



**BAYES**  
BUSINESS SCHOOL  
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# Governance

Tools for success:

doing the the right things and doing them right

[ Centre for Charity Effectiveness ]

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## 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.

# About this guide

**The purpose of this guide is to help you build an effective and responsible governance structure.**

It explores five key areas: reviewing strategy and finance; board effectiveness; boundaries and delegation; decision-making and accountability; risk management. In each area, we link the responsibilities of your board with key activities and signpost websites where further information, support and advice can be obtained.

We use the terms 'board' and 'trustees' throughout the guide but recognise that there is a variety of titles used in the sector including 'management committee', 'governors' and 'directors'.

Centre for Charity Effectiveness

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# Reviewing general performance

## Including strategy and finances

### A trustee is

“the person having the general control and management of the administration of the charity.”

(Charities Act 2011)

The board’s core role is a focus on strategy, performance and assurance. Your board is accountable for the whole organisation – determining its strategic direction and monitoring performance. See the **Direction** guide for information on developing strategy. It’s important not to confuse ‘governance’ with ‘management’. The board needs distance to enable it to be a ‘critical friend’ and cast a fresh eye on the operation of the organisation and provide support and constructive challenge to management in delivering the agreed strategy.

### STRATEGY

Your board should review the strategic plan regularly (at least annually) to:

- Monitor progress against agreed targets (ideally this should be done quarterly)
- Check that any assumptions previously made are still valid
- Assess whether any anticipated changes in the external environment or circumstances mean that the plan needs to be modified.

To assist the board in monitoring the organisation’s performance, key measurements should be built into the strategy. Agree a number of key organisational performance measures that can be read at a glance (‘a dashboard’) to give an overview of how the organisation is doing, so that you avoid overloading your board with large amounts of data. These measures can be compared from meeting to meeting and year on year, building up a flow of data to provide a visual representation of trends and alerts for the board on how the organisation is performing and where action needs to be taken.

Performance measures should be relevant and specific to your organisation and help your board understand how the organisation is developing. Examples might include the numbers of people supported, the unit cost of a service (ie. the cost of supporting one person etc.), numbers of employees and volunteers, numbers of accidents/complaints, events etc. See the **Operations** guide for more on developing measures relating to organisational objectives.

- ! Periodically, pose and consider answers to the Charity Commission’s ‘Governance, finance and resilience: 15 questions charities should ask’:
- Identify areas that are critical to the charity concerning its governance, finance and resilience
  - Identify gaps and areas to strengthen.

# Reviewing general performance

## Including strategy and finances

### FINANCE

The board is required to act as the ultimate financial controller of the organisation.

See the **Finance** guide for information on financial management. Key responsibilities in this area include:

- Understanding, approving and monitoring the budget
- Ensuring there is budgetary control over income and expenditure
- Ensuring that investments are managed legally, ethically and prudently
- Ensuring that the charity's assets and income are only used to pursue the charity's objects as described in the governing document (see the **Compliance** guide)
- Ensuring that steps are taken to prevent fraud
- Ensuring that the accounts are audited and SORP-compliant (see the Finance guide).

Your board must receive up-to-date and accurate financial information on a regular basis – at least every three months. Your trustees should be prepared and able to challenge a question and test any significant variances (ie. the difference between the actual income/expenditure and budgeted amounts). It will help the process if the management accounts always include an explanation of any variance above an agreed figure.

As a result of information received and following scrutiny and analysis of the financial position, your board should agree and approve appropriate management action and if necessary, changes to the budget. All decisions should be recorded in the formal minutes of the meeting.

! If the number in the variance (or difference) column is in brackets, it means either that the income is much less than budgeted or the expenditure is that much more than budgeted.

# Board effectiveness

It is well known that boards are more effective and make better decisions if they include different perspectives, experiences and skills i.e. recruiting trustees with a range of different characteristics including age, gender, sexuality, race, disability etc.; those with different career paths or lived experience of your cause; those with different skills and knowledge, backgrounds and life experiences; and those who bring a diversity of thought.

