

Nobody Else Is Coming

*An operator's playbook for crisis, compliance and capital
in organisations too small to have a department for it*

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The worked cases at the end of each chapter of Part II are illustrations. The organisations, figures and people in them are invented, and no case is a portrait or record of any organisation. The law, the regulators, the guidance and the arithmetic in them are real and are cited.

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Before you start

What this is

This is a playbook for the person who gets the phone call. Not the one who says “we have a governance problem” — nobody says that. The one who says “could you have a look at something.” The something turns out to be a charity six weeks from missing payroll, or a funding audit that will find what nobody has looked for, or a founder about to sell more than half of a twenty-year asset to fix a problem that lasts a year or two.

In a large organisation these are three different departments. In the organisations this book is about — charities, community interest companies, training providers, owner-managed businesses, single-asset projects — they are one person, and for a while that person is you. The book is about how to take charge of a problem nobody owns, carry it across law, money, people and operations without dropping any of them, and leave behind something that still works after you have gone.

It is written from the operator’s chair, not the adviser’s. An adviser produces a view; an operator produces a decision, a control and a record, and is still in the room when the decision turns out to be wrong. Most of what follows is about the discipline that difference imposes, including on the operator.

What it is not

It is not legal, financial or investment advice, and the chapters where a reader in a hurry might forget say so again. The law is stated as at October 2026, with the instrument and the date, so that you can check whether it has moved — because it will. The law of England and Wales is used for the charity, company and education chapters; Scotland and Northern Ireland have their own charity regulators and in places their own law, and the principles travel better than the citations. The project-finance chapter uses the Philippines. Each chapter of Part II ends its legal section with the questions to ask wherever you are.

It is not a substitute for an insolvency practitioner, an employment lawyer, a regulated financial adviser, a data-protection officer or a lender’s counsel, and it tells you when each of them needs to be in the room. And it is not a book about large organisations. If you have a general counsel, a treasury function and a head of internal audit, you already have the departments this book stands in for, and your problem is a different one.

How to use it

Part I is the method: taking the call, the first three days, diagnosis, governance, controls, people, the outside world, yourself, and leaving. It does not depend on the domain, and it is the part to read first if you have been handed something and do not yet know what it is.

Part II takes the method into three domains — crisis and cash, compliance architecture, and capital and structure — with the law, the standard tools and the mistakes that belong to each. Each chapter stands alone and ends with a worked case.

The appendices hold checklists built to be read aloud at the moment they are needed, templates, regulatory maps with their citations and dates, a reading list that says what each of the standard playbooks covers better than this one, and a glossary.

The worked cases

Each chapter of Part II ends with a case: a charity that loses its forecast and its finance manager in the same month; a training provider that has four weeks to prove what it delivered; and a founder raising money for a solar plant by the only route he has heard of, which is the wrong one.

The cases are illustrations, not records. The organisations are composites, the figures are invented, and the people do not exist. No case is a portrait of any organisation, named or unnamed — including those I have worked for, governed or advised. Each is built to show the method applied, with a wrong turn, a dilemma the method did not settle, someone who resisted and what it cost, because cases in which everything goes to plan teach the checklist and not the judgement. The law, the regulators, the guidance and the arithmetic in them are real, and are cited.

Where it comes from

I spent six and a half years as a director and head of legal and compliance of a multi-site adult-learning provider, the last of them as its acting managing director; served as a trustee of a charitable company; and since 2022 have worked as an independent consultant to founders and directors whose problems cross the lines between their advisers. The method in Part I is the one I use. It is a way of working, not a fixed plan, and the week counts in it are a default rhythm to compress or stretch to fit the mandate.

Seven rules sit underneath it, and the book keeps coming back to them:

1. Find the clock.
2. Read the bank before the budget.
3. If it is not in the log, it was not decided.
4. Everyone hears it from you first, with what you are doing about it.
5. Emergency powers carry an expiry date.
6. A script may detect; only a named person decides.
7. Leave.

None of these is original. All of them are routinely ignored under pressure, which is why they are written down.

Some of what follows is written with a straight face and some of it is not. Where the stakes are highest, the jokes stop.

Part I — The method

1. The call

What you are actually being asked

The request arrives in disguise. “Could you have a look at the finances.” “We think the audit might be difficult this year.” “An investor wants to meet, can you join.” Each of these is a sentence about a symptom, said by someone who has been living with the cause for long enough to have stopped seeing it. Your first job is not to answer the question. It is to find out what the question is.

So before you say yes, you ask five things, and you write the answers down, because in six weeks’ time someone will remember this conversation differently.

What happened, in order? Not the diagnosis — the sequence. When did the deficit first appear in a forecast? Who left, and when, and did anyone see it coming? When did the funder’s tone change? People offer you conclusions; you want dates. A timeline built from dates is the single most useful document you will produce in the first week, and the organisation will not have one.

What has to be true by when? Payroll on the 28th. A funding return on the 31st. A bank covenant test at quarter end. A lender’s term sheet that expires. Every real problem has a clock, and the clock is usually the thing the caller has been avoiding looking at. Find it.

Who decides? A board, a sole director, a founder with a co-founder who has gone quiet, a chair who has not been told. You need to know who can actually commit the organisation to a course of action, who thinks they can, and the gap between the two. In a charity the answer is the trustees collectively; in an owner-managed company it is whoever owns the shares, and sometimes whoever the bank trusts.

What are you allowed to see? The accounts, obviously. But also the bank statements rather than the summary of them, the funding agreements rather than the description, the contracts rather than the belief about the contracts. If the honest answer is “we’ll have to find those,” that is itself a finding.

What does “done” look like? This is the question the caller least wants and most needs. “Avoid insolvency” is an outcome. “Payroll funded through the end of the quarter, restricted funds verified intact, a going-concern note the auditor will sign” is a definition of done. Write the definition. You will revise it. But a mandate without a definition of done is an invitation to work until the money runs out — yours or theirs.

The mandate letter

Then put it in writing. A page is enough; three is too many. It sets out the scope (“the organisation’s financial position, controls and governance in the period to 31 March”), the authority (“acting on the instructions of the board, reporting to the chair; no authority to commit expenditure except as delegated in writing”), the confidentiality and privilege position, what you will need access to, what done means, and what you will be paid — or, if you are already inside the organisation, which of your existing duties this displaces.

Two things in that paragraph deserve a second look. The first is privilege. If a lawyer is giving legal advice, some of what is produced may be privileged; most of what an operator produces is not, and pretending otherwise is how boards end up disclosing the one document they thought was protected. Say which is which at the start. The second is authority. The most dangerous person in a crisis is the one who has been told to “sort it out” by someone who did not have the power to say so. Get the delegation in a minute of the board, with limits, and with an expiry date.

The mandate letter is the document you will read on the bad day, to remind yourself what you agreed to and to show someone else what you did not.

Your own position

You are about to stand very close to decisions the law may later examine, and the book you are reading spends a good deal of Part II explaining who is personally exposed when an organisation fails. You can be one of them.

The risk has two shapes. A person who acts as a director — who directs payments, sits at the board table and decides, and is treated by staff and suppliers as one — can be treated by the courts as a *de facto* director whatever their title; the question is whether they assumed the status and functions of a director. And a person “in accordance with whose directions or instructions the directors of the company are accustomed to act” is a *shadow director*, with the duties and some of the liabilities that go with it, including for wrongful trading.¹ The Companies Act carves out advice given in a professional capacity, and the carve-out is the shape your role should take: you advise, you execute what has been delegated to you in writing, and the board decides, in minutes that say the board decided.

So, before you start:

- **Insurance.** Carry your own professional indemnity cover. If you will sit at the board table or hold an office, ask to be named under the organisation’s directors’ and officers’ policy, and read what it excludes — insolvency exclusions are common, and the time to find one is now.
- **A cap.** Limit your liability in the mandate letter, typically to a multiple of the fees, to the extent the law allows. Sensible clients do not object; the ones who do are telling you something.
- **The record.** Never become the decision-maker of record for a decision only the directors or trustees can take — to trade on, to restructure, to dismiss, to file. Draft the paper; let them

¹Companies Act 2006, s 251(1) (“a person in accordance with whose directions or instructions the directors of the company are accustomed to act”) and s 251(2)(a) (not “by reason only that the directors act on advice given by that person in a professional capacity”); the Insolvency Act 1986, s 251, defines a shadow director in the same words, and its wrongful-trading provisions extend to shadow directors (ss 214(7) and 246ZB(7)). On *de facto* directors, *Holland v Revenue and Customs Commissioners* [2010] UKSC 51 (24 November 2010), Lord Hope at [32], adopting *Re Kaytech International plc*: the question is whether the person “assumed the status and functions of a company director.”

decide; minute it.

- **The exit.** If the board will not take advice it needs, say so in writing, give it a date, and resign if the date passes. Keep the letter. It is the one document in the engagement written entirely for you.

Getting paid. Agree a fixed fee, a day rate or a retainer, and ask for payment weekly in advance or money on account. This is not greed. An operator owed six weeks of fees by an organisation that then fails is an unsecured creditor, at the back of a queue that the next chapter describes in unhappy detail; an operator paid each week for the week ahead has no old debt to be preferred in paying. If the organisation cannot pay you in advance, it is telling you something about its cash that you need to hear before you start.

The trustee who steps in. The commonest version of the operator in a small charity is a trustee who agrees to run things “for a few months.” The law is less relaxed about this than the board usually is. A charity can pay a trustee for goods or services under the statutory power, subject to conditions — a written agreement, a reasonable amount, a decision that it is in the charity’s best interests, paid trustees remaining a minority, and nothing in the governing document forbidding it — but that power does not cover services as a trustee or under a contract of employment. Employing a trustee needs a clear power in the governing document or the Charity Commission’s authority, and where the Commission’s authority is needed it will usually expect the trustee to resign as a trustee; in a charitable company, a contract that guarantees, or may guarantee, more than two years’ employment needs the Commission’s consent as well as the members’ approval. Whatever the route, the trustee takes no part in the decisions about their own role.² None of this makes the arrangement wrong. It makes it something to set up properly in week one, and not to discover in the annual report.

Keeping the mandate current

The mandate letter is the first conversation with the person you report to, not the last. Michael Watkins’s account of a new leader’s conversations with a boss — the situation, the expectations, the resources, the style, and the leader’s own development — maps neatly on to an operator and a chair or owner, and the second of those conversations belongs at the end of week two, when you know enough to say what the mandate should have said.

After that, re-contract whenever one of three things happens: the problem changes (the deficit turns out to be a fraud, or the funding issue turns out to be a safeguarding one); the scope creeps (you were hired to fix the forecast and are now running the service); or advice stops being taken. And take bad news upwards with an option attached. Bad news delivered alone becomes your news.

²Charities Act 2011, s 185 (as amended by the Charities Act 2022 from 31 October 2022 to cover goods as well as services): Conditions A to D in s 185(2); s 185(3) excludes “remuneration for services provided by a person in the person’s capacity” as a trustee or under a contract of employment. Charity Commission, *Charities paying a trustee or a connected person: understand the rules (CC11)* (25 April 2025), and its guide *Employing a trustee or connected person*: the statutory power cannot be used to employ a trustee; a clear power in the governing document or the Commission’s authority is needed; where the Commission’s authority is needed it “will usually require that the trustee resigns as a trustee”; in a charitable company a contract that “guarantees them, or may guarantee them, at least 2 years’ employment” needs the Commission’s consent under the Charities Act 2011, s 201, and the members’ approval (the statutory test, Companies Act 2006, s 188(1), is a guaranteed term that “is, or may be, longer than two years”); the interested trustee should not be involved in decisions about the role.

Saying no

Sometimes the right answer to the call is no, and the second-best answer is “not like this.” The signs: a board that wants a report rather than a decision; a founder who has already decided and wants cover; a problem whose clock has run out, so that what is needed is an insolvency practitioner and not an operator; or a situation in which you would be both the person doing the work and the person checking it, with no one else looking.

Saying no early is cheap. Saying it in week six is expensive for everyone, including the people who depended on you being right — but it is sometimes still the right answer, and the mid-engagement exit deserves the same discipline as the first one: in writing, with reasons, with a handover, and with a date.

2. The first seventy-two hours

Triage, in order

When the thing is on fire there is an order to the work, and it is not the order the people in the building will suggest. They will want to talk about the cause, the person who caused it, and the plan. You want to establish four things, in this sequence, before you have an opinion about any of them.

Cash. How much is there, where, who can move it, and what goes out in the next thirty days. Not the budget — the bank. If there is more than one account, all of them; if there are restricted funds, which account they sit in and whether anyone has borrowed from them, with or without noticing. Until you know whether the next payroll is funded you are not entitled to a view on anything else, because everything else is conditional on it.

Law. What the organisation is — charity, charitable company, CIC, limited company, trust — and therefore whose duties are engaged and what they are now. In a company approaching insolvency the directors’ duties change shape (Chapter 10); in a charity, restricted money stays restricted, solvent or not; in a funded provider the funding agreement is a contract with recovery written into it. You need the actual documents, today, and someone who can read them, which may be you.

People. Who has left, who is about to, who holds the passwords, who holds the relationships, and who is being quietly heroic in a way that will not survive another fortnight. Executive departures are a security event before they are a people event: credentials, bank mandates and signing authorities get reviewed on day one, not when the auditor asks.

Reputation. Who knows, who needs to know before they find out, and what has been said so far. In regulated and funded organisations this is not optional. A charity has a duty to report serious incidents to its regulator; a funded provider has notification obligations under its funding agreement; a company with a lender has information covenants. The question is never whether to tell them. It is what you tell them, how soon, and whether you can say what you are doing about it in the same breath.

That order — cash, law, people, reputation — is a dependency order, not a ranking of importance. You cannot speak to the regulator about your plan until you know whether the plan is lawful; you cannot know whether it is lawful until you know what you are; and you cannot know anything until you know whether there is money in the bank.

The week the controls are weakest

A finance team that has just lost its senior people is the textbook opportunity for fraud, from inside and out. Most departures are innocent. The controls are for the ones that are not, and for the outsiders who read the same news on the same professional network. Five things, before the end of day two:

- Preserve the leavers’ mailboxes, files and devices before anyone “tidies” them. You may never need them; if you do, you will need them intact.
- Verify any change to a supplier’s bank details made in the last ninety days by calling a number you already held — not the one on the email that asked for the change.
- List the payees added to the payment system in the last year and look hard at any that no one can explain.
- Tell staff, plainly, that requests to change bank details or to make urgent payments on someone senior’s say-so will be checked by phone, and that checking will never get anyone into trouble.
- If something is wrong, report it: to the police’s national fraud reporting service, which since December 2025 has been Report Fraud, in place of Action Fraud; to the bank; and, in a charity, to the Commission as a serious incident.³

Stop the bleeding without stopping the heart

The temptation in the first days is to freeze everything. Some of it should be frozen: discretionary spend, recruitment, capital expenditure, new contracts, the corporate cards. But an organisation that stops delivering is an organisation that stops being paid, and in a funded charity it may be an organisation in breach of the agreements that are its only income. So the freeze is surgical. Payroll continues. Statutory services continue. Deliveries that generate a receivable continue.

Everything else goes on a weekly payment schedule: one list, prepared by finance, of every payment proposed for the coming week, approved in advance by two people who are not the person who prepared it, and released only as approved. Exceptions — a genuinely urgent payment mid-week — need the same two signatures and a line in the log saying why. The schedule is the single most effective control you can introduce in an afternoon, and also the one the finance team will resist most, because it slows them down. That is what it is for.

The evidence rule

From the first hour, write it down. Who decided what, when, on what information, and what alternatives were rejected. A decision log is not a diary; it is the record you will need when a funder, a regulator, an auditor, a liquidator or a court asks the only question that matters in hindsight, which is whether the people in charge acted reasonably on what they knew at the time. The standard in insolvency law is, roughly, “every step a reasonably diligent person would have taken” (Chapter 10). You cannot prove steps you did not record.

Keep one log, not a scatter of emails. Make it timestamped and hard to edit after the fact: a document that can be quietly improved later is worth less than one that cannot. And keep it short. A decision log that takes an hour a day to maintain will not be maintained.

³City of London Police, *Report Fraud*, launched 4 December 2025 as the national service for reporting fraud and cyber crime in place of Action Fraud (GOV.UK news story, 4 December 2025): reportfraud.police.uk. Charity Commission, *Internal financial controls for charities (CC8)*, section on protecting a charity from fraud (added 27 November 2024); on serious-incident reporting, see the notes to Chapter 10.

What not to touch

Do not restructure in week one. Do not announce redundancies in week one. Do not sign anything that commits the organisation beyond the horizon you can see, which in week one is about thirty days. Do not fire the person who caused the problem, because you do not yet know that they did, and because the person who knows where everything is kept is often the same person. And do not, under any circumstances, move money between restricted and unrestricted funds to make a number work. There are organisations that survived a deficit and did not survive that.

3. Diagnosis: the decisive constraint

What kind of situation is this?

Before looking for what is wrong, name what kind of wrong it is, because the tempo of everything after depends on it. Watkins sorts the situations a new leader walks into as start-up, turnaround, accelerated growth, realignment and sustaining success, and three of the five are the operator's daily bread.

A **turnaround** is an organisation that knows it is in trouble. It wants decisions, will tolerate a degree of command it would resent in calmer weather, and runs on cash: speed matters more than consensus, and the early wins are controls. A **realignment** is an organisation that believes it is fine. Its people are succeeding by their own measures — the learners are happy, the inspector was kind, the founder's friends are investing — and the problem is visible only from outside or ahead. The danger here is disbelief, not panic, and command fails; the work is making the problem undeniable without driving out the people you will need. A **start-up** has no fire at all, only a deadline and a structure to build from nothing, and the risk is that urgency is borrowed from the deadline and spent on the wrong things.

The same operator will need to behave quite differently in each. Decide which one you are in, write it at the top of the diagnosis, and revisit it at week four, because organisations change category under you: a realignment ignored becomes a turnaround, and a turnaround that works becomes a realignment.

Read the whole organisation

Problems in small organisations are never in one department, because small organisations do not have departments. The deficit is a funding problem that is also a pricing problem that is also a contracts problem that is also a people problem, and the person who presents it as one of those four is telling you which of the four they understand.

So the diagnosis is enterprise-wide, and it starts with the people who do the work. Not the board, not the senior team — them too, but first the people who process the invoices, submit the funding returns, run the sites and answer the phone. They know what the controls actually are, as distinct from what the policy manual says they are. Ask each of them the same three questions: what do you do, what gets in the way, and what would you fix first? Write it down. The pattern that emerges from twelve of those conversations is the diagnosis, and it is usually not what the chair told you on the phone.

Then read, in this order: three years of accounts and the auditor's management letters; a year of board minutes; the funding agreements and their schedules; the bank mandate; the register of interests; the insurance schedule; the open employment matters; the risk register, if there is one;

and the last year of correspondence with the regulator and the main funder. And talk to the people outside who see the organisation from a different angle: the funder's officer, the auditor, the commissioner, the bank's relationship manager, and — where it is lawful and fair to them — the people who have recently left. A learning plan that is entirely internal learns what the organisation already believes.

Baseline the numbers

Before you change anything, measure it. Cash runway in weeks. Debtor days. The funding error rate, if anyone knows it. The time it takes to retrieve a learner file, a contract, an invoice. The number of policies, the number of versions in circulation, and the number of people who could tell you which version is current. These baselines do two jobs. They tell you where the pain is. And, later, they are how you prove that anything improved, which matters more than operators generally admit, because “it feels better” is not a line in a board paper.

Find the constraint

Most organisations in trouble have one constraint that, once relieved, makes the others tractable, and a dozen problems that are loudly discussed and do not matter. It might be a cash position that cannot be forecast six weeks out, so that every decision is taken in the dark; or delivery evidence that lives only on paper, so that funding cannot be defended; or an asset being sold to investors as if it were a start-up, so that every one of them prices it as one. Eliyahu Goldratt built a management philosophy on the observation that a system's output is set by its tightest constraint, and Richard Rumelt calls the same thing the crux; the operator's version is less elegant and more urgent.

Finding the constraint is the intellectual work of the engagement, and it does not take long once you are looking for it rather than for a plan. The test is: if this one thing were fixed, which of the other problems would still be problems? Keep asking until the answer is “most of them,” and then you have found something else.

The three risks

Alongside the constraint, name the two or three risks that would hurt most if left alone. Rank them on three things — how likely, how bad, and how soon — and take the top three: the shortest clock with a serious consequence beats the gravest risk with a distant one. Not the risk register, which will have forty entries and no priorities; the three. They go on the first page of everything you write from now on, with an owner and a date against each. If a risk has no owner it has no mitigation, whatever the register says.

Early wins

Choose two or three things you can fix in the first month that are visible, cheap and on the path to where you are going, and make sure people see them fixed: the first one-page board pack, the first clean bank reconciliation in a year, the first funder note that arrives before the funder asked for it. They buy the credibility you will spend later on the decisions people will not like.

Avoid the early loss just as carefully. A redundancy announced before the board understands why, a supplier dropped before anyone asked what it supplies, a policy imposed on staff who were not consulted: each of these turns an operator into the person who says no, and an operator who is only ever the person who says no has lost the building by week four.

Write the diagnosis in one page

The output of the first phase is a page. It says what kind of situation this is, what the organisation is, what is wrong, what the decisive constraint is, what the three risks are, what the clock is, and what you propose to do in the next thirty days and the next ninety. It is written for the board, in words the board uses, and it contains at least one number the board has not seen before. If it does not fit on a page it is not a diagnosis. It is a report, and reports are what organisations commission instead of acting.

4. Governance that works in practice

Cadence

Organisations in trouble do not need more meetings. They need two: fifteen minutes every morning for the three or four people who hold the cash, the legal position and the delivery, and an hour a week for the board or its sub-committee, with one page in front of it. As the position stabilises the morning meeting becomes twice-weekly and then weekly, and the board goes back to monthly with the one-page pack kept on, because once a board has seen a one-page pack it does not go back to the forty-page one willingly.

The pack has the same five headings every week: cash (actual, forecast, runway in weeks); the three risks with their status; decisions required this week; decisions taken since last week; and the regulator-and-funder position — who has been told what, and what is due. A board that sees those five things every week can govern a crisis. A board that sees them once a quarter is a spectator.

Steal one more thing from the surgeons. Atul Gawande's surgical checklist makes everyone in the theatre speak before the first incision, because the junior nurse who has seen the problem will not mention it unless asked. The morning meeting ends the same way: has everyone who holds a key said what is worrying them?

Boards in crisis: closer, not lower

A board in a crisis is entitled — obliged — to be more hands-on than usual. A board that becomes the management is a different problem. The line is that trustees and directors decide, require and verify; they do not execute. In an acute cash crisis the board may meet weekly and its finance sub-committee more often, take back delegated authority, and appoint interim help to execute — and then hold that interim fully accountable, without absorbing the job into the board itself. The distinction matters legally as well as practically: a trustee who becomes a de facto manager acquires the exposures of one.

The anxious board, and the board that wants to resign

Somewhere in the second week a trustee will read about wrongful trading, or a director will find out what a personal guarantee means, and the board's mood will change. The usual next suggestion is that everyone resigns.

Resignation does not remove liability for decisions already taken. A board that resigns together can leave a company without enough directors to act and a charity without a quorum, at the moment it most needs to decide things, and it hands the regulator a governance case on top of the financial

one. Individual resignations for good reasons are another matter, and the board should plan them — with replacements recruited and the timing chosen.

The operator's job here is to replace fear with facts. Get the exposure written down by someone qualified to write it — the insolvency practitioner or the lawyer — so that the board knows what it is and is not risking. Check the insurance and tell them what it covers. Put the timetable on the table: what has to be decided by when, and what happens if it is not. Most anxious boards are anxious because they cannot see the edge of the risk. Show them where it is, and most of them stay.

