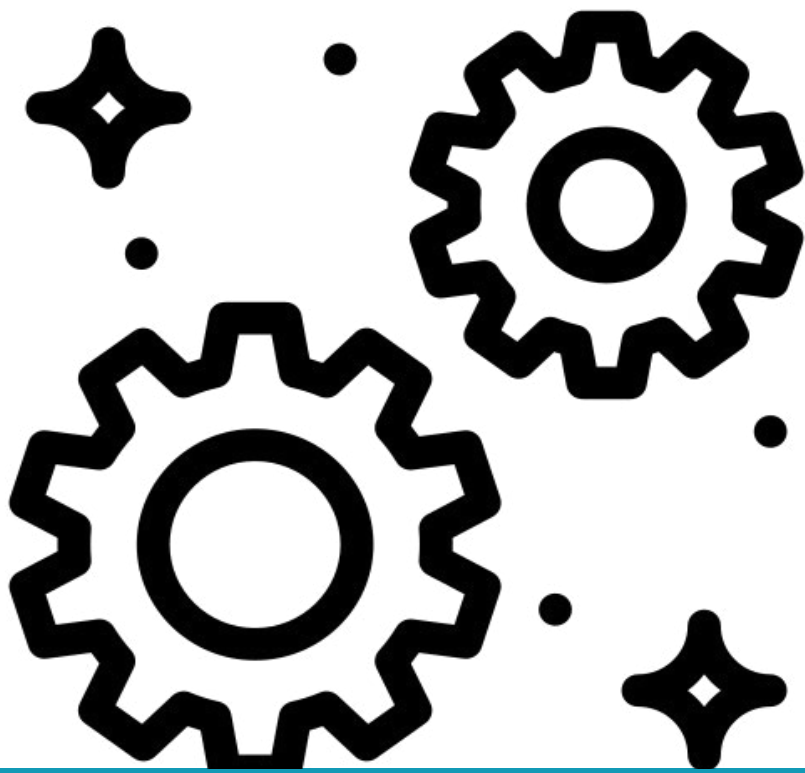




THE CO3 GUIDE to GREAT GOVERNANCE BY ROGER COURTNEY



Produced by CO3, Edwards & Co. Solicitors and Roger Courtney

Written by Roger Courtney

Designed by Louise Cahoon

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Established in 1985, Chief Officers 3rd Sector (CO3) is a leading membership based organisation that focuses on supporting, developing and connecting Third Sector leaders in Northern Ireland.

DISCLAIMER

Our goal is to provide comprehensive, timely and accurate information. This publication contains references and pointers to information kept by other organisations. We therefore cannot guarantee their accuracy. It is our policy to correct any errors brought to our attention. Comments and suggestions are always welcome. Note that this document is not a replacement for seeking legal advice should that be necessary.

Author



Dr Roger Courtney MBE was born and brought up in Belfast. After undertaking a Psychology degree he trained as a community and youth worker and set up Crescent Arts Centre. He was Chief Executive of the Simon Community NI working with homeless people for 16 years and was co-founder of the NI Council for the Homeless. Since completing his PhD in the Strategic Management of Non-profit Organisations, he has been working as a freelance advisor to a range of third sector organisations in strategy, governance and fundraising.

As well as a lecturer and trainer, he is the author of more than a dozen publications on third sector management and fundraising. He is currently chair of Victoria Housing Estates and the Blackburn Trust.

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We would like to thank Edwards & Co. Solicitors for sponsoring this publication.

The compliance requirements for those responsible for governance in the third sector is a rapidly changing field. At the time of writing, for example, charity legislation and regulation in Northern Ireland is currently under review. While every effort has been made to ensure that this Guide is up-to-date at the time of publication, organisations are encouraged to seek legal advice in relation to any specific compliance requirements highlighted in the Guide.

Thank you to Denise Hayward, Chief Executive, Volunteer Now and Dr Jennifer Betts for their assistance with this publication.

Foreword

Jenny Ebbage and Sarah Burrows Partners in Edwards & Co Solicitors.

We are delighted to support this revision of this popular and great guide. We know how much it has been appreciated by charities in Northern Ireland. As charity trustees ourselves and as solicitors advising the third sector with over 50 years in practice between us, we know the importance of great governance as the sure foundation for third sector organisations.



There have been many changes and challenges since the first guide was published and we are expecting more changes in the future in the third sector in Northern Ireland but the underlying principles remain the same. Board members need to know their duties and responsibilities to equip them to comply with the myriad of legal obligations to discharge in undertaking this role. This publication is designed as a clear concise guide to help board members steer their organisation on the right course and to understand what is expected of them. We hope it makes the role of a board member a more interesting and fulfilling one and of benefit to them, staff and those benefitting. It will provide a useful reference text for queries and a practical go to publication for inductions and refresher training.

We are thankful to Roger for sharing his knowledge and expertise in this easy to read and understand but comprehensive publication and commend it to you if you are a board member or thinking of taking up a post in the future. Most of all enjoy being a board member and do it with great governance.

Sarah & Jenny


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1. GOVERNANCE: THE BASICS

Introduction

Governance is a difficult word to define. It is used differently in different contexts and sectors; it is used about countries, private sector companies, schools and hospitals, for example, as well as third sector organisations (i.e. not-for-profit voluntary or community organisations). Schools, however, are the only category of organisation that actually describe those responsible for governance as ‘governors’. In prisons the most senior staff member is called a ‘Governor’.

Unfortunately, governance can be bad as well as good or great..

The root of the word is Latin and means to steer or give direction, which helps distinguish it from the people who row the boat. Governance can, perhaps, be defined as ‘how direction, power and authority are exercised by those at the top’. Cornforth has more fully defined it as ‘the systems and processes concerned with ensuring the overall direction, control and accountability of an organization’ (Cornforth 2014)¹. If we accept this as a definition, perhaps we can then define “great governance” of an organisation as,

when the governing body ensures that the organisation is effectively, ethically and accountably governed in promoting the mission of the organisation and the wellbeing of its beneficiaries² and complies with the requirements of the law and best practice.

Third sector (voluntary, community, charity and social enterprise) organisations tend to have a unique governance arrangement, whereby complete financial and legal responsibility for the organisation belongs to a group of part-time volunteers who make up the board (which may in practice be called by different names e.g. board of directors, management committee, executive committee, council, etc.) and the individuals on the governing body may be called various different things, including:

- trustees (normally used to denote someone who sits on the governing body of a charity);

¹ Cornforth, C. (2014) *Nonprofit governance research: the need for innovative perspectives and approaches* in C. Cornforth and W. A. Brown “Nonprofit Governance” Routledge

² People that the organisation serves

- directors³ (normally used to indicate someone who has been elected or co-opted onto the board of a company - in this case a company limited by guarantee rather than by shares); or
- board members because they sit on a board of a charitable company.

Paid professional staff in the organisation, if there are any, are not normally permitted to be members of this governing body (without explicit approval from the relevant Charity Commission) but are responsible to this board.

It is worth repeating: the people who have complete financial and legal responsibility for a third sector organisation are board members who are part-time volunteers who only tend to give a couple of hours a month to the governance of the organisation. The work of the organisation, however, tends to be delivered by full-time paid professionals. This situation generally does not exist in other sectors. Making it work effectively is a major challenge. Until recently there has been only limited guidance and support currently available to inform and support these part-time volunteers who fulfil this important and challenging role. It has now greatly improved as a result of the establishment of various charity commissions in the UK and Ireland, although, of course, their main concern is compliance with charity law, not the other responsibilities of trustees.

This publication is designed to help the directors/trustees of third sector organisations to be more effective in their governance role, as well as providing chief officers (who report directly to the board – they may be called by various different job titles: Manager, Director, Chief Executive, etc.) with guidance as to how to support the development of good governance in the organisation.

For simplicity, throughout this publication, it is assumed that the reader's organisation is registered both as:

- A charity with the relevant Charity Commission. Once someone has been elected or co-opted on to the governing body of a charitable organisation they become a trustee of that organisation and are required to comply with their responsibilities under charity law; and

³ Sometimes called non-executive directors

- A company limited by guarantee with Companies House (or the Company Registration Office in the Republic of Ireland). This allows the organisation to have an existence of its own as a legal body, separate from its members and directors. It can own property and take legal action in its own right. When someone becomes a member of the governing body of an organisation which is a company limited by guarantee, they also become a director of the company and are required to comply with their responsibilities under UK-wide (or Irish) company legislation. They also have limited liability from legal action against them as individuals, except in narrowly defined situations, e.g. when the organisation has continued to trade when it is insolvent, or when directors have been negligent in fulfilling their health and safety responsibilities and someone died as a result, in which case they can be prosecuted for corporate manslaughter.

The legal form of Charitable Incorporated Organisation has recently been established to provide a single type of organisation which combines the advantages and requirements of being a charity and a company. This is currently not available in Northern Ireland.

If an organisation is a 'non-profit' organisation, but not a charity; or it is a charity, but not a company limited by guarantee (e.g. it is a trust, unincorporated voluntary organisation, Community Benefit Society (formerly known as an Industrial & Provident Society), co-operative or Community Interest Company) many of the same principles of effective governance still apply, although the specific legal responsibilities and liabilities may vary.

Governance in a charity or other third sector organisation is likely to vary depending on how old the organisation is, or to be more precise, where it is on its organisational lifecycle. There are many theories of organisational lifecycles. Some think of organisations like people i.e. birth, childhood, teenage years, adulthood, old age, death. For others, this kind of approach is too simple. However, the concept of organisational lifecycle can be a useful one. There is, of course, no inevitability that the organisation will go through particular stages or go through them in a particular order, but there are frequent common features in how third sector organisations develop and change. Each of the stages have major implications for the governance of the organisation.

Stage 1

An individual, or small group of individuals decide on a voluntary basis to do something about an issue they are concerned about: they want to solve a problem, or improve services to a particular beneficiary group, or get activities organised in their area, or promote and protect the rights of a particular group. Whatever the cause, third sector organisations usually begin with this small group of volunteers, who then recruit other like-minded people. Everything is informal. There is no formal organisation or committee. They meet around someone's kitchen table.

Stage 2

Soon the group may recognise that they need to formalise in order to acquire funding or demonstrate their legitimacy. To formalise, they learn that they need a simple constitution with objects, membership criteria, rules and processes, to elect a committee and office-bearers, and open a bank account. The group becomes, what is called, an unincorporated voluntary organisation run by a management committee. All the work is still being done by volunteers, some or many of whom will now make up the management committee, which has probably elected a chairperson and maybe a treasurer.

Stage 3

It may soon be suggested that the organisation should apply to the Charity Commission for charitable status, which may open up new funding opportunities and legitimise the organisation as being for the public benefit and some specific charitable purposes. The original constitution may, or may not, be sufficient for the purposes of the Charity Commission. Legal advice is likely to be required here.

Stage 4

As the work of the organisation expands, some of the volunteers may start to feel that their gift-work on behalf of the cause is becoming too onerous. Some may drift away, as well as new volunteers joining. To be sustainable, however, it is often recognised, at this point, that the organisation needs paid help, in the form of a member of staff, perhaps initially, part-time. Suddenly, the board is an employer, with all the legal and human resource responsibilities that go with that (see chapter 10.). Who is going to manage the employee? What should their salary and terms & conditions of employment be?

Stage 5

With a paid employee, the organisation may also need to think about premises. Where is this person going to work from? Can a space be found within another organisation, or can premises be rented? Premises need furnishings and equipment which need to be paid for and looked after (see Chapter 8.). There are also health, safety and security issues about managing premises, adding to the responsibilities of the board (see chapters 13.).

Stage 6

Some members of the management committee may be becoming increasingly nervous about the increase in their responsibilities and potential liabilities. What if something goes wrong? How can we ensure we are protected? On taking advice, you may be told that the liabilities of the trustees are unlimited unless you become a company limited by guarantee (rather than by shares). In this case the organisation would formally become a legal entity that can be sued in its own right, with the liability of what are now directors of such a company limited, except in very narrowly prescribed circumstances, (e.g. continuing to trade when the organisation is actually insolvent, or the neglect of health and safety issues resulting in someone's death). Legal advice is again likely to be necessary to become a charitable company.

Stage 7

The work continues to expand, and the organisation needs to employ more staff, who also need to be managed. The simple contract or terms and conditions of employment for the one staff member may not be adequate for a staff team with a manager. The terms and conditions of staff and related Human Resource policies and procedures will need to expand. The number of employment-related problems is also likely to increase along with an increase in the number of staff. Does the manager have the management skills required? Do they need training? If there are appeals or grievances that cannot be heard by the manager, the board will need to establish an appropriately skilled panel(s) to hear them. Where is the HR expertise going to come from? Is there adequate professional HR expertise on the board? Does the organisation have the resources to employ a HR advisor or firm? (see Chapter 10.)

Stage 8

Growth, so far, may have simply been opportunistic – taking advantage of opportunities to develop, or taking on new services as they arise, as well as making things happen. Things are likely to be changing in the organisation’s external environment. Maybe other players have moved in. New board members may have come on board and want to know what the strategy of the organisation is. Funders may also be looking for evidence of a strategy. How should a strategy be created? Who should create it? The board or the staff, or both? Who should facilitate these strategic conversations? Once a strategy has been created, how does the board ensure that it is effectively implemented? (see Chapter 6.)

Stage 9

At some stage in the organisation’s development, the founder or founders will leave, or if they don’t, they may hang around too long and become a barrier to the development of the organisation by blocking needed changes. New board members may feel inhibited from challenging them because of how much they have given to the organisation in the past. As one board member told me about a very problematic founder who refused to change or move on: “There is nothing we can do because it’s his baby”. Sometimes this results in the ‘slaughter of the founder’ when they are forcibly removed, which can result in bad feelings and a divided board. How a board deals with a founder(s) can be a vital issue.

Stage 10

Third sector organisations rarely make a big impact on their own: it is often the collaboration of organisations that can have the biggest impact. Ego-driven leaders are often poor collaborators because they only collaborate to get something they want. Other effective leaders constantly build relationships by building trust and supporting other organisations in what they are trying to achieve. Having created an effective, stable organisation, it is important to look outwards and identify others to build strong relationships with for the good of the beneficiary group as a whole. This may be other similar third sector organisations whose united voice is much more powerful than a single organisation. It may also be key decision-makers in government; academics with a research interest in your field; or with respected celebrities or other influencers. Change comes by building a movement for change rather than simply providing a service (see Chapter 16).

Stage 11

The work of the organisation has continued to expand; it runs various different services, and maybe it now operates in different geographical areas from more than one premises. There is another tier of staff and a management team of paid professional managers. It has become more difficult for members of the board to know what is happening throughout the organisation. How can the board be sure that the services it provides are of a consistently high standard? Are there clear desired outcomes that are measured? What is reported to the board about what is happening in the programmes? Do board members visit programmes and talk to service-users and staff on the ground? What performance indicators does the board see regularly? Is there a quality assurance system with detailed procedures to control key processes that are regularly audited? Are there regular external evaluations by service experts? (see Chapter 7.).

Stage 13

Maybe the organisation continues to expand and there is yet another tier of management with a senior management team, as well as a tier of middle managers. Staff on the ground may now feel very distant from the people who make decisions and think that decision-making and the flow of information is very slow. Everything may feel constrained by policies and procedures. Is there still room for innovation? Are other organisations now innovating and developing faster? Does the governance at board level now feel very corporate? Loss of a major contract or funding stream may result in redundancies. Staff feel more vulnerable, more distant from, and less supported by the board.

Stage 14

Perhaps the organisation has lost another major funder, or there has been a very major unforeseen cost, like a shortfall in the pension pot, or the discovery of major structural damage to your building. Perhaps other organisations have moved into your organisation's territory and won key contracts off you. You are no longer at the leading edge and perhaps the service you have provided for years is now less needed by, or as relevant to, the beneficiary group. The organisation is at a crossroads, or perhaps even in crisis. There are crucial questions for the board: Is it able to reinvent itself to provide a needed and funded service again? Can it recreate a financially viable business model? Does the organisation

need to merge with a more financially viable organisation (a ‘mercy merger’) or go into liquidation and close? The role of the board in these circumstances is very different. The board may need to meet more frequently, and/or establish a crisis working group. If it is in fact insolvent, it will need to appoint a professional Liquidator.

Deciding to become a director/trustee

People become directors/trustees of third sector organisations for all kinds of reasons, which might include:

- To give something back to society
- To have a positive impact in society
- To support a particular cause which is dear to their heart
- To thank a charity for help the charity has made to someone close to them
- To develop their own governance and leadership skills
- To use their particular skills and knowledge productively
- To respond to a request for help
- A relationship with an existing director/trustee
- To be associated with a successful well-known charity
- To be closer to well-known people associated with a particular charity
- To gain public recognition
- To have some purpose in life
- To have something to do
- To have regular social interaction
- To have influence in the organisation
- To bring about change in an organisation
- To prevent change in an organisation
- To reflect the interests of a particular stakeholder, or stakeholder group
- To formally represent a corporate member

Many of us have mixed motivations in applying or agreeing to become a director/trustee. There is no problem in that. No-one expects people who join third sector boards to be 100% altruistic.

We are more likely to stay on a board which we get something out of as well as put time and effort into. We are not permitted to gain financially or materially from a third sector organisation (except for legitimate expenses), not to advantage friends or relatives, but it is perfectly appropriate to recognise that there may be various personal and professional benefits to being on the board of such an organisation. Some of these benefits might include:

- Enjoyment
- A sense of purpose and achievement
- Improving governance and leadership skills
- Learning more about an area of work or beneficiary group
- Building our reputation
- Increasing our employability
- Building friendships
- The development of services which we or those close to us may benefit from in future

Role of Director/trustee

The role of being both a trustee and director of a third sector organisation, if carried out diligently, can be a challenging, as well as a rewarding one. You are part of helping to change the world for the better. Unfortunately, it is often far from clear as to what is expected, and what the authority and liabilities of an individual director/ trustee actually are. In far too many cases, third sector organisations provide little induction for the new director/trustee, and little in the way of written guidance as to the role they are expected to play.

Even when elected to a specific role, such as chair or treasurer, there, again, is often little written guidance as to what the role involves and what is expected. The individuals in these roles are often therefore left to make of them whatever they feel is appropriate. Occasionally this leads to disastrous consequences when the way a particular role is carried out conflicts with the expectations of the other directors/ trustees or the chief officer. All the Charity Commissions in the UK and Ireland have had to exercise their authority to remove people from the boards of charities that have failed to fulfil their responsibilities appropriately, or where conflict within the organisation has prevented it from functioning effectively.

In organisations that have paid staff, many of the responsibilities of running the organisation are delegated to a chief officer. Likewise, some of the tasks of the board may have been delegated to committees. However, while tasks can be delegated, actual responsibility for the board's governance functions cannot. Every board member, therefore, has a responsibility, individually and collectively, to ensure the effective governance of the organisation.

The chapters that follow are designed to help improve the governance of third sector organisations by providing clear guidance to trustees/directors. Any board member who is unclear about any aspect of their role or finds any conflicts between different aspects of their role, should be able to find useful guidance in this publication. They can also get information from their Charity Commission, and/or should seek guidance from the chair.

Key roles of the board

In short, the roles of the governing body of a charitable company are to:

- act only to promote the charitable purposes (objects);
- provide strategic direction;
- ensure legal compliance with charity and company law;
- ensure effective internal governance functions;
- ensure directors/trustees understand their role and responsibilities;
- ensure the delivery of excellent services;
- ensure the organisation's financial and physical resources are effectively and efficiently managed and properly utilised;
- support the generation of income;
- ensure effective human resource management – being a good employer;
- appoint, manage, appraise and, if required, dismiss the chief officer;
- ensure risk is effectively managed;
- protect its assets including its reputation;
- promote health and safety;
- safeguard children and adults at risk;
- ensure data protection compliance; and
- support effective communications.

