

Commercial Evaluation Humberside Community Accounting Project

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Introduction

This piece of research has been undertaken as an integral part of the delivery of an effective and comprehensive community accountancy service across the Humber sub-region as outlined in Humber Federation of Local Development Agencies (FoLDA) Infrastructure Investment Plan 2005-06.

It should be read in conjunction with:

Humberside Community Accountancy Service – Does it add up?

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May 2006

This evaluation was developed in close co-operation with that report and shares much of the statistical research.

The report investigates the experience of project staff in delivering the project, compares it with similar projects in neighbouring areas and focuses on the perceptions of the service by a wide range of users.

The market research undertaken provides information on sub-regional priorities, north and south bank differences and individual area needs of small, medium and large voluntary organisations and groups, again in close conjunction with “**Humberside Community Accountancy Service – Does it add up?**”

Overall the study seeks to establish if there is a market need for the project, if so what are its commercial prospects, what services do its customers value and what additional services should the project consider offering to its clients.

CONTENTS

- 1. Profile of the Humber Sub Region & Policy Context**
- 2. Market Research Study Brief**
- 3. Objectives**
- 4. Research Methodology**
- 5. Sub Regional Findings**
- 6. Outcomes**
- 7. Community Accounting Service – North and North East Lincolnshire**
- 8. Community Accounting Service – Hull**
- 9. Charging Policies**
- 10. Comparisons with other Community Accounting Services**
- 11. Research Data**
- 12. Potential for work with Social Enterprises**
- 13. Research Data from Social Enterprises**
- 14. Conclusion**
- 15. Appendix 1 - Questionnaire**
- 16. Appendix 2 – Questionnaire Analysis**

Profile of the Humber Sub Region & Policy Context

Please see report “**Humberside Community Accountancy Service – Does it add up?**”

Market Research Study Brief

This study aims to collect and analyse information in order to assess the range of services offered by the community accountancy project, measure the impact that the project has had on its clients, assess the market for a range of “charged for” services and assess the size of the potential market for Community Accountancy services.

Objectives

- profile of existing/potential client base
- historic usage of accountancy services
- needs analysis
- perception of service users of current service
- investigation of products offered by other C.A.S.
- customer satisfaction
- analysis of the potential for clients to pay for services

Research Methodology

The primary aim of the research was to assess the financial sustainability of a Community Accountancy project operating across the Humber Sub Region, market test the viability of HCAS services and potential charges and assess the potential size of a market for services within both the voluntary and community sectors.

In line with “Humberside Community Accountancy Service – Does it add up?”, it was proposed that all participating local development agencies (LDA) would provide a random sample of organisations with an income of less than 10K (small), between 10K and less than 100K (medium) and between 100K and less than 250K (large).

The defining categories for organisations were benchmarked upon the existing Charity Commission requirements for accounts: charities with an income and expenditure less than £10,000 must prepare accounts. These may be on a receipts and payments basis. There is no formal requirement to have their accounts independently examined or audited.

Charities with an income between £10,000 and £100,000 must prepare accounts, again it may be on a receipts and payments basis but the accounts must be subject to outside scrutiny and the Trustees may (subject to their governing document) choose to have an independent examination rather than an audit of their accounts. The accounts then have to be sent to the Charity Commissioners.

Charities with an income or expenditure between £100,000 and £250,000 must prepare their accounts on the accruals basis and be subject to outside scrutiny. Trustees may, subject to their governing document, choose independent examination over an audit. Their accounts have to be sent to the Charity Commissioners.

Finally, charities with an income or expenditure over £250,000 in the current year (or either of the two previous years) must prepare their accounts on the accruals basis and they must be audited by a registered auditor before being sent to the Charity Commissioners.

Again, in the light of the experience of the authors of our sister report we concluded that due to the tight timescale for the research it would be impossible to try to achieve a statistically confident sample and that the sample would be a snap-shot response of a cross-section of groups in the Humber sub-region.

Research was carried out using a posted questionnaire with a mix of closed and open questions. Where we failed to get a response from organisations this was followed up with a telephone questionnaire.

The questionnaire looked at where organisations sourced accountancy services prior to using the HCAS service, the range of services they utilised, their perceptions of the value of those services and their perceptions about the service they had received from HCAS.

It went on to ask if organisations would be willing to pay for HCAS services and explored what levels of payment (if any) clients would be prepared to pay and whether they had budgets to pay for accountancy services.

We explored the accounting software packages (if any) organisations currently used and asked what changes they would like to see to the service if it is to continue.

We asked organisations if they would be comfortable using a mainstream accountancy practice if it understood the particular needs of the voluntary and community sector and asked about knowledge of local Pro Bono services.

Finally we asked organisations where they would access services in the future if this project did not continue, and invited general comments on the project.

Please see Appendix 1 - Questionnaire

Community Accounting Service – North and North East Lincolnshire
The view from the inside
Interviewees Karen Bacon and John Guggiari

Background

A Community Accountancy Project has been operating in North East Lincolnshire for over three years as part of an overall support package that included strands supporting marketing, quality issues and group development. The project being evaluated was seen by the organisation as an extension of the accountancy element of that project utilising funding from Changeup.

The new funding was planned to commence in April 2005 however due to unexpected delays this did not happen.

The existing staff carried on providing services but needed to charge organisations in order to cover wages. This charging policy was insufficient to cover overheads. Even at this level the project lost £700 during May and June. During July and August the Community Accountant was employed to carry out the duties of a Chief Officer for VANEL and as a result pressure was taken off the Community Accounting projects finances.

Funding from Changeup finally came on stream in September 2005 and the accountant was employed for 21 hours a week.

Recruitment for new staff members started in September 2005.

Staff were sure that the advertised positions (one in North Lincolnshire and one in North East Lincolnshire) would be attractive to the right person offering as they did child friendly flexible working arrangements and part time working. It was thought that the position could attract women returners or someone looking for partial retirement.

Although advertising attracted several interested (and capable) candidates only two people took up the offer of employment. These staff subsequently were placed in Hull and the East Riding.

Staff felt that they faced two issues that were barriers to more success - recruitment over the summer holiday period and the short-term nature of the contract (by this period it was down to 10 months).

At this stage it was agreed by the host organisations (VANEL and VANL) to combine forces and offer a post to work jointly in North and North East Lincolnshire in an attempt to get the project underway.

As advertising had not been successful in attracting suitable candidates to the post a period of "headhunting" was commenced and as a result the current post holder was employed by the project.

Both staff feel that the delays in starting the project and subsequent difficulties in recruiting staff have had a fundamental effect on the project and the way it has been delivered.

This being the case it would be useful to see what lessons could be learned and how we can better shape any potential new project.

Proposals for an improved service

On recruitment / post design

The package being offered to potential candidates could have been more attractive – the West Yorkshire Community Accounting Service offers the opportunity to work from home and offers exclusively “behind the scenes” work which could attract people who are unable/unwilling to travel as well as the ability for the project to be able to outsource work on a case by case basis.

Segmenting the posts

It was felt that the ability to work with Charities was a specialism and it was important to gain experience and this could take around 5-6 months. The time limitations on the project made it impossible to train new staff and thus reduced the scope of the project to employ staff unless they were already experienced in this area of work.

Training and Outreach

The training and outreach work were not always the natural territory of accounting staff and they felt that separating these particular elements away from the “book keeping” might have proved effective. Staff felt that they had to learn a great deal about the sector and how to attract organisations and that again the time limitations meant that these elements were always going to be difficult to deliver.

