

# Toolkit 5- Financial Assessment & Action Plan

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The [Charity Excellence Framework \(CEF\) platform](#) enables any UK based non-profit to increase its impact and financial resources, but is very quick and simple to use. [Demo video](#) (4 mins). **Everything is free.** The other toolkits below, can be downloaded from the [CEF Home Page](#).

## Responding To The Crisis

- Organisational response plan.
- COVID19 Funder List, 250+, with links to other lists: 1000+ in total.

## Building Sustainability

- Building resilience & creating a fundraising recovery plan. [Video Version](#).
- Financial sustainability assessment and action plan.

For CEF daily updates, connect with me on [LinkedIn](#), [Twitter](#), or [Face Book](#).

## Cash Position

- The most critical immediate issue is likely to be cash flow.
- **Current Cash Position** - how much cash do you have at the bank, any easily near cash assets that could be converted to cash, such as deposit accounts, availability of an overdraft facility. In case you might need these. Identify any action, timescales and costs in doing so.
- **Additional Cash Availability** - talk to your bank about the scope for an overdraft and consider what options there might be to take out a short-term loan, or delay the capital repayments on any existing loans, such as a mortgage.
- Big Society Capital are planning a [£100m emergency loan fund for charities](#).
- **Investments** - in light of the market falls, don't liquidate any equities unless you absolutely have to. That could be a potentially very expensive, as it would crystallise the loss.

## Expenditure

- **Increased Expenditure** - identify and, insofar as possible, estimate any increased costs due to the crisis, such as increased costs through additional demands on services.

- **Delayed Expenditure** - identify and, insofar as possible, estimate any, such as ongoing building works, delayed training courses or non-delivery of a service by a contractor, due to the crisis.
- **Expenditure Not Incurred** – cancelled/reduced activities, furloughed staff, reductions in tax.
- **Discretionary Expenditure** - any scope to delay non-essential expenditure, such as training courses, building work or new equipment purchases.
- **Major Payments** - check if any major payments are due soon, such as rent. If you have a problem, speak to the company, explain your situation and ask for a delay. Before you do, think about what they might be able/prepared to accept.
- **Government Support** - there is a range of potential financial support. You can find comprehensive charity guidance on the various initiatives on the [Charity Tax Group Coronavirus hub](#).
- **Payment Of Invoices** - check that you are not automatically paying invoices early. If so, start paying by the deadline.
- **Managing Cost** - this [Charity Excellence resource](#) includes 30+ ways to reduce cost, without cutting into core activities.

## Income

- **Losses & Delays** - identify these and make an estimate of possible timings and amounts, insofar as possible. Delayed events, closed retail shops and delays in grant bids being processed, or contract income being paid.
- **Funders** - many funders have agreed to be very flexible around grants, including some making advance payments and repurposing funds. Check what they've said on their website and speak to them about what could be done to help you.
- **Emergency Income** - identify possible sources. Download the COVID19 Funder List from [the website](#) to find funders. Consider what scope there may be to convert any events to online, launching an appeal or similar.
- **Invoicing** – ensure that any work due for payment has been invoiced. Check outstanding income invoices (aged debtors) and ensure these are being hastened.
- **Tax** - each year we fail to claim £600m in [Gift Aid](#) and that's only one [tax relief](#). There are different types of Gift Aid, lots of other tax reliefs and you can claim up to 4 years retrospectively. Click either link above to find out what these are and how to claim them.

## Forecasting

- Bring the above together into a cash forecast.
- **Resist Pressure** - from:

- Finance to create detailed projections, unless you have the skills and capacity to do so, and;
- Senior management/trustees for certainty, except on any issues where you can be certain.
- **Make It Workable And Useful** - everyone is incredibly hard pressed, the situation highly uncertain and time is tight. Even if you did create a detailed forecast it may take time, might be out of date very soon and, potentially, of limited value anyway. Complicated models, may be very accurate, but not necessarily meaningful.
- But, you do need to assess the issues in order to take the best possible action in response. Consider creating something quick and simple that can easily be updated, which focusses on the most critical factors. For most staffing is almost always by far the biggest cost.
- **Best/Likely/Worst Case** - it can be helpful to create best/most likely/worst case assessments. You don't know what will happen and this can be helpful in better understanding the risk.

## Action Plan

- Use your forecast to create an action plan.
- **Days/Weeks/Months of Cash** - it can be useful to convert your cash position into how many weeks/months of current cash you have to fund operations. Not to work out when you're going to go bankrupt, but to help with planning timelines for your recovery.
- **Contingency Plan Options** – if these might be needed. Identify specific actions, estimate the saving and any costs, and the timescale to implement these.

## Concerns

- I assume that regulatory authorities will be sympathetic, but, if you do not have a reasonable expectation of being able to pay your bills, as these fall due, advise the Board.
- **Warning Indicators** - to think about: income streams are uncertain, or may be substantially impacted by coronavirus, limited cash at bank and few assets that can easily be liquidated, heavy dependence on a single income stream that may be at risk, multi-year funding due to end soon, with no replacement funding yet in place, spending restricted income on core costs or unplanned spending of reserves, free reserves well below target, or no free reserves.
- **The Risks** - I'm not an accountant, so cannot give professional advise - seek this if you need it. In law, there are potentially [serious personal risks to trustees](#) who continue to 'wrongfully trade', whilst insolvent.
- The BWB newsletter, 7 April advised of changes to insolvency law, including temporarily suspending wrongful trading provisions. That's very good news, as wrongful trading can



have serious personal implications for trustees. They've more than enough to worry about, as it is. BWB advice on options, if you need them, is [here](#).

## People

- I always believe that being honest with people is best, but be mindful around the impact of language. Discussing worst case scenarios, cost reduction, contingency planning and solvency tests can really scare people, particularly if they only have partial information and take it out of context.
- Keep the messages, honest, in context and understandable for everyone. And care for yourself. Here's a CEF resource with [12 ideas to help you maintain your resilience](#).
- **But Be Positive.** We have fantastic people - you're one of them. Don't sell yourself short.
- And our funders are flexing deadlines and deliverables, making advance grant payments and, I suspect, looking to source more funding.
- There are lots of fantastic people working flat out to mobilise support for us.

## Next Steps - Sustainability

- There are 2 Charity Excellence Sustainability toolkits, which enable you to.
  - Build your resilience and create a fundraising recovery strategy.
  - Assess your financial sustainability and create an action plan.
- Download them [here](#).

If you thought this was useful, why not register with the [Charity Excellence Framework](#)? Everything is free.

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