

# Financial fitness

## The benefits of training for small voluntary organisations

Report of a study by the Community Accountancy Project on  
behalf of City Parochial Foundation and the Trust for London

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## Introduction

The Trust for London (TFL) distributes over £600,000 a year and funds more than 150 small voluntary organisations and charities at any one time.

To help Trust staff gain a better understanding of organisations which apply for funds and their overall ability to provide the services for which grants are sought, the Trust has a policy of meeting applicants, normally by visiting them.

Over recent years this approach has shown that while some of the recipients have skilled trustees and staff, many have little or no formal training or experience to help them ensure that funds are used carefully for their designated purpose. The Trust has become aware that many organisations experience difficulty in exercising financial control.

This led to the instigation, in 1997, of a study to investigate the need for financial monitoring of organisations. The results of the study - funded by both the Trust for London and the City Parochial Foundation - were published in 1998 (*Financial Monitoring of Funded Organisations* – City Parochial Foundation).

The report found that the financial competence of voluntary organisations, regardless of size of turnover, was generally poor. This was particularly so for small organisations.

A number of recommendations aimed at improving the financial management and governance of funded organisations were made. One of the recommendations was that funders should work together to improve access to local, good quality, low cost financial training.

As a result of the report, the Trust considered that a further study was required to evaluate the outcome of such training. The Trust commissioned the Community Accountancy Project (CAP) to carry out this further research with the aim of working with up to twenty funded organisations so that:

- they are better able to manage and account for their finances and for their

Trust for London funding;

- they are able to put in place suitable financial systems and controls;
- the project report is able to identify suitable methods - capable of being replicated - to develop the financial management capacity of small organisations, and assess the level of costs involved.

CAP is a registered charity that provides financial management training, advice and support to small charities and voluntary organisations. Founded in 1982, it has been at the forefront of accountancy support services for over eighteen years. A major contributor to the development of community accounting services across the UK, CAP is a founder member of the Community Accountancy National Network.

The Trust would like to thank the people and organisations that participated in the study:

- Jayne Nallen and Chris Zielinski, the independent consultants who carried out the majority of the organisational assessments;
- Mick Warne, Adegbenga Samuel and Peter Fairbairn who developed and delivered the training programme;
- all the organisations and especially the training programme participants who agreed to take part in the study and whose contribution and effort has made the report possible.

The results of the study are presented in this report. The first section deals with the study itself - the methodology, aims and approach, findings and conclusions. The second considers how the implications of the research might be integrated within future training programmes provided by the Trust.

Carol Harrison  
*Director of Finance and Administration*

## Summary of findings and recommendations

### Findings

- Good quality financial management training significantly enhances the ability of small voluntary organisations to develop adequate financial systems.
- Organisations managed and operated on a totally voluntary basis are just as capable of developing sound financial management systems as organisations with paid staff.
- The provision of financial management training at an early stage of an organisation's life will provide a more secure base for future development.
- Training programmes attended by two people from each organisation will significantly enhance that organisation's ability to develop its financial management system.
- The cost per organisation of an assessment-based training programme (similar to that used in the study) - for two participants is approximately £1,250. This rises to £1,685 when all venue and other costs are taken into account.
- Many small charities continue to use non-specialist accountants who do not apply the Charity Accounting Regulations or the SORP when they prepare and scrutinise annual accounts.

### Recommendations

#### *To the Trust*

- The Trust should commission the development of a financial management training programme.
- The programme should be specifically designed for small voluntary organisations and incorporate pre- and post-training assessment.
- The quality of training provision should be enhanced by the use of suitably experienced trainers.
- The Trust should ensure that organisations applying for grants meet legal requirements for insurance cover. It should do this as part of the grant application process, particularly with newly-formed organisations.

#### *General*

- Small voluntary organisations should seek to develop sound manual accounting systems before they begin to consider computerised systems.
- Working with other funders, the Trust should ensure that small and newly formed organisation have access to local, good quality, low cost financial training.
- Funders should monitor the SORP compliance of funded organisations and bring non-compliance to their attention promptly.
- Organisations should consider using auditors which specialise in charity accounting.

# The Study and its findings

## Section 1

### Summary of methodology

The Study was conducted in five stages:

- The Trust invited a selection of organisations to take part in the study.
- A pre-training assessment was made of each organisation's financial management system and its training needs.
- A six-day training programme was made available to two representatives of each organisation.
- An individual support session was offered to each organisation.
- A post-training assessment was carried out to assess the degree of development of each organisation's financial management system.

### Invitation to participate

The Trust for London invited 26 organisations to participate. A letter explained the purpose of the study and encouraged organisations to complete a simple return to the Community Accountancy Project. This acted as a registration form for those organisations wishing to participate, and gave those not wishing, or not able, to do so, an opportunity to respond.