Each chapter of this publication will examine further each of these responsibilities, providing guidance on the roles and responsibilities of the governing body acting collectively. The final chapter looks at the roles and responsibilities of individual directors/trustees.

Principles of Good Governance

The key infrastructure organisations in England and Wales developed a Code of Good Governance highlighting the following seven principles of good governance:

1. Organisational purpose - The board is clear about the charity's aims and ensures that these are being delivered effectively and sustainably.
2. Leadership - Every charity is led by an effective board that provides strategic leadership in line with the charity's aims and values.
3. Integrity - The board acts with integrity, adopting values and creating a culture which help achieve the organisation's charitable purposes. The board is aware of the importance of the public's confidence and trust in charities, and trustees undertake their duties accordingly.
4. Decision-making, risk and control - The board makes sure that its decision-making processes are informed, rigorous and timely and that effective delegation, control and risk assessment and management systems are set up and monitored.
5. Board effectiveness - The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.
6. Equality, diversity and inclusion - The board's approach to diversity supports its effectiveness, leadership and decision-making.
7. Openness and accountability - The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be.

More information on the 2020 Code and its rationale, outcomes, recommended practice in relation to each principle, and a diagnostic tool is available from <http://www.charitygovernancecode.org>

<https://www.charitygovernancecode.org/en> The Developing Governance Group in Northern Ireland have created its own Code of Good Governance (now in its 3rd edition 2021) based on five principles, as follows:

- Understanding its function in delivering organisational purpose
- Working as an effective team
- Maintaining control, making effective decisions and managing risk
- Acting with Integrity
- Being open and accountable

The 3rd edition of the Northern Ireland code is available at

https://www.ruralcommunitynetwork.org/app/uploads/2021/11/code_of_good_governance_0.pdf

The Charity Regulator in the Republic of Ireland, after extensive consultation, also produced a similar Governance Code in 2018 which is available from

<https://www.charitiesregulator.ie/media/1609/charities-governance-code.pdf>

2. ENSURING COMPLIANCE WITH CHARITY AND COMPANY LAW

Introduction

The individuals who sit on the governing body of charitable companies have duties both as charity trustees and as company directors. These are highlighted below.

Charity Trustees

The duties of charity trustees include various specific statutory duties such as to prepare annual accounts, a trustees' annual report and an annual return. They also include common law fiduciary duties which concern the trust and confidence placed in a trustee that they will act solely in the interests of the charity's purposes and its beneficiaries. The main duties of charity trustees are summarised by the Charity Commission for England and Wales (and are similar in Northern Ireland) as follows:

Overall: charity trustees must accept ultimate responsibility for directing the affairs of a charity, and ensure that it is solvent, well-run and delivers the charitable outcomes for the benefit of the public for which it has been set up.

Trustees must:

- Ensure that the charity complies with charity law and with the requirements of the Charity Commission as regulator; and, in particular, prepare reports on what the charity has achieved and annual returns and accounts, as required by law.
- Ensure that the charity, and the trustees themselves, do not breach any of the requirements or rules set out in its governing document (e.g. constitution or articles of association) and that it remains true to the charitable purpose and objects set out there.
- Ensure that they and the charity comply with the requirements of other legislation and other regulators (if any) which govern the activities of the charity.
- Act with integrity, and avoid any personal conflicts of interest or misuse of charity funds or assets.

Trustees also have a ‘duty of prudence’ i.e. acting reasonably with due caution, good judgement, and expertise in relation to an organisation’s funds and other resources, both in the present and in consideration of the future. In fulfilling this duty of prudence, trustees must:

- Ensure that the charity is, and will remain, solvent.
- Use charitable funds and assets reasonably, and only in furtherance of the charity’s objects.
- Avoid undertaking activities that might place the charity’s endowment, funds, assets or reputation at undue risk.
- Take special care when investing the funds of the charity or borrowing funds for the charity to use.

They also have a ‘duty of care’ requiring adherence to a standard of reasonable care while performing any acts that could foreseeably harm others. This is the first element that must be established in someone taking an action against the charity on the grounds of negligence. In fulfilling their duty of care, trustees must:

- Use reasonable care and skill in their work as trustees, using their personal skills and experience as needed to ensure, as far as possible, that the charity is well-run and efficient.
- Consider getting external professional advice on all matters where there may be material risk to the charity, or where the trustees may be in breach of their duties.

Directors of a Company Limited by Guarantee

The main duties of directors of companies without share capital i.e. companies limited by guarantee, under the UK-wide Companies Act 2006 (there is similar legislation in the Republic of Ireland) can be summarised as follows:

- To act within the powers of the company. This means acting in accordance with the company’s Articles of Association and only exercise powers for the purposes for which they are conferred i.e. to advance the charitable objects of the company.

- To promote the success of the company. A director must act in the way they consider, in good faith, would be most likely to promote the charitable purposes of the company.

In doing so they must have regard (among other things) to:

- The likely consequences of any decision in the long-term.
 - The interests of the company's employees.
 - The need to foster the company's business relationships with suppliers, customers and others.
 - The impact of the company's operations on the community and the environment.
 - The desirability of the company maintaining a reputation for high standards of business conduct.
 - The need to act fairly as between members of the company.
- To exercise independent judgement i.e. a director must exercise her/his powers independently, without being influenced by a third party. This duty does not prevent a director from exercising a power in the articles of association to delegate tasks. The governing body of some charitable companies may include individuals who are directors of other companies which fund, or otherwise deal with, the organisation. Directors who serve on both boards will need to take extra care when sitting on the charity company board, to ensure that their decisions are genuinely independent, and are in the best interests of the charitable company and avoid conflicts of interest (see below).
 - To exercise reasonable care, skill and diligence. This means that a director must exercise:
 - Such general knowledge, skill and experience as may reasonably be expected of a person carrying out the functions of a director in relation to the organisation.
 - The general knowledge, skill and experience that they actually have.

A professional person, such as a solicitor or accountant, who is a director of a charitable company will, therefore, be subject to a higher duty of care than someone who is not. The directors may take legal or other professional advice to enable them to discharge their duty of care.

Indeed, in circumstances where the relevant skills or experience are not held by members of the governing body, and there is a risk to the organisation, the directors definitely should take appropriate professional advice.

- To avoid conflicts of interest. This means that a director must avoid a situation in which they (or any connected person i.e. members of their family, civil partner, step-children, and any other person with whom the director lives as partner in an enduring family relationship, or business partner, or other organisation for which they are associated) has, or can have, a direct or indirect interest which conflicts, or may conflict, with the organisation's interests. The duty applies, in particular, to the personal exploitation of any property, information or opportunity (e.g. employment, supplier contract, etc.) unless it is specifically permitted in the articles of association. Even if the charitable company's articles allow it, it does not mean that the board should approve it. Directors must declare an interest in any proposed transaction or arrangement. with the company If a director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the company, he or she must declare the nature and extent of that interest to his or her fellow directors before the company enters into the arrangement. Where there is any doubt, it is possible to approach the relevant Charity Commission to seek authorisation for a particular act. They may give their approval even where the act involves a director's breach of duty.

A director need not declare an interest if:

- o it cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- o the other directors are already aware, or ought to be reasonably to be aware, of it.

However, it is generally safer to declare an interest. The organisation should maintain a register of interests to avoid the need for repeated declarations and have 'Conflicts of Interest' as a standard agenda of all board meetings.

In the case of a non-charitable company, under the Companies Act 2006, the members may, in certain circumstances, authorise a transaction or arrangement which might otherwise be considered to involve a conflict of interest.

Common areas of difficulty concerning conflicts of interest in a charitable company include:

- o The employment (or potential employment) of a director or a connected person (i.e. a member of a director's family, civil partner, step-children, and any other person with whom the director lives as partner in an enduring family relationship). If a director has an employee of the organisation as a connected person then there is a high risk of there being a conflict of interest. This must be disclosed and it may even require the resignation of the director if the conflict cannot be managed. A director should not participate in, or try to influence in any way, the recruitment and selection of a 'connected person' as an employee, or contractor in the organisation.
- o A director being paid to provide professional services to the organisation. This can be permitted by the articles or by written approval from the Charity Commission, however it creates a potential conflict of interest which must be disclosed and managed. If the organisation wishes to contract a director to provide a paid professional service to the organisation, then it may be necessary for the director to resign from the board.
- o A director recommending a supplier with which they or a connected person are involved. This must be disclosed. To not disclose a conflict of interest is inappropriate and contravenes the duties of a director.
- o A director accepting benefits from third parties. A director must not accept a benefit from a third party conferred by reason of being a director, or for doing (or not doing) something in their role as a director.

Financial transactions, apart from donations/gifts to the charitable company (without any benefit to the director), between the company and directors, or members of their family,

civil partner, step-children, and any other person with whom the director lives as partner in an enduring family relationship, should be avoided.

The law requires that the following financial transactions between a charitable company and a director require explicit written approval from both the relevant Charity Commission and the members of the company in General Meeting:

- o A transaction between a company and a director, or a connected person, in relation to a non-cash asset which either exceeds £100,000 in value or exceeds 10% of the company's asset value and is more than £5,000.
 - o Loans of more than £10,000 made by a company to a director.
- To safeguard creditors if the company is at risk of insolvency. If a charitable company becomes insolvent and, therefore, unable to pay its debts, the duties of the directors change from pursuing the interests of the company to safeguarding creditors. The directors may be personally liable if the board permits the company to continue to 'trade' when they should not have done. This may amount to either 'wrongful trading' or 'fraudulent trading' for the purposes of the insolvency rules and give rise to personal liability. Where insolvency is suspected, it is important for directors to take prompt advice from an appropriate professional.
- Finally, under company law it is the collective responsibility of the board to ensure there is an appropriate 'business review' in the Directors' Annual Report. Charitable companies which do not fall within the exemption for 'small companies', must include in the Directors' Report a 'business review' designed to inform the members and help them to assess how the directors have fulfilled their duty to promote the success of the company. It must contain a fair review of the company's business and a description of the principal risks and uncertainties facing the company. This is likely to include much the same information which goes into the trustees' annual report which a charity is required to submit to the relevant Charity Commission. Smaller organisations should consider such a report as good practice anyway.

Questions for Board Members to Ask about Complying with Charity and Company Law

- Have I read and understood the memorandum and articles of association, or other governing documents?
- Does the organisation currently comply with all aspects of the governing document?
- When was the memorandum and articles of association (or other governing document) last reviewed by the board?
- Are there aspects of the governing document which are out-of-date in terms of company or charity law and need to be changed?
- Is the organisation registered with the relevant Charity Commission as a charity?
- Is the reporting to the relevant Charity Commission fully up-to-date (check the relevant Charity Commission website)?
- Is the organisation a company limited by guarantee?
- Is the reporting to Companies House fully up-to-date (check the Companies House website)?
- Has the board produced a directors' report and accounts or trustees annual report and accounts for the previous financial year?
- Did the auditors give the accounts an unqualified report?
- Is the organisation solvent?
- Are there any obvious conflicts of interest within the board?
- Is there a written conflict of interest policy?
- Do the directors/trustees approach their responsibilities with due professionalism, diligence and prudence?

Resources

The websites of the relevant Charity Commissioners are a good source of materials on responsibilities of charity trustees under the relevant charity acts.

<http://www.sandy-a.co.uk/legal.htm> *The Russell-Cooke Voluntary Sector Legal Handbook (3rd edition)* by J S Taylor and the Charity Team at Russell-Cooke. This is a comprehensive guide to the law for third sector organisations in England and Wales. Updates on each chapter are available from <http://www.sandy-a.co.uk/vslh.htm>.

Jordan Publishing Charities Administration Service. This comprehensive publication keeps you up to date with the details of the latest UK charity compliance requirements and developments, including changes in the various countries of the UK by Greyham Dawes (Author) , Cecile Gillard (Author) , Con Alexander (Author) , Jenny Ebbage (Author) , Kenneth Pinkerton (Author).

3. ENSURING EFFECTIVE INTERNAL GOVERNANCE PROCESSES

Introduction

The board of a charitable company has a range of important responsibilities which are about the governance function itself – how governance is carried out in the organisation. Some of these internal governance issues are about compliance with company and charity law and the organisation's own governing documents (discussed above). Others are not about complying with the law but are concerned with agreeing arrangements that reflect best governance practice and ensure the governance is fit for purpose.

As discussed in the chapter above, the organisation is required to have an appropriate articles of association and to operate precisely within this legal instrument. In particular, the organisation needs to operate within the Objects (charitable purposes) in the articles of association. Some people make the mistake of thinking that the Objects in the governing document are the same as the aims or objectives of the organisation. The Objects in the governing instrument are the charitable purposes and provide the scope of what the organisation may do, and ensure that the organisation pursues exclusively charitable purposes only for the public benefit. The organisation may not operate outside these Objects. More specific aims and objectives to achieve these charitable purposes will be contained in the organisation's strategic and operational plans (see chapter 4).

Who Makes Decisions?

The board is responsible for making sure the organisation does what it was set up to do, including making decisions about how it is run, within what is laid down in charity and company legislation and the governing document (articles of association).

Most charities are required to have a two-tier structure, with members electing the charity trustees, unless it is governed by a trust deed. Some charities choose deliberately to have a large membership. Others see little value in having to service a large membership and the only members of the organisation are the persons who are also the directors of the board.

Members at a General Meeting

Most charities have (and are required to have) an Annual General Meeting (AGM) where the members receive the trustees' report and accounts and elect the trustees. The organisation's governing document may indicate when in the year to hold the AGM (in relation to the time since the last AGM and when the accounts need to be laid before the members meeting (usually after they have been approved by the board) and how much notice is required to give to the members of the organisation. The notice period is usually 14 or 21 days.

Usually, a charity's members can attend AGMs and other general meetings. The governing document must define who the members are and their rights. Normally they have to apply to join the charity and be approved by the board, or in community-based organisations they may qualify for membership automatically because they live in the local area. Charitable companies are required to maintain a formal register of company members and all charities need to know who are its members so that they know who is entitled to attend and vote at general meetings for example. Company members have particular rights under company law and owe a fiduciary duty (a special duty to act in the best interests of others with trust and confidence) to act only in the interests of the charitable purposes or charitable objects of the company and not in their own personal interests (see *Lethimaki and Others v Cooper* [2020] UKSC 33).

Usually, the people attending a General Meeting sign a register to record their presence. An attendance list can then be attached to the minutes of the meeting.

The members of the organisation (as opposed to members of the governing board – i.e. directors/trustees) are often required to vote on certain decisions like:

- receiving the annual accounts and directors' report (note- it is *approved* by the board);
- electing directors/trustees;
- changing the governing document;
- merging with another charity; or
- closing the charity.

How Directors/Trustees Make Decisions

The board is collectively responsible for the decisions it makes and so can decide how the organisation is to be run. The board can take professional advice to help it make decisions on the organisation's behalf. Indeed, in some circumstances the board is expected to take external professional advice (e.g. in making major financial investments, or if there is a risk of insolvency).

As highlighted in chapter 2, on charity and company law, when the board makes a decision, the directors/trustees are required to:

- act in good faith, and only in the organisation's interests and for the charitable purposes;
- make sure the board members (directors/trustees) are sufficiently informed, taking any professional advice they need;
- keep the wellbeing of the beneficiaries in mind;
- be prudent i.e. acting with sound judgement including to take more care with the charity's assets than you would with your own and to balance the needs of today's beneficiaries with those of future beneficiaries ;
- take account of all relevant factors;
- ignore any irrelevant factors;
- manage conflicts of interest;
- make decisions that are within the range of decisions that a reasonable trustee/director body could make in the circumstances;
- think of the long-term implications, not only the short-term; and
- act within:
 - o the powers of directors/trustees (the things the governing document allows you to do);
 - o the legal responsibilities of trustees/directors; and
 - o the organisation's charitable purposes (what it is set up to do) and for the public benefit.

Delegation of Authority

The board bears responsibility for every decision taken in a charity. However, except in very small voluntary or community organisations, the board does not make all decisions in the organisation. Quite appropriately, most operational decisions are made by the chief officer, or other staff. There is, however, considerable scope for confusion and conflict if the board and/or staff are not clear about what decisions the board must take itself and what decisions (and in what circumstances) are delegated to the chief officer, to sub-committees and, potentially, to other staff.

The most obvious example of this is financial decision-making. Who can decide to spend or commit how much of the organisation's money? Who can sign a purchase order? Who can authorise a BACS payment, and in what circumstances (for example, is it different when it is explicitly approved within the budget and when it is not?)? A 'Schedule of Delegation' should make it clear:

- how much expenditure the chief officer can approve within budget without the approval of the board;
- how much expenditure the chief officer can approve outside the budget without the approval of the board;
- how much expenditure the chief officer can approve but is required to specifically report at the following board meeting;
- how much expenditure the chief officer can approve with the additional authorisation of the finance sub-committee; and
- how much expenditure the chief officer can approve with the additional authorisation of the chair and treasurer (particularly in an emergency).

The schedule of financial delegation may also identify when other senior managers may approve expenditure (i.e. sign a purchase order; or authorise a BACS payment) within budget.

Delegation of decision-making, however, is not all about finances. In the human resources arena, for example, it is important to be clear about the following:

- Who has the authority to create a new permanent post?

- Who has the authority to create a new temporary post?
- Who can amend someone's job description or job title?
- Who can amend the number of hours someone works e.g. going from full-time to part-time or visa-versa?
- Who can discipline someone?
- Who can dismiss someone?
- Who can make a post redundant?

Organisational policies and procedures are another area where there needs to be clarity.

- Who can approve an organisational policy?
- Who can amend an organisational policy?
- Who can approve a procedure?
- Who can amend a procedure?

There may be other areas where it is useful to be clear about the delegation of decision-making authority. For example, an organisation which is substantially involved in campaigning work should be clear about who can make a decision about the organisation's public policy positions.

Rules for Meetings

A charity's governing document should set down a minimum number of board meetings and how to vote on decisions (e.g. by a simple majority, with the chair having a casting vote (or not)). The board must follow the rules exactly as the governing document says. If it does not do this, any decision it makes during a meeting could be invalid and they will be in breach of the governing document.

In addition to what is set down in the governing document, the board should consider a range of other issues about how it is organised. Decisions on these issues can then be included in a board 'terms of reference' or governance manual. These issues might include the following:

- Who can attend the board meetings as of right (most meetings are just for the directors/trustees) and who may be invited for the whole of each meeting (e.g. the chief officer, a staff minute-taker and, perhaps, an observer from a major funder) and

who may be invited for particular agenda items (such as particular senior managers). Some organisations that have all senior managers (or all staff in smaller organisations) participating in the whole of each board meeting are poorly governed, because the focus is on staff work and concerns and not on the effective governance of the organisation. However, there can also be a huge disconnect between the board and staff where no arrangements are put in place for the board and staff to get to know each other and share their ideas and views.

- How often and when and how (such as virtually) the board should hold meetings? The minimum number (called the quorum) that must attend a meeting so that decisions can be made properly (usually laid down in the governing document) and how the agenda is to be drawn up and agreed (e.g. at a meeting between the chair and the chief officer two weeks before the meeting).
- The rules of co-option – when and how many people may the board co-opt onto the board without going through an election process and for how long may they remain a co-opted member? This is usually laid down in the governing document.
- How the board will deal with directors/trustees who have a potential (permanent or temporary) conflict of interest?
- How directors/trustees may be removed and what right of redress (or right to be heard) the person being removed has? This is usually laid down in the governing document.
- What the authority of the chair is and how the authority of the chair can appropriately be challenged?

Having the right rules in place for meetings will help the board to make decisions effectively, manage conflicts of interest appropriately and deal with other problems.

Telephone and Video Conferences – virtual or hybrid meetings

For a meeting to be valid, the people attending must be able to see and hear each other and communicate with each other in real time. This type of meeting can be useful if:

- an emergency decision is needed;
- trustees live a long way from each other;
- some trustees cannot travel; or
- There are social distancing rules in place.

