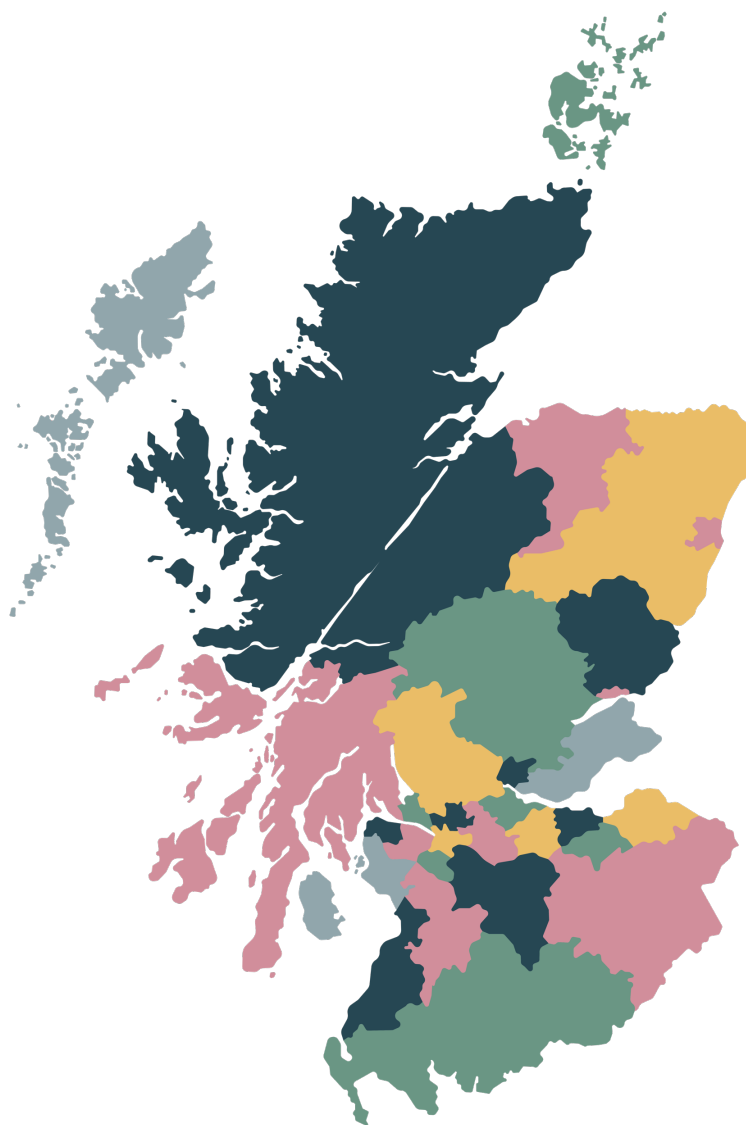




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# MANAGEMENT ACCOUNT AND REPORTING TOOLKIT

Guidance Notes  
NOVEMBER 2024

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# PART 1

## Background

## BACKGROUND

Development Trusts Association Scotland (DTA Scotland) is a dynamic, member-led organisation dedicated to empowering and supporting over 350 Development Trusts across urban, rural, and island communities throughout Scotland. Established in 2003, Scotland serves as a vital resource for community-led organisations that harness enterprise, innovation, and local assets to improve the quality of life for local people. These trusts work across a wide range of sectors, including renewable energy, community-owned housing, regeneration, and sustainable tourism, ensuring that communities can drive forward their own development agendas.

DTA Scotland fosters growth and collaboration by facilitating peer learning through networking opportunities, training programs, and its flagship annual conference, which brings together members to share insights, successes, and challenges. Beyond knowledge exchange, DTA Scotland provides members with tailored support on key operational areas such as governance, crisis management, human resources, financial resilience, and legal guidance, ensuring that development trusts can build capacity and thrive in the face of ever-evolving challenges.

At the national level, DTA Scotland advocates for its members by engaging with the Scottish Government, local authorities, funders, and key stakeholders to influence policy and secure the resources and recognition needed for community-led development to flourish. Regular consultation opportunities ensure that members can directly shape policy discussions and help set the strategic priorities for Scotland's community empowerment movement.

This toolkit was produced for DTA Scotland by Pamela Redpath, FCCA, based on her years of providing financial, governance and business support to community organisations across the country.

The aim was to develop a comprehensive management accounts toolkit that can be used by Development Trusts that lack dedicated financial management staff.

The main component of this toolkit is a templated, visual management accounts report designed to cater specifically to the needs of organisations. It also includes guidance to help non-financial Trustees to interpret the information presented.



## OVERVIEW OF MANAGEMENT ACCOUNTS

Management Accounts show figures for income and expenditure for the latest period and for the year to date and compare these with the budgeted income and expenditure for the period to date. The report is designed to highlight significant differences so that they can be investigated, explained and reported to the Board. This allows them to make effective decisions on corrective action to keep within agreed budgets.

They are an essential tool to check financial performance against the budget so that action can be taken, where required, to put things back on track and ensure that the trust can deliver its planned projects and objectives for the community.

A good understanding of how the finances are now allows better decision-making about setting budgets for future years, taking on new projects or, in the worst case, cutting existing projects, staffing or operations. It provides the information required to assess options as part of scenario planning.



## TIMELINE AND ROLES AND RESPONSIBILITIES

### Timeline

The timeline below outlines the key stages in implementing and maintaining the management accounts process:

Milestone	Date/Timeframe	Details
<b>Initial Setup</b>	[Insert Date]	Customise the management accounts template to suit organisational needs.
<b>Training Trustees/Volunteers</b>	for [Insert Date/Range]	Deliver training sessions to ensure that trustees or volunteers can confidently prepare and interpret management accounts.
<b>First Report Submission</b>	[Insert Date]	Present the first management accounts report to the Board, including variances and recommendations.
<b>Regular Review Schedule</b>	Monthly/Quarterly	Conduct regular financial reviews, ensuring alignment with budgets and timely reporting of variances.
<b>Year-End Reporting</b>	[Insert Date]	Finalise and submit comprehensive management accounts for the year, including fund breakdowns and performance summaries.

