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Finance

Tools for success:

doing the the right things and doing them right

Centre for Charity Effectiveness

Contents

USING THIS GUIDE

Links to suggested reference sources and useful materials are provided as **embedded links** throughout the pages of each ‘Tools for success’ guide and in every Signposts section. Wherever a link is provided, when you hover your cursor over the text you’ll see the link URL show up – click on it to go straight to that source material or website. For example: Centre for Charity Effectiveness

Common symbols

We have used some common symbols throughout the ‘Tools for success’ series, to highlight different elements:

- ! Notes and tips
- ✔ Checklists of things to do
- ❖ Simple to use tools and sample activities to work on together
- ▶ Signposts to more information, for when you’re ready to build on the basics

Each guide also includes a **Glossary** of common terms used throughout the **Tools for success series**. Some terms included in the Glossary may not appear in the content of every guide.

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About this guide

The purpose of this guide is to help you manage your financial resources and report publicly on how those resources have been used. Whether you are a small local charity or a large national organisation, your financial challenge is the same.

You need to use your financial resources as wisely as possible, in order to most effectively discharge your charitable objectives and provide the best possible outcomes for the people you work with. You then need to report to stakeholders on your stewardship of the charity, in the trustees' annual report and accounts.

Sound financial management and a commitment to transparent financial reporting will provide trustees and managers in your charity with a good basis on which to do this.

The regulations, requirements and thresholds mentioned in this guide apply primarily to charities in England and Wales. Some additional references are provided in the Signposts section for sources of information relating to Scotland and Northern Ireland, but charities in those countries should ensure they follow the correct guidance.

What are ‘financial management’ and ‘financial reporting’?

Financial management is more than merely keeping accounting records. It involves planning, organising, controlling and monitoring financial resources in order to achieve organisational objectives. As such, it is an essential part of organisational management which every charity should have in place.

You can only achieve effective financial management if you have a sound strategic plan. This means setting clear objectives and having agreed policies and actions in place to achieve these objectives. Charities invariably have more activities in which they wish to engage than they have funds available. A clear strategic plan prioritises the charity’s proposed activities and provides a basis on which resource allocation decisions can be made. Without this basic building block in place, sound financial management is impossible to achieve. (See the **Direction** and **Operations** guides for more on organisational planning).

Financial reporting describes how you account for where your financial resources have come from, how they have been spent and what they have enabled the charity to achieve. Financial reporting can be for an internal audience (trustees and managers), usually in the form of ‘management accounts’, or for an external audience (supporters, funders, volunteers, the general public), in the form of the trustee’s annual report and accounts.

Good financial management and reporting will help your organisation to:

- Make effective and efficient use of its scarce resources
- Achieve its objectives and fulfil its commitments to the people you work with and other stakeholders
- Demonstrate its commitment to openness and transparency, thereby gaining the confidence of funding agencies, partners and those with whom you work
- Put the foundations in place for long-term financial sustainability.

There are **five important elements of good financial management and reporting**, each of which is explained in this guide:

1. A clear finance strategy and reserves policy
2. A plan for generating income
3. A robust financial management system
4. An appropriate system of financial governance
5. A commitment to transparency in external reporting.

Finance strategy and reserves policy

A finance strategy is a plan – often for a three-year period – of how you will finance your organisation and its activities, how much money you will need and where it will come from. The finance strategy underpins your organisational plan (often called the strategic plan) mentioned above. See the **Direction** guide for more about the strategic plan.

You can use the following checklist to develop your finance strategy. The 'What funds will we need to raise?' question of your finance strategy is its central plank; it is about generating the income you will need to finance your strategic plan. We look at this in more detail in the 'Generating income' section of this guide.

✔ QUESTIONS TO ANSWER WHEN DEVELOPING A FINANCE STRATEGY

- How much will the activities in our organisational plan cost to deliver?
- What supporting infrastructure and management oversight will be required?
- What funds will we need to raise, from where, and what investment is required to make this happen?
- Do we know what the risks are and how we will manage these?
- Does this finance strategy link effectively with our reserves policy?

! Different types of charities raise income and incur expenditure in different ways. As you prepare your finance strategy, you may find it helpful to refer to the six different types of income/expenditure models which are outlined in Just my Type – An Archetype Analysis of Charity Finances, published by nfpSynergy (2017). Which model does your charity most closely resemble?

