



For love or money

How to improve
charity expenses



Introduction

Need to buy something for work? Then the solution was traditionally to get the money from petty cash. This handy stash of ready money has a long history within businesses. It was widespread during most of the 20th century. A clerk in the time of Charles Dickens would have used petty cash when nipping out to buy candles and quill pens for the Circumlocution Office.

But the world has moved on. Financial transactions are now much more flexible. We have electronic transfers, cloud-based banking and apps that can track spending and allocate it to categories. We have alternatives to cash transactions including the use of cards, phones and watches. And many businesses may not even have an office base to hold an old-style petty cash box anyway.

So how does a modern charity or voluntary organisation respond to such an array of options? Are their systems fast and flexible enough, or are they still operating bureaucratic procedures from a bygone age? This report surveys the current state of play, looks at options preferred by third-sector organisations, and explores how their staff and volunteers feel about it.



The state of play across the sector

A 2019 survey of voluntary and community sector organisations, run by *Third Sector* in partnership with Soldo, reveals that 63% of them rely on volunteers paying for work-related expenses such as travel, office supplies or subscriptions out of their own pocket. Relatively few, about 16%, still use petty cash. Although few, this still represents a higher proportion than those trusted to make use of a credit or debit card belonging to the organisation – reported as about 7%.

Charity employees are much more likely to have access to a credit or debit card, but only 38% of organisations are geared up to offer such everyday financial tools to their paid staff. As with volunteers, the largest group of organisations, 40%, require their paid staff to cough up from their own funds, too.

Both volunteers and staff are reimbursed for their spending on behalf of charities, but nearly one-third have to wait a month before being repaid – which is, in effect, an interest-free loan.

How they report the spending and submit a claim for repayment varies widely. More than one in three organisations ask staff and volunteers to track their spending using a spreadsheet. But more than 44% have not adopted even this widely-used approach. >



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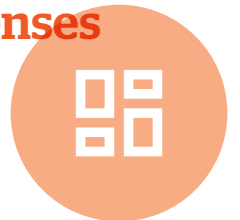
Instead they use paper methods, locally produced claims forms, or simply ask staff and volunteers to submit receipts, sometimes by email. Only 17% of organisations are taking advantage of a modern software package designed to handle expense reports and claims.

Generally, though, charity staff and volunteers are a contented lot. They don't complain about the delays in payments or the creakingly antiquated methods required. When asked whether their employees and volunteers were happy with the expense system and process, a massive 73% of organisations said yes (only 6% said no). If that sounds impressive, it is as well to bear in mind that this is a self-selected group of current staff and volunteers. Those who were seriously unhappy presumably would have voted with their feet and left.

In fact, just 16% of organisations reported a high turnover of staff and volunteers. Of those, a clear majority, 73%, said the turnover made it harder to issue funds to teams and to manage this aspect of organisational spending.

If those who make the purchases and submit the claim forms are broadly happy, how about those who are responsible for the administration of finance? More than one in five organisations, 21%, said they found it difficult to manage the company's financial outgoings. This included such aspects as invoicing, accounting, expenses, budgeting and forecasting. >

17%
of respondent
organisations
use modern
software for
expenses

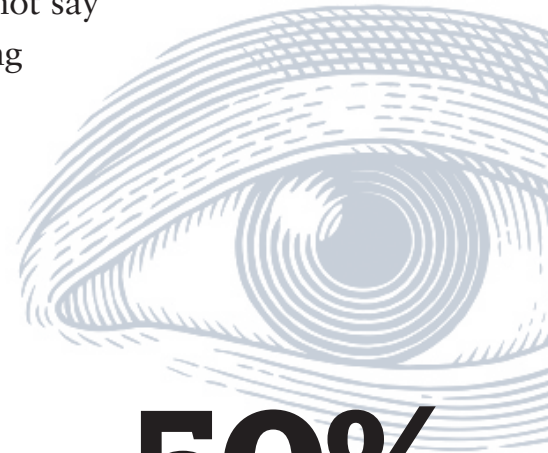


When asked to clarify, charities said their biggest concerns over expenses and payments was the lack of visibility of spending. This means that their finance administrators cannot say with precision and accuracy what level of spending staff and volunteers have committed to on the organisation's behalf. The time lag involved in receiving and processing the paperwork, and the difficulties in feeding it into the systems, means that spending is not visible in real-time, but is available for analysis only historically.

When asked to identify the financial risks within their charity, organisations were most likely to point to cash flow. Half – 50% – of respondents mentioned this, followed by 35% who cited overspending as their chief risk.

Many factors can be the cause of such risks, including uncertainty around income from donations, grants, trusts and service contracts.

