



# ***Small charities – tackling financial governance challenges***



# Did you know?

ICAEW's Continuing Professional Development (CPD) Regulations have changed. Members are now required to do a minimum number of CPD hours per year.

This webinar could contribute to up to **3.5 hours** of verifiable CPD, so long as you can demonstrate that the content is relevant to your role.





# Verifying your CPD

If you are watching this webinar **live**, a copy of the registration email is acceptable evidence of verifiable CPD.

If you are watching this webinar **on demand** via ICAEW.com, click on “verify your CPD” on the webinar webpage to add this to your CPD record.



# ***ICAEW Charity Conference 2025: Book now!***

**23 & 24 JANUARY 2025  
VIRTUAL EVENT**



Save on your ticket price with early bird rates until Sunday 15 December:

**£15 off** for ICAEW members

**£10 off** for Non-members

**£5 off** for Charity Community subscribers



Scan the QR code to view the programme and to book.

Or visit the [event page here](#)

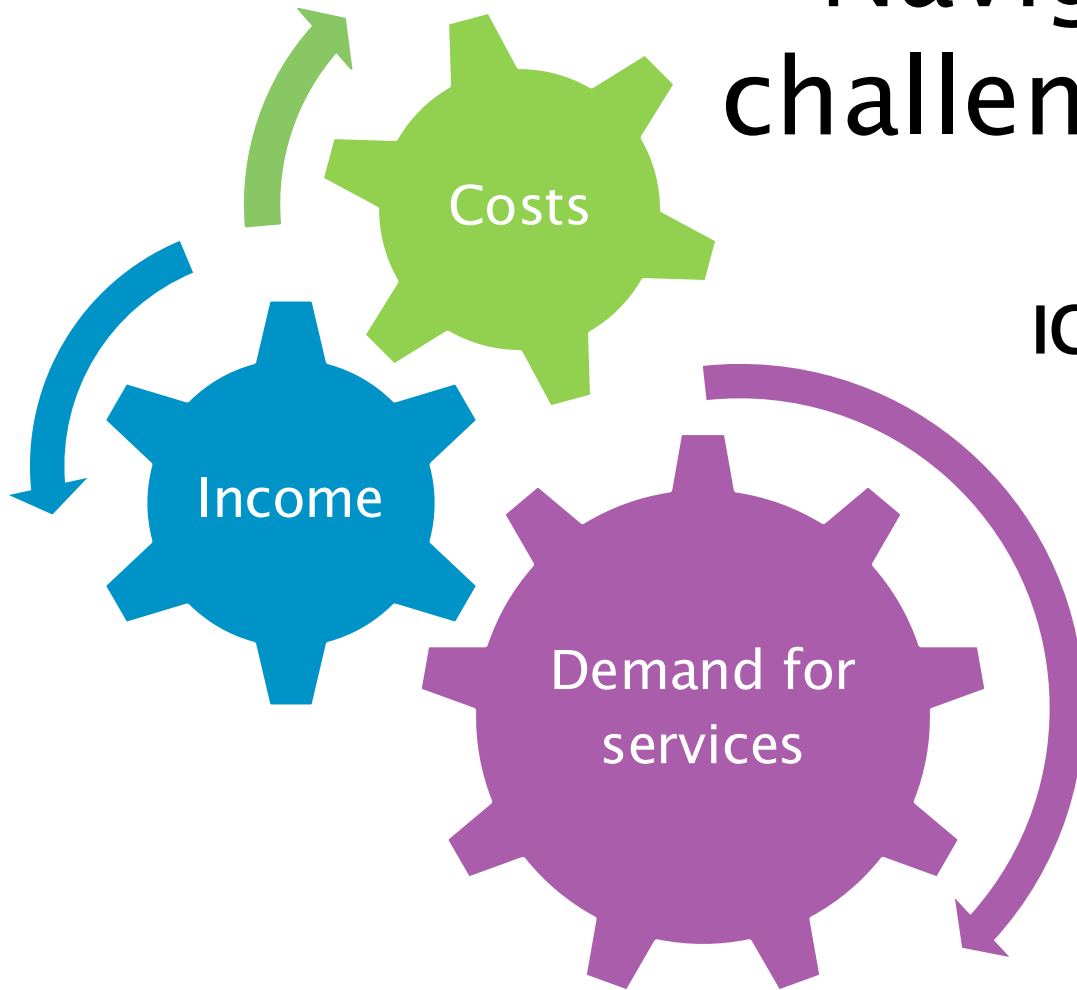


# ***Navigating financial challenges as a board***

JUDITH MILLER, PARTNER, SAYER VINCENT



# Navigating financial challenges as a board



ICAEW Small Charity Event  
Judith Miller  
22 October 2024





## Leonard Cheshire reports 275 redundancies amid major restructure

24 Feb 2024 News

## Charities warn of 'devastating knock-on impact' of English councils' financial crisis

**Exclusive: Local voluntary groups forced to cut services or close as council funding pulled**

• **When a Citizens Advice has to close despite demand being 'off the scale'**

## Cost of living crisis: Cumbrian food bank busier than ever as people struggle to pay their bills

- **Essential public services are at risk due to underfunded contracts held by charities.**
  - Only one quarter of contracts that charities hold have been uplifted in line with inflation.
  - 62% of charities believe that they do not receive the full value it costs to deliver a public sector contract, with the average charity contributing 35% the value of a contract.

## A hospice charity is calling for a more sustainable funding model, saying the cost of living crisis continues to put the sector under financial pressure.

The Marie Curie charity said people were unable to be as generous as they used to be to help it to deliver palliative and end-of-life care.

## Group of six charities to close due to 'insurmountable' financial issues

01 Nov 2023 News

## House of St Barnabas: Soho members' club and charity closes due to financial challenges

Founding members included some of the most respected names from the arts

## British Youth Council to close following seven decades of youth voice

British Youth Council is sad to announce its permanent closure after more than 75 years of championing the voices of young people.



# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



Planning for financial sustainability & impact – options to explore



How to spot warning signs early – what management information should you receive & how often?



Insolvency tests & actions





# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



Planning for financial sustainability & impact – options to explore



How to spot warning signs early – what management information should you receive & how often?



Insolvency tests & actions



Collective engagement  
Everyone's business  
Commercial awareness



# What's your role?

How do you see yourself?

- Realist : Board financial conscience
- Enabler : Interpreter
- Don't be lonely : Share the load

How well are others engaging in finance?

- Root cause – What's really going on?



## Things to try

Anticipate questions

Effective summaries & direction

Make it “OK to ask”, encourage curiosity – not there to be experts but to “test thinking”

Put actions in place to build skills & confidence of others from the get-go

Signpost to guidance and training

Use your advisors



## How well are your meetings working?

Is this given enough time on agendas? Where are on the agenda is finance?

Is there a common understanding of the financial position? Are pre meets needed?

Is financial information circulated in advance?

How is your financial information serving you? is it relatable? too focussed on the detail and not strategic enough? Bogged down in jargon? Too many digits? Speak “human”

Is the finance part of routine conversations?

