



**ramblers**  
at the heart of walking

## **An Inquiry into the Financial Affairs of the Ramblers<sup>1</sup>** *by Jonathan Kipling FCA, DChA*

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<sup>1</sup> Footnotes to the text are referred to by number 1, 2, 3 etc; endnotes giving sources alphabetically a, b, c etc. Figures in this report are generally rounded to the nearest £100k or £0.25m

## 1. Of conclusions

- 1.1. The Ramblers has undergone many changes in the last few years. There has been a complete change of senior management team (SMT), the introduction, with great difficulty, of a Customer Relationship Management (CRM) system and the enactment of a very large external funded project (Get Walking Keep Walking).
- 1.2. Financial and other systems were insufficiently robust, nor were staff sufficiently skilled, to deal with these changes. With the introduction of a new SMT much has improved but much remains to be done.
- 1.3. In recent years the decline in the underlying financial situation has been disguised by legacy income. Budgets have been approved with ever larger deficits, until financial year (FY) 2009, with the intention of building capacity today to generate income in future years. These deficits were to be funded from substantial unrestricted and undesignated reserves. The operational plan in FY 2009 -13 was ambitious.
- 1.4. In normal circumstances spending reserves in this way to further a charity's mission is entirely appropriate. Unfortunately this plan 'collided' with a major decline in the world's finances and the worst recession since the 1930's; and with management's and trustees' attention necessarily focused on the difficulties of the CRM system and on strengthening staff skills and other systems.
- 1.5. Management and trustees were doing too much to enact such well intentioned but optimistic and ambitious plans in such difficult circumstances. In short, they were over-ambitious and over-stretched.
- 1.6. When the difficulties were realised drastic and painful steps were taken by the management and the trustees to recover the situation and to balance the budget for future years.
- 1.7. Lessons need to be learnt, systems improved and staffing and trustee skills strengthened better to serve the Ramblers mission in future.

## 2. Of origins

- 2.1. In the financial year (FY) 2009 the Ramblers expenditure was so in excess of its income, and of its planned deficit, that drastic steps had to be taken to avoid the charity becoming insolvent or illiquid<sup>2</sup>.
- 2.2. The deficit rose from a planned £0.7m to £1.3m<sup>3</sup>; income undershot targets by £1m and the unrestricted reserves fell from £2.1m to £0.75m<sup>4</sup> by the year end (September 2009).
- 2.3. Expenditure was cut back rapidly in FY 2009 from a budget of £6.7m to £6.1m<sup>5</sup> and the budget balanced for the FY 2010 but unfortunately only by making 17 staff, some long serving, redundant at a cost of £0.25m.

## 3. Of terms of reference

- 3.1. Once the immediate crisis was resolved and a balanced budget was formulated for FY 2010, I was asked by my fellow trustees to inquire into how the situation had arisen and how it could be prevented in future.
- 3.2. I agreed to do so as I had only been appointed Honorary Treasurer by the General Council in April 2009 and therefore had not been involved in the process that approved the budget for the FY 2009 (1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009).
- 3.3. I formulated the following terms of reference
  - 3.3.1. To inquire into what changes are needed in the Ramblers systems of financial governance and management to minimise the risk of the charity's expenditure significantly exceeding its income, unless planned, and consequently eroding its reserves.And
  - 3.3.2. Why did this situation occur in FY 2009 such that the Ramblers having budgeted for a operating deficit of £0.7m ended with one 46% higher at £1m (excluding redundancy costs).
- 3.4. I undertook this as a high level enquiry in order to identify events of significance, rather than a review of detailed transactions.
- 3.5. I started with no prior knowledge other than that which was in the public domain (the Ramblers public website & its record at the Charity

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<sup>2</sup> An organisation is insolvent when its liabilities exceed its assets; illiquid when, although the assets exceed the liabilities, insufficient cash can be generated to pay creditors.

<sup>3</sup> Including redundancy costs

<sup>4</sup> From the unaudited & unconsolidated outturn figures presented to FASC November 2009

<sup>5</sup> Excluding redundancy costs

Commission), the Chief Executive's overview presentation at the General Council 2009 and from subsequent private briefings from the Finance Director, the Chief Executive and at Board of Trustees meetings. I have examined minutes and papers and had factual discussions only with the current management. I have not enquired of trustees past and present as to their actions.

#### 4. Of context

##### 4.1. *Of Ramblers*

4.1.1. There had clearly been considerable turn-over of senior staff between December 2005 and September 2007. For example, there had been

- 7 Chief Executives (substantive, acting, interim or joint)<sup>6,a</sup>
- 3 Directors of Finance & Resources (substantive & interim) up to April 2008<sup>7</sup>
- 3 Directors of Campaigns & Policy<sup>8</sup>
- No Director of Marketing & Communications until summer 2007<sup>9</sup>

This probably of itself led to a degree of confusion and inconsistency (to put it no higher).

