Finance

Property and facilities costs are among the top two or three expenses for every organisation. As a result the facilities function frequently attracts a great deal of attention from the finance department. But the successful facility manager cannot afford to leave financial matters to the accountants on their own. The ability to interpret and present financial data, an understanding of the impact of the facility budget on corporate accounts and a familiarity with the language and techniques of the finance professional are all invaluable skills for a career in facilities management.

A technically excellent facilities operation with a people focussed service team establishes a solid platform for success but all businesses and operations revolve around money. The language, tools and techniques used by accountants are simply addressing fundamental management areas which should be well understood by professional facility managers.

At a minimum the financially literate FM should understand financial terms such as Current Ratio, Quick Ratio, Interest Cover, Collection Periods, Debtor days, Gross and Net Margins and ROCE or Return on Capital Employed. For a facility manager this is the area that can be most daunting. The technical jargon used by accountants to describe and manage corporate finance presents a formidable barrier to the initiated.

The maintenance of consistent records of facilities expenditure is a vital process that supports the finance departments corporate reporting obligations. However the same process provides the valuable information on trends, opportunities and issues that the facility manager needs to inform effective decision making and to justify future actions. For this reason FMs should take time to understand the financial accounting systems employed to satisfy statutory requirements and to ensure that funds are properly managed, assets carefully stewarded and management information produced.

Accurate forecasting is seriously important to facility managers. Fixed costs like rent and rates coupled with large forward commitments to service contractors and the like can significantly erode the funds available for discretionary expenditure. A failure to understand such issues can lead to big problems when organisations are looking to cut costs. Management Accounting is used to help forecast future performance through reference to past performance. This is the critical area of accounting practice for supporting managers in planning and decision making.

The monetary manifestation of operational plans and the control device for measuring actual results are budgets which have to be “balanced” to enable the success of the enterprise as a whole. Meanwhile cash flow is the critical mechanism for monitoring the flow of income and expenditure. With the enormous scale of much facilities expenditure this is an aspect that should greatly interest and concern facility managers.

Many good training providers run “Finance for non-finance managers” courses. Government backed “learndirect” has an online module available at www.learndirect.co.uk There are also many good introductory books on the topic such as “Understanding Business Accounting for Dummies” which can be found in any major book store.