### Roles and Responsibilities

The table below defines the roles and responsibilities for preparing and reviewing management accounts. For organisations without staff, these responsibilities may be delegated to trustees or volunteers.

Role	Responsibilities
<b>Trustees/Directors</b>	Oversight of financial governance, review financial reports, approve budgets, and ensure funds are used effectively. In the absence of staff, trustees take a more hands-on role in preparing reports.

Role	Responsibilities
<b>Volunteer Finance Lead</b>	If no staff is available, a trustee or volunteer with financial expertise can be appointed to lead on preparing and presenting management accounts.
<b>Treasurer/Finance Trustee</b>	Ensure compliance with financial policies, liaise with external advisors if necessary, and provide detailed analysis to the Board.
<b>External Accountant/Advisor</b>	Offer technical guidance, assist with compliance, and review templates and reports for accuracy. If no staff is available, this role becomes more critical in supporting the organisation.

## For Organisations Without Finance Staff

If your organisation does not have staff members to manage financial reporting, consider the following steps:

1. **Appoint a Trustee or Volunteer Finance Lead**  
Identify a trustee or volunteer with a background in finance to oversee the preparation of management accounts.
2. **Engage External Support**  
Engage an external accountant or financial advisor to provide periodic reviews and guidance, particularly for complex areas like variance analysis and fund breakdowns.
3. **Utilise Simplified Templates**  
Use the templates provided in this toolkit to ensure that financial reporting remains straightforward and accessible for non-finance professionals.
4. **Provide Training**  
Offer training for trustees or volunteers to build confidence in preparing and interpreting financial reports, focusing on variance analysis and fund management.
5. **Set Clear Expectations**  
Define clear timelines, roles, and responsibilities to ensure accountability and consistent reporting.

## WHO PRODUCES MANAGEMENT ACCOUNTS?

Management accounts do not create themselves. They are the result of a structured process of compiling financial information from the organisation's systems, such as accounting software or spreadsheets.

- **For Organisations with Paid Staff**

In organisations with finance staff, the preparation of management accounts is typically delegated to a Finance Manager, Treasurer, or other staff members responsible for day-to-day financial management. Staff present these accounts to trustees for review and decision-making.

- **For Organisations without Paid Staff**

When there are no paid staff, the responsibility for producing management accounts falls to the trustees. In this case:

- A trustee with financial expertise, such as a Treasurer, may take the lead.
- The process can also be supported by volunteers or external advisors (e.g., an accountant or bookkeeper).
- Trustees must ensure there is a clear system for recording transactions, tracking budgets, and compiling reports.

In both cases, trustees retain overall responsibility for financial governance. It is crucial that trustees understand the importance of management accounts and ensure that someone is accountable for their preparation.

## Role of Trustees in Management Accounts

As part of their governance responsibilities, trustees must:

- Ensure that management accounts are prepared regularly and accurately, whether by staff, volunteers, or external advisors.
- Understand the financial reports presented to them by interrogating figures, asking questions, and understanding the implications of decisions.
- Delegate responsibilities effectively and monitor outcomes to ensure the financial health of the organisation.

Trustees are ultimately responsible for overseeing the financial governance of the organisation, even if tasks are delegated.



## Step 1: Agreeing a Budget

Before management accounts can be prepared or used, a budget must be created and approved. This is a fundamental responsibility of the trustees. The budget acts as the financial roadmap for the year, outlining expected income and planned expenditure to support the organisation's activities and objectives.

- **Who Creates the Budget?**

- **For Organisations with Staff:** The preparation of the draft budget is often delegated to finance staff or the Treasurer, with input from project leads or managers. Trustees are then responsible for reviewing and approving the final budget.
- **For Organisations without Staff:** Trustees must lead the budget-setting process, potentially with support from external advisors or volunteers with financial expertise.

- **When is the Budget Produced?**

The budget is typically prepared and approved before the start of the financial year. It should be revisited and adjusted if there are significant changes, such as new funding, unexpected income, or cost increases.

- **What Should the Budget Include?**

- All planned income sources, such as grants, donations, or earned income.
- All expected expenditure, broken down by categories such as staffing, project costs, and overheads.
- Provisions for reserves or contingencies.

## Step 2: Tracking Progress Against the Budget

Management accounts are used to monitor how actual income and expenditure align with the budget. They provide a clear picture of financial performance, highlighting areas where the organisation is on track or where corrective action is needed.

- **What Do Management Accounts Show?**

- Income and expenditure for the latest reporting period (e.g., month or quarter).
- Year-to-date totals for income and expenditure.
- A comparison of actual figures against the budget (referred to as variances).

- **Why Are Management Accounts Important?**

- They enable the Board to identify significant differences (variances) between budgeted and actual figures.
- They allow the Board to make timely decisions to address shortfalls or surpluses.
- They support scenario planning for future projects or activities.

## TRUSTEES' RESPONSIBILITIES

Trustees must ensure that:

### 1. **Income is Properly Categorised**

- All income is accurately classified as restricted or unrestricted at the point of receipt.
- This classification is consistently applied in bookkeeping systems and management accounts.

### 2. **Management Accounts Reflect the Distinction**

- Management accounts should clearly separate restricted and unrestricted income and expenditure.
- Fund balances must be presented in a way that highlights how much remains in each restricted fund and unrestricted reserves.

### 3. **Monitoring and Oversight**

- Restricted funds are reviewed regularly to ensure they are spent within their intended purpose and timeframe.
- Unrestricted funds are monitored to maintain sufficient reserves to cover operational costs and unexpected financial challenges.

## IMPORTANT WARNING: VERIFY FORMULA ACCURACY

The calculations within this management accounts template, such as totals, surpluses, and deficits, are automated through built-in formulas. However, the cells containing these formulas are not locked, meaning they can be inadvertently altered or overwritten. If formulas are modified or deleted, the calculations may no longer function correctly, leading to inaccurate financial reporting.