If you already have a quorum, other directors/trustees may participate through teleconferencing. Make sure the governing document allows these types of meetings and that there are agreed arrangements for holding them. The Charity Commission for England and Wales recommends you have at least one face-to-face meeting of all the trustees each year.

Planning Board Meetings

It is good to establish the dates for board meetings and for meetings of committees throughout the year so that all directors/trustees ensure, as far as possible, they keep those dates free. This also creates the potential to plan what will be the key governance agenda items over a whole year. For example, the annual schedule of meetings might look like something like the following:

Jan/Feb meeting

- consider the quarterly management accounts;
- consider a monitoring report against the operational plan;
- discuss and approve the operational plan for the coming year;
- approve the budget for the coming year; and
- consider a report on the staff survey.

March/April meeting

- discuss a final monitoring report on the previous year's operational plan;
- consider a report on the organisation's health & safety compliance;
- review the board's governance performance and agree an action plan; and
- consider a report on outcomes for and satisfaction of beneficiaries.

May/June meeting

- consider the quarterly management accounts;
- consider a report on the organisation's compliance with human resource legislation and amendments to terms and conditions;
- consider a report on implementing the organisation's income generation strategy; and
- consider risk issues (including a review of the Risk Register).

July/August meeting

- consider a monitoring report against the operational plan;
- discuss succession planning for the board and office-bearer positions;
- consider a report on compliance with the organisation's quality assurance system; and
- consider a report on implementing the organisation's ICT strategy.

Sept/Oct meeting

- consider the quarterly management accounts;
- consider the draft audited accounts and management letter;
- consider a report on the learning from complaints and grievances during the year; and
- consider a report on implementing the organisation's service quality improvement plan.

Nov/Dec meeting

- consider the quarterly management accounts;
- annual General Meeting;
- consider risk issues; and
- consider a report on the organisation's compliance with safeguarding (protection of children and adults at risk) legislation.

Many board meetings are not very productive, last for several hours, do not get through the planned agenda and are frustrating for those who have given their time to be there. The following are suggestions that might improve the productiveness of board meetings:

Have a Well-Planned Agenda

A specific agenda for the meeting should be drawn up around two weeks before the meeting, usually between the chair and the chief officer. The agenda should clearly specify the nature of the items that will be dealt with at the meeting, whether there is a specific paper attached addressing the agenda item and what is required of directors/trustees (e.g. is a decision required? Is it for information?). Who will be addressing the agenda item and how long is it expected to take?

The agenda and papers should be sent out at least a week prior to the board meeting, so that directors/trustees have time to read and reflect on the documentation. Few things frustrate directors/trustees more than tabling issues or papers at a meeting when they should have been sent out in advance.

Too often agendas are standard meeting after meeting and look something like the following:

Meeting of the Anytown Cordwangers Association

Agenda:

Apologies:

Adoption of minutes:

Matters arising from the minutes:

Correspondence:

Finance:

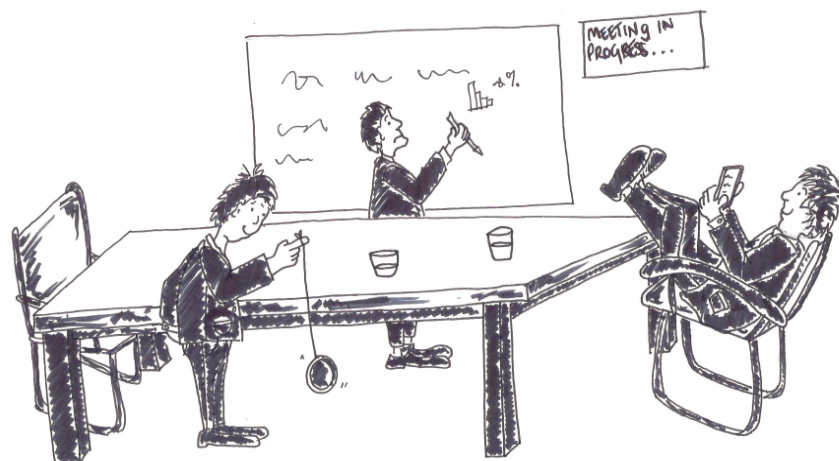
Director's report:

Sub-committee minutes (attached):

Any other business:

Date of next meeting:

The meetings are usually very unproductive as a result because nobody is clear what important governance issues need to be discussed or decided, what the board needs to give serious time to and how directors/trustees should prepare for the meeting. A more effective board agenda might look something like the one on the following page:



"Too often agendas are standard meeting after meeting... The meetings are usually very unproductive"

Anytown Cordwangers Association				
Agenda of the board meeting to be held from 2-4pm on 8 May <i>year</i> in the Anytown Community Centre				
Agenda item number		Who will speak to the item	Board response	Length of item
1.	Welcome	Chair		2 mins
2.	Apologies	Chair		2 mins
3.	Adoption of the minutes of the last meeting	Chair	Agree changes & adopt	5 mins
4.	Discussion of the agenda and identification of any items of 'any other business'	Chair	Suggest AOB items	5mins
5.	Identification of any potential conflicts of interest		Disclose potential conflicts	2 mins
6.	Report against operational plan (report attached in board papers)	CEO	To note	15 mins
7.	CEO's report (report attached in board papers)	CEO	To note	15 mins
8.	Report of consultant's report on compliance with health & safety responsibilities	Consultant	To note and agree actions	15 mins
9.	Risk Register (revised register attached in board papers)	Chair of Audit & Risk Committee	To approve	15 mins
10.	Report on service-user survey	Head of Services	To note	15 mins
11.	Any other business			10 Mins
12.	Date of the next meeting (agreed at the beginning of the year)	Chair	To note	2 mins
13.	Thanks & close	Chair		2 mins

Deal With any Potential Conflicts of Interest

If a director's/trustee's decision-making could be influenced by their personal circumstances, that of a connected person, such as a partner or relative, or their involvement with another organisation, then there is a conflict of interest. This needs to be identified before the main items of business are discussed and appropriate arrangements can be put in place. This is normally by ensuring that the relevant director/trustee is not present for any of the discussions around that agenda item. It is good practice for the chair to address that issue with the relevant director/ trustee prior to the meeting.

Have the Right People in the Room to Make a Decision

A quorum is the minimum number of persons that must attend a meeting so that decisions can be made properly. The people may be directors/trustees at a board meeting, or members at a general meeting. The governing document should specify what the quorum is in both circumstances. If it does not do this, or it is an inappropriate or unrealistic number, the board should think about amending the governing document. If the quorum is set too high, any absences may make it difficult to have a valid meeting. If it is too low, a small minority of people may be able to impose their views unreasonably.

The Charity Commission for England and Wales recommends that the quorum for a trustees' meeting is a minimum of one third of the total number of charity trustees plus one, so a charity with ten trustees will have a quorum of four, but this is not a legal requirement.

For general meetings, the organisation should give careful thought to the quorum – it needs to be appropriate to the size of the organisation and the number and geographical spread of members.

In planning the meeting, it may be useful to make sure that the people who can make a valuable contribution to key agenda items will actually be there.

Keep Minutes of Every Meeting

It is important to keep accurate minutes of all meetings, which can be created using the framework of a detailed agenda as suggested above. Taking good quality minutes is a significant skill.

Taking minutes can also severely restrict the ability of the person taking the minutes to participate fully in discussions under relevant agenda items. They do not need to, and should not, be word-for-word, but should give:

- the name of the charity;
- the type of meeting;
- the date and time and place of the meeting;
- the names of those present;
- who chaired the meeting;
- what capacity people attended in, such as trustee or staff member;
- any absences for agenda items due to conflicts of interest; and
- apologies for absence.

The minutes should also record exactly what was agreed, particularly for important or controversial decisions. For example:

- the exact wording of any resolution and who proposed it and what the outcome was;
- a very brief summary of the discussion on each item of business;
- questions that were asked and responses in relation to compliance reports, such as health & safety, safeguarding, risk, data protection, employment, to show how directors/trustees are fulfilling their responsibilities;
- information/advice used to make decisions;
- if there is a vote, how many votes were made for and against, and how many did not vote;
- what action is needed and who is responsible for taking it; and
- the date, time and venue of the next meeting.

Ideally, someone who is not involved in the meeting should take the minutes. If a director/trustee is taking the minutes, they should ensure they can also contribute actively to the discussion. In larger organisations, the options for minute-taking are usually:

- an Hon. Secretary (a director/trustee);
- the head of corporate services (who also is usually responsible for ensuring compliance with the reporting requirements as a charity and a company); or
- the PA to the chief officer.

The minutes of directors'/trustees' meetings should be made available to all directors/trustees within a few days of the meeting, in order to be reminded of things they said they would do. Some third sector organisations also make them available to staff (or at least the senior management) except for items that are specifically deemed as confidential by the chair, whereby a special confidential minute is kept that will only be seen by directors/trustees. Professional advisers such as auditors may also ask to see them and the Charity Commission may ask to see them, for example, where a concern is raised about a charity.

The minutes of a general meeting are usually made available to members (in the case of a charitable company they have to be) but don't have to be made available to the public unless the charity's governing document says so.

Trouble at Meetings

People can get very passionate about their organisation's work and this can lead to heated debates and disagreements. Each director/trustee has a responsibility to ensure their own behaviour at meetings is appropriate, showing suitable respect for the other directors/trustees and the authority of the chair. Before conflicts arise, it can be very helpful to draw up and agree a set of standards of behaviour to make sure that everyone present agrees to behave professionally and acts solely in the organisation's best interest. An example of such a code of conduct is included in the Governance Manual (Appendix 1).

The chair is responsible for managing the organisation's board and general meetings and should use that authority if required. If a director/trustee's behaviour at a meeting is inappropriate, the chair should deal with it appropriately during the meeting and then speak to them between meetings about the issue to ensure it does not reoccur.

Board Membership

To be an effective board, the right people with the right skills and experience need to be at the table. Most third sector organisations have formal democratic processes for electing board members, so who is sitting at the table is, at least in part, the outcome of this process with often little thought given to what skills or experience are required to govern effectively. This can result in significant skills gaps. There are various ways that the board can tackle this issue.

The first is that the board needs to sit down and agree what skills and experience are actually needed on the board to govern effectively and in what depth (both how many people should have this skill area, to allow for succession; and what level does the skill need to be at e.g. qualified professional, experienced practitioner, etc.). The board needs to agree and regularly (annually) review the desired list of skills and experience required in order to govern effectively and plan for effective succession. The board then also needs to identify the skills that it already has on the board through a skills audit of board members to identify the skill gaps against the list of agreed required skills. The board then needs to agree an action plan for addressing the gaps, including recruiting board members with those skills. An example of a list of desirable skills is shown below.

Examples of desirable skills for a third sector board

All board members should:

- have a commitment to the mission and values of the organisation;
- have common sense and objective judgement;
- respect group processes;
- be respectful of others;
- have integrity/trustworthiness;
- have the confidence to ask challenging questions;
- have a sense of humour; and
- not have a permanent conflict of interest.

The board should include directors/trustees with the following professional experience and expertise:

- accounting
- human resources
- health & safety
- strategic & business planning
- quality assurance/improvement
- PR/marketing
- ICT
- fundraising
- public policy
- research and evaluation
- legal
- risk management
- professional expertise in the organisation's area of work
- business development (especially if the organisation is involved in a social enterprise)
- board leadership/chairing
- relevant academic research

- the governance of other non-competing third sector organisations (similar-sized or larger)
- the voice of beneficiaries/service-users.

The board should also contain individuals with other relevant knowledge and contacts including:

- understanding of how government works and has contacts with senior decision-makers in relevant statutory bodies;
- strong contacts with the relevant political representatives; and
- contacts with company directors and other philanthropic individuals who may control or influence significant wealth.

Balance

In relation to most boards, there is often also an issue of balance. This will be different for each organisation, but a common issue is how representative the membership of a board is of the society as a whole in which it operates. The board may wish to ensure it is appropriately balanced in terms of age, diversity, gender, ethnicity, political/religious background, etc. There is a risk to its reputation if it appears to be unbalanced.

Turnover of Directors/Trustees

There should be a time-limit for how long a director/trustee can serve on the board, to ensure the board is regularly refreshed. Some organisations have a simple time-limit of eight or nine years. Others have a normal maximum of two-terms of three years i.e. they can re-stand after three years, but not after six years. Some of these have an exception clause whereby an office-bearer, such as a chair or treasurer, can serve up to one more term of three years. While longer-serving directors/trustees can provide an important historical perspective on the organisation, it can be particularly difficult to bring about change in an organisation when there are board members that have served for, sometimes, 20 years or more, and liked how the organisation was then when they first joined the board. Founding trustees can present particular challenges.

Recruiting and Selecting New Directors/Trustees

Having identified the skills and experience on the board and any imbalances that need addressed, it is now in a position to recruit directors/trustees to fill the gaps. The board has a number of options:

- Ask existing board members to identify and approach individuals who might meet one or more of the specified skills gaps, and/or improve the balance on the board if they were willing to have a conversation about potentially joining the board.
- Advertise for new director/trustee positions in the traditional media, on websites, and on social media, as you would do for a paid job with a deadline for submissions of interest.
- Commission the assistance of a specialist agency, like CO3's Engage Talent, which has extensive experience of recruiting directors/trustees for third sector organisations.

It is helpful to set a deadline for expressions of interest regardless of the method of recruitment and to create as large a pool of potential candidates as possible to select from.

Potential new directors/trustees should be given a copy of the governing document and a document setting out the role of the board and individual board members and they, in turn, should be asked to furnish a CV and references. Those eligible and shortlisted should be asked to participate in an informed conversation with the selection panel, including the chair and chief officer and at most one other board member. Potential candidates should be given the opportunity to explain why they are interested and what they feel they might have to offer. They should also have every opportunity to ask questions about the organisation and its board and governance.

Board Structure

Governance work does not only happen in board meetings. Most third sector organisations establish other committees and working groups with specific terms of reference to help it govern more effectively. If there is only one sub-committee it is often a Finance or Finance and General Purposes Committee.

Depending on the type and size of organisation and the requirements of good governance, other common committees are:

- audit and risk
- human resources
- nominations and remuneration
- quality improvement
- planning
- governance improvement
- an office-bearers committee.

Some of the dangers of sub-committee structures are that:

- discussions within sub-committees are then regurgitated in detail at the full board meeting;
- directors/trustees are expected to go to too many meetings;
- numbers turning up at sub-committees are very small, even inquorate;
- the sub-committees become little support groups for the particular member of staff who attends/serves the committee, subverting the accountability structure of the organisation;
- the sub-committees become involved in discussions about the operational aspects of the organisation, not focusing of the governance and strategic functions; and
- the sub-committees become the key decision-maker body within the organisation, largely bypassing the board. This can particularly be a problem if there is a single sub-committee such as a Finance & General Purposes Committee.

A zero-based approach to sub-committees can be useful. This approach involves asking how things would look if there were no sub-committees. If it identifies governance problems that would arise from having no sub-committees, then maintain/establish only those sub-committees which would reduce substantial risks and improve organisational governance.

Office-Bearers

Most third sector organisations have several office-bearers who fulfil particular functions on the board. These are most commonly: a chair, vice-chair, treasurer and secretary.

It is important that the board sets out in writing the role of each of these office-bearers. Model role descriptions are contained in the Governance Manual (Appendix 1). The chair, in particular, is critical to ensuring that the governance of the organisation is of a high standard. This means that the chair needs to understand what makes for effective governance and drives the agenda. Some organisations also have a vice-chair role to help deputise when the chair is not available and with succession planning in relation to the role of chair.

The treasurer is also a critically important role, because of the high risk of theft and fraud, the need to maintain solvency and the need for good quality financial information to aid effective decision-making. Too many third sector organisations simply appoint anyone on the board who is willing to be treasurer to fulfil that role. It needs to be someone who has a proper understanding of, and experience in, financial planning, accounting, management, control and reporting, either because they hold an appropriate accounting qualification from one of the relevant professional bodies or have substantial experience as a finance director/manager.

The position of Hon. Secretary is becoming increasingly rare in larger third sector organisations. The role of taking good quality minutes of a meeting is important, but it is very difficult for someone to contribute fully to board discussions when they are trying to take minutes. For that reason, it is increasingly a staff member who takes the minutes. However, the issue of confidentiality is particularly important when a staff member is present during all board meetings. The secretary usually also has administrative and compliance obligations to regulators and if the organisation is a company the role of company secretary carries legal obligations. Succession planning is also important in relation to office-bearer roles. In identifying new board members, it is important to consider recruiting individuals who in a year or two would be appropriate to fulfil particular office-bearer roles.

Some boards ask individual directors/trustees to take formal or informal responsibility for particular aspects of the board's governance responsibilities and provide information and guidance or expertise to the board on these areas, such as human relations, health & safety, safeguarding, risk management, data protection, etc.

As with sub-committees, care needs to be taken not to undermine the line management structure of the organisation and interfere in operational matters. They can delegate tasks, but it in no way reduces the board's collective responsibilities in these areas.

Induction and Training

When a new director/trustee joins the board, it is important to ensure that they are thoroughly inducted into the organisation and into their governance role. They should have the opportunity to visit the organisation's programmes and services, meet key staff and hear them talk about their work. The chair should also talk to them in detail about the role of the board and their responsibilities as individual directors and trustees.

New directors/trustees should be provided with the governing document, governance manual, the audited or independently examined accounts and most recent management accounts, the minutes of the past three board meetings, the annual report, and other appropriate materials before the first board meeting and have the opportunity to discuss issues arising from those materials before the first board meeting. Some organisations also have a buddy system, so that an experienced board member provides support to a new board member for the first 6 or 12 months until they find their feet.

The knowledge and skill needs of board members should also be assessed, annually or bi-annually, and a training and development plan put in place and regularly reviewed to increase the knowledge and skills of board members to enable them to govern effectively.

Questions for Board Members to Ask to Ensure Effective Internal Governance

- Who is on the board? What are their skills? How long have they served?
- Has there been a recent skills audit of the board?
- Has the board identified skill gaps it wishes to fill?
- Is there an appropriate plan for filling the skill gaps?
- Do the board members get the agenda and papers well in advance of the board meetings?
- Are there good quality minutes of board meetings, circulated within a week of the board meeting?
- Is there a clear detailed agenda for board meetings which enables you to know what to expect?
- Are board meetings productive?
- Are board meetings well chaired?
- Is the chief officer responsive, providing clear information which allows for effective decision-making?
- Is there a healthy open relationship between the board and the chief officer?
- Is there a clear understanding of the different roles of the board and the staff?
- Is there a 'terms of reference' or role description for the board?
- Is there an appropriate induction for new board members?
- What sub-committees or working groups are there and who is on them?
- Are there terms of reference for each of the sub-committees and working groups?
- How well do the sub-committees and working groups function?
- Is there an appropriate turnover of board members, so it is regularly refreshed?
- Are there appropriate role descriptions for each of the office-bearer positions?
- Are all the office-bearer positions filled by people with the appropriate skills?
- Is there a succession plan for office-bearer positions?

