



Charities facing challenges: seeking cost-effective solutions

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Very often charities face challenges that they can solve themselves

- I want to illustrate why this is true and why this can make charities optimise their efficiency, *without* compromising the happiness of their staff and volunteers
- But don't avoid taking professional advice when you need it.

Background

- Charities are facing the same financial challenges as the rest of the country:
 - Accelerated costs of food, fuel and energy
 - Changes in mortgage interest rates and increased rents
 - Increase in borrowing and economic uncertainty
 - Aftermath of the Covid-19 pandemic
- What does this mean for Charities?
 - These financial challenges are having a major effect on charities and those who depend on them; few charities are unaffected by pressures on expenditure
 - Increased demand for services, particularly charities which provide services to people in need
 - Reduced income for charities, due to donors likely to be feeling financial constraints and spending less on 'non-essentials'
 - Rapidly increasing costs creating considerable pressure on charities' budgets, sometimes leading to drawing on reserves to meet day-to-day expenditure
 - Inflation increasing running costs, eroding value of reserves and pre-pledged donations
 - Struggles with keeping staff motivated and resilient
 - Scrutiny on decisions made by charity trustees is likely to sharpen as financial pressures mount
- *"There is evidence that the sector overall is facing immense financial pressures. Earlier this month, CAF (Charities Aid Foundation) reported on the findings of a survey of 1,300 charities – over half of those asked said they fear financial collapse. A year ago, that figure stood at a third."**
 - *Orlando Fraser KC, Chair of the Charity Commission, speech at #ACEVOFest, delivered on 22 March 2023

Some of the challenges faced by charities:

Facts and figures



Reduced income

The Charities Aid Foundation UK Giving Report found that monthly donation levels in 2021 were lower than their equivalent in 2019*

*Charities Aid Foundation UK Giving Report 2022



Increase in demand for services without sufficient funds

The Charities Aid Foundation Charity Landscape Report found that 75% of charity leaders reported that demand for their services had increased above the first year of the pandemic, and 86% anticipated that demand would continue to increase.*

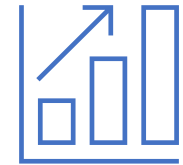
*The Charities Aid Foundation Charity Landscape Report 2022



Decrease in volunteer engagement

In 2021, Volunteering and Charitable Giving - Community Life Survey found that persons aged between 25-34 volunteering once a month fell from 17% to 12%*.

*Official Statistics for Community Life Survey 2020/21 - Volunteering and Charitable Giving, published 29 July 2021



Increase in food, fuel and energy costs

A third of local charities have seen an increase of 60% or more in their utility costs since September 2021*

*(Civil Society > News > Third of local charities seeing utility costs increase by over 60% funds survey).

Best practice

- Good governance, trust and respect within any organisation are key to successful outcomes - for charities, the public expect this and will often withdraw support if they sense dysfunction
- Improve teamwork
- Review methods of communication both within the organisation and with external stakeholders
- Address problems before they become catastrophes
- Implement sound, effective, up to date policies
- Introduce regular, interactive training for trustees – it should be the bedrock of any charity

Cost effective solutions



1. REVIEW YOUR GOVERNANCE



2. LEARN FROM OTHER CHARITIES



3. REVIEW YOUR CONTRACTS



4. FUNDRAISING



5. MAKE USE OF MATERIALS AVAILABLE



6. TAKE ADVANTAGE OF RELIEFS AVAILABLE



1. Review your Governance

Review your governing document

- Ensure your governing document is up to date and accurately reflects the workings of your charity
- Ensure that the trustees of the charity understand the range of powers available to them through their governing document such as borrowing money, selling assets and raising capital



1. Review your Governance

Review your policies and procedures

- **Reserves Policy**

- Write a Reserves Policy to explain to others why you are setting money aside rather than spending it on your charity's aims
- Why? All registered charities must explain their policy on reserves in their trustees' annual report, stating the level of reserves held and why they are held
- Charity Commission Guidance: *Charity reserves: building resilience (CC19)*

- **Internal Financial Controls**

- All charities are expected to use internal financial controls to reduce the risk of financial loss to the charity
- Charities should review their financial controls at least once a year
- Charity Commission checklist: *Internal financial control for charities*
- Charity Commission Guidance: *Internal financial controls for charities (CC8)*

- **Board Skills Audit**

- Conduct a Board Skills Audit to assess the skills held by the trustees and consider whether new trustees should be appointed to fill any gaps. Could more people with relevant skills support current staff and trustees for one-off projects?



