A STEP-BY-STEP GUIDE TO CHOOSING AN ACCOUNTING AND FINANCE SYSTEM FOR YOUR CHARITY

Practical tips and resources for finance and non-finance professionals

Edition 1

About Cranfield Trust

Cranfield
TRUST

Cranfield Trust is the leading provider of pro bono management support for charities in the UK. Our network of highly skilled volunteer consultants and advisers helps charities succeed and thrive by offering mentoring, management consultancy, peer support, advice, training and information.

www.cranfieldtrust.org

Our thanks

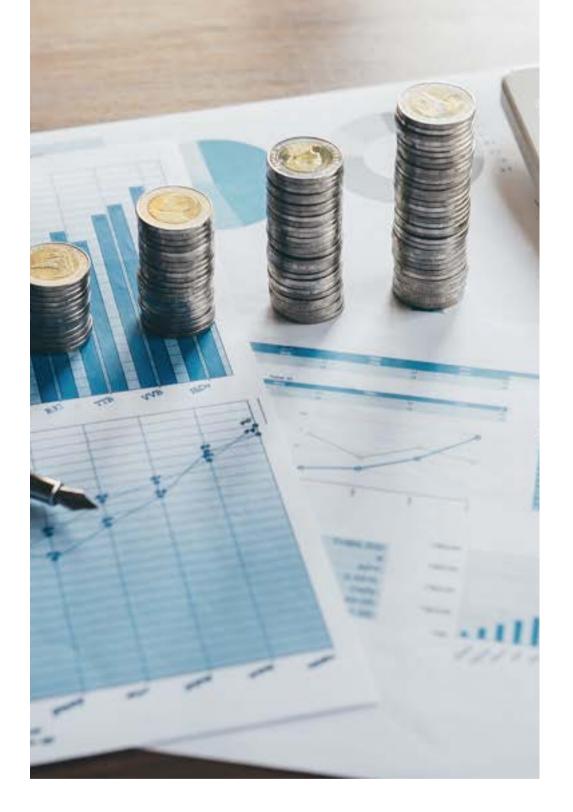We would like to thank our volunteer, Stuart Walker, for sharing his expertise and insight to produce this guide.

About the author

Stuart Walker MBA, ACMA, is a business writer specialising in SaaS, Fintech and Financial Services. Stuart is a Cranfield Trust volunteer based in the South West of England and uses his accountancy and finance expertise and skills to guide our charity clients with all aspects of financial control, planning and forecasting.

View Stuart's LinkedIn profile **here**.

