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Feast and Famine





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What a difference a year makes

- Trustees responsibilities
- Reserves
- Strategy
- Stakeholder and funder messaging
- Principles of good financial governance

The essential trustee

- Trustees' duties at a glance
- Must be eligible
- Ensure your charity is carrying out its purposes for the public benefit
- Comply with your charity's governing document and the law
- Act in your charity's best interest
- **Manage your charity's resources responsibly**
- Act with reasonable care and skill
- Ensure your charity is accountable



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Financial oversight

- “A charity can only succeed in meeting its aims if it manages its money properly”

(CC25: Managing charity assets and resources)

Case study: MND Association

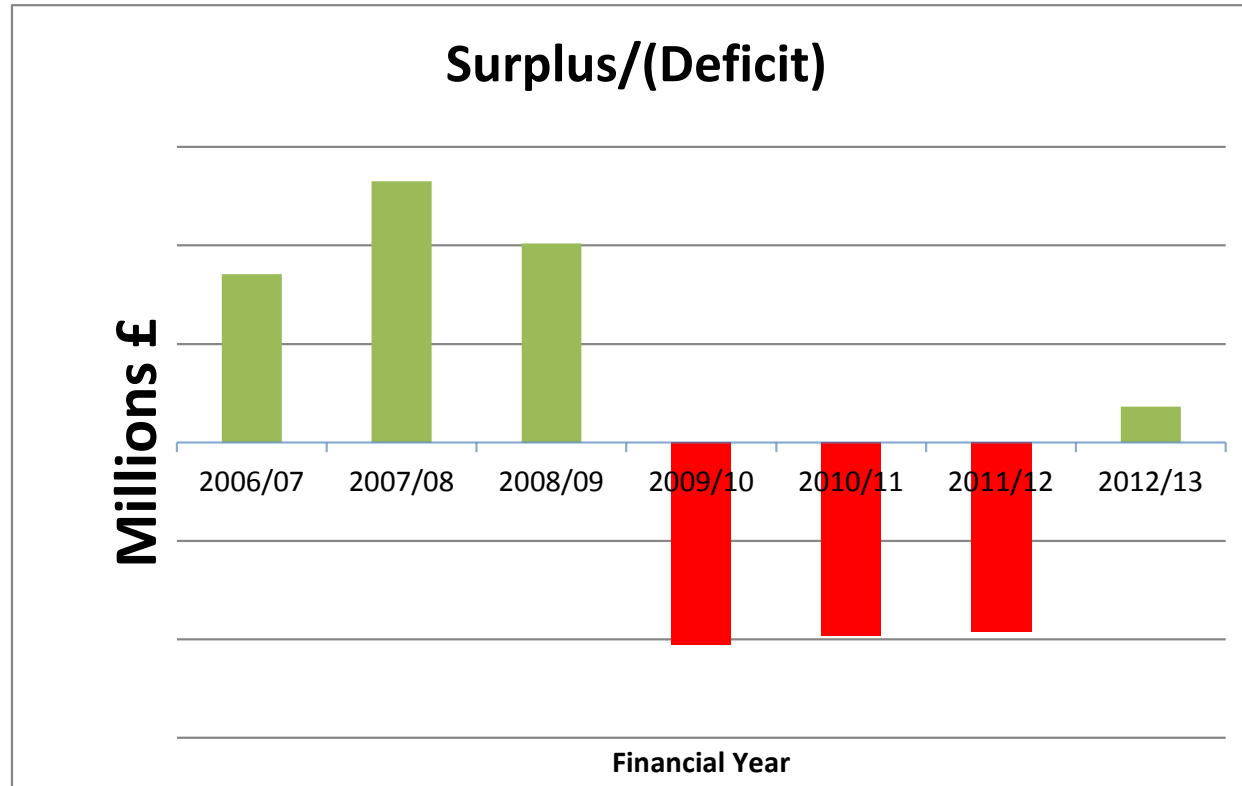


- The Motor Neurone Disease Association is the only national charity in England, Wales and Northern Ireland focused on MND care, research and campaigning.
- A membership organisation with over 9,000 members forming a powerful national and local network that provides information and support alongside fighting for improved services.
- The Association has over 7,000 active volunteers in England, Wales and Northern Ireland and around 180 paid staff. All dedicated to improving the lives of people affected by MND, now and in the future.
- **How we make a difference** - We will do all that we can to enable everybody living with MND to receive the best care, achieve the highest possible quality of life and to die with dignity.