A high-performing, diverse board is likely to be a mix of people with 'hard' skills (legal, financial, management skills), 'soft' skills (team-working, communicating, problem-solving abilities) as well as specific experience and knowledge relevant to your organisation including trustees with lived experience of your cause.

## ✓ TRUSTEE ROLE AND RESPONSIBILITIES

Trustees are legally liable for the organisation; their main duties are to:

- Comply with the charity's governing documents and the law
- Ensure the charity is carrying out its purposes for the public benefit
- Ensure the charity is accountable
- Act in the charity's best interests
- Act with reasonable care and skill
- Manage the charity's resources responsibly.

The Charity Commission's The Essential Trustee: what you need to know, what you need to do (CC3) sets out key responsibilities

And see the **Compliance** guide for more on essential legislation.

## DIVERSITY, EQUITY AND INCLUSION (DEI)

Boards are often less diverse than the general public and don't reflect the communities they work with. Improving diversity requires commitment – and ownership from the board – but trustees often struggle with how to start.

Suggestions as to how to kick start the process of improving diversity on your board:

- Explore and agree why diversity is important to your organisation and environment.
- Consider what aspects of diversity are not present on your board. Explore the barriers to recruiting a more diverse board and how you might address them
- Set some goals (relevant to your context)
- Take action and monitor progress, learning as you go along, and feeding the learning back in
- Be transparent about your progress and learning against your objectives, by publishing this information in your trustees' annual report and on your website. Be open about what you are trying (even if it hasn't worked as well as you hoped)
- Hold exit interviews to learn from exiting trustees' experience of being on the board
- Keep going. It's not a quick fix but requires effort and patience and involves lots of learning.

The Charity Governance Code is clear that "boards that commit to equality, diversity and inclusion are more likely to set a positive example and tone for the charity by following an appropriate strategy for delivering its purpose and setting inclusive values and culture".

See also the **People** and **Direction** guides.

# Board effectiveness

**Inclusion and equity** involves making all members of the board feel welcomed and given equal opportunities to connect, belong, develop, feel comfortable and confident in their authentic selves by, for example:

- Creating an environment whereby when new trustees join your board, they encounter a welcoming environment and are supported to thrive
- Embedding inclusive language, thinking and actions into all your policies and processes.
- Offering ‘conscious inclusion’ training for board members and staff and reinforcing through reflection and action
- Including responsibility for DEI in trustee role descriptions (not leaving it to management)
- Being alert to your board’s culture and ensuring it doesn’t stifle views that may not be the same as the presiding ones; recognising that having a more diverse board will be uncomfortable at times (see Joe Saxton’s view in the box below)
- Ensuring that everyone has the same opportunities to contribute to governance (e.g. being invited onto a committee, a working group etc.); avoid having an inner circle of trustees who have more influence or power than others
- Encouraging everyone to contribute during a board meeting by creating a safe, welcoming space where everyone is listened to remembering that all trustees have the same responsibility for the charity, so they must have equal opportunity to contribute to decision making.

▶ Principle Six of the Charity Governance Code (England and Wales) describes the journey of a board in addressing its diversity and inclusion challenges:

1. Assessing understanding of current systems and culture
2. Setting plans and targets
3. Action and monitoring results and progress
4. Publishing information and progress (in your annual report and website).

## ! RECRUITING TO DEVELOP A DIVERSE BOARD

- Use creative approaches to reach a wider pool of potential candidates and access different demographics e.g. promote vacancies via social media; in key meeting places, community media etc. as well as more traditional sources; adjust the tone of your recruitment materials by, for example, emphasising that candidates don’t have to have reached a particular level of education or career stage, or to have been a trustee before (and that training and support will be given).

