



Leading the way  
for charity finance

# Finance, Impact and Resilience in a volatile operating environment

Caron Bradshaw, Growth & Sector Solutions Lead, CFG



## **About the facilitator: Caron Bradshaw OBE Growth and Sector Solutions Lead (Former CEO) of Charity Finance**



**Trained as a Barrister but  
working with accountants  
for 30 years!**

**Not an accountant - but  
maybe honorary one?**

**Women of the Year 2020  
non-CCAB at Women in  
Finance and Accountancy  
Awards**

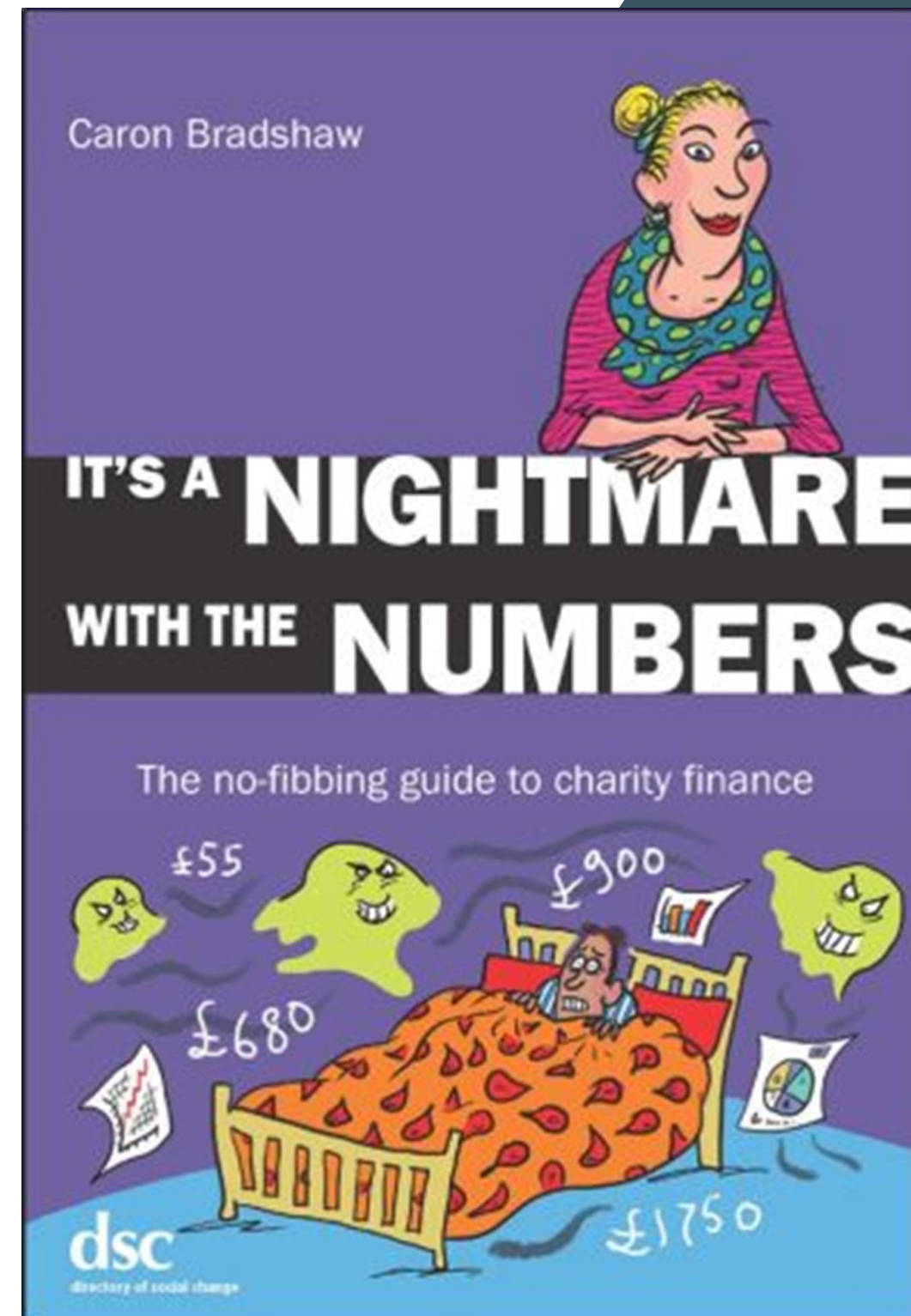
**Author of 'It's a nightmare  
with the numbers'**



## Quick plug

**It's a nightmare with the numbers, published by DSC**

[www.dsc.org.uk/publication/its-a-nightmare-with-the-numbers](http://www.dsc.org.uk/publication/its-a-nightmare-with-the-numbers)





## **Aims of today's workshop**

- Draw out hallmarks of stable and well-run orgs
- Explore decision making and understanding your business model
- Lay out some financial building blocks

**Whatever hat you wear!**



**What keeps you awake at night?**



## Who is in the room?

You are:

- From a CIC, Charity, Unincorporated association, company, other
- Here as a general trustee, finance trustee, finance staff, non-finance staff



## Before we get started

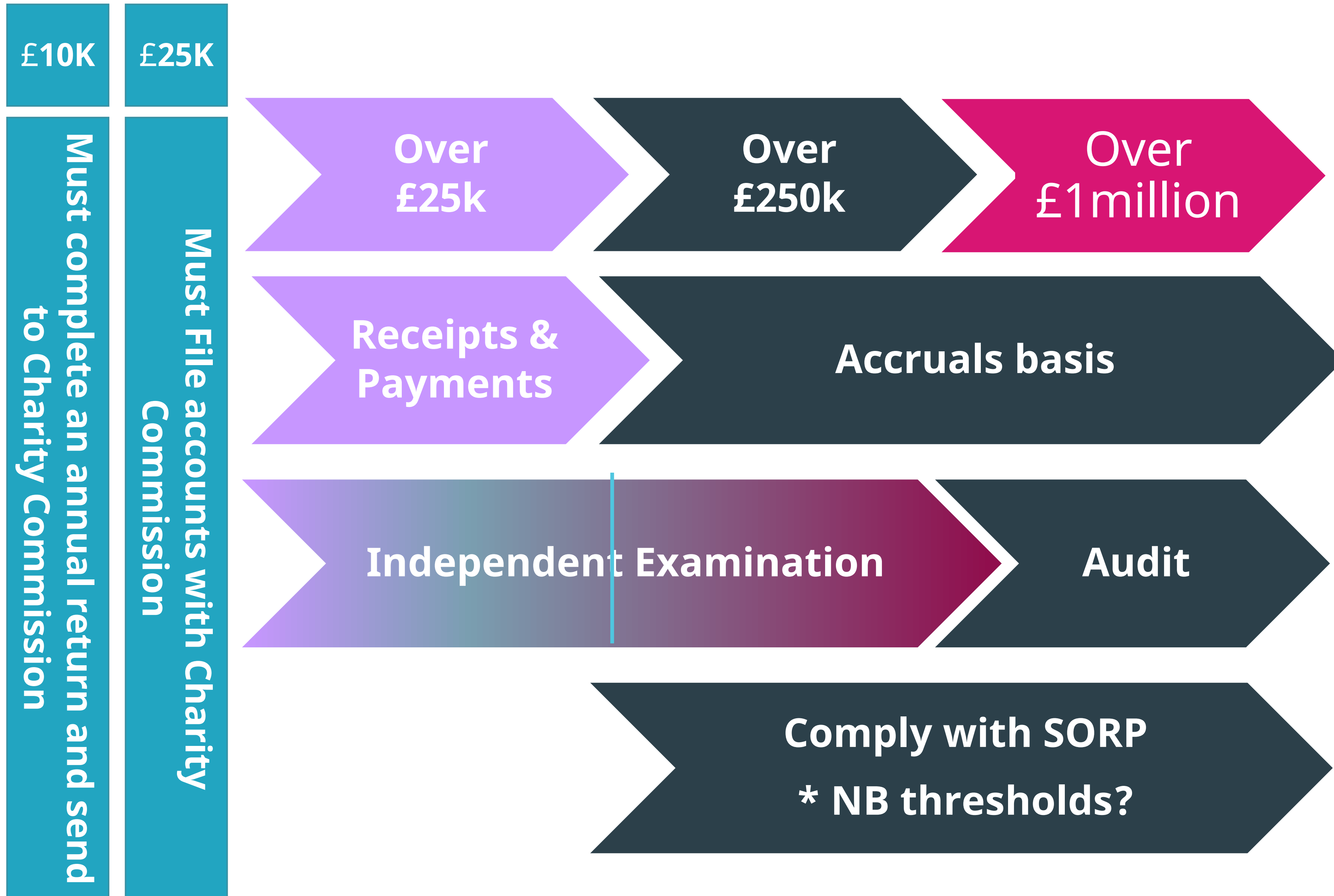
**Money is a means to an end not an end in itself**

**Accounting rules are designed with for profit in mind**

**SORP interprets accounting rules into a charity context**

**For other vehicles – for profit rules apply entirely**

# 'Simplified' thresholds - charities



# Overview – CICs

Category*	Turnover	Balance sheet total	Employees
Micro	≤ £1m	≤ £500k	≤ 10
Small	≤ £15m	≤ £7.5m	≤ 50
Medium	≤ £54m	≤ £27m	≤ 250
Large	Above medium	Above medium	> 250

**\*2 out of 3 criteria**

Aspect	Charities (SORP)	CICs
Framework	SORP (FRS 102 charity-specific)	UK GAAP + Companies Act
Regulator	Charity Commission	CIC Regulator + Companies House
Narrative reporting	Trustees' Annual Report (extensive)	CIC34 (targeted, lighter)
Public benefit test	Charity law	Community interest test
Tax	Often exempt	Usually taxable



