

# WELCOME TO THE ELEPHANT ROOM



## FINANCIAL MANAGEMENT FOR SOCIAL ECONOMY LEADERS

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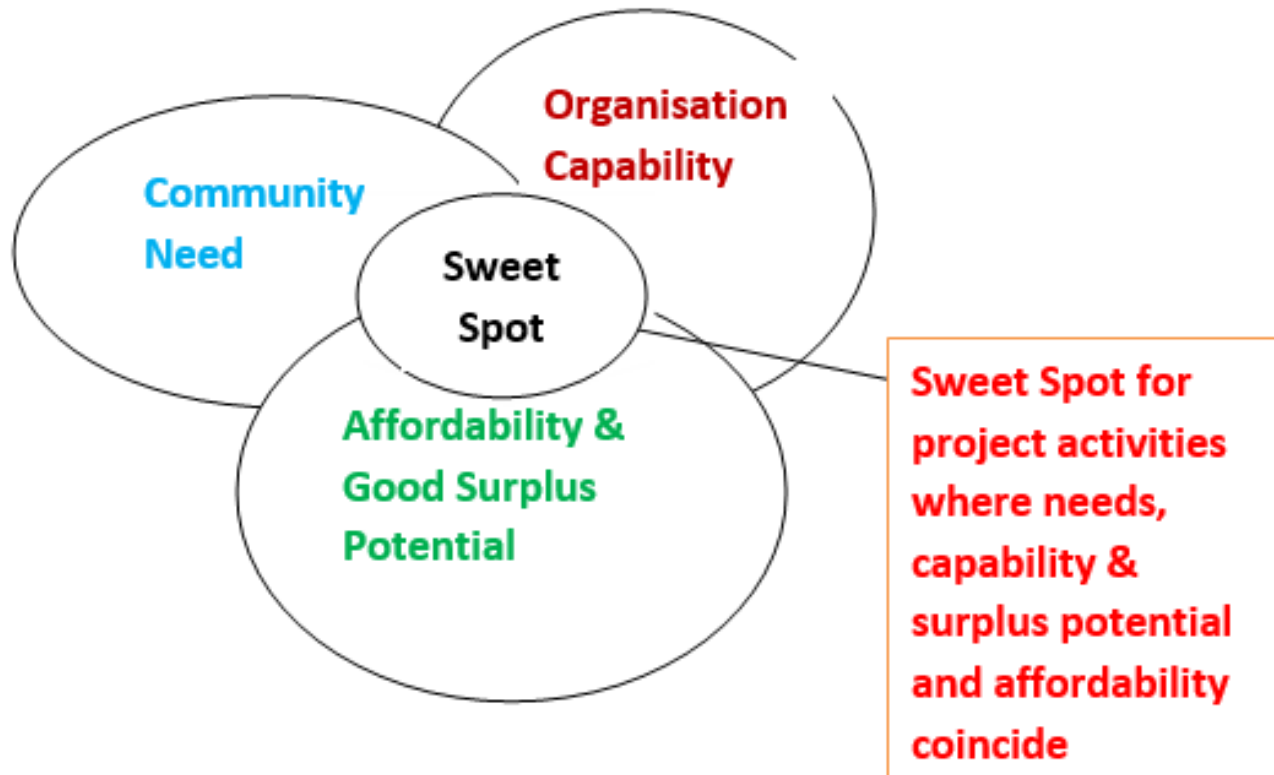
Capacity Development Coach

