



Social Enterprise NI

## Fact Sheet 4 – Financial Management Basics

No matter how good your social enterprise idea is, its' success depends on managing the resources/income you put in. The social enterprise and those who are leading need to ensure the long-term viability of the organisation and its strategic growth.

This fact sheet will help you to understand basic practices in financial management and help you to build the basic systems and practices needed to achieve a healthy social enterprise.

### What is financial management?

The definition: refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organisation.

In terms of a social enterprise in Northern Ireland, depending on your legal status you will also have to ensure you meet the legal responsibilities under the Charity Commission and that of the company law.

### Roles of responsibility around finances

No matter how small your social enterprise is it is important to find someone who is experienced in financial management and encourage them to join your Board. The treasurer's responsibilities should be outlined in the organisations legal documents as follows: maintaining accounting records, bank accounts and reporting financial results to the Board. In practice, the tasks of accounting and banking are usually carried out by members of staff. No matter who does the accounting the treasurer must be knowledgeable about the organisations financial affairs and must report regularly to the Board.

The treasurer's key responsibility is ensuring that the Board receives accurate and timely financial information and uses it in making decisions. The treasurer is also involved in banking transactions as an authorised signatory for all accounts and in initiating and managing mortgages and loans.

### Records to keep when bookkeeping.

Every social enterprise needs to ensure it keeps financial records. Without accurate financial records being kept you will not be able to monitor, control, cost, and plan to meet your legal requirements.



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Therefore, it is important that accurate bookkeeping is performed for the following reasons:

- Financial control
- Financial management
- Financial planning
- Evaluating costs
- Legal requirement of HMRC
- Any funders requirements

### Planning, budgeting, and cash flow

Any businesses budget predicts what you expect to spend and generate over a period of time; normally 12 months. These amounts are categorised according to the type of business activity: running costs, cost of materials or stock and costs of equipment. They are also useful for projecting how much money you will need for a major initiative, for example, buying premises, hiring a new employee, etc. The overall format of a budget is a record of planned income and planned expenses for a fixed period of time.

### Working out your selling price

The key success in any business is to bring in more money than you pay out. To allow this to happen you must be able to set your selling price which has been worked out to cover all your costs and has a profit built in. Every service and product will have different costs. Too many social enterprises fail to analyse their services total costs and thus fail to price them profitably. The other big mistake many social enterprises make is to choose a price based on other sellers in the market without working out your own costs.

Social Enterprise NI will also provide training and support for your future plans. Such support to include Investment Readiness and Tender Compliance amongst others.

### Get Further Support

- **Become a member**
  - Social Enterprise NI is open to all social enterprises across the country and has various benefits, to find out more [CLICK HERE](#). Please note membership is **FREE** until you have a turnover of **20k plus per annum.**
- **Signposted for mentoring support to either:**
  - Local Council support programme
  - Local Enterprise Agency support programme
  - Other identified strategic partner mentor programmes e.g., Ulster Bank Accelerator Hub, Catalist etc



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- **Business Planning** – signposted to one of our strategic partners and fellow social enterprise Viable Corporate Services, who can support you in the following areas:
  - Offer discounted business plan development
  - Offer discounted marketing plan development
  - Offer discounted board recruitment pack development & recruitment
  - Offer discounted payroll and finance reporting services
  - Offer discounted social media training
  - Offer discounted HR support
- **Examples of Pro Bono or Discounted services from our Strategic Partners**
  - HR advice and recruitment discount with Hays Recruitment
  - Insurance evaluation and no obligation quotation from Lockton Insurance
  - Legal advice - Free first meeting with Edwards & Co Solicitors
  - Confidential Shredding – discounted rate for confidential shredding services from UShred
- **Next Step**
  - If you would like to avail of any of the above services, please email [amanda@socialenterpriseni.org](mailto:amanda@socialenterpriseni.org)