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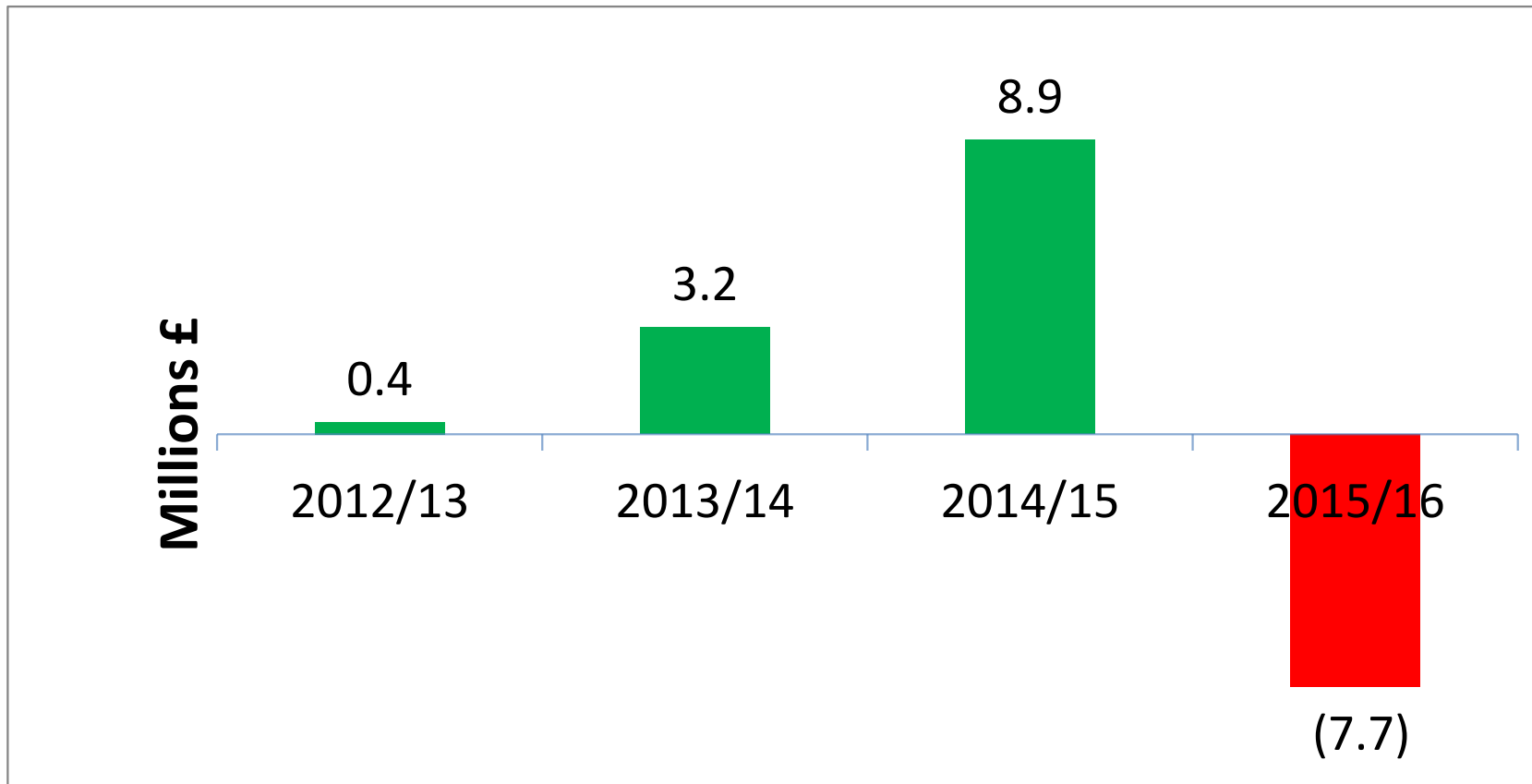
Volatility and Uncertainty