# **What we Hope to Achieve Today**

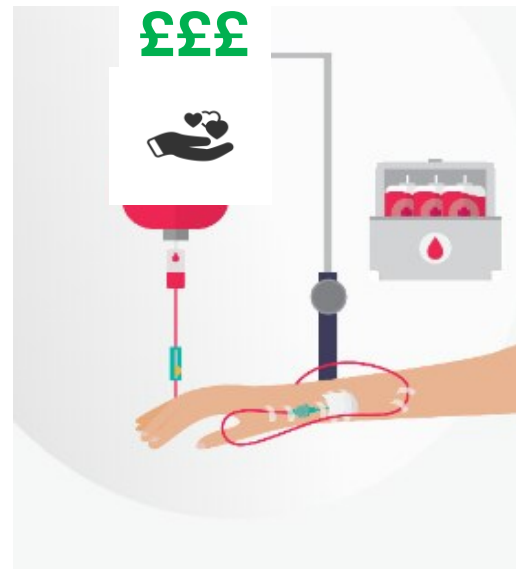
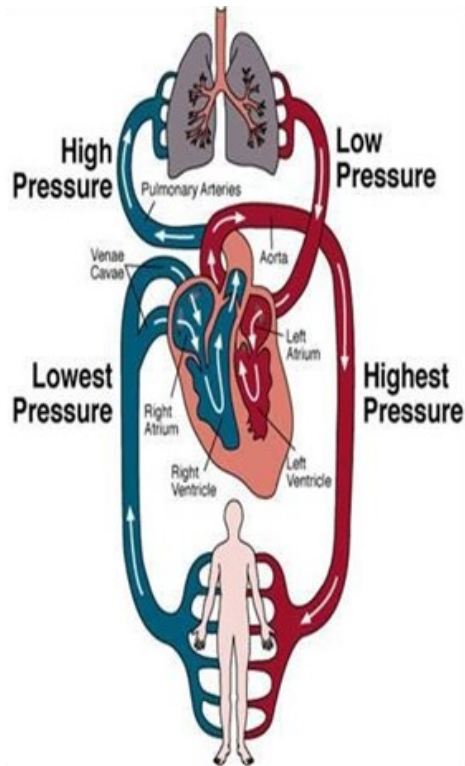
**We Hope to Learn More about:**

- 1. Why financial management is important**
- 2. What are the key questions leaders should be asking themselves?**
- 3. How do you manage & finance growth and development?**
- 4. How to recognise when social investment could be a good solution for a social economy organisation?**
- 5. Discuss Some Examples from My Experience**

# One Way to Look at a Social Enterprise



# Well Controlled Operation -Growth & Development



# Why financial management is important?



<b>Inflows &amp; Expenses Account</b>	
<b>Revenue -Contracts &amp; Sa</b>	££
<b>Grants</b>	££
<b>Loans</b>	££
<b>Net Surplus c/fwd</b>	<u>££</u>
<b>TOTAL</b>	<u>££</u>
<b>Costs</b>	
<b>Fixed Cost Pressures</b>	££
<b>Variable Cost Pressures</b>	££
<b>Hidden Costs</b>	££
<b>Depreciation</b>	££
<b>Leakages/Security issu</b>	££
<b>Paid for capacity not us</b>	££
<b>Absences</b>	££
<b>Under utilised staff</b>	££
<b>More challenging Client</b>	££
<b>Unplanned stoppages/</b>	££
<b>Wasteage</b>	££
<b>TOTAL</b>	<u>££</u>

## Key questions leaders should be asking themselves

- Do I understand How the financial Resources work in my Business? (**Overhead cost allocation understood?**)
- Do I understand how **VALUE** is created in My Business? - -- What expenditure creates “most Love, Compassion & Money”?
- What is happening in different parts of the business and How the way we choose to operate influences costs ?(**Budget vs Operational Co** Which activities make money/break-even/make a loss?
- Which Services / Contracts are core to mission? (loss or profit making?)

## Key questions leaders should be asking themselves

- Do I know my costs and **my HIDDEN** Costs?
- How do we remain LIQUID and manage the flow of money in the business & Have enough of it (Ready Access to CREDIT)
- Control Costs Pressures=>Better Cashflow (**Cashflow KILLS**)
- What are the key levers?
  - What are we REALLY GOOD at and NOT GOOD at?
  - What INTERNAL & EXTERNAL Opportunities exist?
- UNLESS I know the answers- Financing Growth & Development will be DIFFICULT!

# Growth & Development Funding

- Do your costing so it is really good value & affordable for you to do (operational costing)
- Understand Community needs & demand
- Besides external opportunities what can you do more of or pivot to use existing competences?
- Do you have any product/service champions in your staff who are raring to develop needed services?
- Create OR Source a dedicated Resource for growth & development or create development opportunities from people's interests/skills.
- Finding investment.....