Staff felt that they had to learn to be trainers as well as learning how to market their product and attract and retain learners.

If training and outreach work were regarded as separate from “book-keeping” specialist staff could be employed and the expertise of other organisations brought to bear. It was seen as a positive advantage for say Humberside Learning Consortium to recruit and deliver the training aspects of the project leaving accounting staff to get on with the preparation of accounts.

Core activities

When asked for alternative approaches to the delivery of the project staff suggested that the approach taken by VANEL original Community Support Project had been a useful model. That is working with both voluntary sector organisations and their funders to ensure that the needs of both were met and that organisations securing funding did not lose it as a result of financial mismanagement caused through a lack of knowledge and understanding of the widely differing requirements of those funders.

The biggest single difficulty in delivering the project was seen as the total lack of any research into the needs of the beneficiary organisations and as a result the amount of effort expended to meet the varied needs of those organisations.

Sub regional variations in the service.

When asked about the differences in the delivery of the service across the Humber, staff could not identify any reasons why the service should be delivered differently in any particular area subject to the geographical nature of each area.

It was felt by staff that the differences in approach of the four LDA's was more significant in the differences between the projects in each of the areas and that had led to difficulties in co-ordinating the project as a whole.

Community Accounting Service – Hull
The view from the inside
Interviewees Jane Thompson & Margaret Stevenson

Background

Community Accountancy in this form was a new service to Hull CVS. Hull CVS did have a specialist Financial Management Advice Post however it didn't deliver high level professional technical advice and the service was available to clients free of charge. Some of these services are now delivered on a charging basis.

In September 2005 recruitment commenced and although three people were offered posts only one part time Community Accountant took up the offer, the others citing the short time scale as the reason they declined the post.

From 40 initial applications 12 people were interviewed. From this process the following posts were appointed:

2 part time

1 Community Accounting Assistant on a 20 hr contract

1 Bookkeeper on a 12 Hr contract

and a project worker on a 35 Hour contract.

It was not until January 2006 that staff were in place.

After a 2 week induction process it became clear that accountancy staff without a voluntary sector background needed further training and assistance to work most effectively with these groups. Training in Charity Law and regulation was given and in February intensive training was available to staff around the new Money Laundering regulations.

Services

The Hull project offers a wide range of services to clients delivered on a one to one basis, through training in workshops and on a one-to-one basis and as a telephone advice service where required.

Services offered include:

Accounts preparation

Independent Examinations

Work on Constitutions and Memorandums and Articles of Association

Charity Law

Training has covered:

Budgeting for planning, monitoring and control

Bank reconciliations

Debits and Credits – trial balance and balance sheet

Strategic Planning

Cash flow and liquidity

Production of a simple business plan

Assisting organisations to grow

Challenges

Staff are very clear about the challenges they had faced and in common with the project operating on the South bank of the Humber the biggest problems were caused by the project timescales and short term nature of the project.

Given the annual accounting cycle it soon became clear that the project was not going to be able to assist many organisations in a meaningful way with only 5 months to operate in. Most organisations call for help either in a crisis or at their Year End and clearly the project would miss a great deal of this Year End work.

Project staff were particularly keen to emphasise the very different nature of a community accounting project compared with a mainstream practice.

Firstly they referred to the client group. Many had not accessed services of this nature before and a great deal of work went into the initial engagement process. Services had to be delivered in a way that clients understood and as a result a great deal of time was being spent breaking down interventions into manageable sections which would not have been necessary with more sophisticated clients.

It was also perceived that there is a “Culture Shock” between existing CVS staff and the new highly professional accounting team. It has taken considerable efforts on behalf of both to assimilate and deliver the services holistically and that “Culture Shock” is still happening.

Project staff quickly recognised that for many small organisations there was a huge embarrassment factor in admitting to another organisation that they were in trouble and that project staff needed to spend a great deal of time reassuring clients. There were also demands on staff time to report back to the Trustees of organisations where an intervention had taken place and junior project staff felt unable to explain detailed information.

A great deal of time has been spent “fire-fighting” – responding to crisis calls from organisations. This work invariably takes up a great deal of time and unerringly uncovers a range of issues in addition to those of an accounting nature.

Project staff have been particularly aggrieved by the number of organisations coming forward with issues who have accessed the assistance of other support agencies in the area and have been given poor quality advice. The time spent undoing these interventions and putting new systems in place has put project staff under real pressure to achieve the project outcomes.

Allied to this has been the large numbers of organisations set up under various government programmes who have been largely abandoned when funding streams have dried up. They are now accessing the Community Accounting Project who are again finding a wide range of issues within organisations that could have been dealt with if they had been properly developed in the first instance.

There was concern amongst the team that they would raise expectations and standards within the organisations they engaged without being able to offer any support to those organisations in the longer term. The fear here was that organisations were taken to a level of competence that exceeded their internal capacity to deliver the interventions themselves. If the Community Accounting Service then ended the team would have left organisations in a worse state than when they found them.

The Administration of the project was seen as a burden to project workers and particularly amongst accounting staff unused to the rigours of publicly funded programmes. Again, because of the short term nature of the project meetings of the various organisations had to be held monthly to ensure that the project worked across the sub region and this was seen as a drain on resources that could have been better used working with the client group.

The project staff delivering the service in Hull identified a challenge around how the service was promoted and marketed. They felt that their professional code of ethics prevented them from “cold calling” and as such hindered their efforts to recruit new organisations. This became a real issue because the host organisation has a long and successful track record of engaging organisations in a variety of ways, most of which the Accounting Team felt were unsuitable given their code of ethics. It is fair to say that this issue is resolving itself as the project progresses.

Professional Indemnity Insurance was seen as something that needed constant reviews with Hull CVS increasing its cover from £250,000 to £1,000,000.

For many of the organisations accessing the project this was the first time that they had engaged with professional services and the amount of time project staff spent explaining the scope and range of the services offered, reassuring clients about confidentiality and issuing and explaining letters of engagement etc. had not been taken into account in the design of the project.

The unpredictable timing of requests for assistance was problematical, particularly around the end of the tax year when many organisations have their Year End. It has proved difficult to plan staff resources and although with time this should prove to be less of an issue, again, the short term nature of this project makes future planning very difficult, with any information being based on a part year.

Outputs

The project staff recognised the necessity of outputs in a publicly funded programme but questioned the validity of the outputs attached to this programme.

In particular they felt that a great deal of their efforts in supporting staff, developing the capacity of organisations, community development and general “handholding” which they saw as not only essential to their efforts but key to the success of the initiative, were not being counted.

There was also initial confusion amongst the partner organisations of what constituted an output and how they should be measured. Although this was effectively resolved a great deal of effort from the project Manager had to go into that resolution.

Opportunities

In Hull the Community Accounting Team are integrated into a wider support team. This has proved extremely advantageous particularly in addressing the varied needs of organisations accessing the service for help.

The team have benefited from employing staff members with extensive training experience. This has enabled the roll out of a number of specialist courses offering workshop based assistance that has allowed resources to benefit a larger number of organisations.

A specific service using the whole CVS support team and offering a “Start Up” service covering all aspects of the development of an organisation including Constitutions, Petty Cash, Accountancy, Pre Audit Assessment, Internal Controls etc. is proving popular and could be expanded and offered to a wider range of organisations.