Seek feedback



# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



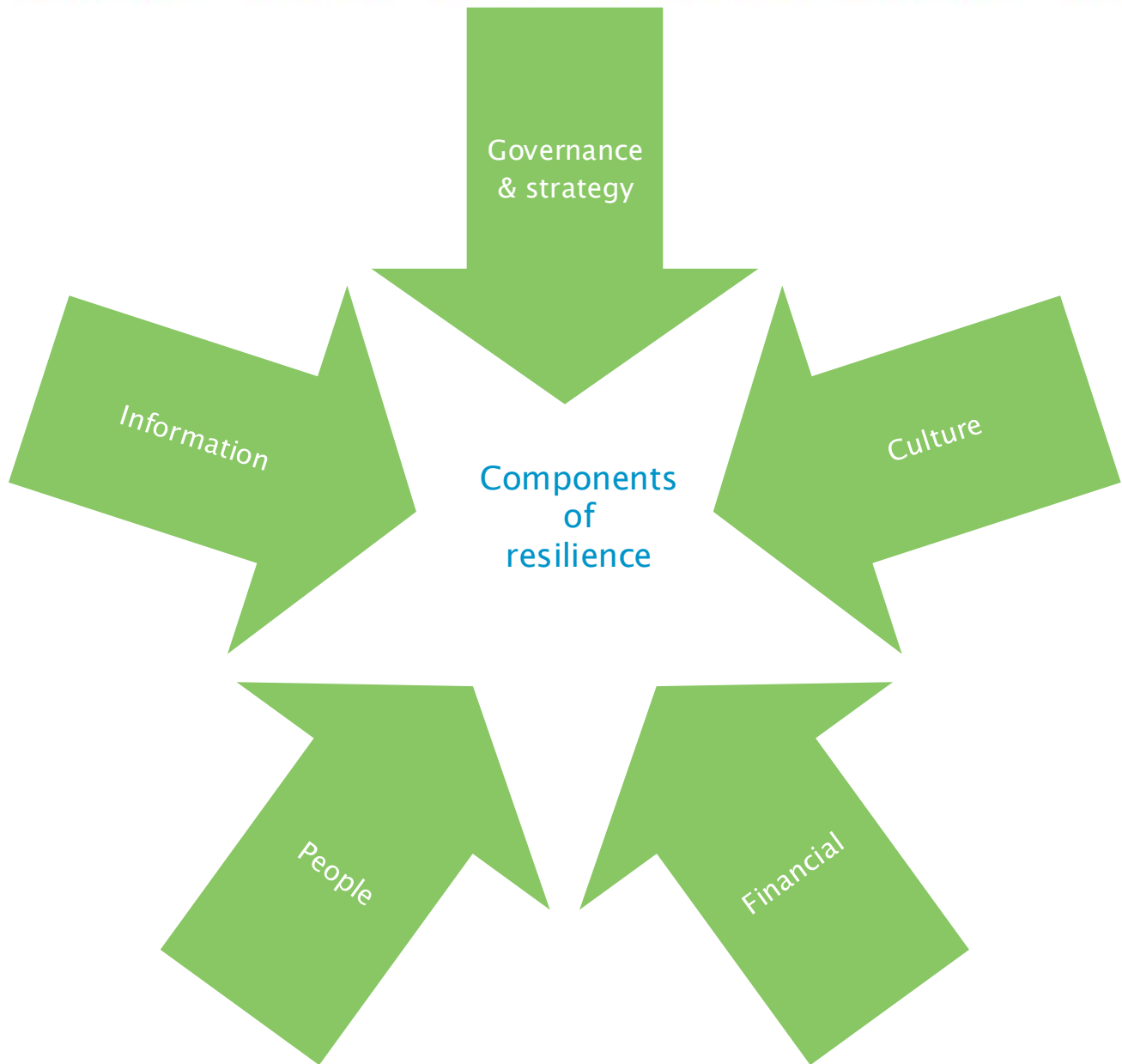
Planning for financial sustainability & impact – options to explore



How to spot warning signs early – what management information should you receive & how often?