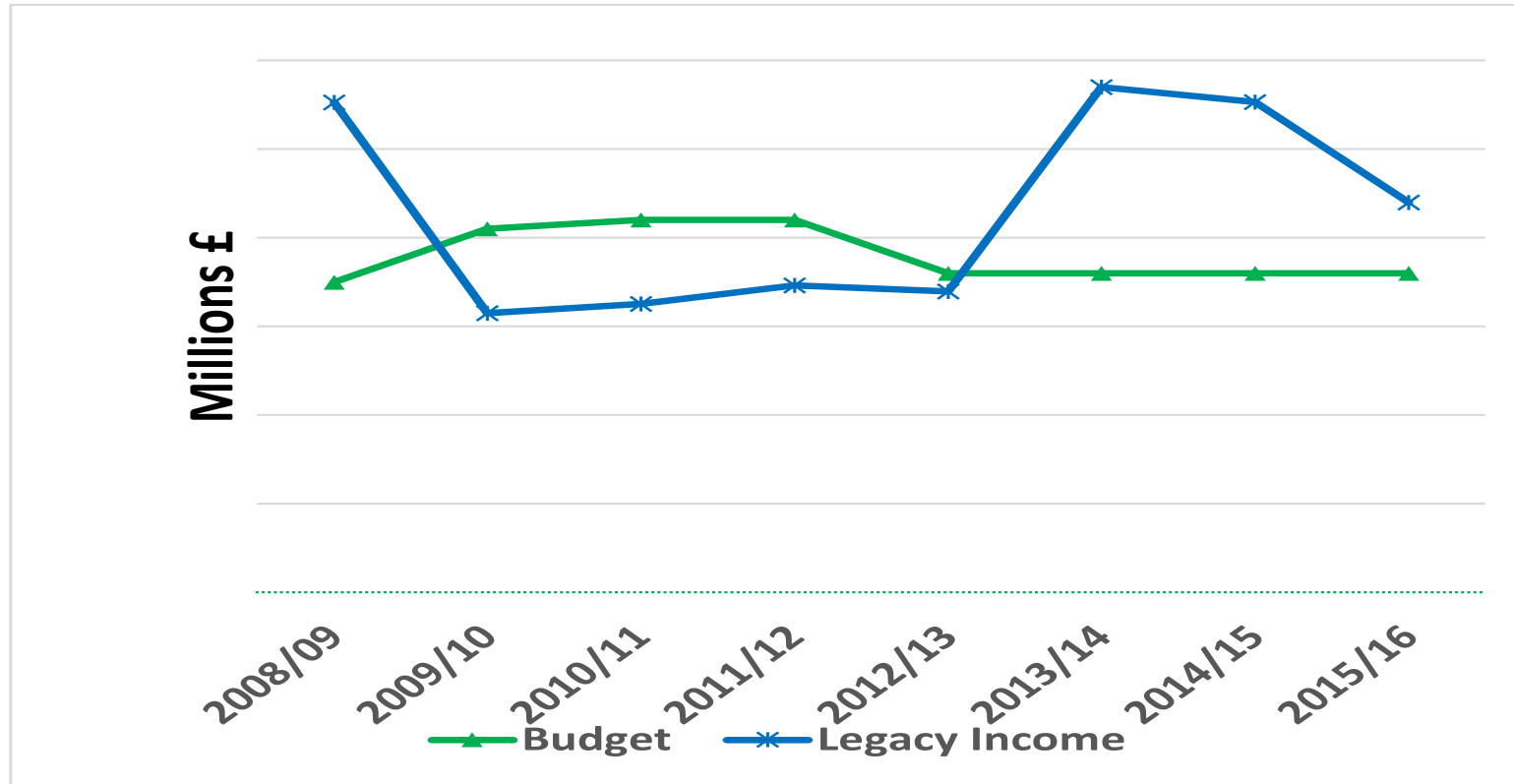
And then our world changed!



Legacies and Social Media impact



Legacy unpredictability



Managing reserves

Trustees should:

- develop a reserves policy that: fully justifies and clearly explains keeping or not keeping reserves
- identifies and plans for the maintenance of essential services for beneficiaries
- reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts
- helps to address the risks of unplanned closure on their beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers
- make sure that their reserves policy is put in place and operated
- regularly monitor and review the effectiveness of the policy in the light of the changing funding and financial climate and other risks

What are reserves?