RESERVES

Your finance strategy must link coherently with your reserves policy.

Reserves are resources not immediately required to finance a charity's operations, and which can be freely deployed by trustees to fund future expenditure if required. It is important for charities to maintain reserves – to provide financial resilience, and to ensure as far as possible that operational plans can still be fulfilled if the charity encounters unforeseen financial difficulties.

Trustees should establish a reserves policy which defines the level of reserves which it is appropriate to hold in their charity's circumstances. It is an important part of financial management and financial planning, and requires careful thought.

Setting reserves too high risks tying up money unnecessarily when it could have been used to fund some of the charitable activities in the strategic plan. Conversely, setting reserves too low increases the risk that the charity may not be able to fulfil all its commitments in the event of financial difficulties.

Charity Commission guidance note CC19, Charity reserves: building resilience (2016) is a useful guide to the importance of a reserves policy, how to develop one, and how it should be reported in the annual report and accounts.

For a more detailed guide on reserves, see Beyond Reserves, published by the Charity Finance Group (2012).

Generating income

Generating income is about more than just fundraising. It is about making your organisation sustainable by creating a range of different funding sources. Diversifying your sources of income will help to ensure that you are not dependent on only one source. Your income generation plan must ensure that:

- You are raising sufficient levels of income to deliver your organisation's purpose; it must cover all costs incurred, including support costs (sometimes referred to as core costs or overheads) and what it is costing you to generate the income
- You have taken into account any restrictions imposed by funders on how your organisation can use the funds received (see box below)
- You have a sufficiently diverse range of income sources to avoid the high level of risk associated with depending on only one source.

> ! Funds received from funders for a specific purpose are known as **restricted funds:** you are legally obliged to use them only for the purpose for which the funder gave them to you.
> By contrast, **unrestricted funds** can be used for any purpose that helps you to achieve your charitable objects. The more unrestricted funds you have, the more freedom of action your charity has.

The discipline is the same whether you are generating restricted or unrestricted income; funders will require the same financial information from you (see the checklist below).

✔ WHAT FUNDERS ARE LOOKING FOR

These are some of the basics funders look for when assessing applications for funding:

- Clarity that your organisation is seeking funding to meet a specific identified need
- Financial details of your organisation
- How the funds will be used; e.g. what percentage of the funds will go towards core costs, salaries, etc
- Your organisation's ability to manage its finances, including its reserves policy
- How diverse your funding portfolio is – i.e. how much income you are generating from individual donors, from government sources and from other funders (see below).

A good plan for generating income is to aim to achieve sustainability by stabilising your funding base (in some cases increasing your funding) and diversifying your funding sources. Sustainability ideally means managing your income streams in such a way that if/when one stream comes to an end, your charitable work can be repositioned, making it suitable for funding by another stream.

Generating income

Opportunities available to diversify income streams might include:

- Building up your level of donations from the public
- Applying for grants
- Entering into contracts to deliver services
- Generating profits from trading
- Identifying potential sources of social finance. (See the 'More information' box below for links to further helpful guidance on social finance).

There are a number of activities that your organisation can undertake to begin the income diversification process. Start with a thorough analysis of your current income stream(s) in terms of:

- Who gives funds?
- How much?
- How is it given?
- How often/for how long?
- How much is it costing to generate this form of income?

It is important to spend time building your internal understanding of the changes that you may need to make in order to develop new income streams, and to identify a range of options for what those new income streams might be.

The NCVO provides useful Funding and Income advice and guidance with practical tips and step-by-step guides on how to find the money you need for your charity.

The emerging field of social finance and social investment may offer a new income-diversification opportunity in some circumstances. In Demystifying Social Finance and Social Investment (2020), Mark Salway explains how a small amount of borrowing, or a different business model focused away from grants and donations, can be transformational for some charities.

FULL-COST RECOVERY

Remember that when bidding for a contract for the provision of your services, or when applying for a grant to support the delivery of a particular project, it is important to ensure that the income requested covers overheads/ support costs as well as the direct ‘frontline’ costs of the service involved. A charity with strong financial management will know what its overheads are for the provision of any service, and will prioritise ‘full-cost recovery’ in all its funding bids.

