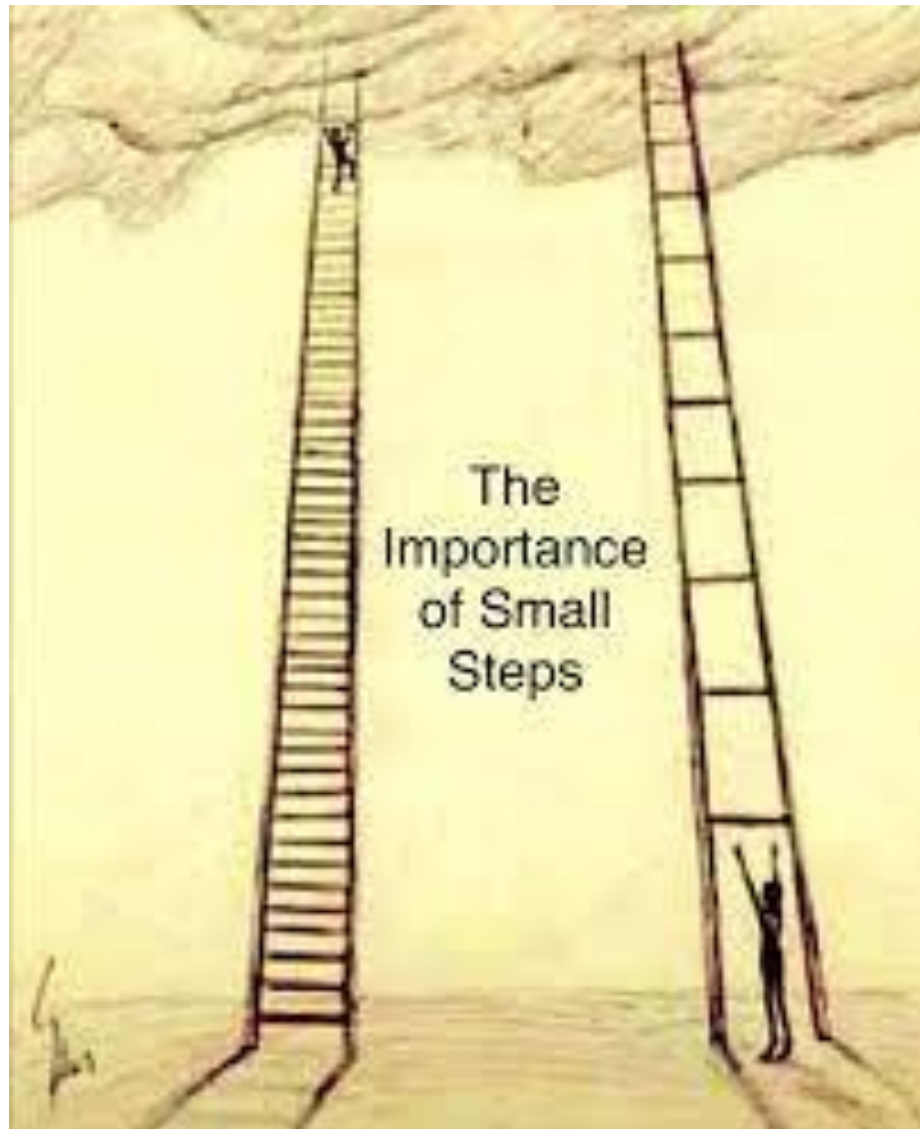




Tips and tools to assess and build financial sustainability

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23 September 2021





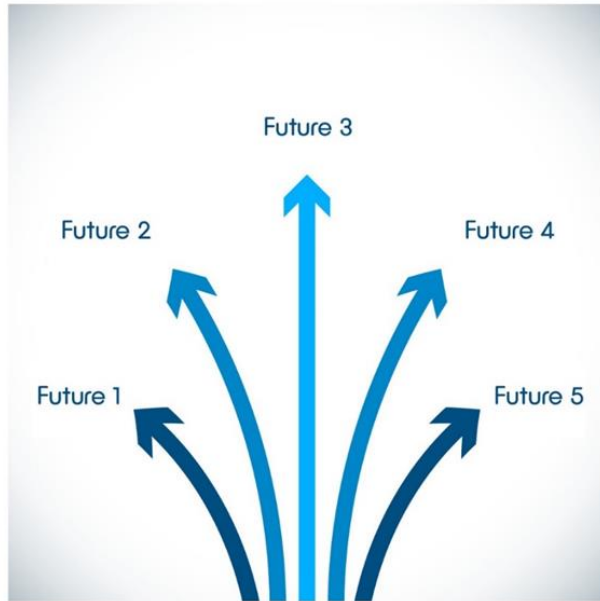
What's expected?