Unlike the South bank project the Hull CVS team feel they have the capacity to deal with a larger number of organisations and that they could expand on the number of interventions in the sector.

Project staff would also like to see interventions such as routine “health-checks” within voluntary sector organisations to spot issues before they turn into crisis and assist organisations to resolve problems at an early stage.

CHARGING POLICIES

Each of the Community Accountancy projects under Humberside Community Accounting Service wishes to adopt slightly different charging policies.

ERVAS

Charging Policy: flat fee + %

Services to be charged

- Accounts prep flat fee of £50 plus 0.5% of turnover
- Independent examination – if part of accounts prep another £50, if just independent examination then FREE (part of financial health check)
- Payroll support (covering services- hands on maintenance of accounts at their premises – fixed fee depending on how much they paid their finance worker – fee and time based

Assuming that the majority of clients would have an annual turnover of around £100,000. It can be assumed that the total income per client would be £550 for Year End Accounts Prep and £300 for orgs with a Turnover of £50k.

In absence of actual figures assuming that all 98 clients complete their account with this organisation and half had a turnover of £100k and half £50k the total potential income would be £41,650 plus payroll say £8,000 pa

HCVS

Charging Policy: Size and ability of organisation to pay

Services to be charged

- Accounts preparation
- independent examinations
- manual/computerised accounting systems
- health checks
- annual accounts
- Training and Development courses – provided sub-regional

VANEL /VANL (DRAFT)

Charging Policy: % gross income, minimum charge based on daily rate of £125. Charging at the discretion of the Lead Accountant
Future charges based on time taken to completed the work
Option to charge at daily rate rather than % of gross income
Time taken depends on state of clients books and type of activities/funding

Service to be charged

- Accounts preparation
- Independent Examinations for three categories of groups A) unincorporated charity, voluntary or community group with income less than 10K, B) unincorporated charity, voluntary or community group less than 250K and C) incorporated (e.g. Co. Ltd by guarantee & registered charity)

Category	Fee as % of gross income	Minimum Charge	Basis of Charge £125 per day
A	0.5%	£125	1 day
B	0.75%	£175	1.5 days
C	1.0%	£250	2 days

Assuming that they have 100 clients for year-end in the B category with 100k turnover we can estimate income of £75,000 pa plus any income from payroll services.

ISSUES

- Is each area each intending to charge for the same services?
- Is the client base the same in each area?
- % of income generated or set fee based or both?
- How does discretion of the Lead Accountant work?
- How does this fit with the other LDA's provision of services?

Comparisons with other Community Accounting Services

Part of the brief for this evaluation was the comparison of the Humberside Community Accounting Project with those in other areas of the country and in particular the West Yorkshire Community Accounting Service.

We have looked at the services offered, financial details, take up of service and compared these to the potential for the Humberside Community Accounting Service based on relative population statistics and the numbers of voluntary sector organisations estimated to exist in each area.

To add validity to these estimations we have also studied the Manchester Community Accounting project and again made comparisons based on the size and scale of their operations.

West Yorkshire Community Accounting Service

WYCAS is a small charitable company operating in West Yorkshire (Charity Number 1076962, Company number 3721361). It has five members, consisting of the five Councils of Voluntary Service (CVS) in West Yorkshire which are BCVS, VAC, VAK, VAL and VAWD.

Each CVS can appoint a Director to the WYCAS board.

They also have a User representative from each district on the Board and can make up to 5 co-options.

The Board is responsible for the overall governance of the organisation. WYCAS currently employs 12 members of staff and has been in existence since September 2000.

WYCAS Services

WYCAS provide support and training for key finance staff and treasurers of voluntary and community organisations in West Yorkshire on an outreach basis in the following areas of financial management. This service is free for organisations with a turnover of less than £100,000.

Financial planning

Support and training are available in the following areas

1. Producing a budget for the organisation
2. Costing a funding bid or a business plan
3. Cashflow Forecasting

Book-keeping

WYCAS offer support and training in how to set up and maintain good book-keeping systems. Assistance to assess whether an organisation should computerise their accounts and assistance to set up a computerised accounting system and training in how to use it.

Internal Financial Procedures and Controls

WYCAS assist with devising a set of rules appropriate for an organisation and then support them in implementing them.

Reporting to the Committee

WYCAS provide models for doing this, and training in how to use them.

Annual Accounts service

WYCAS regularly prepares approximately 200 sets of accounts per annum for voluntary and community organisations. They also offer an independent examination of accounts in line with Charity Commission guidelines.

This service is available for charities and/or unincorporated voluntary/community organisations in West Yorkshire with a turnover of less than £100,000 and for charitable companies with a turnover of less than £90,000. They make a modest charge for this service.

Financial Management Training Courses

WYCAS runs a variety of courses relating to the financial management of voluntary organisations. Details of their current programme are below.

Current Course Programme

Basic Bookkeeping

Aim:

To introduce participants to basic book-keeping for voluntary organisations

Who it is for:

Staff and management committee members who keep the books of voluntary and community organisations

Content:

- Why do we keep the books
- What information should the books provide
- When the book-keeping should be undertaken
- Setting out an analysed cash book
- Writing up transactions
- Filing the relevant documentation
- What is a bank reconciliation
- How to do a bank reconciliation
- Uses for petty cash
- Recording petty cash

Internal Controls and reporting to the committee

Aim:

This course is designed to help participants develop financial rules and safeguards for their organisation, and secondly how to draw up financial reports for their committee.

Who it is for: The course is at an introductory level and is aimed at those who have any responsibility for the financial management of their organisation.

Content:

- Importance of agreeing a set of financial rules
- Rules relating to expenditure
- Rules relating to income
- Rules relating to assets
- Purpose of committee reports
- What information is needed
- Preparing management accounts
- Interpreting management accounts

Basic Budgeting and Cashflow Forecasting

Aim:

To introduce participants to budgeting and cash-flow forecasting for smaller organisations

Who it is for:

Staff or management committee members who are responsible for preparing budgets and cash flows

Content:

- Planning for the budget process
- How to estimate expenditure
- Forecasting income
- Budget layout
- The differences between budgeting and cash-flow forecasting
- Forecasting cash-flow
- Cash-flow layout

Role of the treasurer

Aim:

The post of treasurer is often the hardest to fill on the management committee. This course aims to clarify the role of the treasurer in a smaller voluntary/community organisation.

Who it is for:

Treasurers of smaller voluntary/community organisations

Content:

half day course

Specific Responsibilities of the treasurer

The four foundation stones of good financial management

Annual accounts requirements

External scrutiny of the accounts

Presentation of accounts

Understanding Management Accounts

Aim:

To enable participants to understand financial information presented to them in order to help them make sound decisions and plans on behalf of their organisation

Who it is for:

Managers and treasurers of voluntary organisations

Content:

During the two sessions participants look at various ways of presenting financial information, to include both the internal management accounts presented to the management committee on a regular basis, and the end of year accounts which have to meet the requirements of the regulatory bodies. Participants are helped to identify key figures in the accounts and to understand what they mean for the organisation. Participants are welcome to bring along their organisation's management accounts or end of year accounts for discussion during the coffee break
half-day course

Quickbooks -beginners

Aim:

To introduce participants to the accounting package Quickbooks

Content:

half day course

Quickbooks –intermediate

Aim: To increase the knowledge of those using Quickbooks

Content:

half day course

Accounting requirements for companies

Aim:

To enable small companies limited by guarantee to get to grips with the accounting requirements of the Companies Act

Who it is for:

The course is designed for those with little experience of the Companies Act and the financial requirements for small companies

Content:

half day course

The financial requirements when changing from unincorporated status to being a company

The day to day financial recording requirements of the Companies Act (this will be covered in detail at the basic book-keeping course)

The format of annual accounts for companies

The external scrutiny requirements of the Companies Act

Good Practice Guides

WYCAS currently have a variety of Good Practice Guides available on a range of subjects relating to good financial management. All the guides are available free of charge to any voluntary/community organisation in West Yorkshire.