### Aims of the pre-training assessment

The aims of this assessment were to:

- Examine the existing financial management system.
- Discuss the strengths and weaknesses of this existing system with the organisation.
- Discuss and agree the organisation's training needs.
- Assign an initial score and banding to each organisation.

The scoring and banding system is detailed in *Appendix 1*.

Two independent consultants and two staff of the Community Accountancy Project carried out the assessments. Each organisation was contacted by their nominated assessor to arrange a meeting at the organisation's premises and provided with a checklist of records and documents needed to ensure the process was effective.

At the assessment meeting, up to ten elements of financial management and governance were examined and discussed:

For organisations with annual income up to £10,000 (Income Level A) the elements were:

- Budgeting and cash flow forecasting
- Cash book records, analysis and bank reconciliation
- Internal financial reporting (management accounts)
- Payment controls

- Insurance
- Petty cash book records, analysis and controls (if used)

For organisations with annual income above £10,000 (Income Level B):

The six elements above, plus:

- PAYE and employment law compliance (if staff employed)
- Income and credit control
- Internal communications
- External financial reporting (annual accounts, including auditor's / independent examiner's report where applicable)

### Aims of the training programme

#### Venues

Venues were selected in both north and south London to facilitate attendance and minimise travel time.

The programme aimed to provide an environment conducive to learning, in which participants felt valued and able to concentrate fully on developing new skills. Each venue was fully accessible, contained dedicated training space and was administered by on-site staff. All aspects were considered important to the programme: too often voluntary sector training is delivered in cramped and unsuitable conditions, with participants (and trainers) left to fend for themselves.

#### Catering

Lunch and all refreshments were provided on site to encourage participants to get to

know each other informally, share experience and have the opportunity to develop contacts and networks - a number of organisations were delivering common services, albeit to different communities and in different areas of London. These arrangements aimed to reduce isolation and encourage participants to recognise that they could learn from each other.

#### Travel and childcare Costs:

Individual's costs were met to encourage maximum attendance and to ensure that organisations did not lose out financially by participating in the programme.

Each participant completed a simple travel claim form at each training day. The total of each organisation's travel costs was reimbursed at the end of the training programme. Childcare costs, documented by appropriate invoices and receipts, were also reimbursed to organisations.

#### Training programme schedule

The schedule was organised to ensure participants had the maximum opportunity to attend, and to give maximum flexibility to relatively small organisations with limited staff and trustee resources, so that their own provision of services was not unduly disrupted.

The six-day training programme was delivered once at each venue on a combination of weekdays and Sundays. Sundays were selected as the weekend day because many participants held Saturday to be their religious day.

These details were introduced to assist trustees and volunteers who worked elsewhere on weekdays. In addition, staff were able to arrange their work schedules around



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the training days, or attend on the weekend if necessary. Staff of the Community Accountancy Project delivered all training.

### **Training programme content**

The programme was designed and developed by the Community Accountancy Project. It aimed to include all the elements of financial management examined during the pre-training assessments, and to enable participants to develop new skills and knowledge that they could utilise to improve their organisation's financial systems.

The first day of the programme provided an overview of the legal framework that regulates charity financial management. The second focussed on financial planning, including the production of budgets and forecasts.

Days three to five concentrated on practical record keeping and the production of internal financial reports.

The final day covered financial controls and safeguards and provided participants with the opportunity to design a set of draft financial procedures suitable for their organisation.

The full training programme outline is detailed in *Appendix 2*.

### **Training methods**

The programme aimed to equip every organisation with a comprehensive set of course handouts, practical exercises and solutions and information sheets that would act as a reference library for the future. This was considered important because of the level of turnover of staff, trustees and

volunteers within the sector; the programme was designed to build up each organisation for future development.

Each day combined a mixture of practical exercises with model solutions, group discussion, small group work and action planning. The practical exercises used a case study specifically designed and developed to reflect the services of many participants' organisations.

The materials included a 'sources and resources' section, indicating further sources of assistance such as the Charity Commission (e.g. lists of relevant booklets, postal and web site addresses).

Participants were encouraged and helped to develop action plans, identifying areas of weakness within their financial systems and strategies to strengthen them.

### **Interpreting services and course materials in other formats**

Provision was made for interpreting, and producing material in large print, tape or Braille, but in the event no costs were incurred.

### **Encouragement to attend**

A reminder letter was sent to every participant before each training day. It included a training outline, location map and information about the venue and reimbursement of expenses. The letters were addressed to the 'main contact' in each organisation, to keep them informed about the progress of the training programme and enable them to encourage participants to attend.