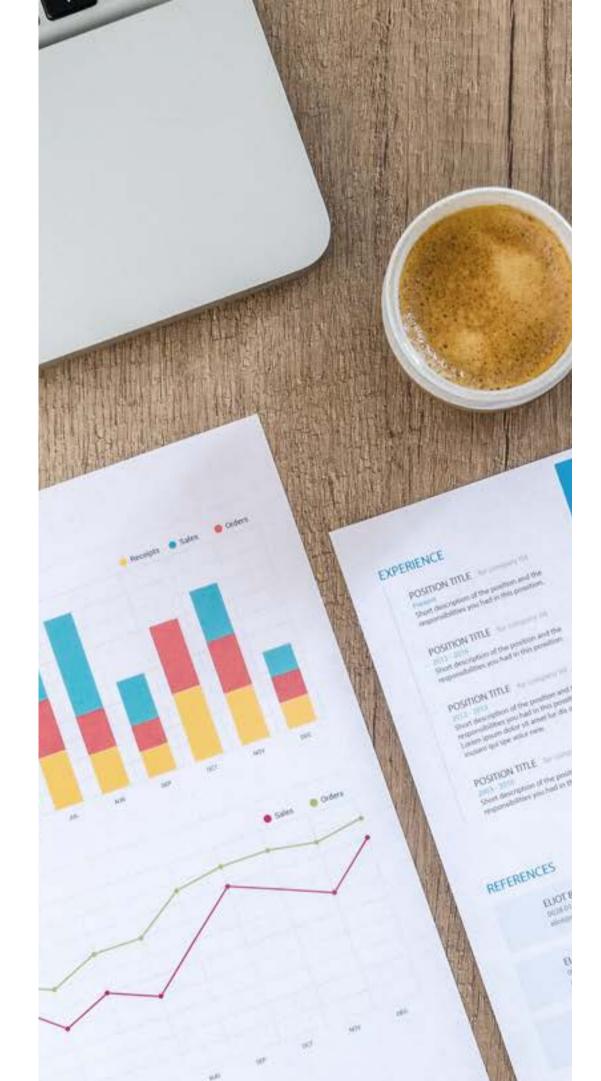# How to use this guide

Whether you're a seasoned finance professional, or you have little or no finance experience, this handy guide provides a practical, step-by-step process for choosing a finance system for your organisation.

At the end of the guide you will find suggested questions for you to consider, as well as a list of potential finance system suppliers.

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RESEARCH AND PLANNING

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Do you need a new system?

This is the very first question you need to ask yourself. It could be that your current system does everything you need, but you need to turn on additional features.

It's also important to remember that a finance system probably won't solve process problems. That's a different issue and should be addressed separately.

Hold off spending money on new accounting and finance software, until you've investigated your current system and you're confident the problems you want to solve are really down to the software.

Timescale and resources

Like many charities, you probably don't have unlimited resources at your disposal. You need to be realistic. Although you may want a new system, the resources might not be available to make it a reality.

You need to consider:
- Do you have the budget for a new system?
- Who will be involved in the decision making process?
- Who will be using the system?
- How will the system be implemented?
- Who will deliver team training?
- What impact will the new system have on day-to-day operations?

Timing is everything

You can't underestimate the effect timing can have on the success of your project. Choosing the right time to switch systems is important because it impacts your resource availability. There are also accounting and practical reasons you may want to be careful about your timing.

For example, it's easier to switch to a new system at the end of a financial year, so you have a clean break when producing your statutory accounts. You also have to be mindful of any seasonality, such as holidays or busy times of year for your organisation, when your project team may have limited time to help.

Top tip: **Make sure you factor in time to order the system, program its implementation, organise the switch, and deliver training to your team.**

Who will use it?

This has a bearing on the type of system you may consider because different software is designed for different markets. If you're a small charity, with few requirements and a single user who isn't a qualified accountant then you don't want a top of the range financial system that uses jargon in place of plain English.

But by the same token, a larger organisation with experienced finance users and sophisticated reporting requirements will need something a little more powerful.

You should match your system to your users.

What do you want it to do?

Imagine walking into a carpet showroom and asking, "How much is a carpet?". The answer would be, "it depends?". The same is true of software.

You have to know the things you need a system to do before you can make a choice about the right option for your charity or non-profit.

The key is to think about the problems you are trying to solve. You could want to streamline your banking process or you may want to integrate online donations, or maybe you need a system that can do fund accounting. These will form the basis of your 'must-haves' list.

Cloud or local installation?

This is becoming a bit of a moot point because so many providers are going totally online. QuickBooks are stopping support for their desktop version from the end of 2023 and Xero have never offered a desktop version.

With the growing trend for cloud based accounting and finance systems, if you don't have reliable internet access, now is the time to resolve the issue.

All-in-one or bits and pieces?

An all-in-one system is attractive because it solves a lot of issues in one go and there are no integration problems.

Alternatively, you can use smaller apps to do specific jobs and integrate them using APIs, or a connector app like Zapier. The second option means you can choose apps that fit your needs, rather than buying software that may require compromises.

But be cautious. More apps means more subscriptions, which could end up costing you more in the longer term.

Choose your team

You need to choose who is going to implement your new software.

Sometimes it will be obvious because there may only be one or two candidates, but try not to leave all of the tasks to one person.

Spread them around where possible and use as much input from people as you can. The more opinions you take into account, the better system you usually end up with.

THE CHOICE PROCESS

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The Choice Process

You start at the beginning with no idea of what you want or what is available and at the end of it, you have the software that is exactly right for your organisation. This doesn't take a set amount of time, it depends on the size of your organisation and the resources you have available.