# How do you manage & finance growth and development?

- **Be clear about your Theory of Change**
- **Learn How to articulate and evidence CHANGE you deliver for Impact Funding**
- **Create Capability to measure and evidence the outcomes and impact of your work**
- **Seek support and develop relationship with appropriate Social Capital Funders and Grant Funders**
- **SCVO's Funding Portal, Meet the Funder Webinars, Get Grants, Community Matters, SCVO+ write funding applications.**

# How do you manage & finance growth and development?

- **Develop a funding plan and decide what type of finance will be appropriate.**
- **Consider Social Capital funding as the Scope of Grant funding may not be suitable.**

## **How to recognise when social investment could be a good solution?**

- **The business model based on trading rather than providing entirely free goods and services – grant funders may not like this**
- **Legal Structure- limited funding for CICs for example**
- **Large scale & Staged funding is required, and social capital is more amenable to this type of funding**

## How to recognise when social investment could be a good solution?

- Trading necessary as strategy for long term sustainability AND Clear Stake holder support exists for **CONTRACTS**.
- Clear impact & evidence which can attract **Impact** based funders- Carbon reduction /RE/ Community of interest=>Community Shares
- EDI Impact is popular at present-Hybrid funding

# How to recognise when social investment could be a good solution?

- **Clear impact can be evidenced.**
- **Legal Structure- limited funding for CICs for example**
- **Large scale & Staged funding is required, and social capital is more amenable to this type of funding**

# How to recognise when social investment could be a good solution?

## ➤ Opportunity to:

- Scale-
- Substantially reduce costs!
- Reach Geographies & Ethnicities
- Improve –cultural sensitivity

Above good for Hybrid proposals

**Smart Play-** reduce risk for funders,  
satisfy “SUSTAINABILITY” demand from  
Grant Funders

# **Discuss Some Examples from Experience (Sold people to Funders)**

## **➤ Atrium Health (CIC) –spin from NHS Cardio- Pulmonary Rehabilitation**

- **Initial Grant-Loan 400K premises 99- year lease purchase & refurb + equipment (25-year loan)**
- **NHS Contract- High Margin**
- **Now doing COPD (lung)**
- **Vascular (arterial-legs)**
- **Research Contracts (Minting it + enhance reputation)**
- **3 staff to 28 staff**

# Discuss Some Examples from Experience- Recruit Lucky

- **CIS-Communities in Sync (CCBS)- 4=> 15 members (pay to join)**
  - **Initial 80K Grant-Dev manager +another 50K after 2 years (2016). Now- no grant finance sustainable**
  - **Consortium Contract- 10% & Delivery Management**
  - **Very Stable with £800-£1m contracts-social prescribing, Talking Therapies, Hospital Discharge, Advocacy to parents with LD**



# Discuss Some Examples from Experience Renewable Energy

- **Community Energy Birmingham- CBS**
  - **First Grant –British Gas**
  - **Then Community Shares**
  - **Government Feed IN Tariff-escalating**
  - **Capital Allowances- no Tax for 10 year!**
- **Power For Good**
  - **Nature Save Grant**
  - **Personal Loans**
  - **Community Shares**
  - **Feed in Tariff- Escalating by CPI**
  - **(feel sorry for Tax-Payers!)**

# Accommodation + Rehabilitation with Other Partners

- **Green Pastures- CCBS**
  - **First Personal Loan**
  - **Donations & Some grants**
  - **NOW- Private Investors (1-5 years) unsecured loan (up to 5% interest) + Bank Loan Secured (3-3.5%)**
  - **Partners provide management of property & Rehabilitation to homeless people with additional issues and are landlords**
  - **Investment Paid back by Housing Benefit**
- **Micro Rainbow- LGBTQ+ Refugees & Asylum Seekers Housing & Rehab another great Example**

# Questions & Request For Further Support?

Thank You For Listening

For Further Support  
please contact SCVO+ Support  
Services  
(Paid for Services- Not Free)

[shamsher@scvo.info](mailto:shamsher@scvo.info)

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**SCVO**

# Why Financial Management is important? -Key Questions Leaders Ask