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Certificates of attendance were offered for each participant who attended at least four of the six training days. These specified the areas and topics covered on the relevant days.

Certificates of achievement were offered for each organisation that completed at least four days of the training programme and the follow up assessment.

### Individual support sessions

To complement the training programme, every organisation was encouraged to attend a support session with one of the trainers. The aim was to provide practical advice on areas of concern identified by the organisation.

The sessions lasted up to two hours and were held in both north and south London on a combination of weekdays, weekends and evenings to encourage participation.

### Aims of the post-training assessment

Each organisation that participated in the training programme was reassessed four months after the end of the programme. The aims of the post-training assessment were to:

- Re-examine the organisation's financial management system.
- Identify elements that had been strengthened as a result of the programme.
- Reassess the points total and banding of the organisation.

- Gain feedback on the effectiveness and relevance of the training programme.

### Findings of the study

#### Invitation to participate

It should be stressed that for many of the organisations invited, decision making can take time as their trustees usually meet monthly or less often.

With this in mind, it was unsurprising that by the deadline set for return of the 26 registration forms only half had been received. The main contacts within the remaining organisations were then encouraged to respond, and almost all did so.

Only two organisations failed to reply.

Twenty organisations registered to take part. Of the four organisations that declined the invitation:

- one had selected a member of staff who was expected to be on maternity leave for the duration of the training programme. No other representative was available;
- another was content that its honorary treasurer received all the necessary training and advice from another voluntary organisation;
- the third explained that most of its volunteers had left and that the one part-time staff member was under considerable pressure. In addition, family and job commitments meant none of the trustees could participate;
- the fourth gave no reason.



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### **Organisations which registered to take part in the study**

A diverse range of organisations participated in the study.

The majority were black and minority ethnic organisations including both those managed by people from black and minority ethnic communities, and others providing services to people from those communities.

Communities represented included African, Angolan, Arab, Bangladeshi, Eritrean, Ethiopian, Iraqi, Kurdish, Sierra Leonean and Somali.

A number of organisations were run by and for refugees. One disability organisation and two women's organisations also took part in the programme.

### **Pre-training assessments**

Arranging appointments to visit proved a problem as some organisations faced difficulties - mostly related to time and resources available - in committing themselves to the process.

Of the twenty organisations that had registered for the study, three were unable to continue their involvement at this stage:

- The main contact at one organisation was out of the country and no one else from the organisation was able to arrange a visit.
- A second decided it no longer wished to participate in the study. The main contact explained that all accounting and analysis work was left to an accountant at the year-end. The organisation itself did not maintain any records and therefore, in his

opinion, there was no point in taking part.

- The third organisation was already involved in a similar training programme organised by its local umbrella body. It was considered inappropriate to include this organisation on the programme.

Seventeen organisations successfully met with their assessor. Twelve were assessed by independent consultants and five by Community Accountancy Project staff.

However, two organisations did not attend any training. Both considered themselves self sufficient and have been excluded from the statistics in the report.

This left a total sample of fifteen.

### ***Budgets and forward plans***

Almost half of the sample (7) had no written or agreed budget in place.

### ***Cash book records, analysis and bank reconciliation***

10 organisations did not have a recording system suitable to allow them properly to record and monitor receipts and payments passing through the bank account.

### ***Internal financial reports***

Only one organisation produced accurate reports comparing actual figures to budget.

### ***Payment controls***

6 organisations had very poor or non-existent controls in place. Signing of blank cheques was evident in some organisations.



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### ***Insurance***

6 organisations did not have adequate insurance cover for their activities. 2 organisations employing staff did not have employer's liability insurance, a legal requirement. Others had no public liability cover although they were providing services to members of the public. Some had no contents cover although IT and other equipment was kept on their premises.

### ***Petty cash records, analysis and controls***

It was a surprise to find that 10 organisations did not use a petty cash system, reimbursing expenses only by cheque.

Of the 5 that did use petty cash, 3 had insufficient records and poor or non-existent cash controls. The other 2 had only basic systems in place.

### ***PAYE and employment law***

8 organisations did not employ staff. Of those that did, 2 used an outside agency to process their payroll. 4 organisations had a serious lack of accurate records – including one that did not maintain any P11 working sheets for its staff. Only 1 organisation maintained clear, accurate salary and Inland Revenue documentation.

### ***Income controls***

4 of the 10 organisations assessed on this element had few or no controls in place to ensure they collected money (e.g. grants) owed to them.

### ***Internal communications***

Virtually all the organisations appeared to have reasonable lines of communication in operation. This finding was borne out to a large extent during the training programme which was often attended by the chairs and treasurers of organisations who seemed very capable of working closely together. It should also be remembered that most of the organisations were relatively small in size and did not need very formal paths of communication.