1 Choose your selection criteria

2 Build a long list

3 Filter to a shortlist

4 Select a candidate
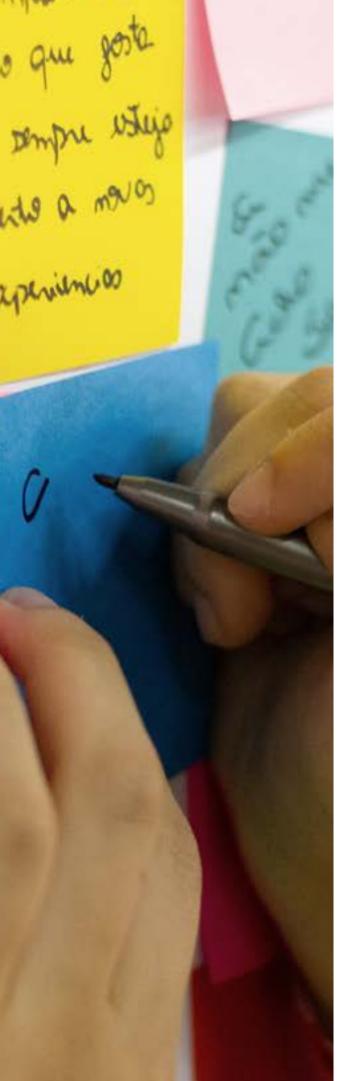
5 Choose a winner!

Set up your 'must haves' list

This forms the basis of your choice process. You understand what type of system you want and how many users will eventually need access but now you need to decide what functionality they will require.

The 'must-haves' list is split down into three areas:

1. **Must haves**
2. **Nice-to-have**
3. **Memos**

1 The first is the most important. This is the list of things that you absolutely have to have. If the software you're considering doesn't do all of the things on your list, it's a deal-breaker and time to move on to another software option.

2 The second is your nice-to-haves. This is a list of things that would be good to have but don't form part of your deal-breaker list. Typically, these may be things that would make your life easier, but it wouldn't be the end of the world if they weren't included.

3 The third is really more of a memo list. This is a list of things you want to know about the system and the provider. It doesn't play a big part of the selection process but it's useful to include because when you ask these questions, other things come up that you may not have considered.

Set up your marking scheme

This is a very personal thing or at least bespoke to your particular organisation.So,you have the items on your two lists and you score them on their importance.

For example, a live bank feed may be on your must-have list so it will get an immediate 100 points, whereas being able to change the logo on your invoices is a nice-to-have and you may score it at only 5 points.

Top tip: **It's important to set up your scoring method now before you look at systems because you don't want your choice to be influenced by who has the nicest website or the most persuasive salesperson.**

