

Financial Difficulties

Almshouse Factsheet 3

CHARITY
COMMISSION

Issues

Financial issues due to:

- lack of funds
- insufficient income to meet operational costs
- increased and high level of known expenditure in forthcoming years
- lack of, or poor planning
- poor governance or administration

What do the trustees need to think about?

- Is the property 'fit for purpose'? (see property factsheet)
- Can the trustees raise money through grants, loans, releasing PE or mortgaging.
- Can the Weekly Maintenance Contribution (WMC) be increased?
- Are there any current almshouse vacancies?
- Is the current definition of beneficiaries still achievable or is this leading to difficulties in finding suitable beneficiaries?
- Can outgoings be reduced?
- Are current investments performing?
- Merging or collaborative working with another almshouse charity.

Information available from National Almshouse Association: www.almshouses.org

- Standards of Almshouse Management.
- Small almshouse budget.
- Advice on weekly maintenance contributions and budgeting.
- Common sense and professional advice is the key to monitoring investments.
- Fundraising guidance.
- Advice on loans and grants (statutory) and others.
- Various publications and articles.

Information available from the Charity Commission website: www.charitycommission.gov.uk

Publications and Guidance – Publications – Quick Links.

- *The Essential Trustee: What you need to know* (CC3).
- *Internal Financial Controls for Charities* (CC8).
- *Hallmarks of an effective charity* (CC10).
- *Managing Financial Difficulties and Insolvency in Charities* (CC12).
- *Investment of Charitable Funds: Basic Principles* (CC14).
- *Charities and Fundraising* (CC20).
- *Disposing of Charity Land* (CC28).
- *Acquiring Land* (CC33).
- *Collaborative Working and Mergers: An introduction* (CC34).
- *Charity Reserves* (RS3) and *Tell it Like it is* (RS13).
- *Collaborative Working and Mergers* (RS4).

Publications and Guidance – Guidance – Operational Guidance – Numerical List of Operational Guidance.

- Schemes and Orders (OG1).
- Borrowing and Mortgages (OG22).
- Permanent Endowment (OG44).
- Unincorporated Charities: Amendments to governing documents (OG45).
- Disposal of charity interests in property (OG54).
- Almshouse Charities (OG65).
- Endowed Charities: A Total Return Approach to Investment (OG83).

Information available from other sources?

The Housing Corporation provides a range of publications, funding advice and good practice guidelines (www.housingcorp.gov.uk).

When is the Commission's authority needed?

To amend the beneficial class, area of benefit or objects.

To dispose of designated land (unless the land is being replaced or a power exists to dispose of specie property).

To borrow from the charity's permanent endowment with replacement.

If a charity does not have power to merge or its governing document requires Charity Commission consent to dissolve or merge.

To pool investments by Pooling Scheme.

If the trustees want to adopt a total return for investment (see OG83 on previous page)

What information does the Commission require?

- Reasons for current problems.
- What the trustees have done to try and rectify the situation.
- What the trustees want to do and why this is in the best interests of the charity.
- The outcome of having contacted the NAA and/or the Housing Corporation (if registered with them) for advice and support.
- If the problems relate to the property and current vacancies we will also need the information requested on the property factsheet.

How do the trustees obtain authority?

The trustees will need to complete an application for a Scheme using one of our forms CHY-ST1(A) or CHY-ST1(B). We will forward the form to the trustees if we agree to make a Scheme.

How is the Commission's authority given?

A Scheme will be required:

1. To alter the charity's objects and may be required to amend the beneficiary class and area of benefit.
2. When trustees are disposing of designated land, sometimes referred to as specie land, no longer required for the purposes of the charity, and they have no intention of replacing it (unless the trusts of the charity include a suitable constitutional power of amendment which the trustees can use to adopt a power of disposal). The Scheme will also provide an outlet for the proceeds of the disposal if the governing document does not contain any suitable trusts.
3. To pool investments when trustees cannot rely on the powers in the Trustee Act 2000.

An Order may be required to enable the trustees to spent permanent endowment of the charity.