Head over Heart – why should charity Finance Directors be interested in a new conversation?

We're all aware that in the current funding environment, there are enormous challenges for charities working out how to maintain their services and how to make their work sustainable, often leading to fundamental questions around what the charity is for, and what it should focus on in terms of the impact it can achieve, and how it is funded.

During my time working in charity finance, we often hear about the need for charity finance professionals to break away from their bean-counter image, and to step up to a more strategic role. At this time, this feels more important than ever, and I'm pleased that Cass Business School are now looking to catalyse a new conversation around charity finance.

Part of this conversation will focus on the role of social investment in facilitating both sustainability and impact, and it's critical that finance directors are part of this discussion – within their own organisation, and in feeding back on the funding models that are emerging.

Finance directors should be involved at the outset if your charity is exploring using social investment – their skills and outlook will be invaluable in their charities' decision making. But the FD also needs to be open to the potential opportunity and wider benefits that investment could bring their organisation. It can be easier to adopt the 'eeyore-link' stance that something new (especially if it involves borrowing) will be too risky – an instinct that I had to overcome in my FD role at Scope.

So what is the Finance Director's role within their organisation in respect of social investment?

1) Opening up new strategic options

Understanding the social investment tools available could allow you to open up different strategic options for your charity – for example a charity supporting homeless people that would like to provide housing directly may only be able to achieve this by using investment to access property.

2) Strategic financial management

The decision to borrow should be aligned with the organisation's reserves policy and investment policy, and longer term financial plans – all of which are the FD's domain. How is any future growth or new activity going to be funded and how could investment support or accelerate that growth?

3) Being an enabler

The finance director may not initiate the decision to use investment, but should be key in the process. You or your team are likely to support your CEO and business development colleagues in evaluating options, and modelling the financial implications and impact that could be delivered through investment, and providing an impartial view on the investment options available and risks involved.

4) Giving confidence to investors and your Board

The CEO and FD are likely to work more closely on any significant investment project, and whilst the CEO will take the lead in pitching the organisation's work to investors, the investors will often look to the FD to gain confidence that the finances are well run, and "what-if" scenarios considered.

Most finance directors didn't come to work in the sector for the love of budget spreadsheets and the Charity SORP – we're driven by the impact our organisations achieve, and seeing how the resources available can make that happen. Social investment brings a different dimension to our funding discussions, and perhaps the charity finance leader that is well embedded into the strategy conversations within their organisation is best placed to make sense of the challenges and opportunities it offers.

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