A failure to fully cover overheads or support costs in a contract bid or grant application will mean that you will be delivering the service concerned at a loss, which can only be covered by using precious unrestricted funds.

In these circumstances it is easy to get into what has been described as a ‘starvation cycle’, where the real costs of supporting frontline activity aren’t fully recognised in funding bids; adequate funding is therefore not secured for overheads; unrestricted funds are consequently put under severe strain; and the charity becomes starved of adequate investment for support costs. A downward spiral has begun which can threaten a charity’s financial sustainability.

See Ending the Nonprofit Starvation Cycle, published by The Bridgespan Group (2019).

Financial management system

There is no one model financial management system that suits all charities. But there are some basics that must be in place to achieve good practice in financial management. The following checklist covers these.

✔ DEVELOPING A SOUND FINANCIAL MANAGEMENT SYSTEM

Key questions to consider:

- Are we satisfied with our three-year financial strategy?
- Have we got a clear budget in place for year one of that planning period?
- Do managers take ownership of the budget for their areas of responsibility and do they engage constructively with the budget and planning process?
- Are regular management accounts produced by the finance department?
  - Are they easy to read?
  - Do they track progress against budget and explain variances?
- Do we have a financial procedures manual in place which documents our financial controls?
- Does our financial management system enable effective decision-making when allocating resources?

It is helpful to identify certain principles when developing a financial management system. These are set out in the checklist below, and they will act as a guide to your trustees and managers when making decisions.

✔ GUIDING PRINCIPLES FOR DEVELOPING A FINANCIAL MANAGEMENT SYSTEM

- **Consistency:** Your financial policies and systems must remain consistent over time;
- **Accountability:** You must be able to explain and demonstrate to all stakeholders how you have used your resources and what has been achieved;
- **Transparency:** Your organisation must be open about its work and its finances, making information available to all stakeholders;
- **Integrity:** Individuals in your organisation must operate with honesty and propriety;
- **Financial stewardship:** Your organisation must take good care of the financial resources it has been given and ensure that they are used for the purpose intended; and
- **Accounting standards:** Your organisation's system for keeping financial records and documentation must adhere to accepted external accounting standards.

Financial management system

BUDGETING

A budget describes the process of allocating resources in order to implement your organisational plan. (See the **Direction** and **Operations** guides for more on strategic and operational planning). If you have a three-year organisational strategic plan and a three-year financial strategy to support it, the budget usually covers the immediate next 12-month period. It provides a financial description of where you expect your money to come from and how you will use it in the year ahead, based on knowledge and assumptions against which you will measure your actual performance.

It is important to be honest about what you can manage in terms of income and expenditure, so that you develop a realistic budget that helps you weather the unexpected throughout the year. Be careful not to get into a situation where your budgeted expenditure commitments are fixed, but your budgeted income levels are still subject to significant uncertainty. You must also make sure that the budget is prepared and agreed in good time before the start of the period to which it relates.

A budget should be developed in conjunction with the people responsible for delivering the charity's operational plans and for raising income. It is essential that you regard budget preparation as the joint responsibility of both finance and non-finance staff. Each group brings their own areas of knowledge and expertise which contribute to creating realistic and informed budgets. Unless non-finance staff actively participate with those compiling the numbers, the risk is that the budget's financial targets will look good on paper but are unlikely to be met in practice.

It is essential that the full board discuss the proposed budget. There should be a detailed board discussion about the planned direction for the year ahead, the financial implications of that and the risks involved, before trustees formally approve the budget.

See the checklist below for key questions to consider when preparing a budget.

✔ KEY QUESTIONS TO CONSIDER WHEN PREPARING A BUDGET

- What are our objectives in the strategic plan that relate to the year ahead?
- What activities will be involved in achieving these objectives?
- How much financial expenditure will be required to perform these activities?
- Where will the money come from?
- What are the risks involved with the assumptions made in the budget, and what contingency plans do we need if they come to pass?

In addition to helping you to measure financial performance, budget management can:

- Stimulate your planning, helping you to coordinate and control the use of your resources
- Encourage realism, so that plans are achievable within available resources
- Help improve the quality of plans, as employees and volunteers are helped to focus on and discuss service priorities
- Improve clarity of vision and staff motivation.