Resources

Mike Hudson and Jacinta Ashworth (2012) *Delivering Effective Governance - Insights from the boards of larger charities*. It is available to download free from <https://compasspartnership.co.uk/delivering-effective-governance-insights-from-the-boards-of-larger-charities/>

Mike Eastwood and Jacqueline Williams (3rd Edition 2017) *Key Guides: The Charity Trustee's Handbook Directory of Social Change*

Claire Farmer (2008) *Codes of Conduct for Trustees - Developing and using trustee codes of conduct Charity Trustee Networks (CTN)*. Available to download free from <http://www.governancepages.org.uk/wp-content/uploads/2010/10/Codes-of-Conduct-for-Trustees-CTN-booklet.pdf>

Recruiting a Chair, Trustees and a Chief Executive ACEVO. Details as to how to purchase the publication at <https://acevocommunity.force.com/s/store#/store/browse/detail/a303z000003GyUHAA0>

4. CLARIFYING THE RESPONSIBILITIES OF INDIVIDUAL DIRECTORS/TRUSTEES

Introduction

In Chapter 2, above, the legal obligations of charity trustees and company directors, in relation to fiduciary responsibilities, the duty of care, duty of prudence, etc. were outlined. In Chapter 3 some of the responsibilities of the board in ensuring effective internal governance were explored. Here we are going to consider the practical responsibilities of being a director/trustee of a charity or other third sector organisation. But before that, let's look at some stereotyped good and bad examples of kinds of directors/trustees we have experienced.

Kinds of Directors/Trustees

There are many different kinds of directors/trustees and how they behave can be either positive or negative. Some of the archetypes of directors/trustees are highlighted below:

The Good

- The Diligent - The director/trustee who is always reliable; prepares well for meetings; takes notes of issues they want to raise; follows up decisions that were agreed; and can recall when previous decisions were made.
- The Worker Bee – The director/trustee who volunteers for other ways to help the organisation; and immediately responds to requests for help from the chair or chief officer.
- The Consensus-BUILDER - The director/trustee who listens well, picks up non-verbal cues, is always aware of what is happening in the board at a social and emotional level, and tries to bring people in who are not contributing and build a sense of unity at board meetings.
- The Problem-Solver - The director/trustee who is always trying to identify positive solutions to the challenges the organisation faces.
- The Appreciator - The director/trustee who recognises the positive contribution of others and thanks them and gives them praise.
- The Focuser – The director/trustee who, when the discussions go off track, brings the discussion back to the specific agenda item, the needs of service-users, and the mission of the organisation.

- The Humble – The director/trustee who recognises their own lack of expertise and that within the board and, therefore, the need to access appropriate external expertise when required to ensure the board and organisation is following best practice.

The Not-so-Good

- The Absentee - The director/trustee who constantly fails to turn up for meetings but never resigns. They also rarely respond to emails from the chair or chief officer.
- The Unprepared - The director/trustee who comes to meetings without having read any of the papers.
- The Latecomer - The director/trustee who never arrives on time and makes the board revisit agenda items they missed.
- The Silent - The director/trustee who comes to meetings but never speaks. Even worse is the silent director/trustee who then voices their unhappiness with decisions after the meeting.
- The Bore - The director/trustee who frequently talks at length, often repeating themselves, making sure they don't draw breath to give other people the opportunity to jump in.
- The Cloth-Eared - The self-opinionated director/trustee who only values their own view on any issue and fails to listen to the views of others. While others are talking, they are formulating their own contribution.
- The Minutes-Pedant - The director/trustee who insists on minutes that replicate word-for-word what was said, particularly by themselves, and frequently challenges the detail of the minutes at the start of the next meeting.
- The Nonverbal Critic - The director/trustee who uses their body language, such as rolling their eyes to ridicule the contribution of others or moving their seat to demonstrate a position outside the group.
- The Master of the Aside - The director/trustee who insists on making comments to the person beside them during meetings rather than contributing productively to board discussions.
- The Butterfly - The director/trustee who cannot stick to the agenda, but constantly leaps from topic to topic by word association.
- The Hand-Grenade Thrower - The director/trustee who loves to disrupt any moves towards consensus by throwing in explosive ideas, or who waits until Any Other Business at the very end of a long meeting to introduce, without warning, a substantial challenging new topic.

- The Founder - The director/trustee who founded the organisation, or who acts as if they did, who people won't challenge because of the amount they have given the organisation in the past, and who blocks the organisation moving forward.
- The Historian (may also be the founder) - The director/trustee who acts as a guardian of the organisation's past and a gate-keeper against the future who prevents change by telling other trustees that this is not the way the organisation does things, or by telling them that it was tried before ten years earlier and failed, so shouldn't be attempted again.
- The Fault-Finder - The director/trustee who is constantly critical of other people and ideas.
- The Chum of the chief officer - The director/trustee who feels their only role on the board is to back and defend the chief officer, regardless of the value of their case.
- The Partial Advocate - The director/trustee who feels it is their role to communicate with, and advocate constantly for, one particular service or programme, rather than the work of the organisation as a whole.
- The Expert-on-Everything - The insecure director/trustee who feels the need to constantly provide a verbal summary of their CV to establish their credentials on almost any topic.
- The Gossip - The director/trustee who constantly breaks confidentiality and afterwards tells others, not only what was said at board meetings, but by whom.

Don't be alarmed that there appear to be more negative examples than positive. All the negative examples could be turned on their head and given as positive examples of people who do not do these things. There are many more excellent committed directors/trustees than the above stereotypes suggest.

The important thing is to understand what kind of trustee we are and what ways we need to improve. Unfortunately, neither chief officers, nor other directors/trustees feel that it is possible, or important, for them to provide honest feedback to directors/trustees on how they are performing on the board, worrying that, if they did, the director/trustee they are talking to would throw the head up and resign, losing the opportunity for learning and the positive side of the contribution they make to the board and the organisation.

When directors/trustees display any of the negative features highlighted in these stereotypes it is the role of the chair to highlight to the whole board the code of conduct they have signed up to and the importance of working together effectively for the good of the organisation.

The chair may also, from time-to-time, or during an annual informal appraisal, need to meet with individual directors/trustees to provide them with feedback on the impact of their behaviour at the board.

Election/Co-Option

Directors/trustees are generally elected by the membership of the organisation at the Annual General Meeting (AGM), normally for a cycle of three years (e.g. each year the longest serving one-third of the directors/trustees are required to stand down from the board, but may re-stand for election) or more often for a set term of three periods running from one AGM to the next. Additional individuals (up to a fixed maximum) can also usually be co-opted onto the board until the following AGM when they would normally be required to stand for election.

Purpose of Being a Director/Trustee

The overall purpose of being a director/trustee is to promote the aims, objectives and values of the organisation; comply with relevant legal responsibilities as the director/trustee of a charitable company; and contribute to the good governance of the organisation.

Legal Responsibilities in Brief

As highlighted in Chapter 2, directors/trustees are expected to act honestly, in good faith, using reasonable skill and care and avoid any conflicts of interest in relation to themselves or any 'connected persons' (e.g. partners or relatives). They are expected, when acting as a director/trustee, to be familiar with the work of the organisation and always consider the good of the organisation as a whole and its beneficiaries, rather than promoting personal or sectional interests.

All directors/trustees should be active in exercising the responsibilities and functions of the board of a charitable company. Not having participated would not be a defence if things go badly wrong in an organisation. The opposite would be true, it would be evidence of negligence.

Behaviour

Directors/trustees should conduct themselves in a professional manner at all times when exercising the function of a board member, or when participating in any committees, sub-committees or working groups.

They should maintain good relations with other members of the board, staff and volunteers. This does not mean that they should not be questioning or challenging at board meetings, but that it should be done respectfully and politely. Directors/trustees should actively listen and not talk over other people or interrupt. Everyone at a meeting should have an equal opportunity to share their views.

Directors/trustees should always be in a competent state when they are engaged in the business of the organisation e.g. not under the influence of drink or drugs, or emotionally disturbed, etc., in the same way as they would expect staff to be. Directors/trustees concerned about this issue should refer to the organisation's Code of Conduct.

Attendance

On a very practical basis, directors/trustees are expected to attend meetings, be on time and stay for the whole meeting. If they are unable to attend, say, 75% of board meetings in a year, they should resign. If they cannot attend a particular board meeting, they should send in their apologies well in advance and let the chair know if they have any points to make on agenda items and to be relayed to the meeting. Organisations should monitor attendance and take action as appropriate.

Preparation for Meetings

Directors/trustees should prepare thoroughly for board meetings by reading the agenda and papers well in advance of the meeting and indicate to the chair, preferably before the day of the meeting, if they have any significant concerns about any of the items on the agenda, so the chair is appropriately prepared (e.g. to allow extra time for discussion, or to ask the chief officer for additional information).

Conflicts of Interest

Sitting on the governing body of a charity, or other non-profit organisation, may bring many benefits for directors/trustees, in terms of skills, knowledge, career prospects, building friendships, etc. This is perfectly legitimate but, as highlighted in chapter 2, directors/trustees must never use their influence to benefit themselves materially or otherwise (or any 'connected persons'). They must only promote the interests of the organisation and its beneficiaries.

If any item on the agenda might create a conflict of interest for the director/trustee, they should immediately inform the chair and withdraw from the meeting for that item.

Induction

New directors/trustees should attend and take part in induction sessions organised for them; read thoroughly the induction pack they are given; and actively participate in identifying their own training/information needs and participate in board training sessions.

Additional Roles to Participating in Board Meetings

Directors/trustees should consider how their own specialist skills and knowledge might best be used to serve the effective governance of the organisation. In many cases, this may mean sitting on a sub-committee or time-limited 'task & finish' working group of the board; sitting as a panel member in relation to appeals or recruitment and selection; or becoming an office-bearer.

Agenda

Directors/trustees are expected to follow the agreed agenda for board meetings. If they wish to have the agenda changed, they should contact the chair, ideally well in advance of the meeting to inform her/him of their views. This can then be discussed amongst the directors/trustees at the beginning of the meeting. If they wish to raise any additional issues that are not on the agenda, they should also ideally inform the chair in advance.

Authority

Directors/trustees should accept the authority of the chair at all times. If, in very exceptional circumstances, a director/trustee wishes to challenge the authority of the chair, they will need to put this forward as formal motion at the meeting, which the directors/trustees would formally vote on.

Be Informed and Open-Minded

Directors/trustees should be open-minded, listen to different points of view and seek to ensure they have the appropriate information and advice in order to contribute to making good quality decisions.

Collective Responsibility

Directors/trustees are bound by collective responsibility, which means that they will accept a decision of the board that is democratically arrived at and will not criticise, or try to undermine, the decision outside of the board. This does not mean that the director/trustee cannot raise the issue again at a future meeting. Some organisations have a time-limit to when an item formally agreed can be raised again.

What a Director/Trustee Should Not Do

There are also some important ‘don’ts’ as a director/trustee of a third sector organisation. Directors/trustees should not:

- Have private conversations with members of staff about any aspect of the organisation or its governance, without the approval of the chair and chief officer.
- Undermine the authority of the chief officer or other managers.
- Interfere in operational aspects of the organisation.
- Disclose confidential information discussed at board or sub-committee meetings.
- Criticise the organisation publicly or bring the organisation into disrepute.
- Act as a formal representative or spokesperson of the organisation without the approval of the chair and/or chief officer.
- Try to influence the outcome of recruitment & selection, tendering, or procurement processes in favour of themselves or any connected person. The only criteria must be what is best for the organisation and its beneficiaries.
- Benefit financially or materially from the organisation (except for legitimate expenses) or promote the material interests of any person they are ‘connected’ with.

Questions for Board Members to Ask About the Role of Individual Directors/Trustees

- Is there a role description for individual board members?
- Are board members clear about their role and responsibilities?
- Does the chair carry out an annual review meeting with each individual board member?
- Is there a code of conduct for board members?
- Are there any concerns about conflicts of interest with individual directors/trustees?
- Do board members attend well?
- Do board members prepare for meetings by reading the papers in advance?
- Do board members ask probing questions?
- Do board members listen to each other and treat each other with respect?
- Do board members follow the agenda and accept the authority of the chair?
- Do board members act in the interests of the organisation and the beneficiaries?

Resources

Charity trustee: what's involved Charity Commission for England and Wales (latest edition 2018) accessible at <https://www.gov.uk/charity-trustee-whats-involved>

Running your Charity the Charity Commission for Northern Ireland 20190524-running-your-charity-guidance-v60.pdf

Duties of Charity Trustees NICVA accessible at <https://www.nicva.org/resource/charity-trustees%E2%80%99-duties>

The essential trustee: what you need to know, what you need to do (CC3) (latest edition 2018) Charity Commission for England and Wales 2012 accessible at <https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3>

ICAEW Duties of Charity Trustees Help Sheet accessible free at <http://www.bwbllp.com/file/icaew-and-bwb-duties-of-charity-trustees-final-pdf>

Company Limited by Guarantee in Scotland SCVO accessible at <https://scvo.scot/support/setting-up-a-charity/decide-on-structure/company-limited-by-guarantee>

5. THE ROLE OF THE CHAIR

The role of chair is absolutely critical to the effectiveness of governance of the organisation and of the success of the organisation. Unfortunately, all too often, when one chair resigns, someone is dragooned into the role because of their longevity on the board. They may have no experience of chairing a third sector board or any board, be given no guidance on what the role involves apart from watching the previous chair, and little support once they become chair.

The first question is whether the board has a succession plan for when the current chair either completes their agreed term or decides to resign, perhaps due to other professional or personal commitments. If not, it would be a good thing to create one. If there is a role of vice-chair, is it filled by someone who would make a suitable chair, and would be willing to step up to the role of chair?

There is little legal or regulatory guidance as to the role or powers of the chair. It can be interpreted as the first among equals, whose role is to chair meetings of the board and little else. At the other extreme are individuals, often chief officers themselves (often of their own private companies), who see the role of chair as being a super-chief officer leading the organisation and instructing the actual chief officer, making their position untenable.

Effective chairs of third sector organisations fall somewhere in-between these two extremes. These chairs recognise that their purpose includes to ensure the effective governance of the organisation, plan and run productive board meetings, and also to ensure the organisation, as a whole, sets, and adheres to, a clear mission, vision, strategy, values, aims and objectives.

Ensuring the Board fulfils its responsibilities

It is the role of the chair to carefully plan meetings well in advance. This usually involves meeting with the chief officer a couple of weeks before a scheduled board meeting to plan the agenda to ensure that it enables the board to progress its governance agenda, as well as deal with issues and decisions required by the chief officer (see agenda-building in Chapter 3).

It is also useful to debrief a day or so after a board meeting to discuss how the meeting went (board meetings can often leave chief officers feeling very frustrated!) and what can be learnt for the future.

It is obviously the role to chair meetings of the board and see that it functions effectively and carries out its governance responsibilities. This means the chair needs to have a thorough knowledge of the agenda and papers that have been circulated, who is presenting what, and what is expected of the board (a decision? a discussion? a note that a report has been received?). As discussed, a detailed timed agenda is helpful in ensuring that the most time is spent discussing the most important items which require a decision from the board. The other side of that is the need to keep the agenda moving and stop it getting bogged down in discussions that are not relevant to what needs to be decided, without offending directors/trustees. Usually directors/trustees are very happy to move on when an item is not making any progress.

Most third sector boards normally make decisions by consensus i.e. that everyone agrees with taking a vote. It is the chair's role to try and ensure, where possible, there is consensus amongst board members. It is one of the issues the chair and chief officer should address at their meeting two weeks before the board meeting. There may be ways of increasing support for a particular decision that a board needs to take. For example, it can be helpful to circulate a paper early to board members to get feedback before a revised paper is circulated for decision at the board, or it may be useful to meet with board members who may oppose a decision to discuss the reasons for the decision before a board meeting.

Voting on a decision can be divisive, as it is based on the power of the majority, leaving the minority dissatisfied, and so should normally be avoided. If, however, for some particular reason, there needs to be a vote on a decision, and the decision cannot be delayed, it is the role of the chair to ensure that the vote is fair. The memorandum and articles of association will indicate whether the chair normally abstains from the vote, but if the vote is equal, has a casting vote, or whether they also vote the first time and have a second and casting vote if the vote is drawn.

It is the role of the chair to ensure that clear decisions are made, when required; that they are clearly arrived at; recorded in the minutes; and their implementation monitored at future meetings.

Planning meetings is not only about the formal agenda, but also ensuring there is the appropriate atmosphere at the meeting. This can be influenced by various factors including:

- The attractiveness and size of the room the meeting is in
- The size and shape of the table
- The availability of refreshments appropriate to the time of day
- The opportunity for informal networking before or after a meeting
- How directors/trustees are greeted when they arrive
- Appropriate humour during a meeting
- How director/trustee contributions are welcomed during the meeting
- How directors/trustees are thanked at the end of a meeting
- Whether the meeting is in person or online

Ensuring the board has the right skills and balance

In Chapter 2. above the need to ensure the board has the right skills and experience was highlighted and how such board members might be recruited and selected. It is normally the chair of the board who drives this process, supported by the chief officer and other board members. As highlighted earlier this is likely to include identifying the desirable governance skills and experience needed on the board and a skills audit of existing skills on the board against the agreed skills profile; and agreeing the process for recruiting and selecting from a pool of appropriate candidates.

Induction

The chair also needs to ensure that there is an effective induction of new directors/trustees, not only into the organisation and its work, but into the governance of the organisation by the board, current governance issues, etc.

Appointing Office-bearers

The chair should also ensure that satisfactory arrangements are made to identify and appoint the other office-bearers with the relevant skills and experience, as well as the next chair of the Board. This needs to include a succession plan, so the board is looking forward over the next couple of years, so it is recruiting people who may not fill office-bearer roles now but may do in future.

Reviewing Governance

The chair should ensure that the board regularly reviews how it is working, its structure, role and relationship to staff and agrees a governance improvement plan which they then ensure is implemented as necessary. It is not a negative reflection on the board or the chair that the board should regularly review its governance performance every year or two years and have a governance improvement plan. It is the best boards who recognise that you can always do things better and develop action plans for improvement.

Reviews with individual trustees

Some directors/trustees of third sector organisations complain that they have no contact with the chair outside of board meetings, so it is good to find ways of reducing this feeling of isolation. Some of the best chairs organise an informal annual appraisal/conversation with each trustee. The kinds of questions that the chair might ask in these conversations include:

- Are you enjoying your involvement in the charity?
- How do you feel the board is working at the moment?
- Are there things you think could help make the board more effective, or more enjoyable?
- Are there ways that you would like to contribute more or better to the charity in future?
- Do you have any concerns about the charity at present?
- Are there things that I, as chair, could improve on in future?

Helping to achieve the aims and objectives set for the organisation

It is not the role of the chair to determine the strategy of the organisation, but it is their role to ensure that the board, in partnership with the staff team, develops a long-term strategy for the organisation and annual operational plans with clear objectives which can be monitored; and then ensure that progress in achieving these objectives is regularly monitored. See Chapter 6.

These strategic and operational plans, in addition to specifying how the services/programmes of the organisation will develop, should include appropriate aims and objectives for the acquisition and management of resources (personnel, financial, material); ensuring compliance against the requirements of the law and best practice; and governance. The board has a critical role in delivering on the aims and objectives in these areas, as well as monitoring the achievement of the other aims and objectives.

Provide appropriate supervision and support for the chief officer

In Chapter 11 the importance of the relationship between the board and the chief officer was highlighted, including the recruitment, selection, induction, appraisal, development and supervision and support of the chief officer. These are functions that are normally led by the chair, making the relationship between the chair and chief officer the most critical to the success of the organisation. They need to be planned and regular (once a month) to build a relationship of mutual trust. The chair needs to be able to provide appropriate support and advice, if needed. Sometimes the chief officer may just need to vent and be listened to without getting advice. Sometimes the chair also needs to listen to advice from the chief officer about improving the governance of the organisation. But the chair also needs to be able to act as a critical friend: to ask challenging questions about what the chief office does or doesn't do, not for the sake of it, but to help build a better organisation.

Before meeting both the chair and the chief officer should have agenda items they want to cover. The chief officer should go first but should ensure there is sufficient time to discuss the issues the chair needs to discuss. Both should take notes, but the chief officer should prepare a formal note of the meeting that he can send to the chair afterwards of what they agreed. The chair should always follow up on actions agreed (their own actions as well as those to be actioned by the chief officer).

The chair should ensure that the chief officer is clear about their role, the extent of their delegated decision-making authority, and what powers are reserved to the board through a schedule of delegated authority.