4.1.2. There appeared to be scant documentation, for example, there are

- No standing financial instructions
- No financial regulations
- No written procedure or timetable detailing the process for formulating the budget
- Minutes and Notes of Meetings do not appear to fully record the rationale of some decisions.

4.1.3. Management accounts had, I was told, only been produced monthly since the appointment of the current Director of Finance & Operations. Prior to this they were produced quarterly.

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<sup>6</sup> Tom Franklin took up his role as Chief Executive on 13<sup>th</sup> September 2007<sup>a</sup>.

<sup>7</sup> Paul Butler was appointed in 1<sup>st</sup> April 2008. He is an Associate of the Institute of Chartered Accountants in England & Wales, has its Diploma in Charity Accounting, a MSc in Charity Financial Management and is a member of the Securities and Investment Institute.

<sup>8</sup> Keith Roberts was appointed w.e.f. October 2007.

<sup>9</sup> There were two Directors of Marketing and Communications between summer 2007 and December 2008. Tony Hall was appointed w.e.f. January 2009.

- 4.1.4. The general absence of such best practice<sup>10</sup> is unsurprising given the charity's size but coupled with the turnover of senior staff could, again, lead to confusion and inconsistency. There is also anecdotal evidence of a lack of skilled financial staff and systems supported by a specific instance of an unauthorised change of budget in FY 2007<sup>11</sup>.
- 4.1.5. For the four years 2005 to 2008 the Ramblers appear to budget for deficits but achieve surpluses.
- 4.1.6. The membership records (the CRM) system that went live in January 2008 was, despite assurances to Finance and Audit Sub Committee (FASC) in December 2007<sup>b</sup>, unfit for purpose in so far as it failed to meet the needs of either the membership secretaries in groups, areas and countries or central office and had insufficiently robust definitions of the various types and statuses<sup>12</sup> of membership.
- 4.1.7. Membership numbers, as reported, appeared to be falling by about 1% per annum 2004-08.

#### 4.2. *Of the World*<sup>13</sup>

- 4.2.1. Meanwhile in the rest of the world the credit crunch and the near collapse of the world's banking systems began.
- 4.2.2. In the US in 2006 the 'credit crunch' starts as the effect of defaults on sub-prime mortgages begins to be felt. In March 2008 Bears Stearns, an investment bank and pioneer of 'securitisation', became insolvent and had to be rescued by being purchased by a major bank, JP Morgan Chase. In September 2008 Lehman Brothers bank went bankrupt and Freddie Mac/Fanny Mae, the federal mortgage corporation and association were taken over by the US government and AIG, a major insurance corporation, required a huge US government bail out to remain in business. By late 2008 it became clear the US and most of the world's major economies were in, or heading towards, recession.

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<sup>10</sup> There is evidence of much good practice in some other areas e.g. governance, risk management, key performance indicators, appraisals at all levels, and quinquennial planning.

<sup>11</sup> Spotted by the (new) Chief Executive in September/October 2007. A review of the budgetary process 2006/07 was undertaken by FASC in January 2008 and a number of improvements approved and most were implemented. There remained an untimely process and a lack of transparency.

<sup>12</sup> For example the 'active' or 'overdue' categories etc.

<sup>13</sup> I am not an economist – so these are broad impressions.

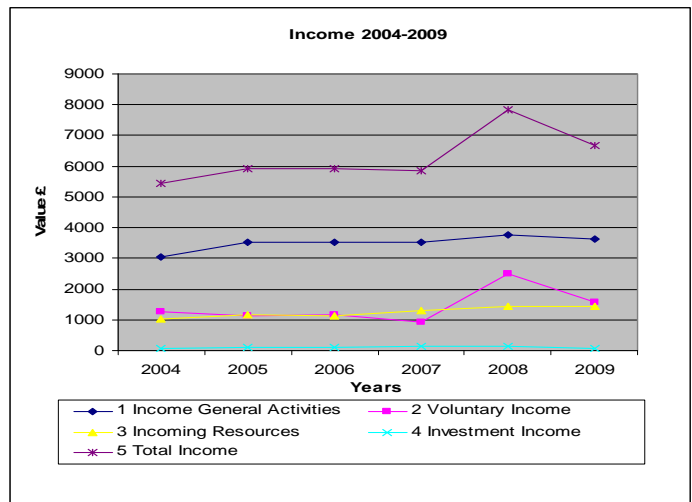
4.2.3. In the UK Northern Rock's business plan of 'lending long but borrowing short' stopped working in September 2007 as banks stop lending to each other. The bank's admission of emergency borrowing from the Bank of England prompted a run on the bank, the first in the UK since Overend Gurney in 1866. The UK's recession began Q2 (quarter to June) 2008 reported in July 2008. In October 2008 the Bank of England starts to reduce interest rates from 5% to 2% in December 2008, then the historic lowest rate on record. Q3 figures published in October 2008 showed the UK's recession getting worse.