“The board leads the development of, and agrees, a strategy that aims to achieve the organisation’s charitable purposes and is clear about the desired outputs, outcomes and impacts”

“The board regularly reviews the sustainability of its income sources and business models and their impact on achieving charitable purposes in the short, medium and longer term”

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

Source: Charity Governance Code
Principle 1 Organisational purpose



Best mitigations

=

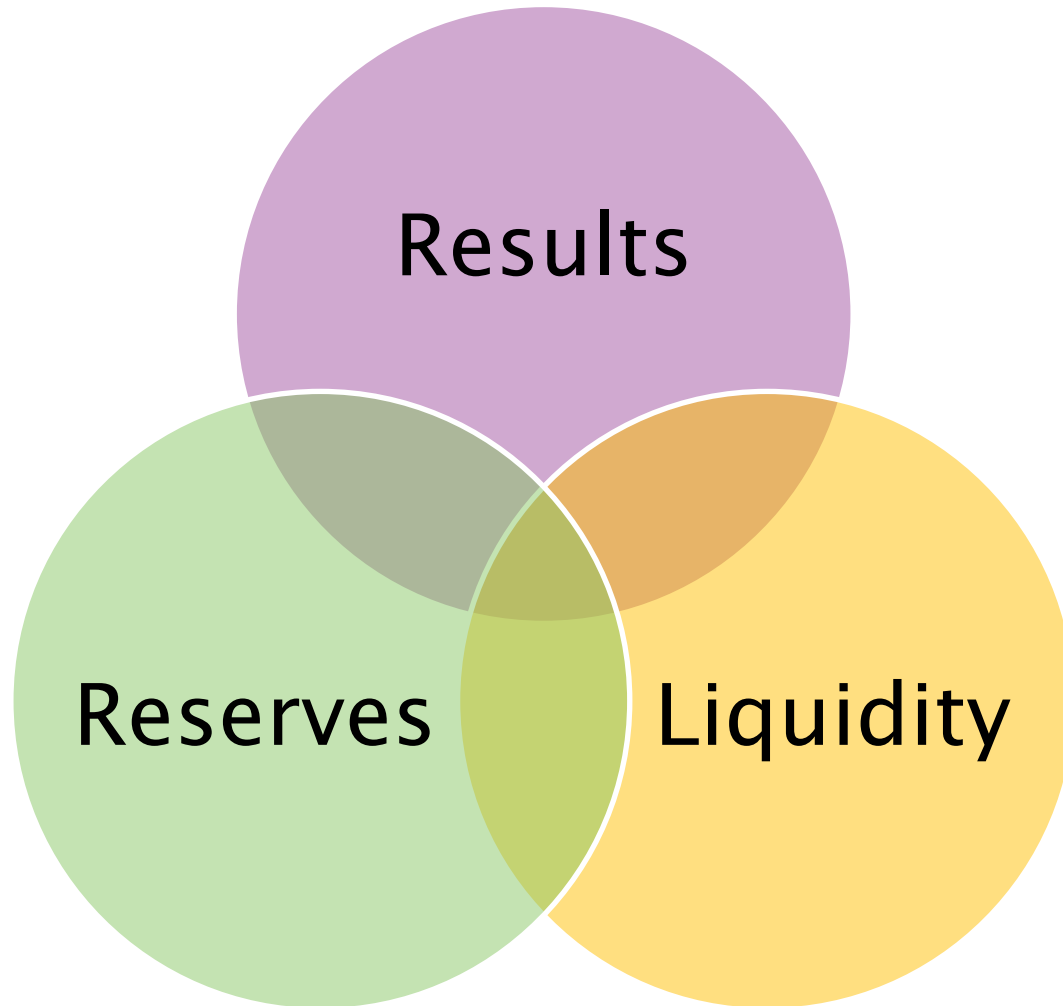
Structure + Tools +
Ideas + Time + Culture

What provides the structure?