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Choose some test tasks

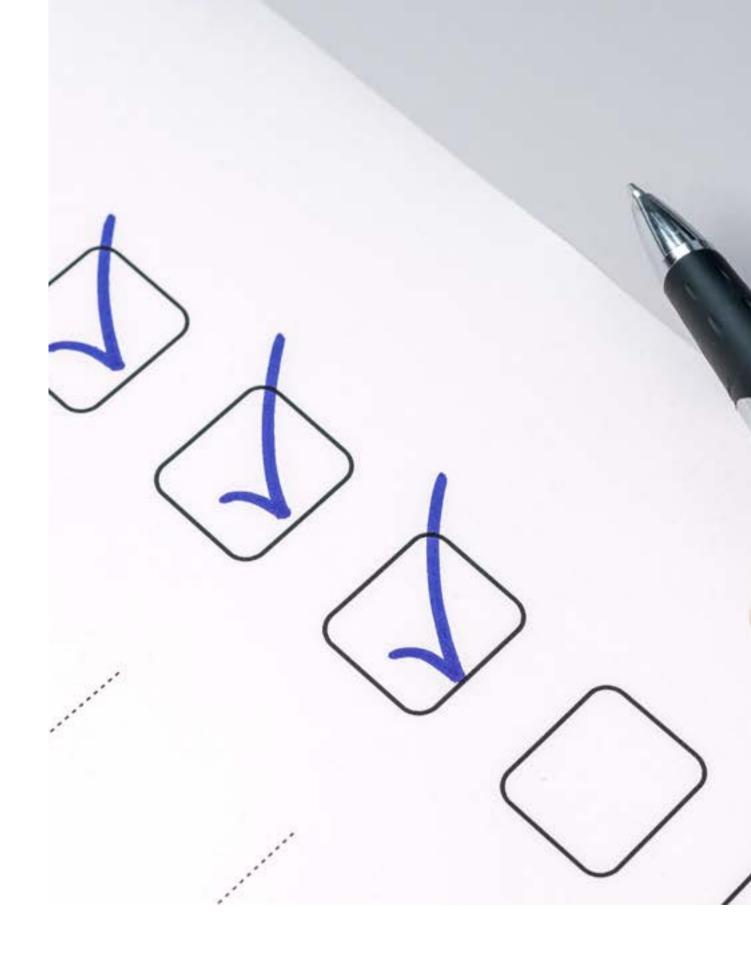Remaining neutral is key. It's easy to become influenced by other people's views or preferences, so choosing your test tasks early on in the process, for the same reason as you choose your scoring method before you talk to any providers, is important.

Top tip: **Choose a broad mix of tasks that are both regular (bank reconciliations or invoicing) and slightly ad hoc (reporting, exporting information).**

Find suppliers
Your long-list

It's now time to create your long-list and go out to market. There's an academic business theory called the "Garbage Can" theory. It suggests that as humans, we tend to select a solution to a problem not based on what is best, but on what is the first solution that presents itself.

To avoid this, you need to have a long list of potential suppliers. It's worth noting, there are rare times when you go through your long-list of suppliers and discover none of the potential systems does what you need.

Remember: **You're not scoring companies at this point; you are simply producing the longest list of potential systems that you can.**

Make up a short-list

Once you have your long-list, whittle it down by going through and immediately ditching things that fail your must-have test.

You'll be surprised at how many this eliminates. You can't test everything and the important thing here is not to choose your system at this point but to get rid of candidates that would never be suitable - so be ruthless!.

Choose your candidates

You should now have a shortlist of maybe 6-10 potentials, you need to reduce this to a maximum of three. This is where you apply your nice-to-have list and you may also learn some information for your memo list.

There will likely be a couple of systems that have functions that in retrospect would be really useful but that you had not considered. You can add these to your memo list or to your nice-to-have list but be aware of skewing the scoring scheme.

Once you have done your desk research you may need to speak to the companies to get more information. Resist the temptation to make appointments with salespeople at this point.

Set up free trials and test

You should now have a list of three potential systems. Nowadays, most systems have free trial options but if one of your candidates doesn't, don't worry. Just get in touch with their sales team and you'll probably find that they have a free subscription you can try.

Most trials offer either limited functionality or limited time or both. So only set up your trial when you are ready to try it. If you run out of time, again, contact sales and they will be able to extend.

Set up free trials and test

You need to evaluate:

- **How easy is it to learn the system?**
- **How easy to set up?**
- **How easy to do your test tasks?**

Make sure you make notes as you go along because by the time you have done three trials of software, you'll have forgotten what went on in the first one!

And of course, mark the systems according to your scoring scheme.