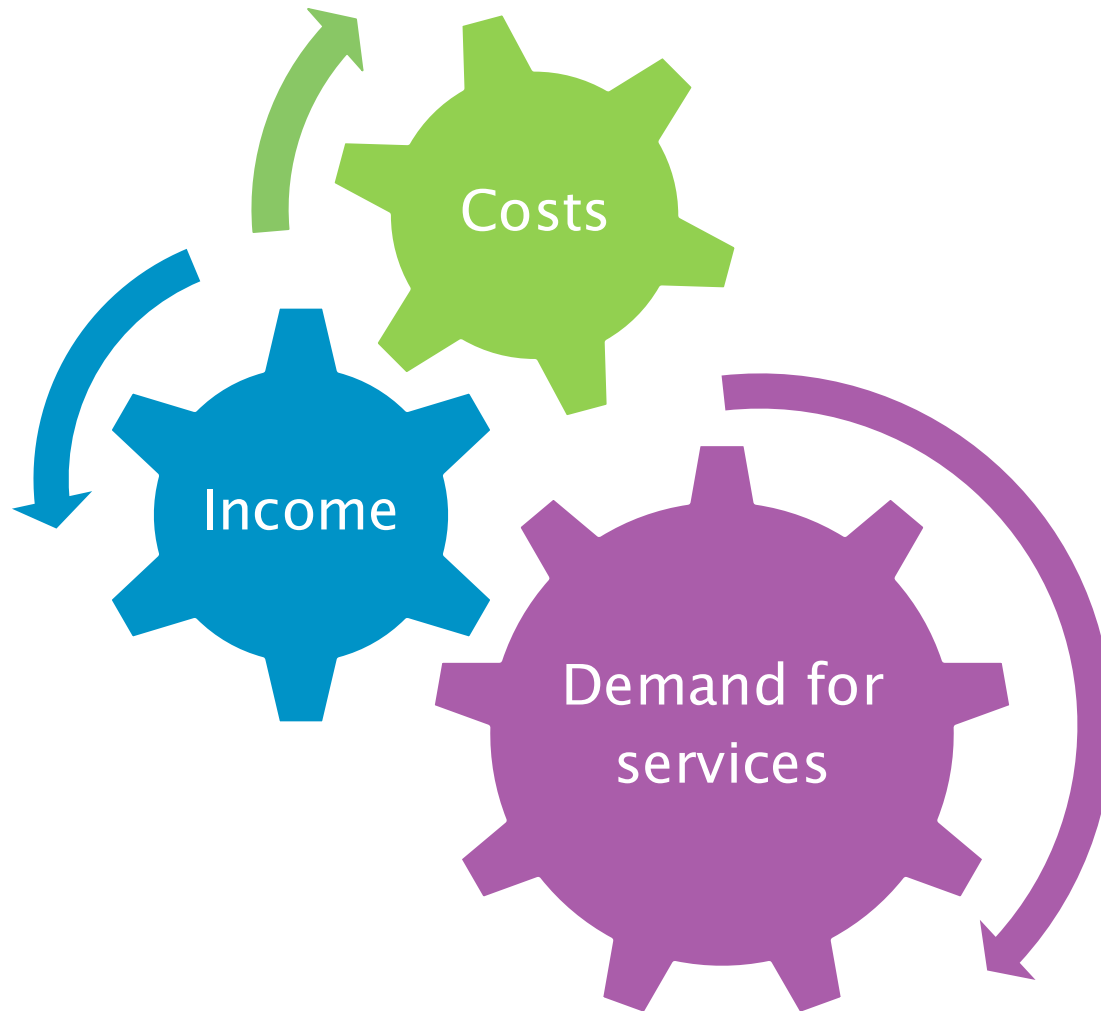


Insolvency tests & actions

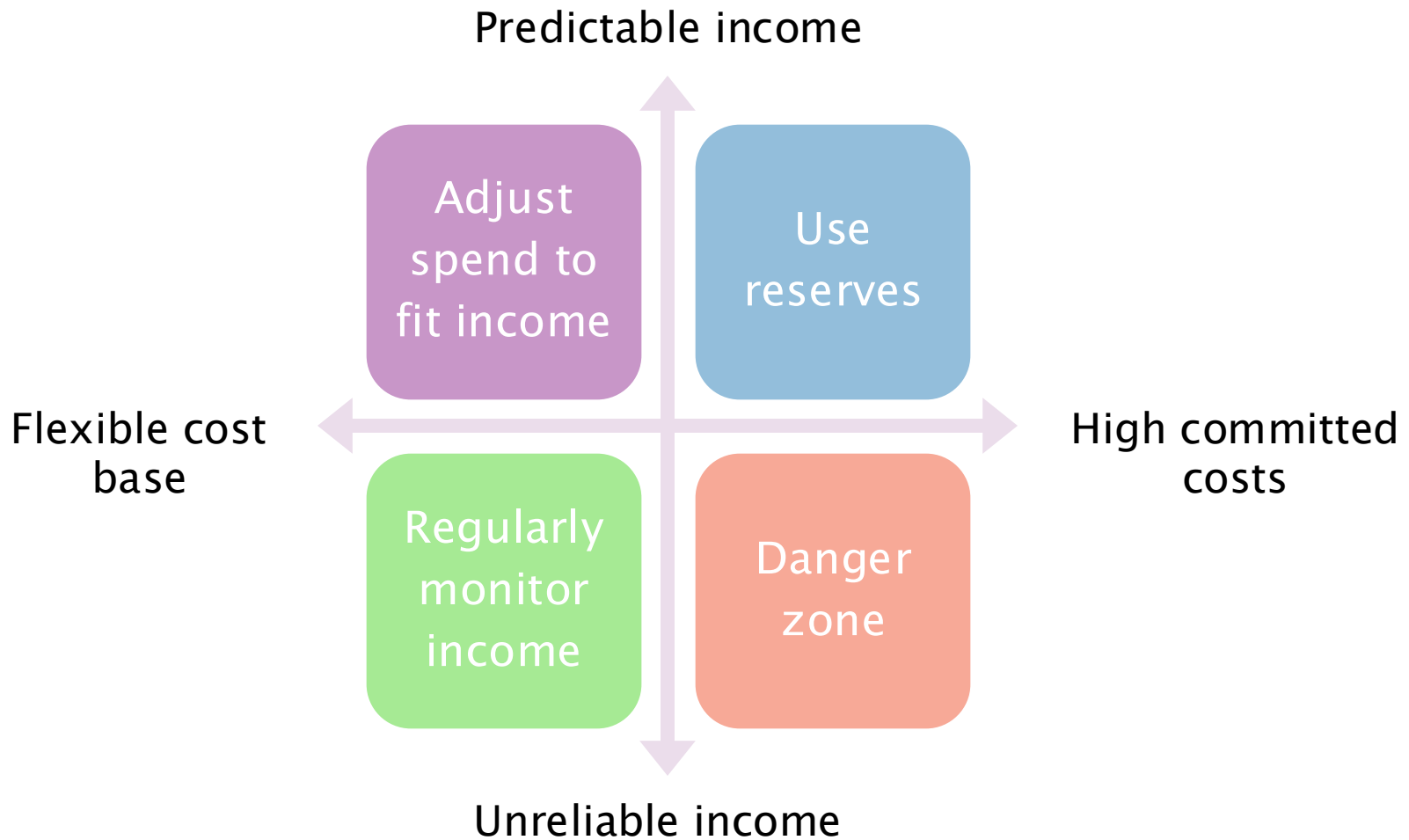




# Understanding financial resilience?

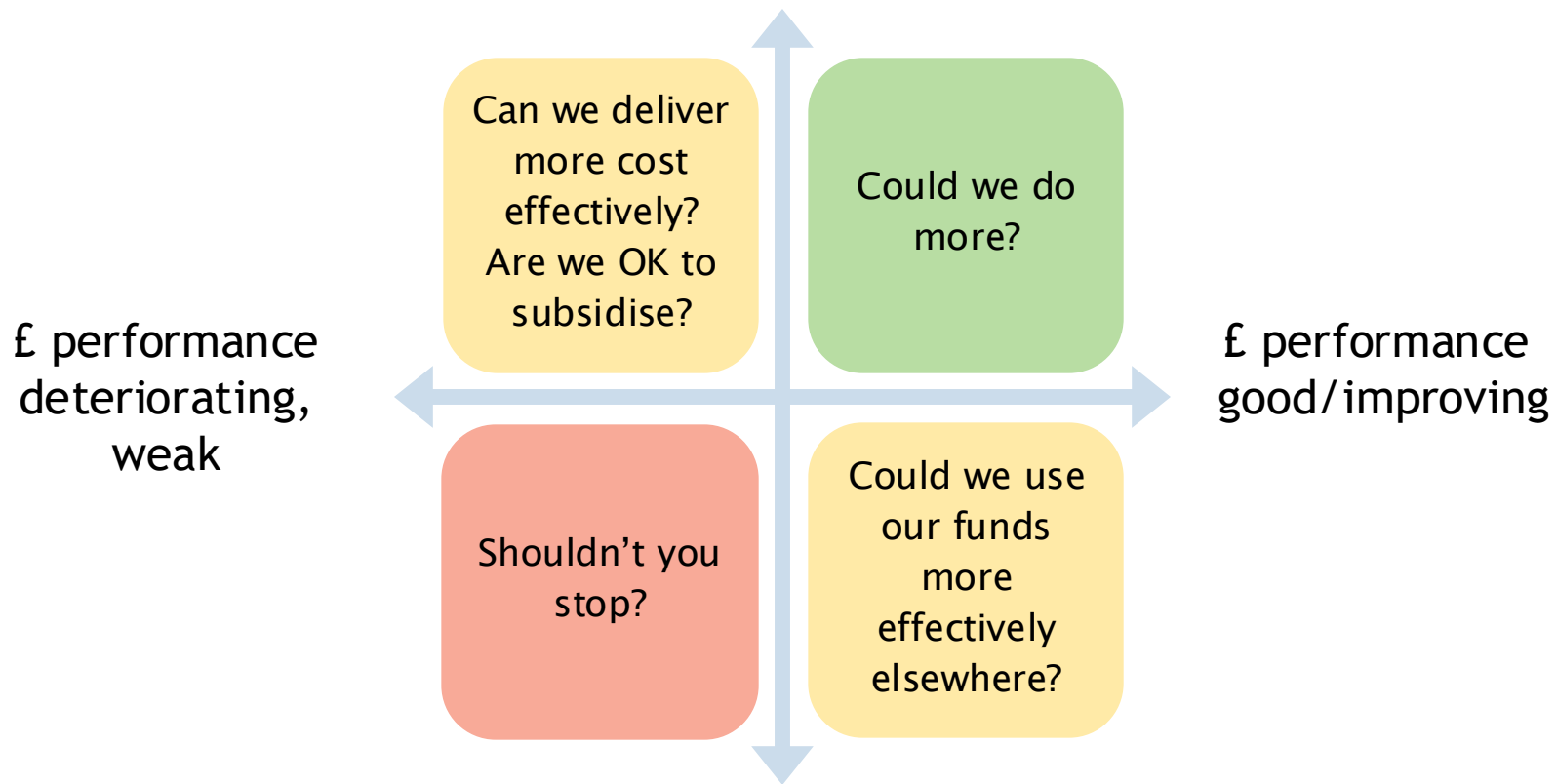


# Income & cost base



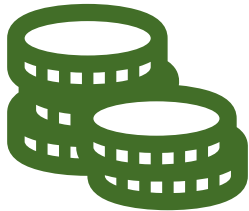
# Are we doing the right things?

Delivers on our charitable purpose



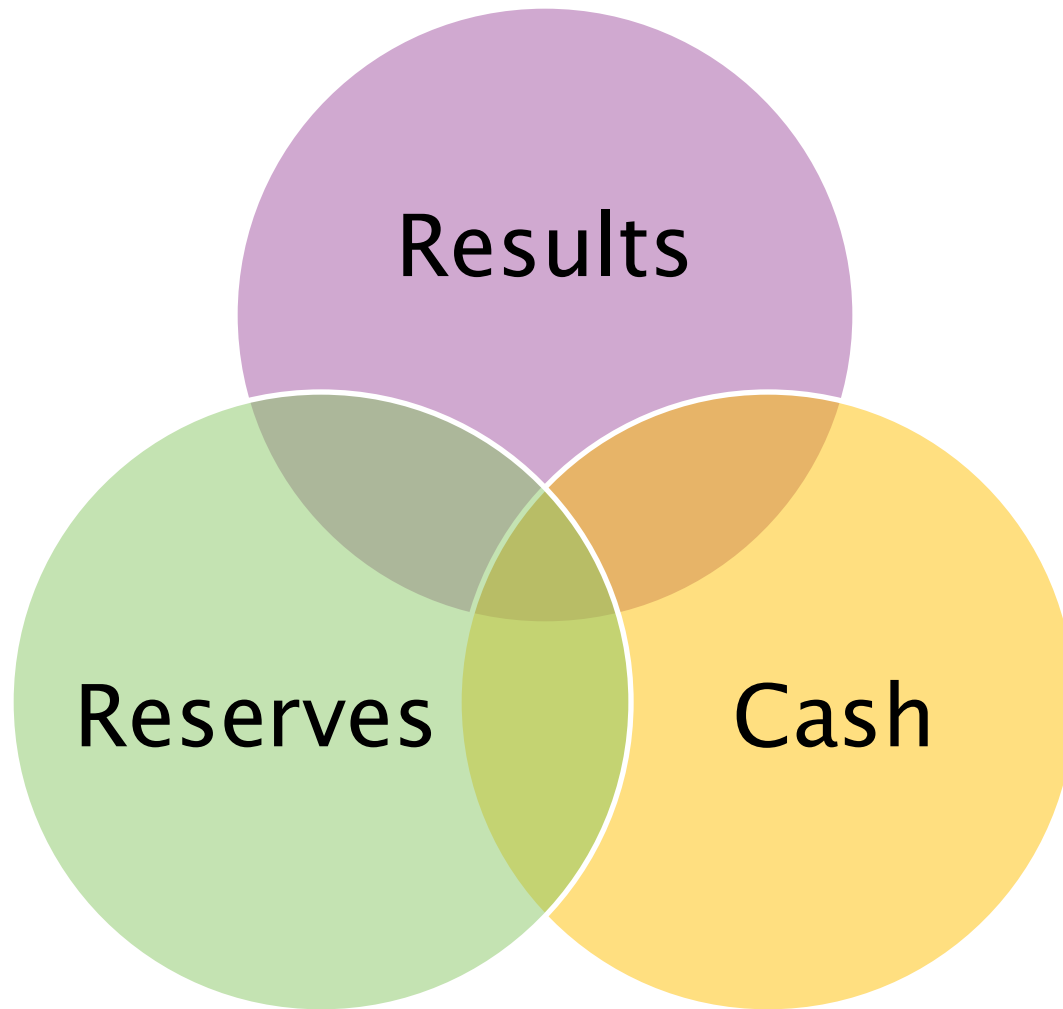
Declining relevance to charitable purpose