- Annual budget
- Cashflow forecasting
- Longer term financial plan



Your financial health



The short term view – liquidity management



1. Prioritise
2. Cash preservation
3. Cashflow management



Strategies to help in the medium and longer term

1. Income
2. Costs
3. Activities – stop, remodel, do more, fill the gaps?
4. Working capital/borrowing
5. Ponder the collaboration continuum
6. Use reserves
7. Reinvention
8. Wind up



Strategy 1: Income

- Where are you now? Where do you need to be?
 - Income – how diverse are our income streams?
 - Income – how much security/certainty do we have?
 - Income – where could you be generating more?
- What actions are needed to close the gap?



Strategy 1: Income

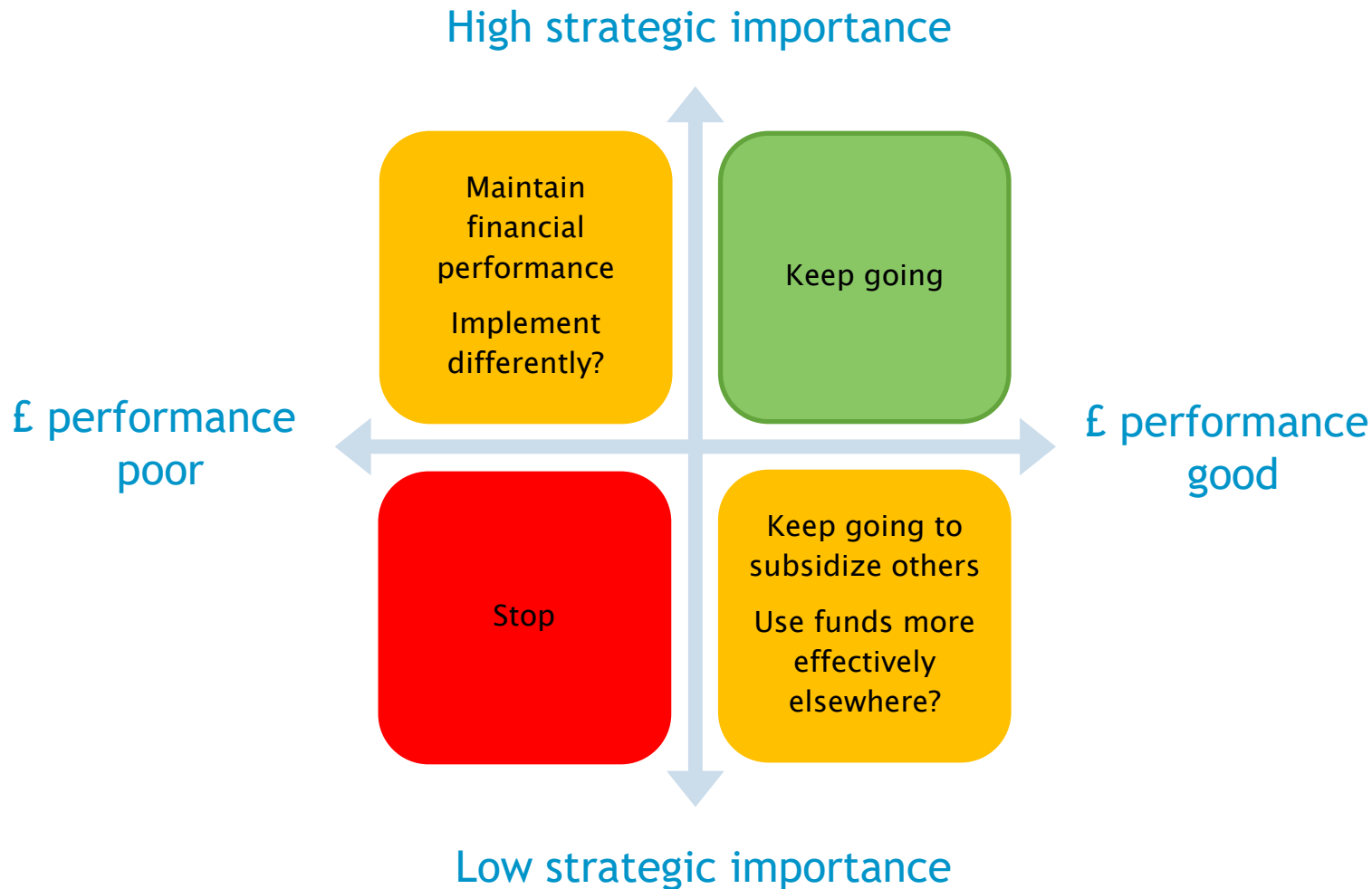
- Can you use any assets or skills to generate income?
- Can you repackage core costs as a fundable service?
- Are you charging fees or can you increase fees?
- Could you be “leaving money on the table”?
What could you do?
- Local business, community foundations?
- Who you wouldn't accept funds from



Strategy 2: Costs

- Full cost recovery
- Considered cost cutting
- Shared staff
- Outsourcing
- Approach to purchasing
 - Last minute, discounts – payments and bulk, purchasing group, procurement procedures, approved suppliers, reduce/reuse/recycle
- Pro bono help from your board contacts
- Restructure

Strategy 3 – How do your activities perform?



