

# Time to look forward

**Simplify your management accounts and make sure you're always looking forward, says Mark Salway.**

LAST MONTH I had the pleasure of listening to John Tranter talk at the Age UK Treasurers' Forum. It was the first event of its kind at the organisation, and gave attendees a chance to hear from a wide group of experts and also network with colleagues having similar problems.

Tranter asked the audience to imagine standing in a dry river bed with feet in a small pool of water. It feels tropical and warm, and good to be standing in the cool water. But then he pointed out that there is no vegetation on the rocks and that the rainy season is coming so you could be completely washed away when it rains. His message – look forward, don't look back.

He said that management accounts are the same. We need to consider the past and look at the dry river bed for signs. We need to appreciate the present and what that means, and look to the future to understand what is coming over the horizon.

## Limited view

Having looked through a wide cross-section of management accounts in the charity sector, I am similarly struck by the way that most of the information looks backwards at past performance and looks at finance alone. When we create management information it is also often produced by the finance team alone, who try to interpret the story behind operational and fundraising activity; where others should be held accountable.

So I thought I would dedicate this month's column to management information and looking forward.

The first thing is to say that management accounts really do need

to be produced at regular intervals. Even with the smallest of organisations, we should aim for reporting every month to keep the good practice of financial control. The single biggest indicator of financial trouble is that an organisation stops producing management information; hold that thought.

Management information then needs to be easy to read, useful and not too lengthy. I once had a bet with a colleague that if I took out a page and no one on the trustee board asked for it, then we would never produce it again. We took a good few pages out for three quarters before anyone questioned! Einstein said "not everything that can be counted is important"; our devious removal of pages proves that.

“**Look to the future to understand what is coming over the horizon**”

Management information should provide narrative and not just data. It should highlight areas where there are concerns, using red, amber and green as a code.

However, the biggest change is when you start looking forward and asking what this will mean for the organisation. Thinking about the river coming over the rocks and washing you away; rather than feeling good standing in the cool water but not anticipating the future.

It surprises me how many organisations rely on grants and contracts but have no reporting on a forward order book, for example. Does the reporting give a win/loss

ratio? Would you spot if your pipeline started drying up? Equally, how are economic events going to impact your finances? Not to mention Brexit and the US election.

## Focus on what matters

The next thing is to consider non-financials as well as financial information. So many charities run their work just on finances alone. This is great for sustainability and survival, but what about focusing on the things that really matter like changing people's lives and being impactful? Do you have those key metrics in place to measure the real key performance indicators?

Make sure you have some cash flow analysis and that reporting arrives on a timely basis, not months after the event. Management information needs to be timely to ensure that decisions can be taken and the plane can be flown through any potential upcoming storm. Make sure that everyone has a say in its production. Co-create and enjoy the feeling of working across teams.

Get feedback on the document and reporting. I have often heard clients say, "brilliant management reporting, but I have no clue what it means". You are the storyteller – keep the story simple, sweet and understandable.

So next time you create your management accounts, ask yourself these questions: "Can you see the impact of the dark clouds looming, or the blue sky up ahead? And does your reporting tell that story?" ■



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