Delegated authority, rewritten

Whatever the delegated authority matrix said before the crisis, it is suspended on day one and replaced with a temporary one that is tighter, two-signature, and dated. The weekly payment schedule (Chapter 2) does most of the work: the board or its sub-committee approves the week's payments as a list, and per-payment limits apply only to exceptions. Recruitment and capital expenditure are frozen except by board minute. The bank mandate is changed. And the whole arrangement carries an expiry date — the end of month three, say — after which it lapses unless the board renews it by vote.

The expiry date is not decoration. Emergency powers that do not expire become the way things are done, and the organisation that emerges is more fragile than the one that went in.

The risk register and the decision log

A risk register nobody reads is a diary. The one that works has fewer than ten entries, each with an owner, a mitigation that is a verb (“renegotiate the lease break by 30 November,” not “lease risk”), and a date. It is reviewed at the weekly meeting and it changes; a register that looks the same for three months is either describing a very stable organisation or has stopped being used.

The decision log is the register's companion and the more important of the two. Every material decision — a restructuring, a transfer of staff, a standstill request, a choice between financing routes — records who decided, why, on what information, which alternatives were rejected and why, and what advice was taken. Minute headings that force the discipline: going-concern assessment; decision log; conflict declarations; legal advice received. If a decision is not in the log it was not, for most purposes that will later matter, taken.

Conflicts

Small organisations are made of relationships, and in a crisis the relationships are where the money is: the trustee whose firm manages the property, the director who is also the landlord, the founder's cousin at the cooperative. None of these is a scandal. All of them must be declared, logged and, where the decision touches them, recused from. A conflicts register that is actually used is one of the cheapest signals of competence you can send to a regulator, and its absence is one of the most expensive.

The hard version is the conflicted majority: the decision on which most of a small board is conflicted, or so many that the rest cannot form a quorum. The Charity Commission's guidance gives the options — change the proposal, have conflicted trustees resign so that the others can decide, appoint

new independent trustees — and says that if the trustees cannot manage the conflict themselves they must get the Commission’s authority.⁴ Find out in week one, not at the meeting.

Founders, families and volunteer boards

Three kinds of small organisation have governance problems the standard advice does not quite fit.

The founder’s organisation. A founder chief executive, or a founder still on the board, whose board has deferred to them for years. Nothing is wrong with the founder; something is wrong with the deference. Restoring the board’s decisions without a war takes a list — the decisions that belong to the board, written down and agreed — a board-only session at each meeting, and a chair who meets the founder every week and says the difficult thing in private first. Founders who feel the organisation slipping away tend to grip harder; founders who are told plainly what is theirs tend to let go of the rest.

The family business. The board is a kitchen table, the shareholders are relatives, the bank’s guarantee is secured on the family home, and “who decides?” has an answer the family has never said out loud. The method still works, but the decision log matters more, because family members remember differently, and the conversation about personal guarantees (Chapter 10) needs to happen with everyone who signed one in the room.

The volunteer board. The honorary treasurer is the only finance person; the trustees have day jobs; recruiting new ones into a crisis is hard; and the quorum is two absences from failing. Lower the burden of meetings, not the standard of decisions: shorter packs, fewer and sharper questions, and a skills audit once the crisis has passed, so that the next one finds a board with someone on it who has read a cash-flow forecast before.

5. Controls that survive an audit

What a control is

A control is something that makes a wrong thing harder to do or easier to see. A policy nobody can find is an aspiration. A spreadsheet that one person updates from memory is a hostage situation. The test, every time, is: if the person who built this left tomorrow, would it still catch the thing it was built to catch, and could an auditor who had never met any of us see that it did?

The design rules

One record. Every number lives in one place. The finance system is the ledger; the spreadsheet that “reconciles” to it is retired or becomes a view of it. The learner record is the learner record; the site’s own folder of copies is closed. Duplication is where errors breed and where audits die, because the auditor will find the version you forgot.

Fix the process before automating it. An automated broken process is a broken process that runs every day. Run the manual version until it makes sense, then automate what already works.

⁴Charity Commission, *Identifying and managing conflicts of interest in a charity (CC29)* (updated 22 April 2026): where all the trustees are conflicted or there are not enough unconflicted trustees for a quorum, the options include changing the proposal, the resignation of conflicted trustees and the appointment of new independent trustees; “If the trustees cannot manage the conflict themselves, you must get authority from the Charity Commission.”

A script may detect; only a named person decides. Software can tell you that guidance changed, a payment looks odd or a file is incomplete. It should not decide what to do about it. The decision is logged by a named person with the authority to make it; the script’s job is to make sure that person sees the problem on the day it happens and not a month later.

Separate the duties, even when there are three of you. The person who raises a payment does not approve it; the person who approves it does not record it. When the finance team has collapsed to one, the board supplies the second key. It is inconvenient. It is also the reason the auditor signs.

Measure what the control is for, and keep the numbers. Exceptions caught, errors cleared before the return, minutes to produce a file. A control that cannot show you a number is one you are taking on trust — and so is the auditor.

Evidence packs

Funders, regulators and auditors do not test your controls; they test your evidence of them. So the evidence is designed at the same time as the control and not assembled afterwards from whatever survived. For a funded learner that means an eligibility record, an enrolment and learning agreement, the plan and the delivery records, attendance logs, achievement evidence, employer confirmations where relevant, and a change log of corrections and approvals — indexed so that any file can be produced in minutes. For a crisis board it means the cash-flow forecast, the sensitivity cases, the risks and mitigations, the post-balance-sheet events log and the minutes that show the rationale.

The pack exists before anyone asks for it. If it exists only after someone asks, you are assembling a defence, and it will look like one. And nothing goes into a pack that was created after the event to look as if it was created at the time: a missing record is a finding; a manufactured one is a different and much worse thing.

Retention, and the “no deletion without clearance” rule

Nothing that supports a funding claim, a regulatory filing, a safeguarding decision or a board decision is deleted without checking who still has a right to see it. Funders have audit rights that outlast the contract; regulators have long memories; data-protection law requires you to keep personal data no longer than necessary and also to be able to show what you did with it. The reconciliation of those two is a retention schedule with the lawful exceptions written into it, enforced by the system and not by hope.

Continuity is a control too

Ask the dull questions before the bad week answers them for you. Who can pay the staff if the finance system is down for a week, or if the one person who runs payroll is in hospital? Where is the bank mandate, and who can change it? Which supplier, if it failed on Friday, would stop the service on Monday? A short continuity note — the critical processes, the people who can run each, the manual fallback — is cheap, and in a small organisation it is usually the difference between an incident and a crisis.

6. People

The team you inherit

You will inherit people before you understand them, and the temptation runs both ways: to replace the team you found with people you trust, or to protect everyone because the organisation is already frightened. Resist both until you know enough. Watkins's discipline for assessing an inherited team — keep, develop, move, observe, replace — works in a team of six as well as in a team of sixty, with two differences. In a small organisation everyone knows everyone, including the trustees, so every judgement is public within the day. And there is no one spare: the person who is struggling in finance may also be the only person who knows how the funding return is built.

So decide on timing. Not in week one, when you know nothing; not after week six, when indecision has started to look like a decision. In between, watch what people do under the new controls, ask them what they would fix, and notice who brings you bad news early.

Help in forty-eight hours

You will need help faster than any recruitment process can supply it: an interim finance lead, a payroll bureau if payroll is fragile, an employment lawyer before anyone talks about restructuring, and sometimes an IT contractor to secure the systems the leavers held. The places to look are the professional bodies' interim registers, the auditor's and the insolvency practitioner's networks, and the operators you know. Check references, insurance and independence — an interim who is the chair's former colleague is a conflict, however capable. Agree the day rate and the notice period before the first day. And give each of them a short mandate letter like your own, signed by the board, with an authority limit and an expiry date.

Resistance

Peter Block's most useful insight for an operator is that resistance is how an organisation protects itself from news it is not ready to hear. It rarely looks like refusal. It looks like questions about the method, demands for more data, sudden concern about the timing, or a long account of why this organisation is different. Out-arguing it fails, because the argument is not the point.

Name it instead, without blame. "We keep coming back to the timing. What would have to be true for this to feel safe?" The long-serving treasurer who objects to the payment schedule as an insult to staff is usually objecting to the implication that something went wrong on their watch; say that the schedule is about the next six weeks and not the last eleven years, and ask them to be the second key. Resistance named is usually resistance halved, and the half that remains is often right.

The outsider's politics

An operator arriving in a small organisation in trouble walks into a set of loyalties that were there first: to the people who left, to the founder, to the chief executive who feels usurped, to the trustee who has been there longest. You will be cast — by someone, quite soon — as the board's hatchet, and some of the information you need will not reach you because someone has decided you should not have it.

Some rules help. Meet everyone in the first fortnight, and give the same account of why you are there to each of them. Never brief against the people who left, however tempting the material: it

makes the people who stayed wonder what you will say about them. Put requests for access in writing, so that a refusal is visible. And decide in advance what you will not do — dismiss someone on a trustee's private say-so, change a record, keep a secret from the board — and say so early. People believe a limit they heard before it was tested.

Cutting jobs, humanely as well as lawfully

Most crises in small organisations end with fewer people in them, and the hardest week of the engagement is the one in which that happens. The legal floor is in Chapter 10; what follows is the rest of it.

Decide once, and deep enough. Three rounds of shallow cuts do more damage than one round of the right size, because each round tells the survivors that another is coming, and the best of them leave before it does. Consult properly — genuinely, with the alternatives on the table — because the law requires it and because the alternatives are sometimes better than the plan. On the day, the person tells the person: the line manager, in person, with the letter ready and support arranged, not the operator from a meeting room the staff have learned to avoid. Everyone affected hears the same day. The survivors hear within the hour, from someone senior, what has happened and what has not. And you stay in the building that afternoon.

Below the collective-consultation threshold each person is still owed a fair process: a genuine redundancy situation, fair selection, individual consultation, a look for alternative work. In a small organisation every one of them knows a trustee. They will all, eventually, tell the story of how it was done. Make it a story the organisation can live with.

Moving a loyal person

The other hard conversation is with someone who has given the organisation years and is now in the wrong job: the finance officer out of their depth, the founder's relative, the long-serving manager who cannot run the new process. Be clear in your own mind first, because they will hear any uncertainty as a negotiation. Be honest about why. Do not dress a demotion up as a promotion; everyone can tell, and the person concerned is the first to know. Know the employment-law floor before the conversation, not after it — a capability process is a process, and the ACAS code exists for a reason. And remember that loyalty was real, and say so. It costs nothing and it is true.

7. Regulators, funders and money

The stakeholder map

Write down everyone whose decision or patience the organisation depends on in the next ninety days, what they currently believe, what they need to hear, who tells them and when (Appendix B.7). Staff, funders, the regulator, the bank, the landlord, the major creditors, the auditor, the local authority, the press if it comes to that. It is not a communications plan; it is a list of the people who can end the plan, and therefore of the conversations that cannot be left to chance.

No surprises

The rule with every one of them is the same: they hear it from you first, they hear what you are doing about it in the same sentence, and they hear it again on a cadence you set and keep. A fortnightly note to funders that says “restricted funds remain ring-fenced, here is the cash position,

here is what has changed” costs an hour and buys months. A regulator who learns of a serious incident from you, with the mitigation attached, is a different regulator from one who learns of it from a complaint.

That is all “regulators as partners” means. A regulator would much rather report a bad situation under control than a scandal, and an organisation that hands it the first story is easier to leave alone. Self-interest on both sides is more reliable than goodwill.

When the regulator is not a partner

Sometimes the regulator has already decided that something is wrong, and the relationship changes. The Charity Commission’s tools escalate from a regulatory compliance case, through an official warning — which it may publish — to a statutory inquiry; once an inquiry is open, and the Commission is satisfied that there has been misconduct or mismanagement or that property needs protecting, it can suspend trustees, appoint additional ones, freeze accounts and appoint an interim manager to run the charity.⁵ Funders have their own equivalents: payments suspended, funding recovered, contracts terminated.

The response is the same in each case, and it is mostly temperament. Answer quickly, accurately and through one person. Take legal advice before the first substantive reply, not after the third. Never argue with facts in writing; correct them, with evidence. Provide what is asked for, in the form asked for, by the date asked for, and say promptly if you cannot. And keep doing the work the regulator wants to see done, because the best evidence that an organisation is now in control is the record of it behaving as if it were.

What to say to whom

Staff need to know what is true, what is not yet decided, and when they will hear more — and they need to hear it before the rumour, which means the staff message is drafted before the board meeting ends. Say only what is known. A reassurance that turns out to be wrong in week two costs more than the bad news it was meant to soften, and the people best able to leave are the first to do the arithmetic.

William Bridges’s observation is the one to hold on to: people need an ending acknowledged before they can hear about a new beginning. The service that is closing, the colleagues who are leaving, the way things used to be done — say so, and say that it matters, before you present the plan. In a turnaround the danger is panic, and the message is calm and specific. In a realignment the danger is disbelief, and the message is the evidence, shown to the people who most need convincing, by someone they trust.

Funders need the restricted-funds assurance, the cash position and the reporting cadence. The regulator needs the facts, the mitigation and the next update date. The auditor needs to know that you know the going-concern question is coming and that the pack is being built. Creditors need a proposal, not an apology — and not necessarily the same proposal, because different creditors stand in different places; the strategy is in Chapter 10, and its one fixed rule is that no creditor is paid because they shouted.

⁵Charities Act 2011, s 46 (inquiries), s 75A (official warnings; the Commission “may publish a warning it has issued”; inserted by the Charities (Protection and Social Investment) Act 2016, in force 1 November 2016) and s 76 (after an inquiry has been instituted, and on misconduct or mismanagement or the need to protect property: suspension of trustees, additional trustees, restrictions on transactions, and an interim manager “to act as receiver and manager” under s 78).

Money people

Banks, funders and investors are the stakeholders with the most leverage and the least patience, and they share a characteristic the rest do not: they have seen this before, many times, and they can tell within minutes whether the person in front of them understands their own numbers. The preparation for a lender meeting is therefore not the pitch. It is the thirteen-week cash flow, the sensitivity cases, the security position, the covenant calculation, and a short answer to “what has changed since we last spoke.” Bring those and the meeting is a conversation. Bring the pitch and it is an interview.

Know what happens inside a bank when a customer is in difficulty: the relationship moves to a business-support or restructuring team, letters arrive reserving the bank’s rights, and the bank may ask for an independent business review, which the customer pays for and the bank’s choice of firm writes. None of this is hostile. All of it is easier if your numbers arrive before theirs. And watch the less visible lenders: a trade-credit insurer that withdraws cover on your organisation can stop your supplies faster than any creditor can sue.

The press

If it comes to that: one holding statement, agreed with the board and consistent with what the regulator has been told; one spokesperson; and never a bare “no comment,” which reads as an admission in a headline. Say what has happened, what you are doing about it, and that the people you serve come first. Then say nothing new until you have something new to say.

8. Nobody else is coming

The title of this book is a fact about small organisations. There is no department behind you, no general counsel down the corridor, no head of finance to escalate to; in the week it matters, the problem is yours. Nobody else is coming to own it. Plenty of people will come to advise on it. Use them.

The four numbers

Before you need them, have four numbers in your phone: an insolvency practitioner who will give you thirty minutes on a Friday afternoon; an employment lawyer; a lawyer who knows the sector — charity, education, energy, whatever it is; and an accountant who has done a going-concern review in anger. Add one more: a peer who has done this kind of work before and owes you nothing, whom you can ring and say “tell me if I am wrong.” Most of the worst decisions in crisis work are made by capable people who did not make that call because they thought it would look like weakness.

Judgement at two in the morning

You will be tired, and tired people make two kinds of mistake: they decide things that could have waited, and they fail to decide things that could not. A rule helps: decisions that arrive after ten at night wait until morning unless the clock says otherwise, and the clock rarely does. The decision log is a check on you as much as on the board — if you cannot write down why you are doing something in two sentences, you are not ready to do it. And sleep is a control. It is the one the operator is most likely to override.

The person everyone brings their fear to

In a crisis everyone's anxiety eventually arrives on the operator's desk: the staff's, the board's, the funder's, sometimes the founder's family's. You will absorb a good deal of it, and you should; that is part of what calm leadership is. But you need somewhere to put your own, and it cannot be the staff. Ben Horowitz's account of running a company through near-failure is candid about this: the leader's own psychology is an operating risk, and the struggle is not evidence that you are doing it wrong. Find your somewhere — a peer, a coach, a partner who is willing to hear the same story twice — before the third week, not after it.

When you have become the constraint

The signs are reliable. Everything waits for you. You are the only person who understands the forecast. You hold information because it is quicker than explaining it. People have stopped disagreeing with you in meetings. Each of these feels, from the inside, like competence. Each of them is a single point of failure with your name on it, and the method you are running exists to remove single points of failure.

The cure is unglamorous: teach someone to produce the pack; give the forecast an owner who is not you; say your reasoning out loud in meetings; ask the quietest person what you have missed.

If you are ill on Tuesday

Who takes over? If there is no answer, start the handover document in the first week, not the last: the mandate, the diagnosis, the log, the register, the current pack, the contacts, and what you would watch for next. Update it on Fridays. It is the cheapest insurance in the engagement and the one most often left until it is too late to write.

When you get it wrong

You will. Something you decided in week two will look wrong in week six, and the log will show exactly when you decided it and why. Say so first, to the board, with what you are doing about it — the same rule you have been applying to everyone else. An operator who never admits a mistake teaches the organisation to hide its own, and that is the habit that caused most of the crises in this book.

9. Embedding, and leaving

Make it survive you

The measure of the work is not whether the organisation was stable when you left. It is whether it was still stable six months later. That means the controls are documented as processes with owners, not as things you did; the cadence has a chair who is not you; the one-page pack is produced by someone who was taught to produce it; the automations have a named owner and a documented way to switch them off; and the decision log, the risk register and the evidence packs are where the organisation keeps them, not where you did.

The annual look

Once a year the board should look at its controls as a whole — the risks, the material controls, which ones failed and what was done — and say in writing whether it is satisfied that they work. Listed companies have been asked to make exactly this declaration in their annual reports for financial years from 2026.⁶ A small organisation has no duty to copy them, and every reason to borrow the discipline: one page, once a year, signed by the chair.

Lessons learned, written while they still hurt

Within a month of the acute phase ending — not later, because memory is kind — the board gets a short paper that says what happened, why, what the organisation did well, what it did badly, and what changes in governance would have caught it earlier. The usual list is not exotic: a rolling thirteen-week cash forecast as a standing requirement; two-signature payment controls that do not expire with the crisis; a succession plan for every executive role, and for the chair and the treasurer; going concern on the board calendar quarterly; and a reserves policy with a target, the reasons for it, and a plan to rebuild to it, distinguishing the free reserves the board can use from the funds it cannot touch.⁷ These are the things every guidance document says, written down by people who now know why.

Handover

Leave a document — one document — that a successor could run the organisation’s controls from: the mandate, the diagnosis, the decision log, the register, the current pack, the regulatory map with its dates, the contacts, and a short list of what you would watch for in the next six months. If you started it in week one (Chapter 8), this is an afternoon’s work. Then leave. Operators who do not leave become the constraint.

The ninety-day shape

For the reader who wants the rhythm without the reasons, the default is this:

- **Week 0 — align.** Mandate, scope, authority, access, definition of done, your own position, in writing.
- **Weeks 1–3 — listen and audit.** Name the situation; interview the people who do the work; read in order; baseline the numbers; find the decisive constraint and the three risks.
- **Weeks 3–6 — stabilise.** Fix the highest-pain, lowest-risk items; stand up the one-page pack; close the most material gap with a documented control; take the early wins; publish a short roadmap.
- **Weeks 6–10 — build.** The core system for the mandate — the controls, the workflows, the evidence design, the automations with their named decision-makers — on one record.
- **Weeks 10–13 — embed.** Train, measure, hand over, write the lessons, leave.

A turnaround compresses the first two stages into days. A realignment stretches the listening, because the work is persuasion. A start-up spends longest in the build. Everything in Part II is

⁶Financial Reporting Council, *UK Corporate Governance Code 2024*, Provision 29 (a declaration on the effectiveness of material controls as at the balance-sheet date), applicable for accounting periods beginning on or after 1 January 2026; the Code applies on a comply-or-explain basis to companies listed in the commercial companies category or the closed-ended investment funds category.

⁷Charity Commission, *Charity reserves: building resilience (CC19)* (last updated 16 September 2026); Charities SORP 2026, paras 1.36–1.39 (reserves reporting) and 2.7–2.8 (unrestricted and designated funds).

this shape with the domain filled in.

Part II — Three domains

10. Crisis and cash

The one idea

Everything in a financial crisis follows from a single question — *is there a reasonable prospect of avoiding insolvency?* — and from the fact that the law changes what directors and trustees owe, and to whom, as the answer changes. Operators who understand that sentence make good decisions in bad weeks. Operators who do not tend to discover it from an insolvency practitioner, later, with the dates filled in.

This chapter states the law that changes what a board may do, with the sources in the notes; sets out the tools — the thirteen-week cash flow, the levers that close the gap, the scenario matrix and its triggers, the decision tree and the creditor strategy — in the order you will need them; describes the exits, including the good ones; and says what is different for a charity, because most of the turnaround literature assumes a company with shareholders, and a charity has none. It ends with a worked case.

Nothing here is legal advice. The point at which you need an insolvency practitioner in the room is marked, and it comes earlier than most boards think.

The law that changes what a board may do

England and Wales, as at October 2026.

Directors’ duties. A company director — and a trustee of a charitable company is one — owes the duties in sections 171 to 177 of the Companies Act 2006: to act within powers, to promote the success of the company, to exercise independent judgement, to exercise reasonable care, skill and diligence, to avoid conflicts, not to accept benefits from third parties, and to declare interests in transactions.⁸ For a charitable company the Act itself says that “success” means achieving the charity’s purposes, and the trustees’ duties under charity law sit on top.

The creditor duty. Section 172(3) preserves a rule the courts developed: when the directors know or ought to know that the company is insolvent or bordering on insolvency, or that an insolvent liquidation or administration is probable, they must consider the interests of creditors, and the weight those interests carry increases as the difficulty deepens — “the more parlous the state of the company, the more the interests of the creditors will predominate” — until, once insolvent liquidation or administration is inevitable, they become paramount. That is the Supreme Court’s

⁸Companies Act 2006, ss 171–177; s 172(2) for the charitable-company reading of “success”; s 172(3) for the creditor duty. In force since 1 October 2007 (ss 175–177 from 1 October 2008).

formulation in *BTI 2014 LLC v Sequana SA*,⁹ and it is the hinge on which crisis decision-making turns.

Two things it does not say. It does not say “stop trading.” And it is not triggered merely because the company is at a real and not remote risk of insolvency, or is likely to become insolvent at some point; the trigger is insolvency, actual or imminent, or a probable insolvent liquidation or administration. What it does say is that from the moment the duty is engaged, decisions are judged by whether they were in the creditors’ interests as well as the members’, that “creditors” means the general body of them and not the loudest, and that the record has to show that they were considered. Shareholders cannot ratify a breach after the event — academic in a charity, which has none, and decisive in an owner-managed company, where the director and the shareholder are often the same person.

Wrongful trading. Under sections 214 (liquidation) and 246ZB (administration) of the Insolvency Act 1986, a director who knew or ought to have concluded that there was no reasonable prospect of avoiding insolvent liquidation or administration can be ordered to contribute to the company’s assets for the loss caused by continuing — unless, from that point, they took *every step* with a view to minimising the potential loss to the company’s creditors that a reasonably diligent person with their knowledge, skill and experience would have taken.¹⁰ The test has an objective floor and a subjective uplift: what a reasonable director in the role would know, plus what this one actually knew. Shadow directors are caught; so, in a charitable company, are the trustees. The point of no reasonable prospect is a judgement; the board makes it, records it, and takes advice before it. The evidence of “every step” is the decision log.