4.2.4. What all this turmoil portended was that the world's major economies were heading into a major recession that would affect almost everybody in the UK.

## 5. Of income and expenditure<sup>14</sup>

### 5.1. Of income 2004-2009

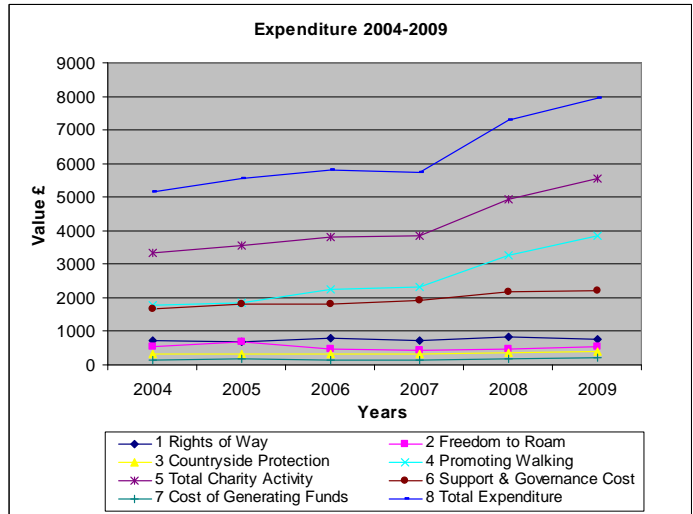
5.1.1. Income gently rises with the exception of voluntary income where the sharp increase in FY 2008, and subsequent fall, were caused by the exceptional £1 million legacy income.



<sup>14</sup> Annual accounts are consolidated at the year end to include Area and Group results. The annual accounts will not be completed until January 2010 and so the comparison with FY 2009 is based on an approximation.

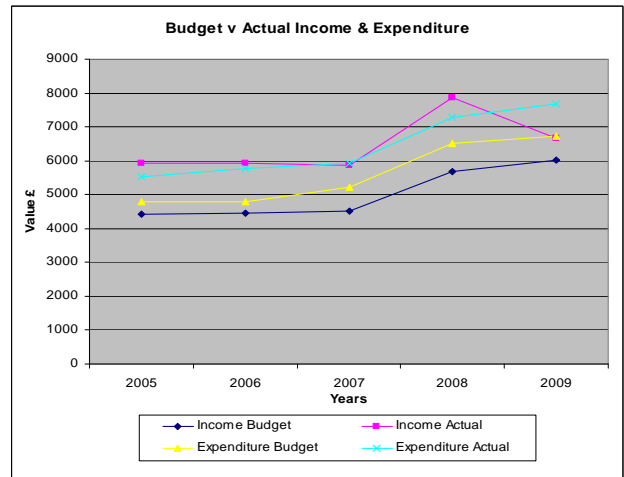
## 5.2 Of expenditure 2004-2009

5.1.2. Expenditure increases markedly FY 2008 & 2009. In FY 2008 it was financed from the historical high legacy income<sup>15c</sup>.



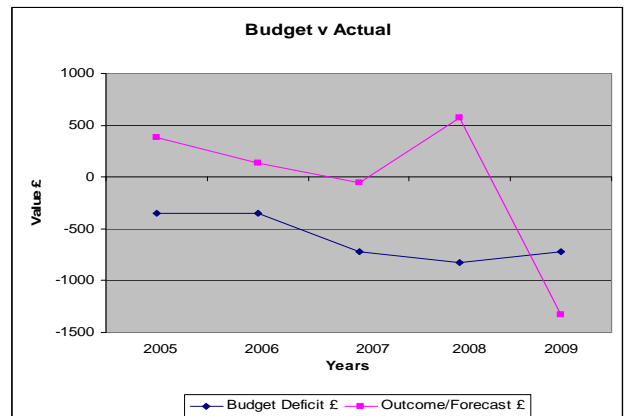
## 5.3. Budget v Actual

5.3.1. From 2005-2008 actual income significantly exceeded budgeted income and actual expenditure similarly exceeded budgeted expenditure. This is, presumably, the consolidation of Areas & Groups income and expenditure which is not centrally budgeted.