## **Governance Hat financial duties at a glance**

**Objectives &  
business model,  
Conflicts of interest,  
Legal responsibilities,  
Financial reporting,  
Financial strategy,**

**Risk management,  
Agreeing financial  
policies,  
Appointing external  
scrutineer.**



## **Operational Hat financial duties at a glance**

**Produce budgets,  
Produce monthly  
management  
information,**

**Draft annual  
report/accounts for  
approval,  
Manage day-to-day**



**What makes for a 'well-run' organisation?**

**Pop in the chat**



## Hallmarks of stable and well-run orgs

**Clear on purpose**

**What difference?  
Demonstrable impact**

**Actions link to purpose**

**Directly & indirectly**

**Effective leadership**

**Culture  
Compliance  
Relationships & reputation**

**Clear business model**

**Decisions  
Risks/Ops**

# Charity Governance Code

Helpful structure for both  
governance and  
operation/executive



[www.charitygovernancecode.org](http://www.charitygovernancecode.org)



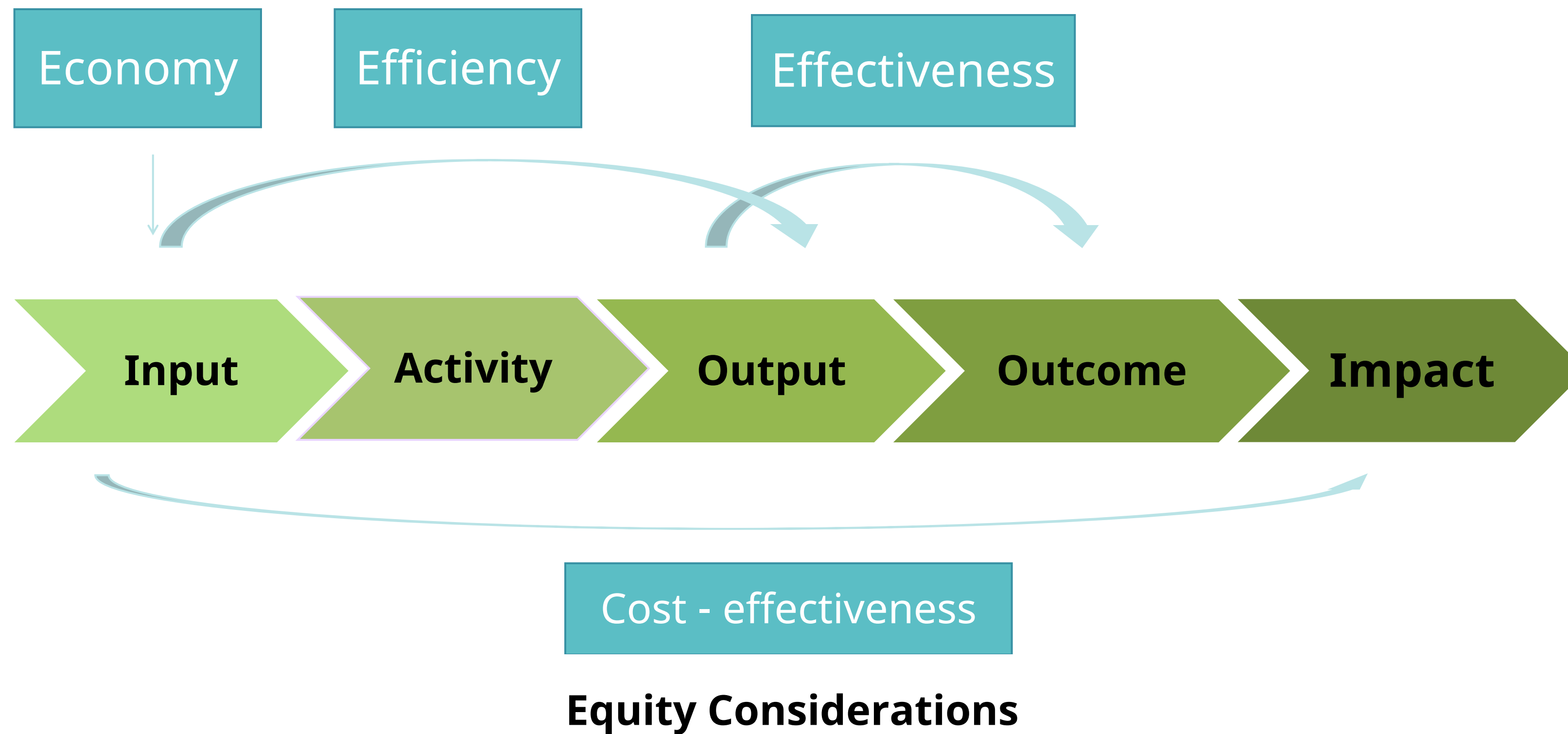
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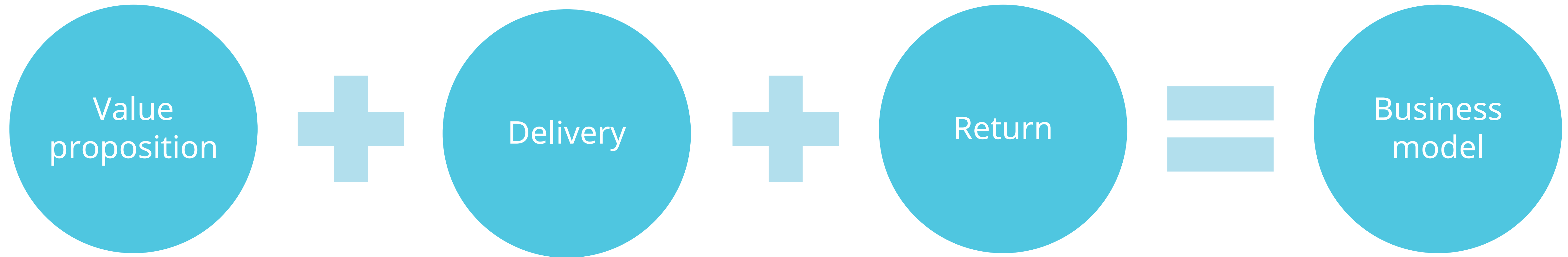


# Understanding the performance chain





# What is your business model?



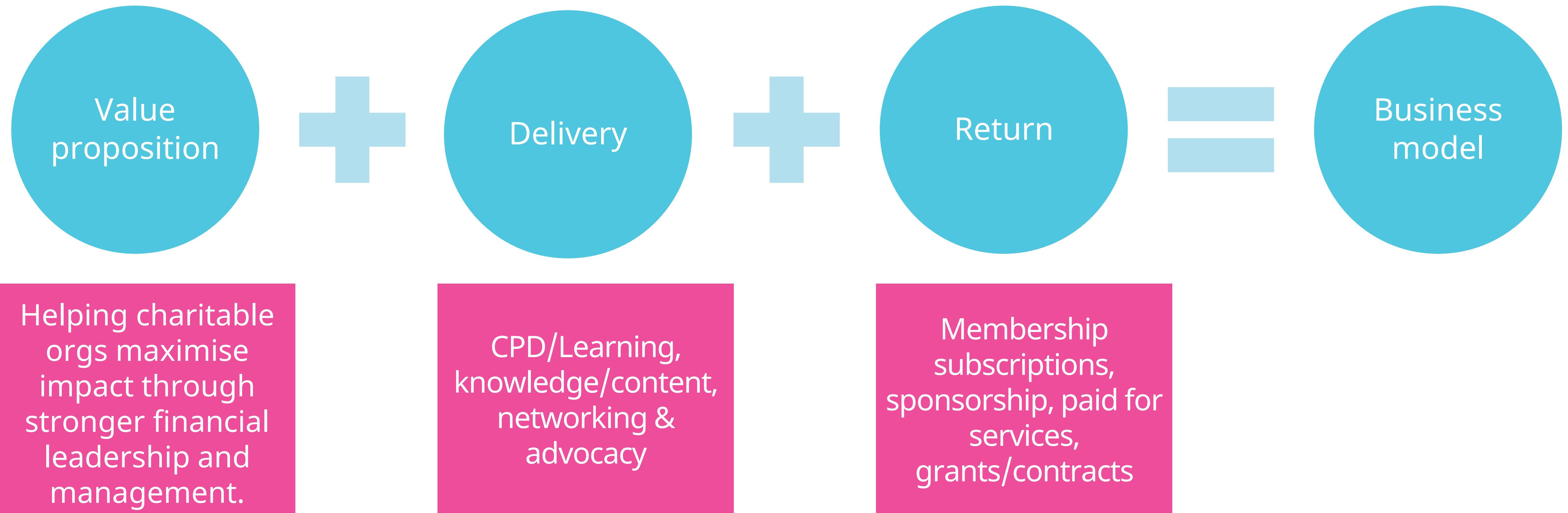
Who are you serving and what do you offer?

How you deliver to those you support

How does your value proposition and delivery create return to your business?