Get references

It is always important to make sure you talk to other users of the systems you are considering. They will be able to tell you whether the hype lives up to reality and they will often let you know additional features and benefits that you may have missed. You can find users on the community forums of the system you are looking at, or speak to peers in other charities.
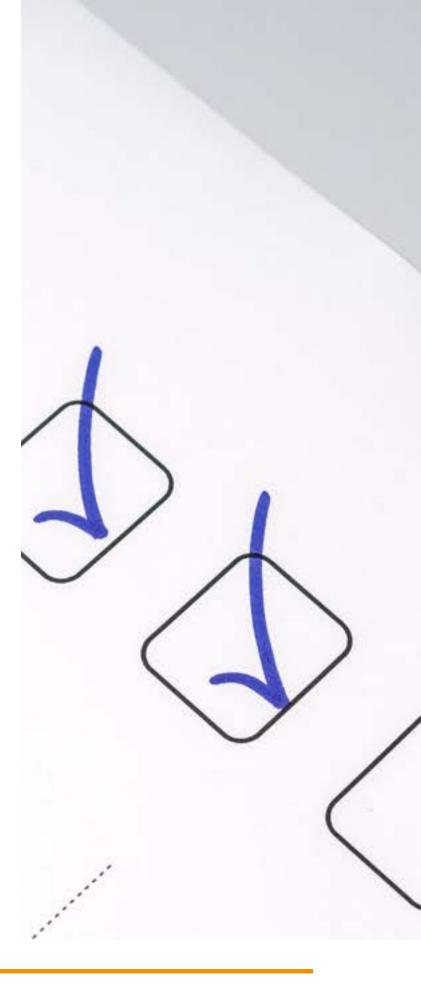
Write up your findings

It's important not to miss this step. Writing up your findings is a great way to collate and organise your thought processes, so you are assessing candidates fairly. You may also need to put a paper to your board of trustees and your write-up can form the basis of your report.

Do a financial costing

Make sure you understand how much a system will cost you, not just to set up and use on an ongoing basis but also when your organisation changes in the future. There are probably as many pricing methods as there are systems, for instance:

- Some companies charge an installation and set-up fee, others don't.
- Some companies charge purely based on the number of users.
- Some charge on the basis of activity.
- Some charge on the basis of the number of functions that you are using.

Top tip: **Make sure you know the price for what you want to use, how many users you have and the functionality you need now and also in the future.**

Get a second opinion

At this point you may have a clear favourite, but before you make your final decision you need to take a final few steps:

- If there is a significant expenditure, talk to your board.
- Run your findings past someone who doesn't have a vested interest.

Perhaps your peers in other charities, or if you're <u>eligible </u>talk to an independent organisation offering pro bono advice, like Cranfield Trust, for instance. At this point, you need to ask someone to review your findings and make sure you are being objective in your choice.

Choose your winner

You may think that now it is a simple matter of just choosing one and getting on with it but that isn't always the case. Sometimes you find that you have to go back to your shortlist and repeat the candidate part of the process because your initial three were not suitable and that is absolutely fine.

" You may find that sometimes the reality may not match up with the company's website hype, so do not feel bad, it is just a part of the process to repeat. At the same time, be careful not to let the search for perfection be the enemy of action. You may find that there are not any systems out there that will do exactly what you want to do, so a compromise is needed.

We hope you have found this guide to charity accounting and finance systems helpful. It's important to remember, this is only a guide and you may need to adapt the process to suit your organisation.

If you've never chosen an accounting system before, or you don't have any accounting experience, you may feel more confident asking someone for help, either a trusted peer or an infrastructure support organisation, like us.

It's an important choice

ADDITIONAL RESOURCES

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Questions to ask when choosing a new system

What is the support like?

Check out how you access support, what times they are open and whether it costs more money. Some companies have 24/7 live support, others will only ever respond to email queries or will have a not very useful chatbot.

How much to set up?

Be aware some companies advertise a per-user price in big bold letters but then charge a setup fee when you actually come to buy the product so get this bottomed out right at the start.

How much per user?

Typical cloud offerings will have a free version and then several levels of subscriptions.The free version will be restricted in terms of number of users, functionality or number of transactions. The paid-for levels will vary in the same ways. So the more functions you need then the more you may need to pay. Make sure the subscription level you are looking at will be right for you.

Will extra features will cost more?

Linked to the above, some features are only available if you pay a higher subscription fee or an annual additional charge. Make sure you fully understand what you are signing up for.

When do they do upgrades?

The best time for a software company to do an upgrade is at 2 am in the morning because that is when there are fewer users online. But if your provider is based in New Zealand then 2 am for them is 1 pm in London and you really wouldn't want your finance system going offline in the middle of the day.

