



Case Report

Success for All Foundation (1077079)

About the charity

The Success for All Foundation is a charitable company which was registered with the Charity Commission (the commission) in August 1999. Its charitable objectives are to advance the education of children by disseminating approaches to the school curriculum, instruction and organisation, to assist in the attainment of high academic standards and the achievement of their full potential; and to undertake research into education and publish useful results of all education research either carried out or sponsored by the charity.

Why the Charity Commission got involved

The monitoring team undertook proactive analysis of and compliance visits to a group of charities identified as having signs they may be at risk of financial distress, including potential insolvency. The aim was to seek assurances that trustees understood their duty to protect charity assets; had adequate measures and controls in place to manage finances; and were actively managing the risks, taking appropriate action where necessary to mitigate the impact on the charity. The aim was also to identify common risk factors in these types of cases to inform future risk assessment and highlight good practice in dealing with financial distress where this was identified.

The Success for All Foundation was randomly selected from a group of 94 charities whose accounts included an 'emphasis of matter'¹ relating to their financial position. The concern contained in the Success for All Foundation's accounts for the year ended 31 July 2014, indicated that it had grown rapidly during financial year 2013-14 and appeared to have lost control of its costs, leading to an overspend of around a third of its income. As a result, it came close to becoming insolvent and had low levels of financial reserves.

We proactively contacted the charity to gain further understanding of the issues and the actions being taken to resolve them and to assess whether there were any regulatory concerns. This is part of our work to proactively monitor charities that fall into certain risk categories.

¹ A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

The action we took

We opened a monitoring case and carried out a scrutiny of the charity's latest accounts, which supported the going concern issue raised in the accounts but also recognised that the trustees had intervened quickly to try and salvage the charity's finances.

We met with all of the charity's trustees and the chief executive to verify the actions being taken by the charity to improve its financial position.

What we found

The charity co-operated fully with the commission's enquiries.

In the third quarter of 2014, the trustees had recognised that the charity was in financial distress and immediately started taking action to save the charity from insolvency. This included appointing a new chief executive. There was clearly a good working relationship between the trustees and the chief executive, which was helping to turn around the charity's financial situation.

They recognised that Success for All Foundation previously received 86% of its funding from grants from the Education Endowment Fund, Realising Ambition and Big Lottery, leaving it vulnerable to financial pressure if there were cuts in this funding. The charity does not undertake any fundraising activities. As a result, the trustees decided to completely change the charity's business model. It stopped its reliance on government funding and decided to generate more money through sales of its education programme which, in addition to downsizing and rationalising costs elsewhere, enabled the charity's finances to become more stable. As a result by the time the commission engaged, 98% of the charity's revenue was being generated by its programme and contracts with education establishments, making the charity almost entirely self-funding.

In addition to this, the trustees had reviewed the charity's expenditure and made a number of changes including outsourcing HR and payroll to reduce central office costs. The charity no longer had any rolling credit or payment on account arrangements with suppliers; all bills were paid as they were due, to help planning and forecasting. It had even changed mobile phone suppliers to reduce monthly costs.

The charity had also reviewed costs spent on premises; a costs benefit analysis anticipated up to £40,000 worth of savings in this area.

The charity has a reserves policy which is currently to hold around 3 months' worth of funds in reserves. As its finances were improving, it was continuously analysing risks and reviewing its reserves policy. It was forecasted to more than double its reserves by the end of the financial year 2016-17.

Impact of our involvement

We verified the information in the annual accounts and report about the charity's financial position. Our findings provided assurance that the trustees had put in place appropriate measures to improve the future financial stability of the charity. The commission identified areas of good practice taken by the Success for All Foundation that were already improving its financial position, which we have fed into revision of the commission's suite of **guidance** on managing finances and reserves.

The commission will re-engage with the charity at the end of the next 2 financial quarters to verify the latest financial position and assure itself that projected improvements are being achieved.

Lessons for other charities

This case demonstrates the importance of trustees being alert to changes to funding and taking steps as soon as possible after identifying there is a risk of going into financial distress. It also showed the benefit of implementing robust procedures and practices to effectively manage charity finances, including reviewing them in response to changes. It also highlights the advantages of good working relationships between trustees and the executive team in charities.

Trustees have a duty to act in their charity's best interest and protect its assets. Where charities do face financial difficulties, trustees can discharge these duties effectively if they identify at an early stage the options and pursue those that stand some chance of success.

The commission's guidance **Managing charity assets and resources (CC25)** provides advice on how to manage charity assets and resources, including cash and investments, staff and volunteers.

Internal financial controls for charities (CC8) provides guidance on managing a charity's financial activity and using internal controls to reduce the risk of loss.

Managing financial difficulties and insolvency in charities (CC12) provides advice for charities that are facing financial difficulties and how they can reduce the risk of insolvency.

Charities and reserves (CC19) provides a guide to what charities need to consider when thinking about the levels of reserves they hold and describes what to think about when drafting a reserves policy.

Trustees can also use **Charity trustee meetings: 15 questions you should ask** as a helpful starting point to consider the health of their charity.