



Peter Hepburn, ADCH Trustee and Vice Chair

Governance, Trustee
Responsibilities & Budgeting



Presenter: Peter Hepburn

- Trustee
- Senior Manager, CEO
- Volunteer
- Charity Consultant



The slide features a title 'Presenter: Peter Hepburn' in bold blue text. Below the title is a bulleted list of his roles: Trustee, Senior Manager, CEO, Volunteer, and Charity Consultant. To the right of the list is a photograph of Peter Hepburn, a man in a grey suit, standing and pointing at a whiteboard in a meeting room. At the bottom right of the slide is the ADCH logo, which consists of a stylized dog and cat head profile next to the text 'ADCH Association of Dogs and Cats Homes'.

Presenter: Peter Hepburn

Welcome to this webinar. It is part of a wide range of measures of help and support that The Association of Dogs and Cats Homes has arranged for member organisations at this time of crisis in the sector and in society. I am your presenter today. My name is Peter Hepburn.

A brief introduction of myself...

I am a Trustee of ADCH, Vice Chair of the Association, and I chair the Standards and Welfare Committee.

I am also Trustee of a Housing and Care charity, on their Audit Committee and other working groups.

I have previously been a Trustee of Anti Slavery International, an old charity, and Yorkshire Film Archive, with one staff member.

I was, until recently, Interim CEO at Raystede Centre for Animal Welfare, one of our ADCH members. Raystede is a single-site rescue. Previously I was CEO of Cats Protection, another ADCH member, where 19 out of 20 people were volunteers.

I also do some volunteering for Eurogroup for Animals.

And my work is as a charity consultant.

Introduction

- Challenging time for all – special challenges for Trustees.
- Focus for ops and for Trustees.
- Allocate time to think and, where necessary, take professional advice.
- Responsibilities to oversee and support operations.



Broad intro

First, huge thanks to Clare Radlett who made all the prior arrangements for today. I am aware of a noise problem from my laptop here and I am sorry about that.

Also thanks to Fabi, Thérèse and Clare for all they do for the ADCH and for being non-stop amazing people.

A Practical Point – For your questions, please use the chat box & type them as we go along.

This is a challenging time for everyone but there are some special challenges for Trustees.

Operational people will be focused on animals and their care, and hence people and money.

Same concerns exist for Trustees, through a governance lens, and more issues demand Trustees' attention.

You are already doing one of the key things that Trustees should do – set aside some time to think through the issues and, where necessary, take advice; more on that later.

Responsibilities to oversee and support those doing the operational work.

Today's topics

- Trustees' responsibilities to various stakeholders
- Charity Commission
- Insolvency, budgets and cash
- Reporting, AGM and Statutory accounts
- Other considerations



Today we will cover:

- Trustees' responsibilities to various stakeholders
 - Charity Commission, in all 8 of ADCH's jurisdictions
 - Insolvency, a brief introduction
 - And linked closely to that, Budgets and cash
 - Reporting, AGM and Statutory accounts
 - Other considerations
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Stakeholders

- Beneficiaries: Animals & people
- People
- Suppliers / creditors
- Regulators
- Customers
- Consider each group: your responsibilities, their needs, communications, negotiations.



Photo: St Francis Dogs Home

Stakeholders

Charity's beneficiaries – Trustees are used to focusing on Animals, and for some (depending on their constitution) People.

People: Staff, volunteers, fosterers, public, relinquishers, adopters, shoppers, donors, café users, other service users (neutering, Domestic violence schemes, hospital care schemes, boarding, day care, etc).

Suppliers / creditors: vets, suppliers of goods and of services, Local Authorities (business rates, refuse), VAT. (For some HMRC is a creditor. For other rescues the payment goes from HMRC to the charity).

Regulators: Charity Commission or Irish Regulator or OSCR or CCNI, Companies House, Information Commissioner, HMRC, others.

Customers (with written contracts): Local Authority (stray contracts), room lettings, as against the individual 'customers' mentioned just now.

Good to consider each group – your responsibilities, their needs, financial issues, communications.

