



A BioSciAcademy briefing

Notes from seminar on 'Leading your charity through the recession' 7 May 2009

This seminar was organised collaboratively with support from a range of organisations, including the Association of Chief Executives of Voluntary Organisations (ACEVO), Charities Aid Foundation, Charity Trustee Networks, and a range of professional advisors.

Our main conclusions from the day

1. Risk identification and scenario planning (both the likely scenarios and disaster scenarios) are important, but when it comes to actually making decisions, it's key to get the right balance between taking too little action now and putting the society's reputation and/or existence at risk in the longer term, and taking too much extreme action now and putting the society's reputation and/or existence at risk in the short term
2. All commentators predicted a difficult few years, but a gradual recovery from late 2010 nonetheless. They felt the UK was better placed than the rest of Europe, and that Ireland will have a particularly challenging time
3. Recessions can generate opportunities and organisations can emerge strong
4. Communication, transparency and a shared vision are key
5. Charities need to be careful not to take steps (eg deep cuts in grants) that are likely to lose them members or reputation unless this is essential for survival

Below are listed some of the key points made by selected speakers.

Managing the impact of the recession on charity income and assets – Gavyn Davies, founder of New Philanthropy Capital and Fulcrum Asset Management; former Chief Economist for Goldman Sachs and Chairman of the BBC

1. Mr Davies predicts a long period of low interest rates, but after 3/4/5 years interest rates will go up as inflation goes up
2. He forecasts that there will be a period of deflation after which inflation will rise
3. Equities are currently a better prospect than bonds
4. Diversification among asset classes will prove its worth
5. Charities need a global spread of assets, but overseas risk is greater due to the added risk of currency fluctuation. Mr Davies recommends considering equities in the UK and hedge funds or equivalent overseas
6. Active risk management is vital. Even if only 50% of assets are equities, 80% of risk is there. Charities could have an instruction that risk is automatically reduced in a bear market
7. You need to be able to trust your fund managers – and then trust them

The role of trustees in a recession – Rodney Buse, Charity Trustee Networks

1. Income is likely to be under more threat in 2010 and 2011, especially income from public, government and grant funders
2. Identify potential difficult decisions and plan now, but do not take action now
3. Prioritise on core activities to ensure beneficiaries are not disadvantaged
4. There is likely to be increased demand for the services of charities
5. Collaborations/consortia/mergers may be useful. Collaborations may be especially useful in delivering non-core services. Mergers may take 18 months to be effective
6. Consider the cost of cuts in terms of reputation, values and the effects on people as well as finances

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7. Trustees need good information from management in terms of financial information, risk evaluation, contingency plans and so on
8. Review governance as weaknesses may leave the charity exposed
9. This is no time to meddle!

Key decisions facing trustees – Melvin Coleman, FD of Amnesty International UK

1. Plan for 1-3 years only (1=current year)
2. Have clearly identified priorities
3. Charities need mutual agreement between trustees and management
4. Have a determination to emerge as strong as possible
5. Think about income first (protect/grow/collaborate/merge)
6. Have varying scenarios for dealing with income shortfalls
7. Strategic approach to cost cutting (ie not x% across the board, but protect core services and cut or defer non-core ones)
8. Invest where necessary, even though this can be a difficult decision to make if other areas are being cut
9. Keep updating plans at regular intervals as circumstances change
10. Use of reserves – need to identify when, to what extent and in what way they should be used
11. Charities need support from their trustees
12. If you have to make big cuts, do it once and once only, as this will be less demoralising, especially if redundancies are involved
13. Openness and transparency are key for all stakeholders, beneficiaries, staff and trustees
14. Be aware of the feelings of various groups
15. Communicate, communicate, communicate

The CEO's role – Stephen Bubb, CEO of the Association of Chief Executives of Voluntary Organisations (ACEVO)

1. A crisis is a good time to look at renewal and opportunities
2. Have the courage of your convictions
3. Carry out contingency planning, just in case
4. Watch cash balances
5. Be aware of the effects of decisions on external profile

Note

Please note that all the comments above are BioScientifica's interpretation of the speakers' messages. Societies should use these for general information and should take specific advice where applicable. This briefing does not constitute legal or investment advice.

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