# Board effectiveness

## ✓ CARRYING OUT A TRUSTEE SKILLS AUDIT

- Consider the organisation's plans for the next few years
- Decide what skills, knowledge and experience you will need on your board to help the organisation achieve its goals
- Identify the skills, knowledge and experience of your current board
- Think about who will be retiring from the board in the next year or so
- Ask trustees to complete and return a questionnaire which includes the following questions:
  - What skills, knowledge and experience do you bring to the board? (Offer a checklist such as fundraising, marketing, HR, finance, administration, law, property, IT, specialist activity relevant to the charity to assist thinking; leave space for 'other attributes')
  - How do you hope to contribute your skills, knowledge and experience to the charity?
  - In which area of the charity's work are you particularly interested?
- Analyse the responses as a basis for deciding what skills, knowledge and experience gaps your board has before you start the trustee recruitment process.

It's important however not to rely solely on a skills audit, as this can lead to an over-focus on professional disciplines that overlooks first-hand experience. You need a combination of lived experiences and professional skills to ensure that:

- The people you work with can influence decisions
- The board has the insights and skills it needs to drive forward your organisation's strategy.

▶ Find resources and templates on skills audits, trustee recruitment and induction from the Trustee Recruitment Cycle.

## BOARD DEVELOPMENT AND PERFORMANCE REVIEW

### Induction

- Spread activities over a period of months rather than as one concentrated activity; encourage and create an environment where the new trustee feels comfortable to ask questions and see their questions as opportunities for learning for the whole board
- Assign a buddy trustee to answer any questions and provide support for the first year including helping to understand information received during induction
- Arrange for the chair to be in touch immediately after the new trustee's first meeting to check if they have any questions, if anything could have been clearer (and check in again regularly to see how the new trustee is finding the role and what support they need)
- Hold regular refresher induction training for the whole board so that a new trustee is not made to feel 'different'
- Plan team building activities when a new board member joins as well as providing opportunities for the new trustee to get to know their colleagues
- Ensure access to learning and development opportunities, funded where possible via a specific budget heading. Don't expect new trustees to come 'fully formed' and instead support with development
- Key development activities include:
  - All trustees to have access to opportunities that support knowledge building and skills development (e.g. some boards include short development sessions ahead of a board meeting)
  - Training on specific areas such as safeguarding, GDPR, Diversity, Equity and Inclusion (DEI) service delivery or strategic planning as identified
  - A regular (annual) conversation between individual trustees and the chair looking back over the past year, forward to the next and what development needs can be identified. Ensure that the chair is included in the review process
  - A regular self-assessment against good practice by reviewing your governance against a Charity Governance Code (see below).

See also the **Compliance** guide for key information for new trustees

# Board effectiveness

- Ensure that trustees are subject to fixed terms to ensure a regular refresh of the board; three terms of three years are often seen.
- Build in performance review by the chair ahead of renewal to a second or third term to ensure board composition continues to meet the needs of the organisation.
- Have plans for both emergency succession (in case a trustee particularly the chair leaves unexpectedly) and planned succession (when you know that a trustee is stepping down at an agreed date).
- A new trustee's initial impressions and fresh perspectives are a very useful opportunity for boards looking to improve the way they work, and boards should foster a culture where asking questions and speaking out is welcomed.
- Seek feedback on the induction programme from the new trustee and make changes as necessary

## ▶ CHARITY GOVERNANCE CODES

The Codes are recognised as the standard for effective governance. They are not legally binding but set out what's considered to be best practice and are deliberately aspirational: some elements will be a stretch for many charities to achieve and are offered as a tool for continuous improvement towards the highest standards.

See the Signposts section below for useful links.

# Boundaries and board delegation

## BOUNDARIES

As mentioned above, the board is responsible for determining strategy and management for delivering the agreed strategy.