It is not the role of the chair, or the board, to manage members of staff other than the chief officer. However, the board, through the chair should satisfy themselves that appropriate arrangements are in place to support, monitor and review the work of other staff (see Chapter 10) The chief officer should attend the whole of board meetings, except for items where there might be a conflict of interest e.g. a discussion about the chief officer's performance, salary or terms and conditions. Generally speaking, other members of staff should not attend the whole of board meetings, but only come into the room to speak to the specific agenda item that is relevant to them and then leave. Organisations where, for example, the whole of the management team attend the whole board meeting tend to be poorly governed as the focus is mainly on items of interest to those staff rather than on governance. The exception might be if a staff member is taking the minutes.

Although someone has the title of chair, it does not mean that they are entitled to keep vital information from the other directors/trustees who have an equal responsibility in law for the effective governance of the organisation, so chairs need to be careful in excluding one of the board members from vital information.

Appraisal

Like all staff, the chief officer should participate in an annual appraisal with the chair (and perhaps another trustee). Beforehand, the board should discuss the chief officer's performance and identify any issues they think should be addressed. The chair may also meet the management team to ask if there are any performance issues they would like to see raised.

Normally, the appraisal should follow the same format and process as with other staff. At the appraisal, the kinds of questions that the chief officer should have had some time to consider before the appraisal and share at the appraisal meeting include:

- Do you think your job description is accurate and up-to-date?
- What are you most proud of in what you have achieved in the last year?

- What did not go so well?
- What do you think are your strengths?
- In what areas do you think you need to improve?
- What learning and development activities did you undertake during the year? In what way were they beneficial?
- What learning and development do you think you need or want to undertake in the coming year?
- Do you have a view about your future career?

In addition, it would be important to address several other specific questions:

- How do you feel about your relationship with the board over the year?
- Are there ways that the relationship, or the effectiveness of the board could be improved?
- Are there ways that I, as chair, could provide greater support to you in your role as chief officer?

In relation to each question, it is important that the chief officer is given the first opportunity to express their views on the question, before the chair expresses a view. For the last part of the meeting, agreed actions should be documented and a timetable of review agreed. The chair should take detailed notes throughout, which are then typed up and given to the chief officer as a draft to comment on and sign the final version.

Ambassadorial Role

Except in the smallest organisations or in very particular circumstances it is not the role of the chair to be the main public spokesperson for the organisation: that is normally the chief officer. However, it is the role of the board, through the chair, to ensure that that function is appropriately and effectively delivered by the chief officer, and, from time-to-time to serve as a spokesperson for and/or promoter of the organisation, when appropriate, and help to promote the organisation to a wider audience of members, decision-makers, potential donors, etc. with the approval of the chief officer.

An Office-Bearers Group

Some chairs find it helpful to establish an office-bearers' group they plan and chair between the main board meetings.

Such a group can help make essential decisions between meetings of the board within the terms of authority delegated by the board; can provide support and advice to the chief officer as required; and identify key issues for and assist in planning forthcoming Board meetings. The danger can be that it becomes a 'kitchen cabinet' which leaves other board members feeling excluded.

Questions for Board Members to ask about the role of the Chair

- Is there a role description for the chair?
- Is there a time-limit for how long a chair may be in post?
- Is there a succession plan for the role of chair?
- Are board meetings well planned
- Is there a clear detailed agenda that makes it clear what is expected from board members?
- Are the agenda and papers consistently sent out a week in advance of meetings?
- Is there a positive atmosphere created around board meetings?
- Are meetings chaired well to get through the agenda and value the contributions of all directors/trustees?
- Does the board have the right skills and experience to govern effectively?
- Is there an appropriate balance on the board in terms of diversity such as age, gender, community background, etc.?
- Does the board have the appropriate office-bearers with the right skills, and a succession plan for these roles?
- Is there an appropriate induction and induction pack for new trustees?
- Has the board reviewed its own governance in the past two years, and does it have a governance improvement plan?
- Does the chair meet regularly with the chief officer?
- Is the chief officer appraised each year?
- Are there up-to-date strategic and operational plans which are regularly monitored by the board?
- Do each of the trustees meet with the chair each year to discuss the role as a director/trustee and how they think the governance could be improved?

Resources

Chair's Compass – A Guide to Chairs of Charities and Nonprofit Organisations Ruth Lesirge & Rosalind Oakley which can be accessed free at

https://www.associationofchairs.org.uk/wp-content/uploads/2014/10/AoC_ChairsCompass_final.pdf (free)

Charity Chairs Checklist Hempsons

https://hadca.org.uk/sites/default/files/Charity_Chairs.pdf (free)

How to be an even better Chair: Sensible advice about chairing in the charity, not-for-profit and public sectors (2006) Sophie Petit-Zeman Prentice-Hall

6. PROVIDING STRATEGIC DIRECTION

Introduction

As the roots of the word governance literally mean ‘to steer’, a key role of the board is to ensure that the organisation has a clear sense of direction, which is articulated in agreed strategic and operational/business plans, effectively implemented and regularly reviewed. In doing this, it is vital to ensure that internal and external stakeholders are appropriately involved in, and/or consulted on, the development of these plans.

The concept of strategy can be defined as follows:

Strategy is the direction and scope of an organisation over the long-term, ideally which matches its resources to its changing environment and in particular its markets, customers and clients so as to meet stakeholder expectations (Johnson & Scholes 1993)

Mission

The first and most fundamental question that needs to be asked by the board, in discussion with the staff, is: ‘what is the purpose of the organisation’? Sitting down with the key players in an organisation and the key stakeholders to explore the various answers to that most basic of questions can be both a very salutary experience for directors/trustees as they discover how different the answers to that question can be, even in an apparently united organisation. It is also a very powerful one, as very quickly you get to the heart of what motivates each person to commit themselves to give their time, energy and money to the organisation.

The end product of these discussions should be a clear, concise and motivating statement of purpose (or mission statement) which covers all aspects of the organisation's work. Examples of current and past mission statements are given in Box 1 below.

Box 1 - Examples of Mission Statements (past and present)

Reduce crime, change lives. *NACRO*

To create lasting solutions to poverty, hunger, and social injustice. *Oxfam*

To serve individuals and families in the poorest communities in the world. *CARE*

To inspire and empower people affected by cancer. *Lifelong*

To inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives. *Save the Children*

The *RSPCA* is a charity which will, by all lawful means, prevent cruelty, promote kindness to and alleviate suffering of animals.

To help the most vulnerable children and young people break through injustice, deprivation and inequality, so they can achieve their potential. *Action for Children*

Greenpeace is a global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

Our mission is to challenge blindness by empowering people who are blind or partially-sighted, removing the barriers they face and helping to prevent blindness. *RNIB*

UNICEF fights for the survival and development of the world's most vulnerable children and protects their basic human rights.

Vision

Alongside a mission statement, organisations often also produce a vision statement. This is a statement of the state of affairs that the organisation would ideally like to see if its work was successful. The focus of this statement should be on the beneficiaries (or potential beneficiaries) of the service, even where that means they will no longer need the services of the organisation.

Below in Box 2 are a few examples of vision statements:

Box 2 - Examples of Vision Statements

A just world without poverty. *Oxfam*

Equality for everyone. *Human Rights Campaign*

A World Free of MS. *Multiple Sclerosis Society*

Our vision is a world without Alzheimer's. *Alzheimer's Association*

To end cruelty to children in the UK. *NSPCC*

Samaritan's vision is that fewer people die by suicide.

A world where everyone has a decent place to live. *Habitat for Humanity*

For every child, life in all its fullness; Our prayer for every heart, the will to make it so. *World Vision*

VSO's vision is of a world without poverty in which people work together to fulfil their potential.

We seek to save a planet, a world of life. Reconciling the needs of human beings and the needs of others that share the Earth. *WWF*

Our vision is nothing less than realising the full potential of the Internet. *Creative Commons*.

Our vision is a world in which every child attains the right to survival, protection, development and participation. *Save the Children*

Vision statements should be short, memorable and inspiring. It should be the reason that we get up in the morning and give our best efforts for the organisation. Debra Allcock Tyler highlights the vision of Moses that the dispossessed slaves living in exile in Egypt would be able to live in a 'Land of Milk and Honey', which has been an inspiration to Jews, Christians and Muslims over many centuries.

She thought that some modern writers of vision statements would probably have described the vision as something like the following:

“The vision is to navigate disadvantaged and dislocated beneficiaries to a defined geographical area which contains sustainable resources of bovine lactate and apiary emissions in order to provide economic and physical regeneration.”

Values

The third element of a fundamental statement of what an organisation is about is often a statement of values or philosophy which underpins the whole work of the organisation. For third sector organisations which are, by definition, value-led it is particularly important to be concerned with not only what it does but also how it does it.

Typical statements of values might cover some of the following:

- Respect
- Integrity
- Excellence
- Client-centred
- Confidentiality
- Effectiveness
- Efficiency
- Partnership
- Openness
- Accountability
- Empowerment
- Equal opportunities
- Human Rights

It is good to highlight only a small number of values, so that directors/trustees, staff and volunteers can remember what they are. They should be as distinctive as possible to the organisation and focus on key drivers for change. Sometimes organisations choose bland corporate values that might be the same for a bank or an arms manufacturer. Values should be as distinctive to the specific organisation as possible.

Usually, each of the values are articulated in a sentence, each with a heading. For example:

Human Rights

Every person is entitled to their rights as articulated by the United Nations Declaration of Human Rights.

Some organisations also include a second sentence after each value to articulate the implications of each value e.g. after the value statement, they may say something like “we will, therefore, ...”, or more strongly “we commit to...” or “we promise to.....” For example:

Human Rights

Every person is entitled to their rights as articulated by the United Nations Declaration of Human Rights. We will proactively and consistently protect, and advocate for, the rights of our clients.

The key issue in developing a statement of values is what the organisation is going to do with them; how are they going to drive change in the organisation, and/or the world? Some options might be:

- Making sure they are well displayed to staff, volunteers and service-users.
- Including discussion of the values in the induction of directors/trustees, volunteers and staff.
- Directors/trustees to meet with key staff in the middle of the strategy period and discuss the ways that the organisation lives the values and in what ways does it not fully live them and agree actions to help ensure they are more fully lived.
- Draw up a service-users charter based on the values.
- Draw up a code of practice/conduct for directors/trustees, staff and volunteers based on the values.
- Base organisational policies on the values.
- Include questions about living each of these values in a regular survey of service-users.
- Include questions about living each of these values in a regular staff/volunteer survey.
- Include questions about fulfilling each of these values in the staff appraisal process.

Strategy Pyramid

The mission, vision and value statements provide the pinnacle of a pyramid through which the strategic plan of the organisation can be cascaded. Each level becomes more specific and nearer in time than the one above, but also provides the means of achieving the level above. The model of strategic planning might, therefore, look something like the following:



Long-Term Aims

The mission, vision and values statements, by their very nature, tend to be inspirational, short and general. To give the strategic plan a coherent framework there needs to be a number of (usually between 4 & 10) long-term aims which cover each of the main critical activities that the organisation will need to engage in if: it is to achieve its mission; make progress towards the vision; and live the values.

These long-term aims will cover the core types of activities and programmes that the organisation may run in achieving its mission. They may be broken down into something like: direct services, prevention/public education work and campaigning; or by types of service; or geographically. Some organisations have one aim in relation to *service development* (e.g. growth strategies) and a second in relation to *service quality/excellence*. There are no rules as to the most appropriate number or focus of aims; it will be different for each organisation. It may only be when you discuss the priorities under each aim below that you realise that the structure is not right, as one aim has a dozen priorities and others have only one or two.

The aims also need to include the vital organisational support services which ensure that the organisation is effectively and efficiently governed and managed; financial, physical and human resources are in place and effectively managed; the organisation communicates effectively; sufficient net income is raised; and the organisation complies with all its legal responsibilities. Governance aims and priorities are a vital function that should be included in a strategic plan, but often are not.

In some strategic plans the aims are stated as general activities. For example, a youth organisation might have as an aim, 'To run an advice centre for young people'. However, if the organisation already runs an advice centre, this aim will not drive any change for the benefit of service users; it is not ambitious enough, because, to continue the example, as long as the organisation runs some kind of advice centre for young people, this aim has been achieved. It is important that the long-term aims should themselves be like mini-vision statements which focus on the situation that the organisation would like to see achieved over the medium to long-term. This aim, in the case of the advice centre, might, therefore, be 'That all young people in the town have access to a high-quality advice service which is relevant to their needs'. This provides continuous challenges to the organisation on: accessibility, quality of services and responding to the diverse needs of service-users. One writer argues that we should create what he calls "B'Hags" (Big Hairy Audacious Goals!). These provide real challenge and inspiration for all those involved in the organisation.

Strategic Priorities

All of the above Aims are not time-bounded. They are all visionary or idealistic. It is important to move towards some more specific goals that the organisation can work towards achieving within the period of the strategic plan (often 3 to 5 years). One useful step in this direction is to establish some priorities, or “Priorities for Change”, under each long-term aim that the organisation can say it is planning to achieve within the 3 years.

In relation to the example of the advice centre for young people above, the aim might be, as suggested above, 'that all young people in the town have access to a high-quality advice service which is relevant to their needs.' The priorities underneath this might include, for example:

- to double the number of young people using the centre;
- to develop satellite outreach centres to increase accessibility;
- to improve disability accessibility;
- to provide online information in different languages; and
- to put in place an accredited quality assurance system.

These should not be goals that can easily be achieved within the first year of a plan but will require work throughout the full period of the plan.

Performance Indicators

This is one of the most important and difficult aspects of strategic planning. Third sector organisations are often resistant to the idea that what they do can be reduced to measurable outcomes or outputs. However, experience tends to show that, over a period of time, it is possible to produce a number of key measurable indicators (sometimes called Key Performance Indicators or KPIs) to show the progress that the organisation is making towards achieving its long-term aims.

Our youth organisation, for example, might have a long-term aim that ‘all the staff and volunteers have received the training and accreditation they need to provide a professional advice service’. The performance indicators might be ‘80% of staff and trainees achieve a QCF (advice) level 3’. Alternatively, it might be expressed in the number of QCF units achieved.

Additionally, a further indicator might be 'the number of training hours undertaken on particular skills or knowledge that were identified in a regular training needs analysis'. It is important not to create too long a list of performance indicators, as the important point is that, at least twice a year, there should be a review against each indicator. Targets for these indicators can be set which can then be integrated into the annual operational plan.

It is important for the board to receive a regular dashboard of performance against the indicators, which show trends of impact over time, so directors/trustees can see whether the organisation is making progress in the right direction and intervene to make changes if it is not.

Strategic Planning Process

As important as a strategic plan is, the process that the board establishes for creating the plan is equally important. Plans which the senior management team, or worse, the chief officer, or a consultant, write on their own are of limited value. Even a plan that is created by the board, without the involvement of those who actually deliver the services, is of limited use. The important thing is a process that seriously engages all the key players in discussions about what the organisation is for, what it wants to achieve and how it is going to achieve these goals. This will ensure that all the key players are committed to actually achieving the plan.

An effective strategic planning process often involves the following elements:

- The appointment of someone, with appropriate skills and experience (and will not be involved in determining the content of the strategy) to facilitate and guide the strategic planning process.
- A one (or one-and-a-half) day workshop involving all the organisation's trustees and staff (and potentially key volunteers and/or key external stakeholders) to engage in:
 - a review of the purpose of the organisation;
 - the creation of a vision of success;
 - identification of a small number of key values that should underpin the work of the organisation and drive change;

- o the identification of the key actions that need to be in the strategic plan if the organisation is going to achieve the mission, make progress towards the vision and fully live the values;
- o a review of the organisation's strengths and how to build on them;
- o a review of the organisation's weaknesses and how to mitigate them; and
- o identification of the key factors in the external environment that need to be taken on board in creating a new strategic plan e.g.:
 - opportunities for service developments;
 - risks in the external environment;
 - relevant public policy developments;
 - income generation possibilities;
 - changes in the client/service-user group; and
 - new technologies.
- A smaller planning group to develop a draft strategic plan with the facilitator.
- Consulting all key internal and external stakeholders on the draft strategic plan.
- The smaller planning group to draw up an operational plan for the first year of the strategic planning period, with SMART operational objectives under each aim.
- Recommending a process for monitoring the implementation of the operational plan.

Strategic Implementation - Making it Happen

The greatest weakness in relation to strategic planning is probably in the implementation phase, or rather, the non-implementation phase. All too often a one-off plan is drafted, even including many of the elements given above, but it then sits in a computer folder for a few years until someone, often a funder, evaluator or a new board member or chief officer comes along who thinks it is time for a new strategic plan, and so on. This is not only a problem of implementation: It is also a problem of formulation, because the plan does not include a number of elements that are key to ensuring that the plan is implemented and regularly revised to take into account changing circumstances. These are highlighted below.

Rolling Operational Plan

The structure of the planning process outlined above requires a further crucial step to be included in the implementation timetable; the process of drawing up the operational plan for the following year based on the original mission, vision, values and priorities.

This process needs to begin soon after the middle of the previous year's operational plan year. Following the middle of year one, therefore, the organisation would begin the process of drawing up the year two operational plan. After the middle of year two, the process of drawing up the operational plan for year three would begin. The mission, vision, values and priorities should remain largely the same unless there is major change in the focus of the organisation or external environment over the three years.

It is rarely possible for an organisation to be able to say exactly what it will be able to achieve over each of three years of a strategic plan. Plans that do try and do this tend to look very sparse in year three! It is, therefore, necessary to create much more specific operational plans which clarify one year at a time the progress the organisation intends to make that year towards achieving the organisation's mission, vision, values and priorities. The operational plan is normally based on creating objectives which are SMART:

Specific & Stretching

Measurable & Motivating

Achievable & Agreed

Realistic & Robust

Time-scaled & Timely

The advice centre for young people might, therefore, include the following as objectives in one year:

- 50% of the staff and volunteers will have achieved at least 2 units of QCF (advice) level 3 by November 2023;
- A leaflet providing advice to young people on recreational drugs will have been produced by March 2024; and
- 1,500 young people will have made use of the services of the centre by March 2025.

It is important that the objectives are established under each priority and that the objectives taken together will make an impact on achieving that aim and therefore ultimately the mission of the organisation.

Monitoring

Many strategic plans fail to be implemented simply because no framework was put in place at the beginning for the board to monitor progress against the plan. At its simplest, this requires a timetable for reports to be produced for the board which describes the progress that has been made in achieving the objectives under each aim and gives a report on each of the performance indicators. It is obviously important to indicate if an objective has not been achieved (a red, amber, green traffic light system can be useful here), and why, and a new timetable established for its achievement if the objective is still relevant.

Depending on the nature of the plan and the changeability of the external environment, a progress monitoring report to the board should be produced at least every 3 or 4 months, with additional exception reporting at each board meeting, when required.

Managing Individual Performance

The Strategic and operational plans will also come to nothing if they do not become part of the daily work of each of the staff. In small organisations it may be enough to ensure that each of the objectives in the operational plan are allocated to a named individual. In larger organisations it is important that the cycle of performance appraisal with staff and volunteers relates to the operational planning cycle, so that targets can be set with individuals which will, in turn, achieve the operational objectives in the plan. The review of the performance of staff should take place at the end of the annual operational planning period, so it is possible to discuss the contribution that the individual made towards the organisation's operational plan in the preceding 12 months and plan the contribution they will make in the forthcoming 12 months. It is the role of the board to ensure that there is an appropriate appraisal/ performance review system in place which is consistently implemented, but not to directly appraise the performance of staff other than the chief officer. Appraisal is discussed further in chapter 10 (*Being a Good Employer*) below. The board needs to role model good practice in how they appraise the chief officer.