Number Good Practice Guide

- 1 Dealing with cash
- 2 Financial Procedures
- 3 How to do a bank reconciliation
- 4 Book keeping*
- 5 Insurance for Voluntary & Community Groups
- 6 Quick books (accounting package) - A starter Guide
- 7 Charity Registration
- 8 Beginner's Start-up Guide to Excel Spreadsheets for Finance
- 9 The Role of the Treasurer
- 10 Getting ready to have your Annual Accounts checked
- 11 Gift Aid Guide
- 12 Becoming a Company.
- 13 Reserves
- 14 Expenses
- 15 QuickBooks Procedure Timetable

Advice Line

The WYCAS advice line is open from 9 to 5 pm every weekday except for the first Wednesday in the month and is staffed by accountancy staff.

WYCAS answer queries on a wide range of issues connected to financial management and accounts in the voluntary sector; for example:

- accounting software packages
- banking
- governance issues particularly around the role of the treasurer
- insurance
- how to account for restricted funds
- tax and PAYE
- the accounting requirements of the Charities Act
- book-keeping
- how to prepare a financial report for a management committee
- preparing budgets

This information is provided free of charge to any size of organisation in West Yorkshire.

Financial Systems Health-checks and Remedial Work

Financial Systems Health checks

The health-checks are aimed at identifying where an organisation's financial systems may be vulnerable, and then providing recommendations on how systems can be strengthened. If an organisation requests a health-check, the Community Accountant for the area works through a questionnaire questioning areas of the organisations financial systems. On completion, the Community Accountant produces a report with recommendations and if required one to one training on how to implement them. This service is free of charge to all voluntary/community organisations in West Yorkshire.

Remedial Work

Community Accountants will undertake remedial work to bring an organisations books completely up to date, which the organisation can then take back and continue. This service is only available to organisations in West Yorkshire with a turnover of less than £100,000, and is charged for on an hourly rate

WYCAS Newsletter

The WYCAS newsletter is produced three times a year. Normally it has one main article, on a subject connected to financial management in the voluntary sector, a section on topical tips, an interview of a treasurer in West Yorkshire, any updates on changes going on at WYCAS, and a calendar of any courses that WYCAS will be running over the next 4 months.

Computerisation of Accounts

WYCAS give advice about accounting packages, help organisations to set it up on the computer, and provide training on how to use the package.

Voluntary Sector Accounting Information

WYCAS provide written and web based guides on a variety of topics including:

- The quick guide to Annual Accounts
- Should you have a stake in the Stakeholder Pension scheme
- Three easy steps to a sound budget
- Any questions on the Accounts.....? A guide to understanding your annual accounts
- Annual Reports

Social Enterprise – Producing vital income
How to keep track of the cash
Expenses
Reserves

Comparison of West Yorkshire Community Accounting with Humberside Community Accounting

Levels of services delivered

It is difficult to compare the likely take up of a service similar to the one offered by WYCAS unless there is access to a reliable source of information pertaining to the number of voluntary sector organisations in each area. Several studies have been undertaken however the results vary greatly and it is safer to use the rather crude but reliable population statistics from the census.

Populations

West Yorkshire	2,121,000
Humberside	881,000

This indicates that if a similar take up of services occurred in the Humberside we could assume 42% of the West Yorkshire delivery.

Services delivered by WYCAS

WYCAS 2004/5	Annual Total	Potential in Humberside (42%)
One to one training and support work	229	139
Training courses	38	16
Advice and information	1108	465
Annual Accounts work	171	72
WYCAS 2003/4		
One to one training and support work	141	59
Training courses	32	13
Advice and information	No information	
Annual Accounts work	103	43

The current levels of services delivered have been subject to year on year growth and it would be sensible to take this into account. An indication of this can be drawn from the table above.

Costs of service delivery

WYCAS 2004	
Number of Employees	6
Provision of services	173,565
Management and Administration	9430
Total Costs	182,995
Total earned income from fees	34,202

WYCAS 2005		Humberside at 42%
Number of Employees	8	3
Provision of services	231,288	
Management and Administration	11670	
Total Costs	242,948	102,038
Total earned income from fees	58,505	£24,571

Due to a lack of available data on Humberside LDA market penetration both in terms of the current memberships for each LDA and actual fee paying HCAS service users, the potential market cannot be ascertained by factual information from the Humberside area.

WYCAS had 1108 enquires to a free advice line from a potential 6,000 organisations on their database, it is assumed that these are unique enquires and not multiple enquiries from the same organisation.

Fees are based on 171 sets of accounts or IAA and relates to a conversion rate from enquires to paid work of 15% of enquiries received from their advice line. Also it appears that only 2.8% of orgs on their database use them from accounts IA work.

Existing work being conducted in West Yorkshire clearly defines both qualitative and quantitative data and demonstrates in an urban city area with a potential market of 6,000 Vol/Com organisation they have been able to attract only 2.8% of the market in terms of fee paying customers for Year End Accounts or Independent Examinations.

Average salary within the organisation is £ 22,876. Clearly WYCAS would only be financially sustainable (i.e. grant free) as a one accountant plus accounts clerk with reduced office costs.

When comparing this to the Humberside area where the size of the Vol/Com sector is approximately 3,500 organisation the potential market from the experience of other areas would indicate a potential market of 98 organisation who may buy into this service on a fee paying basis. Clearly data from HCAS organisations on the number of existing fee paying clients would enable a more accurate conclusion to be drawn. The HCAS project in North East Lincolnshire would be the best placed to indicate the current level of demand as the project has been running the longest and already offers fee based services such as payroll and accounts would provide a guide to the lead in time from project funding to income generation.

Population Split	2003 Population Estimates	
Hull	248k	28%
East Riding	321k	36%
NE Lincs	157k	18%
N Lincs	155k	18%
Humberside:	881k	

Manchester CAS

The same is true of the Manchester CAS.

Greater Manchester has a population of 2,500,000
 Humberside 881,000

This indicates that if a similar take up of services occurred in the Humberside we could assume 35% of the Greater Manchester delivery.

Manchester CAS 2005		Humberside at 35%
Number of Employees	5	2
Provision of services	194,231	
Total Costs	194,231	67,981
Total earned income from fees	46,158	16,155

Other Community Accountancy Services

A number of CVS's in the region operate Community Accountancy services and some of these came together to explore the potential of working collaboratively.

The organisations are:

Bradford CPA, York CVS, WYCAS, VA Rotherham, VA Sheffield and an organisation from North Yorkshire.

The scope and scale of the organisations differ greatly.

Payroll services are offered by all of the organisations and would appear to be the main part of the operation and in all cases is self-sustaining from earned income.

