



Deloitte Finance Club
The community for Financial
Controllers and senior financial
executives

Wednesday, 27th April 2016



Deloitte Finance Club

A few facts

- Established in **May 1997** as the *Financial Controllers' Club*, and renamed **Deloitte Finance Club** in 2013
- Provides an **annual programme of technical updates and hot topic briefings**
- Connects our members to relevant experts as well as over **2,200 members** across the country

Deloitte Finance Club

Upcoming programme

- **Summer finance checklist 2016**
Wednesday, 6 July 2016 – 8:30am-10:30am (arrivals from 8am)

- **Holiday finance checklist 2016** (provisional)
Wednesday, 30 November 2016 – 8:30am-10:30am (arrivals from 8am)

Before we begin



New Leases Standard IFRS 16: a reminder

Time to take action: [see last month's slides](#)



Find out more on how Deloitte's IFRS 16 team, including our market-leading property advisory business, can help at

www.deloitte.co.uk/ifrs16
or by emailing ifrs16@deloitte.co.uk



Lessee accounting

The discount rate

Use the **interest rate implicit in the lease** if it can be readily determined

The rate that causes the present value of:

- a) the lease payments; and
- b) the unguaranteed residual value to equal the sum of:
 - i. the fair value of the underlying asset; and
 - ii. any initial direct costs of the lessor

Otherwise use the **incremental borrowing rate**

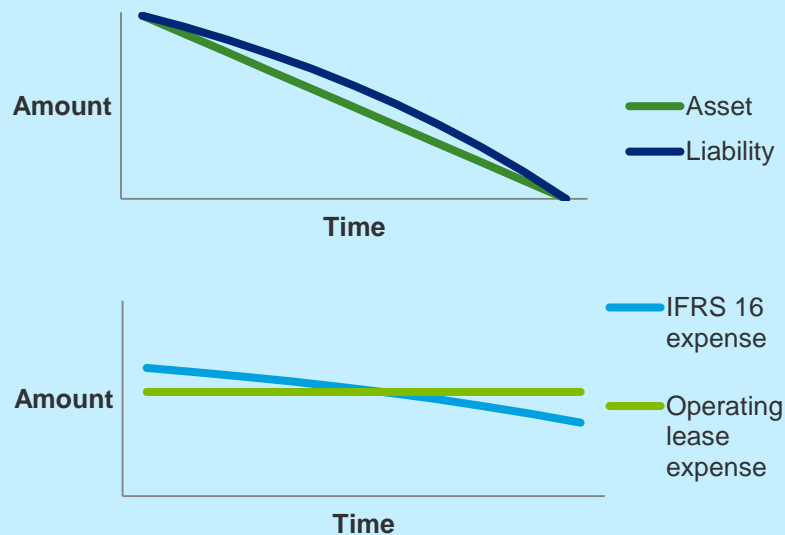
The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment

BC acknowledges property yield can be used as a starting point

Transition: a simple example

Assuming asset would equal liability upon commencement

Retrospective application



Reduces net assets and PBT will be higher or lower than operating lease expense depending on lease maturity

Transitional relief

- Setting asset equal to liability would mean no effect on net assets – expense in future would typically initially be higher than operating lease expense but then drop below
- Other approach would leave comparatives unchanged and if no movement in discount rate then in simplest scenario produces same effect as retrospective application

Finance for the Future Awards

Call for entries!

What is Finance for the Future?

Finance for the Future was founded by ICAEW and The Prince's Accounting for Sustainability Project (A4S) in 2012.

In partnership with Deloitte, the global programme highlights the essential role that finance teams play in driving integrated thinking in decision-making and in building sustainable business models.

Deadline for entries: **13 May 2016**

Find out more: www.financeforthefuture.co.uk

Watch the video: <https://www.youtube.com/watch?v=5LRRNUkL8lw>

Past winners:

- Unilever
- Threadneedle Investments
- South West Water
- Scottish and Southern Energy
- Crossrail
- Sussex Community NHS Trust
- Vegware
- Marks & Spencer
- The Crown Estate
- Belu Water





Developing insightful
management information

Opportunities and challenges for
the Finance function of the future

Paul Albert
Richard Horton



Global finance survey

Management information

In the summer of 2015, we conducted a survey of senior finance executives to understand the challenges they face in delivering impactful management reporting and analysis.

In particular, the survey aimed to help clients answer the following questions:

- How can Finance deliver **accurate and timely reporting** that is also **insightful and actionable**?
- How can **technology aid reporting and analytics**?
- Do organisations have the **skills needed to generate insight and communicate it** to stakeholders?

30% of respondents



are **CFOs**

614 finance executives



participated

FSI makes up 16%



of respondents



30% of respondents have revenues **greater than £5 billion**

100+ respondents



from the UK

Global finance survey

Defining management reporting and analysis

There are two distinct elements to management reporting and analysis:

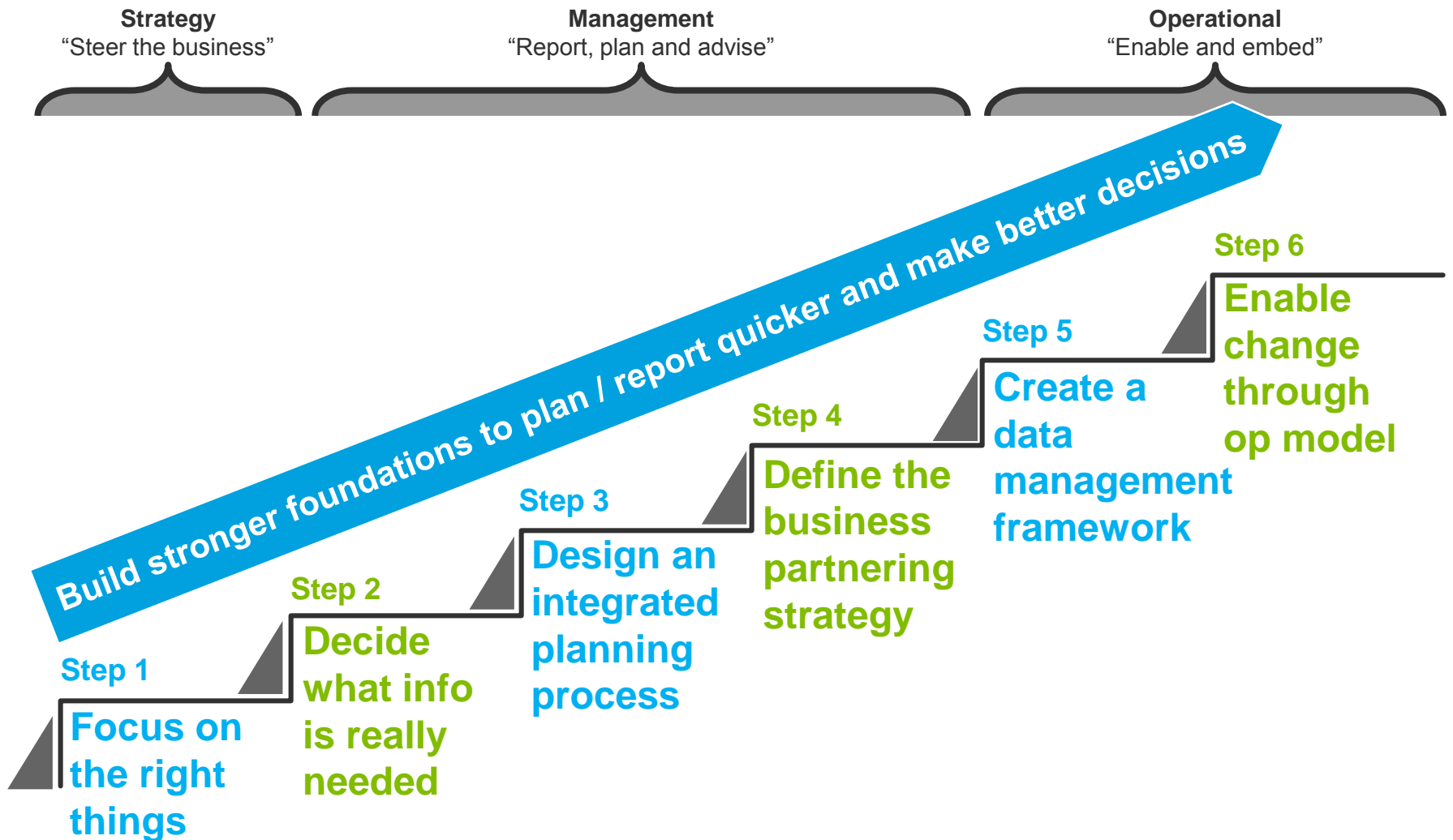
- the information contained in reports and how it is presented; and
- how data and information is efficiently gathered, consolidated, analysed and delivered

