

BARNET ALLOTMENT FEDERATION

**STRATEGIC FINANCIAL MANAGEMENT - Workshop for BAF Members  
19 May 2014 – structure and output**

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**STRUCTURE OF WORKSHOP**

**INTRODUCTION** (5-10 minutes, Andrew)

This presentation is to aid the borough's allotment societies to get to grips with long term planning. This is essential if societies are to achieve the benefits of self management and avoid the major financial risks.

**Essential reading** – Andrew's guidance paper available on the Federation website at [www.barnetalotments.org.uk/downloads/selfmanagement/Strategic%20Financial%20Management%20FINAL%2013%2001.doc](http://www.barnetalotments.org.uk/downloads/selfmanagement/Strategic%20Financial%20Management%20FINAL%2013%2001.doc)

**Core messages**

- 1 Cash – working capital, emergency fund, saving for projects
- 2 Long Term Plan – costed – by Christmas and before considering next year's rent
- 3 Expenditure Control – routine expenditure, project expenditure
- 4 Income Management – rent, rent discounts, other charges, earnings and grants - diversification

**Planning**

Write down what you aspire to do and the order of events you prefer (first draft of the strategic plan). West Hendon Allotment & Horticultural Society produced their first and very detailed draft in a couple of hours by one person.

Do the financial planning. Use the financial planning tool – one society's real example (East Finchley) is already on the BAF website. The spreadsheet looks frightening – it isn't, and East Barnet and East Finchley have already done it. Adjust specifications, dates, rents, etc until the running cash totals look prudent.

Revise the strategic plan by inserting dates (second draft)

**WORKING GROUPS** (15-20 minutes)

Three groups - each group to take two topics. Appoint a rapporteur. All groups take **Long term strategic plan** plus one of the following:

- Group 1 - **Managing income**
- Group 2 - **Managing cash**
- Group 3 - **Controlling expenditure**

**Report back** (20 minutes)

Results written on flip chart and subsequently typed up and circulated. Each group reports back on *long term strategic plan* first. Then go back round to deal with each of the second topics.

**Summing up** (5-10 minutes)

## WORKING GROUP OUTPUTS

### **Long Term Strategic Plan**

#### 1 What items will you put in it?

As well as annual recurrent costs, include:

- fencing, trees, toilets, roads and tarmac, power supply, water system maintenance, communal hut and store, communal equipment, site security, drainage.
- any other major capital items?
- building up sufficient emergency reserves to cope with unforeseen items or uninsurable risks.

#### 2 How will you estimate costs?

Quotations and estimates

Costs of similar work already done, allowing for cost inflation (which often exceeds household retail price inflation)

Allow contingency for cost inflation of future jobs

Comparing notes and networking with other societies etc

Web-based information

Using in-house skills and the possibility of “mates’ rates” e.g. identified via a skills survey

Possibility of pooling resources/procurement and sharing costs with other societies

Need to take account of subsequent recurrent costs e.g. wear and tear or maintenance, as well as initial capital costs

#### 3 How and on what criteria will you sort and prioritise the items in the plan?

First put items into manageable categories such as:

*essential* – including tree works, asbestos and other hazards, and e.g. site security, as determined by regular inspection and risk assessment

*important* – including fences and security, roadways and paths (especially if shared with the public)

*desirable* – including everything else

Within categories, criteria might include investing so as to generate more income e.g. a trading operation, or to reduce running costs.

Insert costed capital items together with recurrent cost items into planning spreadsheet (available on Federation website) to check for affordability at feasible levels of income including plot rents, project grants etc. If required income isn't achievable, make adjustments to cost and timing and iterate the process until the result is acceptable.

It would be important to consult society members carefully in order to get buy-in to the draft strategic plan. This would entail telling them the facts, the proposals and the reasons for them; explain the benefits to them of past expenditure/investments/achievements and that future spend and investment (and any rent increases) will similarly benefit them sooner or later.

#### 4 What will you take into account when reviewing and updating the plan?

Review annually: what's changed or gone wrong this year, the cash flow position, up-to-date costs and priorities, any changing views of plot holders.

Also include any changes in availability of cash e.g. grants, availability of in-house skills, and changing risks, robustness and expected life of assets, prospects for costs and affordability, climate for increasing rents.

## **Managing Income**

### 1 Where and how will you get it?

Rents, membership fees, donations, plant & produce sales, open days, equipment hire, trading shed, grants.

### 2 How will you keep it rolling in for the long term?

Pay attention to the sources of funds:

- active plot management to maintain high occupancy rate e.g. advertising vacant plots
- keep constant watch for sources of grants and funding opportunities for projects
- look to diversify sources of income e.g. letting land to bee-keepers

### 3 What sources will you use for what purposes?

General principles:

- use regular income for regular outgoings/running costs and put any surplus in reserves
- finance eligible project work through grants if possible
- use other fund-raising to build reserves in the first instance.

### 4 What ideas do you have for generating income?

Different societies will have different opportunities for raising additional income. For example, opening a trading shed to the public, provided they were admitted as "garden or associate members" of the society so that profits from the trading would not be taxed.

## **Managing Cash**

### 1 What do you need cash for?

Regular bills, other running costs e.g. insurance, financing items in the strategic plan

### 2 How do you balance off different demands for cash?

Refer to the strategic plan, taking account of priorities and members' views

### 3 What factors affect choosing to spend or choosing to save?

Building up a sufficient emergency fund; the possibility of obtaining free help/services or "mates' rates"; reference to the strategic plan and priorities; looking for opportunities to invest in order to obtain savings in the shorter term and/or generate income in the longer term.

## **Controlling Expenditure**

1 What are the different classes of expenditure?

Capital spend (big ticket items) and recurrent/revenue spend for regular annual expenditure.

2 Where does saving fit into the priorities for expenditure?

Spreading the cost of large items of expenditure over a number of years so they don't all fall in one year.

3 What is the relevance of covering costs?

Avoiding bankruptcy!

4 For allotment societies what would be investments?

Investing in facilities or equipment which would help to generate future income or avoid future costs; cash investments should be in reasonable safe instruments.

5 What are the overheads?

Societies now have relatively few overheads (fixed costs). Council rents for leased sites pre self-management represented an overhead but did not now do so. Insurance may now be one of the few remaining overheads, depending on the policy concerned.