## 5.4. Budgeted v Actual Deficit

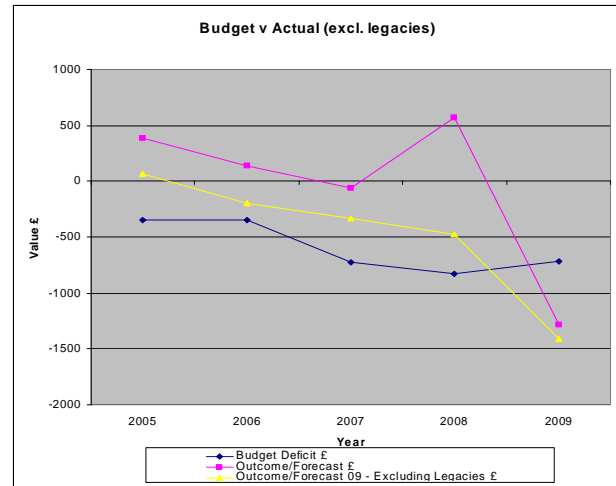
5.4.1. Between 2005 and 2008 The Ramblers consistently budgeted for a deficit but for three years achieved a surplus and in 2007, broadly broke even.



<sup>15</sup> The start of the growth in expenditure effectively predates the current SMT. The budget for FY 2008 was approved on 20.9.2007 a week after the current Chief Executive started.

5.5. *Budget v. Actual Deficit excluding legacy income*

5.5.1. This graph shows clearly that without legacy income there is a clear and steady decline in the underlying position. Legacy income is an unpredictable source of income<sup>16</sup>.



5.6. Since FY 2006 there has been increasing deficit budgeting until it was restrained in FY 2009

	Surplus (Deficit) Before Allocation to Areas & Groups	Final Budgeted (Deficit)
● FY 2005	£250k	£(346k)
● FY 2006	£275k	£(359k)
● FY 2007	£(191k)	£(724k)
● FY 2008	£(343k)	£(826k)
● FY 2009	£(£318k)	£(718k)

5.7 Anecdotally I'm told Ramblers have been budgeting for deficit for the last 17 years. It is difficult to see how this could have been sustained without an extraordinary run of good fortune unless both income and expenditure were estimated very 'prudently'. Low income budgets are then exceeded and high expenditure estimates undershot as, for example, savings accrue from new initiatives not 'taking off' as quickly as anticipated or from staff vacancies. The disadvantage of such prudent budgeting is that it unnecessarily restrains spending on the purpose of the charity.

<sup>16</sup> Never the less this was not an irrational assumption in FY 2009 at £290k. For the 10 years 1998-2007 legacy income averaged £270k but oscillated in a range from £120k to £420k. In 2008 income rose very sharply to £1.045m. In 2009 it fell back to £128k (unaudited figure).

## 6. Of theories and myths

6.1. I have looked into some of the alleged reasons as to why the income fell substantially in 2009.

### 6.1.1. *Loss of membership income results from the CRM debacle*

The membership figures for 2003-2008 are not comparable to 2009 due to flaky definitions of various membership statuses prior to 2009. For 2004-2008 the figures broadly indicate a 1% per annum loss of membership. For 2009, adjusted very roughly to a comparable basis, it appears to indicate a loss of 3% of membership, so the most that could be attributed to the CRM difficulties is some £60,000 per annum.

### 6.1.2. *Central office and the trustees must have bungled the income estimates or let the expenditure get out of control*

The facts are that income was indeed £1m below target, but expenditure was also below budget by some £600k before redundancy costs. Income targets were not achieved but management did cut back expenditure. What may be closer to the truth is that expenditure commitments exceeded assured income. This in itself is not unusual in a charity where judgement has to be exercised as to the income in order to maximise the amount spent on mission. However, there is insufficient transparency in the budgetary process to easily comprehend this.

### 6.1.3. *The trends should have been spotted earlier*

In my opinion the trend was not obvious at the end of quarter one (Q1 to December 2008 published mid January 2009) but had become obvious by the time the management accounts were produced for Q2 (published mid April 09). However, the trend may have been spotted earlier if fundraising activity had been tracked rather than just fundraising income.<sup>17</sup>

### 6.1.4. *There was a cover-up at the General Council*

It is clear that the timing of these difficulties was unfortunate. My personal view is that whilst the management may have begun to identify the problem as serious, it would have been inappropriate to announce it before the management and trustees had determined a course of action and told the staff if it was inevitable that redundancies would occur.

