management uses financial information in organisational decisions.
- the general understanding of finance at the senior management and board level.
- how integrated finance is with the rest of the organisation and its front-line delivery.

Funders, particularly social investors, look at governance, and at how the senior management uses the financial information available.

50%

of young firms (0–3 years old) reported that fewer than 10% of their board members had experience in finance

3.2.8 Why are governance and culture important?

The governance and culture environment for finance in an organisation is ultimately the driver of the quality of the finance function. Even when reliable and accurate management information is produced, and the organisation has financially qualified staff, the governance and culture determine how the latter inputs are used, and how much they influence management decisions.

Funders, particularly social investors, look at governance, and at how the senior management uses the financial information available. Although this can be difficult to measure, investors will dig beneath the surface to see how often management accounts are discussed at board meetings, what financial qualifications senior management and directors/trustees have, and if that expertise is exercised during reviews and decision making.

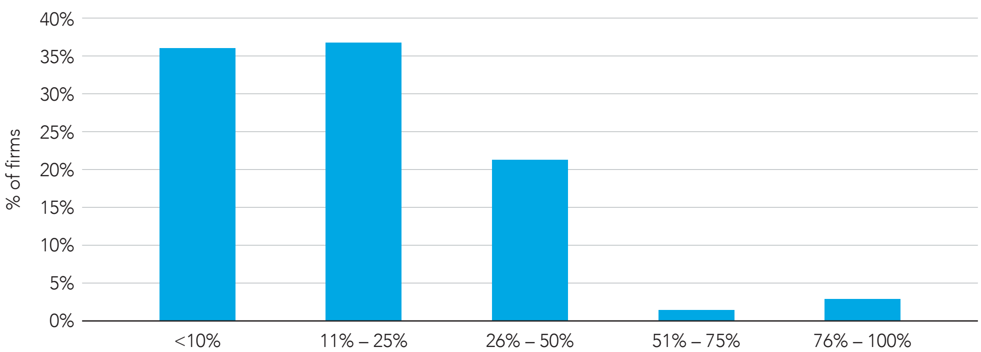
3.2.9 The state of governance and culture

In interviews, finance officers all recognised the importance of governance and culture for a robust finance function, and thus being able to achieve the organisation's social objectives efficiently. Yet poor governance of finance and subsequently of culture was cited as a major barrier to developing the finance function.

Across all sizes and ages of organisations surveyed, a small proportion of directors and trustees had a background in finance. Nearly 75% of organisations reported that fewer than half of their directors had a background in finance. In particular, 50% of young firms (0–3 years old) reported that fewer than 10% of their board members had experience in finance. This trend is common across the sector, and particularly within young firms, whose launch focused on achieving social objectives. As one funder said during the interview: 'Small organisations get trustees who volunteer at the AGM. You're lucky if you can get someone with skills'. Without a financial skill set, trustees and directors act to preserve the organisation's mission and maximise social outcomes without considering financial planning. So while the findings in section 3.1.1 suggest that early-stage firms were prioritising their governance, it seems they may do so from a social value perspective rather than financial management perspective.

This sector-wide skills gap in the governance of financial management has implications for an organisation's fulfilment of its mission and allocation of resources. Finance officers reported some examples of management accounts being disregarded during board meetings, and decisions made without the support of a feasibility analysis or projected impact on the organisation's financial health. Although these may be extreme cases, they demonstrate the paramount role of governance and culture in determining the health of the finance function.

Figure 3.3: Proportion of directors/trustees who have a background in finance



4. Conclusions and recommendations

The research indicates that the finance function plays a crucial role in a non-profit organisation's achievement of its social objectives.

The research indicates that the finance function plays a crucial role in a non-profit organisation's achievement of its social objectives. It enables the planning of activities, informs the internal allocation of resources, and provides continuous evaluation and value analysis. A robust finance function is closely integrated with other parts of the organisation (programmes, human resources, and senior management) and has a feedback loop with these other departments that enables the preparation of accurate and credible management accounts. In addition to this internal support and communication, it is important for finance officers to have a finance background and have access to training and support when facing a potentially complex issue such as VAT reporting. Finally, for the finance function to have the intended impact within the organisation, there must be a culture that prioritises finance, driven by the governance of the organisation. Senior management and trustees must consider the financial impact of decisions, and use financial information when planning for the future.