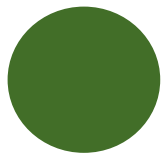


Strategy 4: Working capital/borrowing

- Proactive management of receipts and payments
- Overdraft facility
- Leveraging borrowing on assets



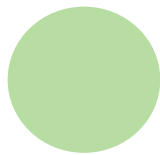
Strategy 5: Collaboration Continuum



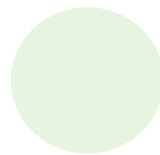
Knowing who is in your space – the gaps and the overlaps



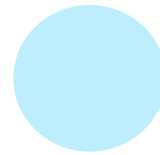
Joint committee or info sharing



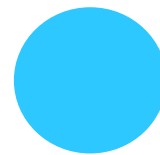
Shared staff or sharing back office services



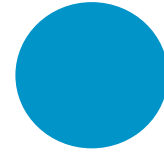
Working jointly on a project



Formalised collaboration through Joint venture company



Part of a group structure



Full merger





Benefits include:

- New or improved services
- Access to funding
- Improved services for beneficiaries
- Cost savings
- Knowledge, good practice and information sharing
- Sharing the risk in new and untested projects
- Capacity to replicate success
- Stronger, united voice
- Better co-ordination of organisations' activities
- Competitive advantage
- Mutual support between organisations



Risks include:

- Outcomes do not justify the time and resources invested
- Loss of flexibility in working practices
- Complexity in decision-making and loss of autonomy
- Diverting energy and resources away from core
- Funder/donor loss
- Taking on a damaged business model
- Damage to or dilution of your brand and reputation
- Damage to organisation and waste of resources if collaboration is unsuccessful
- Lack of awareness of legal obligations
- Loss of staff & institutional memory
- Additional costs/liabilities if partner fails
- Stakeholder confusion



- What will success look like?
- Don't underestimate the process
- Identify stakeholders, their issues and your approach
- Requires investment of time and £
- Doesn't finish when you reach agreement/merge