Financial management system

CONTROLLING THE BUDGET

Budget management involves two processes: preparation (as described above) and control. These should not be seen as separate processes, as one informs the other.

The two processes involved in budget management:

Preparation	Control
Calculating	Checking
Negotiating	Investigating
Revising	Projecting
Agreeing	Action

There are three key questions that underpin budgetary control:

1. How are we doing?
2. How much of the budget is left?
3. What will it look like at the end of the year?

The best way of answering these three questions is to ensure that an easy-to-understand set of management accounts are produced on a regular basis throughout the budget year. The management accounts should record the actual income generated and expenditure incurred for the year to date; an analysis and explanation of any variances from budget; and a forecast to the end of the year. A balance sheet should also be included to ensure that cash flow, as well as income and expenditure performance, can be monitored.

An accurate and accessible set of management accounts performs two jobs. It enables managers with responsibility for budgeted resources to track their progress and be held accountable for any variances from budget, and it enables the board to maintain financial oversight of the charity's operations during the course of the budget year.

! All too often, boards of charities are presented with management accounts comprising not much more than multiple sheets of paper covered in numbers. There is little if any narrative explanation, key messages are almost impossible to discern, and it is left to the 'finance experts' on the board to decipher whether progress against budget is satisfactory. In a charity with strong financial management, every effort will be made to produce accessible management accounts with which all trustees can, and do, engage.

An excellent description of how to approach this challenge can be found in Hilary Seward's More of the wood, less of the trees: a trustee-centred approach to Management Accounts (2013).

FINANCIAL PROCEDURES MANUAL

Underpinning all financial management systems are a series of financial policies and procedures which guide operations and set out how your organisation uses and manages its money. These are all brought together in a financial procedures manual, overseen by finance staff, which:

- Documents the controls in place within the organisation to regulate financial activity, aiming to ensure that the charity's funds are properly used and that financial data is accurate, timely and complete
- Outlines the key responsibilities of managers, employees, volunteers and trustees
- Governs the behaviour of all when it comes to financial transactions.

Financial management system

There is no one model for a financial procedures manual and yours will depend on the needs and structure of your organisation. Here are some of the most common content sections of a typical financial procedures manual. These can act as the starting point for your own manual and can be adapted to cover the particular needs and activities of your organisation. Your manual may also need to include key elements of external financial regulations that relate to your organisation.

! CONTENT HEADINGS OF A TYPICAL FINANCIAL PROCEDURES MANUAL

- Trustees' financial responsibilities
- Controls on expenditure (who can spend what, with whose authority?)
- Controls on financial assets (for example, who records cheques received and who banks these; is there an adequate division of duties?)
- Exercising budgetary control (who can spend how much on what; what expenditure needs special permission?)
- Controls on human resources (who can recruit whom, for what roles; what permissions are needed from whom?)
- Controls on physical assets (for example, who can authorise the sale, purchase or lease of buildings, equipment etc?)
- Expenses (what legitimate expenses – incurred by employees, volunteers and trustees – can be reimbursed, and at what rates (eg car mileage claims, accommodation, meals?).

See guidance from the Charity Commission for England and Wales: Internal financial controls for charities (CC8), and Managing charity finances.

Financial governance

You can only achieve effective financial management by establishing a suitable system of financial governance and oversight.

This will depend, to a large extent, on the size of your organisation. If your organisation is very small and has no paid employees, you will probably rely heavily on volunteers and trustees to undertake financial management; in larger charities this work will be undertaken by paid staff.

Good financial management assigns discrete responsibilities to people within the organisation; the larger your charity, the more scope there will be for people to play different roles. It is essential that you plan ahead so that, as your organisation grows, a structure develops in which it is clear 'who does what'.

> ! Effective financial governance ensures that you have in place an appropriate system of controls and financial oversight, responding to the constantly evolving relationship between:
>
> - Your financial strategy
> - Your financial management system
> - The skills and experience of your trustees, managers and staff (including non-trustee volunteers).

THE ROLE OF THE BOARD OF TRUSTEES

Trustees are responsible for the direction and performance of their charity. They have a legal duty to manage their charity's resources responsibly and to ensure that the charity's assets are applied only for the charitable purposes of the organisation (see the **Governance** guide for more information).