Some common organisational needs and challenges...

Needs	 Business value driven through insight	 Reporting is proportional to business need	 Deliver better financial planning and insight	 Reliable, automated, trusted data	 Efficiency embedded in the operating model
Challenges	<i>“How can I identify where we are profitable?”</i>	<i>“We have too many reports and too much information”</i>	<i>“The planning cycle is long and laborious”</i>	<i>“It takes a long time to get information that we need”</i>	<i>“FP&A spend a lot of time doing ad hoc reporting”</i>

Global finance survey

Six steps to build stronger foundations



Four key areas to prioritise

Today's focus



KPIs and standardisation

KPIs and standardisation

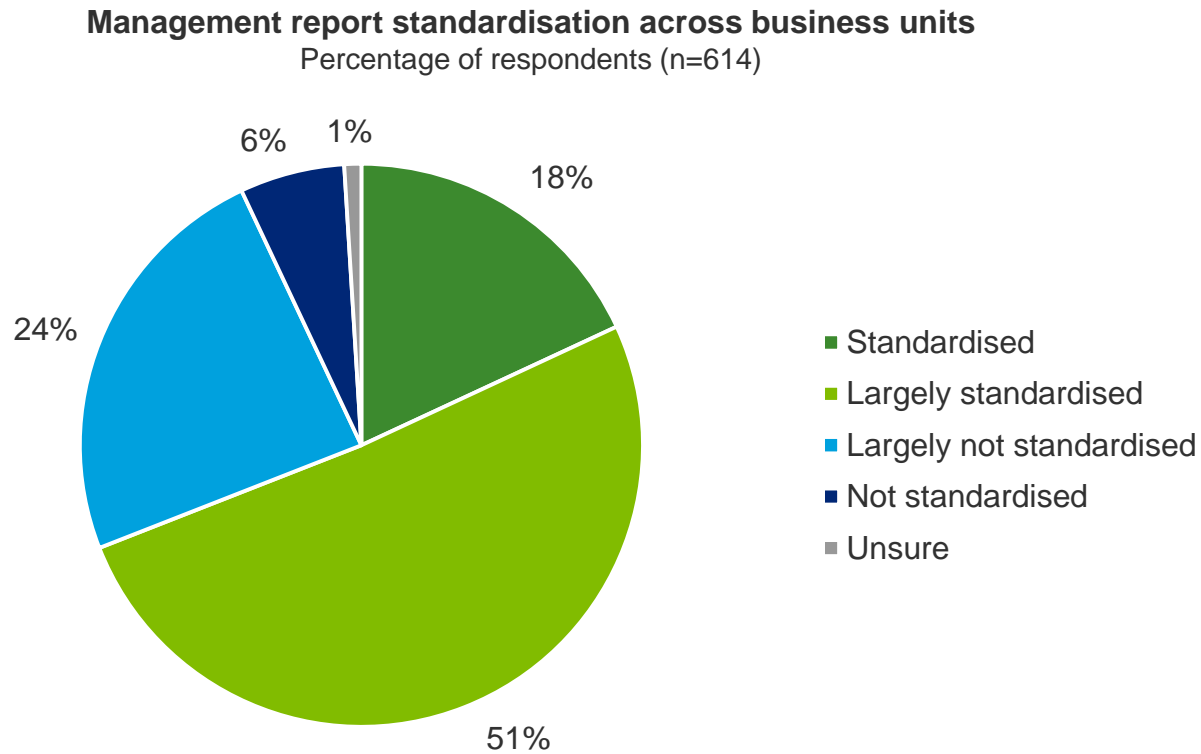
Poll question #1

Is your core management reporting standardised across business units and management teams?

- Yes, reports are standardised
- No, reports are not standardised
- Unsure

KPIs and standardisation

70% of survey respondents believe their management reports are standardised across business units and management teams