# Increasing vulnerability





# Financial health – think about all three





# Financial health – comfort & concern

Strong – comfort	Weak – concern
<ul style="list-style-type: none"> <li>• Diverse income streams</li> <li>• Predictable income streams</li> <li>• Recurring income</li> <li>• Multi-year funding</li> <li>• Good block of funding to cover core activities and overheads</li> <li>• Flexible costs</li> <li>• Programmes/projects surplus that can build reserves</li> <li>• Contribution to overheads built into funding bids</li> <li>• Strategy for loss making core activities</li> </ul>	<ul style="list-style-type: none"> <li>• Over-reliance on a few income streams</li> <li>• Unpredictable income streams</li> <li>• One-offs needed to prop up model</li> <li>• Fixed cost base</li> <li>• Uplifts below inflation</li> <li>• Lack of clarity around financial performance and underlying structural deficit</li> <li>• Lack of co-ordinated approach to funding bids/applications</li> <li>• Unable to cover overheads from funders</li> </ul>
<ul style="list-style-type: none"> <li>• Positive cashflow, ability to pay debts as they are due</li> <li>• Net current assets</li> </ul>	<ul style="list-style-type: none"> <li>• Cashflow challenges, unable to pay bills</li> <li>• Breaches bank covenants</li> <li>• Net current liabilities or reducing net current assets</li> </ul>
<ul style="list-style-type: none"> <li>• Positive UR funds</li> <li>• Clear reserves policy that is met</li> </ul>	<ul style="list-style-type: none"> <li>• Declining proportion of UR funds</li> <li>• Hard to build reserves</li> <li>• Unmet reserves policy</li> </ul>





## Role of reserves

Secure the on-going social impact/public benefit:

- Working capital in short term
- Manage financial risks /future uncertainty
- Strategic investment
- New opportunities /staying relevant

= Resilience



# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



Planning for financial sustainability & impact – options to explore



How to spot warning signs early – what management information should you receive & how often?



Insolvency tests & actions

“to make sure that the charity, and its purposes, stay relevant and valid”

“trustees consider ..... partnership working, merger or dissolution if other organisations are fulfilling similar charitable purposes more effectively and/or if the charity’s viability is uncertain”

“it’s not about preserving the charity for its own sake”



**Charity  
Governance  
Code**



- What were we set up to do?
- Are we using our resources in the best way to achieve this?
- Are we still relevant?
- Should it be us?
- Could we have more impact if we....

- Hope for the best, prepare for the worst
- Scenario plan
- What if the worst happened....
- What might be the triggers?
- How do we make sure we see this coming?
- What are our options?

- Collaborate
- Stick to our knitting
- Shrink & reinvent
- Merge/Transfer

Make it normal to talk difficult stuff

What's not working, change & endings

- How much time would we need?
- What liabilities would arise?

## Don't wait

# Explore options while the sun is shining

## Reality

What is happening right now?  
What have you tried so far?  
What happened as a result?  
What stopped you from doing more?  
What's missing in this situation?  
What do you have that you're not using?  
What's *really* going on here?

## Options

What options do you have?  
What else could you do?  
What would you do if you had complete control?  
What would you do if you had more time, money, resources...?  
If you could only change one thing in this situation, what would it be?  
What have you tried when you've been in a similar situation in the past?  
What are the pros and cons of each option?

### Goal

What do you want?

### Reality

Current situation?

### Options

What could you do?

### Will

What will you do?





# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



Planning for financial sustainability & impact – options to explore

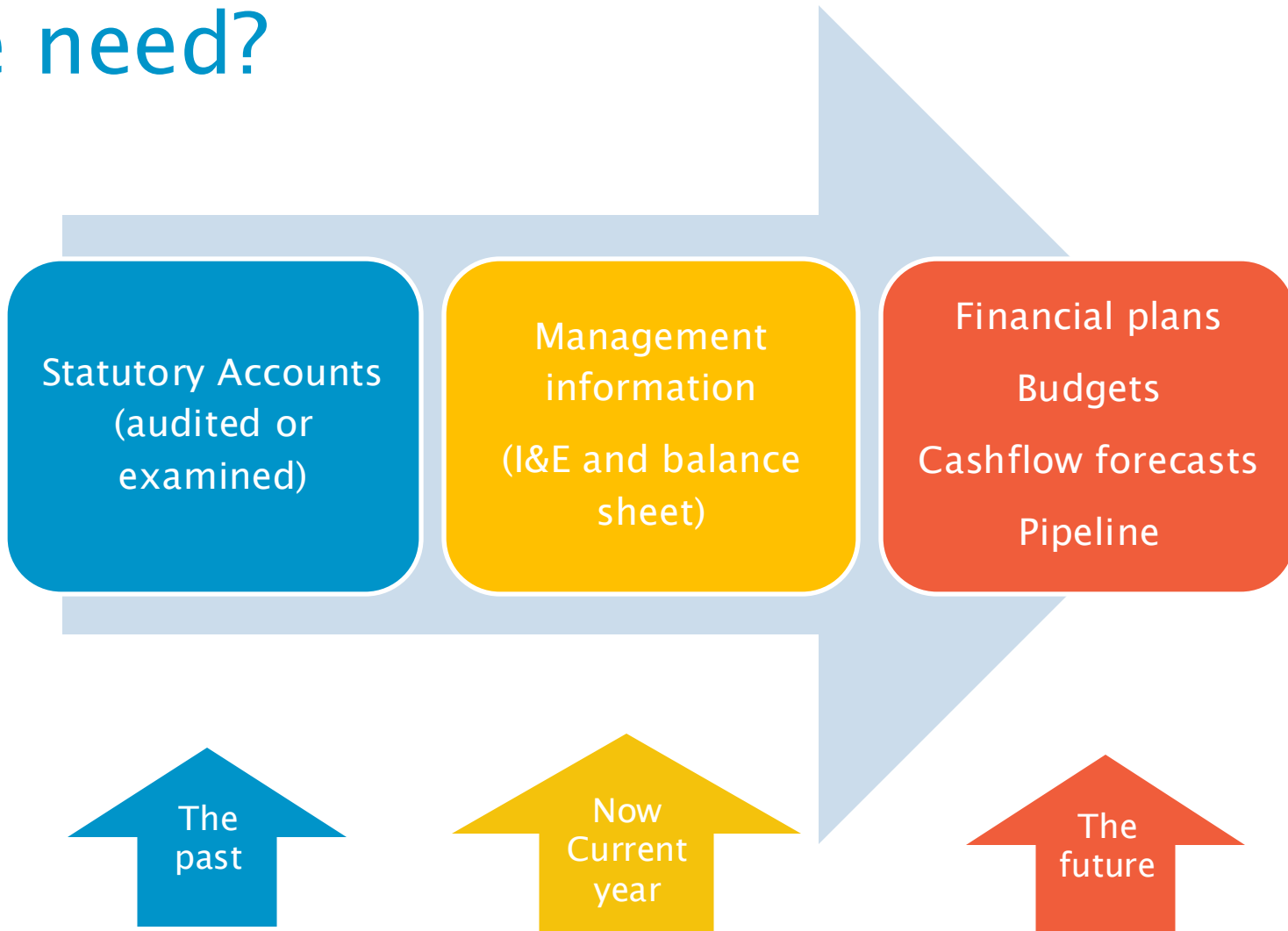


How to spot warning signs early – what management information should you receive & how often?



