

BGA CLUB MANAGEMENT GUIDES

Managing the Finances

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Committee responsibility

The Treasurer has the primary task of managing the club's finances, on behalf of the whole Committee, who together are responsible for all financial decision making in the club.

The whole committee is responsible for monitoring the financial situation, both as a basis for decision making and ensuring they understand the club's financial health, especially as it is illegal to trade whilst insolvent.

If the club is a Company Limited by Guarantee, as Company Directors the Board Members (which is what Committee members are called when it is a Company Limited by Guarantee) have a legal as well as a moral responsibility. If a company continues to trade when insolvent, the directors may become personally liable for the company's debts, especially if they are unable to show that they took proper care or gave appropriate levels of attention to the company finances.

To keep themselves properly informed, committee members should request the Treasurer provides regular financial reports during the year.

Management accounts, including all accruals of liabilities falling due, provide a snapshot of information as to the club's technical profitability and solvency.

Cashflow statements indicate the state of the bank accounts and enable the committee to check that the club is not going to run out of funds to pay the immediate bills.

External scrutiny: an audit is an examination to ensure appropriate accountability of an organisation, especially the finances.

An audit is commissioned by the governing body and carried out by registered auditors and can be expensive. As a result, for financial scrutiny there are degrees of 'audit', depending on the annual income and assets held. Using charity law (on Gov.UK) as a guideline:

- an audit is only required for large charities (with a gross income over £1m, or £¼m if the assets exceed £3.26m);
- an independent examination is needed if the gross income is over £25,000pa;
- there is no formal requirement below that income level, but it is good practice to get an independent perspective on the organisation's finances and statements.

General Financial Principles

Most gliding clubs are not-for-profit organisations, meaning any surplus created by club activities is kept for club use (for public good), and is not shared amongst private individuals (private gain). This is set out in the governing document, possibly under the financial section, and definitely in the winding up section, where there will be non-distribution clauses.

A club with a non-distribution clause cannot also be a Mutual Society, where assets can be distributed amongst members.

How much surplus is appropriate for a not-for-profit organisation?

It depends on the situation and what the club plans to do with the funds. There are principles around keeping an appropriate level of reserves to cover unanticipated

events when the club may be unable to operate. A club should be able to cover its costs for a year or so after taking all measures to reduce outlay. As we saw in the 2020 COVID19 lockdowns, reserves can be rapidly diminished and the market to sell assets can virtually disappear

In general, the Club should aim to provide its members with flying and facilities at the lowest sustainable price.

However, for a club to grow and to develop it needs to raise funds to replace damaged or worn-out equipment and to put towards new and better facilities. Unless the club resorts to short term fundraising every time a new project is being developed, an operating profit is essential, which means that income must exceed expenditure. A club may be able to run at a deficit for short periods if there are sufficient cash reserves, but it cannot sustain that position for many years.

The other reason for planning for small surpluses is that gliding income is subject to risk. Bad weather and factors beyond the Club's control can sometimes prevent flying and reduce income for long periods. Budgets should be set to create some surplus so that the club can survive in poorer years, when there may be a deficit.

Financial and budgetary planning

Budgets

It is important to have a business plan, with a budget that reflects the contents of the plan. The budgeted and estimated income and expenditure can be checked and monitored against actual results as they occur.

It is helpful in preparing a budget to consider both income and expenditure under the headings of **Fixed** and **Variable**. A budget must include non-cash items, such as depreciation.

Fixed costs or overheads are those items which remain unchanged, at least over the period of a financial year, irrespective of the amount of flying that the Club is able to achieve during the year. Fixed costs include such items as rent, business rates, insurance, building repairs, depreciation and routine maintenance.

Variable costs are those which increase in direct proportion to the amount of flying and the number of launches. They include fuel, oil and consumable items such as cables.

Similarly, **fixed income** items are subscriptions, rents for trailer and caravan sites, grazing sales, hangar space etc., whereas **variable income** is directly proportional to the volume of flying and is made up of launch fees, glider soaring time, trial lessons, income from courses, etc.

A business principle adopted at many gliding clubs is that fixed costs should be met by fixed income. Thus rent, rates, insurance and site maintenance costs are covered by fixed income from subscriptions and site fees and the Club can survive at a minimum level of activity.

Variable costs proportional to the number of launches and the amount of flying done need then to be covered by variable income, i.e. launch fees and soaring time. Once the fixed costs are covered by fixed income, the operating profit then becomes a simple function of number of launches and flying time.

In a good season, the Club will flourish. In a bad one the Club will survive.

Cash flow forecasts

The Cash Flow forecast is an important aspect of financial planning, particularly in the gliding environment where income and expenditure are seasonal and the club's bank balance may suffer from significant swings from surplus to deficit.

The forecast is best achieved by working from the whole budget, considering only the cash income and cash expenditure items and noting when each item will impact the club's bank account. Looking at these figures by month enables the treasurer to predict when the club's bank account may be under pressure and to take steps to mitigate any problems. As the year proceeds, the actual cash figures can be compared with the forecast and the variances explained. This will then inform the subsequent months and also make it easier to produce more accurate forecasts in future.

Financial Control

Expenditure

Once the Committee has agreed a budget, individual committee members and other volunteers who have some responsibility for purchases should be advised of their budget. It must be made clear that before exceeding that budget, they should discuss the situation with the Treasurer to obtain authority for the additional expenditure. Ideally, guidance will be given on the detailed expenditure for each area to ensure respect for the budget.

Invoices should only be paid after they have been checked against the committed value and make sure that the goods have been received in good order. It is good practice for invoices to be paid by a person other than the one who is managing the purchase.

It may be appropriate for limits to be set on the figure of non-budgeted expenditure that the Treasurer can authorise.

Expenditure above this level and significant capital purchases should be discussed and agreed by the full committee, following a brief by the Treasurer on the club's current financial status and the future implications of the proposed expenditure.

Income

Efficient recovery of income due is important, especially if the club plans to operate at minimal surpluses. When interest rates are at a reasonable level, keeping the maximum funds in an interest-bearing bank account helps to increase the club's income through bank interest. Actions to take to optimise the club's situation include:

- Encourage members to keep their flying accounts in surplus;
- Operate an effective credit control system to prevent members or others running up significant debts for flying fees or other facilities
- Bank the money promptly
- Transfer any funds not immediately needed to an interest-bearing account

Software

There are a number of suitable software packages available, either to deal with the basic accounting requirements or to handle gliding-specific requirements such as logging flights, maintaining information on pilots and aircraft and using that information to feed into the club's financial systems as well as providing data for training and technical purposes.

Longer term planning

When planning your finances and budgeting, remember to keep an eye on the 2-5 year period as well as the immediate year ahead. You may need to build up some reserves to cater for possible rent reviews, a new tug engine, glider refinishing, winch refurbishment, fleet modernisation. If you know that you are planning a major project such as the purchase of the airfield or building a new hangar or clubhouse, you will need to give additional thought to how you will raise the exceptional funds needed.