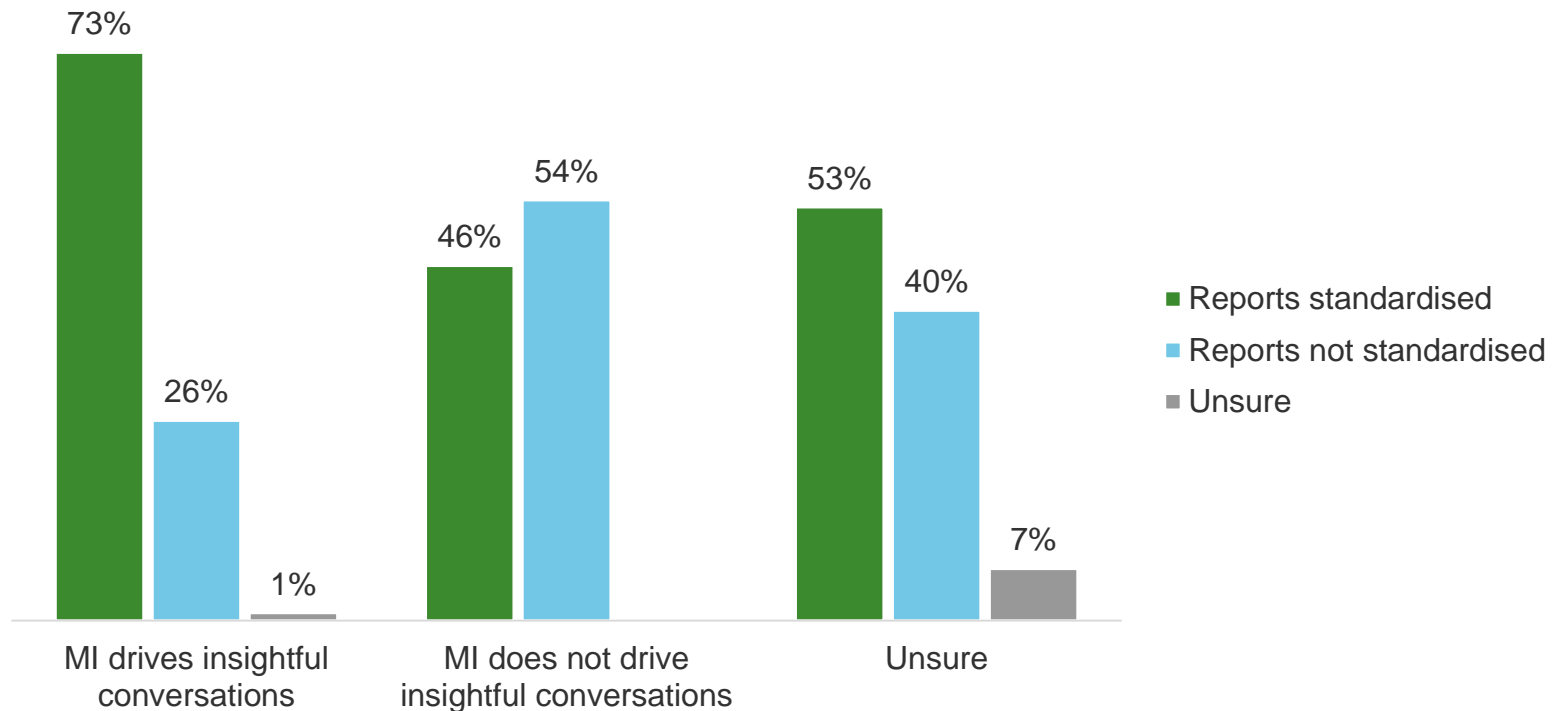
Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

KPIs and standardisation

Standardised reporting enables more insightful leadership conversations

Standardisation of reports by ability to drive meaningful leadership conversations

Percentage of respondents (n=614)



Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

KPIs and standardisation

Guiding principles for KPI development

Align to value drivers	The KPI can be linked to a value driver or group of value drivers. Moreover, performance can be tied to measuring the progress against that value driver.
Business wide	The measure will need to be applicable across business.
Supports decision making	The KPI should lead to a specific action that is at least partially controlled by senior leadership and the business and finance managers. Further, the KPI must be subject to periodic review by members of the senior leadership.
Quantifiable and measurable	The KPI can be measured numerically for objective comparison to targets, benchmarks, and over time.
Reflect clear accountabilities	Performance on the KPI can be improved through a clearly understood, specific activity by a defined group(s). Some KPIs may not be directly actionable, but actionable through a drill-down metric.
Consistent in definition and calculation	The KPI is consistently defined and calculated across the organisation and over time. The need for consistency applies to input data, interpretation, and language used to describe the KPI. The data must be accurate and reliable. If the KPI is to be benchmarked, it should also be calculated consistently to peer companies.
Relevance over time	The KPI is likely to retain its meaning and usefulness into the foreseeable future, rather than being a one-time indicator of performance or tied to a product or activity that will be short lived.
Business benefit outweighs cost of production	The benefit derived from measuring the KPI outweighs the costs incurred to report the KPI, including costs to implement any new systems or data stores and develop new processes.
Alignment with accounting policies and practices	Wherever possible, KPI definitions and calculation methods should align with established accounting policies and practices.

Data quality and technology

Data quality and technology

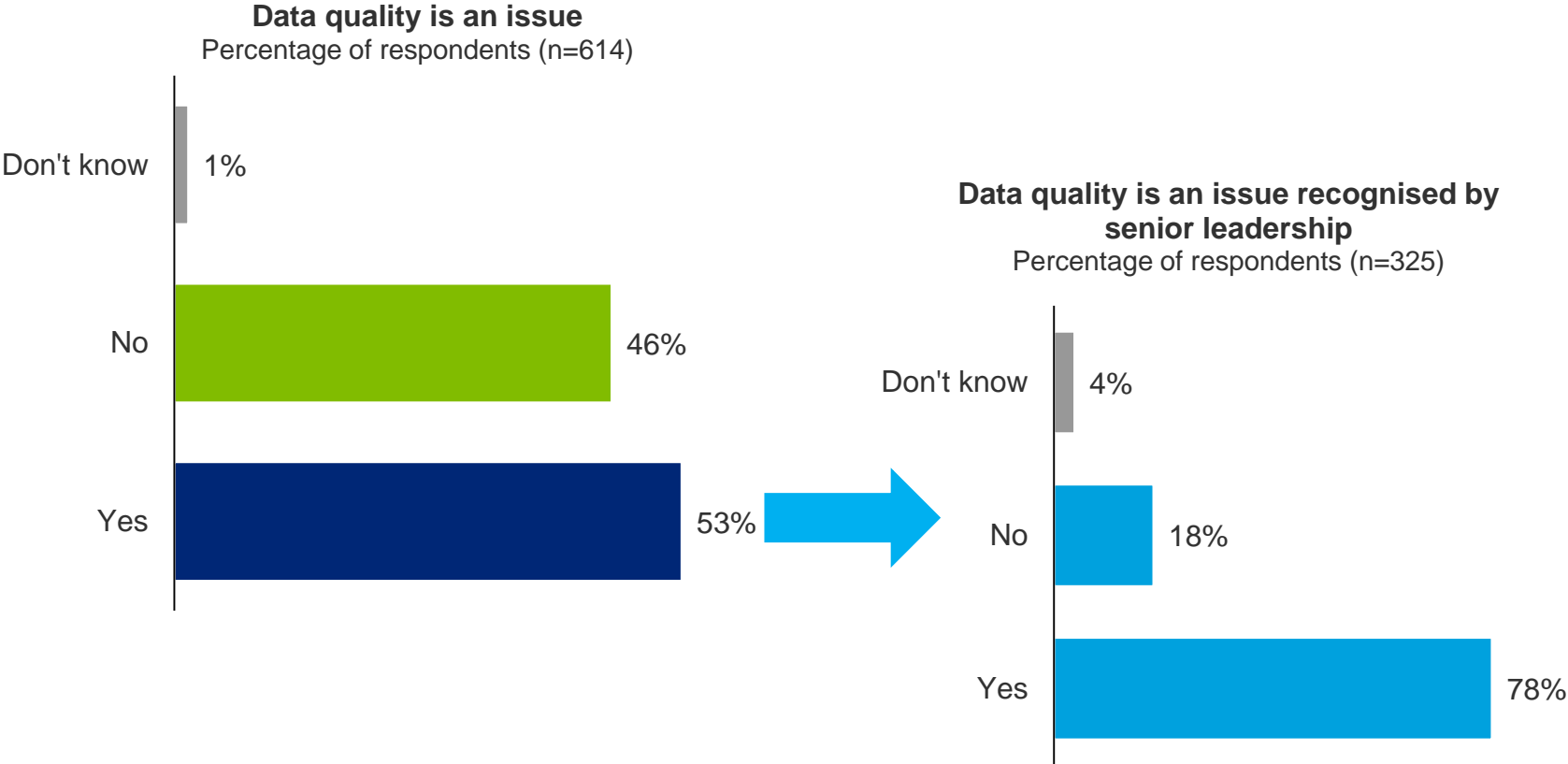
Poll question #2

Do you have a problem with data quality in your organisation?

