

When it's time to say goodbye

By Andrew Wade, Chartered Director (IoD), Corporate Governance Advisor and plural Non-Executive Director

Introduction

There are over 166,000 registered charities in England and Wales. Most will be the product of someone's passion, with their desire to make a difference. But I have seen many charities that are struggling for a whole variety of reasons.

So how do you know when it's time to close down and walk away?

It's not an easy one to spot, but there are definite signs. For example: stagnating income. There are charities turning over roughly the same amount as 10 or 15 years ago – often with trustee boards that have not been refreshed and are doing the same thing, in the same way, that they have always done.

The knock-on effect here is that the overheads will tend to consume an ever greater proportion of the income and, maybe can't be cut any more without the work of charities becoming more difficult to carry out. And, of course, donors are increasingly sensitive to value for money. They may place pressures on charities, or even switch their funding elsewhere.

Another sign is the inability, easily, to scale the model. This may be the strain of extending operations to other areas, particularly in sizeable third world countries. The logistics – distance; cost of vehicles and travel; the need for new, reliable staff and proper supervision – all play their part.

Or has the model been overtaken by events? There may be better products available from more inventive charities. Kerosene substitutes are a good example. There are, of course, substantial benefits in replacing the use of kerosene in lighting, heating and cooking, which has led to many alternative products being produced. However, technology is rapidly advancing, and what may have been cutting edge a few years ago, may now have been overtaken by new state of the art technology.

What should you do?

First of all, consult the constitutional documents of the charity in question. However, the most likely options will be to merge, or wind the charity up – donating any remaining monies to charities with similar objects.

Then there are a range of legal, compliance and practical formalities, such as filings with the Charity Commission and (if incorporated) Companies House.

Finally...

Try to leave a legacy. I know from personal experience that spending the remaining monies wisely, in a way that will benefit future generations, is very satisfying. Oh, and don't forget that final report to your donors – it will make them feel better too.

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