### Recommendations:

1. **Regularly Verify Formulas:** After inputting data, check that all calculations (e.g., totals, variances, and balances) are accurate and reflect the data you have entered.
2. **Cross-Check Data:** Periodically validate the outputs against manual calculations or other sources to ensure they are correct.
3. **Exercise Caution:** Avoid editing cells containing formulas unless you are certain of the required changes. Refer to the template's guidance for details on which cells should remain unchanged.
4. **Consider Locking Formulas:** If multiple users will be working with the spreadsheet, you may wish to protect the formula cells to prevent accidental changes.

### Note:

The template assumes that all formulas remain intact. It is the user's responsibility to ensure the accuracy of the data and calculations.

## Important Validation Step

If financial software is being used, it is crucial to ensure that the numbers in the management report align with those in the software-generated reports. Trustees and staff should routinely cross-check figures to verify their accuracy and identify discrepancies early. This validation step prevents errors from propagating into financial decisions or reports presented to the Board.



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# PART 2

## Trustee/Directors' Guidance

## TRUSTEE/DIRECTORS' GUIDANCE

**Aim:** To ensure that trustees can make sense of the management accounts presented to them so that they have a clear picture of the organisation's financial position to be able to make sound decisions now and plan forward realistically.

Trustees delegate the day-to-day financial management to staff but retain overall responsibility for financial governance and decision making. They can only do this if they understand the financial reports presented to them i.e. they are able to interrogate the figures, ask sensible questions and understand the implications of financial decisions.

As charity trustees, they have a duty to ensure that finances are well managed and that funds are spent effectively within the grant period for the benefit of the community. As organisations increasingly move towards income generation, it is important to ensure that any trading activities actually make a surplus. There is also a duty to ensure that the trust is a 'going concern' i.e. As part of the annual accounts process, the trustees are asked to confirm that they believe the organisation is financially viable, with enough cashflow to get through at least the next 12 months.

### How to read management accounts

Budgets are forecasts / projections of the spending required to carry out planned activities and the income and funding required to make it happen. Progress against budget needs to be monitored and reported to the Board so that they know whether budgets are on track or whether decisions need to be made/ actions taken.

	BUDGET 2024/25 £	ACTUAL date £	ACTUAL year-to-date £	BUDGET TO date £	VARIANCE Budget v Actual £	NOTES
<b>INCOME</b>						
Earned income					0	
Contract/earned income					0	
Rental/room hire income					0	
Grant - Main funder					0	
Grant - fund 2					0	
Grant - fund 3					0	
Small grants					0	
Donations					0	
Fundraising					0	
Other income					0	
Other income					0	
<b>TOTAL INCOME</b>	0	0	0	0	0	
<b>EXPENDITURE</b>						
<b>DIRECT COSTS</b>						
Staff costs					0	
Staff travel & expenses					0	
Cost of sales/purchases					0	

**The budget** (in column B of the management accounts template) represents all of the expenditure required to carry out the planned activities for the year ahead, and the income and funding reasonably expected to cover it. The budget will be set for the year and approved by the Board. It should only be amended in the light of material changes e.g. expected funding not being confirmed, leading to a reduction in the budget, or an increase in the budget for additional grants.

Column C shows the **actual figures for the latest period**, covered by the management accounts. This will be the last month or quarter. These figures are of limited use on their own but questions to ask are: *Are there any unexpected figures? Is anything missing?*

Column D shows the **running total** of income and expenditure for the year to date i.e. from the start of the financial year to the end of the current reporting period. This builds up the financial picture as the year progresses.

Column E shows the **budget for the period** covered by the report. This should not just be pro rata for the number of months but should reflect when the income is likely to come and when the expenditure will happen. For some costs e.g. salaries, rent paid monthly, this is likely to be spread evenly across the year. Other costs will be either one-off or seasonal.

## Understanding variances

The aim of the management accounts is to compare the actual figures against those in the budget i.e. the expected costs and income.

Column F shows the **variance** i.e. the difference between the actual total for the year so far (column D) compared to the figures projected in the budget for the year to date (column E).

Variances are just differences. In an ideal world, these variances would all be nil or close to nil. In reality, this rarely happens. The variances are used to flag up the income and cost categories that are not on track.

	BUDGET	ACTUAL	ACTUAL	BUDGET TO	VARIANCE	
	2024/25	date	year-to-date	date	Budget v Actual	NOTES
	£	£	£	£	£	
<b>INCOME</b>						
Earned income - café	5,000	350	2,470	3,000	(530)	Café sales poorer than expected
Contract/earned income	10,000	2,500	5,000	5,000	0	On track
Rental/room hire income	6,000	600	3,100	3,000	100	Room hire going well
Grant - Main funder	25,000	0	25,000	25,000	0	Paid up front
Grant - fund 2	13,000	0	6,500	6,500	0	2nd payment due in Oct
Grant - fund 3	8,000	8,000	8,000	8,000	0	Project from 1 Sept
Small grants	3,500	500	1,000	2,000	(1,000)	2 rejected but 4 applications pending
Donations	200	65	180	120	60	
Fundraising	1,200	0	480	400	80	2 events to be held Oct and Feb
Other income	0	0	1,200	0	1,200	Insurance claim
Other income	0	0	0	0	0	
<b>TOTAL INCOME</b>	<b>71,900</b>	<b>12,015</b>	<b>52,930</b>	<b>53,020</b>	<b>(90)</b>	



Negative variances are where:

- Income is less than budget or
- Costs are more than budget

Neither is likely to be good news from a budget perspective and will require explanation.

Positive variances sound like good news but equally may require explanation or at least reassurance where:

- Income is more than budget – Is this the result of additional funding that will have matching costs that need to be added to the budget? If this is an income stream, will this be offset by higher costs for purchases and staffing that will need to be included in a revised budget?
- Costs are less than budget – Are these genuine cost savings (good news) or the result of failure to deliver a project/service on time (bad news)?