The general distinction between governance and management tasks/roles is illustrated in the table below, taken from 'Small charity trustees: how to overcome key challenges' (2017):

Responsibility	Primary role of management	Primary role of the board
Direction of the charity	Vision, Mission, Aims and Values are best jointly developed and agreed, although the board has the final say	
Strategy and impact	Strategy is best jointly developed and agreed. Management should report on progress and impact achieved, which the board reviews regularly.	
Policies	Develop and implement	Identify policies needed, review and monitor
Financial viability	Obtain funding for the strategy. Spend resources on operational and charitable work (within agreed budget)	Approve overall spending and resource allocation (budget). Review and ensure financial viability
Accountability and transparency	Report to stakeholders	Ensure accountability to stakeholders
Charity staffing	Appoint and manage staff	Appoint and manage the chief executive
Risk and conflict	Identify, evaluate and mitigate risk	Ensure risk and conflicts are managed
Legal compliance	Provide (or seek) advice	Be responsible for legal compliance
Governance effectiveness	Support effective governance	Be responsible for governance effectiveness
Insight and judgement	Provide evidence and analysis	Provide insight and judgement

The above distinction may be much less clear in small organisations where trustees can sometimes carry out work that would otherwise be undertaken by staff (i.e. editing a newsletter). For that reason, when trustees become involved in operational matters, it is important to separate their governance and operational roles and make it clear when they are operating as volunteers (as opposed to fulfilling their trustee role). To avoid confusion, the trustee's line management for any operational tasks should ideally be via the director or chief executive.

And see the Charity Commission's guidance (CC24) on trustees who are also people whom the charity supports.

# Boundaries and board delegation

## DELEGATION

A common problem for boards is spending the limited time they have available on activities that should be delegated – where there are resources for such delegation.

Your board can only delegate responsibility for area of activity (e.g. risk, finance, people, services etc.) or a piece of work to an individual trustee, group, committee or to management if:

- Such delegation is permitted in the governing document – see the [Compliance guide](#)
- It follows a proper approval process which is recorded in the board minutes
- There is a clear role and task definition and/or terms of reference for a committee, group or individual trustee
- There are adequate monitoring and review processes
- There are clear limits on delegated authority in terms of decision making, resources and other matters
- The issue returns to the board for ratification, sign off by trustees and is recorded in the minutes of that meeting.

It is good practice to appoint trustee ‘leads’ (for safeguarding or diversity etc.) who will take a particular interest in an area and report back to the board.

# Effective decision-making and accountability

The board sets the long-term strategy and the framework within which the organisation must function. Depending on the resources and size of the organisation, the executive/management decides on how the strategic aims are to be achieved and carries out the work of the organisation.

## ACCOUNTABILITY

Your board is legally accountable for the whole organisation, ensuring that it complies with its purpose and governing document, that it is solvent and fulfils all its obligations. In practice, this means the board must:

- Comply with all relevant legislation and regulation – see the Compliance guide
- Be accountable for its decisions and actions to all key parties, including statutory bodies, funders, donors, people you work with, staff, volunteers, regulators, the public and other stakeholders
- Submit to whatever scrutiny is appropriate
- Ensure that the organisation has a formal complaints procedure which is publicised, operated according to the agreed process and records kept (summaries of which are reported to the board)
- Seek external advice when necessary.

## DECISION-MAKING

It is essential that your board has a robust decision-making process to ensure efficiency and effectiveness. This requires:

- Board agreement on how, where and at what level decisions are made (see Delegation p. 9 above)
- Clarity of roles and responsibilities at strategic (board) and operational (management) level

- Limits on financial authority – who can authorise spending (and by what process), up to what level
- Monitoring of organisational activities and actions.

To achieve this, you must ensure that the board is provided with sufficient information – in good time before a board meeting to allow for preparation – to be able to understand the full facts of the issue or proposal. Board members must be given adequate opportunity for debate and consultation before a decision is taken. Any resulting decision should be by consensus and/or consultation or where necessary a majority vote. It is important to ensure that the decision is formally recorded the minutes of the meeting which are to be signed when approved.