What can be unwound. A payment that puts one creditor in a better position than the others, made when the company is unable to pay its debts and influenced by a desire to do so, is a *preference*, and a liquidator or administrator can ask the court to reverse it if the insolvency follows within six months — or two years, with the desire presumed, where the creditor is connected to the company.¹¹ A sale or gift of assets for significantly less than they are worth is a *transaction at an undervalue*, reversible within two years, with a defence for good-faith transactions the directors reasonably believed would benefit the company. And misapplying company property, or breaching a fiduciary duty, is *misfeasance*, for which the officer can be made to repay. Preferences and undervalue transactions are not unlawful when they are made; they are challengeable afterwards. A payment that misapplies company property, or that the directors make in breach of the creditor duty, is a breach of duty from the moment it is made. Either way, the reason for it matters, later, to someone reading the log with the benefit of hindsight.

⁹*BTI 2014 LLC v Sequana SA* [2022] UKSC 25 (5 October 2022): the trigger at [203] (Lord Briggs, with Lord Kitchin) and [231] (Lord Hodge), and at [88] (Lord Reed) and [279] (Lady Arden), who leave open whether the directors’ knowledge is an element ([90], [281]); the “real and not remote risk” point at [83], [199] and [306]; the Court of Appeal’s test of probable insolvency not adopted at [89], [202]–[203] and [306]; the sliding scale at [81]–[82] and [176]–[177]; paramountcy at [81] and [306]; “general body of creditors” at [48] and [256]; no ratification at [91], [149] and [312].

¹⁰Insolvency Act 1986, s 214 (liquidation) and s 246ZB (administration, in force from 1 October 2015): the “every step” defence at ss 214(3) and 246ZB(3); the two-limb standard at ss 214(4) and 246ZB(4); shadow directors at ss 214(7) and 246ZB(7). The pandemic suspensions of wrongful-trading liability (Corporate Insolvency and Governance Act 2020, s 12; SI 2020/1349 as amended by SI 2021/375) lapsed by 30 June 2021.

¹¹Insolvency Act 1986, ss 238 (transactions at an undervalue; the good-faith defence at s 238(5)), 239 (preferences; “influenced in deciding to give it by a desire to produce” the effect, s 239(5); the presumption for connected persons, s 239(6)), 240 (the “relevant time”: two years before the onset of insolvency for undervalue transactions and for preferences to connected persons, six months for other preferences, and only while the company was unable to pay its debts or became so in consequence) and 212 (misfeasance).

The rescue tools. Part A1 of the Insolvency Act 1986 offers a *moratorium* of twenty business days, during which most creditors cannot enforce and most pre-moratorium debts enjoy a payment holiday, while the directors stay in control under a licensed insolvency practitioner acting as monitor.¹² The directors can extend it once, to forty business days; beyond that it needs the consent of the creditors whose debts are on holiday, to a maximum of a year, or an order of the court. The monitor must end it as soon as rescue as a going concern is no longer likely, or the company cannot pay the debts that are not on holiday — so it buys time only for an organisation that is paying its way during the holiday, which is the part boards forget. It is not available to a company that has been in a moratorium, a voluntary arrangement or administration in the previous twelve months. It applies to charitable companies and to charitable incorporated organisations. Beyond it sit the company voluntary arrangement, administration, the restructuring plan (companies only; a CIO cannot use it), and the exits later in this chapter.

For charities. The Charity Commission’s guidance is the standard against which trustees will be measured, and it is written for exactly this situation: *Improving your charity’s finances* (CC12), with its companion guides for charitable companies and CIOs and for unincorporated charities; *The essential trustee* (CC3); *Internal financial controls for charities* (CC8); and *Charity reserves: building resilience* (CC19).¹³ Three rules dominate.

Restricted funds are held for the purposes for which they were given. In an insolvency, permanent endowment, designated land and special-trust funds “cannot usually be used to pay your charity’s general debts,” which means that a charity can be solvent on its balance sheet and unable to pay wages, and that borrowing from restricted funds to bridge the gap is a breach of trust, not a cash-flow technique. A *designated* fund is the opposite case — the trustees set it aside, and the trustees can un-set it — and telling the two apart under pressure is specialist work.

Serious incidents are reported to the Commission as soon as reasonably possible, with the mitigation. The guidance’s own examples include an event that forces the charity towards insolvency, the loss of a major funder or contract that threatens its ability to operate, the loss of its banking, and any loss of £25,000 or more — or less, if it is more than a fifth of income.¹⁴ “We were going to tell you once we had fixed it” is not among the examples, and a charity with income over £25,000 confirms in its annual return that nothing reportable went unreported.

Trustees decide. An executive team may run the response, but the duties are the trustees’, and they cannot delegate the decision to trade on. CC12 puts the shift in one sentence: once insolvency is

¹²Insolvency Act 1986, Part A1 (inserted by the Corporate Insolvency and Governance Act 2020, in force from 26 June 2020): s A9 (twenty business days); s A10 (extension by the directors after the first fifteen business days, to the twentieth business day after the initial period ends); ss A11–A12 (extension with creditor consent, to a date before the end of one year from the first day); s A13 (extension by the court); s A35 (the monitor); s A38 (termination by the monitor); Sch ZA1, para 2 (the twelve-month exclusion). Applied to CIOs by the 2020 Act, Sch 3, para 49, with consequential modifications by SI 2020/856. Restructuring plans: Companies Act 2006, Part 26A (companies only).

¹³Charity Commission for England and Wales: *Improving your charity’s finances* (CC12) (last updated 23 September 2024; a suite of three guides and an insolvency checklist — the restricted-funds quotation is from *What to do if your charitable company or CIO is insolvent or at risk of insolvency*); *The essential trustee* (CC3) (last updated 16 September 2026); *Internal financial controls for charities* (CC8) (redesigned 26 April 2023; fraud section added 27 November 2024); *Charity reserves: building resilience* (CC19) (last updated 16 September 2026). Designated funds: Charities SORP 2026, para 2.8 (“does not create any legal restrictions”).

¹⁴Charity Commission, *How to report a serious incident in your charity* (last updated 16 January 2026): “an adverse event, whether actual or alleged, which results in or risks significant” harm or loss; the examples table (insolvency; loss of a major donor, public funding or key contract that threatens the ability to operate; forced loss of banking); the £25,000 and 20-per-cent-of-income thresholds; “as soon as is reasonably possible”; the annual-return confirmation for income over £25,000.

likely, the trustees' primary duty moves from furthering the purposes to protecting the creditors.

Who is personally exposed. Directors and trustees of a charitable company are protected by limited liability except where the law removes it — wrongful trading, misfeasance, the antecedent transactions above, breach of trust in relation to restricted funds. The Commission and the court can relieve a trustee or officer who acted honestly and reasonably and ought fairly to be excused, and the Commission says enforcement against unpaid trustees who made honest mistakes is extremely rare;¹⁵ neither helps the reckless, and neither covers a contract a trustee signed personally. Trustees of an unincorporated charity are not protected at all and should be told so in writing. Trustee indemnity insurance covers some of this and not the rest; read the policy before the crisis, not during it. The operator's own position is in Chapter 1; the owner-manager's is in the box later in this chapter.

Going concern. The accounts are prepared on the going-concern basis unless the trustees conclude otherwise, and the trustees' own assessment must look forward at least twelve months from the date the accounts are approved, disclose the significant judgements, and disclose any material uncertainty; a charity with no reserves or negative net assets must explain why it is still a going concern at all.¹⁶ The auditor tests the same twelve months, and will ask the trustees to extend an assessment that falls short of them. The going-concern pack (Appendix B.12) is built for that test.

What has changed recently. The failure-to-prevent-fraud offence has applied since September 2025 to large organisations — incorporated charities among them, where they meet the size tests — and the prevention procedures its guidance expects are already flowing down into the contracts large funders and customers ask small suppliers and grantees to sign. The Charities Act 2022 is now in force, the last provisions — small ex gratia payments — from 27 November 2025. A new Charities SORP applies to financial years beginning on or after 1 January 2026, with three tiers by income and tighter reserves and going-concern reporting that a crisis-year set of accounts will have to follow. And the Charity Governance Code was reissued in November 2025 — not a regulatory requirement, but the document a funder's due-diligence questionnaire now points at.¹⁷ Appendix C.1 has the dates and the sources.

Questions to ask in any jurisdiction. When does the directors' duty turn towards creditors, and what triggers it? What is the equivalent of wrongful trading, and what is the defence? Which payments and transfers can be unwound, and how far back? Is there a moratorium or breathing space, and who controls the organisation during it? Which funds can never be used to pay general debts? Who must be told — regulator, funder, lender — and by when? Who can relieve an honest director or trustee, and on what test?

¹⁵Charities Act 2011, s 191 (relief where the person “acted honestly and reasonably and ought fairly to be excused”; personal contractual liability excluded by s 191(4)); Companies Act 2006, s 1157; CC3, section 10 (“extremely rare”).

¹⁶Charities SORP 2026 (reporting periods beginning on or after 1 January 2026), paras 3.17–3.19 and 1.41–1.42; FRS 102 (September 2024 edition; Periodic Review amendments effective for periods beginning on or after 1 January 2026), para 3.8 (at least twelve months “from the date when the financial statements are authorised for issue”); ISA (UK) 570 (Revised September 2019, updated September 2025), paras 13-1 and 14-1, and its successor ISA (UK) 570 (Revised March 2026), for audits of periods beginning on or after 15 December 2026, which keeps the twelve-month minimum.

¹⁷Economic Crime and Corporate Transparency Act 2023, ss 199 and 201 (in force 1 September 2025; “large organisation” is two of: turnover over £36 million, balance sheet over £18 million, more than 250 employees); Home Office guidance (6 November 2024, updated 10 October 2025): “some charities are incorporated and would therefore be in scope if they meet the criteria.” Charities Act 2022 commencements: 31 October 2022, 14 June 2023, 7 March 2024, 19 May 2025 and 27 November 2025 (SI 2025/1191). Charities SORP 2026: tiers of up to £500,000, over £500,000 to £15 million, and over £15 million of gross income; reserves at paras 1.36–1.39. Charity Governance Code, 2025 edition (eight principles; “Compliance with the Code is not a regulatory requirement”).

The thirteen-week cash flow

Every turnaround practitioner uses the same tool, and the reason is not tradition.¹⁸ Thirteen weeks is long enough to see the quarter and short enough to forecast from facts. The forecast is built from the bank, not the budget; weekly, not monthly; by account, with restricted funds in their own column so that no one mistakes them for cash; and with receipts graded by certainty — contracted, probable, possible — so that the board sees how much of its runway rests on something that has not happened yet.

It is rebuilt every week against actuals, and the variance is the first number in the weekly pack. A forecast that is never wrong is a forecast nobody is checking. Its partner is the weekly payment schedule (Chapter 2): the forecast says what can be paid; the schedule says what will be.

Three outputs matter more than the rest. *Runway in weeks* — the number of weeks until unrestricted cash goes negative on current assumptions. *The next payroll* — the date, the amount, the certainty. *The gap* — the difference between what is contracted to arrive and what has to go out, which is the number the plan has to close. Appendix B.5 has the grid.

Closing the gap

The forecast tells you the size of the gap. Closing it uses the same levers in every turnaround, and the order matters, because the early ones are fast and cheap and the late ones are slow and expensive.

1. **Collect.** Debtor days are cash you have already earned. Invoice on the day the work is done, chase on the day the invoice is due, and ask funders who pay in arrears whether they will pay in advance or on account. Some will, for an organisation that asks with a forecast in its hand.
2. **Stop.** Non-critical spend, vacancies, subscriptions, the second photocopier lease. Small amounts, quickly.
3. **Defer, lawfully.** Ask HMRC for time to pay before the due date, not after it; ask the landlord for a deferral or monthly rent; ask the bank for a capital holiday. Never defer by not paying and saying nothing. Since December 2020 HMRC has been a secondary preferential creditor for VAT, PAYE income tax, employees' National Insurance, student-loan deductions and construction-industry deductions, ranking ahead of the bank's floating charge and every unsecured creditor, so unpaid PAYE does not vanish in an insolvency; it moves up the queue — and unpaid National Insurance can become a director's personal debt where the failure is down to their fraud or neglect.¹⁹ And never, under any heading, defer by borrowing from restricted funds.

¹⁸Turnaround Management Association UK, *Advice for Turnaround Professionals* (Adrian Doble): "The rolling 13 week cash flow is the metaphoric turnaround bible," which "will also serve as an audit trail for future enquiry if things don't go to plan"; Philip G. Varley, ICAEW *Finance & Management* (January 2013): the 13-week forecast is "the most critical document a company needs" and "should be reviewed and revised at least weekly"; CC12: a cashflow forecast "showing money in and out over coming weeks and months."

¹⁹Insolvency Act 1986, Sch 6, para 15D (inserted by the Finance Act 2020, s 98), with HMRC's policy paper *HMRC as a preferential creditor* (30 November 2020): VAT, PAYE income tax, employees' National Insurance contributions, student-loan repayments and Construction Industry Scheme deductions are secondary preferential debts in insolvencies beginning on or after 1 December 2020; corporation tax and employers' contributions are not. Social Security Administration Act 1992, s 121C (personal liability notices where the failure to pay is "attributable to fraud or neglect" of culpable officers).

4. **Negotiate.** Supplier terms, payment plans, and above all the price of the contract that loses money, at the first opportunity to change it.
5. **Raise.** A bridge from a funder or a friendly lender; an advance on a grant; the sale of an asset the organisation no longer uses; invoice finance for a company with good debtors. Each has a cost and often a security, and new secured borrowing once the creditor duty is engaged is exactly the kind of decision the record has to justify in the creditors' interests.
6. **Restructure.** Only then, and once.

Pricing and the cost base. A structural deficit has a cause, and in small organisations it is usually one of three: a contract or grant priced below the full cost of delivering it, because the overheads were left out of the bid; dependence on one or two funders, one of whom has changed its terms; or a cost base that grew for a programme that has ended. The tool is a contribution analysis by service line — income, direct cost and a fair share of overheads for each service, side by side. It usually shows that one service carries the others and one is quietly losing money.

The hardest conversation in this book's territory follows: closing a service that is central to the mission and loses money. Have it with the numbers on the table, the alternatives priced — transfer the service to another provider, reprice it at renewal, fund it from unrestricted reserves for a stated period and review — and the decision logged with any dissent. Then cut once, deep enough. Three rounds of shallow cuts cost more than one of the right size, in money and in the people who leave before the third round arrives.

The scenario matrix and the binary triggers

The forecast produces one future; the board needs three. Base, downside and severe, each with its assumptions written down, each with its runway, each with the action it triggers — agreed in advance, in a minute, so that the board is not deciding under pressure what it would have decided calmly. Appendix B.6 has the template.

Above the matrix sit the binary triggers that override everything. *Is payroll payable in thirty days?* If not: the critical creditors approached, an emergency bridge sought, an insolvency practitioner retained. *Are restricted funds exposed?* If so: a hard freeze, a reconciliation to the bank, legal advice. A board that has agreed its triggers in week one does not have to argue about them in week six.

The decision tree

The questions are asked in this order, every week the forecast shows strain, and the answers go in the log.

Question	If yes	If no
1. On the downside case, can the organisation pay its debts as they fall due throughout the forecast?	Run the base plan; review the triggers weekly.	Go to 2, and take an insolvency practitioner's advice now.

Question	If yes	If no
2. Is the organisation insolvent, bordering on insolvency, or is an insolvent liquidation or administration probable?	The creditor duty is engaged. Record the creditors' interests in every decision; close the gap; consider a serious-incident report (charity); go to 3.	Keep monitoring; tighten the triggers; recheck next week.
3. Is there still a reasonable prospect of avoiding insolvent liquidation or administration?	Creditors' interests weigh more as the position worsens. Use the rescue tools that fit; consider the moratorium if rescue is likely; minute the reasons for trading on.	Creditors' interests are paramount. Incur no credit you cannot pay; take every step to minimise their loss; decide on a formal process with the practitioner; tell the regulator.

The tree does not make the decision. It makes sure the board has asked the question the law will later ask on its behalf, and written down the answer it gave.

Creditors, by class

Creditors are not one group, and treating them as one is a mistake in both directions. A standstill letter sent to the whole supply base advertises distress to people who would otherwise have kept supplying, and invites pro-forma terms and petitions. Paying whoever rings loudest is exactly the conduct the preference rules exist to reverse. So sort them, talk to each class in the order that matters, and log the reason for every difference in treatment. Appendix B.9 has the letters.

- **The secured lender** first, with the forecast: a standstill or covenant waiver, in writing. Expect a letter reserving the bank's rights, and do not take it personally.
- **Employees.** Arrears of wages (up to a statutory limit) and accrued holiday pay are preferential. Payroll is the first line of the payment schedule and the last thing to slip.
- **HMRC.** Ask for time to pay before the due date, with the forecast. For the reasons above, this is a creditor to keep informed and not to ignore.
- **The landlord.** A deferral, monthly payment, or a negotiated break. Landlords have remedies that move faster than litigation.
- **Critical suppliers.** The ones without whom the service stops on Monday — the fuel card, the software licence, the agency that covers the night shift. Pay them on terms, and write down why.
- **Trade creditors.** An honest account, a staged plan tied to forecast receipts, and a date for the next update. Talk to the largest individually.
- **Connected parties.** Directors, trustees, their firms, the founder's other company. Here a desire to prefer is presumed, and any payment needs a reason that would satisfy a liquidator reading the log two years later.

The rule that survives every version of this is that nobody is paid because they shouted. A preference turns on the desire to prefer, and the best evidence that a payment was made for a commercial reason — to keep the service running, to keep the staff paid — is a log entry written at the time saying so.

People: the legal floor

Chapter 6 deals with how to do this humanely. This is the floor beneath it, and it is not optional.

Collective consultation obligations apply when twenty or more redundancies are proposed at one establishment within ninety days — and will also apply, once regulations under the Employment Rights Act 2025 set a “threshold number,” when that number is reached across the employer’s establishments taken together; the power to make those regulations was commenced in January 2026 and none had been made by October. Consultation lasts at least thirty days before the first dismissal takes effect, or forty-five for a hundred or more, and the protective award for getting it wrong doubled in April 2026 to a maximum of 180 days’ pay per employee — which, for a small organisation, is the difference between a restructuring and a liquidation.²⁰

Transfers of a service to another organisation — a contract moving to a new provider, a merger, an asset sale — carry the staff with them under the Transfer of Undertakings (Protection of Employment) Regulations 2006, which apply “whether or not operating for gain” and so to charities exactly as to companies, with information and consultation duties of their own. A dismissal whose principal reason is the transfer is automatically unfair unless it is for an economic, technical or organisational reason entailing changes in the workforce, which needs to be exactly that, on the record.

Pensions are where small-charity restructurings most often find a liability no one had costed. A charity that participates in the Local Government Pension Scheme becomes an “exiting employer” when its last active member leaves — through redundancy, retirement, or a transfer of the only staff in the scheme — and the fund’s actuary then calculates an exit payment for the liabilities left behind, on a basis that can produce a figure larger than the operating deficit. The scheme’s rules allow some ways to manage it: the fund may suspend the exit for up to three years where it believes the employer will have active members again, and, where its funding strategy provides for them, agree a deferred debt agreement under which the employer keeps paying contributions instead of a lump sum. Multi-employer defined-benefit schemes have employer-debt rules of their own.²¹ Ask the pension question before the options appraisal, not after it.

None of this is a reason not to act. It is a reason to take advice before announcing, to consult properly, and to put the rationale in the decision log in the words the law uses.

Exits

Most crises that end well end without a formal process, and this chapter is written to make that more likely. But a board that cannot name its exit has not finished planning, and some of the best outcomes in the sector are exits chosen early.

²⁰Trade Union and Labour Relations (Consolidation) Act 1992, s 188, as amended by the Employment Rights Act 2025 (c. 36), s 29: new s 188(A1) and s 195A (“threshold number”), commenced on 6 January 2026 only for the purpose of making regulations under s 195A (SI 2026/3, reg 2(14)), none made by October 2026; minimum periods in s 188(1A). Protective award: s 189(4), maximum raised to 180 days by the 2025 Act, s 30, from 6 April 2026 (SI 2026/323). Further 2025 Act changes were awaiting commencement in October 2026. Transfer of Undertakings (Protection of Employment) Regulations 2006, SI 2006/246, reg 3 (relevant transfers and service provision changes; reg 3(4): “whether or not operating for gain”) and reg 7 (the ETO exception at reg 7(2)–(3)).

²¹Local Government Pension Scheme Regulations 2013, SI 2013/2356, reg 64: an “exiting employer” (one that ceases to be a scheme employer or no longer has an active member) owes an exit payment certified by the fund’s actuary; suspension for up to three years under reg 64(2A); deferred debt agreements under reg 64(7A)–(7G). For other defined-benefit schemes, Pensions Act 1995, s 75 (employer debt), as modified by the Occupational Pension Schemes (Employer Debt) Regulations 2005, SI 2005/678.

Merger, from strength. Find the partner before the crisis, when you have something to bring; a partner found in week eight is buying a problem and will price it. Expect the other side to refuse liabilities it cannot see the end of — pensions above all. A charity that merges should register the merger with the Commission: a registered merger lets gifts left to the old charity take effect as gifts to the new one, which matters more than boards expect, because wills are written years before they are read.²²

Transfer of a service. Another provider takes the service and its staff; the organisation keeps the rest. It is often the right answer for a good service in the wrong home. Check the pension position first.

A managed solvent closure. Pay everyone, pass the restricted funds and the remaining assets to another charity with similar purposes as the governing document directs, tell the regulator, and close properly. It is a good outcome, and an underrated one. A company that can pay its debts in full does it by members' voluntary liquidation, on a statutory declaration of solvency by its directors — a declaration made without reasonable grounds is a criminal offence, which concentrates the mind on the forecast.

Administration, and the pre-pack. An administrator's first objective is to rescue the company as a going concern. A pre-pack — a sale negotiated before the administrator's appointment and completed soon after it — can preserve a service and its jobs. Since April 2021, a sale of all or a substantial part of the business to a connected party within the first eight weeks of an administration needs either the creditors' approval or a report from an independent evaluator.²³

A voluntary arrangement or a liquidation, or for a CIO the procedures its own regulations allow — with the practitioner, and with the regulator told.

The aim of this chapter is not that a formal process never happens. It is that, if one comes, it comes early and by choice, with the creditors' interests already on the record and the board's decisions defensible.

If the organisation is your company. The law in this chapter applies to you without a charity's cushions, and some of it applies only to you. *Personal guarantees:* the bank calls them when the company fails, and the conversation about them needs everyone who signed one in the room. *The director's loan account:* an overdrawn account is an asset of the company, and a liquidator will collect it. *Tax that follows the director:* unpaid National Insurance can become a director's personal debt where the failure is down to their fraud or neglect, and a director connected with two or more insolvent companies with tax debts in five years, who carries on a similar trade through a new one, can be made jointly liable for the new company's tax. *Disqualification:* the realistic consequence of getting it wrong is more often disqualification than a wrongful-trading claim — the court must disqualify an unfit director of an insolvent company for between two and fifteen years. *The name:* anyone who was a director of a company in the twelve months before it went into insolvent liquidation — resigning the week before does not help — may not, for five years, be involved with a company or business using the same or a similar name without the court's leave or a statutory exception; breach is an offence and makes them personally liable for the new company's debts. *Ratification:* where the director is also the shareholder, the owner cannot bless a breach of the

²²Charities Act 2011, s 305 (register of charity mergers) and s 311 (a gift to a transferor charity whose merger is registered "takes effect as a gift to the transferee"; s 311(2) and (2A) substituted by the Charities Act 2022, s 33, from 7 March 2024).

²³Insolvency Act 1986, Sch B1, para 3 (the objectives of administration, rescue as a going concern first); s 89 (the statutory declaration of solvency for a members' voluntary winding up; a declaration made without reasonable grounds is an offence); the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021, SI 2021/427, in force 30 April 2021: in the first eight weeks of an administration, a substantial disposal to a connected person requires creditor approval or a qualifying report from an evaluator.