Variances are differences that require investigation, explanation and possibly decisions. Concentrate on significant variances. Questions to ask:-

- *What is different from expected?* The variance acts as a red flag to indicate that this particular cost or income category needs to be looked at.
- *Why has it happened?* The explanation can be found by looking at the assumption underlying the budget figure i.e. what was expected to happen versus what has actually happened.
- *Do we need to do anything about it?* It may be a timing difference which will correct itself in the coming months. This is fine provided the catch up happens before the end of the financial year.
- *What can we do about it?* There may be an obvious solution, or a number of suggested ways to bring the figures back on track. These require discussion and approval by the Board.
- *Do we need to amend the budget to take it into account?* If, for example, there has been a significant increase in a cost which will continue for the rest of the year, the budget may need to be amended to reflect that change and any other changes required to compensate and bring the budget back on track.

The notes in the final column (G) of the template should draw attention to the main variances, the reason for them and actions taken, or suggested, to keep the finances on track. These will be discussed further at the Board meeting so that actions can be agreed and approved.

## Funds breakdown

The management accounts template covers the income and expenditure for all of the trust's activities. This includes restricted and unrestricted funds. The table at the foot of the template breaks down the fund balances:

**Restricted funds** are funds (usually grants) given for a specific purpose or project. They must be wholly spent for that purpose only, within the grant timeframe (generally 12 months from the date of the award).

RESTRICTED FUNDS BREAKDOWN						
	OPENING BALANCE	FUNDS RECEIVED	FUNDS SPENT	REMAINING BALANCE	GRANT END DATE	PURPOSE OF FUNDING
Main grant	100	25,000	12,750	12,350	31-Mar-26	
Fund 2	1,000	6,500	6,690	810	31-Mar-25	
Fund 3	0	8,000	260	7,740	31-Aug-25	
Fund 4	0	0	0	0		
Fund 5	0	0	0	0		
Other small funds	245	1,000	745	500		
	1,345	40,500	20,445	21,400		
Designated Funds	1,000			1,000		
Unrestricted reserves	7,545			1,255		

The funds breakdown is used to monitor each of the main restricted grant funds. It shows:

- Column B - The balance at the start of the financial year i.e. funds brought forward. This will be the case where the funding period does not align with the financial year.
- Column C - Funds/grant amounts received in the current year
- Column D - The amount of the fund spent so far in the year
- Column E - The remaining balance still to be spent, by the grant end date (shown in the next column). The question to ask is whether this amount will cover the project costs for the rest of the funded period. If there is a large balance still to spend, the question becomes 'will it be spent in time?'
- Column F shows the grant end date i.e. the date by which the funding has to be spent – and replacement or continuation funding secured (if required)
- The final column (G) gives brief details of the project/activity that the funding covers.

This information will be supplemented by information in the manager's report on progress on project delivery and meeting funder outcomes. Remember funders do not give you money just to spend; they give it to you to achieve outcomes i.e. make a difference in your community.

The template will list the main funding sources and group small grant together under '*Other small funds*'.

**Designated funds** are any funds that have been set aside by the trustees for a specific purpose e.g. Building Long-term Maintenance Fund; Vehicle Replacement Fund. Money into a designated fund is a transfer from unrestricted funds. Spend should be for the designated purpose only. All movements in or out would need prior approval by the trustees. Note that the trustees can decide to transfer designated funds back onto unrestricted funds if they are needed.

**Unrestricted funds** are those that can be used as the trustees see fit, within the trust's charitable purposes. They generally come from income generating activities, fundraising, donations and core funding.

Monitoring the level of unrestricted funds is important as these are the basis for the 'reserves' that provide the buffer against unexpected financial shocks and ensure the sustainability of the trust. The level of reserves is set and reviewed by the Board. There is no recommended 'ideal' level of reserves as it depends on the nature and scale of activities and plans for the future. [OSCR's Charity reserves Factsheet](#) should help trustees to consider the level of reserves required and set their reserves policy.



## What should raise concerns?

The following are red flags in the management accounts that will require discussion and decisions:

- Big, growing or unexpected negative variances on expenditure indicate overspends or cost increases well above budgeted level. These inevitably eat a hole into the budget and money will have to be found to plug the gap. Where the variance relates to restricted funding, this will impact on project delivery and may require cost cutting to bring the project back within the available funding.
- Income falling below target, as highlighted by negative income variances. If the income is not coming in as expected, action will have to be taken to cut costs. You cannot spend what you don't have.
- Positive cost variances may indicate failure to deliver a project within the agreed timeframe. This requires action to get delivery back on track or a discussion with the funder to agree a revised timescale/set of outcomes.
- Significant funding coming to an end, with no guarantee of replacement or alternative funding. This may require consideration of termination of contracts for project staff, or creating and implementing a Plan B. It is even more important where more than one funding stream is due to end at the same time. This would be shown by the funding breakdown table in the template – by the amount of the fund balance remaining and the grant end date.

## Checklist for trustees

- ☐ Are there any unexpected or missing income or expenditure figures in the Actuals columns?
- ☐ Have all significant variances been satisfactorily explained?
- ☐ Have appropriate actions been agreed to bring the budget back on track?
- ☐ Are all restricted funds being properly spent within the funding period?
- ☐ Is the level of reserves (unrestricted bank balance) appropriate to ensure that we are able to pay salaries and bills on time?
- ☐ Are we confident that we can keep going for the next 12 months, or do we have a Plan B?



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## PART 3

Staff guidance on using the template



## STAFF GUIDANCE ON USING THE TEMPLATE

**Aim:** To help treasurers and those in management roles within development trusts to effectively analyse and present financial data.

The Board needs overall figures for the whole of the trust's activities but managers, treasurers and/or Finance sub-groups will be looking at the figures in more detail for each of the funded projects and income generating activities – see Other Reports below. The aim is to recognise when figures are heading off budget so that corrective action can be taken before it becomes a major issue.

The template is designed to provide a simple report for the Board that will give them all of the information they need.