- Yes, data quality is an issue
- No, data quality is not an issue

Data quality is an issue in over half organisations

And recognised as an issue by senior leadership



Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

Understanding your data governance maturity

From unaware to optimised

Use this simple heat map to determine where your organisation is...

Level 5: Optimised

The organisation has fully realised all opportunities to improve and has methodology in place for continuous improvement. This area will be seen as best practice when compared internally or with industry peers. The area will audit itself periodically to ensure its capability and identify any issues.

Level 4: Managed

The organisation has identified all opportunities to improve and is working towards implementing these. It has begun to use best in class practices and will be able to audit its capability.

Level 3: Proactive

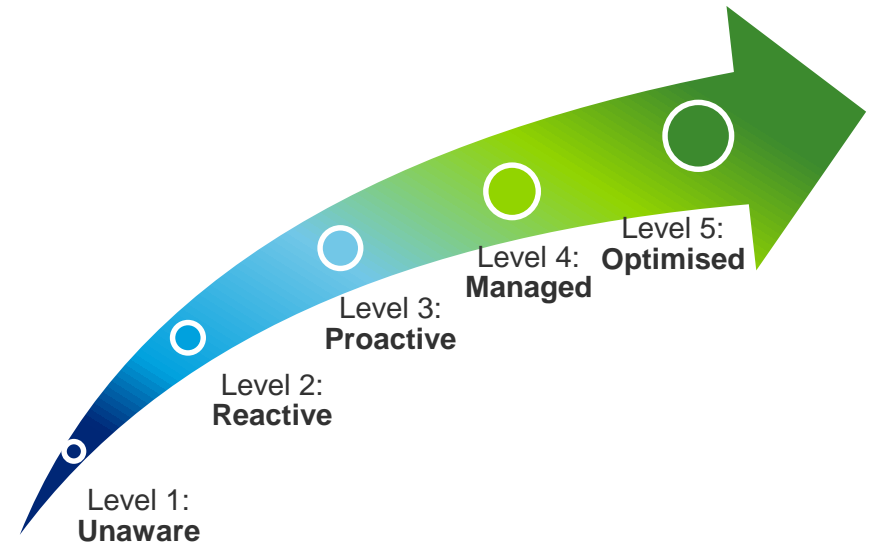
The organisation has identified and is delivering the key opportunities that must be addressed to enable the business but has not identified all opportunities to enhance capability.

Level 2: Reactive

The organisation has identified some of the key opportunities that must be addressed to enable the business but still has other issues which could be hindering the capability of the area.

Level 1: Unaware

The organisation is not aware or has an understanding of its problems but has not addressed any of these yet.



Data quality assessment

Questions to consider

Who owns the data?

Challenge:
Data is not clearly owned by individuals in the organisation.

What is your system capability?

Challenge:
There is no single source of the truth.

What are your staff capabilities?

Challenge:
Staff have a poor understanding of data.

Are processes documented?

Challenge:
Not all processes have been documented.

Do policies exist?

Challenge:
Policies exist but awareness and implementation of these are poor.

Has data quality been assessed?

Challenge:
Difficult to determine maturity without an assessment.

Is data visualisation used?

Challenge:
Dashboarding capabilities are limited to specific teams and individuals.

Do standards exist?

Challenge:
Standards exist but they are not implemented effectively and awareness is poor.

Data quality and technology

Poll question #3

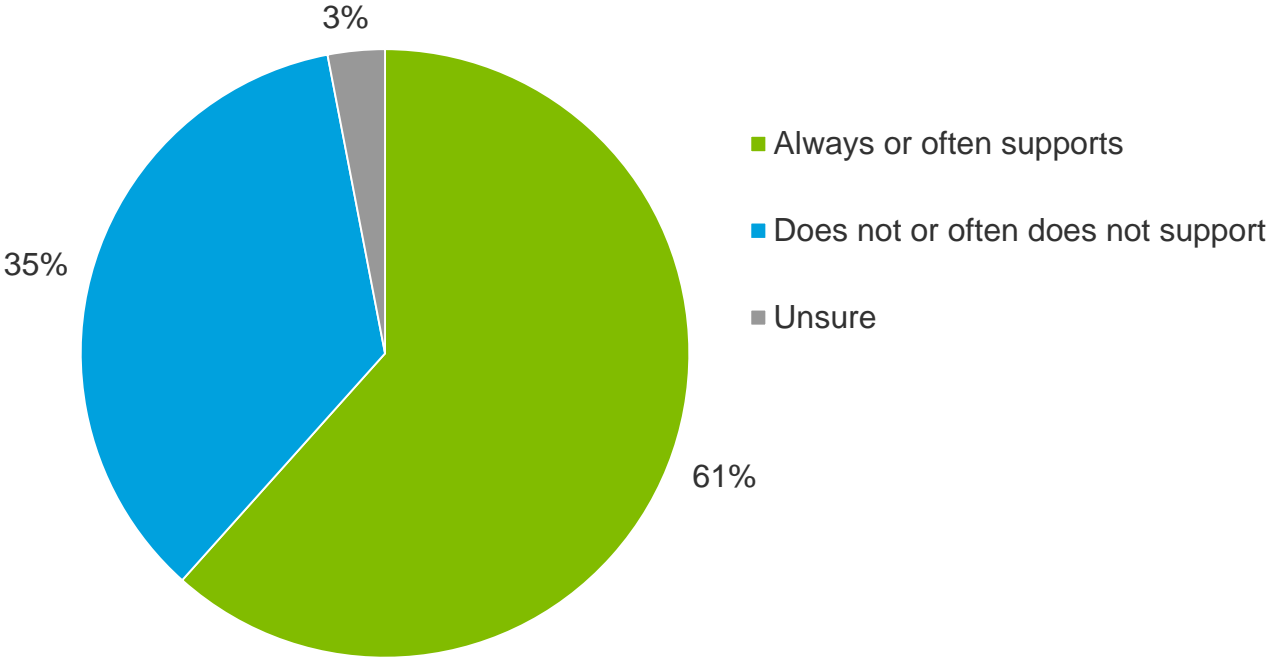
Does your technology support effective and efficient performance management?