Commitment & Motivation

It is clear that to ensure that the plan is implemented, there needs to be real commitment and motivation from directors/trustees, staff and volunteers. This is only likely to be the case if there is a high level of ownership of the plan. This will require ensuring that they have all had a real opportunity to participate in the strategic planning process and put forward their own ideas. Experience would indicate that the earlier in the process the trustees, staff and volunteers are involved, the more committed they are likely to be to implement the final plan.

Resource Implications

Considering the resource implications of the plan that has been drafted is crucial to its achievement. These resource implications are likely to include:

- Physical resources, such as buildings, vehicles, equipment, furniture, etc.
- Human resources, such as the number and type of staff and volunteers; skills needed; support and supervision; salary and benefits structure; etc.
- Systems and procedures, such as administration, personnel, finance, training, quality, etc.
- Financial resources, which may be one-off capital costs, time restricted project costs, or annual running costs.

The operational plan may highlight objectives that can only be achieved if more resources are acquired. This can help to establish new objectives in relation to income generation.

The ultimate aim of considering each of the resource implications of the strategic plan is to create at least a three-year budget which will clarify the specific funding/fund-raising targets that will need to be set and achieved within the plan. Alternatively, it may result in a revision of the plan in order to make it more realistic. There is also likely to be a more detailed annual budget to enable the achievement of the annual operational plan and its SMART objectives.

Questions for Board Members to Ask about Providing Direction

- Does the organisation have a current strategic plan which everyone is aware of and provides a clear sense of direction? If not, why not?
- Does the organisation have a current operational plan (usually annual) with SMART objectives, so it is very clear what is expected of the staff of the organisation in driving forward the strategic plan, so they can be held accountable?
- Does the board effectively monitor progress against the operational plan at least three times a year?
- What percentage of objectives were achieved in the last year?
- Is there clear accountability when objectives are not achieved?
- Does the organisation have clear measures of performance that are regularly reported to the board?
- Are operational objectives clearly cascaded through an organisation through the appraisal scheme?

Resources

Alan Lawrie (latest edition 2014) *The Complete Guide to Business and Strategic Planning: for Voluntary Organisations* Directory of Social Change

NCVO *Strategy and Planning* <https://knowhow.ncvo.org.uk/organisation/strategy>

Roger Courtney (2013) *Strategic Management in the Third Sector* Palgrave Macmillan

7. ENSURING EXCELLENT SERVICES

Introduction

It is the responsibility of the board to ensure that the organisation provides high quality services and programmes that meet the needs and expectations of service-users and funders/commissioners and are regularly reviewed. Nothing can be more important, but it can be challenging for the board to ensure this, as the trustees/directors are generally not the people either delivering or receiving the services, nor should they normally interfere in the day-to-day operational delivery of services.

There are various ways that a board can ensure that the organisation is delivering excellent services that meet the needs of the beneficiaries:

Outcomes

The board should ensure there is a process in place to identify the desired outcomes (ways that you hope service-users' lives will change for the better) that are important in measuring how well the service(s) is meeting the needs and improving the outcomes of beneficiaries. It should also agree how these outcomes will be measured; and agree when and how the analysis of these indicators will be reported to the board.

A service for people who are homeless might, for example, decide that the outcomes they are aiming to achieve for its service-users are:

- greater contact with family and friends;
- improved physical health;
- improvement mental/emotional health and wellbeing;
- reduced harm from alcohol/drug addiction;
- employment; and
- sustainable housing.

The board should, therefore, expect that there is a process in place to measure the extent that these outcomes are being achieved (e.g. by using the Outcomes Star (commonly used in homeless services), or some kind of before and after questionnaire – see examples at <https://knowhow.ncvo.org.uk/organisation/impact/plan-your-impact-and-evaluation/mentoring-and-befriending/outcome-indicators/outcome-indicators-for-mentoring-and-befriend>

ing-projects) and overall findings are regularly reported to the board. Increasingly, statutory funding bodies and commissioners want to see evidence of how the desired outcomes set by the organisation relate to the outcomes set in the Programme for Government.

Needs Analysis

The board should ensure that there is a regular (perhaps annual) needs analysis of the client/target group(s) both at population level and at programme level (i.e. your own service-users) at least in relation to the desired outcome areas. In what ways are the needs changing? Are key wellbeing indicators in the population going up or down over, say, a five-year period? Are there new emerging needs? For some populations (e.g. the unemployed), there may be regular statistics produced by another body that can be accessed. In other areas, it may be necessary to commission a detailed research study. Qualitative information from focus groups and interviews can be as valuable as, and can complement, statistical information.

Be Evidence Informed

The board should, as far as possible, ensure that the work of the organisation is informed by the international evidence of ‘what works’ for the client group, drawing on relevant robust international efficacy studies and specialist meta-studies of the evidence. This may require commissioning desk research by an appropriately qualified and skilled researcher, or research agency or academic institution. This also suggests that it would be good to have a relevant academic on the board.

Service Development Plan

The board should ensure there is a service development plan approved by the board, which is focused on how the organisation intends to improve the agreed outcomes (‘turning the curve’) for the beneficiaries. As highlighted above, it also needs to ensure there are effective ways of measuring and reporting on the achievement of these outcomes.

Evaluation

The board should ensure there are annual internal reviews of services, focused on continuous improvement.

In addition, to give the board an independent perspective on how the services/programmes of the organisation are doing, each service/programme should be subject to an external evaluation by a suitably skilled and knowledgeable independent expert, at least every 3 or 5 years, which is reported to the board. There should also be an objective organisational evaluation by an independent organisational expert, based on a detailed brief approved by the board, at least every 3 or 5 years, which looks at all aspects of the organisation and makes recommendations for improvement.

Quality Assurance

The board should ensure there is a robust quality assurance process in place which is effectively implemented, and the findings of regular audits of compliance with the standards and procedures are reported to the board at least once a year. Particularly, as organisations and services expand, there is an increasing need to put in place standards and procedures that ensure that staff and volunteers delivering services do so to a consistently high standard. It is, therefore, important that the board ensures that appropriate quality standards and procedures are in place in relation to all the organisation's services. These need to be effectively implemented and regularly audited to ensure compliance, identify non-compliance and actions required to improve conformance with the standards and procedures.

Particularly in a larger organisation with multiple services or sites, without such a system it is impossible for the board to be confident that the organisation's services are being delivered to the consistent standard that the board expects. It is not the role of the board to create such standards and procedures, but to ensure that such a system is put in place. This may require discussion with the chief officer and the head of services in relation to the following issues:

- Identifying whether there are currently the skills within the staff team to develop appropriate standards and procedures and what training and/or support might be required.

- Developing and approving a format for service operating procedures, so they are developed in a consistent style and include a mechanism for auditing the extent that procedures have been followed.
- Ensuring there is a process in place to identify the standards that would need to be applied to ensure the service is being delivered to an excellent standard and meeting the needs of service-users.
- Ensuring there is a process in place to draw up the operating procedures required to ensure that these standards are delivered consistently.
- Ensuring there is an appropriate mechanism for internally auditing the extent that the agreed service operating procedures are being consistently delivered and reporting the learning to the board at agreed intervals.
- Establishing a mechanism for a less frequent objective external audit of the system.
- Deciding whether the system should be accredited external e.g. ISO9001:2015, which is the gold standard for quality assurance systems. It does not tell you what your standards and procedures should be but help ensure that all aspects of the system operate effectively.

Getting Feedback from Service-Users

Ensuring there is an appropriate system in place for getting honest feedback from service-users is one of the key ways that the board can find out how the beneficiaries feel about the services they are receiving. It is important, therefore, that the board is aware of the views (positive and negative) of service-users. The danger, of course, is that service-users are often grateful to be receiving any service and may be concerned about losing the service if they are critical. They are relatively powerless in comparison to the staff who are delivering the service. This needs to be taken into account in any feedback system. Feedback can be from organisations as well as from individuals.



“Getting honest feedback from service-users”: “Now tell me in how many ways do you think that the organisation is brilliant?”

The board should ensure there are appropriate feedback processes in place. These might include the following:

- Ensuring there is a process for assessing the satisfaction and views of individual beneficiaries and this process is effectively implemented and reported to the board. This might be through annual surveys, or independent objective confidential interviews with beneficiaries, or a random sample of beneficiaries.
- Providing service-users with an appropriate mechanism to have a more collective voice through a service users' forum, or focus groups of service-users, facilitated by a suitable skilled external facilitator.
- Putting in place a mystery shopper assessment. This involves commissioning actors to put themselves in the place of beneficiaries and to present themselves to a service(s) provided by the organisation with a prepared learnt script and to make notes of their experience as a service-user.
- Putting in place a mechanism whereby directors/trustees visit the organisation's services and talk informally to service-users. There are potential benefits and dangers with this approach. The potential benefits are that directors/trustees can hear first-hand from service-users and may be motivated by seeing the organisation's work and impact first-hand. The potential dangers can be:
 - o The directors/trustees, who may be untrained to interact with service-users, acting inappropriately, for example by making organisational commitments to them, or sharing inappropriate things about themselves, the organisation, or their private contact details.
 - o Directors/trustees putting themselves at risk (actual risk or at risk of an allegation being made) by being alone with vulnerable service-users.
 - o Directors/trustees developing a particular attachment to one particular service, or service-user and lobbying on their behalf at board meetings.
 - o Service-users using the visit to ask for specific things, undermining the staff who understand the fuller context.
 - o Staff being undermined by the directors/trustees who have visited a particular project/programme by taking back operational issues to be discussed at board level without previous discussions with the relevant operational staff/manager.



- o Staff using the visits as an opportunity to ask the board members for things, bypassing more senior staff.

This would appear to suggest that the dangers outweigh the potential advantages. This is not necessarily so. The board should ensure that any process involving visits by directors/trustees is well planned; there are clear guidance notes for directors/trustees and staff; directors/trustees receive training; and appropriate mechanisms are in place to feed back to the chief officer and head of services.

Complaints

The board should ensure there is an appropriate complaints process in place which is effectively and consistently implemented, of which all beneficiaries are fully aware how to use it. The board should receive and consider a report once or twice a year on what can be learnt from the complaints that have been received. Receiving no complaints is not necessarily a good sign: It may mean that service-users are unaware of how to complain or worry that they will be victimised by taking a complaint.

The precise feedback mechanisms used by an organisation will vary according to the capacity of the service-users. An organisation may need to be more creative if its service-users have limited written or verbal communication skills, for example. Regular reporting to the board from the findings of these feedback mechanisms is important.

Benchmarking

It can be a very powerful experience to go and visit similar services run by another organisation. It can provide useful clues as to how you are doing in relation to other similar organisations, as well as provide ideas for improvement. Increasingly, third sector organisations are looking globally at what is considered to be best practice in their area of work and developing a close understanding of how they are achieving this best practice. Such benchmarking visits can be very valuable where the services are relevant enough.

Questions for Board Members to Ask About Ensuring Service Excellence

- How are the changing needs of service-users and the wider target group assessed?
- Do the services operate to particular service standards and operating procedures?
How is this audited?
- Are there clear desired outcomes for service-users? How is this measured?
- Is there robust, external evidence of 'what works' for this target group?
- Are all services regularly evaluated by a suitable skilled and experienced external evaluator?
- Is there an appropriate quality assurance system in place? How is it audited?
- Is feedback sought from service-users?
- Is there an appropriate complaints system? How does the board monitor complaints?
- Is there a mechanism for benchmarking against other similar organisations?

Resources

Scoping study – Quality Assurance in the Voluntary and Community Sector (2012) Ellie Brodie (NCVO) and Georgina Anstey (NCVO) with Tim Vanson (OPM) and Richard Piper (NCVO) available to download from <https://www.bl.uk/collection-items/scoping-study-quality-assurance-in-the-voluntary-and-community-sector#>

Impact and evaluation in the UK third sector: reviewing literature and exploring ideas Third Sector Research Centre Working Paper 27 Dr Malin Arvidson December 2009 Available to download free from https://eprints.soton.ac.uk/183217/1/arvidson_working_paper_27.pdf

Impact measurement practice in the UK third sector: a review of emerging evidence Dr Jenny Harlock July 2013. Available to download free at https://www.researchgate.net/publication/303020075_Impact_measurement_practice_in_the_UK_third_sector_a_review_of_emerging_evidence_Third_Sector_Research_Centre_Working_Paper_106

Monitoring and evaluation in the third sector: meeting accountability and learning needs Dr Jean Ellis, Senior Consultant, Charities Evaluation Services. It is available to download from <https://www.scribd.com/document/333532051/Accountability-and-learning-Developing-monitoring-and-evaluation-in-the-third-sector-Ellis-2008>

Making Sense of ISO9001:2015 The Simple Systems Series Jennie Clark 2020

8. ENSURING THE EFFICIENT MANAGEMENT OF RESOURCES

Introduction

An organisation cannot do anything without the necessary financial and other resources. Good decision-making requires a clear and timely understanding of the organisation's financial health. Protecting financial and other resources from theft and fraud is also vitally important.

Board Responsibilities Regarding the Accounting Requirements

Directors/trustees have specific legal responsibilities to ensure the keeping of accounting records, and to prepare an annual report and accounts with the appropriate level of external scrutiny. Directors/trustees must also safeguard the organisation's assets and take steps to ensure the charity is protected against financial abuse. Accounting records should be kept for at least six years.

Detailed financial requirements for charities are laid down in the Charities SORP (charitySORP.org). The Financial Reporting Council is responsible for developing the Statement of Recommended Practice (SORP) for each industry or sector in accordance with the FRC Policy on the development of SORPs. The Charities SORP-making body comprises: The Charity Commission for England and Wales; The Office of the Scottish Charity Regulator; and The Charity Commission for Northern Ireland. The Charities SORP is revised from time-to-time. Below are some general guidelines.

Directors/trustees also have a number of specific detailed legal duties that must be met in relation to accounting and financial reporting. These include:

- Keeping sufficient accounting records to explain all transactions and show the organisation's financial position.
- Considering the need for a reserves policy, managing the level of reserves held and the disclosure of any reserves policy in the Directors'/Trustees' Annual Report.
- Formally approving the Directors'/Trustees' Annual Report and accounts.
- Preparing an annual report and statutory accounts which meet legal requirements.
- Ensuring that accounts are subjected to appropriate external scrutiny required (audit or independent examination depending on the turnover of the organisation) by law, or by the organisation's governing document.

- Ensuring that the Directors'/Trustees' Annual Report, accounts and annual return are filed on time with the relevant Charity Commission where filing is required by law and, if the charity is a company, that the appropriate reports are also filed with Companies House.
- Meeting requests from the public for copies of the organisation's most recent Directors'/Trustees' annual report and accounts.
- Safeguarding the assets of the charity and ensuring proper application of resources.
- Taking steps to prevent and detect bribery, fraud, cyber fraud, financial abuse and other irregularities.

New directors/trustees, as part of their induction, should be given a copy of the latest audited or independently examined accounts; the budget for the current year; projected cash flow; the most recent management accounts with a variance report against the budget; and relevant financial policies and procedures. The finances of the charity should be explained to new directors/trustees to ensure they are understood. Any further training needs they have in relation to the finances should also be identified and addressed.

Financial Planning and Control

Finances are one of the big risk areas for any organisation, so, therefore, they need to be a priority for the board. One of the most important financial functions of the board is effective budgetary control i.e. agreeing a detailed budget and cashflow and then monitoring the organisation's financial performance against the budget. Proper and realistic estimates of income and expenditure need to be made for each area of the organisation's activities for each financial year, on the basis of the operational/business plan for the year. From this information the overall budget will be set which should be agreed by the board before the start of the financial year to which it relates. Along with the annual budget, there should be a cash flow forecast which shows how income is expected to flow over the year. Grants often come in at certain times in the year; certain expenditure items may be quarterly rather than monthly; sometimes in the year may incur greater expenditure, such as heating.

Without this forecast, the board may assume from the annual budget that they are solvent, not realising that there may be times in the year when they may not be able to pay salaries, for example. The board, therefore, needs to regularly monitor bank balances and projected cash flows to ensure solvency.

The organisation should have procedures in place for regularly sharing the most recent management accounts and variance report against the budget with budget-holders, operational managers and directors/trustees. This variance report should include a written explanation for any significant variances against the agreed budget and cash flow forecast. It may be appropriate that budget-holders, operational managers, treasurer and finance committee receive these reports monthly, while the board receives them every two or three months. In larger charities, the board will need to determine what level of detail of financial information it wishes to receive, as opposed to the Finance Committee which may receive the more detailed full monitoring report. Monitoring reports should identify and provide explanations for significant over-, or under-performance of both income and expenditure plans and highlight future financial risks, such as when particular grants or contracts are due to come to an end.

Financial Information to the Board

Directors/trustees of organisations of all sizes need to be provided with accurate and up-to-date financial information to enable them to make good decisions. Board meetings should be used to communicate and discuss information concerning the finances and financial management of the organisation. All substantial financial decisions by the directors/trustees concerning the organisation should normally be taken collectively and significant decisions and action points noted in writing. Board members should not simply rely on the hope that others (e.g. the finance manager or the treasurer) understand the finances.

Information should be communicated in a way that enables directors/trustees to understand and carry out their responsibilities and take appropriate actions. The format of the financial information may vary according to the size and complexity of the organisation and preferred reporting styles. However, it should always be understandable, accurate and timely. If it is not, board members should insist on changes so that it is. Information also needs to be

provided regularly enough to ensure directors/trustees can fulfil their monitoring role effectively.

The financial information provided in advance of each board meeting should include details of the organisation's financial position and performance. The financial information should be sent to each director/trustee well before each meeting, to have the time to read it carefully, and will typically include:

- The latest management accounts (often for the quarter).
- A comparison of budget to actual figures.
- An explanation for variances between forecasts and what actually happened.
- Details of cash flow and closing bank balances.
- Information on when funding streams and/or contracts are due to come to an end.

The meeting should set aside a specific time within the agenda for discussion of financial matters and allow the directors/trustees to ask questions for clarification and raise any issues of concern. In some larger organisations, financial information is often discussed beforehand in a finance sub-committee. A sub-committee structure may allow more detailed consideration of particular financial issues but it remains important that all directors/trustees have access to, and are briefed on, key aspects of the organisation's financial position and performance. Significant financial decisions should also be made in the context of the full board. Any finance sub-committee should have agreed terms of reference in place, which clarify levels of financial authority, and that the outcome of the sub-committee's work is reported to the full board, perhaps in the form of the minutes.

Financial Policies and Procedures

As much as any other kind of organisation, charities are at risk from theft and fraud; perhaps more so, because there tends to be a culture of trust within the sector. The board, therefore, needs to ensure that there are the appropriate financial controls in place in relation to income (especially cash), purchases, payments, loans, assets and investments, to try and reduce the likelihood of financial crime. Internal financial controls are essential checks and procedures that help the directors/trustees to:

- Meet their legal duties to safeguard the charity's assets.

- Administer the organisation's finances and assets in a way that identifies and manages risk.
- Ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information.

If an organisation is to achieve its aims, then the directors/trustees need to ensure that assets are properly used, that its funds are spent effectively (and in accordance with the requirements of the funders) and its financial affairs are well managed.

Internal financial controls reduce, but do not eliminate, the risk of losses through theft and fraud, bad decisions, human error, breaches of controls, management override of controls and unforeseeable circumstances. Internal financial controls do, however, reduce the risk of those things happening. If they do happen, then internal financial controls should also help the directors/trustees to find out sooner rather than later and enable them to take the necessary action. Some of the controls should also help the organisation achieve good value for money. The board of directors/trustees is responsible for ensuring the establishment, implementation and monitoring of the organisation's internal financial controls. They may decide to delegate the detailed work on this task to one or more directors/trustees or to members of staff. However, the directors/trustees, with appropriate external advice, if necessary, should make a collective decision on what controls are needed and how they are going to ensure they are consistently implemented.