■ creditor duty after the event.²⁴

When to call the insolvency practitioner

Earlier than you think. Not to appoint them — to take advice. The time is when the downside case shows the organisation unable to meet its liabilities as they fall due within the forecast period, or when the board first has to ask itself whether there is a reasonable prospect of avoiding insolvent liquidation. A practitioner’s advice at that point costs little next to what it protects: it is itself evidence of “every step,” it tells you which of the rescue tools and exits are realistic for an organisation of your size, and it gives an anxious board a fact to replace a fear. The practitioner who is *appointed* is a different matter and a different conversation. Appendix B.11 is the brief for the first meeting.

The board pack, and the governance that outlasts the crisis

The weekly one-page pack (Chapter 4 and Appendix A.3) is the instrument. In a cash crisis its first line is cash, its second is the three risks, and its last is the regulator-and-funder position, because those are the three things that end organisations. When the crisis passes, the pack stays, at a lower frequency; the thirteen-week forecast becomes a standing requirement; the payment schedule stays, at a higher threshold; going concern goes on the board calendar quarterly; the reserves policy gets a target and a plan to reach it; and every executive role gets a succession plan, because the proximate cause of many charity crises is not the deficit but the departure of the one person who understood it.

What the standard playbooks cover, and what this chapter adds

Slatter and Lovett’s seven ingredients — stabilise the crisis, change the leadership, secure stakeholder support, focus the strategy, change the organisation, fix the critical processes, restructure the finances — are the right list in the right order. Read them for what this chapter does not attempt: the operational levers of a trading company in depth (working capital, stock, pricing, the cost base), the turnaround of a business that sells things, and the case studies. The Charity Commission’s CC12 suite is the regulator’s own, shorter version of this chapter; a trustee should read it first.

What the turnaround literature leaves out is what a charity operator cannot: that restricted funds are not cash, that the regulator has to be told, and that trustees are volunteers whose appetite for personal exposure is, reasonably, limited. And Gawande’s point applies here with force. Experts skip the dull steps under pressure, and in a cash crisis the dull steps are the payment schedule, the log entry and the call to the creditor who has not rung yet; Appendix A turns them into checklists to be read aloud at the moment they are most likely to be skipped.

²⁴Social Security Administration Act 1992, s 121C; Finance Act 2020, Sch 13, para 3 (joint and several liability for repeated insolvency and non-payment: two or more insolvent “old companies” within five years with tax liabilities, a similar trade carried on by a new company, and conditions on the amounts outstanding); Company Directors Disqualification Act 1986, s 6 (the court “shall make a disqualification order” against an unfit director of an insolvent company; “the minimum period of disqualification is 2 years, and the maximum period is 15 years”); Insolvency Act 1986, ss 216 (anyone who was a director or shadow director in the twelve months before an insolvent liquidation; prohibited names for five years; an offence) and 217 (personal responsibility for the company’s relevant debts); *Sequana*, cited at the start of this chapter’s notes, on ratification.

The case: a charity that lost its forecast

An illustration. The charity, its figures and its people are invented. A charity running day services, a befriending scheme and a community-transport service across two counties: a charitable company with income of about £2.4 million, a third of it restricted, from local-authority contracts and grants.

The call. The chair rings on a Tuesday in March. The finance manager has resigned to take a job elsewhere, giving a month's notice; the chief executive, who had been covering much of the finance work herself, retires at the end of the quarter. Neither departure is anybody's fault. The management accounts have shown a loss for each of the last four months, in a format the board stopped reading some time ago, and a trustee who looked at the bank statements over the weekend no longer believes the year will end on budget. The five questions produce a clock (payroll in sixteen days; the transport contract up for renewal in seven weeks), a decision-maker (the board, and a finance committee that has not met since the autumn), access (a finance system with one administrator, who is leaving) and, after an hour, a definition of done: payroll funded through the quarter; restricted funds verified; a going-concern assessment the auditor can sign; services maintained or transferred, not abandoned; no formal process unless the board chooses one.

What kind of situation. A turnaround. The board knows it is in trouble, wants decisions, and will accept a tighter grip than usual for a while.

The first days. Three bank accounts. The restricted balances reconcile to the bank — the best news of the engagement, and the first thing the funders will ask about. Unrestricted cash covers this payroll and most of the next. The law is a charitable company's: Companies Act duties on the trustees, the creditor duty in prospect if the forecast confirms what the bank statements suggest, and the serious-incident guidance to be read with the forecast, not before it. The finance manager, still working her notice, is the most useful person in the building; the operator asks her to stay an extra fortnight at a premium, and she does. A second administrator is added to the finance system on day one. A change of bank details on a supplier's record, made a month earlier, is checked by phone and turns out to be genuine. Staff, funders and the commissioner who manages the transport contract are told what is known.

Diagnosis. The decisive constraint is that no one can say what the cash position will be in six weeks, so every decision is being taken in the dark. The cause of the deficit, once the service lines are separated, is no mystery: the transport contract was re-let the previous spring at a price that does not cover its overheads, and the largest grant, which had paid quarterly in advance for six years, moved to payment in arrears in the autumn. The structural deficit is about £280,000 a year. The three risks: payroll in week seven on the downside case; the transport renewal on the same terms; and a finance assistant, told to "keep everything paid," drawing on restricted money without realising it.

Stabilise. The thirteen-week forecast is built in week one from the bank and the actual terms of each contract — the first the board has ever seen. It shows five weeks of unrestricted cash on current receipts, or fourteen if two aged debts are collected and the grant's first payment in arrears arrives in week five. The scenario matrix and its triggers are minuted. The payment schedule replaces the old authorisation limits; the treasurer, who has signed payments for eleven years and regards the schedule as a slight on the staff, is asked to be its second key and becomes its most reliable one. Creditors are handled by class: the bank first, with the forecast; HMRC, with a request for time to pay on a month's PAYE, made before the due date and granted; the landlord of the day centre, which agrees to monthly rent; the fuel-card provider and the minibus lessor, critical

and paid on terms, with the reason logged; the trade creditors, the largest individually. Once the forecast confirms that the charity's ability to operate is at risk, the Commission is told, with the plan.

Restructure. The options appraisal goes to the board in week five, with the same columns for every option: impact, legality, dependencies, evidence required, recommendation. Three options survive: reprice the transport contract at renewal or hand it back; move the befriending scheme to a volunteer-led model with one paid coordinator in place of three; and consolidate two offices into one at the lease break. The board resolves to offer the commissioner a transfer of the transport service, with its four staff, to another provider.

Embed and leave. The going-concern pack is with the auditor before the auditor asks: the forecast, the sensitivities, the principal risks, the post-balance-sheet events log, and the minute setting out the basis, with a material uncertainty disclosed. The one-page pack becomes the board's standing finance report. The payment schedule stays, at a higher threshold. A reserves policy with a target is adopted, with a three-year plan to reach it. A new finance manager and an interim chief executive are in post by week eleven, and the handover document goes to the chair in week thirteen.

What went wrong. Two things. On the morning of the call, before the operator had arrived, the chair, wanting to reassure, told the staff that payroll was "safe through the summer." The forecast at the end of week one showed five weeks. Correcting it cost more trust than the bad news would have, and two of the best coordinators left the following month. Chapter 7's rule — say only what is known — was right, and had been broken before anyone thought to apply it.

And the options appraisal had a legality column whose pensions line was left blank. The four transport staff were the charity's only remaining members of the Local Government Pension Scheme; transferring them would have made the charity an exiting employer, and the fund's actuary put the exit payment at more than a year's deficit. The board found out in week seven. The transfer went ahead only after the fund agreed a deferred debt agreement under which the charity keeps paying contributions — a three-month delay, and a liability that will sit in the accounts for years.

The dilemma the method did not settle. Whether to keep the befriending scheme at all. It lost money; it was the service the charity was founded to run; and its volunteers were the charity's best ambassadors. The numbers said close it. The purposes said keep it. The board kept it in a smaller form, funded from unrestricted reserves for two years with a review at eighteen months, and two trustees recorded their dissent. Nothing in this book could have told them which answer was right. It could only make sure the decision was taken knowingly and written down.

The shape of the outcome. The run-rate deficit falls from about £280,000 to about £40,000 a year; unrestricted cash at week thirteen covers about three months of payments; the accounts are signed on a going-concern basis with a material uncertainty disclosed; no formal process. These figures are invented to show the shape of an outcome, not to describe one.

What to copy, and what not to. Copy the order — cash, law, people, reputation; a payment schedule whose second key was its sharpest sceptic; creditors handled by class, with the reasons logged; an options appraisal whose legality line someone actually fills in; and saying only what is known. Do not copy the numbers, the thresholds or the timetable, which belong to this charity's size and funding mix. And do not assume the base case. This board got its grant payment in week five. The plan was built so that it would not have mattered if it had not.

11. Compliance architecture

The one idea

Compliance in a small organisation fails in one of two ways. Either it is a person — usually a conscientious one — who knows everything and writes nothing down, so that the organisation is compliant until the day they are ill; or it is a shelf of policies describing an organisation that does not exist. The alternative to both is an operating model: a small number of processes, each with an owner, a record and a measure, through which obligations are found, decided, deployed, evidenced and checked. Build that and compliance stops being a department you cannot afford and becomes the way the work is done.

This chapter is about building it where there are three of you. The reference frameworks assume there are three hundred. The map is the same; the scale is not. The worked examples are from a publicly funded training provider in England, because that is a sector where the funder, the regulator, the data-protection authority and the safeguarding partners all arrive at once; the method is the same for a care provider, a housing association or a fintech. Nothing here is legal advice.

The reference architecture, scaled

Three documents define what a compliance function is supposed to look like. ISO 37301:2021 sets out the elements of a compliance management system — leadership and governance; identifying obligations and assessing compliance risk; controls and procedures; competence and awareness; monitoring, measurement and reporting; and continual improvement — and was reviewed and confirmed as current in 2026.²⁵ The Institute of Internal Auditors’ Three Lines Model separates the people who own and manage risk (first line), the people who provide expertise, support, monitoring and challenge (second line), and the people who give independent assurance (third line), with the governing body above all three; the 2020 position paper was replaced in July 2026 by a statement of position that keeps the principles and adds guidance for organisations that are not required to have separate assurance functions at all.²⁶ COSO’s internal-control framework gives the five components — control environment, risk assessment, control activities, information and communication, monitoring — and seventeen principles under them.²⁷

In a small organisation the three lines are three hats, sometimes on one head. The IIA has now said in so many words what practitioners in small organisations have always had to assume: the lines “are not intended to denote structural elements,” and “there is no single structure that fits every organization.” The model still works if you keep the *distinctions* even when you cannot keep the *people* separate: the person who runs the process is not the person who signs off that it ran correctly, and the board, a sub-committee or an external reviewer supplies the independent look. What you cannot do is pretend the distinctions away. An operating model in which the same person

²⁵ISO 37301:2021, *Compliance management systems — Requirements with guidance for use* (Edition 1, April 2021; Amd 1:2024), replacing ISO 19600:2014; ISO’s catalogue shows it “last reviewed and confirmed in 2026.” The elements listed follow the standard’s harmonised clause structure (context, leadership, planning, support, operation, performance evaluation, improvement).

²⁶The Institute of Internal Auditors, *The IIA’s Three Lines Model: An update of the Three Lines of Defense* (July 2020) (“not intended to denote structural elements”), superseded by the *Statement of Position Assurance and Advice in Support of Effective Governance* (8 July 2026), which “replaces the prior Position Paper” and adds guidance for organisations not required to have separate assurance functions (“There is no single structure that fits every organization”).

²⁷Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control — Integrated Framework*, Executive Summary (May 2013): five components and seventeen principles.

finds the obligation, decides the response, deploys it and certifies that it worked is a person, not a system.

Step zero: what happens to bad news

Both of the big frameworks start in the same place, and it is not the regulatory map. COSO's first component is the control environment — integrity, ethical values, a board that exercises oversight — and ISO 37301 starts with leadership and a compliance culture. They start there because every control further down depends on one behaviour: someone noticing that something is wrong, and saying so, early, to someone who acts.

You can see the culture in what leaders do when bad news arrives. Do they thank the messenger, or ask why they were not told sooner? Is the near-miss logged, or quietly fixed? How long does a concern raised at the front desk take to reach someone who can decide? Those are the measures that matter: concerns raised, near-misses reported, and the time from concern to decision. Attestation rates are not among them. Ninety-eight per cent of staff attesting to a policy measures reading — or clicking — and an organisation that reports only attestation is reporting the thing that is easiest to count.

The operator's levers are small and visible. Thank the first person who brings bad news, in front of others. Log the near-misses and discuss one at each monthly meeting. When something goes wrong, ask what in the system allowed it before asking who did it. Culture is what people expect to happen to them if they speak, and they learn it from watching the last person who did.

Step one: the regulatory map

Before any process is built, the organisation needs one page that says what it is subject to and why. Not a policy index — a map from risk vector to instrument to control to evidence. For a publicly funded training provider in England the vectors are funding assurance, data protection, safeguarding, the Prevent duty, online safety, health and safety, equality, public procurement, and governance of public funds. Appendix C.2 is that map, with its dates.

The map is dated, and it changes. In the twenty months before this book went to press, the funder closed and its work moved into a government department, half of which then moved to another department; the data-protection regulator stopped being a person and became a commission; the safeguarding guidance was reissued, as it is most years, alongside a new edition of the multi-agency guidance it sits beside; and public procurement moved to a new Act.²⁸ None of it changed what a competent provider has to do. All of it changed what it has to cite, and an audit will notice the difference.

²⁸The Education and Skills Funding Agency closed on 31 March 2025 (written ministerial statement HLWS83, 11 September 2024), its funding and assurance functions moving to the Department for Education's Funding and Financial Oversight directorate from 1 April 2025 (ESFA *Annual Report and Accounts 2024 to 2025*); policy for apprenticeships, adult skills and Skills England moved to the Department for Work and Pensions from 16 September 2025, with budgets and GOV.UK ownership following on 1 April 2026, and the *Apprenticeship funding rules 2026 to 2027* (version 3, 29 July 2026), para 25, define "we" as either department "as may be applicable." Data (Use and Access) Act 2025 (c. 18): Royal Assent 19 June 2025; main data-protection provisions from 5 February 2026 (SI 2026/82); the complaints duty from 19 June 2026; the Information Commission from 30 September 2026 (SI 2026/1015). *Keeping children safe in education 2026*: in force 1 September 2026. *Working together to safeguard children 2026*: published 18 March 2026. Procurement Act 2023: main provisions in force 24 February 2025.

Step two: the obligations pipeline

The map tells you what applies. The pipeline tells you when it changes. Run it by hand first, for weeks — someone reads the relevant official pages every morning, notes what changed, decides what it means — and automate it only once the manual version has proved it makes sense: a script that fetches the pages, records a fingerprint of each, and produces a timestamped report of what changed and when it takes effect; a rubric that assigns a topic and an urgency score from the legal effective date and the audit risk; and a named person who reviews every alert, records the decision in a log, and approves what goes out.

The design rules carry the whole thing. The script detects; the named person decides. Every run is logged, so the organisation can show not only what it did about a change but when it knew. The urgency score is a rubric anyone can read, not an opinion. And the decision log is the pivot of the evidence chain: run log, change report, decision, controlled publication, attestation. An auditor who can walk that chain for one change can trust it for all of them.

The pipeline is also where “horizon scanning” stops being a phrase in a job description. The sources are the regulators, the funders, the departments, the Health and Safety Executive and the data-protection authority; the output is a short note to the board each month saying what changed and what the organisation did. The funding rules alone justify it: the 2026 to 2027 apprenticeship rules went through three versions between April and July 2026, and each version “forms part of the terms and conditions for the use of funds.”

Step three: where AI fits, and where it does not

By 2026 your staff are using generative AI whether or not you have a policy, so the question is how, not whether. Four rules cover most small organisations, and Appendix B.16 turns them into a short rule for staff.

Nothing personal, confidential or privileged goes into a tool the organisation has not approved. An approved tool is one with a contract that says what happens to the data — a processing agreement, no training on your inputs, a known place of storage — and an impact assessment if it will touch sensitive data. A learner’s safeguarding history pasted into a public chatbot is a personal-data breach waiting to be noticed.

The output is the user’s own work, checked. A progress review, a note on a learner’s file, a letter to a regulator, a policy: whoever signs it has read it, corrected it and stands behind it. AI drafting is fine. AI evidence is not: a review that reads well and does not describe what the learner actually did is false evidence however it was produced, and a funding auditor will treat it as such.

In the pipeline, a model can do more than the script — and still does not decide. It can read a changed page, summarise what changed, suggest which policies it touches and draft the note to the board. The named person reads the source, not just the summary, and the log records that they did. Models summarise confidently and are sometimes wrong; the human gate exists for exactly that.

Decisions about people stay with people. Where a decision with a legal or similarly significant effect on a learner, an applicant or an employee is taken solely by automated means — with no meaningful human involvement — the data-protection law now requires safeguards: information about the decision, the chance to make representations, human intervention and the right to contest

it, with tighter limits again where special-category data is involved.²⁹ A human who rubber-stamps the machine is not meaningful involvement. The simplest compliance is not to take such decisions by machine at all.

An organisation with learners or customers in the European Union has the EU AI Act as well: duties on deployers to support their staff’s AI literacy, transparency duties from August 2026, and — for AI used in education and vocational training to decide admission, assess learning outcomes or monitor tests — the high-risk regime, whose start the 2026 amendments postponed to December 2027. And a provider buying an AI product for learners should read the Department for Education’s product safety standards before the procurement, not after it.³⁰

Step four: the policy lifecycle

A policy is a control only if the people it binds have read the current version and understood it. So: one policy per subject, version-controlled, with an owner and a review date; publication through role-restricted channels, so that people see what applies to them and nothing else; attestation that the new version has been read; short, specific comprehension checks that show it was understood; and escalation on a timer when it was not. The measures are completion within a set time of a change and the comprehension pass rate, and the record is the training ledger.

The number of policies matters as much as their content. Thirty policies that overlap are thirty places for a contradiction to live, and forty attestation requests in a fortnight teach staff to click. The discipline is to merge until each subject has one home, to write the exceptions into the policy and not into email, and only then to automate the lifecycle.

Step five: funding assurance, or how to keep the money you earned

Public funding in England is paid on data returns and defended with evidence. Funding is earned on what the provider records in the Individualised Learner Record, the monthly return on which post-16 funding is calculated; the final return of the year — the “hard close,” in late October — fixes the reconciliation, and after it an error can no longer be corrected in the data, only recovered in cash.³¹ The rule that runs through every funding agreement is the same: the delivery evidence must

²⁹UK GDPR, Articles 22A–22D, substituted by the Data (Use and Access) Act 2025, s 80, in force 5 February 2026: a decision is “based solely on automated processing” if there is “no meaningful human involvement” in it (Art 22A); restrictions on significant decisions based on special-category data (Art 22B); safeguards that “provide the data subject with information about decisions,” “enable the data subject to make representations,” “enable the data subject to obtain human intervention” and “enable the data subject to contest such decisions” (Art 22C).

³⁰Regulation (EU) 2024/1689 (the AI Act), as amended by Regulation (EU) 2026/1744 of 8 July 2026 (the “Digital Omnibus on AI,” in force 27 July 2026): the AI-literacy duty in Article 4 (applicable since 2 February 2025) recast as a duty to take measures to support AI literacy; Article 50 transparency obligations applicable from 2 August 2026; the obligations for stand-alone high-risk systems in Annex III — including point 3, education and vocational training — postponed to 2 December 2027. The postponed dates are as reported by Gibson Dunn (27 May 2026) and ActuIA on the published regulation; the regulation’s title, date and entry into force are from EUR-Lex. Department for Education, *Generative AI: product safety standards* (19 January 2026), “mainly intended for edtech developers and suppliers to schools and colleges.”

³¹Department for Education, *Specification of the Individualised Learner Record for 2026 to 2027* (version 1, 30 January 2026); *Advice: Individualised learner record (ILR) funding returns 2026 to 2027* (1 July 2026): the final return, R14, is due 23 October 2027 — “we will base your final funding reconciliation on that return”; “All funding audits use your ILR ... data.” *Apprenticeship funding rules 2026 to 2027* (version 3), paras 6 (“These rules form part of the terms and conditions for the use of funds”), 9, 30, 35, 82.4 and 98 (“funds may be at risk of recovery”); *Adult skills fund: funding and performance management rules 2025 to 2026* (version 2): “we will recover funds or make payments, within the tolerances, against actual delivery.”

support the claim, and where it does not, the funding is recoverable. The rules say funds are “at risk of recovery” where the evidence pack, the eligibility evidence or the off-the-job training record is not there, and the department “will seek to recover the funding, including funding overclaimed in previous years.” Clawback is the funder taking back what the evidence did not earn — and, if the sample fails, asking you to audit the rest of your learners yourself. So every funded learner is a file that must be complete on the day it is claimed, not on the day it is audited.

The audit’s arithmetic sets the standard. A funding assurance review gives two to four weeks’ notice, draws a random sample — thirty learners per funding stream, or the whole population if smaller — and tests each learner back to source evidence. The sample error rate is the value of the funding error found as a percentage of the value of the sample: below 5 per cent is “satisfactory”; 5 per cent or more is “unsatisfactory” and normally leads to further testing and a self-audit of the wider population; and the errors are recovered by offset against future payments or by invoice. The department publishes the findings it sees most often, and they are the operator’s checklist in advance: start dates without evidence of learning, breaks in learning not reported, planned hours and end dates wrong, eligibility and prior attainment not evidenced, learning support claimed without monthly evidence of the reasonable adjustments made, ineligible costs in the negotiated price, subcontracting undeclared.³²

The controls follow. Validation at the point of entry on every mandatory field, so that an error is caught by the person who made it. Daily exception routing with deadlines ahead of the reporting date, so that nothing is claimed with a known gap. Reconciliation of delivery against claims, checked by a second person. A restricted set of roles that may edit data, with every correction logged and approved. And the evidence pack for each learner defined once and indexed (Appendix B.14), so that any file can be produced in minutes. Retention follows the department’s guidance for training providers — six years from the end of the financial year after the last payment on the learner, and until the end of 2034 for provision funded by the European Social Fund — and the retention schedule has to know it.³³

Subcontractors and other third parties. A provider is accountable for its subcontractors’ evidence as if it were its own. Third-party risk in a small organisation is a short list — delivery subcontractors, the payroll bureau, the IT provider, the learning platform, anyone who processes personal data on your behalf — and the controls are the same for each: due diligence in proportion to the risk before the contract; contract terms that give you the evidence and audit rights you need, and a processing agreement before any data moves; monitoring that actually happens, of which a quarterly file sample is enough for most; and an exit plan, because the day you need to leave a supplier is the wrong day to discover you cannot.

Winning the money is part of keeping it. Since 24 February 2025 every new above-threshold procurement by a government department, a council or a combined authority in England has run

³²Department for Education, *Post-16 Funding Assurance Review Guidance* (September 2026): samples of thirty learners per population; “The sample error rate is the value of any funding error in our sample as a percentage of the value of our sample”; below 5 per cent “satisfactory,” 5 per cent or more “unsatisfactory”; *Funding assurance review: step by step process* (updated 30 September 2026); *Common findings from funding assurance work on post-16 education providers: 2024 to 2025 assurance year* (30 September 2026): the department “will seek to recover the funding, including funding overclaimed in previous years,” by offset or invoice.

³³Department for Education, *Record keeping and retention information for training providers* (13 January 2021), section 5: learner files “retained securely for 6 years from Financial Year End after last payment made or until 31 December 2034 if ESF (European Social Fund)-funded provision” (an earlier section of the same page gives 2030; the later figure should be treated as governing until the department corrects it). ICO, *Principle (e): Storage limitation* (24 July 2025).

under the Procurement Act 2023.³⁴ For a small provider the consequences are four. Register once on the central digital platform and keep the core information current, because buyers pull it from there. Be able to answer the exclusion questions truthfully for the organisation and its connected persons, because a conviction, a serious contract breach or a regulatory finding is now a tenderable fact. Bid to the buyer’s statutory objectives — value for money, public benefit, integrity, and the removal of barriers to small and medium-sized enterprises — with evidence of social value, not price alone. And know that the thirty-day payment term the buyer owes you is implied into every subcontract you let under the contract, whatever the subcontract says. Whether the provider is itself a contracting authority, and so must run compliant procurements of its own, turns on whether it is mainly publicly funded and does not operate on a commercial basis; a contract-winning provider in a contested market usually is not, a grant-dependent one with a publicly appointed board may be, and the answer is worth an hour of a procurement lawyer’s time.