THE ROLE OF THE TREASURER

Charities are not required to have a treasurer, but some organisations choose to have one of their trustees designated as such to provide a focus on financial matters at board level. The treasurer is effectively a 'lead trustee' on finance-related topics and a good treasurer can provide a helpful sounding board for finance staff and help fellow trustees with their financial responsibilities.

It is essential to remember, however, that even with a treasurer in place all trustees continue to share equal responsibility for the charity's finances and for overseeing the organisation's financial risk management processes. If a treasurer becomes too dominant, other trustees can tend to back away from engaging with financial matters. In such circumstances having a treasurer can result in weakening, rather than strengthening, the board's sense of collective responsibility for the charity's financial management.

Financial governance

DELEGATING DAY-TO-DAY RESPONSIBILITY

In most charities, the board of trustees only meets a few times a year, so the trustees delegate authority for the day-to-day management of the charity to its director or chief executive (CEO).

The role of the CEO is to support the development of an organisational plan, a financial strategy and an annual budget, and to implement these, once they have been agreed by the board. The CEO, along with the management team, is responsible for converting the board's intentions into action and for managing the systems and procedures needed to achieve results.

While it is acceptable for trustees to delegate authority (providing this is clearly specified), they cannot delegate total responsibility. The board must therefore set up monitoring mechanisms to ensure its instructions are being properly carried out. Some of the questions trustees should consider are outlined in the checklist below.

✔ QUESTIONS TO HELP ESTABLISH EFFECTIVE FINANCIAL GOVERNANCE AND OVERSIGHT

- Are the trustees, the CEO and managers clear about their discrete financial responsibilities?
- Are duties which have been delegated from the trustees to the CEO clearly recorded?
- Are systems in place to enable all parties to exercise their responsibilities appropriately?
- Have board committees been established to handle financial matters, as necessary?
- Are the trustee board as a whole fulfilling their financial responsibilities?

See the Charity Commission guidance The essential trustee: what you need to know, what you need to do (CC3)

Dorothy Dalton's Financial governance – A gentle guide for the non-finance charity trustee (2017), published by Rathbones and Acevo, covers much of this material in an accessible way.

Transparency in external reporting

Ensuring that your charity has sound financial management procedures in place is an essential – but not the only – part of a trustee's financial responsibilities. Trustees must also ensure that they report publicly on their use of financial resources by complying with statutory accounting and reporting requirements.

Providing appropriate accountability to stakeholders will help funders, donors, the people you work with, and others to understand your charity and its work, and will encourage trust and confidence in your organisation.

All registered charities must produce a trustees' annual report and a set of accounts, and must provide a copy of the most recent version of either document to anyone on request. All registered charities with annual income above £25,000, and all Charitable Incorporated Organisations (CIOs), must also file copies of their trustees' annual report and accounts with the Charity Commission within ten months of their financial year-end. These can be accessed by the public on the Register of Charities.

In the interests of transparency, the Commission encourages you to file your accounts sooner than this in order to give an up-to-date picture of your charity to all interested parties.

> ! Remember, those trustees who sign the trustees' annual report and accounts are signing on behalf of the whole trustee board – so all trustees are responsible for their charity's published accounts.

THE REGULATORY FRAMEWORK

The format of the accounts your charity must produce depends on whether it is a company, and how much income it receives. Charities whose income is over £250,000, and all charitable companies, must prepare their accounts and trustees' annual report in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP). The SORP is regularly updated. See the **Compliance** guide for more on compliance with essential charity and company law.

Transparency in external reporting

The SORP requires legal and accounting interpretation and you should rely on professional expertise for this, but the checklist below identifies the key requirements of the SORP.

✔ KEY REQUIREMENTS OF THE SORP

The Statement of financial activities (SOFA)

The SORP replaces the profit and loss account (as seen in the commercial sector), with the SOFA. The intention is to remove the concept of profit as a measure of success or failure, since this is not appropriate for charities. In the SOFA charities should show all income and all expenditure for the financial year.