Charity Commission

- CC's Coronavirus advice, updated frequently
- Good decision making.
- Good minutes. Record how you made your decisions well.
- CC have said that they will be flexible and pragmatic.
- Issued guidance on AGMs, Filing Annual Returns, Trustees' Report and Accounts.



Charity Commission

Read the Coronavirus advice from the CC E&W, it's updated frequently. It's a really helpful start. OSCR, The Regulator in the Republic and CCNI have issued similar info with a few differences.

Good decision making. Again, there's helpful CC guidance: "It's your decision."

Good minutes. Record how you made your decisions well. What did you consider. Options, implications. Distribute your minutes.

CC have said that they will be flexible and pragmatic. 'Reasonable' is the word CCNI use. They have issued guidance on AGMs, Filing Annual Returns, Trustees' Report and Accounts.

Serious Incident Reporting

- Unchanged.
- For Trustees to decide.
- Significant in the context of your charity.
- CC priorities: risk to individuals and significant impact or harm on the charity's operations and work.




Photo: St Francis Dogs Home

CC Serious Incident Reporting: In England & Wales this system continues unchanged. Read the CC guidance and then it's for your Trustees to decide whether and what to report.

You have to decide if something is significant in the context of your charity. The guidance includes a financial threshold of financial issues of £25,000 or, for smaller charities, 20% of income. You might think that, in the current context, every charity will be reporting a significant incident. A stark example – a death linked to the charity would undoubtedly be significant in the context of any ADCH member. A hospice might decide not to do a SIR, Serious Incident Report. So your trustees must decide.

So why report? The CC has responsibilities for the sector so they need to know what's happening. Also if you come onto their radar they don't want to find that you were hiding things that you should have reported. They monitor the press and so they will see if your local paper says: "Rescue centre could close for ever." You are better to have the CC on your side.

They need to know three things:

- What's the serious incident?
- What are the risks and implications for your charity?
- What actions are you taking to deal with it? Good decision-making and good minutes will help enormously. I stress this. It is what will give them confidence that your charity exercises Good Governance. Again, good decisions and good minutes will help enormously.

CC have said that they will prioritise (1) risk to individuals and (2) significant impact or harm on the charity's operations and work.

1.

Insolvency: a brief introduction

- Unable to pay your debts on time.
- Two solvency tests: in the short or longer term.
- It is possible to trade out of insolvency. Not the same as going bust and winding up.
- Switch of responsibility to creditors (those you owe money to). Wrongful trading.
- Incorporated / Unincorporated. Personal liability.
- Government CV19 relaxation: Aim is for businesses to emerge intact the other side of the crisis.



“Insolvency” sounds technical. Some of it is but some of it is common sense. At its heart, insolvency means being unable to pay your debts on time. There are two solvency tests:

The longer-term balance sheet test is whether your assets are not sufficient to meet your liabilities (including contingent and future liabilities). Your treasurer or auditor can help on this.

The more common-sense test is the cashflow test – your ability to pay what you owe as it becomes due. Some charities live on the edge all the time but for many this might be a new issue and you might find that you are being driven to think in these terms as costs continue and income shrinks.

It is possible to trade out of insolvency. It is not the same as going bust, winding up or liquidation.

But for charity Trustees who are used to the concept of their responsibility being to their beneficiaries, where a charity is insolvent, or is likely to become insolvent, at that point your responsibility switches to the responsibility to creditors (those you owe money to). Wrongful trading – when Trustees know (or should know) that there is no reasonable prospect of avoiding insolvent liquidation and yet they continue to trade, spiralling downwards.

There are differences for Incorporated charities (Companies or CIOs) against Unincorporated (Trusts and loose associations). Personal liability is less likely to arise if the charity is incorporated.

Government CV19 relaxation relates to wrongful trading from March to May: Details are not fully announced but the aim is for businesses including charities to emerge intact the other side of the crisis. _____

Insolvency, budgets and cash

- Forecast: re-budget and forecast cash.
- Reserves, investments, restricted / designated / earmarked reserves.
- MUST seek professional advice.
- This is not professional advice.



