

Edited by David.Ainsworth@haymarket.com

ACCOUNTS

What the lessons of the past can tell us about the future

My organisation, Cipfa, is in its 125th anniversary year. A great number of charities were founded in the second half of the 19th century, and many survive today. Cipfa as a charity is fairly recent, having been registered in the 1960s, but the organisation remains true to the principles agreed at our first meeting in Manchester in 1885.

There is some fun to be had thinking about what life was like five generations ago. However, according to Tim Smit, co-founder of the Eden Project, writing recently in a *National Trust* magazine, we are all too obsessed with the past and should instead give more thought to current issues. So how should we react to history – is it all bunk, or can it be a source of enlightenment?

This question matters for finance people, because we often have to bring historical perspectives to an issue. We are relatively good at history – trends can be picked up from easy-to-source data and presented with a degree of confidence. The future is a bit more tricky: our projections are often laced with plenty of caveats to cover us should matters not work out as we have indicated.



Chris Harris
is resources director at
**the Chartered Institute of
Public Finance and
Accountancy**

When organisations are looking for help in deciding what to do in the future, the first place they look is the past. And it is the duty of the finance director to provide as much enlightenment as possible.

If information about the past is going to be of value, there are three

points to remember. First, all the relevant numbers should be included. Without them, a table might appear to tell a simple story of success or failure. But a growth in income, for example, should be compared with the degree of investment made to achieve it. Simple stuff – but in the world of charity fundraising in particular, the payback period is often several years. An organisation must have the full picture for long enough to judge accurately the relative success of a particular activity.

Second, the numbers need context. What was happening in the wider environment? An overseas aid charity fundraising in the wake of the 2004 tsunami would have had more success than before the disaster; historic data should identify the relevant external issues.

Third, the numbers need to relate to the action being considered. It is often the case that numbers are provided because they are available, rather than because they are linked to the issue in question. The best option may be to postpone a decision until the numbers are available – that can be a test of the extent to which decisions are really based on information.

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THE NUMBERS

Excellent Development
helps communities in Africa to transform their environment and improve the productivity of the land they own

£849k

The charity's income for the year ending 31 March 2009, compared with £679,000 the previous year

£139k

The cost of generating voluntary income, giving the charity a fundraising ratio of 16p in the pound. The previous year's ratio was 8p in the pound

£96k

Free reserves at year-end, equivalent to three months' core costs. The charity considers this to be the minimum acceptable level of reserves, and aims to hold reserves that are equal to six months' core costs within two years

£70k

No employee was paid more than this

57

The number of communities in south-east Kenya the charity supported to improve soil and water conservation. Excellent Development aims to provide support for 10 more groups in 2009/10. It also aims to build 56 sand dams, plant 112,000 trees and build 182,000 metres of terraces

5%

The percentage of pensionable income the charity contributed to employees' pensions during the year

Business model *Expert Patient Programme*

The Expert Patient Programme is a community interest company that was set up to train people with chronic conditions to manage their own care.

EPP was created by the NHS in 2006 to replace patient training services in individual strategic health authorities. It has grown quickly, according to Colin Norman, finance director at EPP.

"In its first year, the business turned over £650,000," he says. "But that figure is growing by about 100 per cent a year. We're aiming to turn over about £5m next year.

"We expect that to continue for some time, because almost a quarter of the UK population has a chronic



Volunteers Train patients in self-care

condition, and many of them would benefit from our courses. In the short term, we believe the introduction of personal budgets for people with long-term care will be a real opportunity."

Norman says EPP has made a good case for turning NHS services

into businesses. "We've been able to get considerable efficiencies out of converting into a company," he says. "We've been able to reduce the number of staff and involve the patients much more in the delivery of services."

But despite its growth, the business is still some way away from breaking even, Norman says. It had initial funding of about £16m to subsidise the early years, and receives fees for the training it does from primary care trusts.

"We're introducing economies of scale and reducing inefficiencies," says Norman. "We're predicting that we'll break even in two years."

David Ainsworth