Insolvency tests & actions

# Getting the financial info we need?







# Management information

Schedule meetings that work with production of info

Circulate in advance – timely and regular

Give it time on the agenda

Board pack needs to:

- Avoid too much detail – what are the headlines?
- Include a cashflow and income pipeline – make these rolling
- Include adequate narrative explanations and variance analysis
- Colours & graphics
- Must look forward as well as back
- Effective summary
- Provide enough explanation to understand the position, potential decisions/actions – answer the question “SO WHAT?”

# Cash is KING



- Understand timing differences
  - Slow payment of debtors and bad debts
  - Increasing creditors
  - Demands
  - Struggle to manage routine cashflow
- 
- Do you get information on cashflow, debtors and creditors?
  - Debtors plus cash > creditors or NOT?
  - How proactively do you manage your cash?
  - Any key dependencies?
  - Monthly run rate/gap
  - “What if questions?”
  - Talk to your bank
  - Changing your authorisation process if cash under pressure



# How do you know if your finances are at risk?

- Underlying structural deficit
- Running out of cash
- Reliance on limited income streams
- Cost base that is relatively inflexible
- Low levels of unrestricted income
- Lack of clarity around financial performance of individual activities
- Lack of co-ordinated approach to funding bids/applications
- Lack of decisive engagement in loss making activities
- Lack of longer term perspective on finances



# Agenda



Finance trustee's role in facilitating board conversations



Understanding & communicating your charity's business & financial resilience



Planning for financial sustainability & impact – options to explore



How to spot warning signs early – what management information should you receive & how often?



Insolvency tests & actions





# Insolvency tests

- ❖ The value of liabilities exceeds the value of assets  
(balance sheet test)

The aim would be to rescue in some way or restructure

- ❖ “unable to pay its debts” – basic test but this is a bit late  
The charity cannot pay its debts as they fall due for payment (run out of cash)

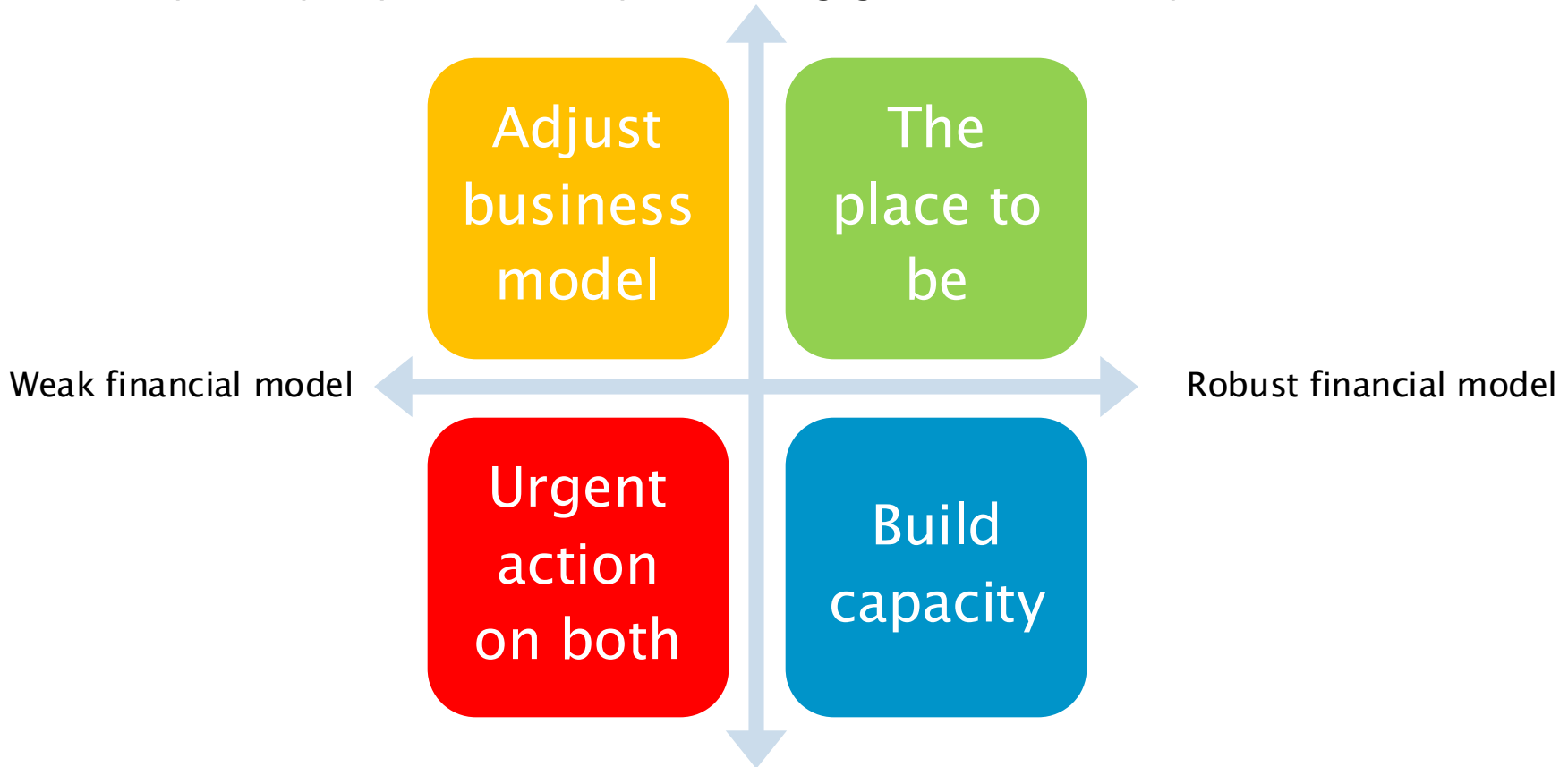


# Actions

- Take advice
- Pick up your scenario plan for closure or reset – what is possible now?
- What is unique to you?
- Existing commitments
  - Notice periods
  - Understand restricted funds position
- Understand how focus flips
  - Charity to Creditors
- Meet more frequently
- Swift/timely information
- Acknowledge the emotional toll
- Taking care of your team
- Talk to key funders/stakeholders
- Serious Incident Reporting
- Comms plan

# Where to focus?

Adequate capacity, skills and experience; engagement, relationships: team & board



Limited/poor capacity, skills and experience; engagement, relationships: team & board



- Shared understanding of duties
- Get everyone engaged in the numbers
- Culture is key: get behaviours & relationships right



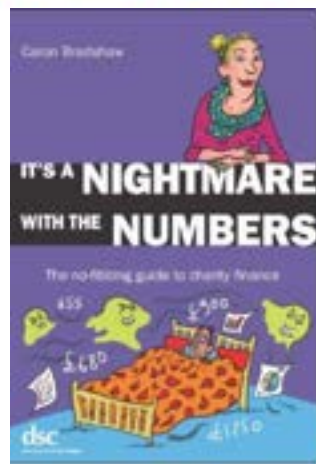
- Operate at the strategic level
- Make it normal to talk change & difficult stuff
- Scenario plan for the challenges/worst case



- What were we set up to do? Are we still relevant?
- Are we using our resources in the best way to achieve our purpose?



1. What type of model do we have and can we explain this simply?
2. What are the drivers to financial success?
3. What is our underlying financial performance like?
4. Where might we be on the scale of vulnerability?
5. How are our reserves and can we access these?
6. Are trustees engaged in the finances? Do they feel able to ask and contribute?
7. Do we provide the skills to trustees and managers?
8. Are we getting/providing the financial information we need? And when we need it?
9. Are we asking the right questions? At the right time?
10. What were we set up to do? Are we still relevant? Are we using our resources in the best way to achieve our purpose?