### Step by step guide to using the template report

<b>EXPENDITURE</b>
<b>DIRECT COSTS</b>
Staff costs
Staff travel & expenses
Cost of sales/purchases
Project costs 1
Project costs 2
Activities & events
Transport
Other
<b>OVERHEADS</b>
Premises rent
Utilities & rates
Insurance
Premises costs
Equipment renewals & repairs
Telephone and broadband
Stationery & office consumables
Subscriptions
Accountancy & book-keeping
Professional & consultancy fees
Bank & finance charges
Other costs
<b>REVENUE EXPENDITURE</b>
<b>CAPITAL EXPENDITURE</b>
Laptop
Item 2

#### COLUMN A – HEADINGS

The headings provided are for guidance only. They should be amended to suit your organisation. These will be the income and expenditure headings used in the budget and used to record day-to-day transactions in the book-keeping system (Excel, Xero, etc). Some items can be grouped together, where appropriate e.g. small grants, premises costs. The aim is to give the trustees the information they need without overloading them with too much irrelevant detail.

The expenditure headings have been split into:

- *Direct Costs* - costs incurred in delivering projects and activities
- *Overheads* - all the other organisational running costs e.g. property, office and admin, professional support, governance, etc.
- *Capital Expenditure* - spend on acquiring new assets e.g. building acquisition and development, vehicles, furnishings, equipment, IT and office equipment



## COLUMN B – BUDGET

1. Enter the figures for income and expenditure from the budget for the year, as approved by the Board. The figures in this column should remain unchanged for the whole year unless the budget has to be amended.

The template will calculate the *Totals* and the *Period Surplus/Deficit*.

A budget would normally be set to give a small surplus. The Board would need a good reason to set a budget with a planned deficit i.e. to spend more than you earn in the year. This might be to spend restricted funds received in an earlier year, or it might be due to internal restructuring or transition, with the intention of covering the one-off deficit from reserves.

2. Enter the *Bank Balance B/fwd* figure i.e. the amount in the bank at the end of the last financial year. This figure should agree to the bank statement and will not change.

The *Bank Balance C/fwd* is automatically calculated. This will be the figure at the end of the year if all of the budgeted income and expenditure happens as planned.

Activities & events	2,000
Transport	2,000
Other	0
<b>OVERHEADS</b>	
Premises rent	6,000
Utilities & rates	6,000
Insurance	1,200
Premises costs	9,000
Equipment renewals & repairs	1,200
Telephone and broadband	600
Stationery & office consumables	600
Subscriptions	580
Accountancy & book-keeping	3,000
Professional & consultancy fees	0
Bank & finance charges	480
Other costs	400
<b>REVENUE EXPENDITURE</b>	69,900
<b>CAPITAL EXPENDITURE</b>	
Laptop	800
Item 2	0
<b>TOTAL EXPENDITURE</b>	70,700
<b>PERIOD SURPLUS/(DEFICIT)</b>	1,200
<b>BANK BALANCE B/FWD</b>	9,890
<b>BANK BALANCE C/FWD</b>	11,090

## COLUMN C - ACTUAL FOR THE PERIOD

1. Enter the actual figures for the income and expenditure for the period covered by the management accounts. This will be the last month, if you produce monthly management accounts, or the last quarter, if you produce quarterly figures.

These figures will be taken from the book-keeping system – Excel or accounting package – and are the overall figures for the whole of the activities i.e. total of all restricted and unrestricted funds.

2. Enter the *Bank Balance B/fwd*. This will be the balance at the end of the previous month/quarter. It will need to be changed on each set of management accounts.

The Totals, Period Surplus/ (Deficit) and Bank Balance C/Fwd will be automatically calculated.

**Note that a period deficit does not necessarily mean a problem.** It may be that funding is received in one period but spent in another. This is why we need the variances shown in column F.

ACTUAL	BUDGET TO
year-to-date	date
£	£
2,470	3,000
5,000	5,000
3,100	3,000
25,000	25,000
6,500	6,500
8,000	8,000
1,000	2,000
180	120
480	400
1,200	0
0	0
52,930	53,020
12,600	12,000
75	120
970	800
4,700	4,000
1,800	2,700
2,200	2,000
1,205	1,200
0	0

#### COLUMN D – ACTUAL YEAR-TO-DATE

1. Enter the actual figures for income and expenditure for the period from the start of the financial year to the date of the management accounts i.e. the running total for the year so far.

These figures will be taken from the book-keeping system – Excel or accounting package – and are the overall figures for the whole of the activities i.e. total of all restricted and unrestricted funds.

The *Bank Balance B/fwd* figure is automatically copied across from column B as it is the amount in the bank at the end of the last financial year.

The *Totals, Period Surplus/ (Deficit)* and *Bank Balance C/Fwd* will be automatically calculated. The *Bank Balance C/Fwd* should be the same as the figure in the neighbouring cell in column C Actual for period.

A deficit for the year-to-date is a red flag that requires further investigation. The variances (column F) help to pinpoint problem income or cost categories.

#### COLUMN E – BUDGET YEAR-TO-DATE

1. Enter the figures for budgeted income and expenditure for the period from the start of the financial year to the date of the management accounts i.e. the expected budget figure for the year up to the current date. These figures will change each month or quarter.

The *Bank Balance B/fwd* figure is automatically copied across from column B as it is the amount in the bank at the end of the last financial year.

The *Totals, Period Surplus/ (Deficit)* and *Bank Balance C/Fwd* will be automatically calculated.

<b>TOTAL EXPENDITURE</b>	70,700	8,961	39,165	37,280	(1,885)
<b>PERIOD SURPLUS/(DEFICIT)</b>	1,200	3,054	13,765	15,740	(1,975)
<b>BANK BALANCE B/FWD</b>	9,890	20,601	9,890	9,890	
<b>BANK BALANCE C/FWD</b>	11,090	23,655	23,655	25,630	

## COLUMN F – VARIANCES

The template calculates these figures automatically. Your job is to investigate and find the reason for the variances so that you can explain them to the Board and take action to correct them.

Variances are difference between the actual total for the year so far (column D) compared to the figures projected in the budget (column E). In an ideal world, these variances would all be nil or close to nil. Some will be nil or too small to be important. You can safely ignore these ones. Concentrate on the significant variances as these point towards the areas that are not on track.

