

# BOARD OF TRUSTEES

## THE BIG ASK

### 15 questions trustees should ask themselves

THE CHARITY COMMISSION has produced a good practice checklist which can be used to demonstrate that trustees are acting appropriately in the current circumstances. The questions will not all be relevant to every charity as it will depend on a charity's size and how it operates. The checklist is intended to help structure a discussion and help trustees develop a plan and timetable for action.

#### STRATEGY – OPPORTUNITIES AND RISKS

##### 1. What effect is the economic downturn having on our charity and its activities?

- ❖ What is the impact of the economic downturn on the environment in which we operate?
- ❖ How can we best reflect the downturn's possible implications in any scenario or forward planning that we do?
- ❖ Are we focussing on the right things, or have we drifted into activities that are over and above our core charitable purposes? If we have, is it justified?
- ❖ Are there opportunities of which we could take advantage? For example:
  - ✓ an increasing pool of volunteers, including those with different skills
  - ✓ cheaper accommodation or equipment costs
  - ✓ opportunities to re-negotiate contracts
- ❖ Are there particular risks we should consider? For example:
  - ✓ increased or reduced demand for services, or changes in the type of services needed
  - ✓ reduced income from investments
  - ✓ funding uncertainty in some areas
- ❖ Is there a need for us to rethink whether we want to continue operating?

#### FINANCIAL HEALTH

##### 2. Are we financially strong enough to sustain our operations?

- ❖ Do we have up to date information about our charity's finances, cash flow and debts/obligations?
- ❖ Do we have access to the right type of financial advice?
- ❖ Based on the information we have:
  - ✓ do we know what might happen to our future income?
  - ✓ can we protect (or increase) our current income?
  - ✓ can we continue our programme of activities for the foreseeable future?
  - ✓ can we make our money go further, for example by identifying costs we can cut?
  - ✓ can we fulfil our contractual obligations?
  - ✓ can we meet our financial commitments as they fall due?
  - ✓ are we financially solvent?
- ❖ Are we clear about the core activities we want to sustain under any circumstances?
- ❖ Are we clear about the prospects for the longer term?

### **3. Do we know what impact the economic climate is having on our donors and support for our charity?**

- ❖ How secure is our funding, for example contracts from other bodies for service delivery, statutory funding or grants, for the foreseeable future?
- ❖ Is it possible to diversify or broaden our sources of income?
- ❖ Do we need to rethink our fundraising strategy?
- ❖ Are there new opportunities, or current approaches which need to change?

### **4. Do we have any reserves?**

- ❖ Do we have a reserves policy? If not, why not?
- ❖ Do we know the level of our reserves?
- ❖ In what circumstances do we intend to use our reserves – is now the right time?
- ❖ Have we considered:
  - ✓ new priorities or needs which have arisen because of the economic downturn?
  - ✓ spending from our reserves in order to reduce the impact of the downturn on our beneficiaries?
  - ✓ a longer term strategy to replenish reserves, or spending them in their entirety?
  - ✓ using reserves to restructure our work?

### **5. Have we reviewed our banking arrangements and, where relevant, our investments?**

- ❖ Have we recently reviewed our banking arrangements - for example, the willingness of our bank to lend money?
- ❖ What can we do about any reductions in the level of income generated by our investments?
- ❖ Have we revisited our investment policies, in the light of the economic downturn, to ensure that they are appropriate for current and future needs?
- ❖ Have we reviewed the diversity, suitability and risks associated with our spread of investments?

### **6. Have we reviewed our contractual commitments, for example office leases, rental agreements, equipment hire?**

- ❖ Do we know what our contractual commitments are?
- ❖ Do we understand the obligations of any existing or new contracts?
- ❖ Are these obligations manageable in the current economic climate?
- ❖ Can we terminate any contracts we are party to if necessary?
- ❖ Should we review any contracts we have with fundraisers?
- ❖ If we cannot meet the terms of a contract are we aware of the financial and reputational risks we could face?

### **7. Have we reviewed any contracts to deliver public services?**

- ❖ Do we understand the obligations of any existing or new contracts?
- ❖ Are these obligations manageable in the current economic climate?
- ❖ Can we terminate any contracts we are party to if necessary?
- ❖ If we cannot meet the terms of a contract are we aware of the financial and reputational risks we could face?
- ❖ Have we planned for what happens when the contract ends?

**8. If we have a pension scheme, have we reviewed it recently?**

- ❖ Do we know the risks and liabilities attached to our charity's pension scheme?
- ❖ What plans do we have to manage those risks and liabilities?
- ❖ Should we get specialist advice?

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

- ❖ Have we thought about finding money for the charity's purposes by making use of the greater flexibility to spend permanent endowment offered by the Charities Act 2006?

## GOVERNANCE

**10. Are we an effective trustee body?**

- ❖ Have we recently reviewed our performance as a trustee body?
- ❖ Have we recently reviewed the skills, knowledge and experience we have as a trustee body?  
Have the needs changed in the current circumstances?
- ❖ Are we aware of the importance of effective communication and negotiation with those with an interest in our charity, including our staff?
- ❖ Do we have the guidance we need to ensure that our decisions are made in the best interests of our charity and its beneficiaries?
- ❖ Do we need to monitor the charity's affairs more closely, for example by meeting more frequently?
- ❖ Do we feel able to take difficult or unpopular decisions if needed, for example on:
  - ✓ stopping some activities
  - ✓ staffing
  - ✓ staff benefits

**11. Do we have adequate safeguards in place to prevent fraud?**

- ❖ Do we have proper financial controls and procedures in place to prevent fraud?
- ❖ Do they need reviewing and updating, to take account of the increased risk of fraud as a result of the economic downturn?
- ❖ Are there controls and procedures in place to reduce the risk of misuse of personal data?

## MAKING BEST USE OF RESOURCES

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

- ❖ Do we understand how to make the most of Gift Aid?
- ❖ Are we making the most of our potential tax relief as a charity?
- ❖ Are we aware of government financial help available for charities during the recession? If yes, have we considered whether it is appropriate for our charity, and whether to apply for it?

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

- ❖ Are we aware of our obligations as employers and do we know where to go for further information?
- ❖ Do our staff have the right mix of skills and experience that our charity needs to be effective?
- ❖ Could we introduce more flexible patterns of working in order to focus our resources where most needed?
- ❖ Do we need the same type and number of staff? Are there better opportunities to recruit in a more competitive job market?
- ❖ Do we think that there is more potential to give people an opportunity to volunteer for our charity in the current circumstances?
- ❖ Are we proactive in attracting potential volunteers and have we reviewed the way we support and use them?

### 14. Have we considered collaborating with other charities?

- ❖ Are there activities that we think could be run more effectively by working with others, such as sharing equipment, sharing staff, running joint training sessions, or sharing back office services?
- ❖ Do we know how to identify other charities with similar purposes operating in our area that we could contact to discuss possible collaboration or joint working?
- ❖ Should we consider the possibility of a formal merger with another charity or charities in the interests of our beneficiaries?

### 15. Are we making the best use we can of our property?

- ❖ Have we thought about how we use any assets, such as buildings or equipment we own or rent? Could we use them differently, share them with others, re-negotiate terms or sell them?
  - ❖ Is this a good time to buy property instead of renting it?

### Tell me more...

For more advice and assistance contact your local Charities team on:-

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