- Relationships are key
- Be Human
- Trustees should “test thinking”
- Published by DSC – hard copy/pdf

Decision-making for charity trustees (CC27)  
Improving your charity’s finances (CC12)  
This includes “Checklist to assess insolvency risks”

5-minute guides for charity trustees



ICAEW webinar  
Finance board pack  
How to bring the numbers alive using Excel  
27 February 2024





Judith Miller

[judith.miller@sayervincent.co.uk](mailto:judith.miller@sayervincent.co.uk)

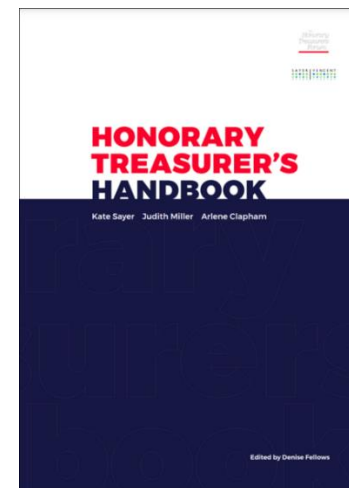
Partner, Sayer Vincent

0207 841 6360

[www.sayervincent.co.uk](http://www.sayervincent.co.uk)



Thank you & #AskSV







# ***Future-proofing your charity: adapting to changing governance needs***

**NICK SLADDEN, HEAD OF CHARITIES, RSM**

PRIVATE AND CONFIDENTIAL



# Future-proofing your charity

Adapting to changing governance needs

22 October 2024



**Nick Sladden**  
Head of Charities  
RSM

# Problems rooted in past decisions rather than present events

## Example 1

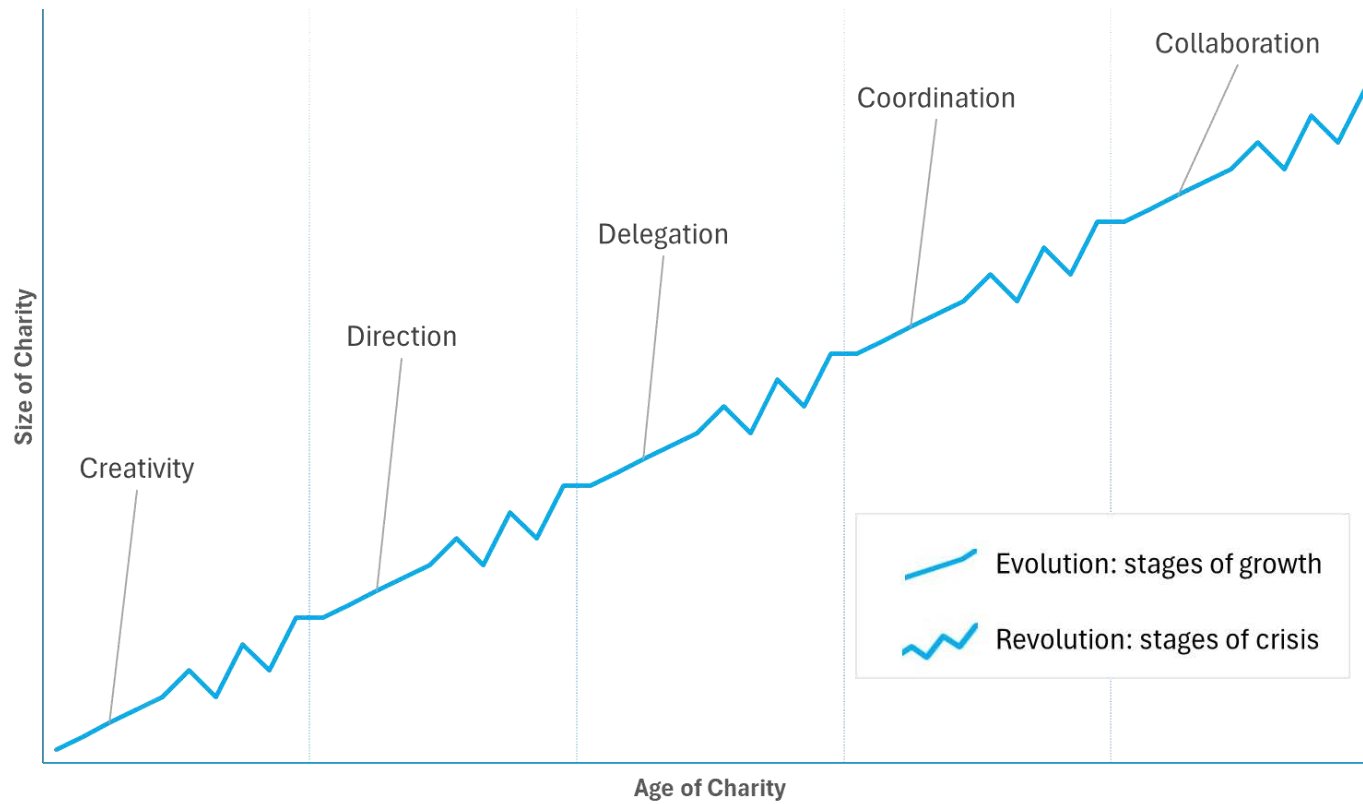
A charity's trustees hold on to the organisational structure long after it has served its purpose. The charity eventually goes into administration.

## Example 2

A charity blames a staff member for control problems, when the underlying causes are centralised procedures that are holding back new initiatives for beneficiaries. Staff and volunteers leave and eventually a larger charity moves in with new services.



