The Trustee Finance Confidence Checklist

Before The Accounts Are Approved
What Every Trustee Should Already Understand

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Before You Approve the Accounts

If you have ever sat in a board meeting, listened to the finance report, and privately wondered whether you fully understood what you were being asked to approve — you are not alone.

Many trustees are intelligent, committed, and deeply invested in their organisation's mission.
Yet finance can feel like the one area where confidence is quieter.

Trustees are not expected to prepare the accounts.
But they are expected to understand them well enough to exercise proper oversight.

That responsibility is legal and not symbolic.

Financial confidence does not mean becoming an accountant.

It means being able to:

- Explain the organisation's financial position in plain English
- Recognise where pressure may be building
- Ask informed questions without hesitation
- Understand what approval truly signifies

Approving the accounts is not a routine formality.
It is a declaration that the board understands the financial story of the organisation.

This checklist is designed to help you pause briefly, before giving that approval.

It will not teach you everything about charity finance.
It will help you assess whether your current level of clarity is sufficient for your role.

If something feels unclear after working through it, that is not a failure.
It is information.

And clarity is part of good governance.

A Trustee Should Be Able to Confidently Explain…

1. The difference between restricted and unrestricted funds

Restricted funds must be used for a specific purpose.
Unrestricted funds can be used where the organisation most needs them.

If this distinction is unclear, oversight becomes blurred and board tension often follows.

2. Whether the organisation is forecasting a surplus or a deficit

Not just what happened last year, but what is expected this year.

Confidence means understanding whether current plans are financially sustainable, not simply historically accurate.

3. What the reserves policy actually means in practice

It is not enough to know that a reserves policy exists.

A trustee should understand:

- How many months of cover it represents
- Whether current reserves align with it
- And what would trigger drawing on them

4. Whether unrestricted funds are under pressure

A charity can appear financially stable overall while unrestricted funds quietly erode.

Trustees should know whether core costs are properly funded or being stretched.

5. The relationship between the budget and cashflow

A budget shows planned income and expenditure.
Cashflow shows when money actually moves.

An organisation can report a surplus and still struggle to pay its bills if cash timing is misunderstood.

6. What the biggest financial risk currently is

Every organisation carries financial risk.

It may be:

- Over-reliance on one funder
- Rising fixed costs
- Contract dependency
- A structural deficit

Trustees should be able to articulate the primary risk without hesitation.

7. When external advice may be needed

Financial confidence includes recognising limits.

If accounting treatments are unclear, forecasts repeatedly change, or financial complexity increases, seeking professional advice is not weakness, it is governance.

If you would hesitate to explain any of the above clearly and calmly in a board discussion, that is useful information.

Confidence is not about perfection.
It is about clarity.

Quick Clarity: Restricted vs Unrestricted

Most board tension around finance comes back to one distinction:

Not how much money the charity has, but what that money can legally be used for.

The Difference

Restricted Funds	Unrestricted Funds
Must be used for a specific purpose	Can be used where the charity most needs them
Usually linked to a grant or donor condition	Includes general donations, trading surplus, legacies (unless specified)
Cannot legally be diverted elsewhere	Used to fund core costs and strategic priorities
May show a surplus on paper but not be available for other activity	Provide flexibility and stability

Why This Matters at Board Level

A charity can report:

- A healthy overall surplus
- Significant cash in the bank
- Strong grant income

… and still be under pressure if most funds are restricted.

If unrestricted funds are declining, core operations may be exposed; even if total income looks stable.

Trustees are legally responsible for ensuring restricted funds are used properly and that unrestricted funds remain sufficient to sustain the organisation.

When this distinction is unclear, decision-making becomes reactive.
When it is clear, governance strengthens.

One Simple Test

Can you answer this confidently:

“How much of our current funds are freely available to support the organisation’s general activities?”

If not, that is the place to begin.

Quiet Red Flags

Financial difficulty rarely arrives suddenly.

More often, it shows up in patterns that are easy to overlook.

These are not accusations.
They are signals worth paying attention to.

- **Management accounts are frequently delayed**

Timely information is essential for oversight.

If reports regularly arrive late, clarity is already compromised.

- **Forecasts are repeatedly revised**

Reforecasting is sometimes necessary.

But constant changes may indicate weak assumptions, income instability, or cost pressures not being addressed.

- **Restricted funds close in deficit**

Restricted funds should not be overspent.
If they are, unrestricted funds may be quietly absorbing the shortfall.

This carries legal and reputational risk.

- **Over-reliance on a single income source**

A major grant, contract, or funder providing a large proportion of income increases vulnerability.

Boards should understand the exposure.

- **Unrestricted funds are steadily declining**

Not dramatically.
Just gradually.
Small annual deficits compound over time.

- **Trustees avoid finance discussions**

If finance is routinely rushed, deferred, or treated as a formality, governance weakens, even if intentions are strong.

Silence is rarely neutral.

Perspective

Seeing one of these indicators does not mean failure.
It means discussion is needed.

Strong governance is not about preventing every risk.
It is about recognising pressure early enough to respond responsibly.

Before Approving the Annual Accounts

Trustee Confirmation Checklist

Before approving the annual accounts, the board should be satisfied that:

☐ Trustees understand the charity’s overall financial position at year end

☐ The level of unrestricted funds and what is freely available, is clear

☐ The reserves position is understood and aligns with the stated policy (or any variance is explained)

☐ Any deficit or significant reduction in funds is understood in context

☐ Restricted funds have been used in accordance with their purposes

☐ The charity remains solvent and able to meet its obligations as they fall due

☐ Trustees are satisfied that the accounts present a true and fair view of the charity’s financial affairs

A Quiet Reminder

Approving the accounts confirms that trustees:

- Understand the charity’s financial position
- Are satisfied that appropriate oversight has been exercised
- And believe the accounts present a true and fair view

Approval should reflect clarity and not assumption.

Strong boards do not rush financial sign-off.
They ensure understanding precedes agreement.

How Confident Do You Feel?

Financial oversight is not about personality.

It is about clarity.

Take a moment to reflect honestly.

On a scale of 1 to 5:

1 — I tend to avoid finance discussions and rely heavily on others
2 — I follow some of the discussion but feel unsure asking questions
3 — I understand the basics but occasionally feel out of depth
4 — I can confidently ask informed questions and understand the answers
5 — I feel clear, calm, and assured in finance discussions

Circle the number that best reflects your current position.

Now consider:

- Which areas feel least clear?
- What specific terms or reports cause hesitation?
- What would increase your confidence by one level?

Financial confidence is rarely about intelligence.

It is usually about exposure, explanation, and structure.

If you scored yourself below a 4, that is not a judgement.

It is an opportunity.

Strong boards invest in clarity.

Regulatory Context & Further Reading

Trustees are legally responsible for the financial stewardship of their charity.

This checklist complements, but does not replace, formal guidance issued by regulatory bodies.

This responsibility is set out clearly in UK regulatory guidance, including:

Charity Commission for England and Wales – The Essential Trustee (CC3)
Charity Commission – Accounting and Reporting by Charities (SORP guidance)
HM Revenue & Customs (HMRC) – Guidance on charity tax compliance

These documents make clear that trustees must:

- Act in the charity's best interests
- Ensure proper financial management
- Safeguard charitable funds
- Ensure accounts are properly prepared and approved

Financial confidence is not optional.
It is part of fulfilling your statutory duty.

Financial confidence is not built once a year at accounts approval.
It develops through steady engagement.

The Trustee Finance Brief provides periodic, trustee-focused finance insight designed to strengthen board-level oversight without overwhelming detail.

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