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets such as land, buildings and other assets held for the charity's use. It also excludes amounts designated for essential future spending.



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Balancing Cash and Reserves

Cash & Investments

+

Debtors

(mainly money expected from
legacies usually < 1 year)

Less

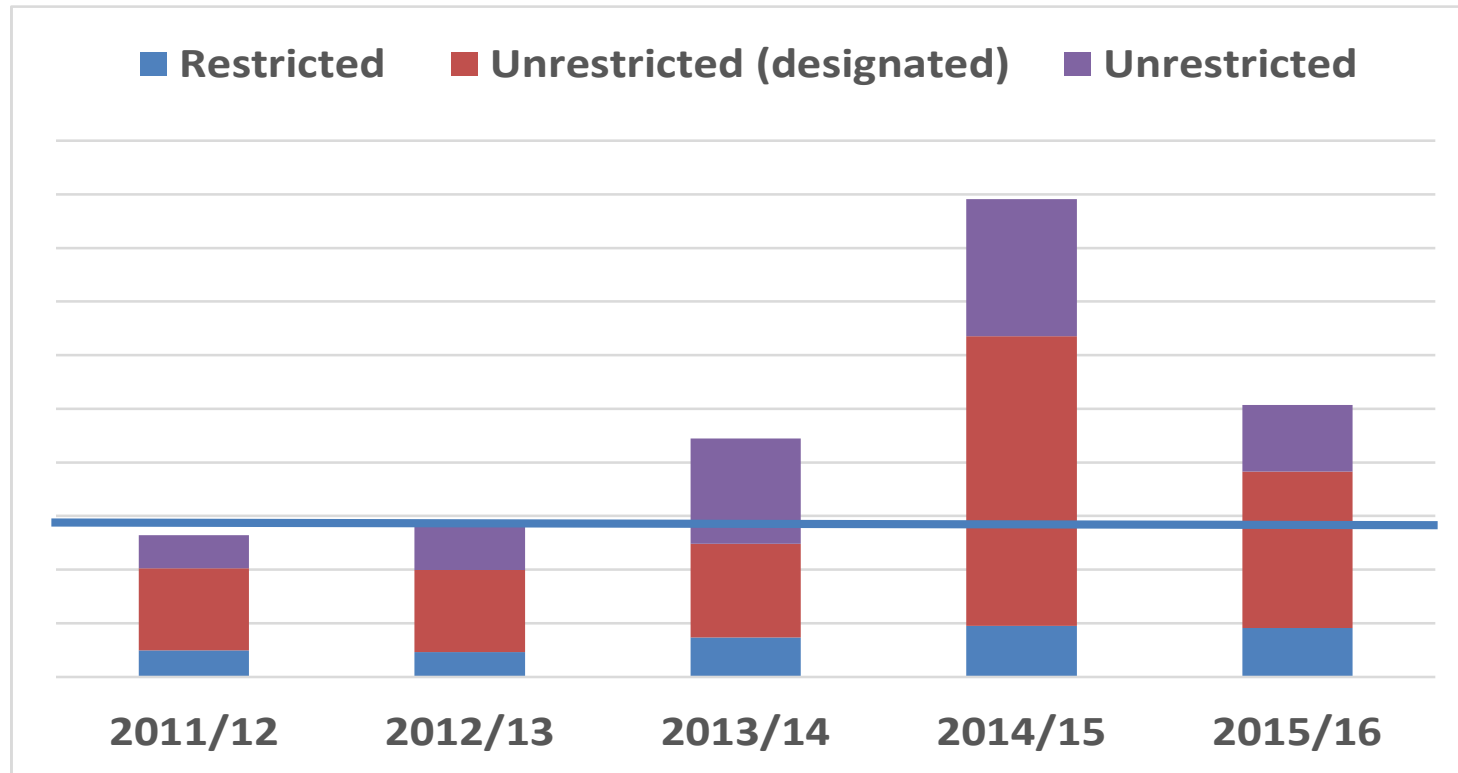
Creditors

(e.g. research projects over 1-5 years)

=

Reserves

Impact on our reserves



Why is a reserves policy important?