Staffing levels varied greatly

Bradford CPA – 6 Staff

York CVS – 1 Staff

WYCAS – 12 staff (9 FTE)

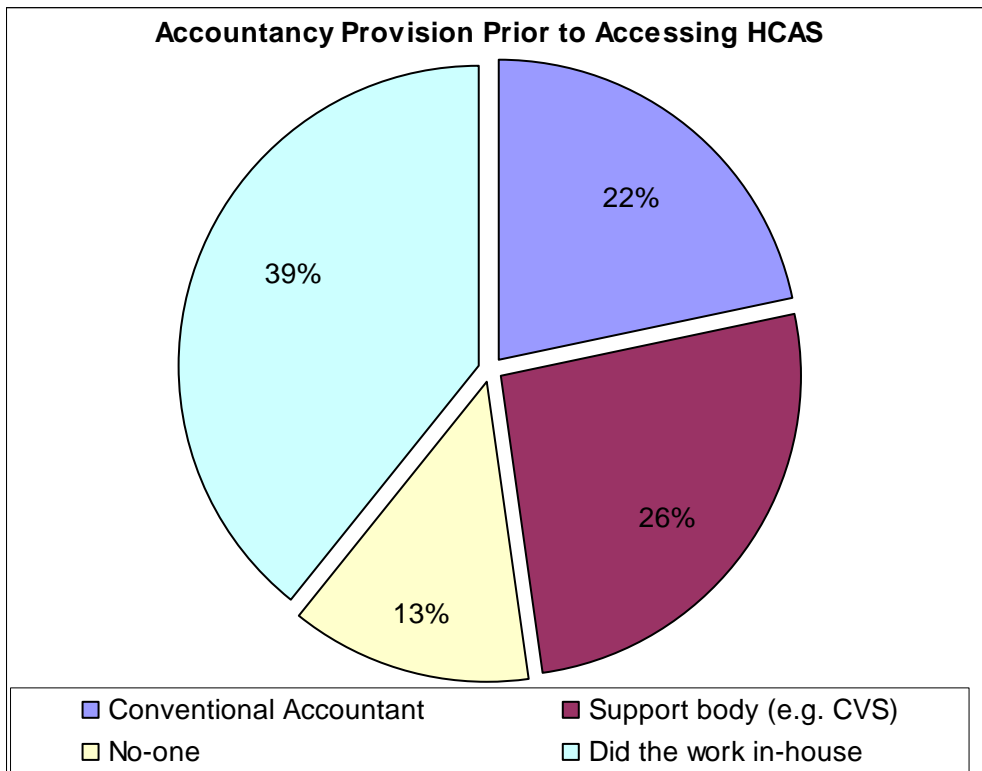
VA Rotherham – 1 part time

VA Sheffield – 2-6 staff dependent on funding applications (2 p/t payroll)

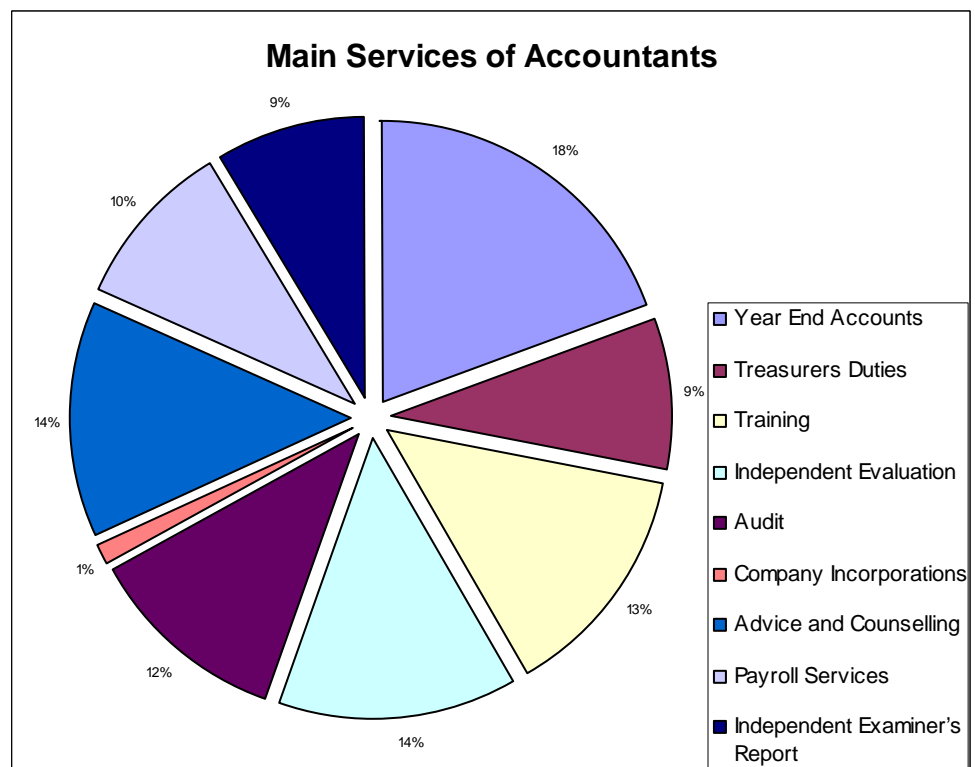
North Yorkshire – 1 staff member

None of the schemes could sustain their activities through earned income and all felt under threat from short term funding and competition from consultants and mainstream practitioners.

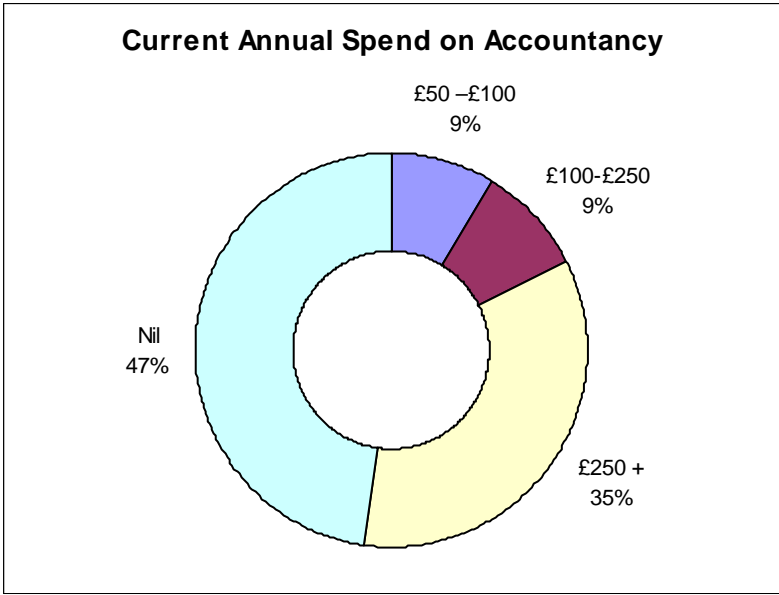
Research Data (Please see Appendix 2 for breakdown)



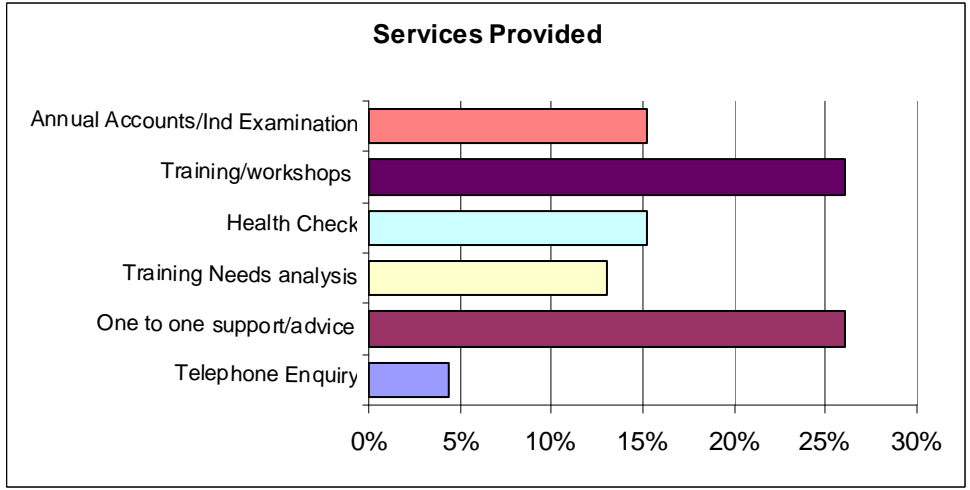
Who did you use before HCAS?



