

Every Action Counts... for our finances

**a guide to smart and
sustainable finances**



Foreword

Making our organisations more sustainable isn't just about the simple physical actions and the choices we make, like turning off a piece of electrical equipment or using a recycled product. It is also about the processes and activities that we plan and undertake every day.

All voluntary and community organisations have financial responsibilities. We all make decisions about where to source our funding from, where to invest this funding and how best to report on its use.

The way that we carry out these responsibilities can say a lot about the values of our organisation and how we live these on a day-to-day basis. So, if we are trying to make our organisations more sustainable then we also need to reflect this in the way that we manage our finances.

This short guide offers a host of practical advice to help you weave sustainable actions through your existing financial processes. It recognises that becoming more sustainable in what we do is a learning process – we can't expect to do

everything at once, so we need to make realistic decisions about what we can do now, soon or later. The main thing is that we get started!

This guide is one of a series which looks at how we can build sustainable actions into the processes that make organisations tick – like events, governance and people management. We hope they all help you to make sure that every action counts in your own organisation.



Mark Walton,
Head of Every Action Counts Programme

This guidance was written for Every Action Counts by Eleanor Pryde of bassac. It is the result of a thorough consultation process which was designed to produce guidance that is relevant and realistic for people working in the voluntary and community sector. To this end, a range of people from both national and local organisations came together for a facilitated discussion around an initial draft. The discussion was facilitated by Steve Evison from Resources for Change and recorded by Natasha Roe of Red Pencil Projects. Comments, experiences and action points from the discussion were taken away and used to produce this final guidance.

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Mike Barfield, Illustrations

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Tina Winders, Development Trusts Association

Every Action Counts...

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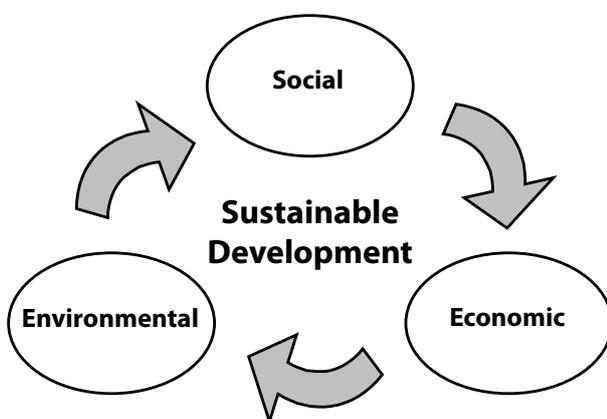
How does my role in finance management deliver the values of my organisation?

As the person responsible for managing the finances of your organisation, you are in a great position to influence decision making in order to ensure that the values of your organisation are delivered.

At the same time, you may also face a daily struggle with a stressful job and challenging organisational mission, not to mention limited resources of money and willing help. During any economic downturn there will be rising costs, hardship and shortages and you may be feeling extra pressure caused by the uncertain future that your organisation and its people are facing. However, you can build on your organisation's value base and develop new and creative ways to save money, generate income and foster external interest. Applying sustainable development (leading to increased organisational sustainability) can help you do this.

What do we mean by sustainable development?

It is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (The Brundtland Report, Our Common Future, 1987). Sustainability is often described as the goal, while sustainable development is the journey, achieved by balancing economic, social and environmental aspects, as in the diagram below:



People work in the voluntary and community sector (VCS) for a wide range of reasons: a passion for equality and human rights, anger at discrimination and injustice, a determination to tackle poverty or an aspiration to build stronger communities and better lives. If you take equal opportunities as an example, this has been so effective in the sector because of our value base, respect for others and shared vision of a fairer society. Yet, there is much more work that could be done to address economic, social and environmental factors that impact on people's lives. Rising fuel prices and fuel poverty, degenerating local areas with traffic pollution and lack of green space, rising costs of food and public transport, poor quality food in schools and hospitals: these are all environmental impacts that directly affect the people that we support. Likewise, injustice, lack of voice and inequality of experience are just some of the ways that vulnerable people experience these impacts.

Taking action at a local and organisational level can make a difference and at the same time can bring together and empower individuals.

Is this guidance for me?

This guidance is aimed at you if you have finance management responsibilities in your organisation. You may be a finance professional, operations manager or have finance management responsibilities as part of a broader role including office and people management. Equally, you may be a development or fundraising manager, a Treasurer or even the Chief Executive. Whatever your role you will probably have many demands on your time, but you will recognise the important part you can play in making the most of your organisation's value base.