### ***External financial reports (Annual accounts and auditor's / independent examiner's reports where applicable)***

Of the 7 registered charities with annual income over £10,000, only 2 had annual accounts prepared and examined in line with charity accounting regulations and the Statement of Recommended Practice (SORP). Of the remainder, 3 had no scrutiny report at all and 2 had a meaningless accountant's report. There was no separation of funds in any of these 5 sets of accounts.

Details of pre-training scores and competence bandings are in *Appendix 1*.

### ***Training programme***

#### ***The participants***

A total of 25 people attended all or some of the programme, of whom only 3 were paid staff. 13 were trustees involved as chairs, treasurers or secretaries. 9 were voluntary workers acting as project co-ordinators, bookkeepers, administrators and youth workers.

The fact that so many of the participants were involved on a purely voluntary basis makes the positive outcomes from the programme quite remarkable.

### **The organisations**

116 person training days were booked, with a total of 89 taken up. This gave an attendance rate of 77%. 15 organisations attended at least one day of the programme, though only 1 organisation took full advantage of its allocation of 2 places on all training days.

12 organisations attended at least three days of the six-day programme, with 6 of these attending all 6 days.

3 organisations attended less than half of the days.

Participants showed real enthusiasm for the opportunity to attend the courses. They worked hard both at the practical aspects of the programme and on group work and discussions.

A number of participants did not have English as their first language but this did not prevent them from achieving a great deal of progress both on a personal and organisational level.

The opportunity to make contact with other people doing similar work was firmly grasped by participants. Lunchtime and refreshment breaks proved a good chance for people to get to know each other informally and to discuss issues relevant to their work.

Although the programme was run at two venues to minimise travel time, the vagaries of public transport in London meant that

starting times often had to be delayed for 15 minutes or more. This tended to have a knock on effect at the end of the day, with a late finish often resulting.

It should also be remembered that most participants were attending in a purely voluntary capacity and their personal lives and commitments outside their organisations made punctuality difficult at times.

Attendance numbers at each day of the programme were fairly constant - the highest was 17 for the last day of the programme covering financial controls. This may have been influenced by the knowledge that attendance certificates were to be presented that day – but there was a real commitment by participants to see the programme through and get the most from it.

The lowest attendance (12) was for the day on internal financial reports. This was probably an indicator that for some participants new to financial management, the technical aspects of the course content were beginning to overwhelm them.

Participants' verbal feed back at the end of the programme was generally very positive - a summary is given in *Appendix 3*.

### **Individual support sessions**

One-to-one support sessions were offered to all organisations on the programme. However, despite much encouragement by the trainers, the response was lower than anticipated.

8 organisations booked a session, but only 5 attended. One cancelled its session in

advance, explaining that improvements to the system were going very smoothly (this was later borne out by the post-training assessment).

A second cancelled by telephone on the day, explaining that the necessary books and records were not available to them, while the third did not attend the session due to health problems.

Elements covered by the five organisations that did attend were:

- Cash books and controls (2)
- Budgeting and forward planning (2)
- Insurance requirements (1)

One reason for the low attendance at these sessions may well have been that the travel time involved was too great in comparison to the length of the support session.

### **Post-training assessments**

It was considerably easier to make firm appointments for the follow-up assessments.

Organisations had grown in confidence through participation on the training programme and were much less hesitant to discuss their financial systems in detail. A high level of trust had been established between the assessors and the organisations, and all were keen to see the process right through to the end.

### **Revised scores and bandings**

11 of the 15 organisations that attended any part of the training programme increased their scores.

### ***Budgets and forward plans***

The number of organisations with an agreed budget had risen from 8 to 11.

### ***Cash book records, analysis and bank reconciliation***

The development of cash book analysis, control and reconciliation was one of the major findings of the post-training assessments. The number of organisations with well maintained cash books had risen from 5 to 12.

### ***Internal financial reports***

One of the weakest elements at the start of the study, the number of organisations able to produce accurate reports had risen from 1 to 5. Impressively, 3 of these were from Income Level A.

### ***Payment controls***

These did not generally appear to have improved following the training programme, with only 1 organisation having made significant progress.

However, the time lapse from the end of the training programme to the post-training assessment did not allow much leeway for development of this aspect. A number of organisations were in the process of drawing up written procedures encompassing payment controls, for discussion and agreement. It may well be that more significant progress will take place once the policy work has been completed.



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### ***Insurance***

There seems to have been an extraordinary lack of development in this relatively straightforward area. There was still 1 organisation with staff that did not have employer's liability insurance, and 4 others still at risk if a member of the public, or possibly a volunteer, were to be injured at their premises or in the course of their activities.