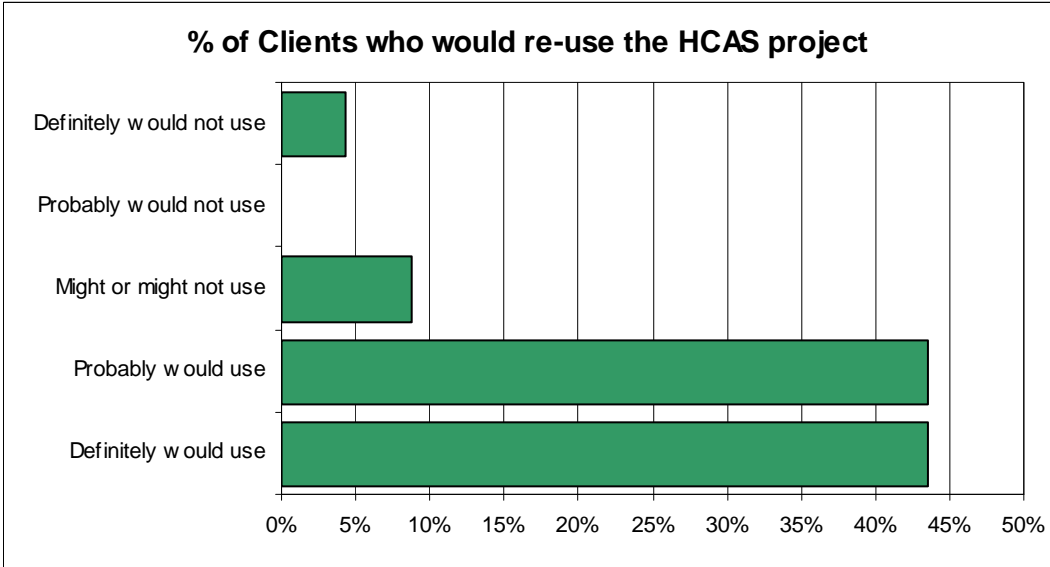
The mainstream accountancy services used by the organisations we researched



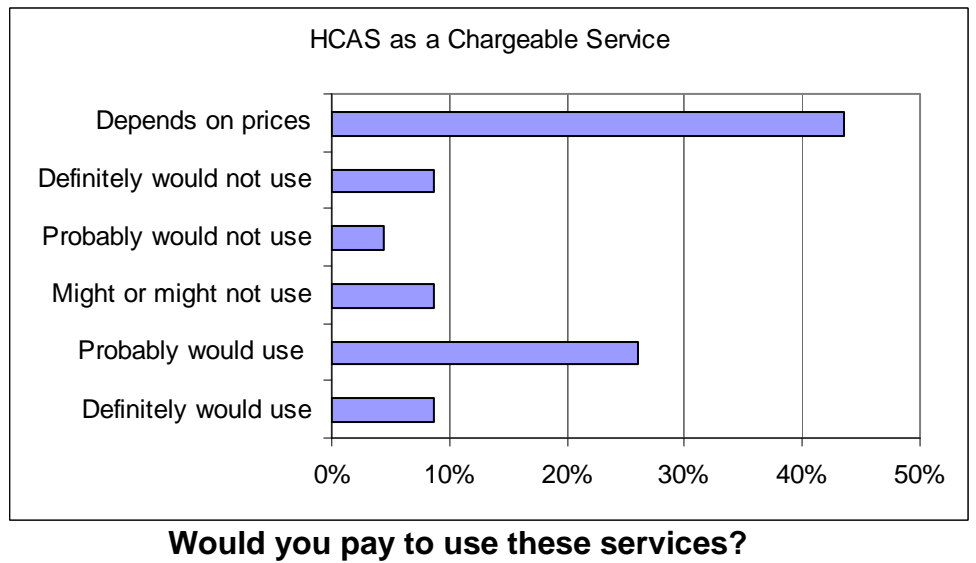
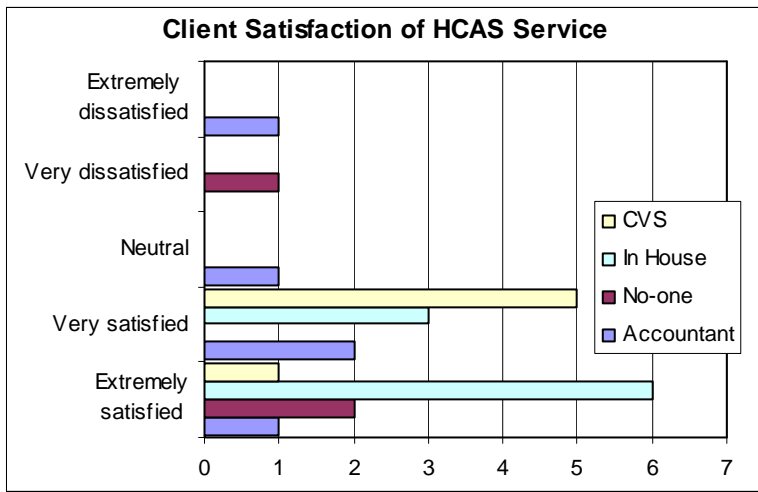
Current levels of spend



The range and take up of HCAS services



Potential Service Take-Up from Service Users



Headline information derived from the survey

- **The majority of organisations are currently dealing with their accounts in house.**
- **Those accessing outside assistance do so either from a support agency (CVS) or mainstream accountant.**
- **Organisations require assistance in a broad range of areas of work with no particular services being in demand.**
- **Typically organisations are budgeting for accountancy services – those that are (mainly larger organisations) are budgeting to spend £250 plus.**
- **The most popular HCAS Services are training and one to one support closely followed by annual accounts and health-checks**
- **If the project ceased organisations would expect assistance from the CVS's**
- **Nearly half the clients who have used the service would or probably would use the service in the future however.....**
- **Only 8% would definitely do so if charged and a much larger number stating that it would depend on the levels charged.**
- **The majority of organisations were satisfied with the help they received from HCAS**
- **Clients of the service found it difficult to estimate the value of the services they had received and how much they would be prepared to pay for future services**

Potential for work with Social Enterprises

During the course of this evaluation several people identified the Social Enterprise sector as a potential client for the Humberside Community Accounting Project.