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<sup>17</sup> Whilst the outcome of any grant application or fundraising activity is difficult to predict, it is usually true that the more activity one undertakes, the more income one could generate. Similarly, if one does not undertake the activity, one has no chance of generating the income.

## 7. Of errors

7.1. So what really went wrong?

### 7.2. The budget process was unstructured and untimely (*Recommendation 7*)

7.2.1. Final approval for FY 2009 budget was in December 2008 after the FY had started in October 2008. A budget deficit of £718k was approved '*noting the intention to reduce the deficit level for the year to £450k<sup>d</sup>*'.

7.2.2. On 12<sup>th</sup> June 2008 the Finance & Audit Committee (FASC) had considered the Five Year Operational Plan FY 2009 -2013<sup>e</sup> in the context of a budgeted deficit of £826k for FY 2008. It was forecast that the outturn would be a deficit of £623k<sup>18</sup> owing to a higher than budgeted legacy income and despite other income falling short of the budgeted income by some £450k.

7.2.3. The Plan had the following budgeted deficits/surpluses

- FY 2009 Deficit £863k
- FY 2010 Deficit £353k
- FY 2011 Surplus £216k
- FY 2012 Surplus £298k
- FY 2013 Surplus £702k

7.2.4. At the beginning of FY 2009 the unrestricted and undesignated general funds stood at an estimated £2.1m. Given that it is good practice for charities to spend the funds they received on their mission<sup>19</sup> eroding the reserves in this way would not be unusual although at less than 10% of total general funds expenditure in FY2010 it looks unusually tight.

7.2.5. Tom Franklin (TF) and Paul Butler (PB) cautioned that the plan carried too much risk and should any new income stream fail, the deficit would be higher in FY 2009 & 2010<sup>f</sup>. TF warned that to get risk down to an acceptable level 'painful decisions would have to be made'<sup>9</sup>. PB 'expressed frustration in financially planning new activities whilst accommodating increased investment in existing activities in an environment of a budget deficit'<sup>h</sup> and 'expressed the necessity to deliver the revenue raising strategy before expansion in campaigns'<sup>i</sup>

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<sup>18</sup> This was a very cautious forecast. Subsequently income increased significantly more than forecast and expenditure savings were not only maintained but increased. The annual accounts FY 2008 showed a surplus of £0.5m.

<sup>19</sup> Subject to retaining a level of reserves commensurate with the potential risks and opportunities

7.2.6. FASC determined that three scenarios should be put to the next Board of Trustees<sup>l</sup>:

- Go forward with existing plan
- Maintain business as usual concentrating on existing activities
- Make cuts in campaigning in FY 2009 & 2010

7.2.7. The Board of Trustees (BoT) on 12<sup>th</sup> October 2008 'noted the progress made in developing a five-year operational plan, and the ongoing work which is being undertaken'.

7.2.8. At the BoT on 6<sup>th</sup> December 2008 there is little discussion minuted on the item Budget 2008/2009 (425/08) other than '(the Board) approved the five-year financial plan including the budget for 2008/09, noting the intention to reduce the deficit level for the year to £450k' (as noted in 7.2.1 above).

7.2.9. The revised and approved Plan had the following budgeted deficits/surpluses

- FY 2009 Deficit £718k
- FY 2010 Deficit £353k
- FY 2011 Surplus £59k
- FY 2012 Surplus £309k
- FY 2013 Surplus £731k

### 7.3 **The budget process was too introverted** *(Recommendation 7)*

7.3.1 Given the brief minute it is difficult to examine the rationale for approving such a budget, which appears to have assumed 'life as normal', when it was clear both internationally and nationally that the world's financial system was in crisis and probably entering the worst recession since the great depression. *(Recommendation 10)*

7.3.2 Surveying the charity sector as a whole it is clear the Ramblers trustees were very much not alone in being optimistic.

7.3.3 I have found no record of either a SWOT or PESTLE<sup>20</sup> analysis being undertaken.

### 7.4 **The budget process lacked cynicism** *(Recommendation 7)*

7.4.1 I can detect little 'healthy cynicism' (recorded in the minutes) amongst trustees about fundraising. Directors of Fundraising are

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<sup>20</sup> SWOT stands for - Strengthens, Weakness, Opportunities, Threats. PESTLE stands for - Political, Economic, Sociological, Technological, Legal, Environmental.

invariably able to sell each line of activity as having a high likelihood of success. In my experience Directors of Finance and Boards of Trustees usually partially discount such optimism – if only on simple principle that ‘something is bound to go wrong’ and not every income target will be achieved. This is not a line by line critique but an ‘in total’ assessment.