## Example CFG's business model?





**In small groups - 7 mins**

**Value proposition** – Who do you serve? What do you offer?

**Delivery** – How do you reach and support them?

**Return** – How does this generate income / sustainability?





## Loo and Brew Time?





**How do you make decisions  
(at all levels)?**

**Do the staff and board have a  
framework?**





# Risky business

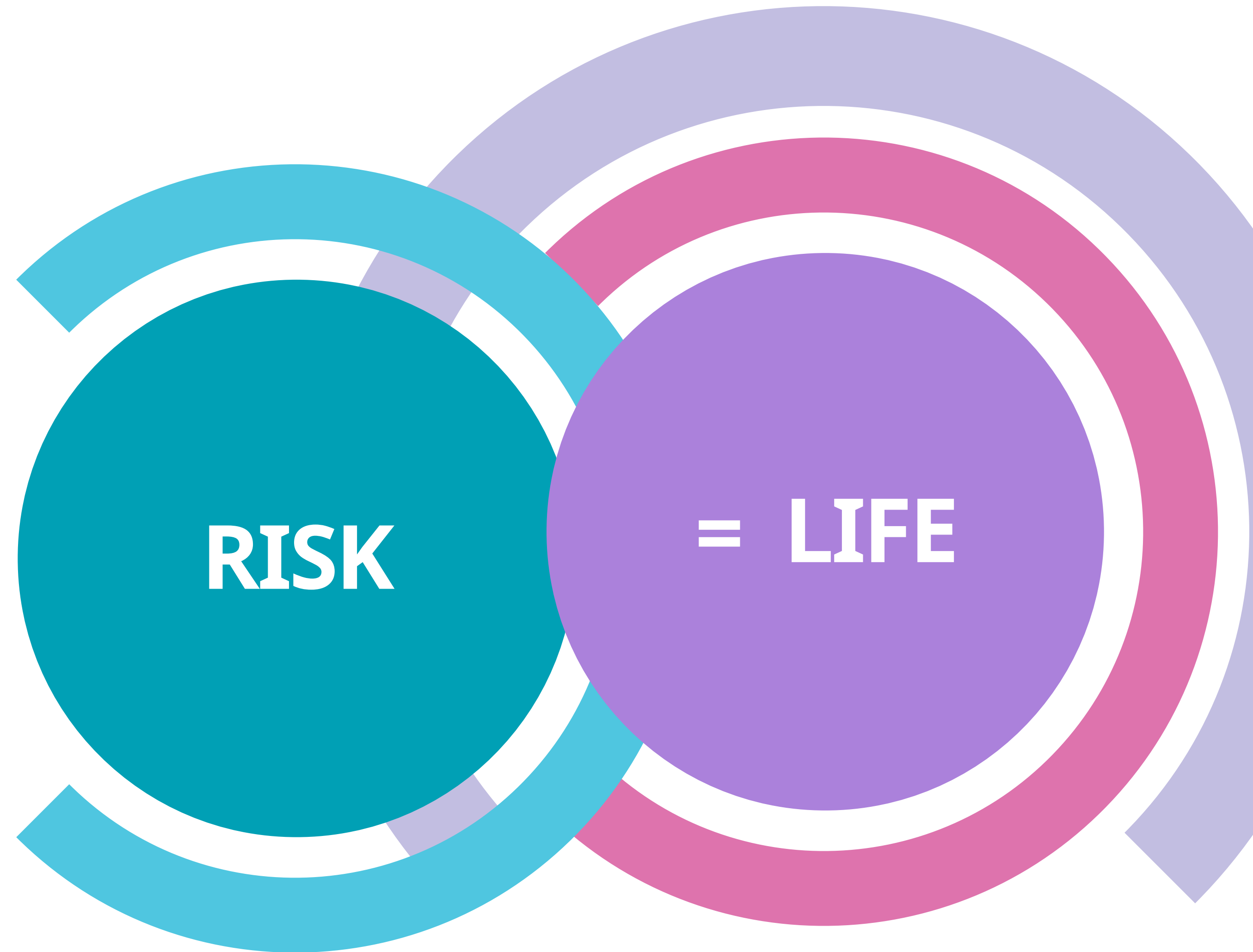
Terminology and common risk management tools

Compliance requirements for risk management

Making risk management work in your org

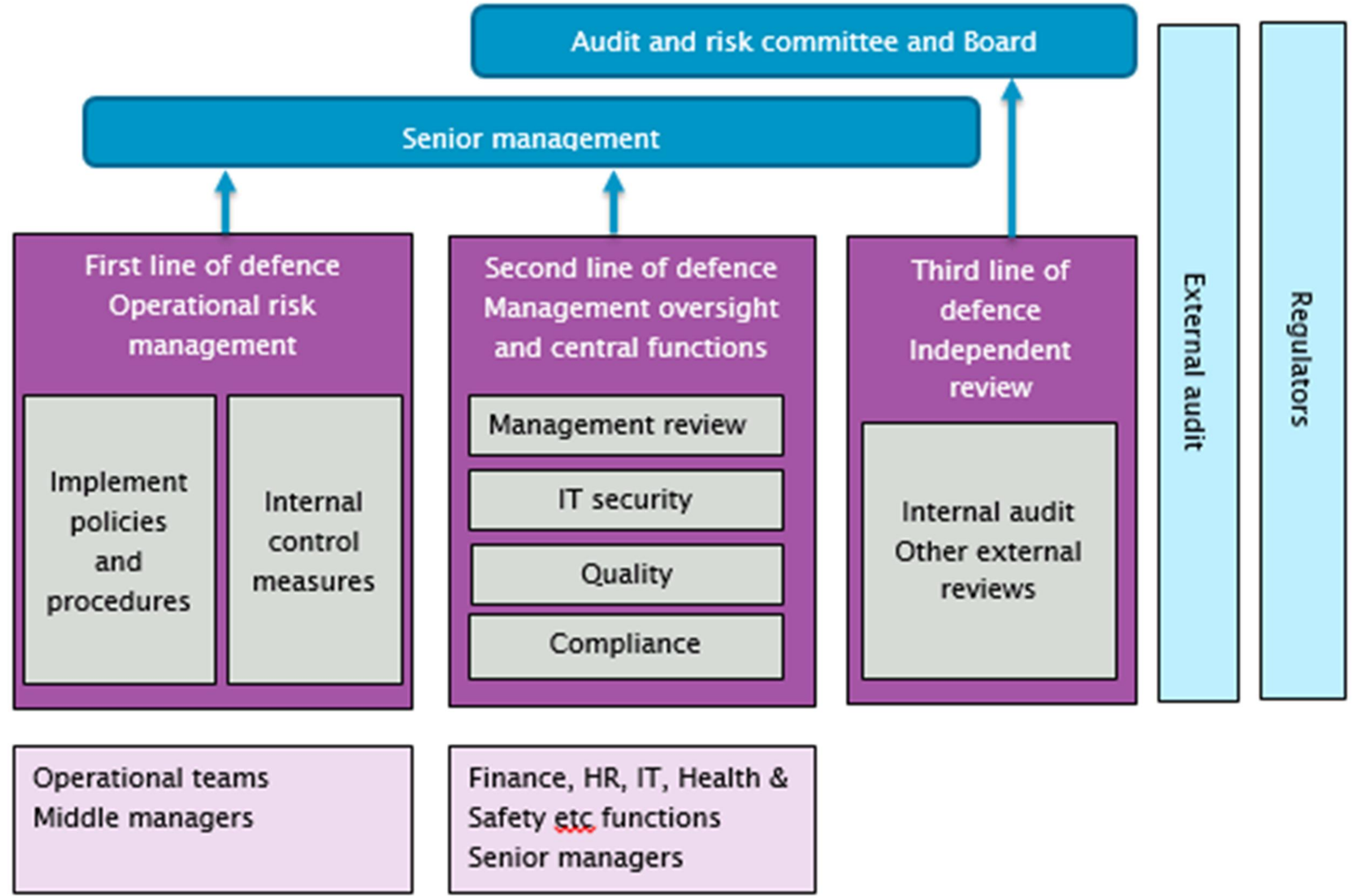
# CC 26: Charities and Risk Management

Identifying and managing things that might or are likely to happen to a charity over its lifetime is a key part of effective governance – whatever your size or however simple or complex you might be.





# Traditional: Three lines of defence





## Nature of risks

**Governance**  
**Operational matters**

**Finances**

**Law & other compliance matters**

**Things specific to your charity**



## Risk Management

**Common tools:**

**Risk registers - scoring ( $L \times I$  or  $(L \times I) + I$ )**  
**Heat maps**  
**Alternatives to scoring**  
**Risk appetite**  
**Appetite trackers**



## Risk register

The Society of Oneirocritics extract from risk register



1	2	3	4	5	6	7
No.	Risk description	Inherent score (0-25)	Actions	Net score (0-25)	Commentary	Owner
1	Trustees hot-foot it off to the Bahamas with the reserves	15	Dual signatories on the bank, one of which must be executive; due diligence on prospective trustees	11	New process in place to screen out trustees with an unhealthy interest in the Caribbean; willing to accept the residual risk because confiscating trustees' passports may be disproportionate	CEO
2	Inexperienced dream interpreter becomes traumatised after reading our materials	6	Clear disclaimer on materials; insurance; crisis communications plan	4	Reduced likelihood of risk to reasonable level and prepare to manage bad press if necessary	CEO



Heat maps - they can steer you in the wrong direction!