A key feature of internal financial controls is to ensure that no single individual has sole responsibility for any single transaction from authorisation to completion and review.

Except for very small simple organisations, there should be written internal financial procedures in relation to the following:

- financial controls to protect income;
- trading income (if the organisation trades);
- Banking, including online banking;
- income records;
- purchases, payments and loans;
- authorisation of grants;
- online payment authorisation;

- payments by cheque (although now quite rare);
- payments by debit card, credit card and charge cards;
- payments by direct debit, standing order and BACS;
- cash payments;
- wages and salaries;
- payment and reimbursement of expenses;
- taking out loans;
- expenditure records;
- fixed assets;
- investments;
- cash held on deposit in a bank;
- electronic banking;
- restricted and endowment funds; and
- bribery.

The controls put in place need to be monitored effectively to ensure that they are complied with and provide a sufficiently robust system for managing financial risk. The monitoring of financial activities by the board of directors/trustees (perhaps with the support of an audit and risk committee) and senior management on a regular basis is a vital part of this process.

The board should also ensure there is a culture of control embedded in the operations of the organisation. This culture is created from the top by the directors/trustees, the treasurer and senior management, who should lead by example in putting in place and adhering to the organisation's internal financial controls and good practice and ensuring regular audits of their implementation.

The organisation's external auditors should be asked to provide a 'Key Issues Memorandum' as part of its annual audit, outlining how, from their experience of carrying out the external audit, the organisation's financial procedures should be improved.

At least every five years, the audit should be tendered publicly to ensure the organisation is getting best value for money. Over a period of time, some auditors can also become complacent in how they carry out the work and in being able to suggest improvements to the financial systems and procedures.

Internal Audit

The directors/trustees should also, at least every year, ensure a review is conducted of the effectiveness of the organisation's internal financial controls (known as an internal audit, even though it is usually carried out by an external company or accountant). This should include an assessment of whether the controls are relevant to, and appropriate for, the organisation, while not being too onerous or disproportionate, and are effectively implemented.

The nature of the internal financial controls which need to be implemented will depend on the size of the organisation and its activities. As the size and complexity of the organisation increase, so does the risk of theft and fraud and, therefore, the potential role for a formal internal audit function and/or an audit committee (or risk and audit committee).

The role of internal audit is, in addition to external audit, to look at the effectiveness of a charity's financial controls through random checks on particular processes and to help identify and assess risks to the charity. Internal audit should also advise on how the organisation should manage and monitor risk, and on the completeness of its risk register (see Chapter 12. *Managing Risk*). An 'internal audit' is often conducted by an external accountancy firm, but not the existing external auditors. It provides an additional layer of comfort for the board about the organisation's financial systems.

Both internal auditors and the external auditors who carry out the familiar annual audit, have some common interests, in particular, checking the operation of the internal control systems, but they have a different overall purpose. The external auditor's focus is primarily on the identification and assessment of the risk of a material error or misstatement in the published accounts. The role of the internal auditor (normally commissioned from an external accountancy firm) and an audit and risk committee are more focused on assessing the internal control systems and the extent that they are being implemented consistently. They will provide advice on how the systems need to be strengthened.

Reports by internal auditors and a 'Key Issues Memorandum' by external auditors identifying weaknesses in internal control should be discussed by the organisation's audit and risk committee and also seen by the full board with comments from the audit committee.

Matters of material significance have to be reported by independent examiners and auditors to the relevant Charity Commission. An audit and risk committee's role is to help the directors/trustees meet their responsibilities for risk management, have effective internal controls and the efficient and effective use of funds. An audit and risk committee is, therefore, an important part of the financial governance arrangements of a charity or other non-profit organisation. An audit and risk committee acts on the authority delegated to it by the board and should, therefore, have appropriate terms of reference and a clear reporting line to the board, while maintaining a level of objectivity and independence from the board.

The majority of members of the audit and risk committee should not be authorised signatories or be involved in financial decision-making. An example of a Terms of Reference for a Risk and Audit Committee are included in the Governance Manual (see the Appendix 1).

Theft and Fraud

In the course of their work, charities and other non-profit organisations raise, hold, move and use funds, sometimes in the form of cash. Charities, in particular are highly valued in society and the very nature of charities can make them attractive targets for criminals, and opportunistic thieves and fraudsters. Financial crimes such as bribery, fraud, theft, and money laundering, and the loss of electronic data, can result not only in significant loss of funds but also in damage to public trust and confidence in the charity.

There are particular aspects of some charities that make them vulnerable to financial crime:

- An internal culture of trust.
- High levels of public trust and confidence.
- Reliance on goodwill and voluntary support in one form or another.
- Dependence on one or two individuals who can play a key, or largely unsupervised, role in running the organisation, particularly in smaller charities.
- Use of intermediaries to deliver work which may involve passing funds through agents.
- Having branches and/or projects that are not under the direct or regular control or supervision of the charity's board or management.

- Having unpredictable and/or unusual income and expenditure streams where suspicious transactions may be harder to identify.
- Engagement in fundraising activities involving cash donations posted in envelopes, handed to staff or volunteers, or placed in collection boxes.
- Difficulty recruiting directors/trustees with a sufficient level of financial skills and experience to the treasurer.
- Only having one person on the board with any significant financial skills/experience.
- Lack of income to commission an accountant from an external firm as an internal auditor.
- Lack of internal accounting skills to put appropriately robust procedures in place.

Some charities may be at greater risk than others because of the activities they undertake, or their structure. For example, charities with a large number of fundraising branches, or which deal in significant amounts of cash donations, can be particularly at risk. However, no organisation is immune, so all directors/trustees must ensure that they are aware of, and assess, the risks and take proper steps to manage them.

The following are just some of the areas of risk relating to fraud and financial crime to which many charities may be susceptible:

- Income-related fraud (e.g. donations through the post; collection boxes collected by support groups or volunteers; sponsorship money collected).
- Fraudulent fundraising supposedly in the charity's name.
- Expenditure or procurement fraud (e.g. false or inflated invoices).
- Investment fraud.
- Fraudulent grant applications.
- Identity fraud/theft.
- Banking fraud.
- e-crime (including 'phishing').
- Mass market fraud (letter or email).
- Misuse of the company credit card

Undue Influence

To guard against undue influence being exercised over the decisions being taken by directors/trustees, or bribery taking place, transparency is important. Directors/ trustees should establish a clear policy on the acceptance of gifts or hospitality by staff and directors/trustees (may be part of a wider code of conduct), along with a register of gifts and hospitality to record incidences of gifts and hospitality.

Ethical Donations

The directors/trustees should also have a policy on donations, which identifies when the acceptance of a gift/donation or sponsorship may not be in the interests of the charity. This may be justifiable where the terms of the donation are unduly restrictive or are intended to exercise undue influence over the directors/trustees, or where the acceptance of the donation or sponsorship deal would be detrimental to the charity's reputation (e.g. a donation from a tobacco company for a health charity; sponsorship from an alcohol company for an addiction charity; a gift from a mining company for an environmental charity; etc.).

Reporting

Directors/trustees should make it a consistent policy to always report any incidents of financial crime and abuse to the police and the relevant Charity Commission. The Directors/trustees and staff should be aware of the serious incident reporting guidance and the need to report serious incidents to the relevant Charity Commission. The Charity Commission may consider any failure to report these incidents to be mismanagement and take regulatory action.

Training

Adequate training should be provided to all directors/trustees, and relevant staff and volunteers to ensure that they are familiar with the charity's financial controls and know what actions to take if they suspect criminal financial abuse or that a serious incident has occurred.

Director/trustees, staff and volunteers should know how to report their concerns within the organisation, including concerns about the conduct of directors/trustees, managers, staff, volunteers and support groups. If directors/trustees know or suspect an individual is misusing the organisation for their own purposes or misappropriating funds they should take immediate and appropriate action to resolve the issue, including reporting it to the chief officer and the chair and decide if it amounts to a serious incident to report to the relevant Charity Commission. The organisation should have a clear whistle-blowing policy to protect someone who discloses evidence of theft, fraud or bribery from victimisation.

Electronically Stored Information

Organisations these days usually rely on computer systems to receive information and store financial data, including the bank or credit card details of donors and financial supporters, staff and suppliers. This data is very valuable and its loss could expose the organisation and others to the risk of theft, fraud, identity theft and loss, as well as loss of reputation. The directors/ trustees should have in place appropriate policies governing access, use and storage of electronic information ensuring compliance with GDPR Data Protection legislation and cyber security (see Chapter 15. *Ensuring Data Protection Compliance*).

Procedures should also cover the use of computers, hard drives, mobile devices, USB and data storage devices. The charity should ensure that its computer systems are robustly protected with appropriate anti-spyware, anti-virus, firewalls and similar computer programmes, and there are clear processes for staff to follow to reduce risk and have appropriate cyber security insurance in place.

Physical Resources

The discussion above has focused on an organisation's financial resources. Many third sector organisations also have substantial physical resources e.g. buildings, equipment, vehicles, furniture, etc. Boards obviously need to try and ensure that the organisation has the physical and intellectual assets it requires in order to achieve its aims and objectives. There is also an obligation on the board to ensure that these resources are also effectively and efficiently managed.

These responsibilities can be summarised as follows:

- Ensure the organisation has the appropriate premises which are fit-for-purpose from which to deliver its services/programmes for beneficiaries, as well as to house corporate services (finance, HR, fundraising, communications, etc.). The premises may be owned or rented. Each has pros and cons. Renting can provide greater flexibility and responsibility, for many aspects of maintenance usually belong to the landlord. Owning premises can provide the organisation with a substantial asset which it can use to secure a loan, or to use to generate income towards the work of the organisation, but it is less flexible and the organisation has to ensure appropriate maintenance, etc.
- Optimise the utilisation of the asset-base (i.e. premises and other physical resources). This may be both in terms of helping to deliver the mission of the organisation and in 'sweating the assets' in order to generate income for the organisation (e.g. renting out the boardroom or training room; letting space to other organisations, etc.).
- Ensure the organisation's premises are effectively and efficiently managed to provide a healthy, productive and safe environment for service-users, staff and volunteers. The health and safety aspects of the board's responsibilities are discussed below, but there are other aspects of managing premises and there needs to be clear responsibility for this facilities management function to ensure they meet the needs of the staff/volunteer team and beneficiaries (if services are delivered from the premises) to ensure they are fit for purpose and do not deteriorate unreasonably.
- One aspect of ensuring the standard of an organisation's premises is in terms of maintenance. Responsibilities for this will vary depending on whether premises are owned by the organisation or leased from a landlord. If they are owned by the organisation it is important to develop and implement appropriate processes to ensure effective, planned (on an agreed cycle) and responsive (in response to an issue arising) maintenance.
- All an organisation's physical assets should be included in an asset register and regularly reviewed.

- Many organisations have intellectual assets which need to be protected. Like other assets they may be used to generate income e.g. in licensing a manualised programme.

Digital technologies

Increasingly, almost all aspects of an organisation's frequent operations are being delivered using digital technologies. Many organisations already use digital technologies, for example, to:

- Store and share information internally online, using a web-based document management and storage system which is a collaborative platform that integrates with one of the big digital platforms.
- Carry out virtually all financial transactions, recording and reporting using specialist financial software
- Staff payroll
- Manage HR administration using specialist HR software
- Record and manage client/customer relationships/contacts using a specialist CRM system
- Record and analyse donations using specialist fundraising software
- Communicate verbally and visually between staff, with service-users and with other organisations, using Zoom, Teams, Meet, etc.
- Shared electronic diaries/calendars

Many organisations, however, face substantial challenges in trying to maximise the effectiveness of their use of digital technologies due to:

- A lack of relevant ICT skills in the organisation to know what the organisation needs in terms of digital technology
- A lack of knowledge and skill in the organisation in writing tenders to procure the right platforms/programmes for the organisation for now and the future.
- Being fully aware of the potential of the platforms/programmes acquired.
- The challenges in ensuring that all staff have sufficient digital skills to use the digital platforms/programmes that are acquired

One valuable way that the board can help in this is to recruit a board member who is a professional in digital technologies and who understands the potentialities and challenges. Learning from how other third sector organisations are addressing the issue can also be invaluable.

The trend towards digital technologies has been further accelerated by the need to reduce face-to-face contact as a result of the covid19 pandemic. Organisations now need to think more strategically about the use of digital technologies and how they can help further the mission of the organisation. The Charity Digital Code developed for the sector suggests 7 core principles which need to be considered in making effective use of digital technologies:

1. Leadership

Charity leaders must lead on digital as a way of helping their charities be relevant and sustainable. Digital isn't just about channels. It's a strategic and governance issue and charity leaders need to know how digital could help realise their vision for their charity. Equally, digital raises questions about traditional ways of leading, offering opportunities for leaders to build networks and collaborate further.

2. User led

Charities should make the needs and behaviours of beneficiaries and other stakeholders the starting point for everything they do digitally.

3. Culture

Charities' values, behaviours and ways of working should create the right environment for digital success.

4. Strategy

Charities' strategies should be ambitious about how they can use digital to achieve their vision and mission. This doesn't always mean investing money, but it does mean thinking creatively about how digital can increase impact and sustainability.

5. Skills

Charities should aim for digital skills to be represented at all levels of the organisation. Digital success is very dependent on the confidence, motivation and attitude of the people who run, work and volunteer for charities. Technical and soft skills, such as questioning, persuading and influencing, are equally important.

6. Managing risk and ethics

Charities need to determine and manage any risks involved in digital. Charities will also need to consider how some digital issues fit with organisational values and ethics. The latter is a broad area that may include anything from partnerships to the use of data by social networks, to content.

7. Adaptability

Charities will need to adapt to survive and thrive as digital changes how everyone lives and works.

The Code document outlines how best organisations can make use of the code and address the issues under each principle. It is available free from: www.charitydigitalcode.org)

Some of the risks involved in the use of digital technologies are discussed elsewhere in this guide. The National Cyber Security Centre has very useful materials at <https://www.ncsc.gov.uk/cyberessentials/overview> so that organisations can protect its data from cyber attack which can be immensely damaging.

NCVO also has a useful online Digital Maturity Toolkit by which organisations can assess how well they have developed the use of technology in the organisation. It is available at <https://tools.ncvo.org.uk/digitalmaturitymatrix>.

Questions for Board Members to Ask about Ensuring the Effective and Efficient Management of Financial and Physical Resources

- Do board members understand the finances of the organisation?
- Is there a financial procedures manual?
- How is the organisation protected from theft and fraud?
- Are there unqualified audited accounts for the last financial year?
- Is the organisation solvent?
- Is there a reserves policy?
- Is there a detailed balanced budget for the current financial year?
- Is there a cash flow projection for the current year?
- Does the board receive management accounts, with explanations for significant variances from budget, at least quarterly?
- Do you know when current funding streams are due to come to an end?
- Does the organisation have the premises it needs in order to achieve its aims and objectives?
- Does the organisation have the other physical resources it needs in order to achieve its aims and objectives?
- Is the asset-base of the organisation effectively and efficiently utilised?
- Are the premises and other physical resources effectively maintained?
- Has the board considered what intellectual assets the organisation possesses and how these can be protected and utilised?
- Does the organisation make effective use of digital technologies?

Resources

Gareth G Morgan *Key Guides: The Charity Treasurer's Handbook* (latest edition 2017) Directory of Social Change

Les Jones and Tesse Akpeki (2006) *The Honorary Treasurer's Handbook: A Guide to Strengthening Financial Accountability* NCVO

Charity Accounting & Reporting: An Introduction (2020)

Kate Sayer (3rd Ed 2007) *A Practical Guide to Financial Management* Directory of Social Change

Tracey Hassell *The Charity Finance Charities Internal Controls Checklist* (2nd edn). (Copies can be ordered online from the Civil Society Shop website)

Guidance: Internal financial controls for charities (CC8) Charity Commission for England and Wales

Internal Control: Guidance for Directors on the Combined Code (The Turnbull Guidance) (www.frc.org.uk/corporate/internalcontrol.cfm)

The 'Internal Control - Integrated Framework' developed by the Committee on Sponsoring Organisations of the Treadway Commission (COSO) available to download free at www.coso.org

Fraud and Charities: the role of internal audit available to download free at www.fraudadvisorypanel.org

Charity fraud: a guide for the trustees and managers of charities (summary) - www.fraudadvisorypanel.org

Financial governance: a gentle guide for the non-financial charity trustee (digital copy)

Acevo. More details at

<https://acevocommunity.force.com/s/store#/store/browse/detail/a303z000002zBFCAA2>

The Charities Statement of Recommended Practice is available from

<https://www.gov.uk/government/publications/charities-sorp-2005>

The Auditing Practices Board Practice Note 11 The Audit of Charities in the United Kingdom (revised December 2008) The Institute of Internal Auditors in the UK and Ireland <http://www.iaa.org.uk/>

The Charity Commission for Northern Ireland has excellent guidance for 'Charity accounting and reporting requirements' and on 'Annual reporting' on its website:

<https://www.charitycommissionni.org.uk/manage-your-charity/annual-reporting/>

The Charity Commission for England and Wales has a series of excellent introductory guides on financial reporting and control, including the following:

- prepare a charity annual return;
- prepare a charity's annual accounts;
- prepare a charity trustees' annual report;
- charities and tax;
- who can run your charity's finances;
- charity reporting and accounting: the essentials (CC15b);
- report changes to your charity's details;
- VAT for charities;
- example trustees' annual reports and accounts for charities;
- trustees' annual report template;
- charity accounting templates: receipts and payments accounts;
- receipts and payments accounts pack (CC16);
- accruals accounts packs (CC17 and CC39);
- charity accounting templates: accruals accounts (CC17);
- charity accounting templates: accruals accounts (CC39);
- charities SORP 2005;
- public benefit: reporting (PB3);
- charity money: how to keep it safe;
- financial difficulties in charities;
- charities and trading;
- how to invest charity money;
- charity financial reserves;
- return a gift: how charities can make moral (ex gratia) payments;
- payments to charity trustees: what the rules are;
- charity Commission's compliance toolkit "Protecting Charities from Harm";
- managing charity assets and resources (CC25);
- trustees trading and tax: how charities may lawfully trade (CC35);
- internal financial controls for charities (CC8);
- charities and investment matters: a guide for trustees (CC14);
- independent examination of charity accounts: trustees (CC31);

- guidance for auditors and independent examiners of charities;
- charities and reserves (CC19);
- managing financial difficulties & insolvency in charities (CC12);
- ex gratia payments by charities (CC7);
- audits for company charities;
- audit exemptions for charities;
- the Public Interest Disclosure Act;
- charity reserves and defined benefit pension schemes.

The websites of accounting professional bodies are a good source of information on a variety of financial issues. They are:

- Institute of Chartered Accountants of England and Wales;
- Institute of Chartered Accountants of Scotland;
- Institute of Chartered Accountants of Ireland;
- Association of Chartered Certified Accountants;
- Chartered Association of Management Accountants
- Chartered Institute of Public Finance Accountants.

9. SUPPORTING INCOME GENERATION

Introduction

In order to deliver services or programmes which further its charitable objectives, a third sector organisation needs sufficient income. This income might come from a wide range of types of sources, including:

- statutory grants;
- contracts with statutory or other bodies;
- charitable trusts and foundations;
- donations from individuals and other groups and organisations;
- legacies;
- sponsorship or gifts from companies;
- payments by service-users/beneficiaries;
- customers who purchase a service or product; and
- fundraising branches.

The phrase ‘income generation’ has been used deliberately here, rather than ‘fundraising’, in order to cover the whole range of potential sources of income, including statutory grants and contracts; trading income from social enterprise; and not only what is often thought of as ‘fundraising’ i.e. sponsored events, street collections, individual donations.