Lack of a budgeted amount for insurance may have been a contributory factor, and could in future be tackled through the Trust's own grant assessment and monitoring procedures.

### ***Petty cash records, analysis and controls***

Only 1 organisation still retained a very poor petty cash system – and that should change once the accounting function is taken in-house. 3 others had basic systems in place, 2 had effective systems - including one organisation which set up a petty cash system after attending the relevant training day.

### ***PAYE and employment law***

Of the 5 organisations that handled their own payroll, 2 had moved from a low level to a medium level of Inland Revenue compliance.

This was an encouraging finding since detailed payroll training was not a feature of the programme – however, an overview on Inland Revenue and employment law had clearly had a significant effect.

### ***Income controls***

There was no change to the initial assessment levels on this element. The comments pertaining to payment controls above may be equally relevant to this element.

### ***Internal communications***

There was no change to this element among any of the organisations.

### ***External financial reports (Annual accounts and auditor's / independent examiner's reports where applicable)***

Due to the scheduling of the training programme and post-training assessment, there had been no opportunity for any of the organisations to improve their level of compliance. All the earlier findings still applied.

A number of organisations indicated their wish to move to more specialist accountants/auditors, but in most cases the projected increase in costs was clearly a major hurdle.

### ***Conclusions***

For the smallest organisations involved in the programme, the amount of new information they had received might have seemed rather daunting.

However, although in two of these organisations the increase in scores may not appear very significant on paper, their independent assessor strongly felt that "many useful seeds had been sown". Both were much more confident about discussing financial management difficulties

and were clearly working towards improving their systems still further. The full impact of the programme will probably not be apparent for at least another year.

Two other (small) organisations had developed and improved their systems extensively. Having trustees with considerable expertise may have helped both. The programme acted as a catalyst, encouraging them to strengthen elements that had hitherto been ignored as non-essential.

One of the organisations had even developed elements of their system without attending the relevant training day. Their latent skills appeared to have been stirred, probably by the pre-training assessment that pointed out a number of significant weaknesses which they had not tackled previously.

**The biggest increase in score was achieved by the only organisation that ensured that two representatives attended every day of the programme.**

This is testament to the commitment and enthusiasm of the two people concerned. By attending together, they were able to exchange ideas and apply the concepts introduced on the programme to their own organisation's circumstances.

**The benefit of this approach is clearly demonstrated by the finding that four of the top five increases in score were achieved by organisations that had two representatives attending.**

It is also of interest that those organisations that had already attained a reasonable degree of development found it easier to take the next step forward.

**Four organisations remained on the same score**

Internal differences at one organisation led the programme participant to leave: the independent assessor indicated that the organisation was unresponsive to the idea of change. However, it is likely that the person involved will take their new skills to benefit another organisation working in the same community.

One organisation had been unable to undertake any development work. This was due to the combination of a funding crisis, religious festivals and ill health. The assessor, however, considered that the organisation was unlikely to take action unless it is persuaded to do so – perhaps through tighter monitoring.

Another organisation had also faced funding difficulties and these had taken up all the available time and energy of its trustees. The organisation had just begun to receive practical support from its local community accounting service, and was hoping to make progress in the near future.

The fourth organisation intends to use the skills and knowledge gained from the programme to take its accounting function in-house. A private firm currently undertakes the function, and it will take time to arrange and complete the transition.

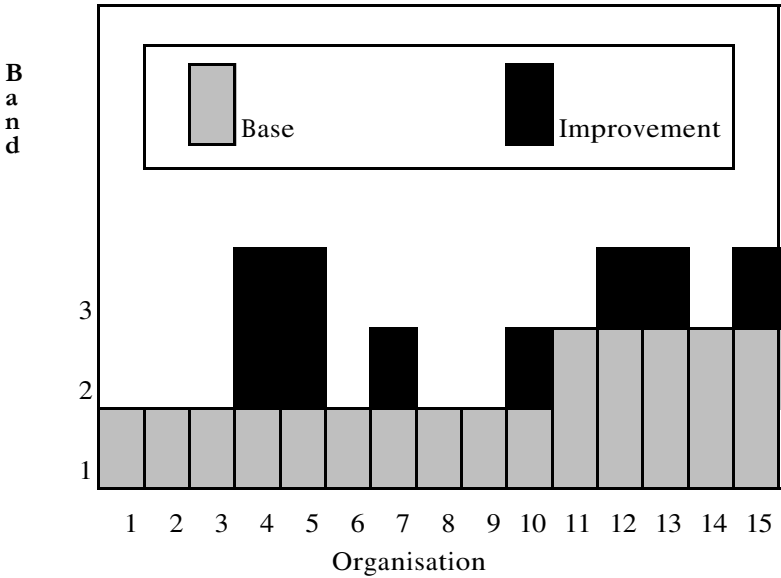
Final bandings

The results of the post-training assessments showed that, of the 15 organisations:

- 2 had moved up from a low (band 1) to a high (band 3) competency
- 2 had moved up from a low (band 1) to a medium (band 2) competency
- 3 had moved up from a medium (band 2) to a high (band 3) competency
- 4 had increased their points score but remained within their original competency band
- 4 showed no change.