Fund accounting

Charities are required to show in their accounts their income and expenditure, assets and liabilities analysed by the particular charitable funds held. The proper administration of individual charitable funds is essential if trustees are not to act in breach of trust. The different types of funds are:

- Permanent endowment funds
- Expendable endowment funds
- Restricted income funds
- Unrestricted funds (comprising designated funds and general funds)

Trustees' annual report

In addition to the annual accounts, trustees of registered charities are required to prepare an annual report to be submitted to the Charity Commission together with the accounts. The content of the annual report includes:

- Objectives and activities
- Achievements and performance
- Financial review
- Structure, governance and management
- Reference and administrative details
- Any funds held as custodian trustee for other charities.

See Charity Commission guidance Charity reporting and accounting: the essentials (CC15d).

Also see Sayer Vincent's guide 'SORP 2015 made simple'.

Providing evidence of your achievements

PROVIDING EVIDENCE OF YOUR ACHIEVEMENTS IN FINANCIAL MANAGEMENT AND FINANCIAL REPORTING

- You have a financial strategy in place which underpins the organisational plan
- The board of trustees agrees budgets annually
- The board receives finance reports (management accounts) comparing actual income and expenditure against the budget, at least quarterly
- There are accurate minutes of financial decisions and action to be taken
- The financial procedures manual is kept up to date and reviewed every two years
- The trustees' annual report and accounts are discussed by the full board before being signed, and are filed with the Charity Commission within ten months of the financial year-end
- Banking procedures are in place and up to date
- HMRC and Charities Act regulations are complied with.

Signposts

Charity Commission for England and Wales guidance including:

- Charity reserves: building resilience (CC19)
- Internal financial controls for charities (CC8)
- Managing charity finances
- The essential trustee: what you need to know, what you need to do (CC3)
- Accounting and reporting by charities: Statement of Recommended Practice (SORP)
- Charity reporting and accounting: the essentials (CC15d)

OSCR Scottish Charity Regulator provides guidance including Charity Accounting

Charity Commission for Northern Ireland provides guidance including Manage your charity

Nfp Synergy (2017). Just my Type – An Archetype Analysis of Charity Finances.

Charity Finance Group (2012). Beyond Reserves

The Bridgespan Group (2019). Ending the Nonprofit Starvation Cycle

The NCVO provides useful advice on funding and income with practical tips and step-by-step guides on how to find the money you need for your charity, as well as other general financial management guidance

Salway M, Palmer P, Grant P, Clifford J (2020) Demystifying Social Finance and Social Investment (London: Routledge)

Seaward H (2013) More of the wood, less of the trees: a trustee-centred approach to Management Accounts. (Charity Finance Group).

Dalton D (2017) Financial governance – A gentle guide for the non-finance charity trustee (London: Rathbones and Acevo)

SORP 2015 made simple – one of Sayer Vincent's 'made simple' guides

Palmer P, et al (2014) The Good Guide to Financial Management (London: NCVO)

Sayer K, Miller J, and Clapham A, (2017) The Honorary Treasurer's Handbook (London: The Honorary Treasurer's Forum)

Morgan G, (2017) The Charity Treasurer's Handbook (London: DSC)

Poffley A, (2010) Income to Impact (London: DSC)

The Charity Finance Group (CFG) supports charity finance staff with a wide range of activities, including events and training courses, specialist helplines, a monthly magazine and other key resources including up-to-date regulatory information

The Honorary Treasurers Forum provides a source of information, research and knowledge for the treasurers of charities large and small

Glossary

Clarification of common terms used throughout the Tools for success series. Please note that some terms included in this Glossary may not appear in the content of every guide.

Collaboration: A spectrum of different ways two or more organisations can work together for mutual benefit – such as cost reduction, or to add value for those with whom the organisation works. A collaboration can be formal (a merger) or informal (a network), and it can last for a fixed length of time or can be permanent.

Compliance: Conforming to regulations and legislation (and being able to demonstrate this).

Constitution: The legal document that, in written form, establishes the rules and principles, powers, duties, structures and processes of the organisation.

Diversification: Establishing a broad portfolio (e.g. in terms of services investments or funding streams) in order to minimise risk and create choice.

Driver: A major force or trend that could positively or negatively influence the future of an organisation. Drivers have a complex relationship with each other; some drivers are an outcome of others. Some are reasonably predictable; some are uncertain.