# The five phases of growth



# 1 Creativity



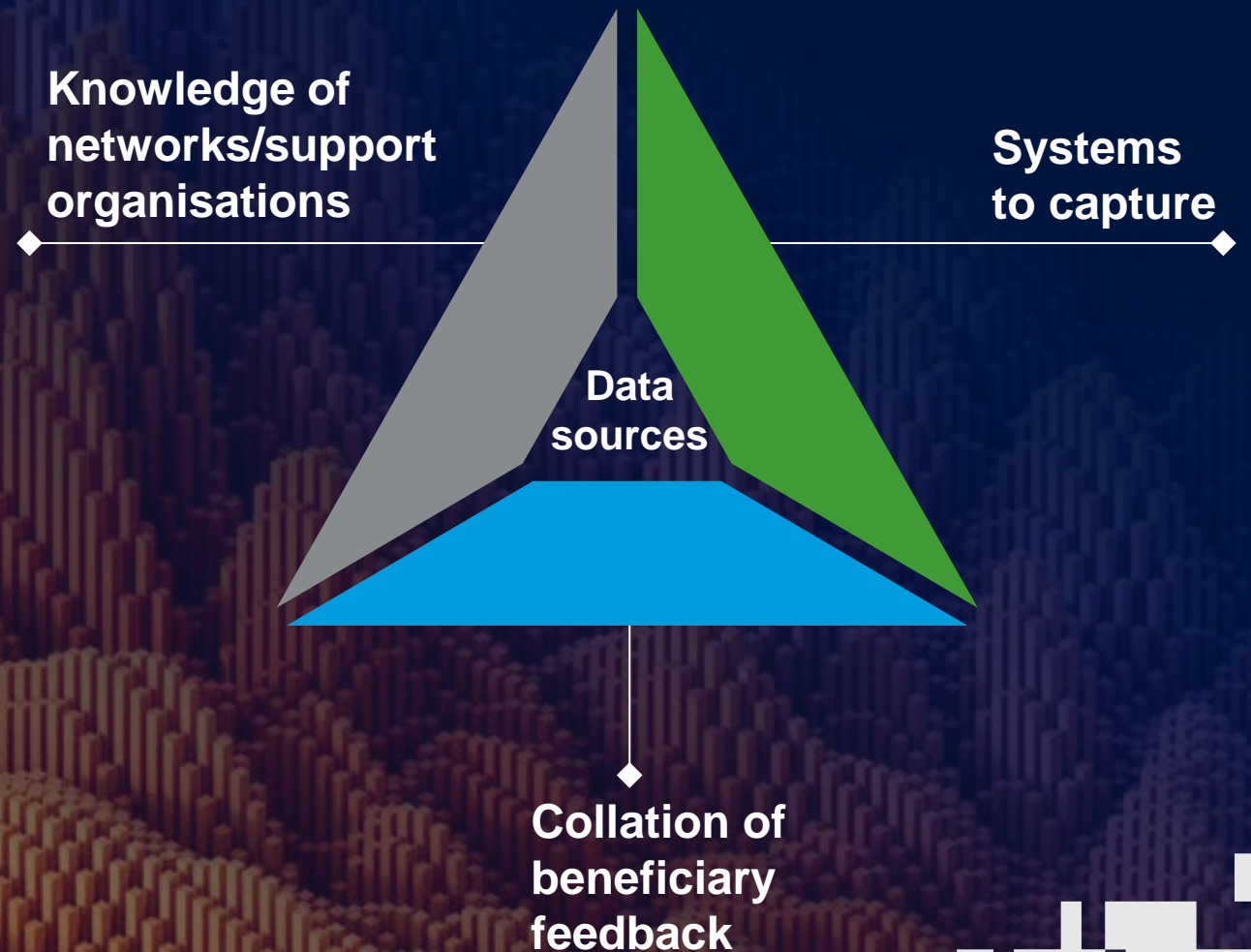
Reliance on volunteers



Informal communications influenced by beneficiaries

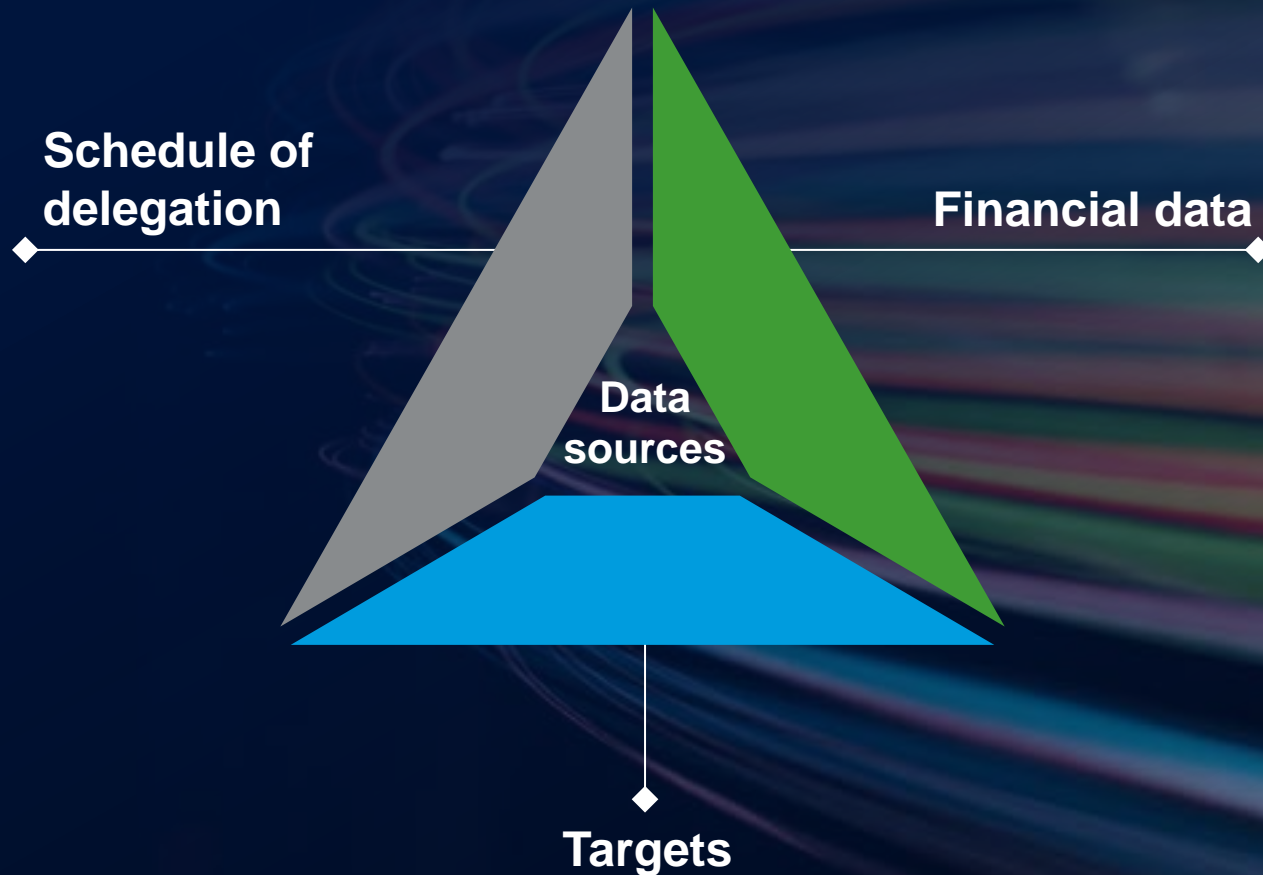


Entrepreneurial





## 2 Direction



Policy development



Accounting and budgeting



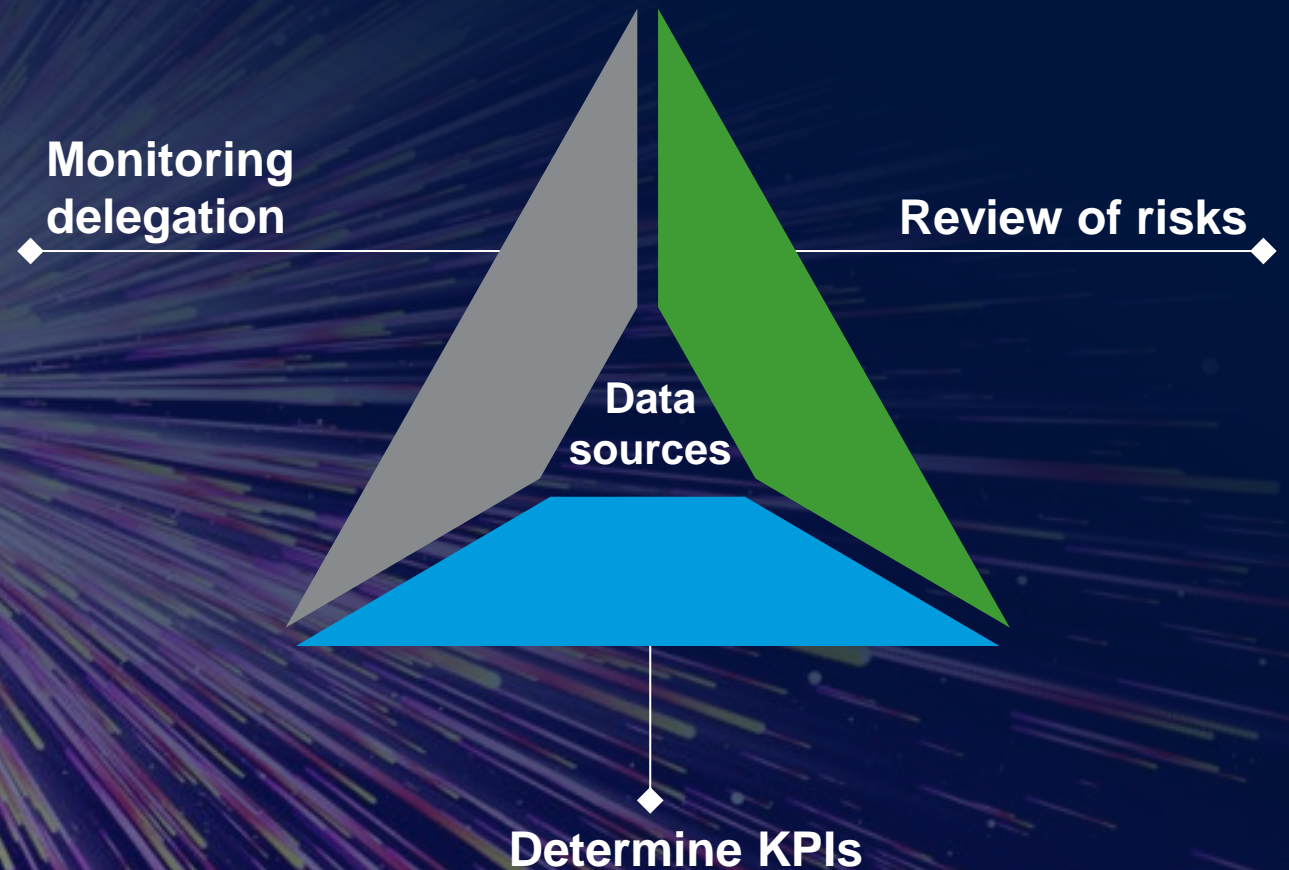
Trustee skills

# 3 Delegation

 **Scheme of delegation**

 **More formal communications**

 **Motivated volunteers and staff**





# 4 Coordination



**Centralised back office**



**Connection to front line**



**Trustees, staff and volunteers well connected**



# 5 Collaboration



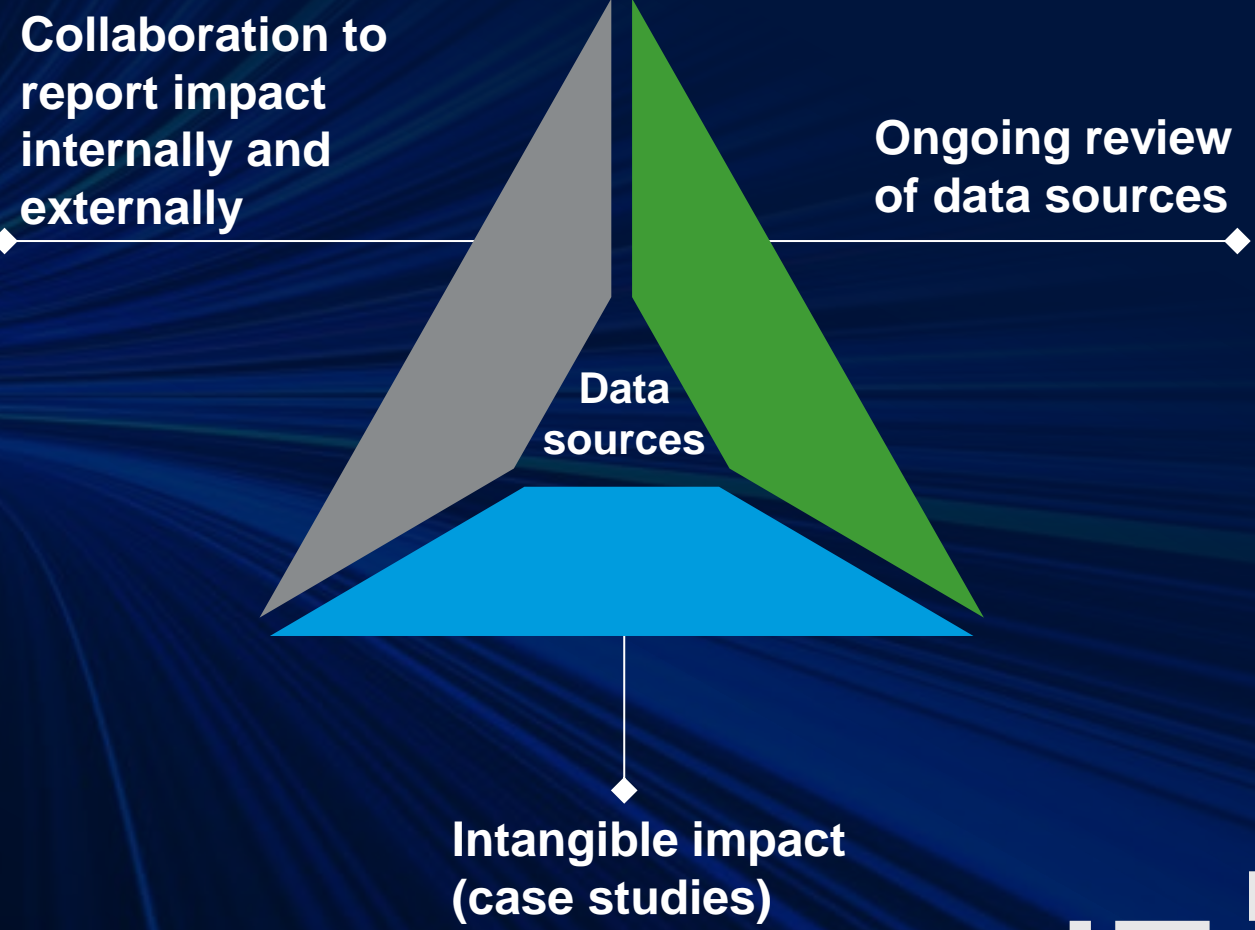
External partnerships



Education



Innovation





# Charity trustee insights hub

Explore our new charity trustee insights hub which provides guidance specifically tailored for charity trustees, addressing key challenges and developments within the charity sector.