Catastrophic  
Significant  
Moderate  
Low  
Negligible

IMPACT

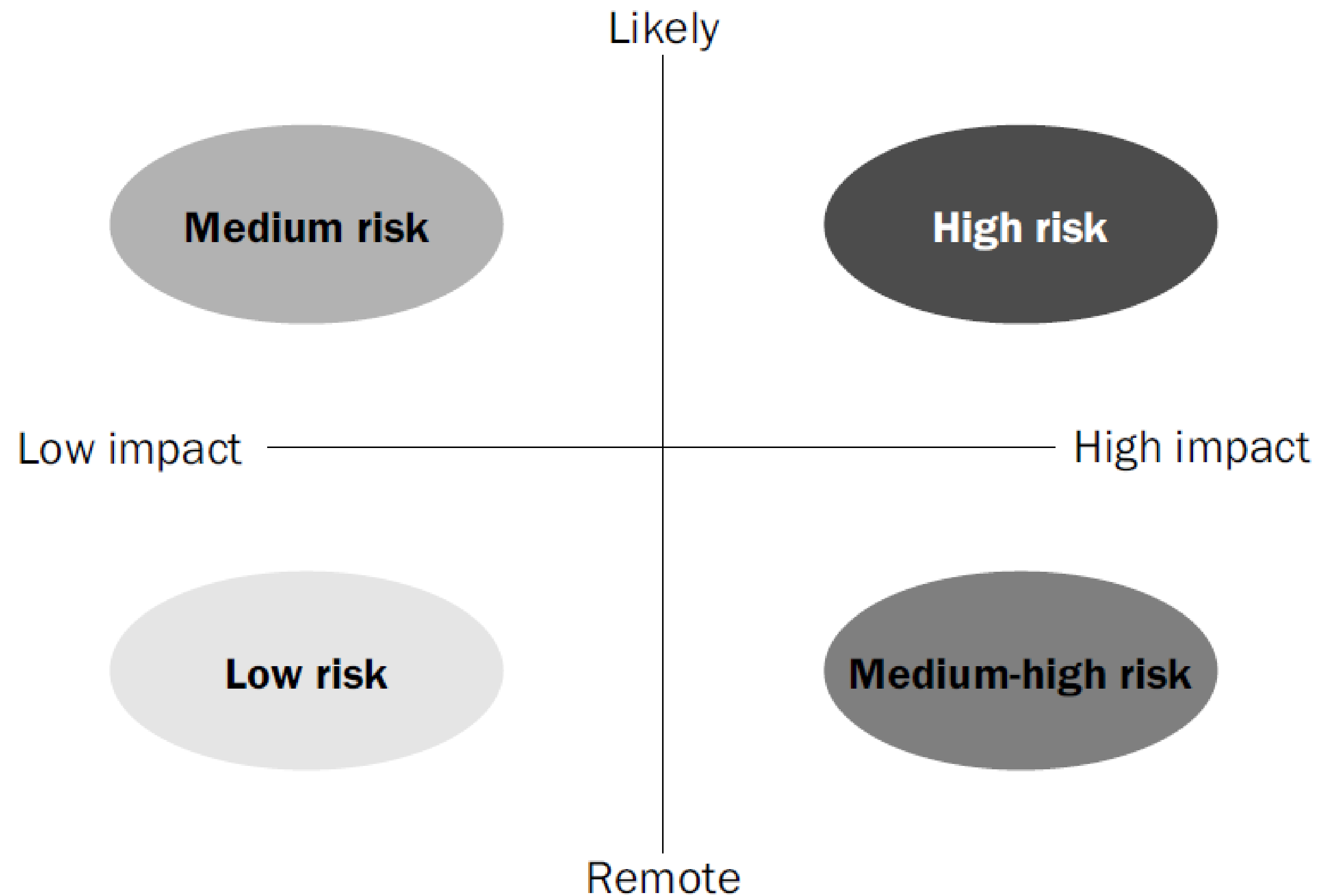
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5

Catastrophic  
Unacceptable  
Undesirable  
Acceptable  
Desirable

<b>Stop</b>	1	2	3	4	5
<b>Urgent Action</b>	Improbable	Remote	Occasional	Probable	Frequent
<b>Action</b>					
<b>Monitor</b>					
<b>No Action</b>					
	LIKELIHOOD				



## Alternatives to scoring





## Risk appetite scale

### **Risk averse:**

**those matters for which your charity has zero tolerance**

### **Moderate tolerance:**

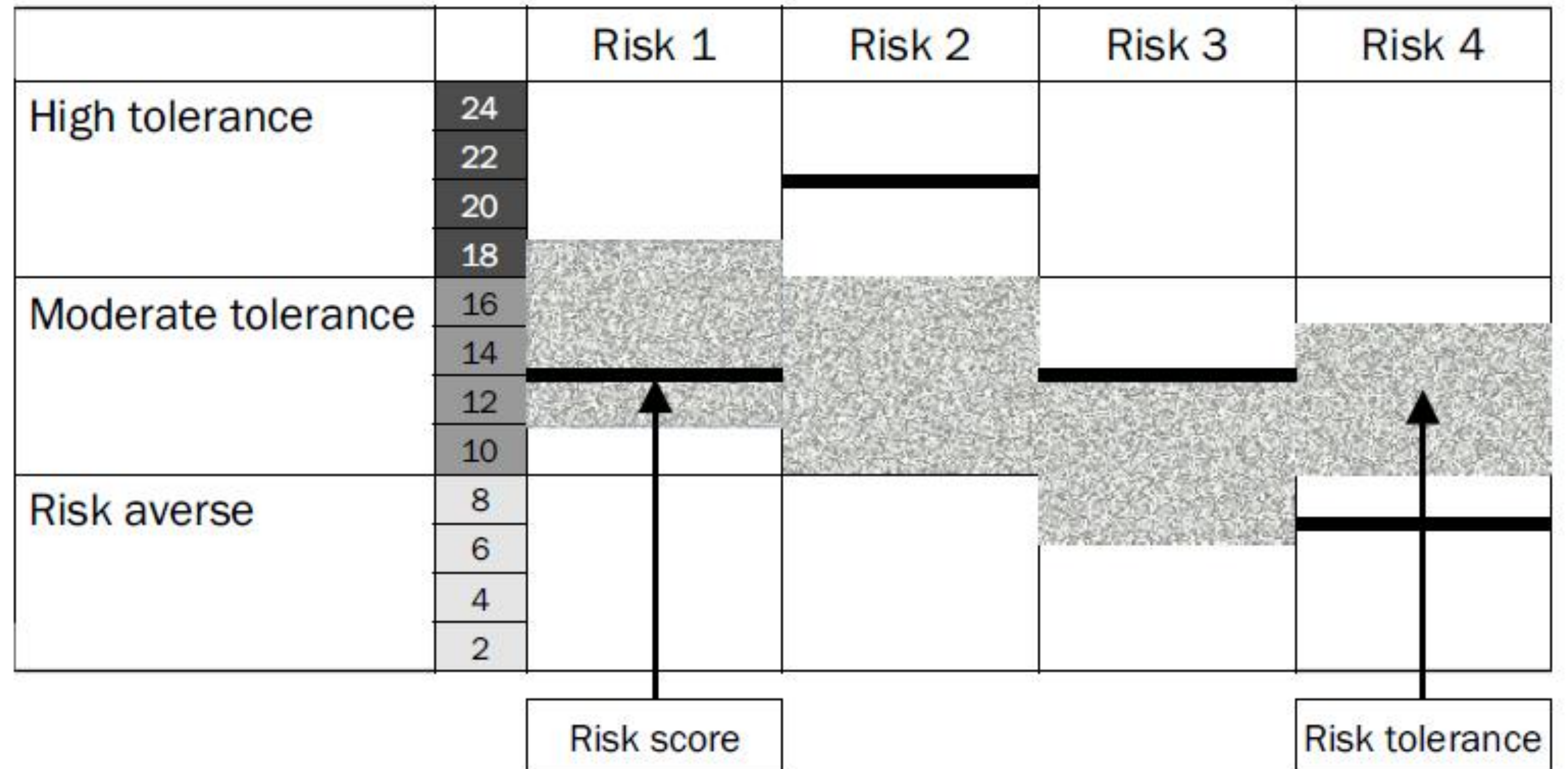
**those matters where there is a chance that things will not go to plan but, on balance, the chance of success is greater than failure.**

### **High tolerance:**

**those matters where your charity is keen to innovate or take on a high risk of failure because the level of potential reward is also high.**



# Appetite tracker





## New Approach to risk: Kaplan and Mikes' model

### External

Be prepared (eg,  
Natural disasters  
World wide economy)

Pandemic  
What if?  
Planning

### Preventable

Minimise harm (eg, Fraud,  
H&S, Safeguarding)