Negative variances are where:

- Income is less than budget or
- Costs are more than budget

**These are not likely to be good news from a budget perspective and will need investigation.**

Positive variances sound like good news but equally may require explanation or at least checking, where:

- Income is more than budget – Is this the result of additional funding that will have matching costs that need to be added to the budget? If this is an income stream, will this be offset by higher costs for purchases and staffing that will need to be included in a revised budget? In either of these cases, the budget for the rest of the year will have to be amended to take account of the additional income and the matching additional costs.
- Costs are less than budget – Are these genuine cost savings (good news) or the result of failure to deliver a project/service on time?

Variances are differences that require investigation, explanation and possibly decisions. Questions to ask:

- *What is different from expected?* The variance acts as a red flag to indicate that items in this particular cost or income category need to be reviewed in detail in the book-keeping system and compared with what was expected to happen i.e. the assumption underlying the budget figure. This lets you pinpoint the difference.

For example - In utilities, electricity was budgeted at £360/month; charges were increased by more than anticipated to £520/month. This would give a big negative variance and would continue to do so for the rest of the financial year. The explanation would be easy to find; the solution less so.

- *Do we need to do anything about it?* It may be a timing difference. For example, we expected to buy £500 of resources in October but got a bargain so bought them in August. This will give a negative variance until the end of September but it will correct itself in October. This does not require any corrective action. Timing differences are fine, provided the catch up happens before the end of the financial year.
- *What can we do about a difference?* Once you understand the reason behind the variance, there may be an obvious solution, or a number of suggested ways to bring the figures back on track. Sometimes solutions are harder and may involve looking at cost saving options and making tough decisions. The aim is to base any decisions on a good understanding of the figures and the implications of any changes. These decisions require discussion and approval by the Board.

- *Do we need to amend the budget?* If, for example, there has been a significant increase in a cost which will continue for the rest of the year, the budget may need to be amended to reflect that change and any other changes required to compensate and bring the budget back on track.

## COLUMN G – NOTES

The notes should draw attention to the main variances, the reason(s) for them and actions taken, or suggested, to keep the finances on track. These will be discussed further at the Board meeting so that actions can be agreed and approved.

Notes should be brief and in plain English. For example 'Electric price hike from £360 to £520/month' or 'Boiler broke down. Repair £750.'

You can note 'OK' or 'on track', or 'timing difference', as appropriate on the other rows, just for clarity for the trustees.

INCOME	£	£	£	£	£	
Earned income - café	5,000	350	2,470	3,000	(530)	Café sales poorer than expected
Contract/earned income	10,000	2,500	5,000	5,000	0	On track
Rental/room hire income	6,000	600	3,100	3,000	100	Room hire going well
Grant - Main funder	25,000	0	25,000	25,000	0	Paid up front
Grant - fund 2	13,000	0	6,500	6,500	0	2nd payment due in Oct
Grant - fund 3	8,000	8,000	8,000	8,000	0	Project from 1 Sept
Small grants	3,500	500	1,000	2,000	(1,000)	2 rejected but 4 applications pending
Donations	200	65	180	120	60	
Fundraising	1,200	0	480	400	80	2 events to be held Oct and Feb
Other income	0	0	1,200	0	1,200	Insurance claim
Other income	0	0	0	0	0	
<b>TOTAL INCOME</b>	<b>71,900</b>	<b>12,015</b>	<b>52,930</b>	<b>53,020</b>	<b>(90)</b>	
<b>EXPENDITURE</b>						
<b>DIRECT COSTS</b>						
Staff costs	24,000	2,100	12,600	12,000	(600)	Extra hours to cover H absences
Staff travel & expenses	240	0	75	120	45	
Cost of sales/purchases	1,400	65	970	800	(170)	Includes events catering
Project costs 1	6,200	1,000	4,700	4,000	(700)	Materials purchased in bulk for whole project
Project costs 2	5,000	300	1,800	2,700	900	Project start delayed. Will catch up
Activities & events	2,000	0	2,200	2,000	(200)	Overspend on summer event
Transport	2,000	600	1,205	1,200	(5)	On track
Other	0	0	0	0	0	
<b>OVERHEADS</b>						
Premises rent	6,000	500	3,000	3,000	0	
Utilities & rates	6,000	500	3,600	2,700	(900)	Includes FY underpayment (paid July)
Insurance	1,200	0	1,310	1,200	(110)	Looking for new quote for renewal
Premises costs	9,000	3,200	4,800	4,500	(300)	Boiler replacement in Sept
Equipment renewals & repairs	1,200	212	716	800	84	
Telephone and broadband	600	50	300	300	0	
Stationery & office consumables	600	37	200	300	100	
Subscriptions	580	220	220	220	0	
Accountancy & book-keeping	3,000	100	200	200	0	Payroll fees
Professional & consultancy fees	0	0	0	0	0	
Bank & finance charges	480	43	267	240	(27)	Higher card charges than budgeted
Other costs	400	34	207	200	(7)	
<b>REVENUE EXPENDITURE</b>	<b>69,900</b>	<b>8,961</b>	<b>38,370</b>	<b>36,480</b>	<b>(1,890)</b>	

## Completing the Funds Breakdown Table

**Restricted:** The funds breakdown is used to monitor each of the main restricted grant funds.

1. Column A - List the main funders. Group small grants together under 'Other small funds' to reduce the clutter and keep focus on the main funds.
2. Column B - Enter the balance on each fund at the start of the financial year i.e. funds brought forward. This will be the case where the funding period does not align with the financial year.
3. Column C - Enter the total of grants/funding received so far in the current year.
4. Column D - Enter the total amount of the fund spent so far in the year.
5. Column E - The template will calculate the remaining balance still to be spent. Check that this looks right to you, based on your day-to-day knowledge of the project.
6. Column F - Enter the grant end date. If it is a multi-year funding package, this will be the date when the final year of the funding ends. This acts as reminder of the deadline for securing continuation or replacement funding.
7. Column G - Enter brief details of the project/activity that the funding covers.