2. Learn from other charities

Case study: Two long established grant giving charities based in Cambridgeshire

- Two charities (both unincorporated) located within the same area of the UK, whose charitable purposes are very similar, but with important historical differences and virtually separate trustee bodies
- Trustees agreed that it was in the best interests of both charities to seek to work more closely:
 - Tentative initial discussions
 - Brought together two organisations with similar missions so as to improve services for its beneficiaries
 - Improved existing services by working together and created new benefits for its beneficiaries; shared clerk
 - Clearer, streamlined governance
 - Cost effective – rather than having two separate charities within the same area essentially fulfilling the same purposes
- HCR established a brand new Charitable Incorporated Organisation (**CIO**) entity, merging the objects of the two charities and transferred all assets and liabilities of the two charities into the new CIO entity

Learn from other charities

- Attend informal networking – or set up your own
- Actively contact other charities in your area and check whether there are any opportunities for collaboration
- Consider collaborating with businesses/sponsorship opportunities
- Do you have up to date contact details/ways to donate on your website? Look at how other charities do this



3. Review of contracts

Charities should review their contracts regularly, and ascertain whether there are any non-essential outgoings that they can lawfully terminate or suspend.

Where charities are tied into contracts, they should: -

1. Seek to negotiate service contracts:
 - In many cases, consumers (whether non domestic or domestic) can negotiate to reduce the total cost of the service or find a better deal elsewhere. If uncertain about your rights, always take advice *before* terminating a contract.
2. Compare deals with other providers to obtain the best/lowest price.
 - For example, if charities are on a variable tariff for their electricity and gas, given the volatility of the market, charities may consider it beneficial to obtain a fixed tariff.



4. Fundraising

Automating the process



Some charities are still carrying out processes such as fundraising, marketing, and recruitment in person. Consider whether this is necessary.



The Charities Aid Foundation Charity Landscape Report found that 72% have (or are planning) to introduce new methods of fundraising.



It is almost certainly possible for charities to cut costs using automation software. Do your due diligence first.



4. Fundraising

Different ways of fundraising

- The 'cost-of-giving crisis' demonstrates the importance of income diversity, as one source of income may well start to run dry for many charities
- Consider modern ways of fundraising
 - **Email marketing:** strong email marketing allows charities to appeal to potentially thousands of possible donors, at the click of a button, and email marketing software can be reasonably priced
 - **Social media:** charities need to choose the right platform for their charity, so that they can reach the relevant types of people to convert into donors (for example, TikTok, Snapchat, Facebook, Instagram). Ensure you have the policies and procedures to manage engagement on social media.
 - **Flexible giving:** allows donors to alter and change donation amounts easily; this flexibility can be popular among the regular donors
 - **'Gaming for Good':** gamers can easily add donation buttons to their streams, asking the audience to donate
- Grants: consider extending their reach for grant funding. Could existing volunteers dedicate time to focus on exploring fresh options?



5. Make use of materials available

Charities can make use of a wealth of FREE materials available to the public, for example:

- Charity Commission Guidance (CC3 to CC49)
- '5-minute guides' for charity trustees (short guidance on the basics all trustees need to know)
- Associations (such as the Almshouse Association)
- Local charity networks (e.g. local Community Foundations)
- Charity Governance Code & diagnostic tool



6. Take advantage of reliefs available

The Government has put in place the automatic energy bill relief for non-domestic customers until 31 March 2024 (note the current level of support will reduce after 31 March 2023).

Some charities are also able to benefit from the Government's Energy and Trade Intensive initiative.

Utilising Gift Aid (if applicable) - when UK taxpayers donate to a charity or community amateur sports club, the organisation can claim Gift Aid tax relief, which effectively increases the value of donations by an extra 25% (at no extra cost to the donor).

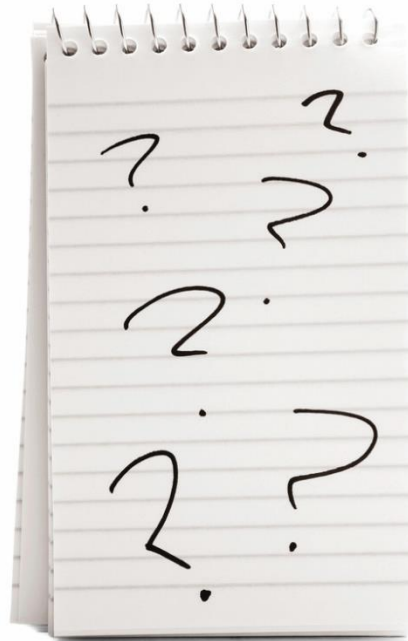
How your legal adviser can help

Incorporation as a charity	Collaborative working / Mergers	Governance Review “Health check”	Charity law advice	Policies Review	Trustee Training
If your charity is currently operating as an unincorporated charity, advice can be given on the most efficient form of charity to be incorporated.	Provide advice on potential mergers with other charities, and work with you to ensure the process goes as smoothly as possible.	Review the charity’s governance structure and identify areas of improvement and provide recommendations. Is your risk register working?	Provide advice on what a charity can/cannot do in relation to law and the charity’s constitution.	Conduct a detailed review of your charity’s policies in place to ensure they are compliant and fit for purpose. Put them into practice	Provide custom-made training to your charity’s employees and trustees.

Governance review health check

- Delegation
- Expenses
- Use of volunteers
- Policies and practices
- Improve teamwork and lines of communication
- Trustees' skills audit
- Charity Governance Code
- Action plans with timelines - spread the workload
- Acknowledge all contributions with positivity!

Thank you for listening - any questions?





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