Control  
Compliance  
Follow protocols

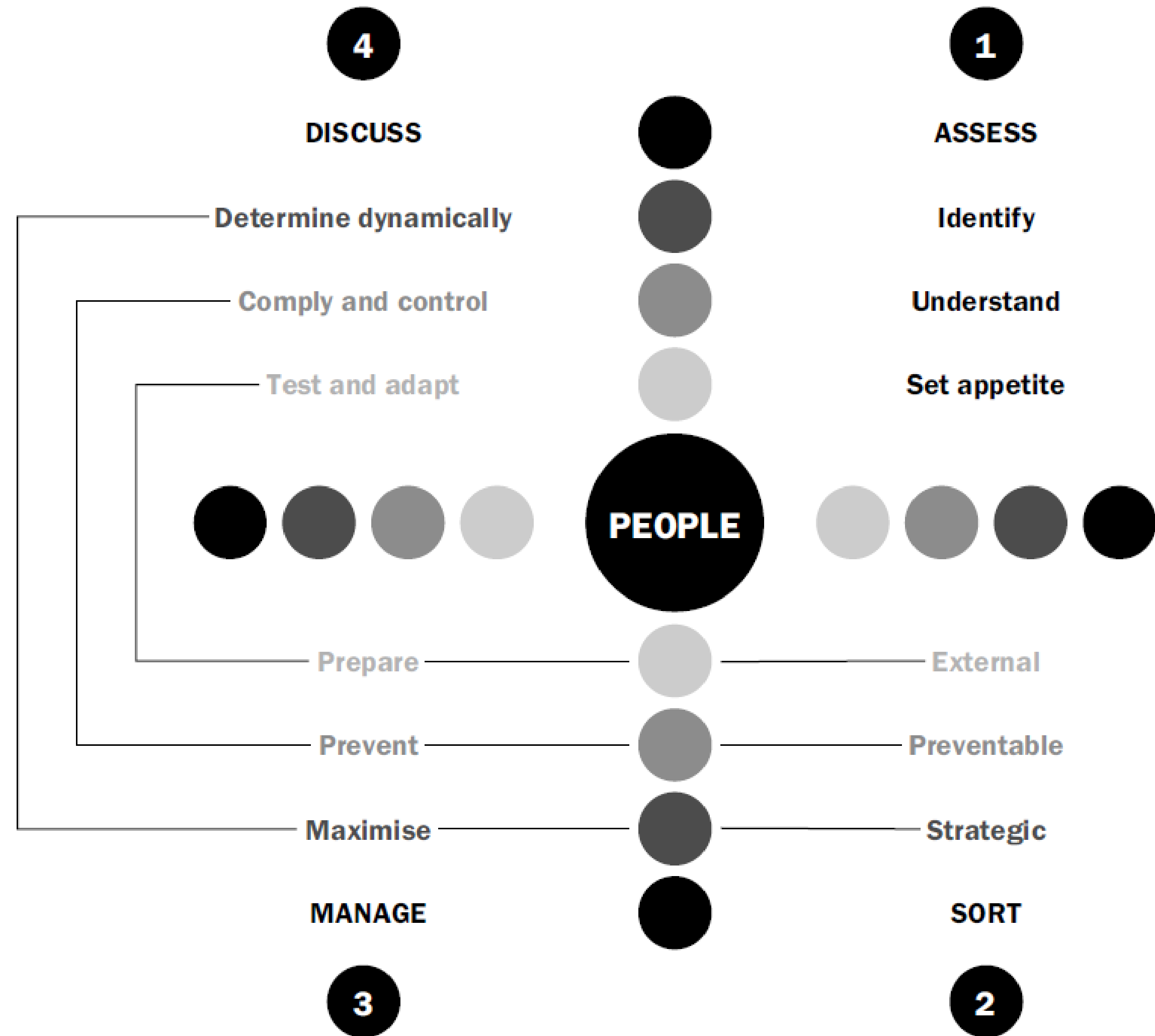
### Strategic

Maximise opportunity  
(Income streams, collaborations,  
New services  
Creativity)

Divergent thinking  
Experiment  
'Learning' culture



Developed from and based on Kaplan and Mikes' model



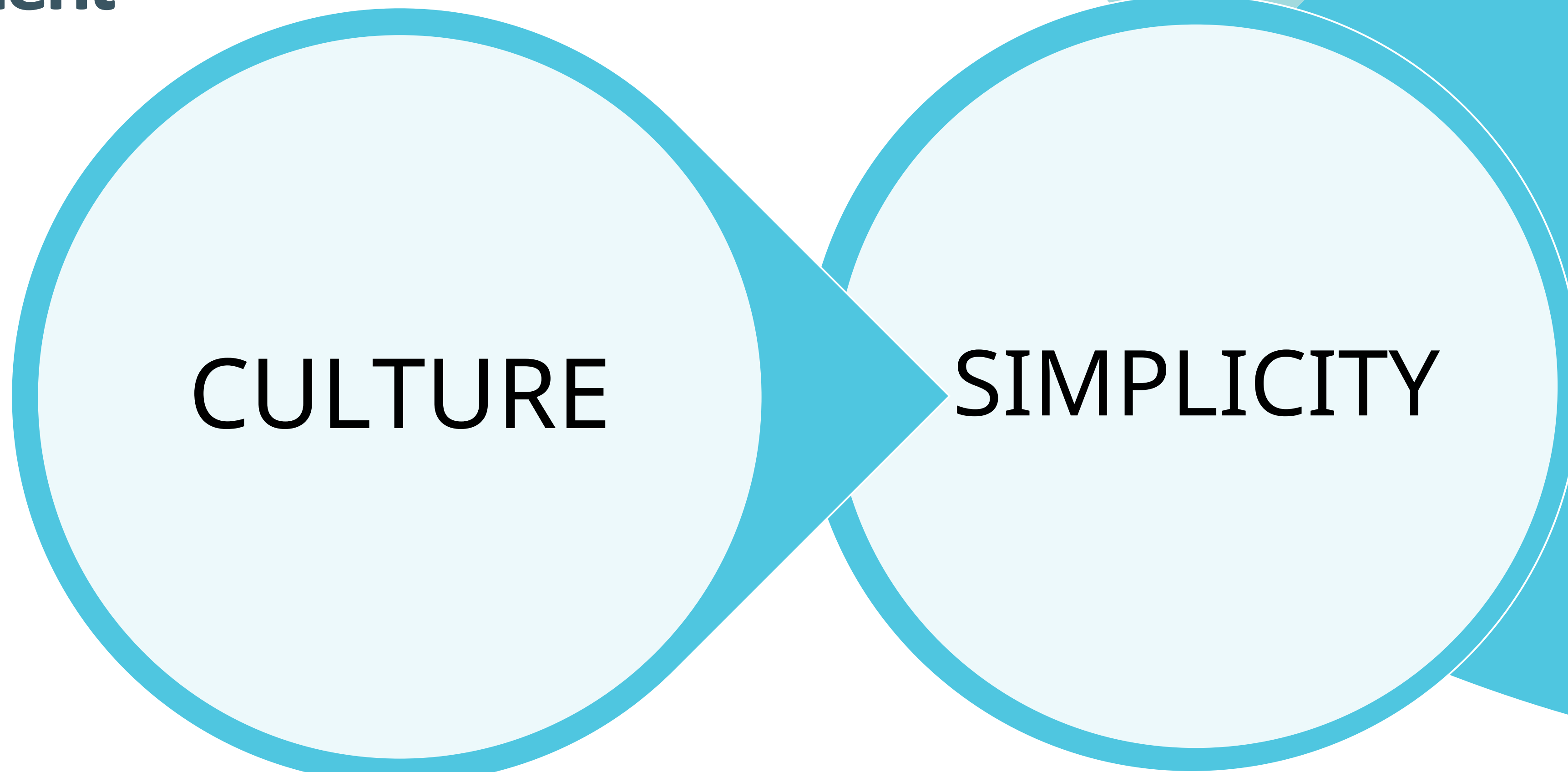


# Six thinking hats of Edward de Bono – something to try ...?

Colour	Way of thinking	Questions you should be asking
White	Information	What are the facts? What else do we need to know?
Red	Feelings	How do I feel about this? How do you feel about this? How will other people feel about this?
Yellow	Benefits	What is the upside? What will this help us to achieve?
Black	Risks	What could go wrong here? Are there opportunities we are missing? Have we thought of everything?
Green	Ideas and creativity	What else could we do here? Could we do things completely differently?
Blue	Meta level	How well are we working together? Is this process working for us?