### RESTRICTED FUNDS BREAKDOWN

	OPENING BALANCE	FUNDS RECEIVED	FUNDS SPENT	REMAINING BALANCE	GRANT END DATE	PURPOSE OF FUNDING
Main grant	100	25,000	12,750	12,350	31-Mar-26	
Fund 2	1,000	6,500	6,690	810	31-Mar-25	
Fund 3	0	8,000	260	7,740	31-Aug-25	
Fund 4	0	0	0	0		
Fund 5	0	0	0	0		
Other small funds	245	1,000	745	500		
	1,345	40,500	20,445	21,400		
Designated Funds	1,000			1,000		
Unrestricted reserves	7,545			1,255		

This information will be supplemented by information in the manager's report on project delivery and whether the outcomes, agreed with the funder, are being met. What the Board needs is reassurance that the balance on each fund will cover the project costs for the rest of the funded period. If there is a large balance still to spend, they want to know that the full amount can be spent in time.

The information in the funding table will be supplemented by an update on progress with funding applications.

**Designated funds** are any that have been set aside by the trustees for a specific purpose e.g. Building Long-term Maintenance Fund. Money into this fund would be a transfer from unrestricted funds. Spend should be for the designated purpose only. All movements in or out would need prior approval by the trustees. Note that the trustees can decide to transfer designated funds back onto unrestricted funds if they are needed to cover unexpected costs, or for project continuity to fill funding gaps.

Fill in the figures in the table for any designated funds.

**Unrestricted funds** are important as these are the basis for the ‘reserves’ that provide the buffer against unexpected financial shocks and ensure the sustainability of the trust. The level of reserves is set and reviewed by the Board.

The template automatically calculates the opening and current balances on unrestricted funds (total funds less restricted less designated).

You may need to bring this figure to the Board’s attention where it is falling to a worryingly low level, as this flags up potential liquidity problems i.e. the risk of there not being enough money in the bank to pay salaries and bills. It could be that there is a healthy bank balance but belonging to restricted funds.

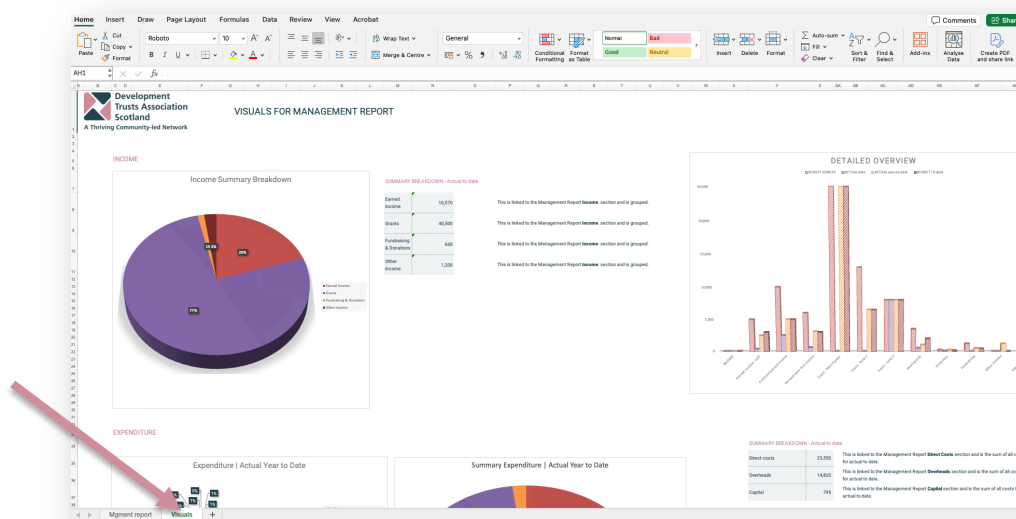
For example, there may be £84,762 in the bank:

- Great, if this is £42,000 of restricted funds, leaving £42,762 as a healthy unrestricted reserve
- Not so great, if this is made up of £75,000 in restricted funds, £5,000 in designated funds and only £4,762 as unrestricted
- A crisis, if there should be £85,000 in restricted funds and £5,000 in designated funds. That would leave negative unrestricted funds of £5,238 – a definite problem that would need to be addressed urgently.

## Including graphics

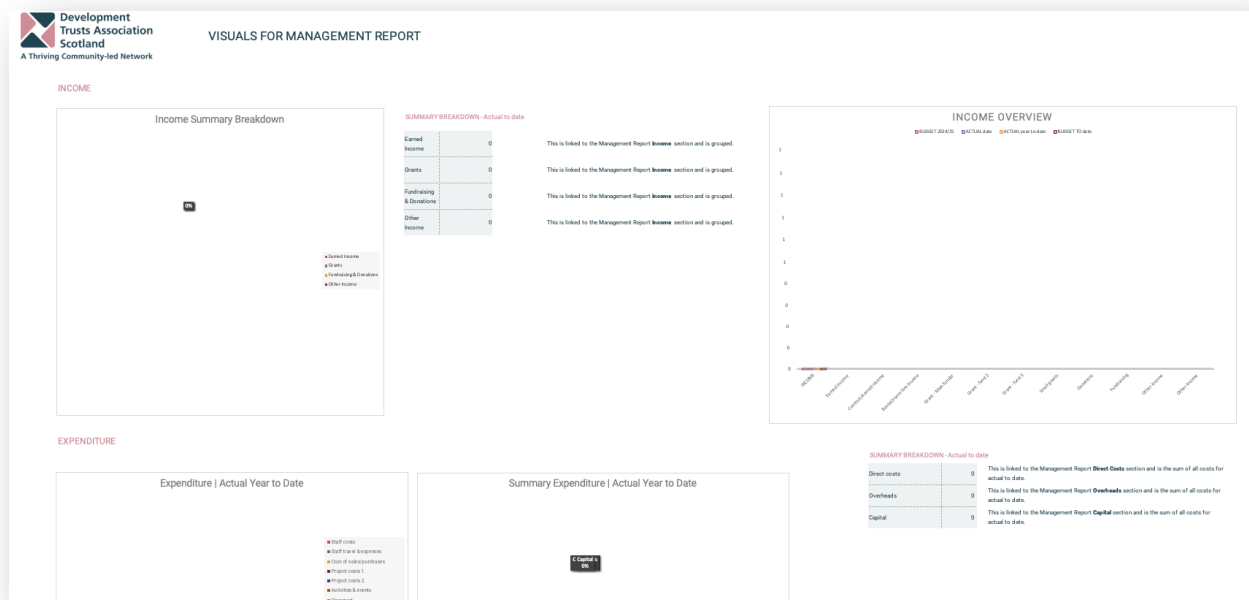
Some of the trustees will be quite comfortable looking at financial reports but others may have less experience and find numbers a bit overwhelming. It can be helpful to present key figures visually, provided that the graphs, pie charts, etc are useful.