When trustees make decisions about your charity, they must:

- Act within their powers
- Act in good faith, and only in the interests of the charity
- Make sure they are sufficiently informed, taking advice as needed
- Take account of all relevant factors they are aware of, ignoring any irrelevant factors
- Deal with conflicts of interest and loyalty (see Charity Commission guidance)
- Only make decisions that are within the range that a reasonable trustee body could make in the circumstances.

**!** Be alert to group think in decision making i.e. when a group of individuals reaches a consensus without critical reasoning or evaluation of the consequences or alternatives.

# Effective decision-making and accountability

## ❖ ENHANCING THE EFFICIENCY AND EFFECTIVENESS OF YOUR MEETINGS

Trustees largely deliver their role through attendance at meetings (board and committee); it's important to use the board's limited time together as effectively as possible:

1. Develop and maintain an annual calendar of key dates and milestones as to when decisions need to be made or action taken. This will include approving the annual accounts, submitting key returns, publishing the trustees' annual report, date of the annual general meeting (AGM) if you hold one, key events etc. This allows people to get the dates into their diaries.
  2. Plan the agenda to help trustees add value:
    - Include the most important items at the top of the agenda (after the standard items of Apologies, requests for any Conflicts of Interest, Minutes, Manager or Chief Executive's report)
    - Bring the beneficiary into the boardroom with a case study or presentation at the start of the meeting; expect trustees to suggest who they want to meet and why
    - Be clear about the purpose of each item (for decision, for information, for discussion)
    - Allocate an approximate time for each agenda item; note where papers are attached and who will lead on the item
- Group consent items (ie. non-controversial items that don't need discussion and are for information) together to save meeting time
  - Include at least one (strategic) question for the board to consider per meeting sometimes supported with a paper from management, sometimes for the board to research themselves
  - Include an end of meeting review to encourage learning and help each meeting be better than the last which could include a brief reflection on what was achieved from the meeting; what has been learnt; how much time was spent receiving information?
  - Ensure there is some informal time before or after the start of the meeting (even if virtual) to help board members and the staff team to get to know each other.

▶ A conflict of interest is when a trustee (or person or organisation connected to them), could get money or something else of value from a trustee decision.

A conflict of loyalty is when which a trustee's loyalty or duty to another person or organisation could prevent the trustee from making a decision only in the best interests of the charity.

See Charity Commission guidance on conflicts of interest

# Feedback from people you work with

**Part of your board's accountability is ensuring that feedback is received from people you work with (particularly when reviewing your purpose and vision) and that this is taken into account in future when making decisions.**

It is essential to think about what is appropriate and will work in your organisation. Much will depend on your size and resources and the nature of the issues facing your organisation, but board decisions will benefit from feedback which enables them to understand the experiences of those with whom you work. Activities to assist this include one or more of the following:

- Building in plenty of opportunities for the organisation to hear the views and needs of the people you work with
- Asking the people you work with what techniques and or approaches might help them offer the kind of feedback you are looking for
- Understanding what constitutes 'good support' from different perspectives (ie. the people you work with, management, staff providing the service, members of the public).

You can effectively gather feedback on service provision and user satisfaction through:

- Interviews – structured or semi-structured (ie. with pre-prepared questions)
- Meetings and focus groups, including 'meet the board' sessions
- Questionnaires
- Analysis of the number and outcome of compliments and complaints
- Case studies and stories; presentations at board meetings
- Introducing some form of advisory forum composed of people you work with.

# Risk management

## Encourage your board to understand that risk management is different from risk assessment.

Risk management is not about avoiding risk but determining the level of risk and deciding what risks your organisation is prepared to accept. Risk assessment is a step in the risk management process and is the determination of the risk related to a situation.

Everyone connected with your organisation has a duty of care to take reasonable steps to avoid anyone suffering injury, damage or loss because of something that could reasonably have been avoided. You should also check that your organisation is covered by public liability insurance in case a negligence claim is brought against it.