But whatever their source, there is no doubt that the lack of visibility and poor documentation will make matters harder for organisations in their day-to-day management of financial risks.



50%
of responding
organisations
cited cash
flow as a key
financial risk



Issues and concerns

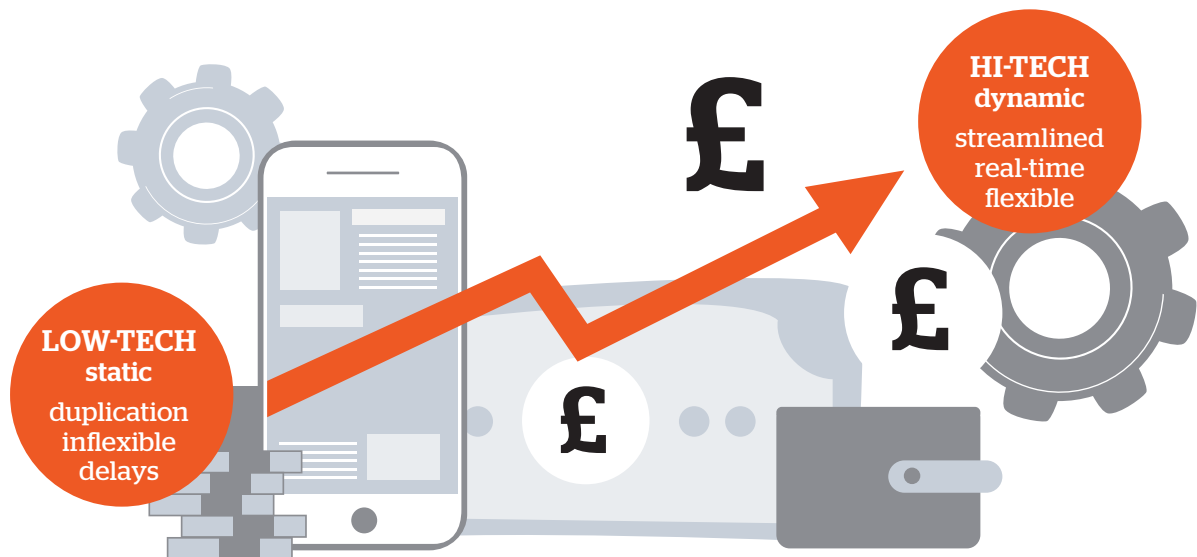
Where are we now? This is a good question for charities to ask. The previous section highlights significant elements from the reports from responding charities. It also provides a useful framework for organisations wishing to locate themselves on a spectrum.

Seeing the range of responses from similar charities will allow a finance team to see how its current methods and systems compare and estimate how far they have to go to take full advantage of existing financial technology. >

“
Where are we now? is a good question for charities to ask
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THE EXPENSES SPECTRUM



FORMATS USED

digital
 physical ledgers
 physical receipts
 carbon copies

petty cash
 reimbursement cheque
 pdf

debit card
 emails
 Excel
 electronic transfer

reimbursement by
 electronic transfer
 credit card
 app and dashboard

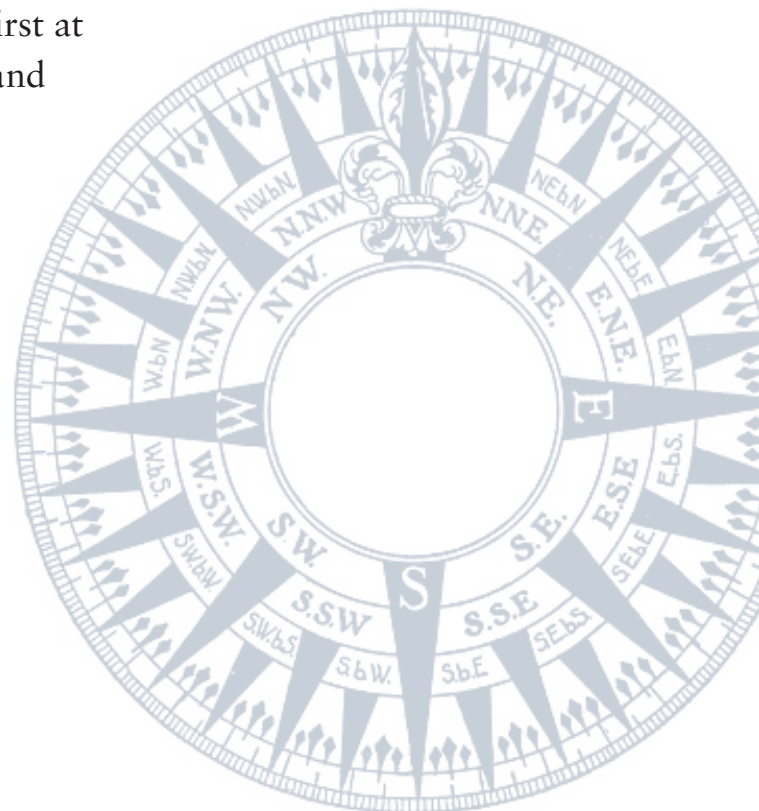
In everyday terms, the spectrum ranges from old-school to modern, from low- to high-tech, from dumb to smart, from slow to fast, and from obscure to transparent.