How can we make our finance management count?

Trustees, funders and charitable bodies increasingly expect to see a commitment to sustainable development in practice, which goes beyond the development of a sustainability policy.

As someone with finance responsibilities, you may already be taking action to improve your organisation's sustainability for the benefit of its people as well as its service users. You may have helped to influence purchasing policies so that your organisation provides Fair Trade tea and coffee; developed expenses policies that discourage car use and encourage other forms of travel; or found the funding for a programme that local people with knowledge about their environment, skills for employment and opportunities to socialise and build networks.

This guidance encourages you to start asking questions, but it does not give all the answers. It is up to you and your organisation to decide how much you can do, what you want to do and how best to put these things into practice. Your

choices will probably vary depending on the size of your organisation, the resources you have available, whether you are rural or urban and whether you employ mostly volunteers or paid staff. The important thing is that you are realistic – start with simple actions and succeed at those, rather than setting yourself challenging targets which you can't meet because you don't have the resources, energy or support.

The guidance is structured around five key areas:

1. Where does our money come from?
2. Where do we keep our money?
3. What do we spend our money on?
4. How do we report on money spent?
5. How do we manage our internal information processes?

Before you begin, you will need to be clear about what type of organisation you work for. For example, is it incorporated, unincorporated, a charity, a company or a Community Investment Company? Knowing how your organisation is legally structured will be crucial in choosing what actions you want to and, more importantly, are able to take.

N.B. There are a number of organisations listed throughout the guidance. Please note that these are used as examples rather than recommendations.



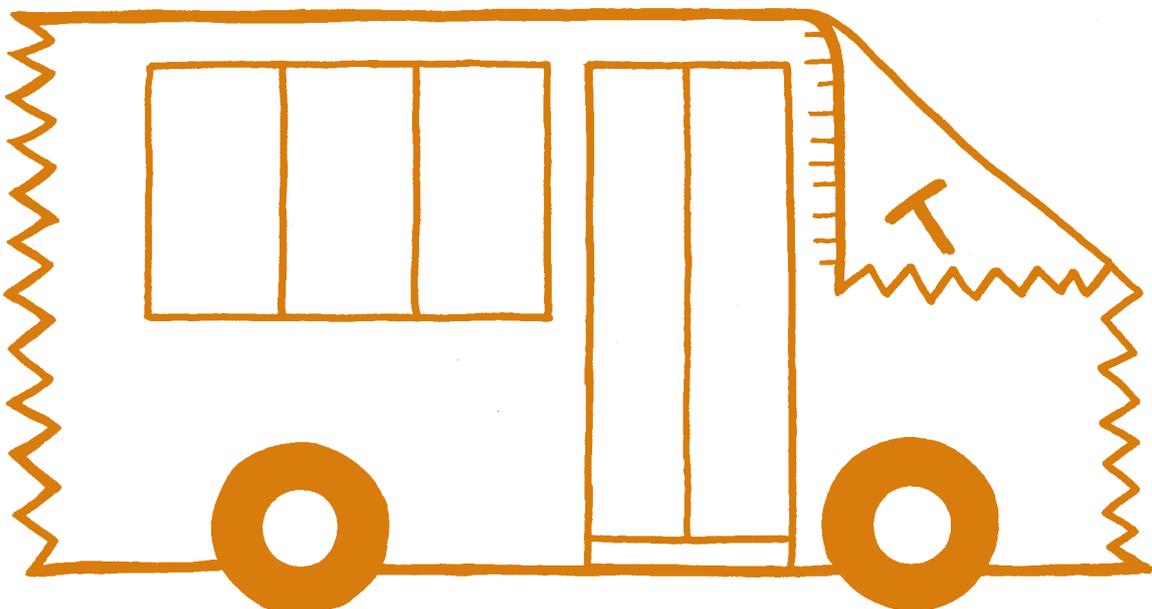
1. Where does our money come from?

You can begin implementing the values of sustainable development immediately when making decisions about where to source your income from. Take a look through the following list for ideas and inspiration – you may find that

you are doing some things already! It is not an exhaustive list, but is aimed at getting you started and you will probably come up with your own ideas too.

Checklist...