That was a Brief Introduction because this is a big topic that we cannot handle in just a few minutes

So, what actions are needed. Trustees need to look ahead now, to re-budget and look at a forecast of cash. There are three headings:

First, a careful consideration of reserves – your reserves are there for a crisis so you can use them to help keep going. Investments, if you are fortunate enough to have them - again they are there to use and the challenge is whether or when to sell these – you must take advice! The caveat on all of these relates to permanent endowments, Restricted reserves and designated or earmarked reserves.

First, Permanent endowments are very technical but there might be some ways to use these – you need to examine the terms of the endowment and you would need CC consent.

Secondly, the easiest to handle are the designated or earmarked reserves which Trustees planned to use for something – Trustees can simply make a decision to undesignated them and use them for running costs. Thirdly, Restricted reserves are where the donor has imposed a restriction on their use. Many grant giving Trusts are lifting those restrictions – check your details. Harder are public appeals for one purpose and you want to use the money for something else. Consider the effect on trust with your donors and check the CC coronavirus guidance – the CC is trying to be helpful.

If in doubt you MUST seek professional advice from auditor and/or lawyer. That protects you and can help you. This webinar is not professional advice. _____

Meetings, Reporting, AGM, Accounts

- Virtual meetings. Crisis meetings.
- CC want to receive Trustees' Report and Financial Statements on time – email them if you can't.
- AGM. Minute if you decide to delay.
- Check your constitution about accounts.



Photo: St Francis Dogs Home

Meetings, Reporting, AGM and Accounts

First, Trustee meetings. I have heard some Trustees have stopped meetings. Imagine how that could look – the biggest crisis of a lifetime and Trustees stopped meeting. Keep meeting, do it virtually, by phone, Skype, Team or whatever. You might decide to meet more frequently.

And crisis team meetings, for example if you face insolvency - Consider a small group meeting every week or two weeks, by phone.

If you are due to hold an AGM the CC has issued guidance on how to handle that question. Good minutes are needed on why you make your decision.

For your Trustees' report and accounts, the Charity Commission still want to receive these on time – email them if you can't meet the deadline.

A tip - Check your constitution about accounts and whether they have to go to the AGM to be approved, or merely presented there.

Other considerations

- H&S. Safeguarding.
- Updated risk register.
- Insurance (Business interruption).
- Contracts.
- Trustees, staff & Volunteers.
- Think. Act. Communicate.



Other considerations

I'll go quickly here...Don't forget your safeguarding and H&S responsibilities. Don't take your eye off this ball.

Keep risk register updated at governance level – focus on major strategic risks.

Look at your insurances, especially business interruption policies. Read your policies and look at advice from your broker and insurer. Different insurers and policies are different so don't just rely on press reports.

Think about contracts. They can be renegotiated. But if you are facing insolvency beware of treating some creditors in preference to others.

Oversee and support staff and volunteers, especially senior staff. Maintain the boundaries between operational staff and volunteers and Trustees with their governance role. Be flexible here.

Think. Act. Communicate. Think lots. Communicate lots.

Questions



Photo: Raystede Centre for Animal Welfare

Personal liability. CC don't tend to go for Trustees who govern well and act with integrity. They and the courts do pursue Trustees who act with wrongful and if Trustees act negligently. Good governance is a significant degree of protection in addition to what I said previously_____

Insurance. Examine your policies. Speak to your Broker. If you might claim, make sure you notify them as that's often a requirement in policies_____

Virtual meetings. If you are unfamiliar, try it out for a social brief chat first and get someone familiar to set it up. It isn't that hard once you are doing it. Also advice for people chairing a call.

Cash Forecast. Depending on your charity, weekly, month or 2 or 3 ahead. Particular attention to large items. Forecast cash out and cash in. Don't make arithmetical errors, check calculations. Get someone else to check spreadsheets_____

Furlough gov grants timing – big unknown as yet. Watch for more info coming out every few days_____

Should we tell CC about reducing meeting frequency where our constitution says monthly. Question is it wise to reduce frequency. A bit of a marginal question. Is it significant in the context of your charity.

Car insurance pool to compensate for uninsured drivers, can we have similar. ADCH working on grants.

We need to close now. Thank you for joining this webinar.

I want to thank everyone in the charity sector for what you do. You are stars – amazing people.

Stay safe. Stay well. Goodbye. ____

Thank you



Peter Hepburn