In the middle of the spectrum (see previous page) are the intermediate methods. For example, emailing an expenses claim form in PDF format is sort-of digital, but not very modern or high-tech. It is fast, but not very flexible.

In general terms, the systems on the left-hand side of the spectrum tend to be inflexible and involve duplication. Those on the right-hand side tend to be more streamlined and require fewer repetitions, for instance inputs of the same data in more than one system.

The following section examines the various options adopted by organisations, looking first at methods of payment and purchase and then at expenses control.

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Payments and purchases

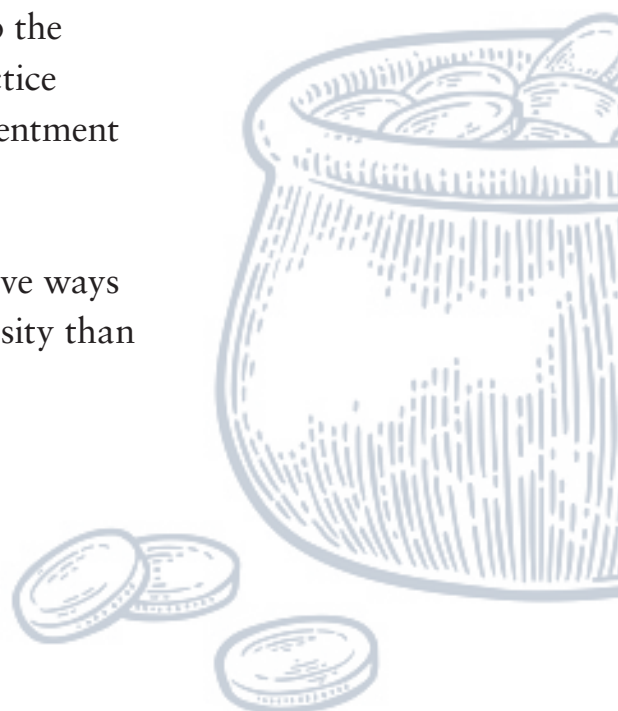
Many charities have already moved on from the use of petty cash, with staff and volunteers working from multiple sites, from home or without a base at all. This makes a centrally held cash box inconvenient.

Knowing how much has been spent in this way is possible only by checking the cash box manually – or by waiting until the receipts are collected for processing. This does not provide much in the way of real-time visibility or facilitate close management control.

Asking staff and volunteers to pay from their own pockets and to claim reimbursement later avoids the need to hold petty cash. But it relies on the goodwill, and solvency, of staff and volunteers. As Dave Thompson reports (see Case study, page 13), the circumstances of volunteers may not permit this. While many are doubtless happy to help the cause they are motivated to support, the practice may be regarded as unfair and a cause of resentment to some.

Either way, there are probably more productive ways of utilising a volunteer's goodwill and generosity than simply tapping them for a loan. >

“  **Circumstances may not allow people to pay out of pocket** ”



Other systems in use and reported by survey respondents included raising a purchase order for all transactions. This shows a high degree of control – and a very low degree of flexibility. How might the service to beneficiaries be improved if staff and volunteers had a less bureaucratic way to make purchases? Such an organisation may never know.

Increasingly, staff and volunteers are using debit or credit cards, which reduce or eliminate the need for laborious cash-based systems. They also have the advantage of showing trust in people. Using a card gives people status and a sense of being valued. As Sam Butler points out (see Case study, page 14), care has to be taken to ensure payment cards are available to those who really need them, not just those who have reached a certain level of seniority in the organisation.

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Expenses

Going shopping for goods and services is one thing. Accounting for such payments to the powers that be, including auditors, is another. Yet another thing is getting reimbursement to any staff or volunteers who covered the cost of purchases out of their own pocket.

Exactly how this happens will depend on the organisation and the preferred method of payment.

Petty cash is normally accounted for by a signed receipt, possibly witnessed, to be picked up by the bookkeeper later. Then there is the task of investigating imbalances, locating missing receipts or explaining undocumented disbursements. On the positive side, petty cash does not involve expenses claims or reimbursement.

