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Don't be afraid to approach funders if you're in trouble

When a charity is facing financial difficulties, it can be tempting for trustees to hide this from existing funders for fear of losing their support. But trustees should be prepared to engage funders in the situation, because they can play a key role in helping a charity to survive.

It is not generally in the funder's interest to act punitively if a charity is facing problems. They invested in the charity because they wanted to achieve social outcomes, and if these are in jeopardy then a funder's main concern should be to preserve them.

Trustees can and should feel able to approach funders for their views about projects funded by them, and the funders should, in turn, be prepared to listen, at the very least. Some will not, but those who do can greatly help trustees to make decisions merely by saying what they would prefer to happen. Funders might even choose to invest further transition funds if they can see a sustainable outcome.

Other solutions

Enlightened funders can also support organisations that find themselves in difficulty by helping to identify other solutions that would preserve the social outcomes. Although they can assist by making suggestions, giving opinions or consenting to a transfer of funding, they will of course want the trustee body to decide for itself what it wants to do.

Organisations that are suffering critical financial problems can find themselves stuck in a position where they are unable to afford – in terms of both time and money – to explore wider opportunities such as merger or joint working, or cannot alone identify potential partners.

Trustees are often reluctant to let go of successful projects. Some view it



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as selling the family silver. There might be too many difficult decisions, including staff redundancies, if they seek to transfer high-impact projects to new or more sustainable organisations. In these situations, funders can provide independent advice and a wider perspective than that of the trustees.

Where an organisation looks like it will fail, funders can help to preserve some of its projects by agreeing to transfer funding to an alternative organisation.

Overcoming reservations

Funders might have reservations about helping struggling charities or projects, but many of these can be overcome. They may, for instance, be concerned about stepping over the line between mere funding and becoming so involved in decision-making that they risk assuming responsibility as a 'shadow director'. They might also be worried about being held liable for the organisation's failings.

Trustees should seek to reassure them that, so long as their indications of ongoing financial support are clearly limited and they do not seek to direct the trustees to follow a particular course of action, this is unlikely to happen.

Of course, if things are going wrong funders might have the right to claw back funds they had pledged in grant agreements. However, this is realistic from the funder's perspective only if there are funds available to repay the original funding.

Many funders will also realise that such a move could tip a failing organisation over the edge, taking with it the social outputs from other projects and the wider social benefits of the organisation itself.

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