



# Kent Good Governance Charity Forum Webinar – Susan Robinson - Decision making

Go back 9 months, we were working hard, worrying about income (somethings never change), preparing budgets and working through strategy plans or updating them. Criticism was being made of the sector and the use of digital, there were governance concerns, particularly in larger charities, we were on a journey, THEN the world changed.....

We went online (we can do digital).

Some services closed, some new ones developed; within the Age UK Charities they had been delivering meals but this increased as centres closed. Previous face to face meetings became virtual/online.

Speaking to clients and colleagues in the sector it has been a difficult time, but they have risen to the challenge. I remember speaking to a CEO who is normally upbeat and positive, who was on a real downer, but the sector is resilient and it looks for new paths. Pleased to say they are now more upbeat, you have all probably had similar emotions. We have had 3 years of charity evolution in 9 months.

Governance is still very important and even more so in this environment. We have seen increased involvement from Trustees. They have become more agile working.

Chris referred to the Governance Code I would recommend re-reading this.

Today I want to talk about Principle 4 - Decision Making. Chris has mentioned this already, but I want to reiterate it.

In the current environment we are having to make quicker decisions, but these should still not be made 'on the hoof'. It is important to consider all the facts and this requires the provision of all the information. When collating information think about the best way to deliver it. I am an accountant and I read figures the way others read music. But for some people this is not a good medium they need words, pie charts, graphs as an example. Know your audience and help them accordingly. Challenge decisions before they are made. Hindsight is a wonderful thing. Decisions made now may look wrong in the future but if you considered them properly, and had all the facts available at that time, it was the right decision. Document all your deliberations.

If delegating some of the work – be clear on what is required – give terms of reference. Set time limits as you can't leave matters. Listen and support. Decisions need to be made now, let your head rule decisions not just your heart.

Another important change in terms of cashflow is 'Cash has become King'. We are good at preparing 12 monthly budgets. When cashflow has been tight cashflow forecasts may have been prepared on a monthly basis. But that has changed and cashflows are being prepared weekly. There is a difference between the two and I was speaking to a client who couldn't understand why his cashflow did not look like his accounts.

Cashflow is money in and money out. The budget might show a surplus but if the money does not come in until the end of the year and you run out of cash 6 months earlier then you will have to cease. You can't incur debts that you know you cannot pay when the payment is due. This is insolvent trading. If you have payment by results contracts revisit the terms; what are the penalties for ceasing? Will the funder help with more regular payments? Take action now before it is too late!

A question often posed is, how can I prepare a budget or cashflow in this uncertain environment. You need to make assumptions and these need to be documented, they should then be challenged and stress tested. I am increasingly seeing 2 budgets, an optimistic one and a pessimistic one. Stress testing is taking assumptions. For example consider what happens if say one grant is half, what is the impact on costs and bottom line. Trustees should challenge assumptions – why do you think you will have sixty referrals is this realistic? The cashflows will then be developed from these budgets - when will expenses be incurred and when will income arrive?

Monitoring then needs to be done regularly. It is not about are we below or above budget, but what is the impact of these variations and how do they impact operations. We are below budget as we have not started the project. This is a problem if we are paying staff to deliver a contract not started and hence no income being received what will impact be on the other services?

Budgeting and cashflow has never been more important but going back to our earlier point the information provided to Trustees must be clear and concise. No one should approve a budget they do not understand and, yes, a deficit budget is acceptable if you have sufficient operating reserves brought forward to cover this and you are still able to be sustainable.

The Charity Commission has produced some support articles which I would recommend looking at. They have recently issue "[5 minute guides](#)" for charity Trustees. These are a useful reminder:

- CC8 International financial controls for charities
- CC12 Managing a charity's finances
- CC27 It's your decision

## In Summary

The sector has evolved and delivered however I suggest the following actions:

- Look at what has worked well and continue. Don't just revert to old ways
- Collaboration with other charities and organisations has worked well, continue for the future.
- Get feedback from beneficiaries and staff.
- Budgets and cashflow should be a regular part of meeting information. Consider alternative ways to get message over.
- Revisit policies and risk registers.
- Go back and review decisions, are they clearly minuted, are you holding enough trustee meetings?



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