This combination of factors contributes to a robust finance function that is central to a non-profit organisation's operation. The research findings indicate that the finance function not only ensures the continuation of the organisation's activities, but also plays a key role as the sector faces a changing operating and funding landscape. Decreasing sources of core grant funding, and the overall trend among funders and government to expect non-profit organisations to be financially sustainable (while not always directly contributing to the enabling of this) result in a shifting environment. For an organisation to adapt to these changes, as well as achieving organisational development goals, the finance function will play an important part.

The feedback loop to and from the finance function is important for planning during a time of change: anticipating risks and opportunities, and reacting quickly if they are detected. This is how the finance function can influence an organisation's adaptability and agility during a time of

> Proper financial planning contributes to overall organisational resilience.

uncertainty. Proper financial planning also contributes to overall resilience; in addition to the feedback and planning loop, the reserves policy can help an organisation get through difficult periods by offering breathing room while new contracts are sourced.

Nonetheless, as the findings indicate, there is broad recognition of the value of an embedded finance function within the sector, but in reality behaviour is not always aligned with beliefs. The following recommendations aim to provide guidance for non-profit organisations and their stakeholders, for building a robust finance function that is used and managed effectively and, as in for-profit organisations, is used to drive organisational change.

4.1 RECOMMENDATIONS FOR NON-PROFIT ORGANISATIONS

- The findings suggest that non-profit organisations themselves have the opportunity to drive their own cultural change. The finance directors interviewed indicated a precedent for internally shifting to a culture where the finance function serves as an organisational compass, although this transition takes time. It is typically driven by an individual, such as the finance director or chief executive, through regular engagement with other senior managers and trustees on the topic, and setting finance as a standing item on the board agenda. The changing operating environment and requirements from funders and other stakeholders are also driving a transition in the prioritisation of finance.
- There are other internal steps that organisations can take to create a more embedded and skilled finance function. Acknowledging the patchy availability of training, and the cost of quality CPD offerings, one organisation interviewed reported implementing cross-training exercises both within the finance team, and between finance and non-finance staff. This enabled the sharing of internal knowledge and the building of the capacity within the finance function. It also enhanced the feedback loop between the finance team and other parts of the organisation.

4.2 INDUSTRY BODIES

Non-profit organisations can also be supported to develop a robust finance function through good governance, training, and systems.

- First, the findings indicate that weak governance is a major barrier to a strong finance function, evidence underpinned by a lack of trustees with a finance background. Professional bodies can play a larger role in the recruitment of qualified directors with a finance background into the sector, as well as training them, through referring and advertising trustee opportunities to their members and students. Start-up and young non-profit organisations in particular can benefit from this, as qualified trustees appointed at an early stage could contribute to the long-term development of their finance function.

The research findings indicate that an especially complex aspect of the finance function in non-profit organisations is the management of multiple contracts, including reporting aspects.

- For existing trustees and directors who do not have a background in finance, access to training and learning materials is a way of building financial capability. Sector membership bodies (such as SEUK, CFG) can work with bodies such as ACCA and others to provide guidance on accounting, with an emphasis on the governance of a non-profit and the need for long-term planning.

- To give those trustees with a background in finance, as well as finance officers, access to regular training and networking events, professional bodies may be able to provide access to useful material and relevant events. For example, ACCA has published a guide on international reporting for non-profit organisations;[3] this type of resource could be distributed through industry trade bodies to ensure that finance officers have access to relevant learning materials. Again, this could particularly benefit early-stage organisations, which reported the greatest challenges with performing financial management functions.

- Industry bodies can also play a proactive role in helping non-profits navigate their business support options. By taking stock of those from whom their members are seeking support, cost (if any), function, and ranking and any other feedback, industry bodies could publish a guide for organisations seeking support in the future. It would also help to identify gaps in need – whether in support area or geography.

4.3 FUNDERS AND GOVERNMENT

- The research findings indicate that an especially complex aspect of the finance function in non-profit organisations is the management of multiple contracts, including reporting aspects. Non-profit organisations generally have more layers of reporting than for-profit organisations. Most funders require similar information on contracts within similar timescales (e.g. quarterly). To improve opportunities for efficiency for non-profit organisations, funders can agree a common application and reporting framework. Networks such as the Social Investment Forum could facilitate this discussion.

3 http://www.accaglobal.com/content/dam/ACCA_Global/Technical/smb/companion-guide-for-not-for-profits.pdf

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ACCA The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom / +44 (0)20 7059 5000 / www.accaglobal.com