Step six: data protection as an operating discipline

Data protection in a small organisation is six operating decisions that get made every day whether anyone notices or not. The model makes them explicit.

Know what you hold and why. A record of processing activities and a data map, maintained; for vulnerable learners’ data, the lawful basis and the special-category condition documented, and minimisation applied.

Assess before you build. A data-protection impact assessment for any high-risk processing — which a new platform holding sensitive data about vulnerable people always is — signed off before deployment.

Control who sees what. Access by role, the least privilege that does the job, audit logs, multi-factor authentication, device and account approvals, and processing agreements with every supplier before the supplier gets the data.

Answer requests on time and completely. A subject-access workflow — intake, identity and scope, retrieval, redaction, response — that meets the statutory time limit and records every step. The 2025 Act put two things on the face of the law.³⁵ Since 19 June 2025 the data subject is entitled only to what the controller can provide “based on a reasonable and proportionate search,” which is a right to decline the unreasonable search, provided you can show why it was unreasonable. And since 5 February 2026 the clock is defined: one month from the latest of receipt of the request, receipt of the identity information you asked for, and payment of any fee; extendable by two further months for complex or numerous requests, by notice given within the first month with reasons; and

³⁴Procurement Act 2023 (c. 54): s 2 (contracting authority: “wholly or mainly funded out of public funds” or “subject to public authority oversight,” and “does not operate on a commercial basis”); s 12 (objectives, including “acting, and being seen to act, with integrity,” and barriers to small and medium-sized enterprises); s 68(2) (payment within thirty days) and s 73 (the same terms “implied into every public sub-contract”; “Any term purporting to restrict or override the terms implied by this section is without effect”); in force 24 February 2025. Cabinet Office, *National Procurement Policy Statement* (13 February 2025); *The Procurement Act 2023: A short guide for suppliers* (v2.0, 24 February 2025).

³⁵Data (Use and Access) Act 2025: s 78, inserting Article 15(1A) UK GDPR (“a reasonable and proportionate search”), in force at Royal Assent, 19 June 2025 (s 142(2)(b)); s 76, inserting Article 12A UK GDPR (the time period, the two-month extension and the pause for clarification), in force 5 February 2026 for requests received from that date (SI 2026/82, regs 2 and 4); s 103, inserting Data Protection Act 2018, s 164A (complaints: facilitate; acknowledge within thirty days; respond without undue delay; inform of the outcome), in force 19 June 2026 (SI 2026/82, regs 3 and 7). ICO, *Right of access* guidance (updated 8 December 2025): “a request is not complex just because you need to seek clarification.”

paused from the day you ask what is wanted until the day you are told. A request is not complex just because you needed to ask. Beside it, since 19 June 2026, sits a complaints workflow: every controller must make it easy to complain, acknowledge each complaint within thirty days, respond without undue delay, and say what the outcome was.

Keep no longer than you need, and be able to prove it. A retention schedule with the lawful exceptions written in — funder audit rights, safeguarding records, litigation holds — enforced by the system.

Be ready for the bad day. An incident-response playbook: triage, containment, the seventy-two-hour decision on notifying the regulator, the log. Rehearsed, not filed.

The law moved under this in 2025 and 2026. The Data (Use and Access) Act introduced “recognised legitimate interests” — a lawful basis that dispenses with the usual balancing test, though necessity must still be shown — whose listed conditions include processing “necessary for the purposes of safeguarding a vulnerable individual,” defined to cover anyone under eighteen and any adult at risk: exactly the basis a provider sharing a concern with a local authority used to have to construct by hand. It also reformed automated decision-making, created the complaints duty and, from 30 September 2026, replaced the Information Commissioner with the Information Commission.³⁶ The six operating decisions are unchanged; the citations and some thresholds are not, and the regulator’s own guidance on impact assessments, security and retention still carried a notice in October 2026 that it was under review for the 2025 Act.

Step seven: safeguarding, Prevent, and the duties filed under “HR”

For any organisation working with children or adults at risk, safeguarding is the compliance vector with the highest stakes and the least tolerance for improvisation. The architecture is well established and the operating model has to implement it every day, with records: a designated safeguarding lead with formal authority and named deputies; one safeguarding policy, version-controlled and attested; induction and refresher training with comprehension checks; a central concern log recording time, category, risk level, action, escalation and the reason for closure; escalation timers for high-risk concerns; safer-recruitment checks before anyone starts; an allegations procedure; regular case review; and information-sharing with local-authority partners on a documented lawful basis, the minimum necessary, with the reasoning recorded.

The statutory guidance sets the content. *Keeping children safe in education* applies to independent training providers in respect of their under-eighteen learners; its 2026 edition, in force from 1 September 2026, reflects the removal of the exemption that had kept supervised volunteers out of regulated activity, and expects filtering and monitoring to be reviewed at least once every academic year. *Working together to safeguard children* (2026) applies in its entirety to colleges and other education providers. And the Prevent duty guidance for England and Wales (2023) sits on a statute that names funded, inspected training providers as specified authorities in their own right, with risk assessment, staff training, co-operation with Channel panels and IT policies that refer to the duty as the expected minimum.³⁷

³⁶Data (Use and Access) Act 2025, s 70 (Article 6(1)(ea) and 6(5) UK GDPR) and Sch 4 (Annex 1, “Lawfulness of processing: recognised legitimate interests”), paras 6–8 (“vulnerable individual” means an individual “aged under 18” or “aged 18 or over and at risk”), in force 5 February 2026; ss 118–119 with the remaining part of s 117 (the Information Commission), in force 30 September 2026 (SI 2026/1015). The ICO’s guidance on impact assessments (17 December 2025), data security (9 September 2025) and storage limitation (24 July 2025) each carried the notice that it “is under review and may be subject to change.”

³⁷Department for Education, *Keeping children safe in education 2026* (statutory guidance, in force 1 September

Remote and online delivery adds a layer: platform permissions that keep learners and staff in supervised spaces, staff-only channels, safe-session protocols, a recording policy, and a fast route for a learner to disclose and for staff to escalate. The Online Safety Act 2023 exempts an education provider’s own learner platforms from its duties when they are provided for the purposes of the education, so the provider’s obligations for its virtual classroom come from the safeguarding and Prevent guidance, not from Ofcom — and nothing exempts the third-party platforms its learners actually spend their evenings on.³⁸ Isolation is itself a safeguarding risk, and a regular welfare call to the highest-risk learners is a control, not a kindness.

Two duties usually filed under “HR” belong on the same page. *Health and safety*: the employer’s duty runs to learners and visitors as well as staff, “so far as is reasonably practicable,” and an organisation with five or more employees must have a written policy and must record the significant findings of its risk assessments, reviewed whenever something changes.³⁹ *Equality*: a community interest company or a private training provider is not a public authority under the Equality Act 2010, and the public sector equality duty binds it only to the extent that a function it performs is of a public nature — a fact-specific question on which the case law is not uniform — but it is unarguably bound, as an employer, a service provider and an education provider, by the prohibitions on discrimination and the duty to make reasonable adjustments; the funding rules define learning support by reference to that duty, and the auditors look for monthly evidence of the adjustments made. The safe operating position is to run the three aims of the public duty as if they applied, because the funder, the inspectorate and the contract will expect it, and to settle the legal question with advice before anyone puts it in a tender.⁴⁰

Step eight: speak-up and investigations

The most important control in a small organisation is the one nobody designs: the route by which someone who has seen something wrong tells someone who can act. In a large organisation that route has a hotline and a policy. In a small one it usually runs through the chief executive, which is a problem when the chief executive is the problem.

So build a channel that does not depend on management — and, where the board is small and close to the executive, not only on the chair: a named trustee or non-executive with no line role, an external line if the budget allows, and the regulators. A worker who makes a disclosure in the public interest about wrongdoing is protected against detriment and dismissal, and a disclosure to

2026): it applies to “colleges which includes providers of post-16 Education,” including independent training providers, for children “receiving education or training” there; para 173 (a review of filtering and monitoring “at least once every academic year”). The removal of the supervision exemption for volunteers in regulated activity, by the Crime and Policing Act 2026 from 1 September 2026, and its reflection in KCSIE 2026, are as summarised by Browne Jacobson, *KCSiE 2026: Volunteers and removal of the “supervision exemption”* (17 July 2026). *Working together to safeguard children 2026*: “applies, in its entirety, to all early education and childcare settings, schools, colleges and other education providers.” Counter-Terrorism and Security Act 2015, s 26(1) and Sch 6; Home Office, *Prevent duty guidance: England and Wales (2023)*, in force 31 December 2023, paras 153, 156, 162, 164, 186 and 207.

³⁸Online Safety Act 2023 (c. 50), Sch 1, para 10 and Part 2, paras 19 and 22 (“Education provided by an independent training provider”).

³⁹Health and Safety at Work etc. Act 1974, ss 2(1)–(3) and 3(1); Management of Health and Safety at Work Regulations 1999, SI 1999/3242, reg 3(1), (3) and (6); HSE’s education FAQs: “The legal responsibility and thus accountability for health and safety lies with the employer.”

⁴⁰Equality Act 2010, ss 20, 149, 150 and Sch 19, Part 1; Human Rights Act 1998, s 6(3)(b) and (5); *YL v Birmingham City Council* [2007] UKHL 27 and *R (Weaver) v London & Quadrant Housing Trust* [2009] EWCA Civ 587 point in different directions on contracted-out functions. *Apprenticeship funding rules 2026 to 2027*, para 40; DfE *Common findings* (30 September 2026): “learning support claimed without evidence of reasonable adjustments each month.”

a prescribed person is protected on its own terms: the Charity Commission for the administration of charities, HMRC for tax, the Health and Safety Executive for health and safety at work, the data-protection regulator for data.⁴¹ Tell staff that, in writing. They are more likely to come to you first if they know they could go elsewhere.

And have a proportionate investigation protocol before you need one: terms of reference (what, who decides, by when); an investigator independent of the matter; evidence preserved before anyone is told; interviews recorded, with the interviewee told why they are being asked; legal advice early where privilege matters; an outcome, communicated; and the lessons acted on. Appendix B.15 has the terms of reference. ISO 37301 treats raising concerns and investigations as elements of the system. In a small organisation they are often the only real test it gets.

Step nine: the evidence, the audit and the annual look

The whole model exists so that when the funder, the regulator, the inspector or the auditor arrives, the organisation can produce any record they ask for in minutes and show the chain that created it. The test to run before they arrive: pick a learner at random, a policy at random, a safeguarding concern at random and a funding-rule change at random, and time how long it takes to produce the complete file for each. If any takes more than fifteen minutes, that is where next month's work is.

Once a year the board looks at the system as a whole — the map, the pipeline's record, completion and comprehension, the concerns raised and how they were handled, the audit results, the third parties — and signs a short statement that it is satisfied, or says what it is doing about the parts it is not (Chapter 9).

Questions to ask in any jurisdiction. Who funds you, on what evidence, and what can they recover, and how far back? Which regulators can inspect or sanction you, and what do they publish? What are your data-protection regime's clocks — for subject requests, breaches and complaints? Which safeguarding duties apply to the people you serve, and who is the statutory partner you must share information with? Who is a prescribed person for whistleblowing? When does public-procurement law bind you as a buyer, not only as a bidder? Which AI rules apply to the tools you deploy, and where do your users live?

What the standard playbooks cover, and what this chapter adds

ISO 37301 and the Three Lines Model give the architecture, and this chapter follows it; read ISO 37301 for the full set of requirements, which this chapter compresses, and COSO for its seventeen principles, which it does not attempt. The data-protection, safeguarding and funding guidance tells you what the duties are, in more detail than any playbook can; read it for the detail, and use this chapter for the operating model that turns it into daily practice with a record. What the frameworks leave out is scale. They assume the lines are people; in a small organisation they are hats, and the contribution here is the rule that the distinctions survive when the people cannot be separated — and a funding-assurance discipline cheap enough for a provider with one compliance person to run every week.

⁴¹Employment Rights Act 1996, Part IVA (protected disclosures, ss 43A–43L, including s 43F, disclosure to a prescribed person), s 47B (detriment) and s 103A (dismissal); Public Interest Disclosure (Prescribed Persons) Order 2014, SI 2014/2418, Schedule: the Charity Commission for England and Wales for “the proper administration of charities and of funds given or held for charitable purposes,” HM Revenue and Customs, the Health and Safety Executive and the Information Commissioner (now Commission), each for its own field.

The case: a provider with four weeks to prove what it delivered

An illustration. The provider, its figures and its people are invented. A training provider delivering apprenticeships and adult skills from four centres in the north of England: a company limited by guarantee with income of about £4 million, a third of its learners taught by two subcontractors, and a good last inspection.

The call. The notice arrives in the third week of September 2026: a funding assurance review, fieldwork in four weeks, the sample to follow a week or two before it. The operator — the new compliance manager, three weeks into the job — is the person the managing director forwards it to, with the words “presumably this is fine.” The five questions find a clock (fieldwork in four weeks; the last learner-data return for the year shortly after), a decision-maker (the managing director and a board of five, two of them the founders), access (three systems that do not talk to each other, two subcontractors’ filing cabinets, and a great many inboxes) and a definition of done: a satisfactory result on the sample; no file created after the event; the subcontractors’ evidence brought inside the provider’s own record; and a system that would pass the same review next year without a four-week sprint.

What kind of situation. A realignment under a deadline. The provider is succeeding by its own measures — learners achieve, employers renew, the inspector was kind — and believes the review is a formality. The risk is disbelief, not panic.

The first days. The operator does not wait for the sample. Using the department’s published list of common findings as a checklist, she has the team test every learner who started in the last funding year on the five fields the findings name most often: start dates with evidence of learning, breaks in learning, planned hours, eligibility and prior attainment, and learning support with monthly evidence of the adjustments made. Two things surface in the first week. One subcontractor’s files for apprentices in one trade have off-the-job training records that do not reconcile to the hours claimed. And the same subcontractor has no data-processing agreement with the provider at all, although it holds the learners’ personal data on the provider’s behalf.

Diagnosis. The decisive constraint is the record: the provider cannot produce a complete learner file in less than a day, and no one owns the subcontractors’ evidence. The three risks: the off-the-job shortfall pushing the error rate over the five-per-cent line; the missing processing agreement; and staff who, under pressure, might be tempted to complete files after the event — which would turn a funding error into something much worse.

Stabilise. The first instruction to the whole team, in writing, is the one that matters most: correct the learner data where the data is wrong, record what is missing, and create nothing that pretends to be from the past. The evidence pack is defined for every funding stream and indexed. Errors that can properly be corrected in the learner data before the hard close are corrected, each one logged and approved. The processing agreement is signed in week two, and the subcontractor’s access to the provider’s systems is restricted until it is. The managing director, who regards compliance as the department of no, is persuaded by arithmetic: the self-test projects an error rate of around eight per cent on the subcontracted trade, and an unsatisfactory result would cost more in recovered funding and self-audit than the subcontract earns in a year.

Build. After the review, not before, the operator builds what would have made the sprint unnecessary: validation at the point of entry; a weekly exception report; a quarterly file sample of each subcontractor; the obligations pipeline, run by hand for six weeks and then automated, with the operator as the named decision-maker; and an AI rule. The rule turns out to be urgent. In the

first week the self-test had found a dozen progress reviews, written by a busy tutor with a public chatbot, that read beautifully, contain the learners' names and employers, and describe progress the learners' own records do not show. The episode was logged that day as a personal-data breach and, because the tool's terms let it keep and use what was typed into it, reported to the regulator within seventy-two hours of being found; the reviews were withdrawn and redone with the learners, and the tutor was retrained, not dismissed. The rule now is that a review is the tutor's own account of what the learner did, signed by the tutor, and drafted in an approved tool if drafted in one at all.

What went wrong. The operator automated the policy-attestation workflow in week five, before the policy library had been merged. Staff received forty-one attestation requests in a fortnight. Completion reached ninety-eight per cent; the comprehension check a month later found that barely six in ten could answer the basic questions on the safeguarding policy they had attested. The attestation rate had measured clicking. The library was merged into nine policies, the attestations were rerun, and the operator added a line about fixing the process before automating it to her own notes — a rule she had, after all, been taught.

The dilemma the method did not settle. Whether to end the subcontract. The evidence at the subcontractor was weak and the board's instinct was to terminate. But forty apprentices were mid-programme with employers who had chosen that subcontractor for its trade expertise, and ending it would have harmed the learners for a failing that was the provider's as much as the subcontractor's. The board chose a remediation plan with a deadline, a full file check at six months and termination as the stated consequence of missing it, and recorded the minority view that it should have ended there and then. The method made the choice visible and the reasons durable. It could not make the choice.

The shape of the outcome. The sample comes back satisfactory, under the five-per-cent line, with findings on off-the-job evidence at the subcontractor; the specific errors are recovered by offset. Complete files can be produced in minutes for directly taught learners and within the day for subcontracted ones. The rerun comprehension check passes nine in ten. These figures are invented to show the shape of an outcome, not to describe one.

What to copy, and what not to. Copy the self-test against the published findings before the sample arrives; the written instruction that nothing is created after the event; processing agreements before data moves; the AI rule; and measuring comprehension as well as completion. Do not copy the tools, the thresholds or the timetable. And do not wait for a review notice to find out whether you could pass one.

12. Capital and structure

The one idea

The first question in any raise is not “how much?” but “what is this?” A business whose value depends on a product finding a market is a venture, and venture equity is priced for the chance that it does not. An asset whose value is a contract — twenty years of power sold at a known tariff to a known buyer — is something else, and financing it with venture equity is paying for a risk you do not have. Founders give away half of a contracted asset to fund a development-and-construction gap of a year or two because no one asked them the question. Everything else in this chapter follows from asking it.

This is an operator’s chapter, not a banker’s. It will not teach you to build a project-finance model. It will tell you what the model has to show, what a lender will ask, what has to be true before they ask it, and where the small project departs from the textbook. The worked examples are from a solar plant in the Philippines; the method travels, and the jurisdiction note says what does not. Nothing here is legal, financial or investment advice.

Is it a venture or an asset?

Ask three things. *Is the revenue contracted?* A power-supply agreement, a lease, a concession, a take-or-pay offtake, an auction award with an administered tariff. *Is the cost known?* An EPC contract with a fixed price and a completion guarantee, an O&M contract, a known tariff for the grid connection. *Is the counterparty creditworthy, or made so?* A utility, a cooperative under a regulator’s and a supervisor’s oversight, a government, or a buyer whose obligations are guaranteed or paid through a mechanism that does not depend on one balance sheet. Three yeses is an asset, and the conversation is with lenders. One or two is a hybrid — sponsor money for development, debt once the contracts are signed. None is a venture, and the venture investors are right to price it as one.

Technical normalisation: three numbers, not one

Every project arrives with a headline figure, and the headline is usually three numbers wearing one coat. For a solar plant: *module efficiency*, the share of incident light the panel converts — 22 to just under 25 per cent for the TOPCon, heterojunction and back-contact modules shipping in 2025 and 2026, with fleet-average procurement around 22.5 to 23.5;⁴² the *performance ratio*, the system’s actual output against what its irradiance would allow after temperature, inverter, soiling and wiring losses, typically 0.75 to 0.85 and towards the lower-middle of that band in a hot, humid climate; and the *capacity factor*, actual annual output against nameplate running every hour of the year — the number a lender models, which across the Philippine archipelago sits at about 15.5 to 18 per cent on a DC basis, and which the Department of Energy’s own 2025 statistics put at about 17.5 per cent for the whole grid-connected solar fleet.⁴³ An efficiency of eighty-odd per cent, in a pitch deck, is almost always the second of these, mislabelled as the first, and read by investors as the third.

The arithmetic is short and worth doing in front of the founder. A megawatt of nameplate running flat out all year would produce 8,760 MWh. A modelled first-year yield of 1,525 MWh per megawatt of modules is $1,525 \div 8,760$, or 17.4 per cent — defensible for a good site in the Visayas or Mindanao, between the Global Solar Atlas long-term values for Cebu and Davao, and exactly the kind of number a technical adviser will test. Once the adviser has confirmed it, it is the number the debt is sized on, so getting it right is the price of being lent to. One trap while the calculator is out: module

⁴²Fraunhofer Institute for Solar Energy Systems ISE, *Photovoltaics Report* (Freiburg, updated 14 July 2026): commercial module efficiency “has risen from about 17% to just under 25%” over the past decade; weighted-average crystalline-silicon module efficiency 22.7 per cent in the fourth quarter of 2024 (range 18.9 to 24.8); n-type TOPCon and heterojunction replacing PERC. Manufacturers’ data sheets opened in October 2026 quote up to 24.8 per cent.

⁴³Global Solar Atlas (Solargis for the World Bank Group), long-term PVOUT for a free-standing, optimally tilted crystalline-silicon system: about 1,371 kWh/kWp a year near Manila, 1,507 at Cebu and 1,544 at Davao — DC capacity factors of 15.7, 17.2 and 17.6 per cent; ESMAP, *Global Photovoltaic Power Potential by Country* (World Bank, June 2020) assumes 3.5 per cent soiling and 7.5 per cent other losses. Department of Energy, *2025 Philippine Power Statistics* (27 June 2026): grid-connected solar capacity 2,710 MW at end-2024 and 3,544 MW at end-2025; solar generation 4,785.2 GWh in 2025 — about 17.5 per cent on average capacity. Fraunhofer’s harmonised performance-ratio assumption is an initial 80 per cent, with degradation of 0.7 per cent a year.

vendors quote DC watts, and lenders and the grid quote AC. A plant with an array oversized by a quarter against its inverters shows a capacity factor of nearly 21 per cent on its AC rating and 16.6 on its DC rating from the same megawatt-hours. State the basis, every time.

The same discipline applies to any technical claim in any sector: separate the physical efficiency, the system losses and the utilisation, and quote all three with their sources. A lender's technical adviser will, and it is better that they confirm your numbers than correct them.

The structure: a vehicle, a lease, and contracts in the right order

The vehicle. A special-purpose company owns the project and nothing else, holds every permit and contract, and is the borrower. Lenders lend to it because its only business is the one they have analysed, and because they can take security over all of it — the shares, the contracts, the accounts, the assets — without exposure to the sponsor's other affairs. The sponsor owns it through a holding company; in the Philippines, for a solar plant, wholly if it wishes (the jurisdiction note has the instruments and a caution).

The land. The Constitution reserves private land to Filipinos and to corporations at least sixty per cent Filipino-owned, so a foreign-owned project company cannot own its site; site control is a registered lease.⁴⁴ Under an amendment approved in September 2025, a registered foreign investor may lease private land for up to ninety-nine years in aggregate and — the clause that matters to a lender — may pledge the leasehold as security for a loan. The term matters because the debt has to amortise inside it with time to spare. The conditions matter because three breaches make the lease void from the start, with criminal penalties for the officers responsible: a term beyond the limit, more land than the approved area, or a use contrary to law, public order or public policy. The rest bite through the registry and the calendar: no registered investment, no registered lease; no definite term and start date, no registration; no start within three years, a deadline and possibly the incentives; use the land for anything but the registered investment, or withdraw the investment, and the lease ends automatically. The difference matters to a lender: a void lease never carried its mortgage; a terminated one stops carrying it.

None of which means the lease should be for ninety-nine years. Size it to what the project needs — construction, the life of the supply contract and the debt, decommissioning, and options to renew — because a longer lease costs more, ties up land for no purpose, and is not what the lender asks for. What the lender asks for is assignment, step-in and a mortgage it can enforce, in the draft, before signature.