- 7.4.2 A general note of caution was sounded by the (then) Honorary Treasurer who pointed out ‘that the Plan contains investments in Yr1 and Yr2 for “jam tomorrow” in Yr3, Yr4 and Yr5.’<sup>k</sup>
- 7.4.3 The management was also expressing concerns (as in 7.2.5 above)
- 7.4.4 Nevertheless income was only reduced by ~ £100k between the version of the plan considered by FASC and the approved version of the plan; expenditure was reduced by ~£250k. This was an increase on last year’s budget of 5.7% for income and 3.3% for expenditure or a net reduction of £150k in a budget of £6.7m – some 2%.

## **7.5 Spending priorities were unclear** (*Recommendation 7*)

- 7.5.1 There is a sense, and it is no more than that, that decisions were not made clearly and explicitly about priorities. Little discussions of such are recorded. Again it is not unusual for budgets to be ‘last years budget plus inflation’ because the alternative is change which for many is uncomfortable.
- 7.5.2 Successful older charities are often thought of like super-tankers - they have great momentum but take a long time either to change course or slow down.
- 7.5.3 What usually happens when ‘change’ meets ‘momentum’ in financial situations is that expenditure continues on existing activities, additional expenditure budgeted for new activities and new sources of income optimistically targeted. Reserves are ‘invested’ to create the capacity to generate future income. The intention is always to generate the income before initiating the activity; what often happens is that both the fundraising and the activity (sustained by fervent enthusiasm) are initiated simultaneously (usually under the guise of a ‘pilot study’), the new income does not materialise, existing activities are not cut and a deficit results.

7.5.4 This tendency to spend money before one has raised it also exacerbated by a drift towards an over-commercial style of management whereby, as in business, one 'spends money to make money'. I can not say this has happened but it is an issue to watch. In charities the 'golden rule' is to raise money and then to spend it!

7.5.5 I suspect at the Ramblers that budgets were necessarily optimistic given the perceived expenditure needs.

## 7.6 **The budgeted income was not achieved** (*Recommendation 7*)

7.6.1 I have identified some £750k to £1m of income that was either speculative or over-ambitious. Whilst I have tried to review these estimates on the basis of what I knew about the economic situation then (not now) and what was known of performance to date, my judgement may inevitably be coloured by the wisdom of hindsight<sup>21</sup>.

7.6.2 Clearly when running any charity there is an element of judgement around some unpredictable sources of income. Judgement has to be exercised in order not to curtail mission activity unnecessarily due to excessive caution.

7.6.3 Events have proved that judgement was wrong overall and income fell £1m below budget - a phenomenon not uncommon across the whole charity sector in 2009.

7.6.4 There was an over-reliance on monitoring money rather than activity and where a delay in activity was noted in the management accounts I suspect it received insufficient attention. In fundraising it is important to monitor activity as well as income. (*Recommendation 8*)

## 7.7 **The trustees and management were overtaken by events**

7.7.1 Between 2007 and 2009 considerable activity has been undertaken. The CRM system, introduced in January 2008, was found to be not fit for purpose. It proved to be a very intractable problem and substantial management effort and trustees attention has been devoted to it; the Get Walking Keep Walking project, funded by the Big Lottery Fund and Ramblers Holiday Charitable Trust, started in Manchester in December 2007; a whole new management team arrived between September 2007 and January

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<sup>21</sup> Speculative – Projects £200k; Trusts £140k; Legacies £200k. Over-optimistic Membership Appeals £75k; Membership £200k; Accommodation Guides/publications £100k; Income resources £50k

2009<sup>22</sup>; a new operational plan 2008-13 was created in spring/summer 2008 supported by a zero-based budgeting exercise and there was considerable work on good governance. All of this was necessary either to correct errors, improve systems or enact the mission.

7.7.2 So much was going on that I wonder whether sufficient consideration could have been given to the external circumstances and the realism of financial targets in the Plan (and budget) 2009-13 and particularly for FY 2009.

7.7.3 There was a focus on 'capacity building' for FY 3 to FY 5 and therefore expenditure in FY 1 & FY 2. This is the classic fundraisers' manager's dilemma of 'investing to grow'. Such growth plans have to be formulated in the context of the national economy. The Ramblers, together with many other major charities, were not. This is partially because the world's economy was changing fast and judgements were difficult to make and partially because Ramblers appears to be rather introspective. There also appears to be an underestimate of the time and effort it takes to secure new income.

7.7.4 The Ramblers were doing too much (as in 7.7.1) to enact such well intentioned plans. In short, the Ramblers were over-ambitious and over-stretched.