A reserves policy explains to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount of reserves. A good reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and its overall resilience.

Deciding the level of reserves that a charity needs

- An important part of financial management and forward financial planning. Failure to do this may result in reserves levels which are either:
 - higher than necessary and may tie up money unnecessarily. Holding excessive reserves can unnecessarily limit the amount spent on charitable activities and the potential benefits a charity can provide
 - too low, increasing the risk to the charity's ability to carry on its activities in future in the event of financial difficulties, and increasing the risks of unplanned and unmanaged closure and insolvency



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Building strategy around spikes in income

Consider:

- One-off expenditure versus contractual obligations
- Future needs of the charity and its beneficiaries
- Stakeholder and funder expectations

Helping trustees make decisions

- The Charity Commission issued *CC27: It's your decision: charity trustees and decision making* in May 2013. The guidance provides the principles of trustee decision making and it is the expectation of the Charity Commission that trustees must be able to show how they have followed these principles.



December 2016

| Income and expenditure | | | | |
|----------------------------|-----------------------|-----------------------|----------------------|------------------------|
| | Budget for Month £ | Actual for month £ | Budget for year £ | Forecast for year £ |
| Fundraising income | 2,500,000 | 2,635,000 | 7,500,000 | 7,995,000 |
| Other income | 125,000 | 140,000 | 375,000 | 372,000 |
| Total income | 2,675,000 | 2,775,000 | 7,875,000 | 8,367,000 |
| Staff costs | (2,000,000) | (1,995,000) | (6,000,000) | (5,972,000) |
| Other costs | (600,000) | (675,000) | (1,800,000) | (1,955,000) |
| Total expenditure | (2,600,000) | (2,670,000) | (7,800,000) | (7,927,000) |
| Surplus / (deficit) | 75,000 | 105,000 | 275,000 | 440,000 |

KPI



KPI



KPI



And for MND Association?

The key information for Trustees:

- Income & expenditure :
 - YTD performance versus budget
 - Forecast for the year versus budget for the year
- Reserves
 - Current level of reserves
 - Level of restrictions and designations
- Key performance indicators
- Considerations for the next financial years budget



An illustration

| Income and expenditure | | | | |
|----------------------------|---------------------|---------------------|----------------------|------------------------|
| | Budget to date £ | Actual to date £ | Budget for year £ | Forecast for year £ |
| Donations | | | | |
| Legacies | | | | |
| Grants / Trusts | | | | |
| Other | | | | |
| Total income | | | | |
| Staff costs | | | | |
| Research grants | | | | |
| Other costs | | | | |
| Total expenditure | | | | |
| Surplus / (deficit) | | | | |

| Key performance indicators | | | |
|--|--------------|--------|------------|
| | Current year | Budget | Prior year |
| % of income restricted | | | |
| Proportion of spend on core activities | | | |
| Fundraising ratio | | | |
| Reserves cover | | | |
| Restricted reserves as % of total reserves | | | |