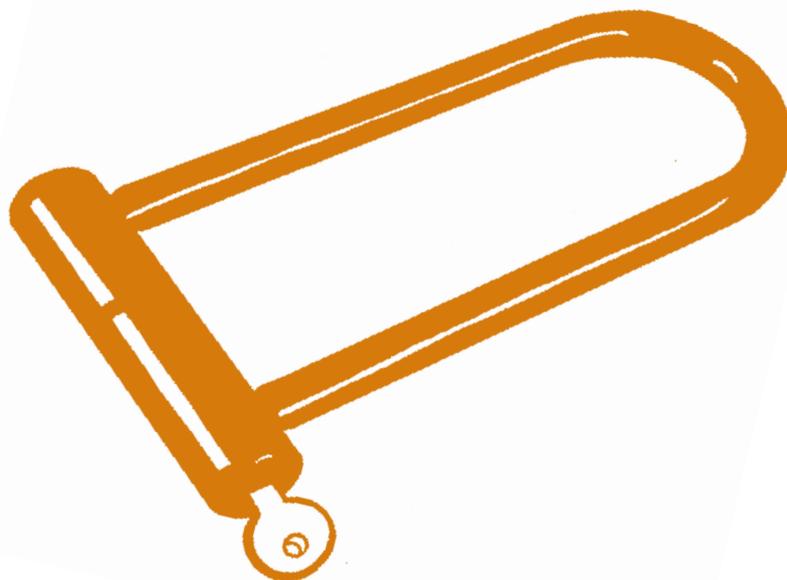
- How ethical are the sources of our income? Is this an important issue for our organisation? If so, do we have a framework in place to assess sources of income?
- Have we managed the risk of loss of income by planning for a variety of funding streams?
- How are we ensuring that we don't drift from our mission because we are chasing money?
- Where do we fundraise from? Commercial/ corporate organisations, small firms, Primary Care Trusts, Local Authorities, government, Big Lottery or other national (i.e. Barings, Esmée Fairbairn) or local (i.e. City Bridge Trust) funders?
- How can we be creative in our approach to fundraising? Could we tie our sources of income into the programmes we run? For example, crime, healthcare or transport? The Directory of Social Change has lots of information and resources on how to diversify your funding: www.dsc.org.uk.
- How does our approach to fundraising fit with our values and mission? For example, if we work in healthcare, do we receive money from tobacco companies? How are we going to find out where our money has come from and is this important to us?
- Do we earn our income? If so, how can we ensure that the way in which we earn our income reflects the values of sustainable development? For example, do our programmes have social, economic and environmental benefits? Can we plan our programmes around these impacts?
- How sustainable is the way that we earn income in itself? What are the risks associated with it?
- Do we raise money through commerce and sponsorship? How can we tap into the Corporate Social Responsibility drive? Could we develop more strategic relationships with local companies - not just for financial purposes but also to share learning and strengthen our skills for tackling sustainable development issues?
- Could we use an ethical loan company such as Fair Finance www.fairfinance.org.uk to fund some of our services? Fair Finance was set up to tackle financial exclusion and exploitation and offers a range of affordable loan products to their customers, as well as an advice service for anyone who has money worries.
- Could we collaborate with other local groups to raise funds?



2. Where do we keep our money?

Checklist...

- Your decisions about where you choose to keep your money can send out strong signals about your organisation's values. How are you reflecting your concerns about the communities you work with, in your banking decisions?
- Do we support ethical banking? For example banks that visibly balance social, economic and environmental values in their actions and activities? For example, The Cooperative Bank, Triodos, Unity Trust Bank or Charity Bank. [N.B. the names of these companies are used as examples rather than as recommendations]
- Could we bank with credit unions? Credit Unions are financial cooperatives owned and controlled by their members. The Association of British Credit Unions Ltd has lots of information about the history, workings and regulation of credit unions: www.abcul.org.
- Could we invest our money in ethical stocks and shares? For example, could we support green energy, social housing or projects for young people through the stocks and shares that we decide to invest in? Which? (the consumer issues organisation) has some useful information about what to look out for when investing in stocks and shares: www.which.co.uk/advice/ethical-investments. National Investment Week might also give you some ideas in this area: www.neiw.org. The Ethical Investment website is also a useful source of information www.ethicalinvestment.org.uk.
- Could we use an investment manager to help us decide where to invest our money? For example, CCLA www.ccla.co.uk provides specialist investment management for charities, faith groups and local authorities and only invests ethically.
- Could we support Community Land Trusts? A Community Land Trust is a way ensuring that land is democratically owned by the local community. They work on a non-profit basis, raising money from new sources and unlocking other resources, to provide and manage housing, workspace, community buildings and green spaces. See www.communitylandtrust.org.uk for more information.
- If we offer our employees a stakeholder pension, which scheme do we use? Could we think about swapping to an ethical pension? How can we mesh the desire to do well for employees, with maximising social returns?
- Could we buy government bonds? These have the value of being invested in government projects, some of which might support the work you do, and pay a fixed rate of interest twice a year.