## 8 Of other issues

8.1 A contributing factor to the rising deficit may have been that the grant from the Ramblers Holiday Charitable Trust (RHCT), which up to FY 2006 was an unrestricted (albeit latterly designated) grant funding the general expenses of the Ramblers, eventually became a restricted grant funding Get Walking Keep Walking (GWKW). I'm told that from FY 2005 this was designated against specific projects but as such expenses could have been generally funded this would have made no difference to the Ramblers' financial position. In FY2007 the £380k grant from RHCT became a grant supporting the new project GWKW and as such would have created a deficit on the general fund unless the activities it previously funded either stopped or the resources transferred to GWKW. There is, as yet, insufficient data to resolve this suspicion and it must remain a theory. (*Recommendation 5*)

8.2 In reading the minutes and observing meetings I do not believe there is a sufficiently clear line of authority between trustees, SMT and staff. An

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<sup>22</sup> Chief Executive –September 2007; Director of Finance & Operations April 2008, Director of Marketing & Communications January 2009, Director of Campaigns & Policy October 2007

instruction from the trustees is perceived as a request by SMT and as a suggestion by their staff! All effective charities are partnerships between trustees and staff but both sides have to be clear that the trustees are the ultimate bosses who carry the final and paramount responsibility for the charity. *(Recommendation 6)*

- 8.3 There is insufficient transparency to trustees between the management accounts and the annual accounts, general (internal) funding and (external) grant funding and who and what is funded from where. The distinction between unrestricted and restricted is clearer, between designated and non-designated less so. *(Recommendation 5)*
- 8.4 There is no clear financial strategy albeit there is a reserve policy. Financial plans need to be formulated in the context of a simple financial strategy (or framework). *(Recommendation 3)*
- 8.5 The change from very prudent budgeting to a more rational and realistic basis was mistimed because of the lack of external environmental analysis. Nor can I tell from the minutes whether its inherent benefits and risks were fully appreciated. *(Recommendation 7)*

## 9 Of culpability

- 9.1 So who is responsible?
- 9.2 I have never found it helpful to apportion blame. Few people, in my experience, deliberately make errors or are irresponsibly negligent, particularly when acting as trustees of charities of such long standing as the Ramblers. Judgements are made with the best of intentions. But those judgements were erroneous and the Ramblers must learn from their mistakes.
- 9.3 For organisations to thrive in today's world they need to be learning organisations that continuously improve.<sup>23</sup> The Recommendations and Action Plan below are made with this in mind
- 9.4 Cynically most projects go through
- Enthusiasm
  - Complication
  - Disillusion
  - Search for the guilty
  - Punishment for the innocent

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<sup>23</sup> Organisations need to constantly reiterate the cycle of Plan, Do, Study, Act. e.g. Plan an activity; Do (enact) the activity; Study the outcome; & Act to how to improve it by improving the plan for next time.

- Reward for those who did nothing!

9.5 Nevertheless my fellow trustees asked that I allocate responsibility so in broad terms it is as follows

9.5.1 Trustees

- Trying to change too quickly (given circumstances)
- For lack of follow through and cynicism (this can always be said!)
- Unclear as to priorities

9.5.2 Management

- Over ambitious, lack of cynicism.
- Trying too hard; explaining too little.
- Failure to predict income via activity.

9.5.3 Both

- Eye on CRM but off income raising
- Untimely processes

## 8. Recommendations & Action Plan

No	Action	End Date for introduction	Comment
1.	Balance income and expenditure	Sept. 2009 for FY 2010 DONE	<i>Emergency Measure</i> Done BoT Sept 09
2.	Ensure liquidity	Overdraft secured July 09 DONE	<i>Emergency Measure</i> Done BoT July 09 Payment of salaries put back a week – Done Membership fees Direct Debits to be collected a week earlier –planned for Jan 10
3.	Formulate financial strategy that <ul style="list-style-type: none"> <li>● Looks five years ahead to implement the mission within the resources available</li> <li>● Revises quinquennial plan annually in the light of resources</li> <li>● Balances income and expenditure across the period of the plan and next year</li> <li>● Invests in capacity building only for a fixed period (one/next year) with specified target outcomes.</li> <li>● Annually (or shorter) rigorously assess investment outcomes. If they have failed to deliver target outcomes stop them.</li> <li>● Spends money after its raised (not before)</li> <li>● Annually review the level of reserves required</li> </ul>	Implement for budgetary process (BP) FY2011	