In order to evaluate the potential market a number of Social Enterprises were contacted and asked to complete the questionnaire below

Broadly this explored where social enterprises currently buy their accountancy services, what services they are currently buying and gauges their interest in buying in alternative services.

We had 10 fully completed responses from a total sector size of an estimated 100 organisations.

Would your organisation buy any of these services/training?

Service	YES	NO	DK
Setting up account records – <i>how to look after your organisation's money</i>	20%	70%	10%
Bank reconciliation – <i>making sure your financial records match with the transactions recorded by your bank</i>	20%	70%	10%
How to operate a petty cash account – <i>handling cash in your organisation and recording it</i>	20%	70%	10%
Manual/computerised accounting – <i>having systems in place that enable you to keep a record of your organisation's transactions – income and expenditure</i>	40%	50%	10%
Basic budgets & cash flow – <i>putting together an analysis of the income you receive and the costs you pay out to undertake your activities, whilst balancing your funds.</i>	20%	70%	10%
Preparing and interpreting management accounts – <i>being able to prepare and explain financial information for the people who manage your organisation</i>	20%	70%	10%
Internal financial controls – <i>putting in place working practices that will help to protect your organisation's money as it come into and leaves the organisation</i>	20%	70%	10%
Cash controls – <i>putting in systems to help control the use of cash – for e.g. – using petty cash vouchers to record the details of what items petty cash has been used for, limiting the value of petty cash held in a cashbox</i>	30%	60%	10%
Finance policies – <i>Written rules for how an organisation manages its money – for e.g. who is authorised to sign cheques, who can spend money on behalf of the organisation</i>	20%	70%	10%
Reserves policy – <i>the money that an organisation has decided to accumulate that does not have to be spent directly on its activities – reserves policies deal with how much money should be accumulated in unrestricted reserves, what it may be invested in.</i>	20%	70%	10%

Service	YES	NO	DK
Risk management – being able to identify risks to your organisation be it from internal sources or external sources and put in place controls to minimise the risks for e.g. – in your rules do the director/trustees have the power to take out indemnity insurance to cover fraudulent behaviour by a member of staff, are bank signatories unrelated, is there a system to authorise payments made on behalf of the organisation	30%	60%	10%
Insurance issues – public liability, employer liability, are volunteers covered for their activities, is your organisation covered for the advice it gives to people, is your equipment insured?	40%	50%	10%
Gift aid – how you can request your customers to give money (donations) where the Inland revenue will increase the value of that donation by allowing you to claim a further 22% of the value from them.	40%	50%	10%
Accounting for restricted funds – when your organisation has received money that can only be spent on a particular activity	50%	40%	10%
What to do if you suspect fraud – who do I report to and how do I handle the procedure?	40%	50%	10%
Fraud prevention – how to prevent individuals from gaining personal benefit from an organisation's funds	30%	50%	20%
Annual accounts preparation – preparing financial records for reporting purposes, being accountable to the Charity Commission and/or Companies House	40%	50%	10%
Independent Examination – having somebody who is independent of your organisation to check your organisation's accounts and report their findings	30%	60%	10%
Financial Reporting Standards – To make sure that your organisation is compliant with accounting regulations	30%	60%	10%
Charity Statement of Recommended Practice (SORP) 2005 – To make sure that your organisation is compliant with charity accounting regulations.	20%	60%	20%

Here are some more services, again, would your organisation use any of these services?

Service	YES	NO	DK
Payroll – <i>paying your employees</i>	70%	20%	10%
Mobile book keeping service – <i>keeping your organisation's finances up to date</i>	20%	70%	10%
Funding advice – <i>where to get cash for your activities, help to put in applications</i>	60%	30%	10%
Establishing new group – <i>help with sorting out your set of rules, working out your aims, who else can help you</i>	20%	60%	20%
Trustees/Director's Roles & Responsibilities – <i>understanding what their job is and what they are responsible for</i>	10%	60%	30%
Business Planning – <i>where do you want to be and how are you going to get there</i>	10%	70%	20%
Organisational Development – <i>are you a group who want to take on staff, premises, branch out into other activities</i>	20%	60%	20%
Service	YES	NO	DK
Project Management – <i>how to design and deliver a specific activity</i>	0%	70%	30%
Change Management – <i>how to develop your organisation/activities in another direction by making change a positive experience</i>	10%	70%	20%
Recruitment Services – <i>how to find paid staff</i>	10%	70%	20%
Employment advice for employers – <i>how to deal with staff related issues – legislation, rights, benefits</i>	0%	70%	30%
Personnel Issues – <i>how to deal with Staff issues – lone working policies, holiday systems</i>	0%	70%	30%
IT Support & Training – <i>in particular financial packages – e.g. SAGE, Quick Books</i>	30%	40%	30%
Volunteer & Staff Development Services – <i>training for paid and unpaid staff</i>	30%	50%	20%
Crisis Support – <i>Financial related incident – e.g. treasurer resigns and does not return the books</i>	20%	60%	20%

Please tell me if your organisation would be interested in any of these topics

OPPORTUNITY	YES	NO	DK
Planning for future growth - <i>how to grow your organisation</i>	30%	50%	20%
Budgeting - <i>how to put together an analysis of the costs of your organisation and match it up with your income</i>	30%	50%	20%
Monitoring cash flow and liquidity - <i>how to manage the money that comes into and goes out of your organisation and keeping it flowing</i>	30%	50%	20%
Business Planning – <i>how to work out where your organisation wants to go and how and when its going to get there</i>	10%	70%	20%
Book keeping courses – <i>how to look after your organisation's money</i>	20%	60%	20%

Research Data from Social Enterprises

Have you heard of HUMBER COMMUNITY ACCOUNTING SERVICE?

NO - 100% (not surprising as the project is not currently available to these organisations)

Do you know what HUMBER COMMUNITY ACCOUNTING SERVICE does?

NO – 100% See above

Do you know what a Community Accountant is?

NO - 100%

If your organisation needed financial help of any kind who would you turn to?

Our Accountants	70%
Funders	20%
Support Agency	10%

Income levels of the organisations responding

£100,000 - £250,000+	50%
£10,000 - £100,000	30%
Less than £10,000	20%

All of the organisations prepare annual accounts using either internal resources or a mainstream accountancy practice.

The social enterprise sector is currently quite small in the Humber however it is experiencing explosive growth. It would appear from our investigation that the sector tends towards mainstream accountancy services and business support agencies rather than the voluntary sector and most are happy with the services they receive from those practitioners. It may be worth pursuing business in this market as and when the project is more established and can offer a range of added value services that social enterprises cannot access currently. Additionally as these enterprises mature services such as payroll will become increasingly relevant to what are at the moment fledgling enterprises.

Conclusion

It is clear that as it is currently operated Humberside Community Accounting cannot be financially sustainable in a traditional sense.

None of the Community Accountancy projects that we have investigated come anywhere near financial sustainability and the overwhelming majority typically raise somewhere between twenty and thirty percent of their income from fee generation.

Equally clear is that these services are adding value to a growing sector and are greatly valued by the organisations they work with.

The trick here is to balance the needs and aspirations of the users with the ability of the providers of the services to offer a fit for use product. This approach should utilise sustainable resources – hopefully existing resources - and fill any gaps with funding from outside bodies.

This being the case the organisations operating the Humberside Community Accounting project need to examine the benefits such a scheme offers to the sector, re-evaluate the operation of the service to meet sector needs and put in place a realistic budget and funding strategy.