The contract stack, in the order a lender reads it, each one bankable — assignable to the lender, with step-in rights, cure periods and a change-of-control regime the lender can live with:

1. Government authority — the solar energy operating contract (SEOC) from the Department of Energy, applied for directly under the department's revised omnibus guidelines of June 2024,

⁴⁴1987 Constitution, Art. XII, ss. 2 and 7. Republic Act No. 7652, the Investors' Lease Act (4 June 1993), s. 4(1) as enacted (fifty years, renewable once for twenty-five); Republic Act No. 12252 (approved 3 September 2025), amending s. 4: "The aggregate period of the lease contract shall not exceed ninety-nine (99) years," with power to impose shorter periods for vital services and critical infrastructure; leasehold rights "may be sold, transferred, assigned, or pledged as loan security"; registration as the operative act binding third parties (new s. 4-A); withdrawal of the investment terminates the lease (s. 5); the three-year start deadline (s. 6); a lease with an excess term or area, or a use contrary to law, public order or public policy, void ab initio, with criminal penalties for the officers responsible (s. 7); use for a purpose other than the one authorised, or withdrawal of the investment, terminates the lease ipso facto (s. 5(2)). Foreigners not "investing in the Philippines" remain under Presidential Decree No. 471.

with a certificate of authority, which the developer may waive, to secure the permits before the contract is signed; and the Energy Regulatory Commission’s certificate of compliance, which every new generation company must hold before it operates.⁴⁵

2. Site control — the registered lease.
3. Construction — an EPC contract with a fixed price, a completion date, liquidated damages and performance guarantees.
4. Operation — an O&M contract with availability guarantees.
5. Grid — the connection agreement with the cooperative or the grid operator.
6. Revenue — the power-supply agreement, approved by the regulator, with the tariff, the term, the termination regime and the payment security; or an auction award, with its administered tariff and its delivery deadline.

A gap in the stack is a reason the debt cannot be sized. The founder’s job before approaching a lender is to close the gaps; the operator’s job is to know which they are.

The revenue contract. A cooperative buying power for its captive customers must, as a rule, procure it through a competitive selection process run by a third-party committee, and the resulting agreement is filed with the regulator, which approves it before the cost passes through to the tariff. The exceptions are where the small project lives. The department’s circular of October 2025, in effect from November, exempts supply from a renewable facility of ten megawatts or less per utility from the competitive process, and lets such a contract be filed directly with the regulator; it also gives the host utility a right of first refusal over renewable capacity it needs for its renewable-portfolio obligation, exercisable within three months of the developer’s notice.⁴⁶ A first phase under ten megawatts fits inside the exemption, which is worth months — and a second phase that takes the same utility’s contracted capacity above ten does not, which is worth knowing before anyone promises an investor that phase two is “just an extension.” The cooperative itself sits under the National Electrification Administration, which can sanction, replace a board and step in to run an ailing cooperative — a fact a lender reads as both a risk and a comfort.

The alternative is the department’s green energy auction: a pay-as-bid tariff, paid through the transmission company’s payment agreement and recovered from all consumers, which lenders treat as a contracted revenue stream that does not depend on one cooperative’s balance sheet. The

⁴⁵Republic Act No. 9513, the Renewable Energy Act of 2008, ss. 4(tt), 25 and 26; Department of Energy Circular DC2024-06-0018, *Revised Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts and the Registration of Renewable Energy Developers* (4 June 2024), ss. 3.27 and 3.34 (the SEOC is an RE operating contract), 26 (“SEOC shall be awarded through Direct Application”), 28 and 29.1 (the certificate of authority, issued after the application is approved and before the SEOC is signed, unless waived), 70 and 71 (assignment, and a change in control of the holder, need the department’s prior written approval); Republic Act No. 9136 (EPIRA), s. 6 (generation “shall not be considered a public utility operation”; a new generation company must “secure from the Energy Regulatory Commission (ERC) a certificate of compliance”). The open and competitive selection process of Department of Energy Circular DC2025-12-0029, *Adopting the Open and Competitive Selection Process in the Award of Renewable Energy Service Contracts and Creating the Review and Evaluation Committee* (published 29 December 2025), is for RE service contracts in areas pre-determined for hydropower, geothermal, and onshore and offshore wind (recitals, citing DC2024-06-0018, ss. 17, 35, 46 and 56); nine bids were qualified for evaluation in its OCSP5 round in April 2026.

⁴⁶Republic Act No. 9136, ss. 4(q), 25, 43(u) and 45(b); Department of Energy Circulars DC2015-06-0008 and DC2018-02-0003 on the competitive selection process, upheld in *Alyansa para sa Bagong Pilipinas, Inc. v. Energy Regulatory Commission*, G.R. No. 227670 (3 May 2019); DC2023-06-0021; DC2025-10-0022 (issued 8 October 2025, published 26 October 2025, effective fifteen days after publication), s. 2.3.7 (supply from a covered renewable facility not exceeding 10 MW per distribution utility “may be directly filed with the ERC for approval”), new s. 4 (right of first refusal “within a period of three (3) months from the receipt of written notice”) and s. 7.7. Republic Act No. 10531, the National Electrification Administration Reform Act of 2013, s. 5 and new ss. 4-A and 4-B.

programme awarded about twenty-two gigawatts in its first four rounds, runs on a published ten-year calendar from 2026, and — the detail that changes a small developer’s plan — requires ground-mounted solar in its seventh round to come with battery storage.⁴⁷

Who carries which risk

The signature tool of project finance is a table, and it is worth building before anyone builds a model. For every risk: who bears it, through which contract or instrument, what is left over, and what the lender will ask. Appendix B.17 has a blank one.

Risk	Who bears it, and how	What is left	What the lender asks
Development and permits	Sponsor, with equity at risk	Delay; permits lapsing	Are all permits issued and assignable?
Construction cost and delay	EPC contractor: fixed price, completion date, liquidated damages	Overruns above the damages cap	What is the contingency, and who funds an overrun?
Performance	EPC guarantees, then O&M availability guarantees	Degradation beyond warranty	What does the technical adviser’s yield say on P90?
Resource	Project company	A poor year	Is the debt sized on P90, and is there a reserve?
Offtaker	Utility, under its regulator and supervisor; or the auction’s payment mechanism	Late payment; termination	What is the payment security, and the termination payment?
Grid and curtailment	Negotiated in the supply and connection agreements	Curtailment not compensated	Who pays when the grid cannot take the power?
Land	Lessor, under a registered lease	Defects in title; tenants on the land	Is the lease registered, mortgageable and long enough?
Currency	Matched by borrowing in the currency of revenue, or hedged	Mismatch if not	Does the debt currency match the tariff currency?
Interest rate	Fixed-rate debt or a swap	Refinancing risk	Is the rate fixed for the tenor?
Natural catastrophe	Design basis and insurance	Uninsured loss; deductibles	What wind speed is the plant built for, and who is loss payee?
Change in law and tax	Supply agreement pass-through, where negotiated	Unpriced change	Is change in law a pass-through or a termination event?
Political	Sponsor; political-risk cover where available	Expropriation, transfer restrictions	Is there cover, and from whom?

⁴⁷Department of Energy Circular DC2021-11-0036, the Green Energy Auction Program guidelines (published 3 December 2021): the ERC’s reserve price as ceiling, the tariff “on a pay-as-bid basis,” and TransCo’s Renewable Energy Payment Agreement recovered through the FIT-All; Department press releases of 3 September 2026 (about 22 GW awarded in rounds 1 to 4), 13 February 2026 (the ten-year plan) and 17 April 2026 (“all ground-mounted solar projects under GEA-7 to be integrated with Battery Energy Storage Systems”).

Risk	Who bears it, and how	What is left	What the lender asks
Environmental and social	Sponsor, under the lender's standards	Community opposition; land claims	Are the performance standards met, and documented?

The table does two jobs. It shows the founder where the money is really at risk, which is usually not where he thinks. And it is the agenda for every lender meeting, because it is the list of questions the lender was going to ask anyway.

What the lender will size the debt on

Project debt is sized backwards from the cash the contracts produce. The ratios: the *debt-service cover ratio* — cash available for debt service in a period divided by the debt service due — for which lenders to a fully contracted solar plant typically require a minimum of about 1.20 to 1.35 times on the expected (P50) energy case, and something close to 1.0 on the conservative (P90) case; the *loan-life cover ratio*, the present value of cash available over the loan's life against the debt outstanding, typically 1.30 to 1.40; and *gearing*, the share of the capital cost funded by debt, typically 70 to 80 per cent for a contracted asset with a strong offtaker, lower where the offtaker or the jurisdiction is weaker.⁴⁸ Tenor is the contract term minus a tail of two to five years, so a twenty-year tariff supports fifteen- to eighteen-year debt. A *debt-service reserve account* of six months' debt service sits in the structure so that a bad quarter is not a default, and a maintenance reserve sits beside it. Cash sweeps, a lock-up on distributions when the cover ratio falls below a trigger, covenants on the ratios, and a security package — share pledge, mortgages, assignment of the contracts, the insurances and the receivables, charges over the accounts, and direct agreements with the offtaker and the contractors — complete the picture. These are practitioner ranges, not rules, and they move with the market.

What the model has to show. Sources and uses of funds; the construction timeline, with contingency and the interest that accrues during construction; the yield on P50 and P90, with degradation; operating costs with escalation; tax and incentives; debt service sculpted to the cash flow, with the reserves; the cover ratios period by period; and the equity return. Then the sensitivities a lender will run whether or not you do: capital cost up a tenth; completion six months late; the P90 yield in every year; the tariff, operating costs, the exchange rate and the interest rate each moved against you. A model no independent party has audited is a draft.

What diligence costs. Before it lends, the lender will want reports from a technical adviser, its own legal counsel, an insurance adviser, a model auditor and an environmental and social consultant — and the sponsor pays for all of them. That is the real reason full limited-recourse project finance rarely pays for itself below ten to twenty million dollars of capital cost. The Equator Principles, which govern how the large banks assess environmental and social risk, do not apply to project finance below ten million at all.

Completion. “Limited recourse” is, in practice, often full recourse until the plant is built. Expect to provide a contingency in the budget, a sponsor completion guarantee or a standby facility for

⁴⁸E. R. Yescombe, *Principles of Project Finance* (2nd edition, Academic Press 2014), ch. 12 (cover ratios; debt:equity) and ch. 14 (control of cash flow; lenders' security); Stefano Gatti, *Project Finance in Theory and Practice* (3rd edition, Academic Press 2018; a 4th edition appeared in 2023), chs. 5–7. The ranges in the text are practitioner conventions for contracted utility-scale solar, not rules. Equator Principles (EP4, in effect from 1 October 2020): project finance “where total project capital costs are US\$10 million or more.”

overruns, and to discover that the EPC contractor's liquidated damages are capped at well below what a long delay would cost.

Weather. In the Philippines about twenty tropical cyclones enter the area the weather service watches each year, and eight or nine cross the country; the season peaks between July and October.⁴⁹ Typhoon, earthquake and flood belong in the design basis — the wind load the racking is built for — and in the insurance: construction all-risks and delay in start-up while it is built; operating all-risks and business interruption once it runs; third-party liability throughout; political-risk cover where it is available and needed; with the lenders named as co-insured and loss payees. An island solar project whose model has no typhoon in it is the kind of omission at which a lender's adviser stops reading.

For a small project. At two or three megawatts, several of the textbook instruments are out of reach. What is available: a domestic bank's project or corporate loan; a sponsor-backed bridge against existing assets; a development-finance institution's small-project window, where the sponsor's profile fits; the aggregation of several small assets into one financing; and the tax incentives, which improve the cover ratios without adding a peso of debt. The realistic strategy is often *build, then refinance*: fund the first phase with a bridge or a corporate loan, operate it for a year, and refinance it into term project debt with an operating record behind it — accepting the risk that rates or the lending market move in between. The green bond is for the fifth project, not the first.

The financing menu, in order of fit

1. **Domestic bank finance.** Senior secured debt from a local bank, in pesos: assignment of receivables, share pledge, leasehold mortgage and mortgage over the assets, reserve accounts. Lowest dilution; slowest; heaviest diligence.
2. **Foreign-currency debt.** Deeper liquidity and sometimes longer tenors, but borrow in the currency of the revenue, not the currency of the equipment. A plant paid in pesos and borrowing in dollars carries a currency mismatch that political-risk cover does not address and a hedge must; and the central bank's rules on the approval and registration of foreign loans decide whether the loan can be serviced with foreign exchange bought from Philippine banks. Check them before the term sheet, not after.
3. **Sponsor-backed bridge.** A corporate loan secured on the sponsor's existing assets, used to reach the milestones at which project debt becomes available. Fastest; concentrates risk on the sponsor.
4. **Development-finance institutions and blended finance.** Debt, guarantees and political-risk cover from institutions whose mandate is exactly this kind of project; excellent terms, and the most intense environmental, social and integrity diligence of any route — the IFC's eight performance standards, of which those on land, indigenous peoples and biodiversity most often set a Philippine solar schedule.⁵⁰
5. **Capital markets.** Green or sustainability bonds; the wrong size for a single early project.
6. **Incentives and tax.** Not financing, but the Renewable Energy Act's incentives for a certified developer — an income-tax holiday for the first seven years of commercial operation and a

⁴⁹Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), *Tropical Cyclone Information*: an average of about twenty tropical cyclones a year in the Philippine Area of Responsibility, "about 8 or 9 of them" crossing the country, with nearly 70 per cent of typhoons forming between July and October.

⁵⁰IFC Performance Standards on Environmental and Social Sustainability (2012; under revision): PS5 (land acquisition and involuntary resettlement), PS6 (biodiversity) and PS7 (indigenous peoples, engaging the free, prior and informed consent process under Republic Act No. 8371).

ten per cent corporate rate after it, duty-free importation of equipment for ten years, a cap of one and a half per cent on realty tax, net-operating-loss carry-over, zero-rated VAT on the sale of renewable power, and accelerated depreciation for a developer that does not take the holiday — materially improve the cash available for debt service, and so the debt the project can carry.⁵¹

The jurisdiction note: the Philippines, as at October 2026

Three legal facts drive the structure, and the sources are in the notes so that you can check whether they have moved.

Foreign ownership. The Constitution reserves the exploration, development and use of natural resources to the State and to entities at least sixty per cent Filipino-owned, and the Renewable Energy Act’s implementing rules carried that limit into solar, wind, hydro and ocean projects for thirteen years, although the Act itself never stated it. In 2022 the Department of Justice advised the Department of Energy that the sun, the wind and the tides are not natural resources in the sense the Constitution reserves, and the department amended its rules so that a solar generating company may now be wholly foreign-owned; generation was already outside the public-utility limit under the electricity industry law.⁵² Hold copies of the opinion and the circular before relying on them. And the opening is technology-specific: do not assume it for a project that also owns land, holds a distribution franchise or uses a resource the opening did not cover.

Land. Foreign ownership of land remains prohibited. The Investors’ Lease Act, as amended in September 2025, allows a registered foreign investment a lease of up to ninety-nine years, mortgageable and registered against the title, on the conditions above; foreigners who are not investing in the country remain on the old twenty-five-plus-twenty-five regime.

Permits. The SEOC is applied for directly, for an area the developer identifies and the department confirms is open; the open and competitive selection process adopted in December 2025 is for hydropower, geothermal and wind areas, not solar. The statutory one-stop shop sets processing periods — sixty days each for the department and the regulator — after which an application on which nothing has been done is deemed approved, except for fossil-fuel projects.⁵³ The consents the SEOC requires for its assignment, and for a change in control of the company that holds it, have to be reconciled with the lender’s share pledge and step-in rights in the security package, not discovered at financial close. Alongside: the regulator’s approval of the supply agreement and the cooperative’s procurement rules; the electrification administration’s supervision of the cooperative; the central bank’s rules on foreign loans; the securities regulator’s rules for the project company;

⁵¹Republic Act No. 9513, s. 15 (the incentives listed in the text: income tax holiday “for the first seven (7) years of its commercial operations”; duty-free importation “within the first ten (10) years”; realty tax not exceeding “one and a half percent (1.5%)”; net operating loss carry-over; “a corporate tax of ten percent (10%)” after the holiday; accelerated depreciation where the holiday is not availed of; zero-rated VAT on “the sale of fuel or power generated from renewable sources of energy”). Republic Act No. 12066, the CREATE MORE Act (approved 8 November 2024), reshapes the general investment-incentive regime and is one of the registration routes the amended lease law names.

⁵²1987 Constitution, Art. XII, s. 2; Republic Act No. 9136, s. 6; Republic Act No. 9513 (no nationality requirement on its face; the sixty-per-cent rule sat in s. 19 of the implementing rules, DOE Circular DC2009-05-0008). Department of Justice Opinion No. 21, s. 2022 (29 September 2022) and DOE Circular DC2022-11-0034 (15 November 2022), amending s. 19 for solar, wind, hydro and ocean energy, are cited as widely reported and relied on in the market since December 2022; the department’s 2022 issuances page did not return their texts in October 2026.

⁵³Republic Act No. 11234, the Energy Virtual One-Stop Shop Act (8 March 2019), ss. 13–15 (processing periods; applications not acted on “shall deem such applications approved,” except environmental and regulatory action on fossil-fuel technologies).

and the energy department's certification and the tax authority's recognition of the incentives.

Questions to ask in any jurisdiction. May foreigners own the project company, and the land? If not the land, how long a lease, and can a lender take security over it? Who awards the right to generate, and how — first come, auction or competition? Is the offtake contract regulated, and who approves it? What is the currency of the revenue, and can foreign currency be bought to service foreign debt? What incentives exist, and what do they require? Which anti-bribery laws follow the sponsor and the lenders into the country? What natural hazards belong in the design basis, and what insurance market exists for them?

Governance as the gating risk

Integrity diligence comes before structuring, not after. The reason is practical: no institutional lender, and no development-finance institution, will fund a project in which a serving official holds an undisclosed interest, and a sponsor within the reach of the US Foreign Corrupt Practices Act or the UK Bribery Act 2010 acquires a personal and corporate exposure from the moment money moves. The Bribery Act follows a British citizen wherever he does business. The FCPA's enforcement posture changed in 2025 — an executive order of 10 February told the Attorney General to pause new enforcement for a review, and the Department of Justice's guidelines of 9 June required senior authorisation for any new matter and pointed prosecutors at cases involving cartels, harm to identifiable American competitors, national-security infrastructure and large payments with clear corrupt intent — but the statute did not change, conduct during the pause did not stop being a crime that a later administration can prosecute within the limitation period, the order was addressed to the Attorney General and not to the securities regulator, and the lenders' and development-finance institutions' requirements did not change at all.⁵⁴ A compliance programme built to the 2024 standard should not have been relaxed in 2025, and a lender will ask whether it was.

The programme a small project needs is not elaborate: screening of every party in the ownership chain and every counterparty for politically exposed persons — which, on the international definition, includes domestic officials, their families and their close associates, and on a provincial energy project typically means cooperative directors, the local officials who sign endorsements and the people who assemble land — and for sanctions; disclosure and restructuring where an interest is found; a gifts-and-hospitality rule; due diligence on agents and fixers, who are where the risk concentrates; a permitting log that records every interaction with an official; and a named person responsible for it.⁵⁵ Built before the raise, it is a condition of the capital. Built after, it is a reason the capital went elsewhere.

⁵⁴Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1 to 78dd-3 and 78m(b); the general five-year limitation period for federal offences, 18 U.S.C. § 3282; Executive Order 14209 (10 February 2025), s. 2 (the Attorney General to “cease initiation of any new FCPA investigations or enforcement actions” during a review of 180 days, extendable); Deputy Attorney General, *Guidelines for Investigations and Enforcement of the Foreign Corrupt Practices Act* (9 June 2025). Bribery Act 2010, s. 7 (failure of commercial organisations to prevent bribery; the “adequate procedures” defence at s. 7(2)) and s. 12(2) and (4) (offences under ss. 1, 2 and 6 committed abroad by a person with a close connection, including a British citizen); in force 1 July 2011.

⁵⁵Financial Action Task Force, *Guidance: Politically Exposed Persons (Recommendations 12 and 22)* (June 2013): foreign, domestic and international-organisation PEPs, with their family members and close associates; senior-management approval, source of wealth and funds, and enhanced monitoring. In the Philippines: the Anti-Graft and Corrupt Practices Act (Republic Act No. 3019) and the Anti-Money Laundering Act (Republic Act No. 9160, as amended).

What the standard playbooks cover, and what this chapter adds

Yescombe and Gatti give the structure, and this chapter is an operator's digest of it. Read them for everything it compresses: the full taxonomy of project risks and how each is allocated, the loan documentation clause by clause, the financial model in detail, export-credit agencies and public-sector support, and Gatti's case studies, one of them a Philippine power project. What they leave out, because their projects are a hundred times larger, is what happens below the size at which the standard instruments pay for themselves; the financing menu here is ordered for that. The venture literature, for its part, assumes the founder has already decided he is building a venture. And the anti-corruption guidance treats integrity as a compliance programme; for a small project raising money it is a financing condition.

The case: a founder who nearly sold the plant to build it

An illustration. The project, its figures and its people are invented. A founder — a Filipino engineer — and his partner, a British investor who runs their Singapore holding company, plan a 3 MW solar plant in a province in Mindanao, the first phase of a planned 12 MW, selling to the local electric cooperative.

The call. The founder wants an introduction to a venture fund and help with the deck. The fund has offered USD 3.4 million for 55 per cent of the holding company, with a term sheet that expires in three weeks; the deck promises “a system efficiency of 81 per cent.” The five questions produce a clock (the term sheet; the cooperative's board meeting in six weeks, which will consider the supply agreement), a decision-maker (the founder and his partner, who holds most of the money and, as a British citizen, most of the legal exposure), access (a financial model, a draft supply agreement, a signed lease, a permitting file) and, after some resistance, a definition of done: *a financing structure under which the founders keep control, a lender can lend, and the integrity exposure is managed before money moves.*

What kind of situation. A start-up: no fire, a deadline, and a structure to build from nothing. The danger is borrowed urgency — the term sheet's three weeks setting the pace of decisions that deserve three months.

Diagnosis. The decisive constraint is categorical: the founder is describing an infrastructure asset as a start-up. Twenty years of contracted cash flow against a known cost is a debt instrument waiting for a lender; the fund is pricing it as a venture, with venture discounts for execution risk, and asking for the equity those discounts imply. The three risks: the technical claim failing diligence; the capital structure diluting the founders out of their own project; and an integrity exposure in the project's relationships stopping institutional money before either of the first two matters.

The founder's resistance. He likes the fund. It is fast, its partners are charming, and it does not ask about typhoons. The operator names the resistance rather than arguing with it — “the fund is selling you speed, and the price is control” — and puts the comparison in front of him:

	Venture raise	Debt-led structure
Founders' share after the raise	45 per cent	retained, with a minority equity partner in the project company
Cost of capital	high	lower; secured; amortising
Fit to a twenty-year contracted asset	poor	strong
Speed	weeks	months; heavy diligence

He lets the term sheet lapse in week three, with a clear conscience and a polite letter.

Stabilise and structure. The “81 per cent” turns out to be the performance ratio. The capacity factor in the founder’s own model — about 5,600 MWh a year from 3.75 MWp of modules behind 3 MW of inverters — is about 17 per cent on the DC rating and 21 on the AC, and the Global Solar Atlas value for the site supports it. The project company is four-fifths owned by the holding company and one-fifth by a provincial investor who brings part of the equity. The supply agreement, at 3 MW, falls inside the 2025 exemption and goes straight to the regulator — but the plan to add 9 MW later “under the same contract” would take the cooperative over the ten-megawatt line, so phase two is redrawn around the competitive process or the right-of-first-refusal route. The lender’s technical adviser asks for the site’s typhoon design basis, which the first EPC design did not have; the racking is redesigned, at about four per cent of capital cost. Financing is a bridge from the partners for development, then a peso loan from a domestic bank for about seventy per cent of the phase-one cost, sized at 1.30 times cover on the P50 case, with refinancing into term project debt planned once the plant has a year of operation behind it.