3. How will we spend our money?

So, now that you have sourced your money and made your decisions about where to keep it, you will be thinking about what you need to spend the money on. This may include investment in staff (rather than consultants), volunteers and

infrastructure. For example, you may want to think about where your people are coming from. Are they travelling from far away? Try asking yourself some of the following questions:

Checklist...

- How do we make decisions about spending? How do we plan for the changes we want to make and ensure that we bring in money directed at these? How can we define what we need to spend money on and how can we ensure that the way in which we spend our money reflects the values of our organisation and supports our community?
- How can we build economic, social and environmental factors into our budgeting processes? For example, could we include measures to encourage sustainable travel?
- Could we involve a cost/benefit process in our budgeting? Certain choices may not mean that you save money but they may have environmental, ethical, economic, social and local benefits and enable you to work better to your mission and values.
- Have we considered procurement in terms of economic, social and environmental factors as well as in relation to our values?
- Where do we procure products or services from? Are the values of these organisations in tune with our own? Is this important to us?
- Does our planning process hinder or aid decisions about expenditure?
- How do we weigh up what's important to us? What compromises and choices will we have to make?
- When expenditure goes to our board, is there a process for taking sustainable development into account?
- Do we have a sustainable development policy signed by the board?
- Where do we need to make substantial investment (either revenue or capital) and how can we build the values of sustainable development into our decisions about what to spend and where?
- How can we ensure that our capital investments, such as buying or extending a building, putting in a new boiler or cavity wall insulation, or purchasing a plot of land for an allotment programme, reflect our organisation's values and take social, environmental and economic factors into consideration?
- How will we reflect the values of sustainable development in our revenue expenditure and is this important to us? For example: purchasing locally grown or produced food for meetings, buying Fair Trade tea and coffee or switching to a renewable energy provider. [N.B. Your highest cost will probably be staffing. Try 'Every Action Counts...for our people management' for more information on how to approach this area].
- Could we use the five EAC themes – Save Energy, Save our Resources, Shop Ethically, Travel Wisely, Care for your Area - to provide a framework for making decisions about income and expenditure? For example, how much do we agree to spend on waste disposal, electricity, food and travel? How much money could we put aside to help us care for our area? Try to think beyond the money itself to the social value of your spending.
- Once we know what our big spends are going to be, how can we make savings by using alternative resources and sources?
- Do we understand what we are buying? How can we find out more about what we are spending our money on?
- Could we collaborate with others to share workspaces, design programmes, or share services?
- How do we currently manage our facilities? If we need to replace a printer for example, could we buy one that prints double sided?
- If we manage grants, how can we build sustainable development into the expectations of the grant? What do we ask for in paper form?

4. How will we report on use?

As a funded organisation, reporting on what you have spent your money on is a vital part of what you do, as is showing how you have made a difference.

Checklist...

- What difference has the money made? The way that you measure impact can potentially be highly intensive, collecting and analysing information and drawing conclusions as a result of this. How effective is it?
- How can we ensure that we only record the information that is most important to us?
- How can we ensure that we are not collecting unnecessary information and are focussing our data collection around the things that matter? Have we created baselines, set targets and identified key areas of impact in line with our mission and vision? Could we carry out a benchmarking exercise or use Change Check: www.bassac.org.uk/our-programmes/impact/changecheck to help us identify what we want to and are achieving?
- Could we present quarterly information to our board in a way that highlights social and environmental impacts of our work as well as economic ones?
- If we have an environmental management system (EMS) are we collecting financial information for this through our existing financial systems? Could we use an accounting system such as Access Dimensions to help us do this? [N.B. this is an example of a programme rather than a recommendation].
- If we are a Company, are we aware that the new Companies Act requires evidence of economic, social and environmental impact?

What is Triple Bottom Line reporting?

It is reporting that moves beyond a purely financial bottom line to also consider a social and environmental one. In other words it encourages organisations to review their economic, social and environmental value together and to make the most of these to fulfil mission and vision.

There are a number of different approaches to this depending on the size of an organisation and resources available.