4.	<p>Create, risk assess and discuss financial model that</p> <ul style="list-style-type: none"> <li>● Spends membership income on servicing + tradition roles +overheads</li> <li>● Spend external funds raised on walking promotion + overheads</li> <li>● Spend general funds raised on overheads &amp; capacity building</li> <li>● Spend restricted funds raised on specific restricted objectives including overheads.</li> </ul>	Implement for budgetary process (BP) FY2011	The issue is to create a model which, whilst it does not hamper the mission by hypothecating funds, it does avoid a mismatch of reasonably assured income with centrally funded expenditure at best or highlights the risks at worse. This is usually more difficult than it looks and necessarily follows the creation of greater transparency.
5.	<p>Create greater transparency (and management, trustee and membership understanding) as appropriate between</p> <ul style="list-style-type: none"> <li>● Annual budgets and annual accounts (make area and group consolidation transparent)</li> <li>● Internal funding and external grant funding (both money and staff numbers) as well as restricted and unrestricted funding.</li> </ul>	Annual Accounts (AA) 2009	This will be developed over time but a start could be made with AA 2009 and the budget for FY2011

6.	<p>Create standing Financial Instructions that, <i>inter alia</i>,</p> <ul style="list-style-type: none"> <li>● Clearly defines the Chief Executive's responsibility for achieving or exceeding income targets, achieving or staying within expenditure budgets and achieving a budgetary surplus or staying within a budgetary deficit</li> <li>● Clearly defines limits of financial authority between trustees collectively, honorary officers and committee chair, SMT collectively, Chief Executive, individual Directors and staff and the powers of delegation</li> <li>● Allows for swifter decision making</li> </ul>	As soon as possible but no later than February 2010 re financial authorities	
7.	<p>Create a written budgetary process which</p> <ul style="list-style-type: none"> <li>● Standardises the budget process allowing both trustees and management to input early and strategically</li> <li>● Allows an early discussion by trustees of the broad allocation of resources</li> <li>● Allows for budget approval in May for the following FY so that any outstanding issues may be resolved in September before the FY starts</li> <li>● Ensure assumptions are approved in advance of financial plans</li> <li>● Determines likely income in advance of expenditure needs</li> <li>● Challenges both expenditure 'needs' and income targets more cynically*</li> </ul>	}Implement for }BP FY2011 } }	<p>Approved by Strategy and Governance Sub Committee (SGSC) November 09</p> <p>*Sept 09: (1) FASC convened special meeting to challenge budget. (2) BoT challenged more effectively prior to</p>

	<ul style="list-style-type: none"> <li>• Includes environmental analysis</li> <li>• Assess risk specifically as relates to financial plans</li> </ul>	BP FY 2010 BP FY 2011	approving the budget BoT undertook PESTLE analysis Sept 09 BoT already has general risk management systems in place
8	Create a monitoring system for fundraising achievements (income) and activity in the short, medium and long terms	November 09 DONE	FASC monitors cash income and the opinion of Director of Marketing & Communications as to whether target will be achieved for current year. Campaigns and Marketing Sub Committee (CMSC) monitors detailed marketing/fundraising activity against work plan. For current year FASC also monitors ongoing analysis of grant applications successes, failure, pending and in development for a longer term perspective
9	Minutes of the Board of Trustees and its subcommittees are formal documents and should be so styled. They need to record what papers a committee received, by whom they were presented, what were the key issues and key comments, what the committee decided and why they decided it. If a vote was taken it should be recorded.	Immediate	Committee chairs and secretariat should attempt to improve minutes immediately. Guidelines should be formulated so there is a consistency across the organisation.

**Jonathan Kipling**  
Honorary Treasurer  
4th December 2009

**Note on Publication**

*I made a presentation on my interim findings to the Board of Trustees in September 2009. I then travelled for six weeks returning home in the last week of October and have subsequently worked on the report, making further enquiries, in my spare time. I have a full time job. The delay in publication results from those circumstances and no other.*

*The author is mildly dyslexic – so please excuse any typos.*

*There is always a danger in any single author document that an issue is missed.  
After hubris ....nemesis!*

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- <sup>a</sup> Board of Trustee Minute (BoT) 340/7
  - <sup>b</sup> Meeting Notes FASC 11<sup>th</sup> Item 14
  - <sup>c</sup> BoT Minute 343/07
  - <sup>d</sup> BoT Minute 425/08
  - <sup>e</sup> BoT paper Enclosure 5 October 2008 (Also pre-considered by FASC)
  - <sup>f</sup> FASC Minute 46/08
  - <sup>g</sup> FASC 48/08
  - <sup>h</sup> FASC 49/08
  - <sup>i</sup> FASC 53/08
  - <sup>j</sup> FASC 62/08
  - <sup>k</sup> FASC 47/08

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