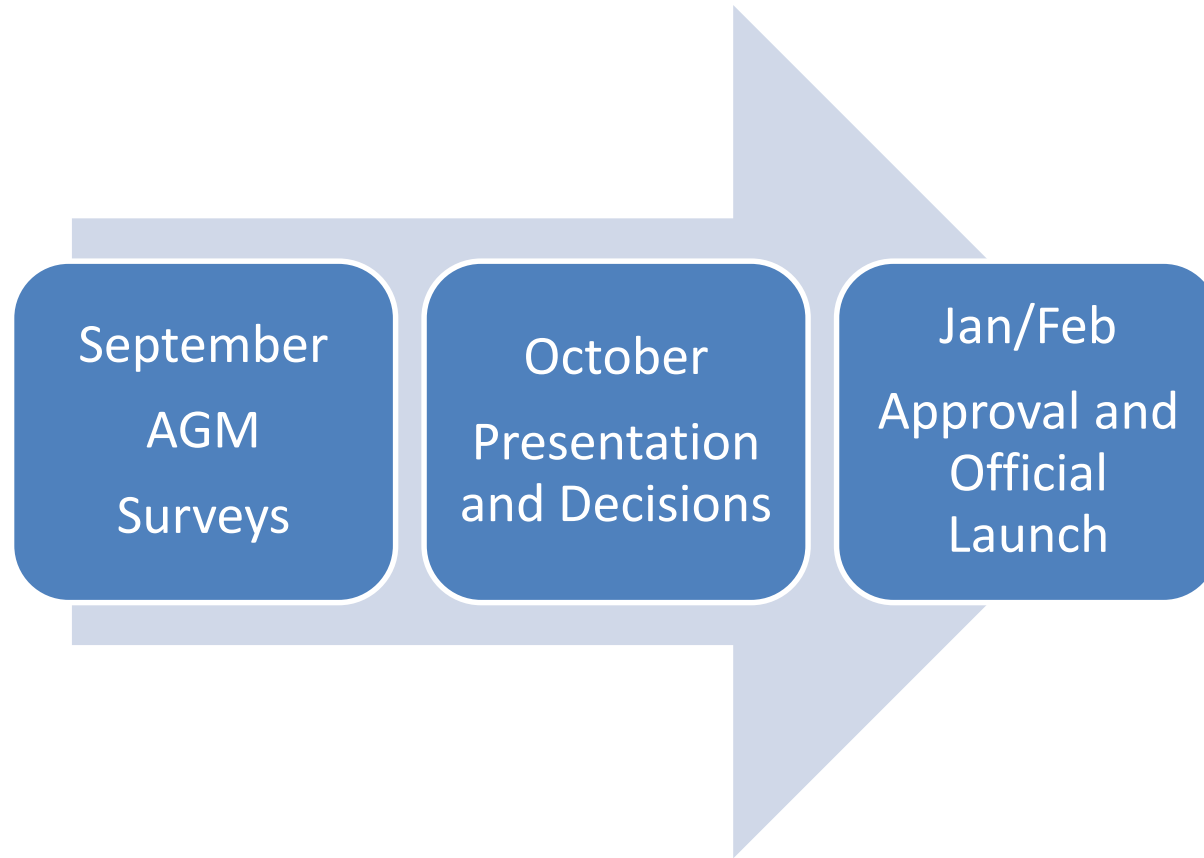
| Reserves | | |
|---------------------|---|-----------------|
| Fund | Balance of reserves | Action required |
| Unrestricted | | |
| Designated | Research | |
| | Care | |
| | Campaigning and raising awareness | |
| | Engagement of volunteers and to fund emerging new opportunities | |
| Restricted | Research | |
| | Care | |
| | Volunteering | |
| | Branches | |

| Budget considerations for 2017 | | |
|--------------------------------|--|--------|
| Area / key priority | Current year performance and future priority | Action |
| Legacies | | |
| Fundraising | | |
| Research | | |
| Care Centres | | |
| | | |
| | | |



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How Trustees reviewed strategy and spend?



Charity Commission guidance: governance, finance and resilience

15 questions trustees should ask

- 1 of 15: What effect is the current economic climate having on our charity and its activities?
- 2 of 15: Are we financially strong enough to continue to provide services for our beneficiaries?
- 3 of 15: Do we know what impact the social and/or economic climate is having on our donors and support for our charity?
- 4 of 15: What is our policy on reserves?
- 6 of 15: Have we reviewed our contractual commitments?

Key messages to take away

Can you answer the 15 questions?

Are we financially strong enough to continue to provide services for our beneficiaries?

Have we reviewed any contracts to deliver public services?

Do we have adequate safeguards in place to prevent fraud?

What is our policy on reserves?

Are we an effective trustee body?

Are we making the best use we can of our property?

Have we reviewed our contractual commitments?

Do we know what impact the social and/or economic climate is having on our donors and support for our charity?

Are we making the best use of the financial benefits we have as a charity?

If we have a pension scheme, have we reviewed it recently?

How can we make best use of any permanent endowment investments we hold?

Have we considered collaborating with other charities?

What effect is the current economic climate having on our charity and its activities?

Are we making the best use of our staff and volunteers?

Are we satisfied with our banking arrangements and our current and future investment policy?

15 questions trustees should ask

CHARITY COMMISSION FOR ENGLAND AND WALES

What next for MNDA?



Fundraising strategy under development



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Thank you!

Questions?

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