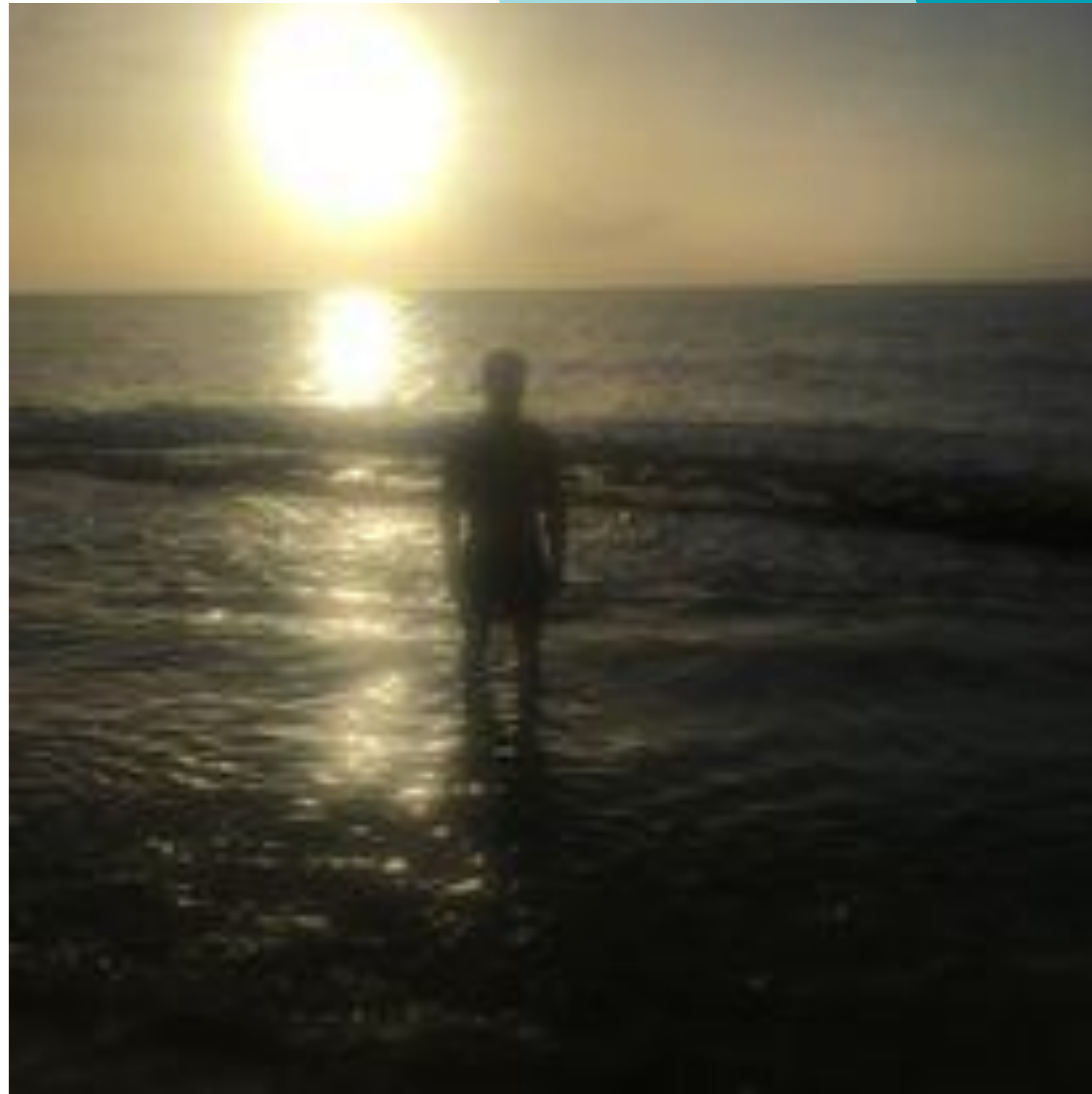


## Critical factors for successful risk management





**Risk is life!**





## **Risky Business – key messages**

**Have clear  
jargon free risk  
models that  
drive change**

**Organisations  
don't have risk  
appetites -  
people do**

**Embed risk  
culture at all  
levels**



## Break out groups - 7 mins

A new funder is offering you seed funding to start a new support service. They will cover 80% of the costs but you will need to find the remaining 20%. This has the potential to transform your activities and impact but you're not sure you can accommodate it within your existing capacity.

- How would you approach this situation?
- What are your first 3 decisions?
- What information do you need?
- What would you *not* do immediately?



## **Aims of today's workshop**

- Draw out hallmarks of stable and well-run orgs
- Explore decision making and understanding your business model
- **Lay out some financial building blocks**

Whatever hat you wear!



# The building blocks of financial Management

Principles of forecasting and budgeting

Financial management tools

Presenting data effectively





## Processes, controls & authorities

**Ensure processes are clear, observed/practiced and robust**

**Ensure controls are clear, communicated and implemented**

**Ensure you have a clear scheme of delegation setting out authority levels**



## Strategy to budget

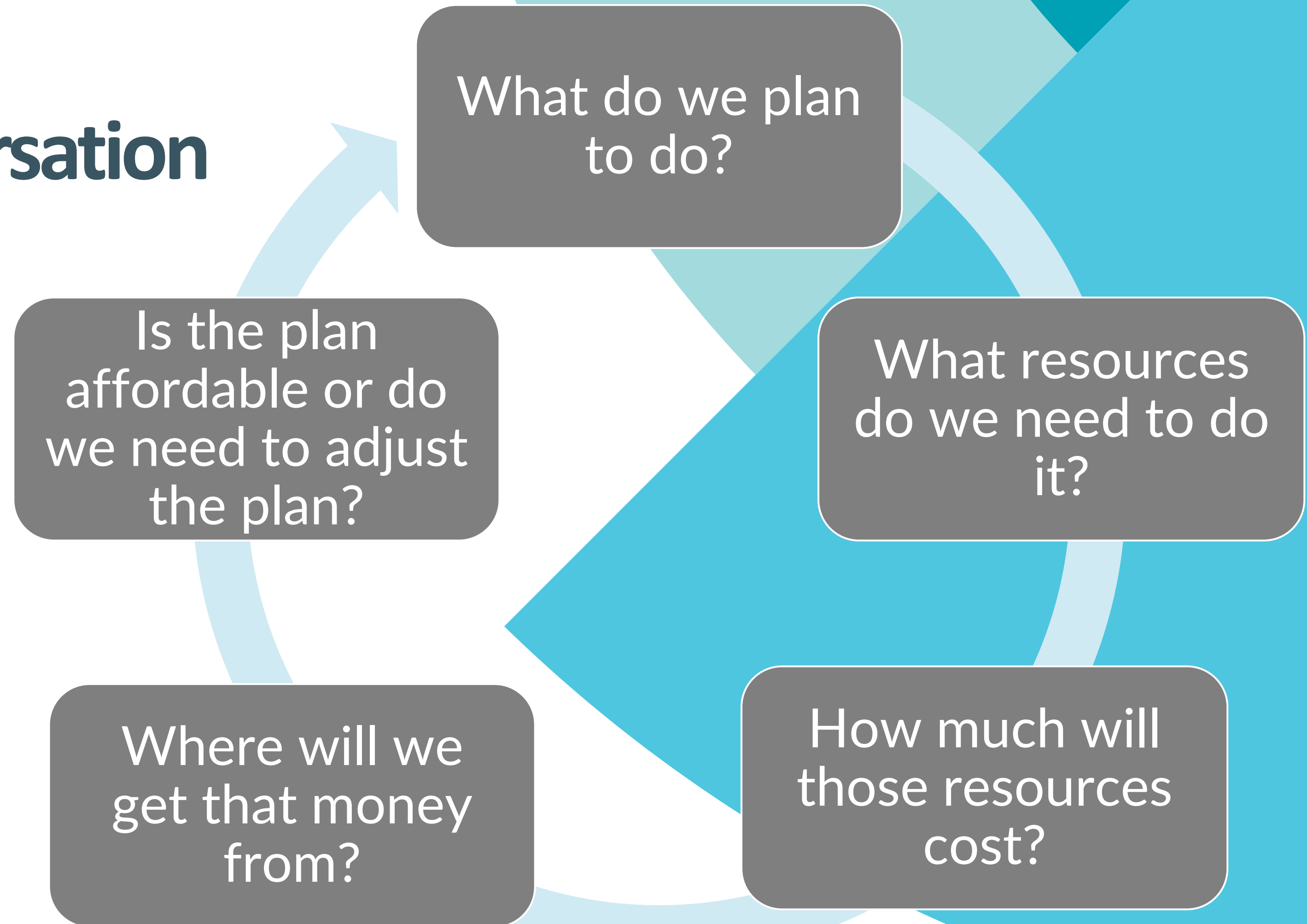
Strategic plan  
setting out  
what your  
charity wants to  
achieve

Operational  
plan setting out  
activities for the  
year necessary  
to deliver the  
strategy

Budget setting  
out specific  
numbers  
reflecting  
activities



## Starting a budget conversation





# What can throw you off course?

**Economic conditions**

**Things cost more**

**Hidden costs**

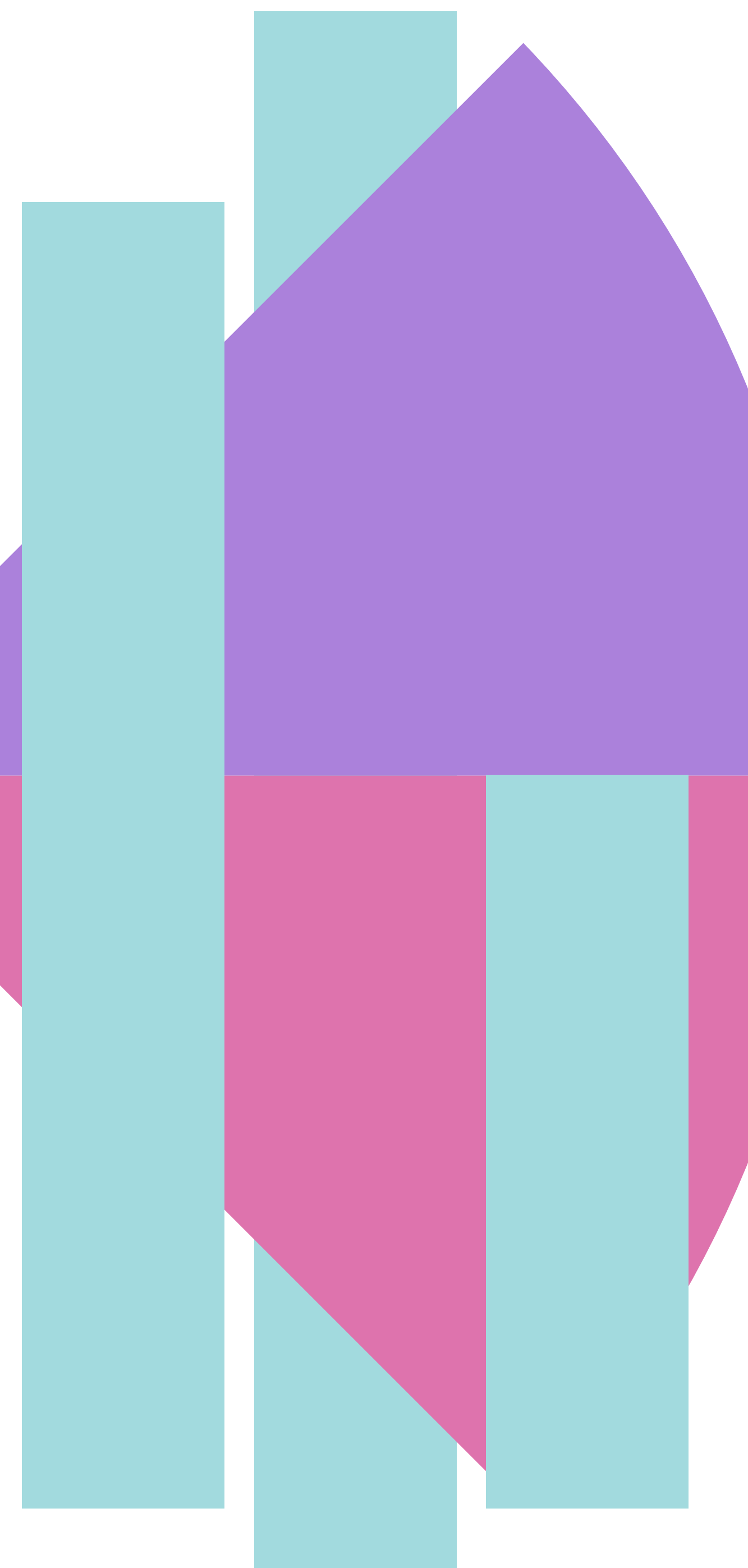
**Priorities changing**

**Income is worth less**

**VAT & other technical matters**

**Reality not matching theory**

**New opportunities**





## Budgeting Basics

**The future is not predictable and certain; our best guess (budget) is only ever a guess**

**We should use budgets as a sat nav uses a road map (though there may be non-negotiables you have to deliver to eg covenants)**