- Always or often supports
- Often does not or does not support

Technology supporting insightful reporting

Enabling Finance Business Partners to focus on value-added activities

Technology support for efficient and effective performance management
Percentage of respondents (n=604)

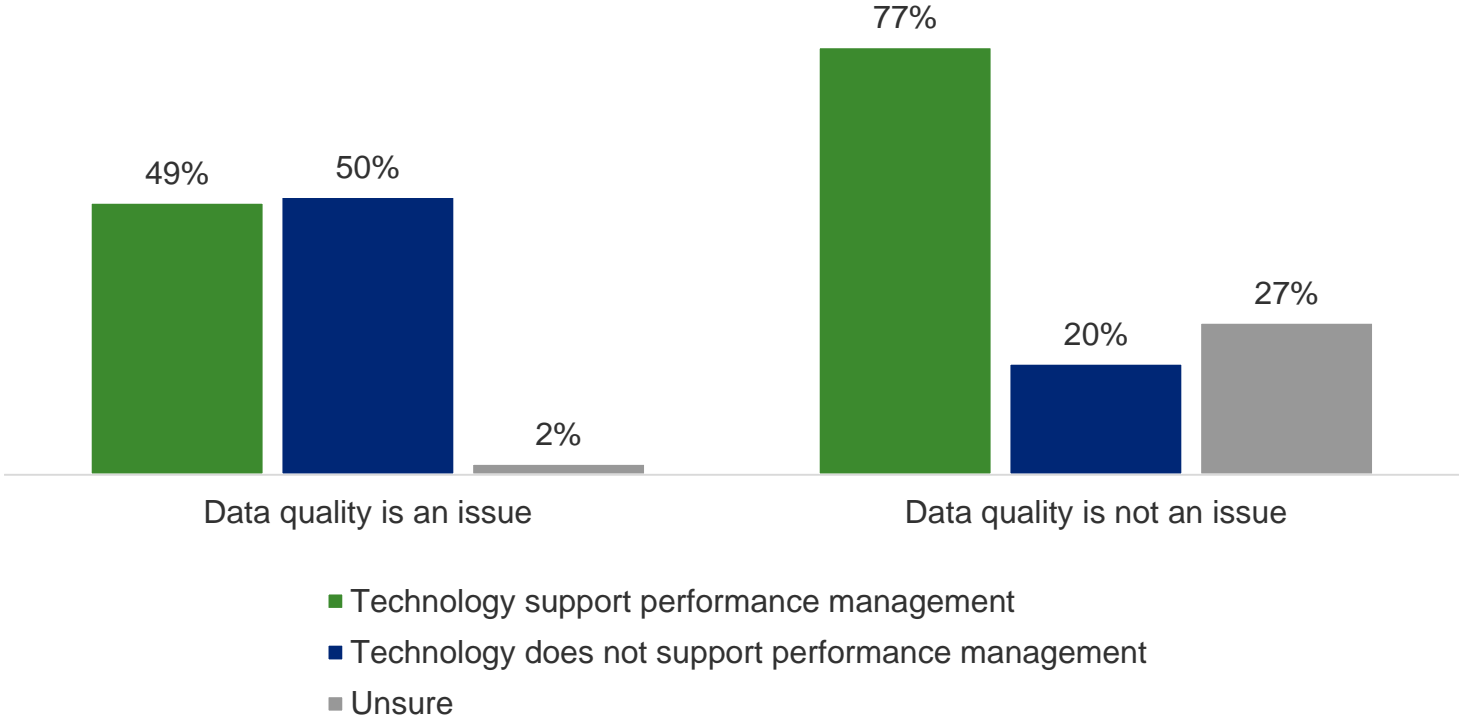


Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

Technology exploitation is linked to data quality

Is it difficult to get the most out of technology without good data

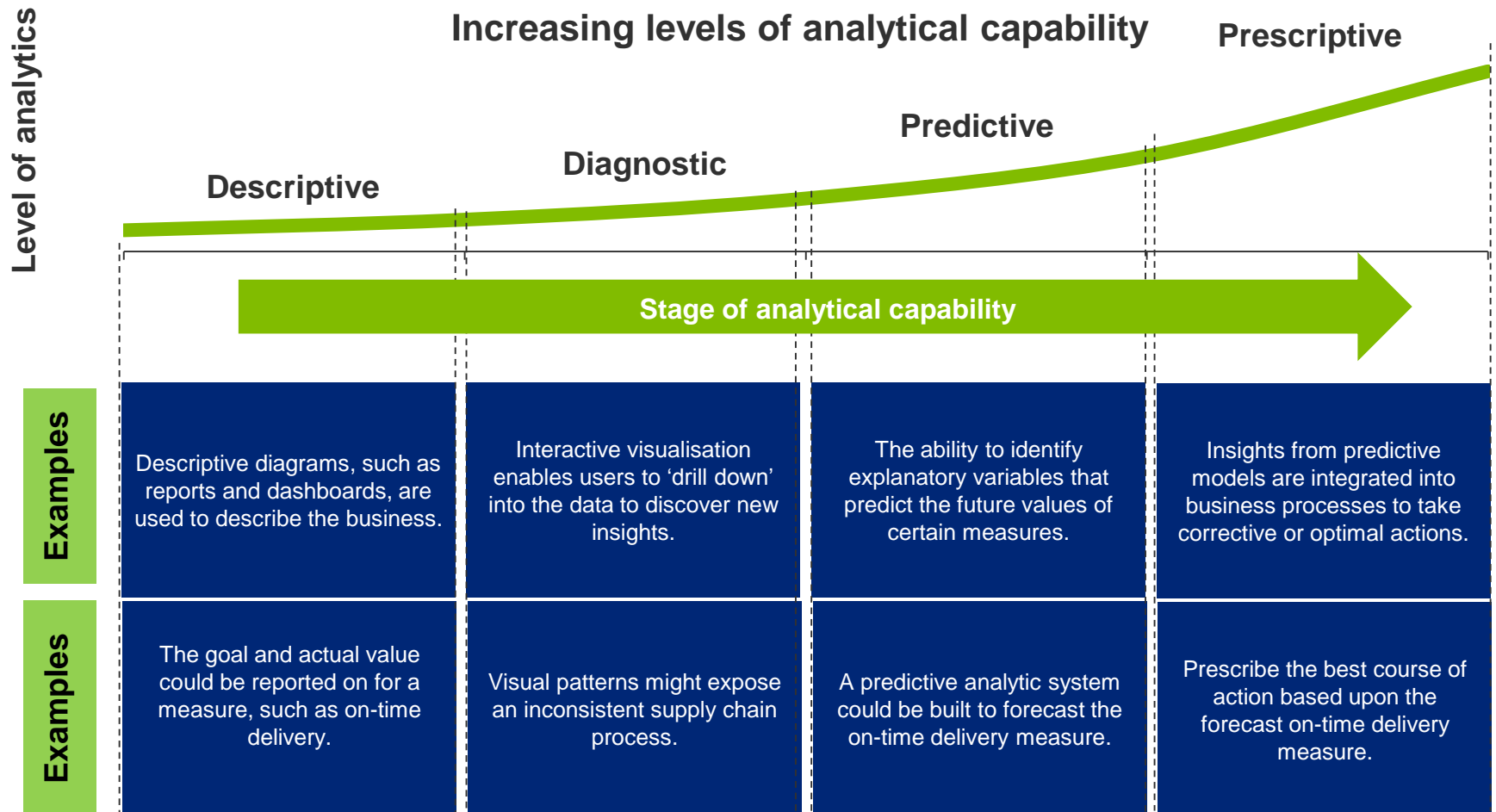
Data quality and technology support for efficient and effective performance management
Percentage of respondents (n=605)



Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

Maturity of analytics and visualisation tools

Descriptive, diagnostic, predictive & prescriptive



Data quality and technology

Examples of where visualisation tools can be used most effectively

Reporting

Management Information can be presented in a more visual and interactive way:

- **Executive dashboard reporting**—many organizations look to present their executive level information (KPIs and key financials) via dashboards on tablets
- **Interactive drill down reporting**—this allows users to ‘slice and dice’ on a subset of data by different dimensions and drill down to low levels of detail
- **Reporting big data sets**—digest large data sets into simple visualization charts
- **Error/exception reporting**—helps to identify where controls are falling down

Analytics

Visualization tools can help to generate analysis and insight from data which is useful for decision making:

- Negotiation of commercial contracts
- Cost to serve analytics
- Customer and product profitability
- Price sensitivity analysis
- **Customer analytics**—understanding the spending habits and behaviours of customers

Talent and organisation

Talent and organisation

Poll question #4

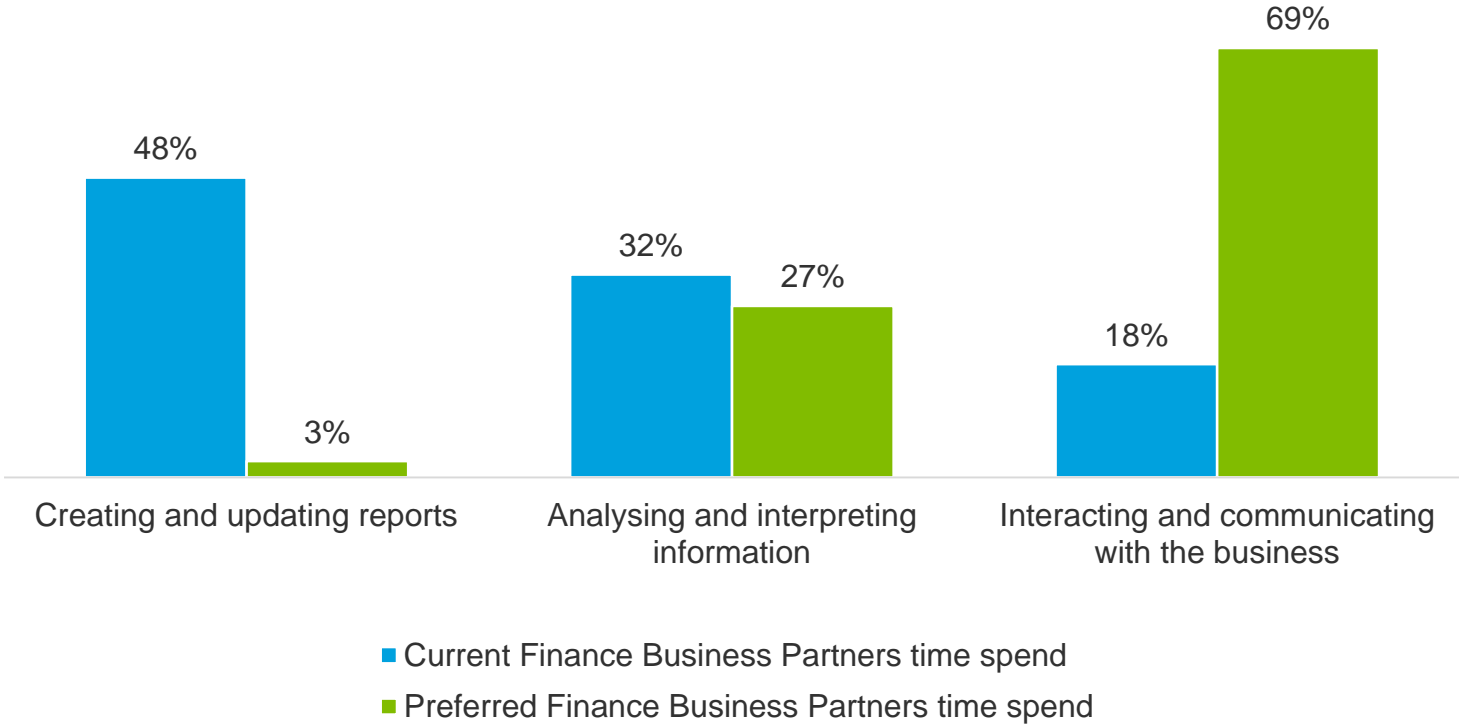
Where do your Finance Business Partners spend the majority of their time?

- Creating and updating reports
- Analysing and interpreting information
- Interacting and communicating with the business

Talent and organisation

Time spent with the business drives perceived value

Current Finance Business Partner time spend and preferred time spend
Percentage of respondents (n=613)



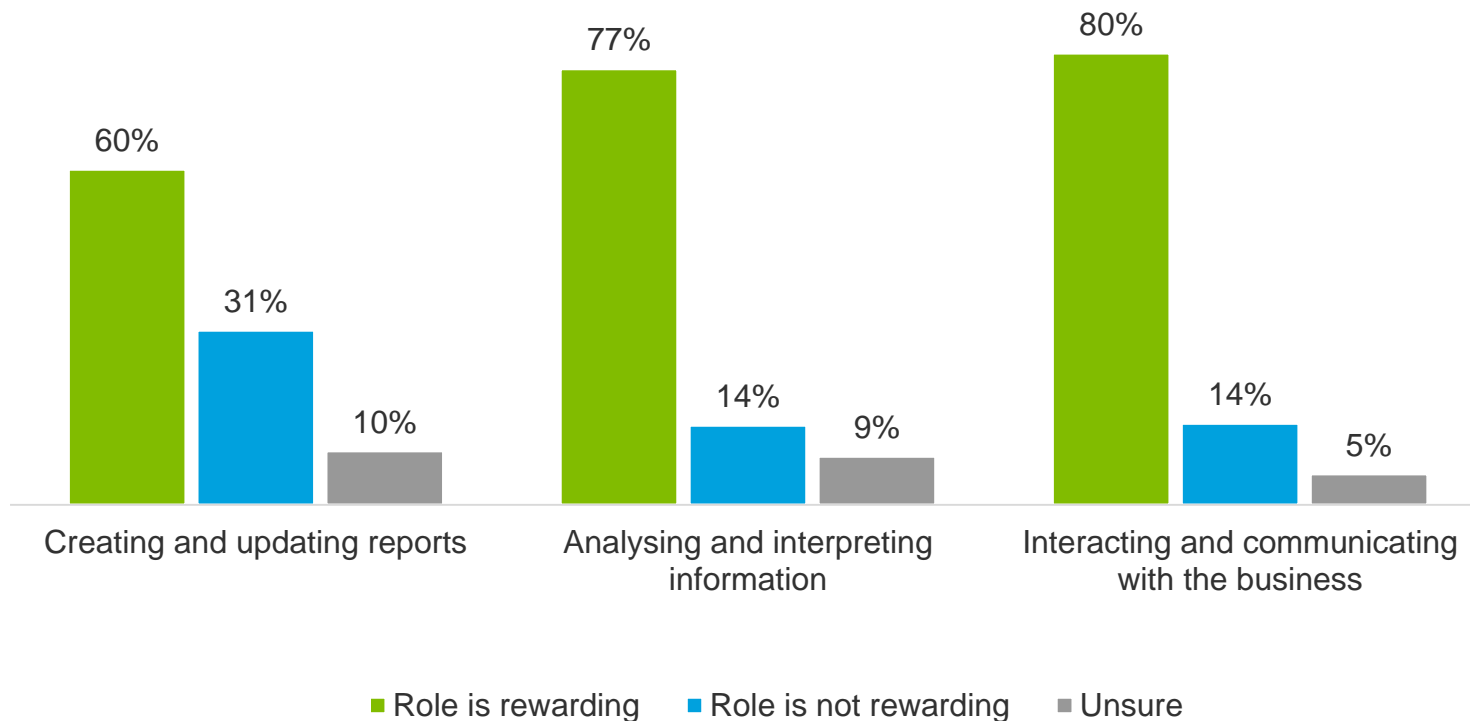
Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