Try the following nef publications for information about Triple Bottom Line reporting: 'Proving and Improving: a quality and impact toolkit for social enterprise' or 'Measuring Value: a guide to Social Return on Investment (SROI)'. Both are available on the nef website at www.neweconomics.org. John Elkington (the person who coined the term 'Triple Bottom Line') also has a website with a variety of resources on it: www.johnelkington.com



5. How do we manage our internal information processes?

Financial processes are notoriously paper intensive, so you may like to take the opportunity to assess your internal information processes and think about what you could do

differently to follow through your commitment to the values of sustainable development.

Checklist...

- What do we need to retain in paper form and what can be processed electronically?
- How can we fund the investment needed to move from paper processes to electronic ones?
- How do we process our finances? Are our processes very paperwork heavy, for example investments, banking, bookkeeping, processing payments, auditing? Could we do things differently to save resources? How much do we actually need to keep in paper format?
- Could we switch to electronic banking?
- What do our auditors actually need in hard copy? Could we decide to only print off invoices if auditors need them rather than providing paper copies of everything?
- Are we aware of what our finance system can do? We might have access to packages that allow statements and invoices to be emailed.
- Can we email remittance advices rather than sending hard copies? Or, could we use the space on remittances for other things such as advertising conferences, projects or publications?
- Can we use electronic signatures?



6. Where can I go for more information?

Recommended Reading

Encouraging Walking, Cycling and Public Transport (Every Action Counts, 2008)

www.everyactioncounts.org.uk/upload_folder/factsheets/EncouragingWalkingCyclingandPublicTransport.pdf

Environmental Management Systems (Every Action Counts, 2008) www.everyactioncounts.org.uk/upload_folder/factsheets/EnvironmentalManagementSystems.pdf

Every Action Counts...for our board (Every Action Counts, 2009) www.everyactioncounts.org.uk/guides

Every Action Counts...for our event (Every Action Counts, 2009) www.everyactioncounts.org.uk/guides

Every Action Counts...for our people management (Every Action Counts, 2009) www.everyactioncounts.org.uk/guides

Measuring Value: a guide to Social Return on Investment (SROI) (nef, 2008)

PQASSO (Practical Quality Assurance System for Small Organisations) 3rd Edition (Charities Evaluation Services, 2008) www.ces-vol.org.uk/index.cfm?pg=339

Promoting and Supporting Fair Trade (Every Action Counts, 2008) www.everyactioncounts.org.uk/upload_folder/factsheets/PromotingAndSupportingFairTrade.pdf

Proving and Improving: a quality and impact toolkit for social enterprise (nef, 2005)

Sustainability in Practise: measuring and reporting (Charity Director's Finance Group, 2009) www.cfdg.org.uk

Web resources for finance and sustainable development

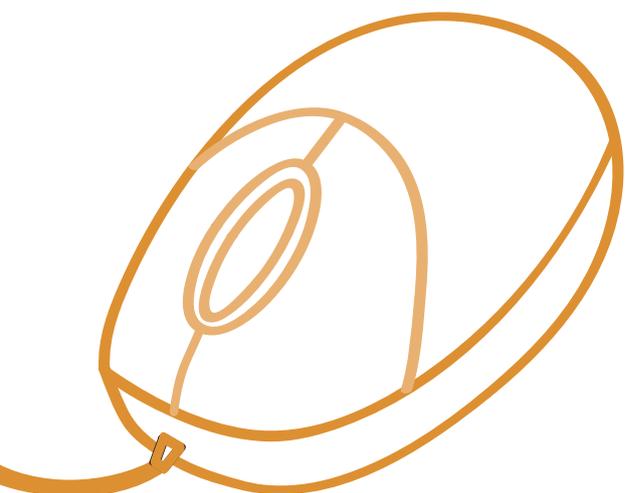
Sustainability at Work has lots of information about how to build sustainable development into organisational practises: www.sustainabilityatwork.org.uk

The ACCA awards for sustainability reporting focus on encouraging greater transparency in the reporting of organisations' social and environmental impacts: www.accaglobal.com/publicinterest/activities/subjects/sustainability/awards

Charities Facilities Management Group: www.upkeep.org.uk. This site has some information about sustainable development and buildings.

Ethical Consumer researches the social and environmental records of companies and has a large section on finance: www.ethicalconsumer.org

Which? campaigns to get a fairer deal for all consumers and they publish expert, unbiased information to help people make the right choices about what they buy: www.which.co.uk





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