The board will also need to satisfy itself that all the major risks to the organisation have been identified. Charities whose accounts are required to be audited (see Charities and Risk Management CC26) must also include a statement in their accounts that they have identified major risks and put in place systems to reduce those risks. It is good practice however, for all charities regardless of size to make such a statement.

Consequently, trustees must ensure that a proper risk assessment process is in place and that it is embedded throughout the organisation. In small organisations, your board is likely to be more involved in the actual process than in larger charities. However distant or involved trustees are, they must be able to make a statement on risk management with reasonable confidence.

As a part of an effective risk management process, organisations should have a plan to cover what needs to be done should a serious event (fire, flood, IT problem etc.) occur, considering how those you work with would be affected. Many organisations develop and maintain disaster recovery plans (sometimes described as business continuity plans).

## UNDERTAKING RISK MANAGEMENT

1. Agree the main areas where risks might be identified which could include some or all of the following:

Potential risk area	Examples of potential risk(s)
Governance	Lack of diversity in the trustee body; difficulty recruiting or retaining board members; no written minutes of meetings; lack of engagement by chair or trustees; poor attendance at board meetings
Operational	Lack of safety or welfare for those with whom you work; health and safety issues, e.g. lack of buildings maintenance; employment issues, e.g. loss of key staff; poor delivery of contracts; cyber attack
Financial	Cash flow or reserve level problems; recurring annual overspend; over reliance on a single funding source or loss of that source; inability to repay loans as required by terms set; insufficient insurance cover
Environment and external	Reputational damage; adverse publicity, government policy, demographic changes
Compliance with the law & regulation	Acting in breach of trust; Poor knowledge of the legal responsibilities of an employer; Poor knowledge of regulatory requirements of particular activities (e.g. fund-raising, running of care facilities, operating vehicles)

# Risk management

2. Your organisation can ensure adequate risk management if board members:
- Focus on major risks and assess the seriousness of the risks under each area
  - Determine the level of acceptable risk
  - Record the findings of the risk assessment
  - Ensure that procedures are in place to eliminate, reduce or control risks
  - Ensure that risk management is communicated and embedded into operational and management procedures across the organisation
  - Review the risk management plan at regular intervals and record in the board meeting minutes
  - Meet any legal requirements for risk assessment.

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## ❖ YOUR RISK ASSESSMENT ACTIVITY

Questions that might help to guide your risk assessment activity:

- What could or might go wrong?
  - What is the probability (or likelihood) of each risk becoming a reality?
  - What is the probable effect or the cost to the organisation if the event occurred, i.e. what would be the level of severity or impact on the organisation if it did happen?
  - What is the overall risk? What level of risk are you prepared to allow?
  - What control measures are currently in place to contain the risks?
  - How do we monitor the risk?
  - Who is responsible for overseeing this?
  - What else do we need to do to eliminate, reduce or control the identified risk?
  - When should we next review the way in which we manage our risks?
  - How far are our partners involved in managing this risk?
-

# Risk management

## ❖ YOUR RISK ASSESSMENT ACTIVITY

A sample risk assessment could look like the table below:

Risk area	Likelihood of occurrence (Low, Medium, High)	Severity of impact (Low, Medium, High)	Overall risk	Control procedure	Monitoring process	Who is responsible?	Further action required	Date of review
Financial – reduction or loss of statutory funding	Medium	High	High	Regular review by the board; financial appraisal of new projects. Communication with commissioners	Quarterly report by Director to the board	Director	Diversify income sources. Consider fundraising	Annual
Operational – tribunal claim by employee	Medium	High	Medium	HR policies and procedures. Training. Supervision	Supervision review	Director/managers	Reinforce good practice via training and policies	Annual

▶ See Charities and Risk Management (CC26) for more detailed information on how to manage risk

# Providing evidence of your achievements

**There are many measurements you can use to demonstrate achievements in governance when assessing or reviewing your board's performance. These can include ensuring that:**

- The board is regularly refreshed with new members being recruited
- Trustees receive training and development including induction
- Trustees are aware of their key responsibilities and duties, including maintaining a clear boundary between governance and operational activities
- There is a culture of learning and wanting each meeting to be better than the last; that the board regularly reviews its performance
- The board hears directly from those it works with
- Records are kept of trustee attendance and targets set which achieve improvements in attendance levels year on year
- Trustees agree realistic budgets and goals; trustees receive the right information to assess performance against both.

