



# Financial analysis and interpretation

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# Purpose of the session

11.15 – 13.15

- Techniques for analysing charity accounts
- Identifying financial trends and patterns
- Industry benchmarks and best practice



**Interactive session  
with discussion!**

# Why think about this at all?

- Stewards of the charity's funds and resources
- Need to apply them in the most effective way
- Maximise impact / reach
- Achieve value for money
- Focus on sustainability
- Operational vs financial considerations





# Where is your charity now?

**Poll:**

**Describe your charity's current level of financial analysis**





# What are the challenges for charities?

- No single relevant benchmark
- Multitude of different business models
  - Within the sector
  - Within a charity
- Defining the KPI / benchmark
- Agreeing on a calculation
- Understanding your competition – what do they do?
- Mapping history vs starting from now

# What information do we need?





# Questions to think about at the start

- What are we there to do?
- So what do we want to measure?
- Why do we want to measure it?
- What will the result tell us?
- What is the ultimate outcome of doing this?
- Will it aid decision making?



# How do you currently measure your financial performance?

- Management accounts
- Budget
- Cash flow forecast
- Key performance indicators
- External benchmarking
- Impact reporting
- Statutory report and accounts



# Ideas for tracking KPIs

- Reserves policy
- Fundraising ROI
- Audit fee
- Three Es on value for money – four Es if you add Equity
- Specialist areas for some eg, occupancy, agency staff usage, investment performance, etc





# Different models = Different drivers

- Individual giving → Attrition rates / av donation
- Legacies → Pipeline
- Contracts → Security of margin
- Staffing → Agency staff usage
- Fees for services → Service usage / attendees



# Value for money

## Economy

- Are the appropriate quantity and quality of inputs bought at the lowest cost possible?

## Efficiency

- How well are inputs (resource used) converted into outputs?

## Effectiveness

- How well do these outputs achieve objectives?

# Risk related indicators



# Group discussion

Choose one charity represented in your group and think through how you might develop a set of financial performance indicators for that charity.

- What indicators and why
- How would you measure them
- How would you use them to track performance



# Signposting to resources

- Charity shop survey
- Investments



<https://www.civilsociety.co.uk/product/charity-shop-survey-2022.html>



Subscriber content:

<https://www.charityintelligence.co.uk/insights/Details/bc78cc37-e81e-ee11-907e-002248a2d7b8>



# Resources – fundraising and digital



[https://charitydigital.org.uk/topics/  
topics/a-guide-to-charity-kpis-  
10728](https://charitydigital.org.uk/topics/topics/a-guide-to-charity-kpis-10728)



[https://fundraising.co.uk/2022/11/  
/09/10-benchmarking-reports-  
programmes-to-help-your-  
fundraising/](https://fundraising.co.uk/2022/11/09/10-benchmarking-reports-programmes-to-help-your-fundraising/)



# Resources – hospices

Hospice UK:



- Hospice Accounts Report
- Financial Sustainability Index
- Quarterly Financial Benchmarking  
(live data – can sign up to take part)

<https://www.hospiceuk.org/innovation-hub/support-for-your-role/non-clinical-resources/finance-support-for-hospices/financial-benchmarking>



# Contact us/follow us

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# Questions?



# How do your activities perform?





## Group exercise – join one of the following:

- Hospices, health and social care
- Arts, culture and heritage
- Community services
- Faith based organisations
- Retail performance
- Investment performance
- Reserves management