Strategy 6: reserves

Finance for expansion and new projects

Provisions for known liabilities
e.g. dilapidations

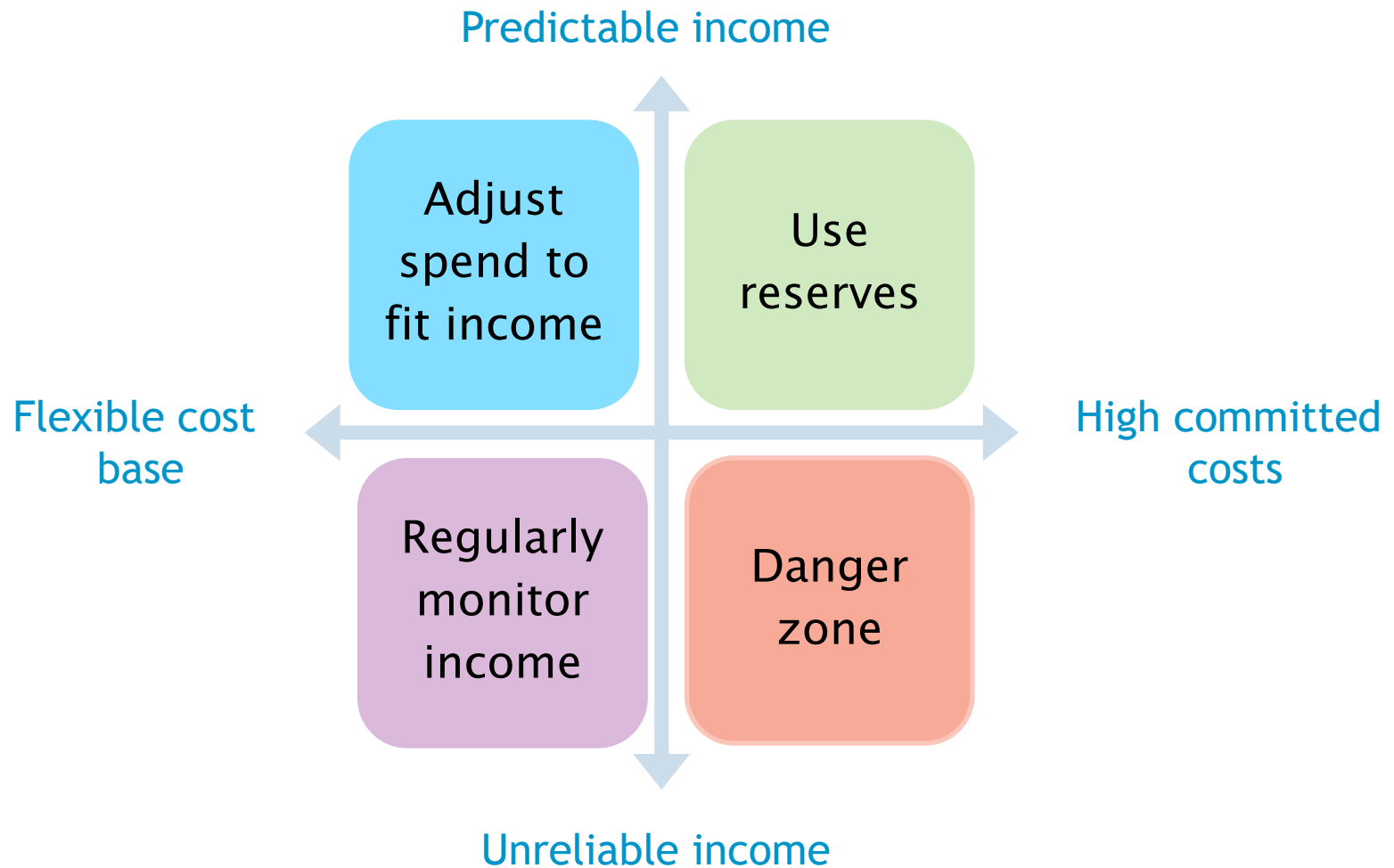
Continuity of charitable activity
– fluctuation in income

Working capital – cashflow
profile

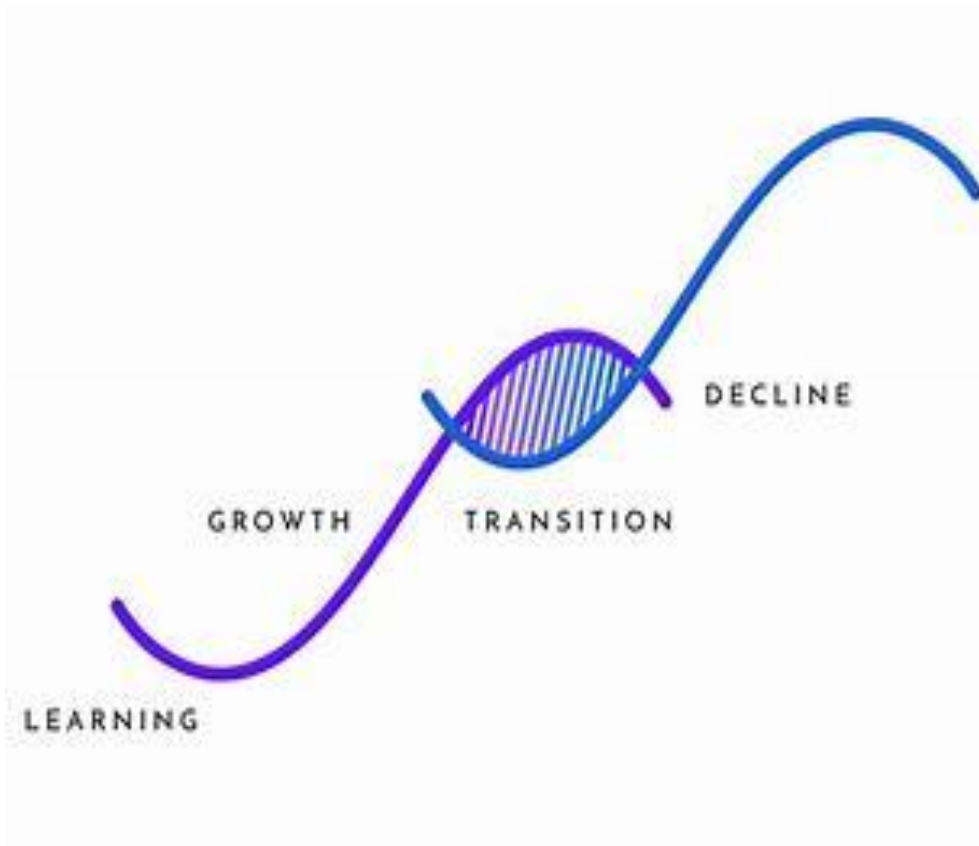
Designated
funds

Free
reserves

How risky is your business model?