Our hub will provide regular insights to charity trustees, helping to understand responsibilities and take appropriate steps to ensure proper governance, particularly during times of change and financial constraints.



[Discover our hub](#)



# Contact



**Nick Sladden**

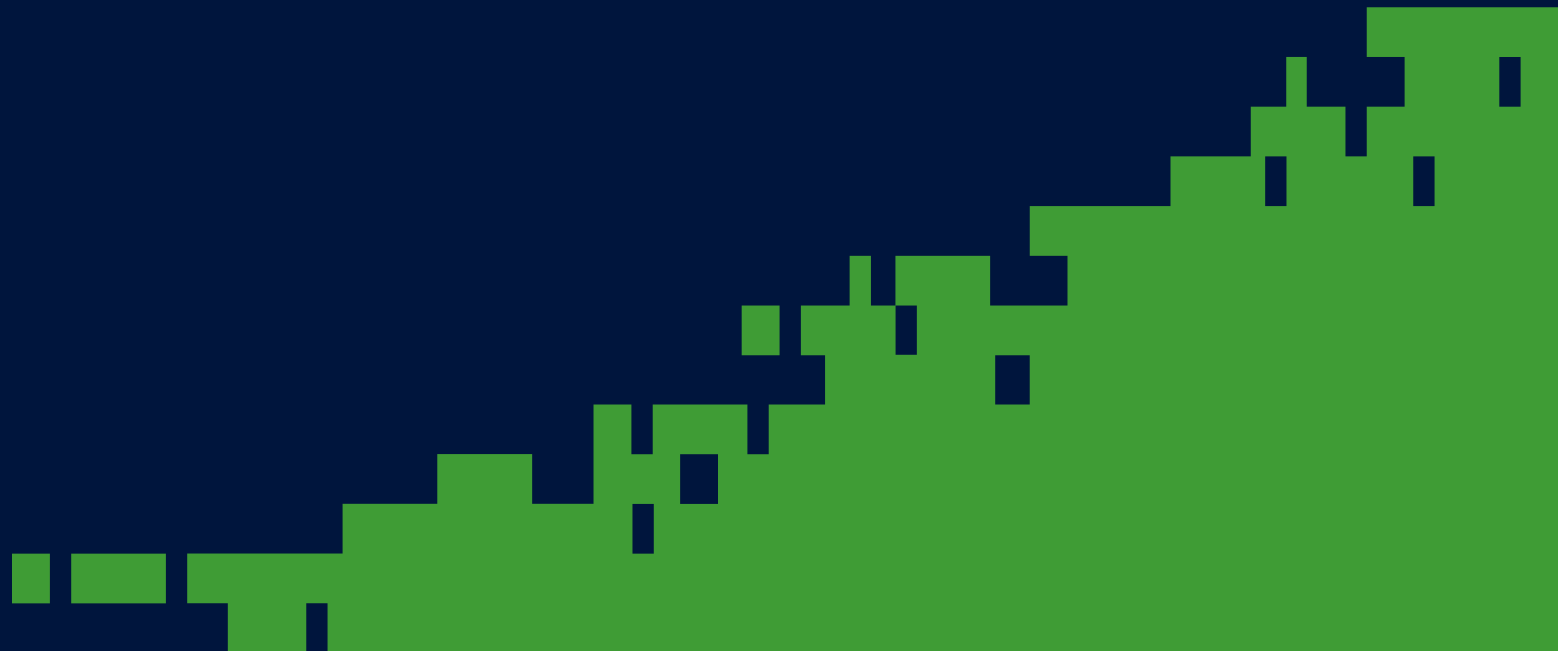
Partner, Head of Charities

[nick.sladden@rsmuk.com](mailto:nick.sladden@rsmuk.com)

Scan and  
connect with  
me on  
LinkedIn



Thank you



**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING



### **RSM UK Audit LLP**

25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom  
T +44 (0)20 3201 8000  
rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM UK Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2024 RSM UK Group LLP, all rights reserved