Talent and organisation

Time spent with the business drives finance staff satisfaction

Finance staff satisfaction and where Finance Business Partners spend the majority of their time

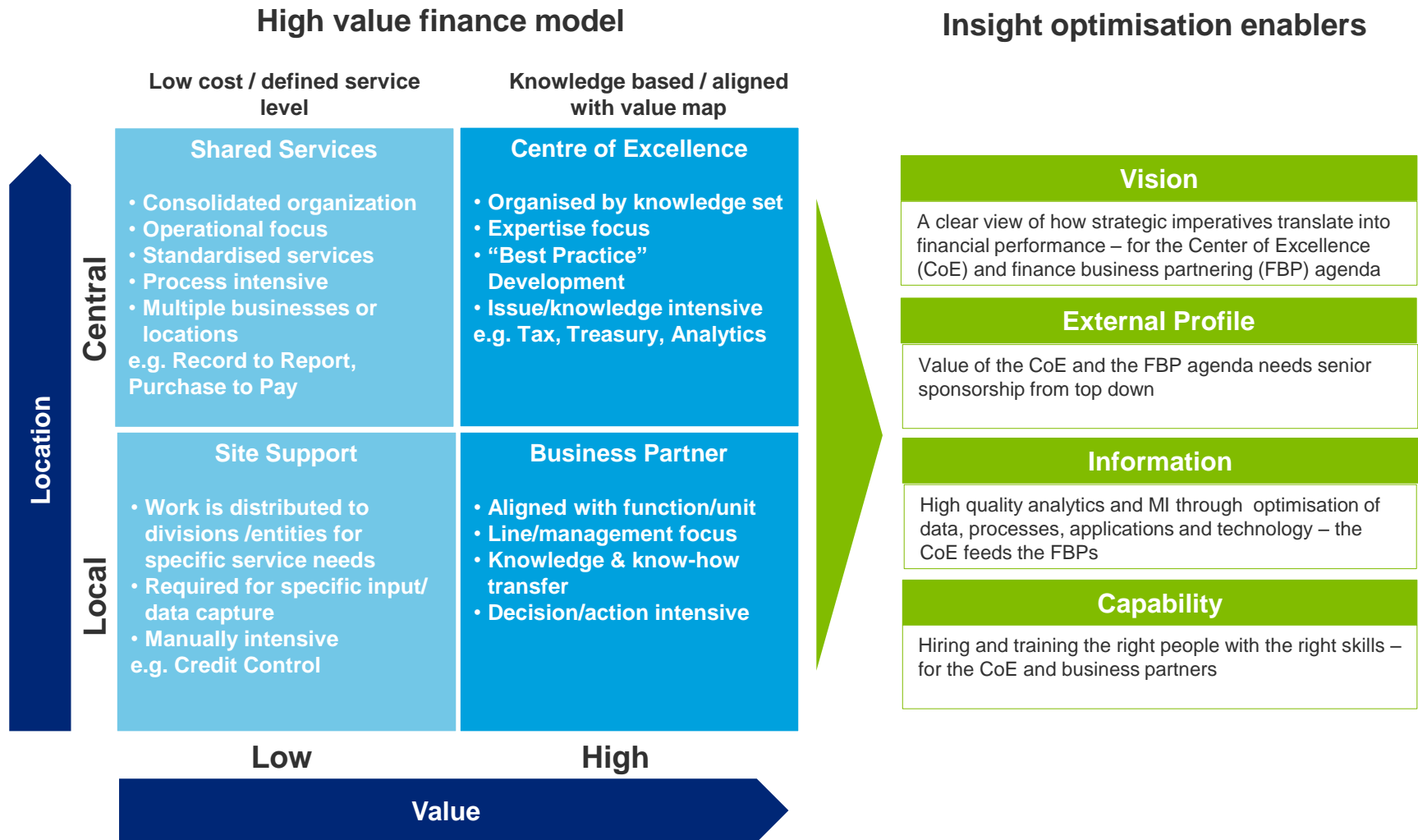
Percentage of respondents (n=604)



Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

Align operating model to achieve “more with less”

High quality insight is key for effective partnering



Centres of Excellence (CoE)

Supporting effective Finance Business Partnering

Centres of Excellence support Finance Business Partners by delivering materials on a calendared basis and providing opportunity driven ad-hoc analysis

CoE does

- ✓ Use sufficiently detailed business knowledge and creativity to perform intelligent analysis and analytics, both ad-hoc (on request) and standard (calendared), to support the FBPs in their role partnering with the business
- ✓ Provide commentary and ideas on reports, plans and analysis, employing experience, benchmarking and competitor insight to do so
- ✓ Focus the prioritisation and delivery of work on the needs of the FBPs and the required business outcomes
- ✓ Leverage a standardised approach to reporting and planning, budgeting and forecasting to ensure consistency and trust in data
- ✓ Develop, implement and continually improve standardised models and templates for reporting and planning, budgeting and forecasting
- ✓ Utilise internal and external market knowledge to perform their role

CoE does not

- ✗ Have or develop the deepest understanding of day-to-day activities that occur in the business
- ✗ Deal directly with the business without FBP involvement or direction
- ✗ Act as a concierge service that develops unique or tailored deliverables for each Finance Business Partner or per each request
- ✗ Implement temporary solutions to existing transactional or technological issues (they will help to permanently address these issues with support of FBPs and the business)
- ✗ Develop their own detailed SLAs