# Signposts

## PUBLICATIONS AND INFORMATION

Charity regulators in UK:

- The Charity Commission for England and Wales
- Office of the Scottish Charity Regulator
- Charity Commission in Northern Ireland

Charity governance codes for the UK:

- The Charity Governance Code for England and Wales
- Scottish Governance Code for the Third Sector
- Northern Ireland Charity Commission Code of Good Governance

Other useful codes include:

- Charity Digital Code
- Fundraising Regulator: Code of Fundraising Practice

## REVIEWING GENERAL PERFORMANCE (INCLUDING STRATEGY AND FINANCES)

Charities Act (2011)

Charity Commission '15 questions trustees should ask' (2017)

## BOARD EFFECTIVENESS

Charity Commission: 'The Essential Trustee: (CC3)'

The Charity Governance Code including Principle Six covering equality, diversity and inclusion

The NCVO's 'Good Trustee Guide' (Easy read)

The Centre for Charity Effectiveness (CCE) publishes Building Better Governance - a series of practical guides to nonprofit governance and improving the effectiveness of your board.

CCE also offers resources, case studies and useful signposts on trustees with lived experience

Resources and guidance on how to recruit trustees, becoming a trustee and board diversity and inclusion from Getting on Board and Reach Volunteering, who have co-ordinated the development of the Trustee Recruitment Cycle

Helpful insights into moving towards 'conscious inclusion'

The Association of Chair's publication 'A Chair's Compass'

Allcock Tyler D 'It's a battle on the board: the no-fibbing guide for trustees' (2020 DSC)

## BOUNDARIES AND BOARD DELEGATION

Small charity trustees: how to overcome key challenges (2017)

Hudson M. Managing without profit (2017 London: DSC)

Charity Commission guidance (CC24) on trustees who are also people whom the charity supports

Charity Commission guidance (CC29) on dealing with conflicts of interest

## RISK MANAGEMENT

Charity Commission guidance (CC26) on charities and risk management

## OTHER USEFUL SOURCES OF GUIDANCE AND ADVICE

NCVO has a range of tools and resources designed to support effective governance including a Trustee Recruitment Pack for small organisations, with 10 editable member only documents that can be used to aid the recruitment of trustees

NICVA have a governance and charity advice resource advising on a range of governance and related topics

The NCVO Knowhow site provides knowledge, e-learning and tools

The Association of Chairs offers resources, events and support for those in a chairing role

ACEVO, the community of charity leaders, offers advice and support on governance, particularly about developing effective Chief Executive and board relationships

The Small Charities Coalition supports organisations with an annual income of under £1m. Its website includes materials and information on events and guidance for the trustees of smaller charities

The Chartered Governance Institute UK and Ireland (CGI) provides information including model documents for the charity sector

The Honorary Treasurers' Forum provides information, research and knowledge for the treasurers of charities

# 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.

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## ACKNOWLEDGMENTS

City Bridge Trust (CBT) funded the Centre for Charity Effectiveness (CCE) to produce the original 'Tools for success' series in 2008, to provide small organisations with the basic guidelines to help run an effective charity. We are very grateful to the Higher Education Innovation Fund (HEIF) for providing the funding for this revised 2021 edition.

Caroline Copeman, Adah Kay and Ruth Lesirge were responsible for the original concept and design, much of which still forms the core of this resource. Members of CCE's consultancy team and others have contributed to keeping the material and tools updated and relevant.

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This edition revised and updated 2021.



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