This strategy needs to reflect the market place rather than an altruistic (and laudable) ambition to be able to offer a “Rolls Royce” service to any organisation that requests it regardless of cost and appropriateness.

At current levels of work it is difficult to see how the project can justify and maintain the high level team currently operating the project and more critically sustain it in the future.

The project currently operates as independent units in each of the four local authority areas and as such there is always a danger of duplication of effort where a single delivery mechanism across the Humber would make more sense.

There are practical difficulties in operating sub regionally and these are researched in some detail in the sister report (**Humberside Community Accountancy Service – Does it add up? - Helen McGill**)

Areas of potential sub regional work include:

- Training and workshops*
- Networking events
- Staff training and development
- Marketing the services
- Signing off of accounts
- Telephone Assistance
- Web based resources

*The term training was interpreted in a variety of ways from workshop based interventions to one to one support sessions with individuals. In the context of this report training is classroom or workshop based learning.

In some organisations it is worth exploring building the capacity of existing posts to meet the newly identified needs and at the same time strengthening the development organisations themselves.

Equally valuable are the lessons learnt by Hull CVS that in their area of operation Community Accountancy as part of an overall support team, rather than a stand alone function was extremely effective and cross discipline support to organisations was seen as the way forward. This of course is only applicable where an area has enough demand on its services to merit such a support team.

Appendix 1

Community Accountancy Project

All information collected is in the strictest confidence and your organisation can remain anonymous.

Please circle the answers

Do you use the Community Accountancy Service?

- Yes
- No

Where did you go for accountancy help before the project?

- Conventional Accountant
- Support body (e.g. CVS)
- Business Support Agency
- No-one
- Did the work in-house

How useful was that service?

- Excellent
- Good
- Average
- Poor
- Terrible
- Not Sure

Overall, how would you rate the project?

- Excellent
- Good
- Average
- Poor
- Terrible

- Not Sure

What services were provided to your organisation?

- Extremely satisfied
- Very satisfied
- Neutral
- Very dissatisfied
- Extremely dissatisfied

Would you recommend the project to another organisation?

- Yes
- No
- Not Sure

If no, why not?

How likely are you to use the project again?

- Definitely would use
- Probably would use
- Might or might not use
- Probably would not use
- Definitely would not use
- N/A

Would you use the service if you were charged to do so?

- Definitely would use
- Probably would use
- Might or might not use
- Probably would not use
- Definitely would not use

- Depends on prices

If you would pay to use the service how much would you have expected to pay for the services you have already received?

How much does your organisation currently spend on accountancy services each year?

- £50 –£100
- £100-£250
- £250 +

What are the main reasons you didn't use a conventional accountant

Would you use a conventional accountant who understood the sector and your needs?

- Yes
- No
- Don't know

What do you use accountants for? (Please circle all that apply)

- Year End Accounts and Returns
- Treasurers Duties
- Training
- Independent Evaluation
- Audit
- Company Incorporations
- Advice and Counselling
- Payroll Services
- Independent Examiner's Report

Do you have a budget for accountancy services?

- Yes
- No

If yes is it-

- £50 –£100
- £100-£250
- £250 +

Do you use any accounting software?

- Yes
- No
- Don't know

If yes which packages do you use?

What (if anything) would you change about the way the project worked with you?

Are there any additional services the project should be offering you?

Where would you go for this assistance if this project ceased?

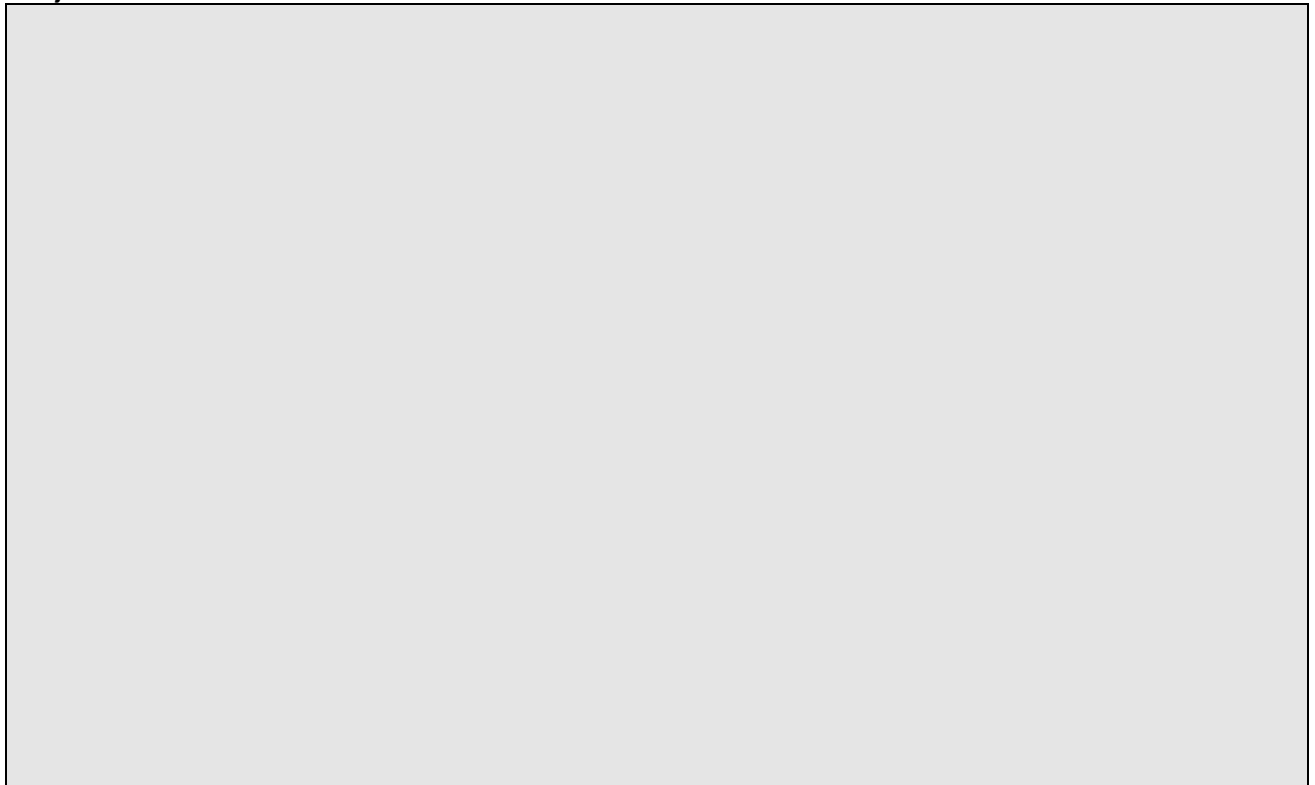
- Conventional Accountant
- Support body (e.g. CVS)

- Business Support Agency
- No-one
- Would do the work in-house

Are you aware of any Pro Bono services in your area? (Professional organisations that will work for the sector free of charge)

- Yes
- No

Are there any other comments you have about the Community Accountancy Project?



Thank you very much for completing the questionnaire. The information that you have given us will help to form the shape and size of the project and tailor its services to meet your needs.

Please return in the Freepost (No stamp required) Envelope to:

CERT
Freepost NEA13147
Immingham Resource Centre
Margaret Street

Immingham
North East Lincolnshire
DN20 1BR
Fax 01469 576694