Diversity, Equity and Inclusion (DEI):
Diversity is about recognising and valuing difference in its broadest sense, ensuring that everyone has equitable access to resources and decision making.
Equity is about removing inequalities to make sure everyone has the chance to realise their ambitions. **Equality** is about creating a fairer society where everyone has an equal opportunity to fulfil their potential.
Inclusion is about being proactive to ensure that each individual's experience within the workplace and in wider society is one where they feel valued, respected and fully able to participate.

Evaluation: Using information from monitoring and elsewhere to assess the performance of an organisation or project against its stated aims or outcomes.

Governance: The process of oversight by trustees/board that ensures the organisation works to its aims, uses its assets to pursue those aims and acts at all times in the interests of beneficiaries.

Grant: a one-way, non-contractual, transfer of money or other assets for a social purpose (often charitable but not always).

Impact: All changes resulting from an activity, project or organisation. It includes intended as well as unintended effects, negative as well as positive, and long- term as well as short-term

Induction: An event or programme of activities to welcome, orient and introduce a new recruit (staff, volunteer or trustee) to the structures, procedures, people and culture of the organisation.

Liability: An obligation that may put an organisation at a disadvantage. Often associated with past obligations causing future transfer of assets, delivery of service or other duty, and/or yielding of benefits.

Networking: Exchange of information, knowledge, understanding and experience between people sharing common issues and concerns.

Other players: Any individual, organisation or group that works in the same field as your organisation and/or that has similar or overlapping interests. They could be charities, commercial organisations or statutory bodies. They may also be competitors, suppliers or collaborators.

Outcomes: The changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides.

Outputs: The direct products, services or facilities that result from an organisation's or project's activities.

Performance indicators: Well-defined information which shows whether something is happening (or not) as a result of actions and/or investment made.

Performance management: A process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. It establishes a shared understanding about the results that need to be achieved, and an approach to leading and developing people which will ensure that they are achieved.

Quality framework: A set of criteria enabling an organisation to apply a rigorous, consistent and comprehensive approach to continuous improvement.

Risk: A potentially damaging outcome of an event or situation

Glossary

Social enterprise: A social enterprise is a business set up to tackle a social or environmental need. Their main aim is to generate profit which can be used to further the organisation's social or environmental goals.

Social finance: Refers to the use of commercial-style investment tools to create a social as well as a financial return.

SOFA: Statement of Financial Activities. A charity's SOFA shows all the incoming resources becoming available during the year and all its expenditure for the year, and reconciles all the changes in its funds.

SORP: 'Statement of Recommended Practice: Accounting and Reporting by Charities', published by the Charity Commission, providing guidance on the format and content of charity accounts and annual reports.

Stakeholder: All individuals and groups who are affected by, or can affect, a given project, programme or organisation.

Statutory body: An institution empowered by the state through legislation to establish policy, regulate, fund and provide services.

Strategic analysis: Considering how the environment is changing, analysing the implications for the organisation, and using this knowledge to make better strategic decisions.

Strategy: A way of mobilising an organisation in its direction of travel: setting direction, analysing what the organisation needs to do, planning, implementing, and evaluating the plan.

Sustainability: The ability or facility to remain robust and drive impact into the longer term: continuing to exist and being maintained at a defined level of strength indefinitely.

Target: The aspired quantity and quality of outputs and outcomes; specific, measurable and time-bound results.

Trading: The exchange of goods or services, or both, through a market, using a medium of exchange such as barter (direct exchange of goods or services) or money.

Trustee: In legal terms, the holder of property in trust on behalf of those the organisation supports. For most nonprofit organisations, trustees are board members with defined duties under the constitution or governing document; the persons having the general control and direction of a charity. A trustee may also be called a 'management committee member' or similar.

CENTRE FOR CHARITY EFFECTIVENESS

Inspiring transformation within the nonprofit sector.

The vision of the Centre for Charity Effectiveness (CCE) is that of a nonprofit sector leading positive social change. We support the sector to achieve this through the services that we deliver: education, knowledge sharing, research and independent consultancy advice. As one of Bayes Business School's centres of excellence, impactful knowledge exchange has been at the heart of what we do since our inception over 20 years ago.

Tools for success series:

Compliance

Connect

Direction

Finance

Governance

Operations

People

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