Final scores and competency bandings are detailed in *Appendix 1*.

Assessment Bands





# The implications for future training programmes

## Section II

Any training programme targeted at small or newly formed voluntary organisations needs to take on board a wide range of significant factors:

The level of volunteers involved, as opposed to paid staff, means that programmes should make allowance for participants' personal circumstances. This requires flexibility on the part of the assessors - appointments may have to be rearranged at short notice. Allowance should also be built in to the frequency and duration of training days within a programme.

Small or new groups often operate on a very informal basis. This informality should not be mistaken for inefficiency. However, for many, financial management training may be their first experience of formal rules and regulations, and good practice guidelines that should govern the operation of their organisations.

For some, especially those from refugee communities, the concepts behind charity law, Inland Revenue rules and more formal ways of working may be very different from those they have previously experienced. Cultural differences therefore need to be taken into account in the planning and delivery of training programmes.

Experience gained through the study suggests that, overall, there may be a drop out rate of up to 50% of the organisations selected and/or invited to participate.

### Organisation of the programme

The need for the Trust to be actively involved in encouraging participation by funded organisations cannot be over emphasised. If only a limited number of organisations are to be offered training, the Trust has a pivotal role in gaining their co-operation and participation.

However, while the ultimate sanction of the Trust may be to require an organisation to undertake training as a condition of grant-funding, this approach may lead to resentment rather than enthusiasm on the part of the organisation. Encouragement and persuasion by the Trust should usually yield more positive results.

Small and new voluntary organisations, especially those without staff, need adequate time to consider and respond to an offer of training and/or support.

Any programme should allow for a lead-in period of about two months from initial contact to programme registration. If the programme comprises pre-training assessment, a further two months should be allowed for this to be arranged and completed.

Establishing contact by telephone or in person helps to establish an early rapport and is less daunting than formal booking forms as the first point of contact.

Many trustees and volunteers can be contacted more easily in the evenings or at weekends. It should be remembered that they have commitments and their own lives to organise outside their organisations.



### **The training programme**

This study, the trainers' previous experience and earlier research by others, all suggest that the provision of training on a local basis does encourage attendance by smaller organisations.

In London, in particular, the geographical location of the organisations should be taken into consideration when selecting for a programme. While the people who work or volunteer for the organisation may or may not live in that location, it is at least an area that is reasonably familiar to them.

Most small organisations have little or no training budget either for trustees or staff. The provision of free or very low cost training is clearly an important factor in their attendance. A Trust-led programme should ensure that the cost to participants is as low as possible; this means that the costs of travel, childcare, refreshments and materials should be borne by the Trust.

On a training programme of this nature, where much of the material is technical, days should not be too long or too compacted. Participants' concentration levels will invariably decrease over the course of the day. A start time of 10.15am, finishing by 3.45pm, is probably quite long enough.

Starting any earlier may not allow for travel time and the personal circumstances of participants. It can be helpful to begin each day with some less essential aspects of the programme, or with administrative tasks such as course attendance records and expenses forms. This allows for late arrivals who can catch up on these tasks during the day.

The study, and previous experience, shows that the quality of lunch is often a top priority for participants! Dietary requirements should be addressed on booking forms, and every effort made to accommodate them.

### **Recommendation for future training**

The six-day duration of the training programme used in the study, over a period of less than three months, placed considerable strain on the resources of the participant organisations. The technical nature of the later course content took some of the organisations too far, too fast.

In addition, participant evaluation suggests that the course content should be spread over a greater number of days.

It is therefore recommended that a programme should be developed by the Trust for organisations with annual income of less than £60,000.

Income Level A organisations (those with annual income of less than £10,000) would, subject to pre-training assessment, start at Stage 1 as outlined below.

This stage should also be offered to Income Level B organisations where assessment has shown significant weaknesses in their basic systems.

#### **Stage 1 (3 training days) should cover:**

- Legal structures and charitable status
- The roles and responsibilities of trustees and officers
- Cash book records

- Bank reconciliation
- Petty cash book records
- Expenditure authorisation and controls
- Insurance requirements

Two individual training/practical support sessions, held at each organisation's own premises, should be included as part of the programme. They should take place after Stage 1 has been completed and should aim to build the confidence of participants to make use of their new-found skills.