In your Excel file, you will find a tab called ‘Visuals’. In this tab you will have pre-planned pie charts to help you visualise the numbers in your report.





When you visit the 'Visuals' tab for the first time, you won't see any visuals. This is because we need to fill in the details of your **Management Report** first. Once numbers are entered, you will see the charts starting to populate themselves. Have a play around and add numbers into your **Management Report** to see how they interact with the pie chart in your 'Visuals' tab.



When you have a chart that you'd like to use, simply right click and choose copy. Then go to your Word document and paste it where you think it will make the biggest impact. You can also print your 'Visuals' sheet as a PDF and share this with your report.

## Checklist for preparing reports

- ☐ Are the figures complete for the whole of the period covered by the management accounts i.e. Have all transactions been recorded?
- ☐ Do the figures look right, based on knowledge of the day-to-day operations and activities? Are there any unexpected, unexplained or missing income or expenditure figures?
- ☐ Do you understand the reason for all significant variances so that you are comfortable explaining them to the trustees?
- ☐ Are you clear about which variances and points will need discussion /decisions at the Board meetings?
- ☐ Are you satisfied that the actions taken or proposed will bring the finances back on track? Are they likely to stay on track for the rest of the financial year, or do changes need to be made to the operational plan and budget?
- ☐ Is the funding position clear – both current and progress with funding applications? Does this need further discussion with the Board?
- ☐ How does the level of unrestricted funds compare with the target in the reserves policy? Does this need brought to the Board's attention?
- ☐ Is there enough money in the bank, now and in the months ahead, to ensure that we can continue to pay salaries and bills on time?



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## PART 4

Other reports

## OTHER REPORTS

Some small trusts will be using Excel, which is adequate, provided it allows tracking of the different funding streams. The figures for the management report can be taken directly from the Excel spreadsheets.

When the number of funding sources (restricted and income generation) increases, it will need a financial package to keep track of funds effectively. Reports that can be downloaded from the account software include:

- Budget Variance report – used to populate the template
- Profit & Loss Accounts – overall and by project/department
- Accounts payable – to monitor and check amounts outstanding on purchase invoices, etc.
- Accounts receivable are amounts due to the organisation for sales and services, i.e., outstanding. Slow payers should be chased up, particularly if cash flow is tight.

These additional reports can be shared with the Finance sub-group but would only be presented to the Board if required to provide more information than can be shown in the templated report, e.g. where a specific project or activity needs detailed discussion.

## RELEVANT LINKS

- DTA Scotland Website: <https://dtascot.org.uk>
- Charity Reserves Factsheets: [https://www.oscr.org.uk/media/2681/v10-charity-reserves-factsheet\\_pdf.pdf](https://www.oscr.org.uk/media/2681/v10-charity-reserves-factsheet_pdf.pdf)
- Download the DTA Scotland Management Report Template:
- Download the DTA Scotland Management Report Examples:

You can download all your templates and relevant information by contacting us at [INFO@DTASCOT.ORG.UK](mailto:INFO@DTASCOT.ORG.UK) or by clicking the links above.



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# PART 5

## Report Template

## MANAGEMENT REPORTING TEMPLATE

### Income

	BUDGET	ACTUAL	ACTUAL	BUDGET	VARIANCE	
	2024/25	date	year-to-date	TO	Budget v	NOTES
	£	£	£	date	Actual	
INCOME	£	£	£	£	£	
Earned income					0	
Contract/earned income					0	
Rental/room hire income					0	
Grant - Main funder					0	
Grant - fund 2					0	
Grant - fund 3					0	
Small grants					0	
Donations					0	
Fundraising					0	
Other income					0	
Other income					0	
TOTAL INCOME	0	0	0	0	0	



## Expenditure

### DIRECT COSTS

Staff costs					0	
Staff travel & expenses					0	
Cost of sales/purchases					0	
Project costs 1					0	
Project costs 2					0	
Activities & events					0	
Transport					0	
Other					0	

### OVERHEADS

Premises rent					0	
Utilities & rates					0	
Insurance					0	
Premises costs					0	
Equipment renewals & repairs					0	
Telephone and broadband					0	
Stationery & office consumables					0	
Subscriptions					0	
Accountancy & book-keeping					0	
Professional & consultancy fees					0	
Bank & finance charges					0	
Other costs					0	
<b>REVENUE EXPENDITURE</b>	0	0	0	0	0	

## CAPITAL EXPENDITURE

Item 1					0	
Item 2					0	

## TOTAL EXPENDITURE

0	0	0	0	0
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## PERIOD SURPLUS/(DEFICIT)

0	0	0	0	0
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## BANK BALANCE B/FWD

0	0	
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## BANK BALANCE C/FWD

0	0	0	0	
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## Restricted Funds Breakdown

	OPENING BALANCE	FUNDS RECEIVED	FUNDS SPENT	REMAINING BALANCE	GRANT END DATE	PURPOSE OF FUNDING
Main grant				0		
Fund 2				0		
Fund 3				0		
Fund 4				0		
Fund 5				0		
Other small funds				0		
	0	0	0	0		
Designated Funds	0			0		
Unrestricted reserves	0			0		



# Development Trusts Association Scotland

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