Investment prioritisation

Investment prioritisation

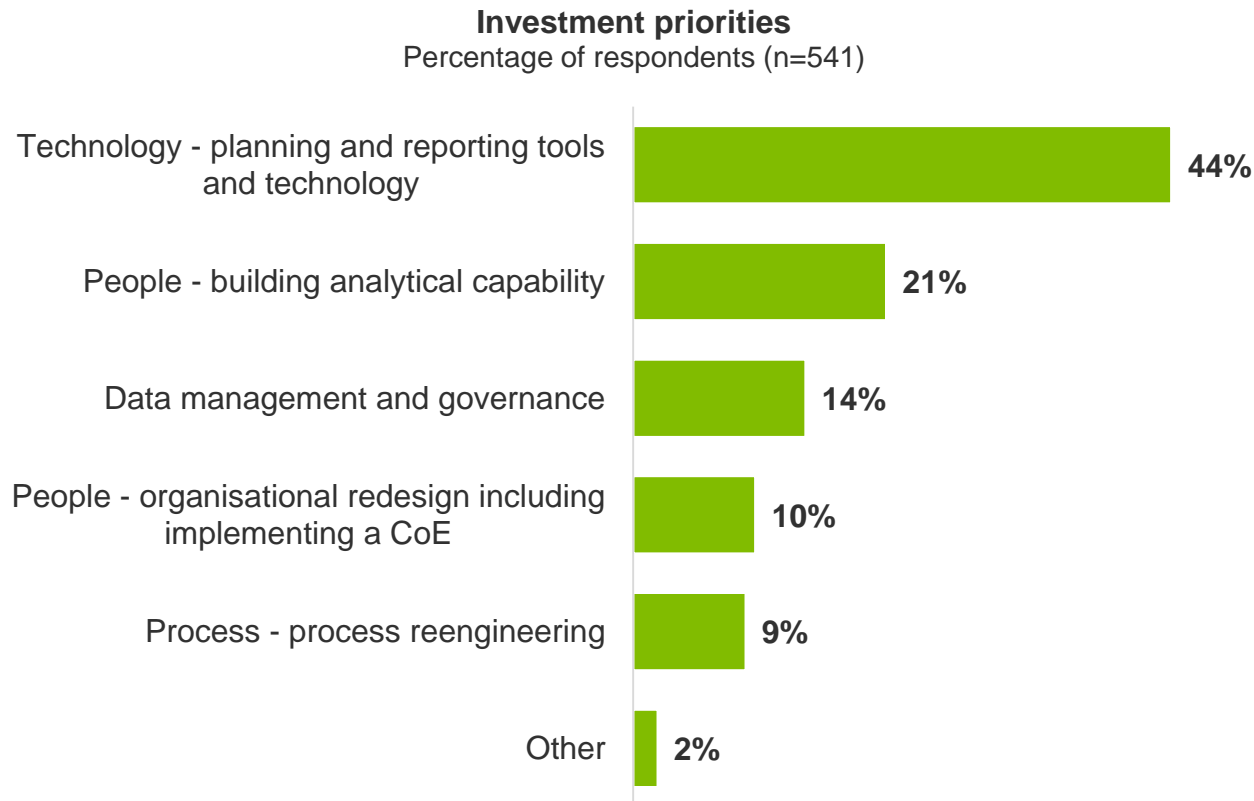
Poll question #5

Where are you most likely to invest to improve the management reporting and analysis you provide?

- **People**
 - Organisational redesign including implementing a CoE
 - Building analytical capability
- **Process**
 - Process reengineering
- **Technology**
 - Planning and reporting tools and technology
- **Data management and governance**

Investment prioritisation

Tools and technology are seen as a key enabler in developing an insight-driven organization

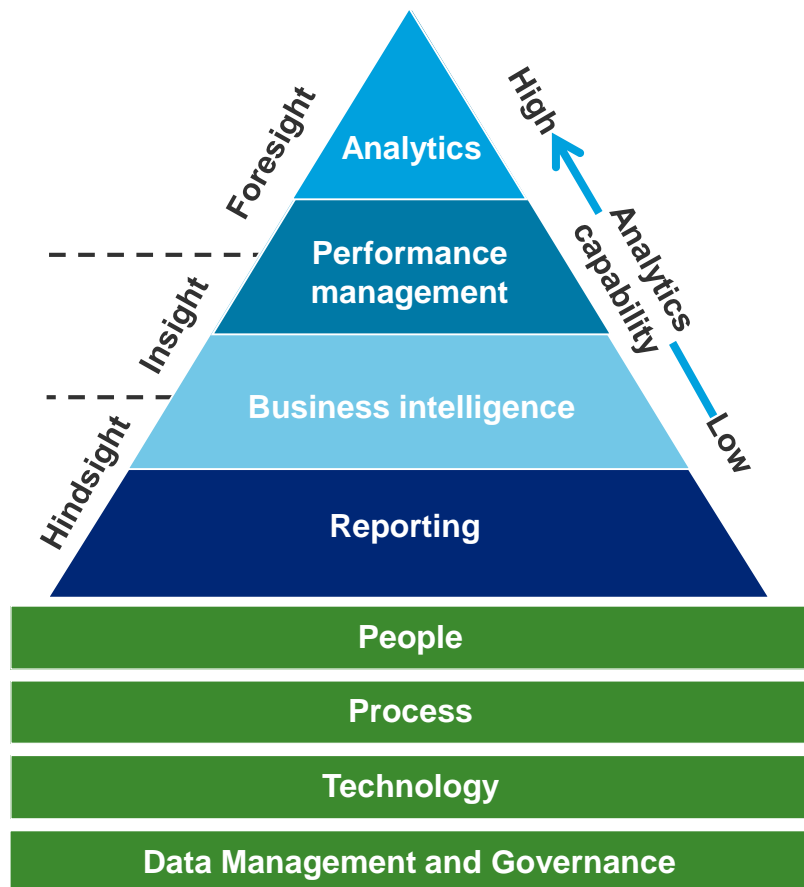


Source: Developing insightful management reporting: Opportunities and challenges for CFOs, Deloitte LLP, March 2016

From hindsight to insight And eventually to foresight

What does the business need from finance?

Enable leadership to gain foresight



- Increases the transparency of the financial data, which allows for better regulatory and compliance reporting, resulting in enhanced analysis and an accelerated close process
- Provides adequate data granularity and appropriate hierarchies required by different business units
- Enables the identification of cross sell and up sell opportunities through:
 - ✓ Integration of propensity models
 - ✓ Insight into marketing prospects (leads), quote to issue conversions, and insured profitability
 - ✓ Ability to segment parties across product lines

In summary

In summary

Driving the management information agenda, requires a focus on four key areas

- Monitoring and **taking action on relevant and consistently reported KPIs** that are **aligned to business strategy**
- Maintaining **accurate data** in a technology environment that supports **efficient analysis**
- Providing value to the business with a **driven and capable team** in a **well-organized operating model**
- **Prioritising** and **making investments** to improve the effectiveness of the organization

Questions and discussion

Deloitte Finance Club

Upcoming programme

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Wednesday, 6 July 2016 – 8:30am-10:30am (arrivals from 8am)

- **Holiday finance checklist 2016** (provisional)
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Deloitte Finance Club

Contacts and resources

Contacts

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Resources

- Deloitte Finance Club home page: www.deloitte.co.uk/financeclub
- UK Accounting Plus (formerly IAS Plus): www.ukaccountingplus.co.uk
- Deloitte Monday Briefing: www.deloitte.co.uk/mondaybriefing
- New Leasing Standard IFRS 16: www.deloitte.co.uk/ifrs16

Deloitte Finance Club

Recent seminars

- [Real Estate strategies: the impact of the new Leases Standard](#) – 9 March 2016
- [Holiday finance checklist 2015](#) – 9 December 2015
- [Tax update and Working capital and cash flow management](#) – 18 November 2015
- [How technology is disrupting the Finance Function](#) – 14 October 2015
- [Economic update and Football Finance](#) – 16 September 2015
- [Summer finance checklist 2015](#) – 14 May 2015
- [Business Partnering: better decision-making through Finance insight](#) – 29 April 2015
- [The rise of omnichannel: what it means for Finance](#) – 25 March 2015



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