What went wrong. The founder had already signed a lease, on the site the project would eventually use — for ninety-nine years, at a premium, because a friend had told him the longest lease was the safest. The bank’s counsel did not want ninety-nine years; it wanted the right to take the lease as security, to step in, and to assign it on enforcement, none of which the signed lease allowed. Renegotiating with the landowner took two months and a fee, and the landowner, now aware that the lease mattered, priced the change accordingly. The lesson is in the chapter: size the lease to the need, and put the lender’s requirements into the draft before anyone signs it.

The dilemma the method did not settle. Site diligence turned up better-placed land nearby — about three per cent more yield — and integrity diligence produced the finding every provincial project should expect to look for: the family that owned it included the spouse of a member of the cooperative’s board, which would be asked to approve the supply agreement. Two lawful courses were open: switch to the better land, disclosing the relationship to the cooperative and the lender, with the board member recused and the land priced on an independent valuation, which the lender said it would accept; or stay on the land already leased, with the lower yield. The founders stayed. The method made the choice explicit, documented both options and showed the lender why either would do. It could not tell the founders which risk they would rather live with.

The shape of the outcome. The founders keep control; a domestic bank lends on phase one; financial close comes about nine months later than the fund would have closed, on terms the founders can live with for twenty years. These figures are invented to show the shape of an outcome, not to describe one.

What to copy, and what not to. Copy the first question — is this a venture or an asset? — because it decides everything downstream; the three-number discipline for any technical claim; a lease sized to the need with the lender’s clauses in the draft; borrowing in the currency of the revenue; the risk table before the model; and integrity diligence before structuring. Do not copy the tariff, the capital cost or the yield, and do not assume the foreign-ownership position for any technology other than the ones it was decided for.

Appendices

Appendix A — Checklists

Gawande’s discovery about checklists is that the good ones are short, are read at a named moment, and contain only the steps that are both dangerous to skip and likely to be skipped. Everything else belongs in the chapters. Each checklist below says when it is used (the pause point), who reads it, and how: **READ-DO** means read each item and do it; **DO-CONFIRM** means do the work from memory, then stop and confirm that nothing was missed. Adapt them; but if you add an item, take one out.

A.1 Before you say yes

Pause point: before you sign the mandate letter. Read by: you, with the chair or owner. DO-CONFIRM.

1. The five questions are answered in writing — what happened in order, what must be true by when, who decides, what you may see, what done looks like.
2. The clock is named, with its date.
3. The decision-maker is confirmed, and the board minute delegating authority, with limits and an expiry, is drafted.
4. Your own position is settled: your indemnity cover, their directors’ and officers’ policy, a liability cap, payment in advance.
5. The four reasons to say no have been considered: a report is wanted, not a decision; the decision is already made and you are cover; the clock has run out and a practitioner is needed; you would be your own checker.
6. The definition of done is written so that a stranger could tell whether it had been met.

A.2 Hour seventy-two

Pause point: the end of day three, before the first full board meeting. Read aloud by: the operator; each item confirmed by the chair. DO-CONFIRM.

1. Every bank account is known, and balances are taken from the bank.
2. The bank mandate is changed; leavers’ access is revoked on every system; leavers’ mailboxes and devices are preserved.
3. Every change of supplier bank details in the last ninety days has been verified by calling a number already held.
4. Restricted funds are reconciled to the bank.
5. The next payroll — date, amount, funded or not — is known.

6. The decision on telling the regulator is recorded: report or not, and why.
7. The decision log is open, and the timeline is built from dates.
8. Nothing has moved between restricted and unrestricted funds, and nothing is committed beyond thirty days.

A.3 The morning meeting and the weekly pack

Pause point: the end of each morning meeting, and the start of each weekly board session. Read by: the chair. READ-DO.

1. Cash: actual, forecast, runway in weeks, variance since last time.
2. The three risks: owner, mitigation, status, date.
3. Decisions required now.
4. Decisions taken since last time (log references).
5. Regulator and funder position: who has been told what; what is due, and when.
6. Has everyone who holds a key said what is worrying them?

A.4 Before a payment run

Pause point: before payments are released. Read by: the second key. DO-CONFIRM.

1. Every payment is on the approved weekly schedule, or has two signatures and a log entry as an exception.
2. Any new payee, or new bank details, has been verified by call-back to a number already held.
3. Nothing is coded to a restricted fund that is not for that fund's purpose.
4. The run's total is within the schedule's total.
5. Each payment has its invoice or contract behind it.
6. No payment goes to a connected party, or to a creditor whose debt is old, without a commercial reason in the log.

A.5 Before the board decides to trade on

Pause point: any meeting at which the forecast shows the organisation unable to pay its debts as they fall due. Read by: the chair, with the operator. READ-DO.

1. An insolvency practitioner's advice has been taken, and is minuted.
2. The decision tree (Chapter 10) has been walked, and the answers recorded.
3. The creditors' interests have been considered, and the minute says how.
4. The downside case and its triggers have been reviewed; the plan does not depend on the base case.
5. No part of the plan relies on restricted funds.
6. The regulator's position is current: serious incident reported, or the reason it is not.
7. The directors' and officers' cover has been checked.
8. The minute records the alternatives considered and why they were rejected.

A.6 Before an assurance visit or an audit

Pause point: two weeks before fieldwork. Read by: the head of compliance, with the person who will host the visit. DO-CONFIRM.

1. The random-file test has been run — a learner, a policy, a concern, a rule change — and each was produced complete within fifteen minutes.
2. The evidence packs are indexed and complete, or the gaps are recorded as gaps.
3. The exception list is cleared or explained.
4. The corrections log is complete, with each correction approved.
5. No file, signature or record has been created after the event to look as if it was made at the time.
6. A processing agreement is in place with every party that holds the organisation's personal data.
7. Subcontractors' files have been sampled.

A.7 Before a lender, funder or investor meeting

Pause point: the day before. Read by: you, with whoever will speak. DO-CONFIRM.

1. The thirteen-week cash flow and the twelve-month forecast, with the assumptions on one page.
2. Base, downside and severe cases, and what triggers each.
3. The security and covenant position, calculated, not described.
4. For a project: the risk table, the yield on P50 and P90, and the cover ratios.
5. A short note of what has changed since you last spoke.
6. The answers to their three questions: how much, by when, and what happens if it does not arrive.

A.8 Before you leave

Pause point: your last fortnight. Read by: you, with the chair. DO-CONFIRM.

1. Every process you built has an owner who is not you.
2. The pack is produced by someone you trained, who has produced it twice without you.
3. Every automation has a named owner and a documented way to switch it off.
4. The lessons-learned paper has gone to the board.
5. The handover document is complete and in the organisation's own files.
6. Your access has been removed, and the bank mandate no longer names you.

Appendix B — Templates

The templates are skeletons. Fill them in the organisation's own words: a template that arrives in the operator's vocabulary is a template the organisation will not keep.

B.1 Mandate letter

To: the board / the owner. From: the operator. Date.

1. **Scope.** The matters covered and the period.
2. **Authority.** On whose instructions; reporting to whom; what may be committed and what may not; the delegation minute referenced. Decisions reserved to the board are listed and remain the board's.
3. **Confidentiality and privilege.** What is confidential; what, if anything, is legal advice and may be privileged; what is not.

4. **Access.** The systems, records and people required, and by when.
5. **Definition of done.** The outcomes, stated so that a third party could tell whether they had been achieved.
6. **Insurance and liability.** The operator's professional indemnity cover; whether the operator is covered under the organisation's directors' and officers' policy; the cap on the operator's liability.
7. **Fees.** The basis (fixed, day rate or retainer); payment weekly in advance or money on account.
8. **Conflicts.** Any interest the operator has, and how it is managed.
9. **Ending.** The expiry date; how the mandate is extended; notice on either side; the operator's right to resign in writing if advice the board needs is not taken.

B.2 Weekly payment schedule and temporary delegations

Item	Before	During the crisis (from [date] to [date])
Routine payments	per the authority matrix	on the weekly schedule, approved in advance by two named people
Exceptions	—	two signatures and a log entry giving the reason
Discretionary spend	to £[x] on own authority	frozen
Recruitment and capital spend	per budget	frozen; exceptions by board minute
Bank mandate	[former signatories]	[new signatories]; two to sign
Automated payment runs	enabled	suspended; release on the schedule only
Expiry	—	these arrangements lapse on [date] unless renewed by board vote

B.3 Decision log entry

Field	Content
Reference and date	
Decision	one sentence
Decided by	the body, and the names present
Information relied on	the documents, with versions
Alternatives considered	and why each was rejected
Advice received	legal, financial, other; from whom; privileged or not
Creditors' interests	how they were considered (when the creditor duty is engaged)
Conflicts declared	and recusals
Dissent	any recorded
Review date	

B.4 Risk register

Risk (one line) · Owner · Likelihood · Impact · How soon · Mitigation (a verb and a date) · Status · Trigger that escalates it · Last reviewed. Fewer than ten entries.

B.5 Thirteen-week cash flow

	Wk 1	Wk 2	Wk 3	...	Wk 13	Next quarter
Opening balance — unrestricted						
Opening balance — restricted (by fund)						
Receipts — contracted						
Receipts — probable						
Receipts — possible						
Payroll and payroll taxes						
Rent, utilities, insurance						
Suppliers on the payment schedule						
HMRC (VAT, time-to-pay instalments)						
Debt service						
Closing balance — unrestricted						
Runway (weeks)						

Below the grid: each assumption, with its owner; the variance to last week's forecast; and the three scenarios.

B.6 Scenario matrix and triggers

Scenario	Assumptions	Runway	Lowest unrestricted cash	Pre-agreed action
Base				
Downside				
Severe				

Above the table, the binary triggers that override it — *is payroll payable in thirty days?* *are restricted funds exposed?* — and the pre-agreed action for each answer.

B.7 Stakeholder map

Who	What they believe now	What they need to hear	Who tells them	When, and how often
Staff				
Funders				
Regulator				

Who	What they believe now	What they need to hear	Who tells them	When, and how often
Bank				
Landlord				
Auditor				
Major creditors				

B.8 Messages

Staff. What has happened, in plain words. What the board has done. What is known, and what is not yet decided. What is funded, and until when, on what basis. When they will hear more, and from whom.

Funders. What has happened. The controls in place. Restricted funds: the assurance and how it was verified. The reporting cadence from now.

Regulator. The facts. The risk. The mitigation. The next update date.

Auditor. That the going-concern question is understood; that the pack is being built; what it will contain, and when.

B.9 Creditor letters, by class

Secured lender. The position; the forecast; the request (standstill, waiver, capital holiday); the information you will provide and when.

HMRC. The liability; the proposed instalments; the forecast that supports them; sent before the due date.

Landlord. The request (deferral, monthly rent, break); the period; the forecast; the date of the next conversation.

Critical supplier. That supply matters; that payment will be on terms; the contact for any problem.

Trade creditor. The honest position; the staged plan tied to forecast receipts; the date of the next update. The reason for any difference in treatment between classes goes in the log, not in the letter.

B.10 Options appraisal

Option	Impact	Legality (including pensions, employment, restricted funds)	Evidence Dependencies required	Recommendation	Status
[option]					
[option]					

B.11 Brief for the insolvency practitioner

What the organisation is; the forecast and its downside case; the creditor position by class; the security and guarantees; restricted funds and any regulator involvement; the board's question (*is there a reasonable prospect of avoiding insolvent liquidation or administration, and what should we do now?*); and what you want from the first meeting: a view on the trigger, the realistic tools and exits for an organisation of this size, and the steps the board should minute.

B.12 Going-concern pack

The forecast for at least twelve months from approval · The sensitivities · Principal risks and mitigations · Post-balance-sheet events log · The board minute, with the rationale and the alternatives considered · Material uncertainties disclosed, or the reason there are none · Sign-off.

B.13 Learning plan

Read, in this order: three years of accounts and management letters · a year of board minutes · the funding agreements and their schedules · the bank mandate · the register of interests · the insurance schedule · open employment matters · the risk register · the last year of correspondence with the regulator and the main funder.

Talk to: the people who do the work (what do you do; what gets in the way; what would you fix first?) · the funder's officer · the auditor · the commissioner · the bank's relationship manager · people who have recently left, where lawful and fair.

B.14 Evidence pack index (funded learner)

Eligibility and prior attainment · Enrolment and learning agreement · Initial assessment and learning plan · Delivery records, including off-the-job training · Attendance and engagement · Learning support, with monthly evidence of the adjustments made · Achievement · Employer or partner confirmation · Change log (corrections and approvals) · Retention date and clearance status.

B.15 Terms of reference for an investigation

The concern, in one paragraph · Who commissioned the investigation, and who will decide on its findings · The investigator, and why they are independent of the matter · The questions to be answered · Evidence to be preserved, and how · Who will be interviewed, and how they will be told · Whether legal advice will be taken, and privilege · The timetable · How the outcome will be communicated, and to whom · What happens to the lessons.

B.16 AI use rule (one page)

1. Use only approved tools for work. An approved tool has a contract covering what happens to our data, and no training on our inputs.
2. Never put personal, confidential or privileged information into a tool that is not approved.
3. Anything you sign is your own work: read it, check it, correct it. AI may draft; it may not evidence.
4. No decision about a learner, applicant or employee is taken by a machine alone.
5. If you are not sure, ask [name] before you paste.

6. If something has gone wrong — the wrong thing pasted into the wrong tool — tell [name] at once. Nobody will be in trouble for telling; the clock for reporting to the regulator is seventy-two hours.

B.17 Risk-allocation table (project)

Risk	Who bears it	Through which contract or instrument	What is left	What the lender will ask	Status
[risk]					

B.18 Handover document

The mandate and how it changed · The diagnosis · The decision log · The risk register · The current pack · The regulatory map, with its dates · The controls and their owners · The automations, their owners and how to switch them off · Contacts — inside, outside, advisers · What to watch for in the next six months.

Appendix C — The regulatory maps, dated

Each map is the one-page instrument that Chapter 11 says every organisation should have: the instrument, what it does to you, and where to check it. All three are stated as at 16 October 2026 and were checked against the primary source where it could be opened; where a point rests on a secondary source, the notes to the chapters say so. They will be wrong within a year, which is the point of dating them. Where the source is guidance rather than law the map says so: guidance is what the regulator will measure you against, law is what the court will.

C.1 A charity in financial difficulty (England and Wales)

Instrument and status	What it does to the operator	Where to check
Companies Act 2006, ss 171–177 (in force 1 Oct 2007; ss 175–177 from 1 Oct 2008)	The seven general duties of a director, including a charitable company’s trustees; s 172(2) reads “success” as achieving the charity’s purposes; s 172(3) preserves the creditor duty.	legislation.gov.uk, 2006 c. 46
<i>BTI 2014 LLC v Sequana SA</i> [2022] UKSC 25 (5 Oct 2022)	Creditor duty engaged when directors know or ought to know the company is insolvent or bordering on it, or an insolvent liquidation or administration is probable; sliding scale; paramount when inevitable; not engaged by a “real and not remote risk.”	supremecourt.uk, UKSC 2019/0046; pinpoints [81]–[83], [88], [176], [203], [231], [279]
Insolvency Act 1986, s 214 and s 246ZB (s 246ZB from 1 Oct 2015)	Wrongful trading in liquidation and administration; “every step” defence; two-limb standard; shadow directors included. The pandemic suspensions (CIGA 2020, s 12; SI 2020/1349) lapsed by 30 June 2021.	legislation.gov.uk, 1986 c. 45

Instrument and status	What it does to the operator	Where to check
Insolvency Act 1986, ss 238–240 and s 212	Transactions at an undervalue (two years), preferences (six months; two years and presumed desire for connected persons), only while unable to pay debts; misfeasance procedure.	legislation.gov.uk, 1986 c. 45
Insolvency Act 1986, Sch 6, para 15D (Finance Act 2020, s 98); insolvencies from 1 Dec 2020	HMRC a secondary preferential creditor for VAT, PAYE income tax, employees' NICs, student-loan and CIS deductions — ahead of floating charges and unsecured creditors.	legislation.gov.uk; gov.uk: HMRC as a preferential creditor
Insolvency Act 1986, Part A1 (from 26 Jun 2020, applied to CIOs by CIGA 2020, Sch 3, para 49; consequential modifications by SI 2020/856)	Moratorium: 20 business days; directors may extend once to 40 after the 15th; creditor consent to one year; court beyond; monitor must end it if rescue no longer likely; not available within 12 months of a prior moratorium, CVA or administration.	ss A9–A13, A35, A38, Sch ZA1
Insolvency Act 1986, Part I (CVA) and Sch B1 (administration); Companies Act 2006, Part 26A (restructuring plan, from 26 Jun 2020)	The formal rescue procedures. Part 26A is for companies only; a CIO cannot use it.	legislation.gov.uk
Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021, SI 2021/427 (from 30 Apr 2021)	A substantial sale to a connected party in the first eight weeks of an administration needs creditor approval or an independent evaluator's report.	legislation.gov.uk, SI 2021/427
Insolvency Act 1986, s 89	Members' voluntary liquidation on a directors' statutory declaration of solvency; a declaration without reasonable grounds is an offence.	legislation.gov.uk, 1986 c. 45
Company Directors Disqualification Act 1986, s 6; Insolvency Act 1986, ss 216–217; Social Security Administration Act 1992, s 121C; Finance Act 2020, Sch 13	Disqualification of unfit directors of insolvent companies (2–15 years); five-year bar on reusing an insolvent company's name, with personal liability; personal liability notices for NICs (fraud or neglect); joint liability notices for repeated insolvency with tax debts.	legislation.gov.uk
Charities Act 2022 — commenced 31 Oct 2022, 14 Jun 2023, 7 Mar 2024, 19 May 2025, 27 Nov 2025	Permanent endowment powers (2023); governing-document and merger provisions (Mar 2024); small ex gratia payments (Nov 2025, SI 2025/1191), with caps from £1,000 to £20,000 by income band.	gov.uk: Charities Act 2022 implementation plan
Charities Act 2011, s 191; Companies Act 2006, s 1157	Relief for a trustee or officer who acted honestly and reasonably and ought fairly to be excused; not for personal contractual liability.	legislation.gov.uk
Charities Act 2011, ss 305 and 311 (s 311 as amended from 7 Mar 2024)	Register of charity mergers; a gift to a merged charity takes effect as a gift to the transferee if the merger is registered.	legislation.gov.uk, 2011 c. 25

Instrument and status	What it does to the operator	Where to check
Charities Act 2011, s 185 (as amended 31 Oct 2022); Charity Commission, <i>Charities paying a trustee or a connected person: understand the rules (CC11)</i> (25 Apr 2025) — law and guidance	Paying a trustee for goods or services (conditions A–D); not for services as trustee or under employment; employing a trustee needs a clear governing-document power or Commission authority.	legislation.gov.uk; gov.uk: CC11
Charity Commission, <i>Identifying and managing conflicts of interest in a charity (CC29)</i> (updated 22 Apr 2026) — guidance	Where trustees cannot manage a conflict themselves (e.g. no unconflicted quorum), they must get the Commission’s authority.	gov.uk: CC29
Charities Act 2011, ss 46, 75A and 76	Statutory inquiries; official warnings (which may be published); suspension of trustees and interim managers after an inquiry.	legislation.gov.uk, 2011 c. 25
Charity Commission, <i>Improving your charity’s finances (CC12)</i> (updated 23 Sep 2024) — guidance	Three guides and an insolvency checklist: what to do in financial difficulty; charitable company or CIO insolvency; unincorporated charity insolvency. Cashflow forecast “over coming weeks and months”; restricted funds “cannot usually be used to pay your charity’s general debts”; take advice “as soon as possible”; record it.	gov.uk: CC12
Charity Commission, CC3 (updated 16 Sep 2026), CC8 (26 Apr 2023; fraud section 27 Nov 2024), CC19 (updated 16 Sep 2026) — guidance	Trustee duties; internal financial controls; reserves policy (“There is no single level or even a range of reserves that is right for all charities”).	gov.uk
Charity Commission, <i>How to report a serious incident in your charity</i> (updated 16 Jan 2026) — guidance	Report “as soon as is reasonably possible”: events forcing insolvency; loss of a major funder, contract or banking that threatens operation; losses of £25,000 or more, or over 20 per cent of income; annual-return confirmation for income over £25,000.	gov.uk: serious incident guidance
Charities SORP 2026 (periods beginning on or after 1 Jan 2026)	Three tiers by gross income (to £500,000; to £15m; above); reserves reporting paras 1.36–1.39; going concern paras 3.17–3.19 (at least 12 months from approval) and 1.41–1.42; restricted, designated and endowment funds paras 2.7–2.20.	charitiessorp.org
FRS 102 (Sep 2024 edition; Periodic Review amendments from 1 Jan 2026), para 3.8; ISA (UK) 570 (Revised Sep 2019, updated Sep 2025); ISA (UK) 570 (Revised Mar 2026) for periods beginning on or after 15 Dec 2026	Going-concern assessment of at least 12 months from authorisation of the accounts; auditor’s “Conclusions relating to Going Concern” section; material-uncertainty paragraph or modified opinion.	frc.org.uk

Instrument and status	What it does to the operator	Where to check
Economic Crime and Corporate Transparency Act 2023, ss 199–201 (from 1 Sep 2025)	Failure to prevent fraud, for large organisations (two of: turnover £36m, balance sheet £18m, 250 employees); incorporated charities in scope if they meet the tests; defence of reasonable prevention procedures; flows down by contract.	legislation.gov.uk, 2023 c. 56; Home Office guidance (6 Nov 2024, updated 10 Oct 2025)
TUPE Regulations 2006, SI 2006/246, regs 3 and 7	Transfers of undertakings and service provision changes, “whether or not operating for gain”; transfer-related dismissals automatically unfair unless for an ETO reason.	legislation.gov.uk, SI 2006/246
Local Government Pension Scheme Regulations 2013, reg 64; Pensions Act 1995, s 75	An employer whose last active member leaves owes an exit payment (the fund may suspend it for up to three years, or agree a deferred debt agreement where its funding strategy provides for one); employer debt in other defined-benefit schemes.	legislation.gov.uk
TULRCA 1992, ss 188–189, as amended by the Employment Rights Act 2025 (c. 36), ss 29–30	Collective consultation: 20 or more at one establishment within 90 days; a cross-establishment “threshold number” to follow (power to make regulations commenced 6 Jan 2026; regulations awaited); 30 or 45 days’ minimum consultation; protective award up to 180 days’ pay (from 6 Apr 2026). Further 2025 Act provisions awaiting commencement.	legislation.gov.uk, 1992 c. 52
Charity Governance Code, 2025 edition (Nov 2025) — voluntary	Eight principles, 41 outcomes; the benchmark a funder’s due diligence will cite.	charitygovernancecode.org
<i>Report Fraud</i> (City of London Police, from 4 Dec 2025, replacing Action Fraud); Employment Rights Act 1996, Part IVA; Public Interest Disclosure (Prescribed Persons) Order 2014	Where to report fraud and cyber crime; whistleblowing protection, including disclosures to prescribed persons such as the Charity Commission.	reportfraud.police.uk; legislation.gov.uk

C.2 A publicly funded training provider (England)

Instrument and status	What it does to the operator	Where to check
ESFA closed 31 Mar 2025 (WMS HLWS83, 11 Sep 2024); funding and assurance functions now in DfE’s Funding and Financial Oversight directorate (from 1 Apr 2025)	The funding rules, assurance reviews and ILR continue under the department’s name; “ESFA” on a current document is a dating error.	ESFA Annual Report and Accounts 2024 to 2025

