Business Resilience Toolkit

Revenue risks

Presented by Jacqui Shaw, Business Consultant

Transcript:

Is your organisation's revenue at risk?

Hi, I'm Jacqui Shaw a Financial Consultant with the Community Business Bureau & I thought we could have a bit of a chat together about this today – it's a pretty important topic, as it can sometimes come down literally, to the financial survival of your organisation.

By understanding the risks around your revenue streams, you'll be able to implement appropriate mitigation & monitoring measures, giving you better control over the financial management of your organisation.

So here's some risks to revenue that may affect your organisation's viability:-

- Grant Funds - not understanding your obligations with respect to your grants can result in delays to grant payments being received, in turn causing cashflow issues – it could even lead to grant agreements being terminated or not being renewed, resulting in a total loss of this income stream for your organisation. Having accurate & timely financial reporting & acquittal processes in place, is part of your organisation's obligation to your funders, and this in turn will reduce some of the risk implications here.

- Pricing – by not regularly reviewing pricing structures & strategies around fee for service (& some types of fundraising) revenue streams, can lead to lost revenue opportunities, losing money on programs, as well as leaving your organisation out of touch with the market you're servicing. Your organisation's expenditure increases on a regular basis, think of wage & CPI increases for example, so it follows that you will more than likely need to increase your prices regularly to compensate for various organisational cost increases. Consider the timing of any price reviews, & the implementation of such, and what impact this will have on your organisation's financial outcomes for the period.

- Debtors – ensure your organisation's debtors invoicing is occurring in a regular & timely manner to avoid delays in the receipt of revenue. Regularly follow up outstanding/unpaid debtors amounts & implement any necessary measures needed to minimise the risk of doubtful or bad debts for your organisation eg. credit checks on clients, or even suspending/withdrawing services if payments are overdue by a certain amount to limit your liability.

- Revenue Diversification – reducing your reliance on a specific funding source is a good strategy to reduce risk. However over diversification of revenue can also be a risk to your organisation. Maintaining multiple, highly diverse revenue streams can be problematic when each requires, in essence, a separate business calling for specific skills, market connections, capital investment, and management capacity.

- External Impacts - understand the sensitivities, influences & limitations of any external factors that affect your revenue streams - eg. NDIS controlling maximum pricing charges, competitors driving down pricing, or how changes to government policy or legislation can affect grant funds. If you are working with an external pricing structure in say, a fee for service environment, ensure your organisation understands this structure, so that any risk resulting from either under or over charging can be avoided.

- Financial Fraud – by ensuring your organisation has good internal controls & procedures in place, you can mitigate the risk of fraudulent activity occurring within your organisation. And with respect to these activities, think not just in terms of cash or monies coming in/going out, but also in terms of other organisational property that could be affected by this, eg fundraising stock, misappropriation of funds or the misuse of other organisational assets.

Related videos to watch next: all videos in our Risk Management series, revenue diversification, and diversification.