Fact Sheet 9 – Financial Management

Strong financial management and planning is critical. Without this it will be difficult to control your organisation and forward planning and measuring performance will be difficult. Having a basic understanding of the finances of your organisation is therefore essential as you will need to identify how you will generate funds for the future in order to continue service delivery.

Being able to manage and plan your finances are two important aspects in ensuring the longevity and sustainability of your organisation, for example, ensuring your organisation does not run out of money.

What Is Financial Management

Financial management provides the tools and techniques that enable an organisation to control and manage its finances. Good financial management is important for a number of reasons including demonstrating the organisation is operating effectively, managing resources appropriately and making informed decisions when developing the organisation.

Benefits of Financial Management

Being able to manage the finances of your organisation is an essential skill when developing a long-term financially sustainable future. There are a number of benefits to successfully managing finances, including:

- The ability to plan long-term
- The establishment of greater independence
- The flexibility to develop new areas of work
- The ability to work toward long-term security
- Operate on a sustainable basis
- Allow you to continually meet the needs of present and future service users

Financial Management Tools

There are a number of financial management tools to assist you successfully manage the finances of your business, including:

- **The Profit and Loss Account.** Profit (surplus) is essential to the long-term success of your business, as without it you will need to constantly raise additional finances to sustain trading activities and service delivery. The profit and loss account provides information on your organisation's trading performance during a set time period, usually a year, showing the income over a particular period, the expenditure over a particular period and the amount of residue (profit) at different levels.
- **The Balance Sheet.** A balance sheet shows the financial situation, including assets, liabilities, and net worth of an organisation at a specific point in time.
- **Budgeting.** A budget shows the plan of your business expressed in financial terms, and provides a key mechanism for comparing actual performance with planned performance. It allows you to set financial targets and to determine financing requirements.
- **Cash Flow Statement.** The cash flow statement shows how much money you have to pay for operational and business matters, including how much cash you have in the bank and the future flow of finances within the organisation.
- **Forecasting.** Forecasting will help keep your budgets up-to-date, by placing an educated guess on future figures. Forecasting updates the financial plan during the year, enabling you to adapt your plans due to changes that occur during the year.
- **Variance Analysis.** Variance analysis quite simply lets you analyse the impact of variances on your financial position.

For further details about how Pulse Regeneration can help, please contact us.

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Fact Sheet 9 – Financial Management (Continued)

Managing Financial Risk

Financial management will impact on your decision-making abilities and as such should be integrated into all aspects of your business operations. Key points to consider in terms of your financial management may include:

- **Specialist Accounting Assistance.** You may benefit from securing the services of an accountant and/ or bookkeeper, or a financial expert to set up financial systems.
- **Financial Risks.** You may want to consider finance as a specific aspect of your wider risk management framework.
- **Monitoring and Control.** Reporting the financial position to your board is important as it will allow monitor your financial position and also identify any problems early.
- **Reporting.** If you are a company then you must send your accounts to Companies House, which should generally include a profit and loss account, a balance sheet, an auditors' report signed by the auditor, a directors' report and associated notes to the accounts.

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