Systems development and implementation should then be monitored by post-training assessment after four months.

The second stage should begin six months after the above assessment. It should be available both to Level A organisations that have successfully developed their systems thus far and to Level B organisations that are considered, after assessment, suitable to join the programme at this stage.

**Stage 2 (5 training days) should cover**

- Budgeting and cash flow planning
- Internal financial reports
- External reports & SORP requirements
- PAYE and employment regulations
- Financial controls and written procedures.

The findings of the study have clearly demonstrated that two representatives of each organisation should be encouraged to attend, thereby increasing its potential for improving systems.

### **Use of appropriate training organisations**

The Trust should ensure that any financial management training they offer is of high quality. Training providers should have:

- extensive experience of providing financial management training relevant to small charitable organisations;
- an understanding of the difficulties - and resource restrictions - faced by small, volunteer-led organisations;
- experience of providing training to participants from different cultural, religious and minority ethnic communities.

### **Cost implications of the training recommendation**

The unit cost implications are based on Community Accountancy Project's 16 years experience of developing and delivering appropriate training to small voluntary organisations and charities. This experience has been broadened still further through our involvement in the study.

Whilst it would be possible to deliver some elements of the programme and achieve some development of financial systems within the participant organisations, maximum benefit will more probably be obtained through the complete programme.

The cost of planning, organising and delivering the programme (excluding training venue/food and participants' expenses) would be approximately £12,500, a cost per organisation of £1,250.

Total unit cost per organisation training day would be £210, and total unit cost per participant training day would be £105.

The unit cost per organisation training day (8 training days per programme) would therefore be £156, while the unit cost per participant training day would be £78.

However, this cost includes not only the full 8 day training programme, but also the 2 assessment visits to each organisation and additional training/support sessions outlined above.

#### Venue, travel and child care costs

These are more difficult to cost accurately - training venue charges are highly variable. Based on the cost of venues and all refreshments incurred during the study, an estimate for this recommended programme of £320 per training day would give a total cost of £2,560.

There is similar difficulty in accurately calculating participants' travel expenses. Costs incurred during the study, based on a maximum travel claim per participant per day of £6, would suggest that an allowance of approximately £800 should be made. Childcare costs will be very variable; a provision of at least £1,000 should be made.

With these amounts added to the costs above, the total cost of the programme would increase to £16,860.

The final, overall unit cost per organisation would therefore be £1,686.



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## Appendix 1 Study statistics

### Pre- and post-training assessments

15 organisations were assessed before and after the Training Programme took place.

The organisations were divided according to Income Levels:

#### Income Level A

Up to £10,000 annual income

#### Income Level B

Over £10,000 up to £60,000

Assessment was carried out using a scoring mechanism. The 10 elements of governance were assigned three levels of competence, each carrying a points value.

#### Competency Levels:

*Competency Band 1 (Low)* – A lack of most basic controls and procedures – in urgent need of assistance

*Competency Band 2 (Medium)* – Some elements of sound governance in place; needs further development of several areas

*Competency Band 3 (High)* – Most areas sound, one or two need developing

Some elements had 'weighted' values to underline their importance to the basic financial governance of charities. The lowest possible score was -4 (minus 4), while the highest for Level A organisations was 46 and for Level B organisations, 76.

The total points score for each organisation was calculated and the organisation placed in one of the three competency bands.

If an organisation did not use a petty cash system or did not employ staff, the points value assigned to these elements was omitted from the score required to reach a particular band.

The results of the assessment are shown in the table below:

	Pre-training assessment		Post-training assessment		
Income Level	Score	Comp. Band	Score	Comp. Band	Score Increase
A	-4	1	4	1	8
A	-4	1	10	1	14
A	8	1	8	1	-
A	14	1	30	3	16
A	16	1	32	3	16
B	0	1	8	1	8
B	6	1	34	2	28
B	20	1	20	1	-
B	20	1	26	1	6
B	22	1	34	2	12
B	26	2	26	2	-
B	26	2	40	3	14
B	30	2	40	3	10
B	38	2	38	2	-
B	42	2	52	3	10

## Appendix 2 Training course outline used in the study

### Day 1

#### The legal framework for financial management

The first day of the training programme will cover a number of important areas to which voluntary organisations need to pay particular attention:

- Understanding your organisation's legal status
- How the financial cycle works
- Charity accounts and the charity SORP
- Company accounts
- Inland Revenue and employment legislation

The day provides a great opportunity to meet participants from other organisations on the training programme and find out more about the support sessions that will be available over the three months of the programme.

### Day 2

#### Planning

Good planning is an essential first step on the way to becoming a successful organisation. And most funders want to see evidence that you have thought through your plans and can clearly demonstrate how things will work in practice.