Instrument and status	What it does to the operator	Where to check
Skills to DWP: policy from 16 Sep 2025 (HCWS930); budgets and GOV.UK ownership from 1 Apr 2026	Apprenticeships, adult skills, Skills England and careers are DWP policy; 16 to 19 funding and college oversight stay with DfE; the apprenticeship rules say “we” means either department as applicable.	gov.uk: apprenticeship funding rules
<i>Apprenticeship funding rules 2026 to 2027</i> (DWP; v3, 29 Jul 2026) for starts 1 Aug 2026 – 31 Jul 2027; 2025 to 2026 rules for earlier starts	Terms and conditions of funding; evidence of eligibility and of learning; off-the-job training; “funds may be at risk of recovery.”	gov.uk: apprenticeship funding rules 2026 to 2027
<i>Adult skills fund: funding and performance management rules</i> (DfE; 2025 to 2026 v2; 2026 to 2027 added 10 Jun 2026)	Reconciliation against actual ILR delivery within tolerances; correction of inaccurate data; free-courses-for-jobs 97 per cent delivery rule.	gov.uk: adult skills fund funding rules
ILR specification 2026 to 2027 (v1, 30 Jan 2026); funding returns timetable (1 Jul 2026)	Monthly returns; R14 hard close 23 Oct 2027 fixes the final reconciliation; a missed return makes the provider “high-risk” for all funding purposes.	submit-learner-data.service.gov.uk
DfE <i>Post-16 Funding Assurance Review Guidance</i> (Sep 2026); step-by-step process (30 Sep 2026); <i>Common findings 2024 to 2025</i> (30 Sep 2026)	Samples of 30 learners per stream; error rate below 5 per cent satisfactory, 5 per cent or more unsatisfactory; self-audits; recovery including prior years by offset or invoice; the published list of recurring errors.	gov.uk: assurance work on post-16 funding
DfE <i>Record keeping and retention information for training providers</i> (13 Jan 2021)	Learner files six years from financial year-end after the last payment; ESF-funded provision to 31 Dec 2034; transfer of learner records to DfE on contract end if required.	gov.uk
Data (Use and Access) Act 2025 (c. 18): s 78 from 19 Jun 2025; main Part 5 provisions from 5 Feb 2026 (SI 2026/82); s 103 from 19 Jun 2026; ss 118–119 (with the remaining part of s 117) from 30 Sep 2026 (SI 2026/1015)	“Reasonable and proportionate search”; Article 12A time limits and pause; recognised legitimate interests (Annex 1, including safeguarding a vulnerable individual); automated decision-making; complaints duty (DPA 2018, s 164A: acknowledge within 30 days); Information Commission replaces the Commissioner.	legislation.gov.uk, 2025 c. 18
UK GDPR, Arts 22A–22D (Data (Use and Access) Act 2025, s 80; from 5 Feb 2026)	Significant decisions taken solely by automated means (no meaningful human involvement) need safeguards: information, representations, human intervention, the right to contest; tighter limits with special-category data.	legislation.gov.uk, 2025 c. 18, s 80
Regulation (EU) 2024/1689 (AI Act), as amended by Regulation (EU) 2026/1744 (in force 27 Jul 2026); DfE <i>Generative AI: product safety standards</i> (19 Jan 2026)	For EU-facing activity: AI literacy measures; transparency from 2 Aug 2026; high-risk education uses (Annex III, point 3) from 2 Dec 2027. DfE’s standards for AI products sold to schools and colleges.	eur-lex.europa.eu; gov.uk

Instrument and status	What it does to the operator	Where to check
ICO guidance: right of access (updated 8 Dec 2025); DPIAs (17 Dec 2025); data security (9 Sep 2025); storage limitation (24 Jul 2025) — the last three marked “under review” for the 2025 Act	One-month response; pause on clarification; DPIA for high-risk processing; Article 32 security; retention schedule and “beyond use.”	ico.org.uk
<i>Keeping children safe in education 2026</i> (statutory; in force 1 Sep 2026), replacing the 2025 edition	Applies to independent training providers for under-18 learners; reflects the removal of the supervision exemption for volunteers in regulated activity (Crime and Policing Act 2026, from 1 Sep 2026, as summarised by practitioners); filtering and monitoring reviewed at least once every academic year (para 173).	gov.uk: Keeping children safe in education
<i>Working together to safeguard children 2026</i> (18 Mar 2026), replacing 2023	Multi-agency guidance applying “in its entirety” to colleges and other education providers; family help; rapid reviews within 15 working days.	gov.uk: Working together to safeguard children
Counter-Terrorism and Security Act 2015, s 26 and Sch 6; <i>Prevent duty guidance: England and Wales (2023)</i> (in force 31 Dec 2023)	Funded, inspected training providers are specified authorities; risk assessment and action plan; staff training; Channel co-operation; IT policies that refer to the duty; a condition of funding.	legislation.gov.uk, 2015 c. 6; gov.uk: Prevent duty guidance
Online Safety Act 2023 (c. 50), Sch 1, para 10 and Part 2, paras 19 and 22	A funded independent training provider’s own education platforms are exempt from the Act’s user-to-user and search duties; obligations arise under KCSIE and Prevent instead.	legislation.gov.uk, 2023 c. 50
Health and Safety at Work etc. Act 1974, ss 2–3; Management of Health and Safety at Work Regulations 1999, reg 3	Duties to staff, learners and visitors “so far as is reasonably practicable”; written policy and recorded risk-assessment findings where five or more are employed; the employer is accountable, whoever is delegated.	legislation.gov.uk; hse.gov.uk/services/education
Equality Act 2010, ss 20, 149–150 and Sch 19	Reasonable adjustments (the funding rules’ definition of learning support); the public sector equality duty binds a private provider or CIC only to the extent it exercises a function of a public nature — treat the three aims as applying in practice.	legislation.gov.uk, 2010 c. 15
Procurement Act 2023 (c. 54), in force 24 Feb 2025; National Procurement Policy Statement (13 Feb 2025)	Central digital platform; exclusion and debarment questions; buyers’ objectives (value for money, public benefit, integrity, SME barriers); 30-day payment implied into every public sub-contract (s 73).	legislation.gov.uk, 2023 c. 54; gov.uk: transforming public procurement
Employment Rights Act 1996, Part IVA; Public Interest Disclosure (Prescribed Persons) Order 2014	Protected disclosures; prescribed persons include HMRC, the HSE, the Information Commission and, for charities, the Charity Commission.	legislation.gov.uk

Instrument and status	What it does to the operator	Where to check
ISO 37301:2021 (confirmed 2026; Amd 1:2024); IIA Statement of Position on the Three Lines Model (8 Jul 2026, replacing the 2020 paper); COSO <i>Internal Control — Integrated Framework</i> (2013); FRC UK Corporate Governance Code 2024, Provision 29 (periods from 1 Jan 2026)	The reference architecture and, in Provision 29, a template for an annual board declaration on material controls that a small organisation can borrow as a discipline rather than a duty.	iso.org; theiia.org; coso.org; frc.org.uk

C.3 A small solar project in the Philippines

Instrument and status	What it does to the operator	Where to check
1987 Constitution, Art. XII, ss. 2 and 7	Natural resources reserved to the State and to entities at least 60 per cent Filipino-owned; private land only to those qualified to hold public land — hence the lease.	lawphil.net (Constitution)
Republic Act No. 9136 (EPIRA, 2001), ss. 6, 25, 43, 45	Generation is “not ... a public utility operation”; every new generation company needs an ERC certificate of compliance before operating; bilateral supply contracts are “subject to review by the ERC”; captive-market rates regulated.	lawphil.net, RA 9136
Republic Act No. 9513 (Renewable Energy Act, 16 Dec 2008), ss. 4, 15, 25, 26	The RE service or operating contract; registration with the Department through REMB; the incentive package (7-year income-tax holiday, 10 per cent corporate tax after it, 10-year duty-free importation, 1.5 per cent realty-tax cap, NOLCO, zero-rated VAT on renewable power, accelerated depreciation alternative, carbon-credit exemption, domestic-equipment tax credit).	lawphil.net, RA 9513
DOJ Opinion No. 21, s. 2022 (29 Sep 2022) and DOE Circular DC2022-11-0034 (15 Nov 2022)	Solar, wind, hydro and ocean energy taken outside the 60/40 limit; a solar generating company may be wholly foreign-owned. Hold copies before relying on them.	doe.gov.ph
Republic Act No. 7652 (Investors’ Lease Act, 4 Jun 1993), as amended by Republic Act No. 12252 (approved 3 Sep 2025)	Lease of private land to a registered foreign investor for an aggregate term of up to 99 years (50 + 25 before); leasehold may be pledged as loan security; registration at the Registry of Deeds binds third parties; void ab initio for an excess term, excess area or unlawful use (s 7); automatic termination for unauthorised use or withdrawal of the investment (s 5); three-year start deadline. Non-investors stay under PD 471 (25 + 25).	lawphil.net, RA 12252

Instrument and status	What it does to the operator	Where to check
DOE Circular DC2024-06-0018 (Revised Omnibus Guidelines, 4 Jun 2024)	A solar project holds a solar energy operating contract (SEOC), awarded on direct application, not by competition (s. 26); a certificate of authority to secure permits before the SEOC is signed, unless waived (ss. 28, 29.1); assignment and change in control need the Department's prior written approval (ss. 70–71).	doe.gov.ph (scanned PDF)
DOE Circular DC2025-12-0029 (published 29 Dec 2025)	Adopts the open and competitive selection process for RE service contracts in areas pre-determined for hydropower, geothermal and wind, and creates the Review and Evaluation Committee; nine bids qualified for evaluation in the OCSP5 round, April 2026. It does not cover solar.	doe.gov.ph
Republic Act No. 11234 (EVOSS Act, 8 Mar 2019)	Single online permitting portal; processing periods of 60 days (DOE and ERC), 120 (DENR), 150 (system operator); deemed approval on inaction, except DENR and ERC action on fossil-fuel projects.	lawphil.net, RA 11234
DOE Circulars DC2015-06-0008, DC2018-02-0003, DC2021-09-0030, DC2023-06-0021 and DC2025-10-0022 (issued 8 Oct 2025, published 26 Oct 2025); <i>Alyansa v. ERC</i> , G.R. No. 227670 (3 May 2019)	Competitive selection process for distribution utilities' power supply; the 2025 circular exempts RE supply of 10 MW or less per utility (direct filing with the ERC) and creates a three-month right of first refusal for RPS compliance; NEA endorsement within 20 days.	doe.gov.ph; lawphil.net (G.R. No. 227670)
Republic Act No. 10531 (NEA Reform Act, 7 May 2013)	NEA supervises electric cooperatives, imposes sanctions, may appoint independent boards and must step in to an ailing cooperative.	lawphil.net, RA 10531
DOE Circular DC2021-11-0036 (GEAP guidelines, published 3 Dec 2021); DC2023-10-0029; DC2024-09-0028; the ten-year auction plan (13 Feb 2026); GEA-7 (17 Apr 2026)	Pay-as-bid green energy tariff under an ERC ceiling, paid through TransCo's payment agreement and the FIT-All; about 22 GW awarded in rounds 1 to 4; at least 25 GW planned for 2027–2035; GEA-7 ground-mounted solar must integrate battery storage.	doe.gov.ph
Republic Act No. 12066 (CREATE MORE, approved 8 Nov 2024)	The general investment-incentive regime (enhanced deductions; FIRB and the investment promotion agencies); one of the registration routes RA 12252 names for a long lease.	lawphil.net, RA 12066
Foreign Corrupt Practices Act (15 U.S.C. §§ 78dd-1 to 78dd-3, 78m); Executive Order 14209 (10 Feb 2025); DOJ Deputy Attorney General guidelines (9 Jun 2025)	Statute unchanged; the 2025 order (addressed to the Attorney General) and guidelines narrowed federal enforcement discretion; conduct remains prosecutable within the general five-year limitation period (18 U.S.C. § 3282).	justice.gov; whitehouse.gov; federalregister.gov

Instrument and status	What it does to the operator	Where to check
Bribery Act 2010, ss. 7 and 12 (in force 1 Jul 2011)	Corporate offence of failing to prevent bribery; “adequate procedures” defence; offences abroad by persons with a close connection to the UK, including British citizens; Ministry of Justice six principles.	legislation.gov.uk, 2010 c. 23
FATF Guidance on Politically Exposed Persons (June 2013); Republic Act No. 3019; Republic Act No. 9160 as amended	PEP definitions (foreign, domestic, international; family and close associates); enhanced due diligence; the local anti-graft and anti-money-laundering statutes.	fatf-gafi.org; lawphil.net
IFC Performance Standards (2012; under revision); Equator Principles EP4 (1 Oct 2020)	DFI environmental and social conditions (land, indigenous peoples, biodiversity); EP4 applies to project finance of USD 10 million or more.	ifc.org; equator-principles.com
Fraunhofer ISE <i>Photovoltaics Report</i> (14 Jul 2026); Global Solar Atlas; DOE 2025 Power Statistics (27 Jun 2026); PAGASA tropical-cyclone climatology	The technical ranges: module efficiency 22 to just under 25 per cent; PVOUT 1,371–1,544 kWh/kWp; fleet capacity factor about 17.5 per cent; about 20 tropical cyclones a year in the Philippine Area of Responsibility, 8 or 9 crossing the country.	ise.fraunhofer.de; globalsolaratlas.info; doe.gov.ph; pagasa.dost.gov.ph

Appendix D — The reading list: what each covers that this book does not

The standard playbooks in these fields are good, and this book is not a replacement for any of them. For each, the entry says what this book takes from it, what it covers better than this book does, and where the two part company. Editions are the ones used here; check for later ones.

Michael Watkins, *The First 90 Days* (updated and expanded edition, Harvard Business Review Press 2013). The canonical account of taking charge. This book takes its situation types (Chapter 3), its conversations with the boss (Chapter 1), its early wins (Chapter 3) and its discipline for assessing an inherited team (Chapter 6). *Read it for* the transition itself — learning, alliances and managing yourself through a new role in an organisation larger than the ones here. *Where it parts company:* Watkins writes for an executive joining a large organisation with a boss; the operator in a small one usually *is* the boss for a while, and the early wins that matter are controls.

Atul Gawande, *The Checklist Manifesto* (Metropolitan Books 2009). Why experts skip routine steps under pressure, and why a short checklist read at a pause point works where a long procedure does not. Appendix A is built on it, and Chapter 4’s morning meeting borrows its rule that everyone speaks. *Read it for* the design of checklists, which is harder than it looks. It says nothing about law or money, and was never meant to.

David Maister, Charles Green and Robert Galford, *The Trusted Advisor* (Free Press 2000). Trust as credibility, reliability and intimacy, discounted by self-interest. The operator’s version is the no-surprises rule and the preparation for the lender meeting (Chapter 7). *Read it for* the client relationship, which this book treats in a paragraph. *Where it parts company:* the trusted adviser advises; the operator decides, and accountability changes what trust is for.

Peter Block, *Flawless Consulting* (4th edition, Wiley 2023). Contracting, resistance, and the consultant’s authentic position. The mandate letter and saying no (Chapter 1) and the treatment of resistance (Chapter 6) come from Block. *Read it for* the phases of an engagement and the conversations at each, in far more depth. *Where it parts company:* Block’s consultant has a client who implements; the operator implements.

Eliyahu M. Goldratt and Jeff Cox, *The Goal* (North River Press 1984), and Richard P. Rumelt, *Good Strategy/Bad Strategy* (Crown Business 2011) and *The Crux* (PublicAffairs 2022). The decisive constraint in Chapter 3 is Goldratt’s insight that a system’s output is set by its tightest constraint, and Rumelt’s that strategy begins with a diagnosis of the crux. *Read them for* the reasoning, which this book uses and does not reproduce.

Stuart Slatter and David Lovett, *Corporate Turnaround* (Penguin 1999), and the Institute for Turnaround’s practitioner material. The seven ingredients — crisis stabilisation, new leadership, stakeholder support, strategic focus, organisational change, critical process improvement, financial restructuring — and the primacy of cash. Chapter 10 is built on them. *Read them for* the operational levers of a trading company — working capital, stock, pricing, the cost base — and for the case studies. *Where they part company:* the turnaround literature assumes a company with shareholders; a charity has none, and has restricted funds and a regulator instead.

Charity Commission for England and Wales, *Improving your charity’s finances* (CC12, formerly *Managing financial difficulties and insolvency in charities*; restructured September 2024), with its companion guidance on trustee duties (CC3), internal financial controls (CC8), reserves (CC19), trustee payments (CC11), conflicts of interest (CC29) and serious incident reporting. The regulator’s own statement of what it expects, and so the standard a trustee will be measured against; Chapter 10 cites it throughout. *Read it first* if you are a trustee. It is guidance, not law, and says so; the law behind it is in the Companies, Insolvency and Charities Acts.

E. R. Yescombe, *Principles of Project Finance* (2nd edition, Academic Press 2014), and Stefano Gatti, *Project Finance in Theory and Practice* (3rd edition, Academic Press 2018; a 4th edition appeared in 2023). The structure of limited-recourse finance: the project company, the contract stack, risk allocation, debt sizing by cover ratios, reserves, security and step-in. Chapter 12 is an operator’s digest. *Read them for* everything it compresses — the full risk taxonomy, the loan documentation clause by clause, the financial model, export credit and public-sector support, and Gatti’s case studies. *Where they part company:* at two or three million dollars several of the standard instruments are out of reach, and Chapter 12 says which.

ISO 37301:2021, *Compliance management systems — Requirements with guidance for use* (confirmed 2026); the Institute of Internal Auditors’ *Three Lines Model* (2020) and its replacement, the *Statement of Position Assurance and Advice in Support of Effective Governance* (July 2026); COSO, *Internal Control — Integrated Framework* (2013). The reference architecture for a compliance function, which Chapter 11 maps a small organisation’s operating model on to. *Read them for* the full requirement set, COSO’s seventeen principles and the IIA’s account of assurance. *Where they part company:* all three were written for organisations with separate lines; Chapter 11 is about what to do when the lines are three people — a gap the IIA’s 2026 statement now acknowledges in terms.

Ben Horowitz, *The Hard Thing About Hard Things* (HarperBusiness 2014), and Jason Fried and David Heinemeier Hansson, *Rework* (Crown Business 2010). For register as much as content: candid, short, and unwilling to pretend that management is tidy. Chapter 8 takes

from Horowitz the point that a leader's own psychology is an operating risk. *Read Horowitz for the hard decisions in a venture-backed company, which this book does not cover.*

William Bridges with Susan Bridges, *Managing Transitions* (4th edition, Da Capo 2017). Endings, the neutral zone, new beginnings. Chapter 7 takes its central observation: people need an ending acknowledged before they can hear the plan. *Read it for leading people through change, which this book treats in a few paragraphs.*

Barbara Minto, *The Pyramid Principle* (3rd edition, Financial Times Prentice Hall 2009). Why the diagnosis is a page and the board pack has five headings: answer first, then the reasons, then the evidence.

Appendix E — Glossary and abbreviations

Capacity factor. Actual annual energy produced divided by the energy the plant would produce running at nameplate every hour of the year; state whether on the AC or the DC rating. The number a lender models.

CC3, CC8, CC11, CC12, CC19, CC29. Charity Commission guidance: trustee duties; internal financial controls; trustee payments; financial difficulty and insolvency; reserves; conflicts of interest.

CIC. Community interest company: a limited company with an asset lock and a community-interest test, regulated by the Regulator of Community Interest Companies as well as Companies House.

CIO. Charitable incorporated organisation: a corporate form of charity registered with the Charity Commission, not Companies House.

Covenant. A promise in a loan or funding agreement — to maintain a ratio, to report, to notify — whose breach gives the other side rights.

Creditor duty. The directors' duty, engaged when the company is insolvent or bordering on insolvency, or an insolvent liquidation or administration is probable, to consider creditors' interests, with increasing weight as the position worsens (Chapter 10).

CVA. Company voluntary arrangement: a composition with creditors under Part I of the Insolvency Act 1986.

D&O insurance. Directors' and officers' liability insurance.

DBS. The Disclosure and Barring Service, which issues criminal-record certificates and maintains the barred lists.

***De facto* director; shadow director.** A person who acts as a director without being appointed; a person on whose directions or instructions the directors are accustomed to act (Chapter 1).

Decision log. The record of who decided what, when, on what information, and what was rejected.

DOE; ERC; NEA. In the Philippines: the Department of Energy; the Energy Regulatory Commission; the National Electrification Administration.

DPIA. Data-protection impact assessment.

DSCR; LLCR. Debt-service cover ratio (cash available for debt service divided by debt service due in a period); loan-life cover ratio (the present value of cash available over the loan's life divided by the debt outstanding).

DSL. Designated safeguarding lead.

DSRA. Debt-service reserve account: cash held aside, typically six months of debt service.

EPC; O&M. Engineering, procurement and construction contract; operation and maintenance contract.

ESF. European Social Fund.

ETO reason. An economic, technical or organisational reason entailing changes in the workforce, which can make a transfer-related dismissal fair under TUPE.

Evidence pack. The pre-assembled, indexed set of records that proves a control operated or a claim was earned.

GEA. Green energy auction: the Philippine Department of Energy's auction programme for renewable capacity.

Going concern. The basis on which accounts assume the organisation will continue for at least twelve months from their approval; and the assessment of whether that holds.

ILR. Individualised Learner Record: the data return on which post-16 funding in England is claimed. The final return of the year is the hard close.

IP. Insolvency practitioner: a licensed professional who advises on, and is appointed to run, formal insolvency procedures.

KCSIE. *Keeping children safe in education*, the statutory safeguarding guidance for schools and colleges in England.

LGPS. Local Government Pension Scheme.

Moratorium. A period during which creditors cannot take enforcement action, under Part A1 of the Insolvency Act 1986, overseen by a monitor.

OCSP. Open and competitive selection process: the Philippine Department of Energy's competition for renewable-energy service contracts in areas pre-determined for hydropower, geothermal and wind; a solar contract is applied for directly (see SEOC).

P50; P90. The annual energy yield expected to be exceeded with 50 and 90 per cent probability.

PEP. Politically exposed person: someone entrusted with a prominent public function, and their family members and close associates, who attract enhanced due diligence.

Performance ratio. A solar plant's actual output divided by what its irradiance would allow, after system losses.

Pre-pack. A sale of a business or its assets negotiated before an administrator is appointed and completed soon after.

Preference. A payment or act that puts a creditor in a better position in an insolvency, made when the company could not pay its debts and influenced by a desire to do so; reversible by a court.

Prescribed person. A body to which a worker can make a protected whistleblowing disclosure about matters in its field.

PSA; PPA. Power-supply agreement; power-purchase agreement: the long-term contract to sell a plant's output.

Recognised legitimate interest. A lawful basis for processing personal data, added in 2026, for listed purposes such as safeguarding a vulnerable individual.

Restricted funds. In charity accounting, funds given for a particular purpose and held on trust for it; not available for general expenditure. A designated fund, set aside by the trustees, is not restricted.

ROPA. Record of processing activities.

Secondary preferential creditor. In an insolvency, HMRC for certain taxes collected on others' behalf, ranking after employees and ahead of floating charges and unsecured creditors.

SEOC. Solar energy operating contract: the Philippine Department of Energy's contract for a solar project, applied for directly rather than awarded by competition (Chapter 12).

Serious incident. An adverse event, actual or alleged, that risks significant harm to a charity's beneficiaries, staff, finances or reputation, which trustees report to the Charity Commission.

SORP. The Charities Statement of Recommended Practice, which sets how charities prepare their accounts.

SPV. Special-purpose vehicle: a company formed to own one project and nothing else.

Standstill. An agreement or request under which a creditor refrains from enforcement for a period while a plan is prepared.

Thirteen-week cash flow. The rolling weekly forecast of receipts and payments that is the standard tool of crisis finance.

TUPE. The Transfer of Undertakings (Protection of Employment) Regulations 2006.

Weekly payment schedule. The list of every payment proposed for the coming week, approved in advance by two people and released only as approved.

Wrongful trading. The liability of a director who continues trading past the point at which they knew or ought to have concluded that insolvent liquidation or administration could not reasonably be avoided, without taking every step to minimise loss to creditors.