Is it MTD compliant?

HMRC is moving online and more and more of our submissions are going to be handled digitally. Making Tax Digital (MTD) is one of these and frankly, if your software provider can't say that they are MTD compliant 100% then walk away.

Can you link with your other systems?

One of the great things about cloud systems is the ability to link with other software tools. Check out how many other apps they will integrate with and how they do it

What training is needed?
Check if free training is offered or you could end up spending more money and time on training people to use the new system.

Are there training resources provided?
Following on from the last point, there could be a time when you will need to learn about some aspect of the system so what training documentation is there? Also check out whether there is a user community you can tap into.

What happens when you expand?
If you are in a growing organisation, you need to think about how the software will cope with adding in new divisions, activities, companies or charities.

"How much more will it cost if you need to add a new finance user?
Can you actually add more users? Remember as well that you may find the price for all users changes if you add more and if you change the functionality for one person it may affect the cost for everyone.

What is reporting like?
Poor reporting functionality can be a weakness in cloud systems. Make sure the system produces the reports you need and any you think you might need in the future. Make sure the system can produce ad hoc reports in the way you need them or that there is a third-party add-in you can buy that will do this.

Does my accountant use/like it?
Now it's helpful if your accountant can link seamlessly into your system when you need assistance, but don't be swayed by your accountant telling you to get one system or another. The finance system is for you and your organisation's benefit, not that of your accountant. Also, be aware that practices get a discounted subscription rate so if they sell the system to you then they will make a margin on it so ask for a discount!

Questions to ask referees

Remember when you are taking up system references you are using people's valuable time, so you need to be fairly light-touch when it comes to questions.

- Why did you choose this system? Did they go through a choice process like you or did they just do what their CEO/accountant told them to do?

- What was set up like? - did they have any major hitches? Did it take longer than expected?

- How many users do you have? - more users mean more experience

- What is their finance experience? - are their users like yours? Remember that something that makes total sense to an accountant may be impenetrable for the layperson

- Have you used the support system? What was it like? - It's good to get to know what support is like in real life and whether it lives up to the hype

- Did it do everything you expected/needed? - many software companies have superb websites but the product is less impressive

- What things have been better than you expected? - you need to understand if there are any hidden benefits

- What has been worse? - similarly, you need to understand if there are hidden pitfalls

- Have you linked it to any other systems? - only important if you are planning to do so

- Have you used any automation or workflows? - automation means time savings, so learn from their experience

- Would you recommend it to other charities? - the $64,000 question. If they wouldn't recommend it then don't buy it!

List of cloud accounting system providers

Click the name of the provider to visit their website

This is not a comprehensive list, but will give you a good start when you are looking at a long list.

QuickBooks - one of the market leaders with a huge list of integrations. Relatively well priced with a massive support structure.

Xero - Easier to use than QuickBooks and is similarly one of the market leaders. Don't expect human support, though.

Sage - there are different versions for different sizes of organisations. Can be pricey at the top end and quite 'accountancy' but is an excellent name in the industry.

Pandle - a relatively new entrant. Has a free version and is cheap when you go pro. Easy to use and looks good. They also say that they will refund the first year's pro subs for registered charities if you ask them to!

Freeagent - often gets mentioned because it's free if you have a business current account with NatWest, Royal Bank of Scotland, Ulster Bank NI or Mettle. Simple to use with full features.

Freshbooks - loved by many people but very much aimed at freelancers and SMEs. That's not to say it won't work for a charity, though. Very well priced.

Zoho books - free for organisations with less than £35k turnover. Works very much like Zoho CRM. Good support and userbase.

QuickFile - Free as long as you only have a few transactions and don't want bells and whistles.

Liberty - Charity focused and includes fund accounting. Pricing is reasonable at lower levels of activity.

Benchmark - Totally free for all registered charities. I have never used it, but you could always download a copy and see what it's like.

If you'd like to see the list of HMRC approved MTD providers, then you can access this **here**.

For more information about our pro bono management support for charities and non-profits get in touch

www.cranfieldtrust.org