

BMC ACCOUNTING PERIOD: RATIONALE FOR THE CHANGE



Why Now?

As you will be aware we have uncovered multiple accounting misstatements based on the 2023 accounts. A significant factor in these errors were issues aligning the 2 distinct accounting years the BMC currently operates under. The BMC works on the calendar year, grant funding bodies, sponsors and partners all work to the financial year. Aligning BMC's financial year with these partners cycles will streamline the grant application process, potentially increasing funding opportunities and simplify financial reporting requirements. Additionally, aligning with these cycles will mitigate costly mistakes made in the past due to timing mismatches, ensuring a more accurate and efficient financial management process.

Current financial management challenges, including cash flow management during peak periods, can be better addressed by aligning with operational and funding cycles of all our partners. This change optimises resource allocation, improves financial stability and aids better financial planning.

Impact of a 15-Month Transition Period

Advantages:

A 15-month period from January 2024 to March 2025 allows for a smoother transition, providing a cushion for adapting internal financial processes to the new financial year setup. This extended period will provide a more comprehensive view of financial performance, aiding in strategic planning and decision-making.

The longer transition period provides BMC with a wider window to re-establish stability and integrity in its financial operations. This extended timeframe allows for thorough adjustments, ensuring all financial practices are aligned with the new financial year, reducing the risk of errors, and enhancing overall financial governance.

Challenges:

The longer reporting period might initially complicate financial reporting and analysis for the transition year. However, this is a one time adjustment and will lead to long-term benefits.

Auditors will need to adjust to the new reporting timeline, but this will be managed with existing resources and should not incur any costs.

Reporting Structure to FAC, Board, and Council

BMC will ensure that detailed financial reports are prepared and presented monthly to the Finance and Audit Committee and the Executive. These reports will include key financial metrics, budget variances, cash flow statements, and any significant financial events or issues. The Board and Members Council will receive monthly reporting focusing on critical issues that need immediate attention.

BMC ACCOUNTING PERIOD: RATIONALE FOR THE CHANGE



Comprehensive quarterly financial reports will be prepared for the FAC, Board, and Council. These reports will include quarterly financial statements, detailed budget analysis, updates on funding and grants, and strategic financial insights. Members Council will then provide the appropriate information to members through the Area Meetings..

Ensuring that monthly and quarterly reports are available before the AGM is crucial. This will enhance communication on financial status and make the commitment to regular reporting credible.

Potential Cons of Changing the Financial Year

Operating on a calendar year for most of its existence means that changing the financial year will disrupt historical financial comparisons. However, with careful planning and communication, stakeholders will be able to adjust and understand the new reporting framework.

While staff will require retraining and financial systems will need updating, these changes will be managed within the existing budget and are not expected to incur any additional costs. The benefits of improved financial alignment outweigh the minor short-term adjustments needed.

Summary

Aligning the financial year with operational and funding cycles enhances financial planning and stability, improves resource allocation, and aligns budget preparation with peak operational needs. This change also aims to mitigate costly mistakes made in the past due to misalignment with key funding cycles. Importantly, the transition will not incur additional costs and can be managed within the existing budget. The extended 15-month period provides a longer window to re-establish stability and integrity in financial operations, ensuring a smooth and effective transition.

During the forthcoming 12 months the organisation aims to embed good processes and practices across the organisation associated with finance and commercial management including a training programme for those working in finance and for all of those who are budget holders. So instead of extending the changes over 2 years it is much better to move the whole organisation to the new financial year with the associated changes in process and all of this included in the training.

Transitioning to a new financial year requires careful management of reporting, training, and system updates, and may disrupt historical financial comparisons. However, these challenges are minor and manageable compared to the substantial long-term benefits.

BMC ACCOUNTING PERIOD: RATIONALE FOR THE CHANGE



Questions Raised

Will this affect club member payments?

Club members usually pay subs over a 3 month, window but where these payments fall within financial year has no effect.

Could we not just stick with a 12 month financial year?

After the transition we will be working on a 12 month financial year. The 15 month year is a one off to make the initial recovery period easier to manage whilst we, improve overall systems and procedure, utilise the expertise of our current contracted Financial Director, and recruit a new Head of Finance and Operations.

Why not wait until next year?

Regardless of the recent announcement part of my new role as CEO is to review how the business works and seek to make improvements. This is an area we can significantly improve both systems, transparency and accountability. I firmly believe that this change is a critical step to ensure the BMC reduces and manages the risks and issues which were the root of our failure to quickly identify the financial overspends; leaving this not addressed until some future date would not be prudent.

In addition the Paris funding cycle ends, and the LA funding cycle begins, in Apr 25. Given significant elements of the issues stem from the grant funding to GB Climbing, closing accounts in Apr 25 will allow us to start the next cycle with a clean slate and a clear plan for the next 4 years.

Will this not make it harder for members to understand the BMC's ongoing financial position?

Although this would potentially make a year on year comparison trickier our commitment to monthly and quarterly reporting will allow like for like comparison in Dec 24.

We have committed to give all members and stakeholders more information to build confidence and trust in the organisation. This will allow members to track where we are heading in the future rather than compare to years that we now understand have been fraught with issues and inaccuracies.