**Always start with your 'why' – money is the means to an end not the end in itself.**

Budget definition: A document summarising what you are going to spend and what income you expect to get: for the whole org over a year or a specific project over a relevant period (could be multiple years)



## Management information must haves

**Financial reports  
produced monthly**

**Best examples mirror  
structure & content of  
budget  
Are reliable, relevant &  
timely**

**Could be made up:  
cash flow forecast,  
draft balance sheet,  
draft SOFA, KPIs or  
just 'accounts'**

**Most important  
message – does  
the information  
help you  
manage???**



## Key questions from *It's a Battle on the Board* by Debra Alcock Tyler

- Is there a big gap between budgeted income and actual income? (Is it positive or negative and do you understand why it's there?)
- Is there a big gap between the budgeted expenditure and the actual expenditure? (Is it positive or negative and do you understand why it's there?)
- Is there anything that looks odd? EG a drop in income in one area but no corresponding drop in expenditure?
- Are there patterns? EG are the same income lines down each month or do they vary? If the lines are the same, what is the reason for that?
- Are there any areas of particular risk in the forecast?
- What plan does the executive have to manage the situation going forward?



## Forecasting foundations

### **Consistency:**

**Mirror structure & content of budget and other management information**

### **Frequency:**

**Enough to be helpful and drive action**

### **Accuracy:**

**Balance between optimism and realism**



## Cashflow crucials

**Detailed information plotting cash in and cash out for a defined period**

**Helps identify pinch points:  
Can income be brought forward or expenditure delayed?**

**One area where it's better to be pessimistic!**



## Reporting to the board

**What does the board need to be able to quickly form an accurate picture?**

**How can the board members be given the relevant history and context in a simple way?**

**How can the information be made more accessible?**



# Rainy day reserves

Legal position and best practice

How to calculate reserves

Issues to test your thinking on reserves



## How much do you have to keep in reserve?

- nothing
- 3 months operating costs
- 6 months operating costs
- 12 months operating costs
- Another amount



## 'Six' month myth





# What are reserves?





## Legal requirements

**You must:**

- Act in the best interests of your charity;**
- Manage your charity's resources responsibly;**
- Act with reasonable care and skill.**



## The SORP requires

**State total funds held.**

**What is restricted & unrestricted?  
Any material designations?**

**Give an indication of the period over which funds held will be spent?**

**Identify any amounts that can only be spent by disposing an asset or investment.**

**State policy and compare funds to it.**

**If more or less than policy what you will do.**



## Putting together a policy

### **WHY ?**

**the purpose for  
which you want  
to hold reserves**

### **WHAT?**

**the amount you  
want to hold**

### **HOW ?**

**The  
methodology  
used to calculate**



## Three main areas to consider/include

**Working capital:  
The money you  
need month to  
month or day to  
day**

**Continuity of  
activity:  
Volatility of  
income and ease  
to flex  
expenditure**

**Charity specific  
things:  
Eg projects**



## Risk and reserves

**Think  
about:**

**Macro  
environment:  
Political, social,  
technological, legal,  
environmental.**

**Micro:  
Considerations  
specific to your  
charity.**



## Reputation

**High  
reserves  
matching  
your  
policy**

**Low  
reserves  
matching  
your  
policy**

**High  
reserves  
outside  
of your  
policy**

**Low  
reserves  
outside  
your  
policy**

**Uncertain  
or  
unclear  
policy**



## Rainy day reserves – key messages:

**Be clear on why you hold reserves and how they relate to your financial management**

**Be ambitious about what your resources can achieve – focus on beneficiaries**

**Be transparent with your policy and how you are performing relative to it**



## Wrap up

- **One thing they will stop AND/OR**
- **One thing they will start AND/OR**
- **One conversation they need to have**



**Thank you for your attention - hope you found the session helpful and enjoyable!**

**For more information and support [www.cfg.org.uk](http://www.cfg.org.uk)**

Some other links:

<https://www.cfg.org.uk/membership>

<https://worldpay.dsc.org.uk/publication/its-a-nightmare-with-the-numbers/>

<https://worldpay.dsc.org.uk/publication/investing-for-charities/>

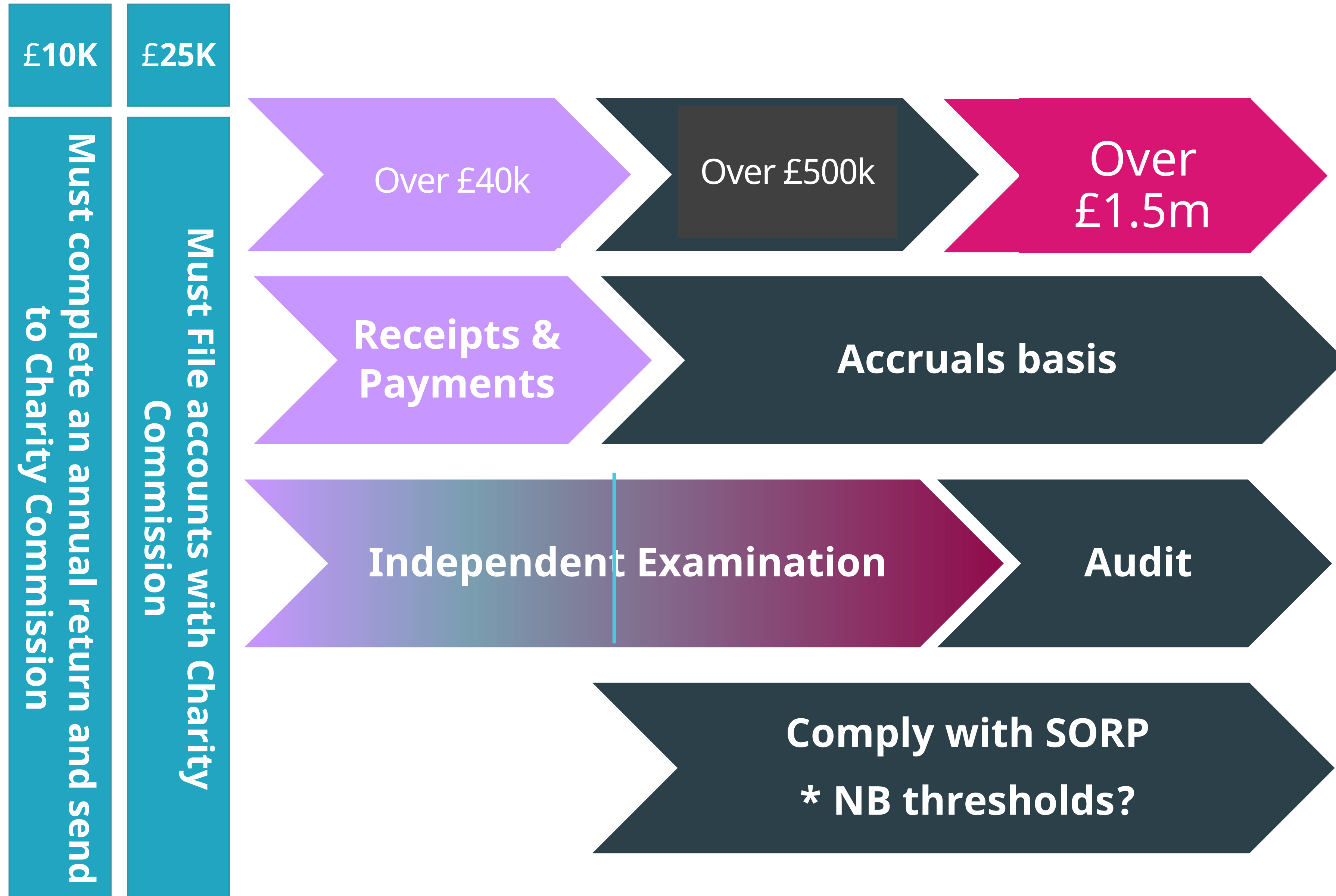


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# Some additional materials

Optional/reference slides

# 'Simplified' thresholds - charities



**Some key elements drawn from:**

**Charity  
Governance  
Code**

[www.charitygovernancecode.org](http://www.charitygovernancecode.org)



## **Principle #1: The Foundation**

- **Commitment to the cause**
- **Recognise meeting public benefit is an on-going requirement**
- **Commitment to good governance**
- **Have an up-to-date understanding of how the law and regs relate to their work**
- **Identify and manage conflicts with charity's interests central to decision making**