Strategy 7: Reinvention



“It’s hard to force change late in the day”

“Structured thinking, with clear heads and in adequate time, well before you get to the edge of the cliff”



Strategy 8: Wind up

- Delivery running behind spend
- Income pipeline – dries up/long lead time
- Liquidity/Balance sheet position – deteriorating net current assets
- Reserves – unplanned drop in unrestricted funds

Definition of insolvency

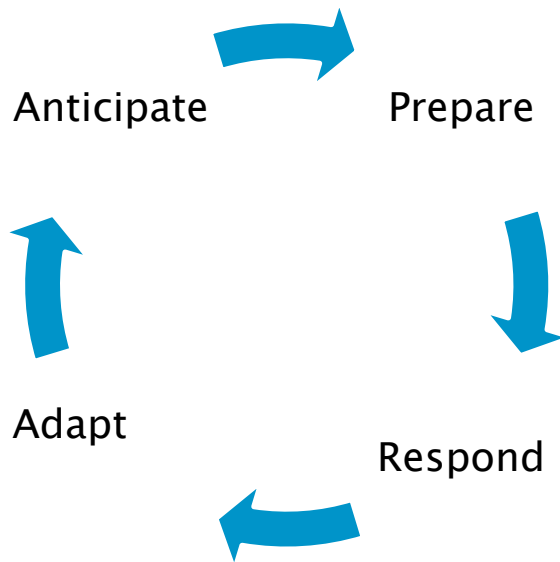
- Unable to pay debts as they fall due – cashflow test
- Liabilities exceed assets – balance sheet test



Strategy 8: Wind up

- Can we turn this around?
- What are the risks?
- What are our wind up costs?
What are key notice dates?
- Contingent liabilities?
- When will we run out of cash?
- Can to go back to funders?
- How long would it take?
- How long have we got?

The 'how' now? – sustainability

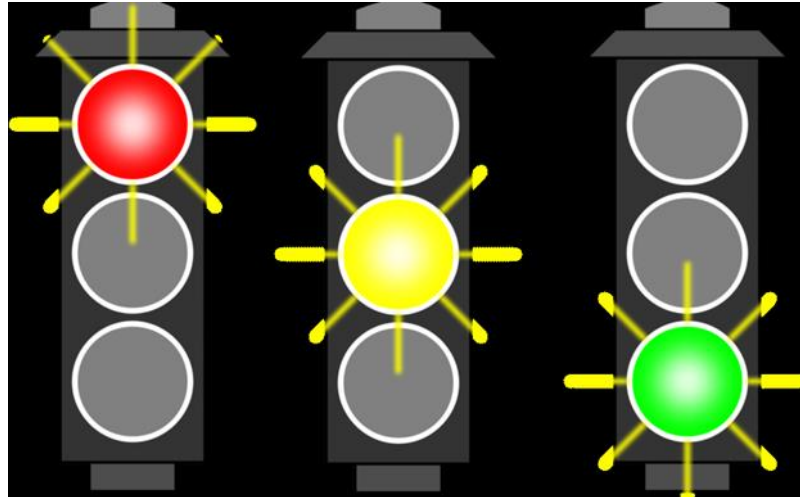


Source: Organisational resilience: Cranfield University

- Do you already have the basic structure?
 - Annual budget
 - Cashflow forecasting
 - Longer term financial plan
- How's your culture?
- Create time and space
- What information do you need
- Frequency of discussions, meetings and communications
- What are others doing
- Look for feedback
- Consider skills and capacity in the organisation

Self appraisal

- What do you know about what happens at your charity?
- What might be priorities for you?





Finally – what should we ask?

These questions may help with next steps:

- What are you going to do?
- When are you going to do it (be specific)?
- What might stop you from doing it?
- How will you avoid that from happening?
- What support do you need?
- How will you make sure that you get it?
- What is the first step? Can you do it now?



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Questions?