Similarly, systems that require purchase orders to be raised load the admin burden up front, with no reimbursement of staff or volunteers required.

The real trouble starts when expenses have to be claimed back. There are many reports from respondents about organisations that have not moved on from paper-based systems. Some form of paper claim form, with receipts completed and submitted manually, is the norm for some. As well as hard-copy forms, some of the systems in use include standardised Word documents or forms submitted by email, with scanned copies of receipts attached. >

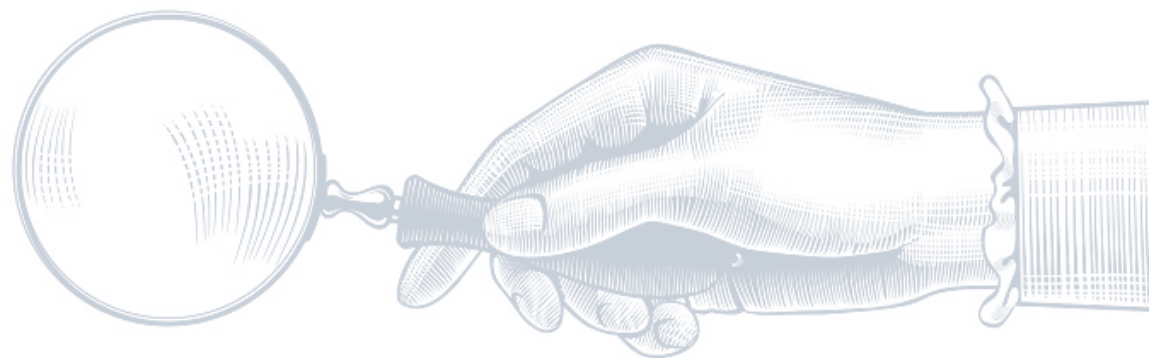


While the largest proportion of organisations, 43%, use some form of paper-based system, the second largest has adopted a digital solution – a spreadsheet.

As a widely-used digital format this could, in theory, be processed digitally and imported into an organisation's accounting systems. However, realities on the ground may well mean this is rare. Spreadsheets completed by staff and volunteers who are often not confident in their IT skills can cause issues – with a member of the accounts department often required to re-input the data.

This would suggest that the use of spreadsheets involves a similar level of manual input to hard-copy forms. In both cases, the system is far from simple. It involves duplication, which is inefficient and encourages errors. It is also opaque, shielding the nature and extent of transactions until they are laboriously processed by hand. Many such transactions will be committed to paper only when a member of staff or volunteer gets round to doing their personal admin – which isn't always as timely as good financial sense might demand. >

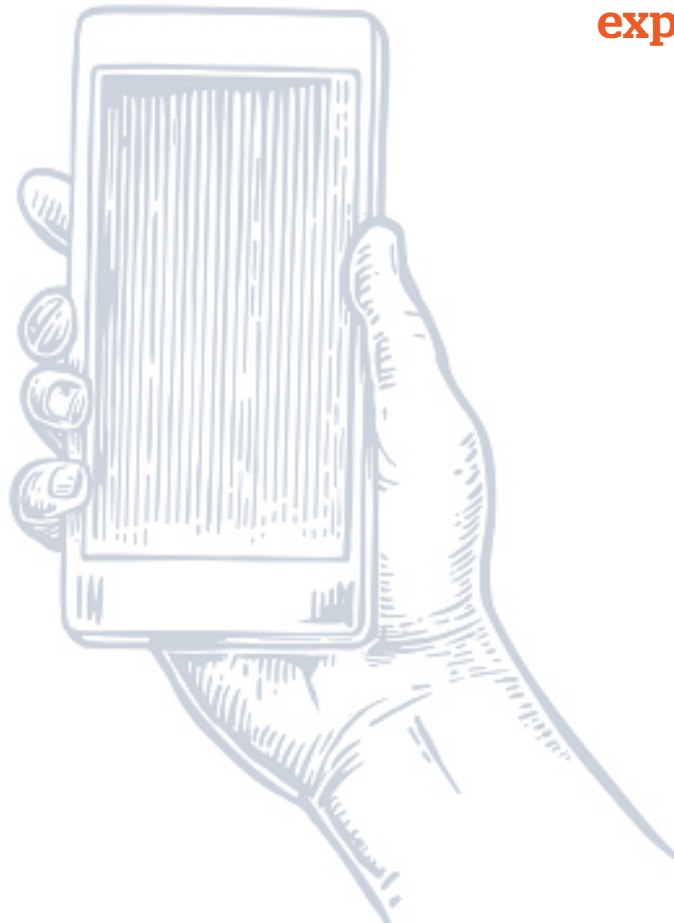
43%
of responding
organisations
use a paper-
based claim
system



A more integrated expenses option is the use of standard, or even customised, software designed precisely to capture expenses and dovetail them into the organisation's accounts.