## **Principle #2: Organisational purpose**

- **Prioritise the people and causes the charity serves**
- **Work collaboratively to develop long term vision**
- **There's measurable impact over time of difference made and delivery of public benefit**
- **Adapt the approach to reflect changes in operating environment**



## **Principle #3: Leadership**

- **Every charity is led by an effective board that provides strategic leadership in line with the charity's purpose and values**
- **Clarity and respect for different leadership roles**
- **Chair led sound decision making with good relationships**
- **Processes for appointment, appraisal and remuneration of senior staff**
- **Scheme of Delegation, financial controls, policies and procedures**



## **Principle #4: Ethics and Culture**

- **Agreed values and high ethical standards adopted**
- **Complaints processes, appropriate policies and training**
- **Clear decision making and transparency on how charity works**
- **Sensitive to ethical, social and environmental consequences of decisions**
- **Approach to tenders, contracts, procurement, hospitality, ethical investment**



## **Principle #5: Decision making**

- **Policies for decision relating to financial resources and board appetite for risk**
- **Delegation of authority, controls and reporting**
- **Clear expectations of when and how matters are escalated**
- **When to take advice - eg decisions with a significant financial impact**
- **Use of key data metrics and KPIs**



## **Principle #6: Managing resources and risk**

- **Identifies key risks to achieving aims and actions to manage them**
- **Balances risks with safeguarding charity's services users, staff and resources**
- **Ensures control and risk management frameworks are effective and reviews them regularly**
- **Identify risks and opportunities**



## **Principle #7: Equity, diversity and Inclusion**

- **Understand the discrimination and inequity that exists in society and how it manifests in your own charity**
- **Seek out and value diverse opinions**
- **Consider a range of voices**
- **Clear organisational approach to EDI with clear, published, progress against plans**



## **Principle #8: Board effectiveness**

- **Review board's performance on a regular cycle**
- **Policy, processes and practice appropriate to size**
- **A budget for board development activities**



# Gather information

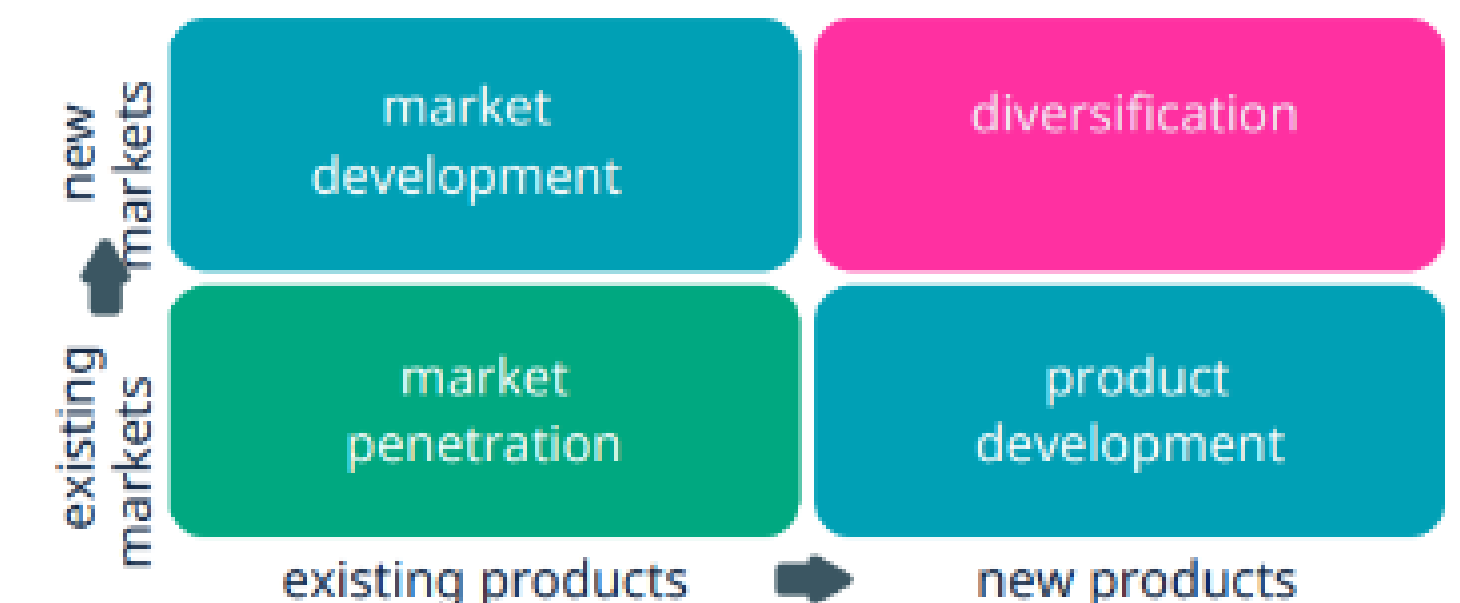


## What must be done?

### Gather information to build understanding

- What is the problem you are trying to solve?
- What does the activity involve?
- What resources would be required - new or existing?
- What would success look like?
- What are the risks and opportunities involved in doing this?
- Is the up side greater than the down?
- Can harm be mitigated by applying currently policies/processes etc?
- Are the risks external or out of CFG's control?
- What other areas of CFG's work could this link with?

Think about this in relation to the Ansoff matrix (right) and whether what you are proposing is going to require greater effort and resource. It's usually easier, for example to increase market penetration with existing products than to diversify products to new markets.





# Consider alternatives

## Why are we doing this?

**Reflecting on CFG's 'why', think about motivation and need**

Does the activity we are discussing advance CFG's charitable objectives? Does it meet all four of these criteria?

- It is permitted by our governing document.
- It supports at least one of the areas in [CFG's 'why'](#) and falls into ['What is charity finance?'](#)
- It is clear what need is being met.
- It is clear what outcome the activity will it lead to.

**If you don't know the answers to the above, speak to your line manager.**

- Is someone else or another organisation doing this already?
- If so, what differentiates CFG's offer?
- Why CFG and not them?
- Is there a big enough market for CFG too?
- Should CFG be doing it in partnership?
- If so who with and on what terms?

## How will it be done?

**Knowing our capabilities and requirements for success**

- What is your realistic estimate of time? Whose time?
- Are there requirements from other teams, processes and systems? NB especially any lead time for system change and recruitment. Think about RASCI.
- Have you discussed with others whether they have the capability and capacity to deliver the idea? Have you taken their thinking into account?
- Have you identified what start up costs might be required and the ongoing cost?
- Have you used the Agile project management methodology?





# Make choices

## Who can make the decision?

**Who has the authority to make the decision, meeting these three criteria?**

- Is the decision being taken within the delegated authority set out in the [Scheme of Delegation](#)?
- Is the decision being taken within your budgetary authority?
- Using [RASCI](#), are you the responsible or accountable person?

If not, share your idea with the R and A before going further.

**Who else needs to be involved, using [RASCI](#)?**

- Who needs to support this work?
- Who needs to be consulted?
- Who needs to be informed?
- If you do not know the answer to these questions, discuss with your line manager.

## When will the work be done?

**Prioritise the job based on urgency and impact**

Use CFG's [annual planner](#), and take into account departmental plans and the impact on other teams. Identify:

- When is the right time to do this?
- Should other activities be stopped or paused for this idea to take shape/be delivered? If so why?
- Will it have an impact in this financial year, for our income and expenditure?
- Are there any external dates that would/could be leveraged, such as Trustees' Week?
- Are there any external dates that would undermine the activity, such as a general election?

**Make sure you have a plan and RASCI which have been communicated to all relevant people.**





# Act

## What are we doing?

### Implement the decision and act

- Implement following RASCI.
- Ensure processes are documented as you go along to help someone else pick up and run with the work in your absence
- Capture relevant information for the Trustees' Annual Report and Accounts.
- Ensure that any monitoring mechanisms are in place before you start.
- Communicate internally and ensure everyone that needs to know knows.

## How will we measure success?

- What has the impact been so far and what does the future impact look like? Money, members, reputation? What other measures should we use?
- What else is the information telling you?
- Review the progress and impact before continuing into future years.





# Charities SORP 2026

SORP 2026 raises the bar – We are no longer reporting to comply, but to explain, evidence and justify stewardship.

**From description to explanation:**

- \* difference we made and why it matters
- \* stronger links between strategy, activities, risks and future plans

**From charity-specific to mainstream:**

- \* more alignment with FRS 102 principles
- \* emphasis on substance over form
- \* comparable, consistent & auditable

**From volume to relevance:**

- \* material/decision useful disclosures
- \* tier based
- \* expanded transparency



## SORP terms: Must, should, may

**Must =  
recommendation is  
one which must be  
followed, non  
adherence to that  
recommendation is a  
departure from this  
SORP**

**Should =  
good practice and  
failure to follow is not  
a departure from the  
SORP**

**May =  
alternative  
accounting treatment  
or disclosure of a  
transaction or event  
which is allowed by  
the SORP**



# SORP Tiers (progressive)

<b>Tier 1</b>	Charities with a <b>gross income</b> of not more than £500k - Can use natural classification or activity based accounting in SOFA
<b>Tier 2</b>	Charities with a <b>gross income</b> falling above tier 1 and with a gross income of not more than £15m - must use activity based and comply with tier 1 and 2 requirements
<b>Tier 3</b>	All charities with a <b>gross income</b> falling above tier 2 threshold - must comply with all tiers

NB: There is **no “two-year rule”** or “grace period”. Thresholds for accounting, apply to **each individual financial year** based on **that year’s gross income**. Charities should explain anomalies and may revert the following year if the higher level was due to a one-off event.