This session provides an introduction to the value of good financial planning, including:

- Costing activities and overheads
- Preparing an annual budget
- Cashflow (receipts and payments) forecasting
- Fund raising - planning a strategy

The first part of the day will examine activity and project costs. You will find out how to produce an income and expenditure budget for the year - and how to set about working out the real cost of running services.

With a budget in place, the next planning stage is to prepare a cash flow forecast, based on the budget, to ensure there will be enough cash available to run smoothly. The cash flow forecast is also an important

monitoring tool - later in the training programme you will be able to compare it to the cash book records to check how well the organisation is performing.

The final part of the day will consider options and strategies for finding the necessary resources to run a project or service.

Using a case study, group work and practical exercises, the session is a must for all staff and committee members of voluntary organisations. Come and have some fun with figures!

### Day 3

#### Recording transactions (day 1)

(Bank accounts, recording transactions and filing systems)

Without adequate written records, and the documents that support them, it is impossible to control your finances or to prepare financial reports. And of course funders want to be sure you can look after the funds they provide!

The day will enable you to set up and run a manual bookkeeping system suitable for small voluntary organisations and charities.

It includes recording and analysing bank receipts and payments, adding and cross-checking totals and calculating the cash book balance. Later in the day, we will explore effective ways of referencing and filing all supporting documentation safely so it can be found again when needed.

### Day 4

#### Recording transactions (day 2)

(Balancing and controlling your cash and petty cash books)

Writing up the books is only part of the bookkeeping process. To ensure the accuracy of your records, today's programme will explain and demonstrate how to balance up the cash books, compare them to the



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bank statements and produce a written bank reconciliation which shows exactly how much money you have available at the end of each month / quarter.

The afternoon session will cover petty cash systems, balancing up petty cash and tips on dealing with differences and discrepancies.

### **Day 5 Reporting**

#### **Preparing financial reports for your management committee**

Internal financial reports are essential if your trustees are to be able to make informed decisions for the future. Funders are also very keen to ensure that your organisation has a system for regularly reporting on the finances.

This very practical session will enable you to produce more accurate financial reports for your trustees and committee members.

Please note that the day is suitable for people who have already attended the two bookkeeping days, or who are experienced bookkeepers.

Using the information and experience gained on the bookkeeping days, you will move on to produce a receipts and payments account (including petty cash payments) for comparison to the cash flow forecast. The session will also show you how to produce a statement of assets and liabilities - so your Trustees know exactly where they stand overall.

### **Day 6 Financial controls and written procedures**

A written set of controls and procedures means everyone in your organisation can find out how things work. And when people leave, replacements have a system to work to. This last training day will examine how internal financial controls can be used to reduce mistakes, discourage fraud and protect both your organisation

and individuals from suspicion of wrongdoing. It will detail simple procedures you can adopt for use in your own organisation.

The day will also examine other areas needing control, such as insurance requirements, equipment safeguards and payment controls. You will have the opportunity to draft a set of written procedures for your organisation. These, once agreed by your Trustees, will provide you with a financial management framework for the future.

This framework will also give potential funders greater confidence in your organisation's ability to manage their funds effectively.

### Appendix 3 Training course evaluation by participants

At the end of the programme, verbal feed back was gained from participants at both venues.

#### **About the organisation of the programme:**

Able to come to the relevant sessions (following the pre-training assessment at which training needs were discussed)

Times and venues were flexible

Made very welcome – felt like home.

Shorter days – but more of them. Too much to take in on one day

Participants should get a certificate of accreditation to build their CVs – help for finding jobs

For applications to the Trust for London or elsewhere, training should be a prerequisite. But this may restrict funders from being proactive and may close off routes to funding

#### **About the content of the programme:**

Finding out about the responsibilities of treasurer and chair was helpful

Trust is not enough – payment controls and other procedures are needed

How to manage the finances once we have some money !

Volunteers expenses or low paid staff – the issue explored and explained

Segregation of duties as a financial control

Practising and the practical exercises – petty cash etc I learned how to do the bank reconciliation !

Identified weaknesses in the past – we can now put them right in future

The course has helped me to develop financial procedures. These will form a tool after the programme

The most worthwhile training I have ever attended. The materials will help us back at the organisation

Lifted my fear of numbers – a different experience altogether

Needs more of a fund raising element. Also PAYE / tax / payroll

The course gives a starting up point from which organisations can develop further

Thanks very much to the Trust for London

#### **About the trainers:**

Easy to understand and approach. Smilers !

Tutors very professional and helpful

#### **For the future:**

Accredited training would be good (NVQ?)

I hope many of the same courses will run again via the Trust for London or CAP

Please run a follow up course in 2 years !



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