A significant minority of organisations, 17%, reported using such software. If it is combined with the use of debit or credit cards, as it may well be, then transactions will be recorded as they happen, and can be made available immediately to team-leaders, managers and finance directors, as well as the individual making the payment. Such data can even be available on the move, as phone apps can display statements, transaction summaries and more, depending on the seniority of the individual and their needs.

17%
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use integrated
expenses



Case study 1

Dave Thompson, Warrington Disability Partnership

Thirty years ago Dave Thompson broke his neck. After his accident he volunteered with a charity, but had to stop when he could no longer afford it. The charity's policy was to pay volunteer expenses quarterly. His reduced income effectively restricted the amount of volunteering he could do.

Thompson is now CEO of Warrington Disability Partnership, a volunteer-led charity he co-founded with two other young disabled people. The charity has an annual turnover of about £1.5m and more than 200 volunteers are actively involved in running the charity's many events and services. Its expenses policy is based on the personal circumstances and preferences of its volunteers.

200
volunteers
help run
Warrington
Disability
Partnership



Thompson gives an example of volunteers working in a café. They will typically shop for supplies at the local supermarket or cash and carry, and be reimbursed for the purchases after submitting expense forms.

“Some will get paid the same day they bring their form in. Others will prefer to wait till the end of the month. Some people want to be paid every week, some are happy to be paid once a month. It's entirely up to the individual,” he says. “We don't have a set procedure. We don't want anyone to be out-of-pocket if they can't afford it.”

The organisation also has debit and credit cards available for major purchases. Day-to-day costs, such as travel expenses, are paid in cash by volunteers and reimbursed.

“Some individuals choose not to claim at all, but we try to encourage everybody to claim,” says Thompson. Showing the financial acumen modern charities need to survive, he adds: “If they do claim and want to give it back, they can Gift Aid it.”

Case study 2

Sam Butler, Tibet Relief Fund

Sam Butler, director of fundraising and communications at the Tibet Relief Fund, points to a paradox he has seen in some charities. Volunteers, many of whom operate on the front line and need to make purchases on the charity's behalf, are less likely to have access to credit and debit cards than a paid member of staff. Yet staff with a credit card might make only one or two such purchases a year.

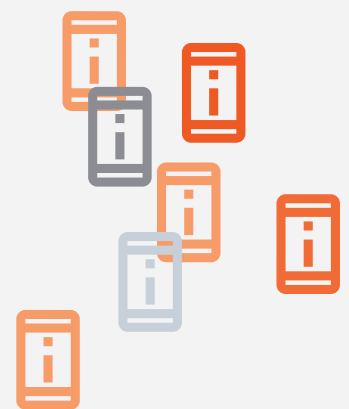
It is an observation that illuminates the status, trust and respect that issuing a payment card signifies. These are important, says Butler, because the human and emotional aspects of volunteering are worth stressing.

"It's all about experience," he says. "You may have a passion for a cause as an employee or a volunteer. But if you've spent money and claim expenses and never get them back, or if it takes a long time, that dulls your experience. You'd have to be a particularly dogged and passionate individual to go through a process that's just not up to scratch. They might start to think: 'There's another organisation doing a very similar thing. Maybe I'll see what it's like working or volunteering for them?'"

The Tibet Relief Organisation does not have any particular concerns over its purchases or reimbursement systems. "It's easier for small organisations," says Butler. "The beauty of being small is that we can be agile. We can have a conversation today and do it tomorrow." Across a range of financial and fundraising matters, larger organisations tend to be risk-averse in trying something new, he says.

Butler urges charities to be responsive to the widespread availability of every-day technology. "Nine times out of 10 you're dealing with a member of the public who has the world in their hands on their iPhone," he says. "Whenever they want to purchase something or interact with somebody they can do it at the touch of a button. We have to try to keep up with that as a sector."

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Contact

Soldo was founded in 2015 with the objective of creating the world's first multi-user spend control solution, and to help businesses of all sizes manage company spending in a smarter, more efficient way.

We believe businesses are more successful when they empower employees to spend company money in a responsible way.

However you currently manage company spend - whether by reimbursing your employees or sharing a handful of company credit cards around your office - Soldo can help your business.

To find out more, please visit:
www.soldo.com/en-uk