Individual Responsibilities of Directors/Trustees

The organisation may or may not have staff whose dedicated job is to bring in money. The responsibility may be spread amongst various people. The question here is what is the responsibility of the governing body and of individual directors/trustees in relation to income generation? In the USA, joining the board of a non-profit organisation often means that you are expected to “give, get or get off” i.e. that they should either make a significant personal gift, or give regular smaller donations to the organisation commensurate with their ability to give; play a role in getting other people/ organisations/companies to make a gift or regular donation; or resign from the board. This is not yet the culture of third sector organisations in the UK or Ireland. However, increasingly, those in organisations who are responsible for bringing in funds to the organisation are looking to the board to recruit directors/trustees who have high net worth themselves, or through their company; and/or

can act as a bridge (by, for example, making introductions) to people who control significant amounts of money. This can be invaluable for an organisation. Individual directors/trustees, while there is no legal requirement to do so, may wish to consider:

- Whether they wish to make a one-off or regular financial gift to the charity and what scale of gift would be commensurate with their ability to give.
- Whether they wish to include the charity in their will, as a legacy.
- Whether they can make any useful introductions that would help with fundraising.
- Whether they might personally consider running a one-off, or regular, fundraising event for the charity.
- Whether the company they work for might consider financial support, or gifts in kind for the charity.
- Whether any of the clubs or societies of which they are a member might consider, for example, running a one-off or regular fundraising event for the charity.

Collective Board Action on Income Generation

There are also some important roles for the governing body acting collectively in the promotion of effective income generation. Ensuring that the organisation generates sufficient income to remain solvent and achieve its aims and objectives is a key role of the board. Unless the organisation is successful in that, it will not be able to deliver the work it wants to. This, in turn, will have a detrimental effect on the beneficiaries. The most effective way of doing this is by approving and regularly reviewing appropriate income generation targets, supported by an income generation strategy and action plan as to how the organisation is going to maximise net income from an appropriate range of sources. It is important that the board ensures that the strategy and action plan is effectively implemented, by considering regular (say 3 times a year) reports on progress in implementing the income generation strategy. The strategy also needs to be fully reviewed at least every three years, as the external and internal environment changes, new income generation approaches develop, etc.

Elements of the Income Generation Strategy

The kinds of things an income generation strategy might include are as follows:

Organisational plans that need funded

- The organisation's mission and plans for the future – why does it need money? How much and when? What definable projects are there that might attract funds? The more specific the answers to those questions, the more successful the income generation activities are likely to be.

Evaluation of previous income generation

- How has the organisation generated income in the past and what can be learnt from that? What are the future prospects from the current sources?

Income generation strengths

- What are the organisation's distinctive strengths in terms of fundraising? These might include some of the following:
 - o an emotive cause;
 - o a cause of which most people have some personal experience;
 - o a cause which a small group of people have a very powerful incentive to need to raise money for;
 - o a strong public awareness of the cause and its importance;
 - o powerful numbers that evidence the need and the urgency in tackling it (e.g. "ten people die of heart disease every hour");
 - o a strong brand (e.g. Save the Children, Greenpeace, Friends of the Earth);
 - o positive public awareness of the organisation and its work;
 - o a strong public awareness that the organisation needs financial support from the public;
 - o there is robust evidence of the impact of the work on beneficiaries;
 - o the brand of the organisation is strong and certain kinds of companies would want to be associated with it;
 - o there are wealthy individuals within, or close to, the beneficiary group;
 - o the organisation has significant reserves it can invest in income generation;
 - o there are large number of volunteers or potential volunteers;

- o there is a strong government imperative to support the aims of the organisation;
- o there is strong support from politicians, celebrities, etc.;
- o there are good grant and/or tender writing skills within the organisation;
- o the organisation has strong commercial business skills; or
- o the organisation has physical assets, services and/or skills that it can trade in as a social enterprise.

Income generation approaches that play to the strengths above

- What do the particular strengths of your organisation, from the list above, suggest should be the focus of the organisation's approach to income-generation? For example,
 - o if the charity has strong support from politicians, the development of statutory grants is likely to be a key aspect of the fundraising strategy;
 - o if the organisation has a large number of volunteers, encouraging the volunteers to organise and participate in sponsored fundraising events is likely to be part of the fundraising strategy;
 - o if the brand name is well known, private companies may wish to be associated with it through sponsorship;
 - o if the cause attracts a lot of older people, a legacy strategy may be successful; or
 - o if the cause is very emotive, a direct marketing campaign for individual donations is likely to be part of the fundraising strategy.

Challenges to successful income generation

- What barriers are there to successful income generation in the organisation and how can they be overcome? If it is not well known, how can it be promoted more effectively to the public? If it has few business contacts, how can people with business contacts be brought onto the board? etc.

Public policy context

- What public policies and strategies support the work of the organisation? How well has the organisation examined and articulated the key parts of these documents that justify its work? Which government departments or non-departmental public bodies should be providing the organisation with financial support? What other similar organisations are they providing funding for? Who are the key decision-makers? How can they be cultivated? What are the decision-making timelines the organisation needs to be aware of? Could people close to these statutory bodies be brought onto the board?



“Who are the key decision-makers? How can they be cultivated?!”

Tendering for work

- To what extent is the organisation delivering services for which there is a statutory responsibility? How geared up is the organisation to identify all relevant tenders? Does it have an effective mechanism for responding to appropriate tenders identified? Who else is currently running a service that the organisation would wish to tender for, if, or when, it is tendered? When might your own services be put out to tender? How can the organisation maximise the likelihood of being successful in retaining them? Do you have an externally accredited quality assurance system?

Trusts and foundations

- Which lottery funds and charitable trusts and foundations might want to fund the work? Which pieces of work should be included in applications to which lottery funds/ trusts/foundations for? Has the range of potential trusts and foundations that could fund your work and plans been identified? Do you know, as a board member, what applications have been made, and are planned?

Support from private companies

- What kind of support would the organisation like from private companies (donations, sponsorship, gifts in kind, payroll giving, charity of the year, joint promotion, corporate volunteers, etc.)? What kind of companies might want to be associated with the organisation? What can the organisation offer private companies? What contacts has the organisation got in private companies and how might those relationships be cultivated? Does there need to be stronger private sector representation on the board?

Individual giving

- What would motivate individuals to give donations (or better, direct debits) to the charity? What kind of individuals would give? Do people now give to us (who, how many and how much)? Do the public know we are looking for gifts? Is there a clear and simple process for giving donations which is prominently highlighted on the homepage of the website and print literature? Would a direct marketing approach through the mail or telephone, supported by social media, be successful in the long-term? Is there the money to invest in a long-term direct giving campaign?

Fundraising events

- Would clubs and societies run fundraising events for the organisation? Would volunteers be willing to organise fundraising events, collections, etc.? Would enough people participate and raise enough money to justify the organisation itself organising sponsored events, raffles, etc.?

Social enterprise

- Does the organisation currently trade in any services or products? Could the profitability of this be increased? Does it have services, skills or physical assets that it could profitably trade in? Does it have the skills to set up a social enterprise? Can the organisation do this through the charity or does it need a separate trading entity?

Income generation priorities

- Which of the above fundraising sources and methods should be the priority now and in the medium- and long- term?

Internal income generation capacity

- Does the organisation currently have the right skills and structures internally to implement the fundraising strategy effectively? If the organisation currently has a chief officer who has a high level of understanding of these income generation issues and opportunities, or has a skilled head of income generation (or similar title), or even a strong team of experienced fundraisers, writing such a fundraising strategy might be relatively straight-forward. Really good fundraisers are a precious commodity. Most organisations do not have a dedicated fundraiser, or do have a fundraiser but not one who would be able to research and write a fundraising strategy. It may, therefore, be necessary to invest in bringing in an external income generation expert/consultant (with the appropriate skills, experience, and client references) to review the organisation's income generation and draft a fundraising strategy and action plan. The fundraising strategy will make it clear how the organisation's internal fundraising capacity/skills need to be strengthened.

Other Board Roles to Support Income Generation

The boards of some organisations establish a fundraising/income generation sub-committee to support the income generation efforts. This is not always successful, as the directors/trustees on the committee may not have the right experience or skill set and often the organisation is not sure how it wishes to use the services of these directors/trustees.

It may be more successful, when an organisation needs to make a major shift in its income generation strategy e.g. to set up a social enterprise or undertake a ‘Big Gift’ campaign, to bring together a working group of individuals with particularly relevant skills and expertise (which may include people from outside the board) in a time-limited ‘task & finish’ working group to address how best to develop this area of income generation.

The board can also help with income generation by effective long-term planning and budgeting, as discussed in earlier chapters. Few effective fundraising initiatives are successful within a few months. Many take several years to come to fruition, which means, if an organisation gets a three-year grant, for example, it should start the process within the first year of thinking about how the work will be sustained after the end of the three years. Worryingly, the potential end of a grant is often only flagged up with the board only three or four months before its end.

It is also the role of the board to ensure that the organisation’s independence to speak and act as an advocacy organisation is not compromised by its funding; that grants and gifts are spent in accordance with the requirements of the funder; and the organisation’s fundraising initiatives are in harmony with the ethos and values of the organisation and comply with the standards of the Fundraising Regulator. One of the ways of ensuring compliance with these standards is for the organisation to register with the Fundraising Regulator and commit to the Fundraising Promise (see box below) and Code of Fundraising Practice.



FUNDRAISING REGULATOR

FUNDRAISING PROMISE

This promise outlines the **commitment made to donors and the public by fundraising organisations which register with the Fundraising Regulator**. Those who register with the regulator agree to ensure their fundraising is legal, open, honest and respectful.

The standards for fundraising are set out in the Code of Fundraising Practice.

WE WILL COMMIT TO HIGH STANDARDS

We will adhere to the Fundraising Code of Practice.

We will monitor fundraisers, volunteers and third parties working with us to raise funds, to ensure that they comply with the Code of Fundraising Practice and with this Promise.

We will comply with the law as it applies to charities and fundraising.

We will display the Fundraising Regulator badge on our fundraising material to show we are committed to good practice.

WE WILL BE CLEAR, HONEST & OPEN

We will tell the truth and we will not exaggerate.

We will do what we say we are going to do with donations we receive.

We will be clear about who we are and what we do.

We will give a clear explanation of how you can make a gift and change a regular donation.

Where we ask a third party to fundraise on our behalf, we will make this relationship and the financial arrangement transparent.

We will be able to explain our fundraising costs and show how they are in the best interests of our cause if challenged.

We will ensure our complaints process is clear and easily accessible.

We will provide clear and evidence based reasons for our decisions on complaints.

WE WILL BE RESPECTFUL

We will respect your rights and privacy.

We will not put undue pressure on you to make a gift. If you do not want to give or wish to cease giving, we will respect your decision.

We will have a procedure for dealing with people in vulnerable circumstances and it will be available on request.

Where the law requires, we will get your consent before we contact you to fundraise.

If you tell us that you don't want us to contact you in a particular way we will not do so. We will work with the Telephone, Mail and Fundraising Preference Services to ensure that those who choose not to receive specific types of communication don't have to.

WE WILL BE FAIR & REASONABLE

We will treat donors and the public fairly, showing sensitivity and adapting our approach depending on your needs.

We will take care not to use any images or words that intentionally cause distress or anxiety.

We will take care not to cause nuisance or disruption to the public.

WE WILL BE ACCOUNTABLE & RESPONSIBLE

We will manage our resources responsibly and consider the impact of our fundraising on our donors, supporters and the wider public.

If you are unhappy with anything we've done whilst fundraising, you can contact us to make a complaint. We will listen to feedback and respond appropriately to compliments and criticism we receive.

We will have a complaints procedure, a copy of which will be available on our website or available on request.

Our complaints procedure will let you know how to contact the Fundraising Regulator in the event that you feel our response is unsatisfactory.

We will monitor and record the number of complaints we receive each year and share this data with the Fundraising Regulator on request.

Questions for Board Members to Ask About Supporting Income Generation

- Is there an income generation strategy?
- Does the board receive regular reports against the targets in the income generation strategy?
- Is the organisation on target in achieving its fundraising targets?
- What ways can directors/trustees appropriately support the fundraising of the organisation?
- What support does the organisation get from statutory sources? How might this be strengthened?
- What support does the organisation get from charitable trusts/foundations/lotteries? How might this be strengthened?
- What support does the organisation get from businesses? How might this be strengthened?
- How much net profit does the charity earn from social enterprise trading activities? How can this be improved?
- How well known is the charity? How can this be improved?
- In what ways can people give to the organisation?
- What support does the organisation get from the public? How might this be strengthened?
- Does the organisation's fundraising comply with relevant legal and ethical standards (noting that each jurisdiction has its own particular rules and regulations)?

Resources

The Directory of Social Change has an outstanding range of publications on all aspects of fundraising (see <http://www.dsc.org.uk/Publications/Fundraisingtechniques>).

The best overall guide is *The Complete Fundraising Handbook* by Nina Botting Herbst and Michael Norton 2019 (7th edition) Directory of Social Change.

The Charity Commission for England and Wales has a useful publication on Charities and trading CC35

<https://www.gov.uk/government/publications/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35>

The Code of Fundraising Practice is available from The Fundraising Regulator www.fundraisingregulator.org.uk

10. BEING A GOOD EMPLOYER

Introduction

While the management of staff is primarily the responsibility of the chief officer and other managers, it is the board which is the ultimate employer so has an important role to play in ensuring:

- there is the appropriate staff complement, skill set and structure to achieve agreed plans;
- there is an appropriate terms and conditions of employment to attract and retain staff;
- staff are effectively managed and given the opportunity to develop; and
- the organisation appropriately and effectively engages volunteers.

Employment is an area where there is significant financial and reputational risk to the organisation, through failure to comply with employment law, so should receive appropriate attention from the board. However, it is also vitally important that directors/trustees do not interfere in the internal management of staff.

The main human resource responsibilities of the board can be described in more detail as the following:

Staff Complement & Structure

The board needs to ensure the organisation has a sufficient number of appropriately skilled and experienced staff in an effective structure to achieve its aims and objectives. This can be difficult to attain in practice because:

- Staff requirements often change over time and, in particular, when the organisation grows. Not all staff will be able or willing to adapt and reskill in a way that will meet the needs of the organisation now and in future.
- Some staff are likely to have strong vested interests in the current staffing complement and structure. Gaining an objective view as to the changes required can be difficult as well as getting acceptance from staff for the changes.

- Funding arrangements often restrict the scope of changes to staffing and the funding may not be there for new posts, or for posts at a high enough level of skill and experience.
- Everyone will say that they are overworked. No-one ever admits to being underworked.

The staffing structure of every organisation will be different, but there are several rules of thumb for a good structure that applies to all kinds of organisation:

- There is a single clear leader at the top, reporting to the board.
- It is clear and unambiguous throughout the structure who is responsible to whom.
- Job descriptions are clear, appropriate, up-to-date and have a common structure and language.
- Delegated decision-making authority is clearly articulated.
- There is a structure that ensures, as far as possible, that everyone is a member of a natural team.
- As far as possible, people in a team are on the same salary scale (not always possible or appropriate).
- There are as few levels of hierarchy as are necessary (the more levels of hierarchy, the less people feel close to the sources of decision-making, which also get slower the more levels there are).
- No-one has to manage more than 6 or 7 full-time professional staff (it is possible to manage larger numbers of home-based, or very simple/routine, similar jobs).

When there are early signs that the current staffing complement and structure is no longer fit for purpose, the board can either:

- ask the chief officer for a paper on the staffing complement and structure and an appraisal of the possible options; or
- commission an external review from a suitably skilled and experienced consultant.

The board should formally discuss, and if it is appropriate, approve the creation of any new posts, as well as the job descriptions of all changed posts which report directly to the chief officer. The approval of other changed posts (that do not have financial implications) should be delegated to the chief officer.

Staff Recruitment & Selection

There are considerable organisational risks involved in recruiting the wrong people to the organisation or carrying out the recruitment and selection processes in a way that is perceived to be unfair. The board, therefore, has an important role in ensuring that there are appropriate written recruitment and selection policies and procedures, which comply with legal requirements⁴, and are consistently implemented and regularly reviewed.

The policy should ensure that all panel members are appropriately trained before sitting on an interview panel and the board approves panel members for the recruitment and selection of staff reporting to the chief officer. The panel should include the chief officer, two board members and, if appropriate, an external person (who may represent a key funder). The panel should be balanced in terms of gender and community background and have an understanding of the skill and knowledge requirements of the post.

Organisations should have a clear policy on simultaneous internal and recruitment for vacant posts, except where someone who could do the job would otherwise be made redundant. Prioritising internal recruitment can reduce the influx of people with fresh skills and experience. Prioritising external recruitment reduces the progression of able staff internally. It can be difficult to justify sometimes doing the one and sometimes the other and being fair. The principle should consistently be that the best person for the job will get it regardless of how they were recruited.

Terms and Conditions of Employment

If the organisation is to attract the right people to work for it and it wishes to retain those people, the salaries and terms and conditions of employment need to be attractive compared with those of other similar organisations. Salaries are discussed below.

⁴ Northern Ireland, for example has specific regulations to prevent discrimination in recruitment and the Equality Commission For Northern Ireland monitors the extent that organisations have a balanced workforce.

One way of testing this out is to assess the marketplace i.e. look at the terms and conditions that other similar organisations are offering.

Anyone legally classed as an employee or worker has the right to a written document summarising the main terms of their employment by the first day they start work.

The legal term for this document is the 'written statement of employment particulars'. It includes information such as pay and working hours.

Many people think this document is the 'employment contract', but legally the contract is much broader than the written terms of their employment.

The following must all be included in the 'principal statement' of terms and conditions:

- The employer's name and address.
- The employee's name.
- The start date (the day the employee or worker starts work).
- The date that 'continuous employment' (working for the same employer without a significant break) started for an employee.
- Job title, or a brief description of the job.
- The places or addresses where the employee or worker will work.
- Pay, including how often and when (for example, £1,000 per month, paid on the last Friday of the calendar month).
- Working hours, including which days the employee or worker must work and if and how their hours or days can change.
- Holiday and holiday pay, including an explanation of how it's calculated if the employee or worker leaves.
- The amount of sick leave and pay (if this information is not included in the document, the employer must state where to find it).
- Any other paid leave (if this information is not included in the document, the employer must state where to find it).
- Any other benefits, including non-contractual benefits such as childcare vouchers or company car schemes.
- The notice period either side must give when employment ends.
- How long the job is expected to last (if it's temporary or fixed term).
- Any probation period, including its conditions and how long it is.

- If the employee will work abroad, and any terms that apply.
- Training that must be completed by the employee or worker, including training the employer does not pay for.

Employers can provide some terms later (within 2 months after the employee starts work) and in instalments. These are:

- Pension arrangements (if this information is not included in the document, the employer must state where the employee can find it)
- Any terms and conditions that apply to other employees too (known as ‘collective agreements’)
- Details of any training provided by the employer that is not compulsory (if this information is not included in the document, the employer must state where to find it)
- Disciplinary rules

This minimum requirement may be fine if the organisation only employs one or two staff, but as organisations grow it is usual to develop a more detailed Employee Handbook which will include much more detail on:

- Terms and Conditions
- Leave
- Sickness Absence
- Family Leave
- Performance
- Allowances
- Staff Development
- Termination of employment
- Equal Opportunities
- IT, Data Protection and Social Media
- Health and Safety
- General (e.g. policies on Gifts and Hospitality, Whistleblowing, Anti-Bribery and Anti-Fraud, Complaints & Compliments, Environmental Sustainability, Confidentiality, etc)

A more detailed model framework for an Employee Handbook is given in appendix 2.

Staff Management & Appraisal

Apart from the chief officer, who should be managed by the chair on behalf of the board, it is not the job of the board to manage staff. It is vital that directors/trustees do not interfere in any way in the management of staff. However, it is the role of the board to ensure that staff are effectively managed and appraised. How do they do this? By ensuring that there is an appropriate staff performance appraisal and supervision policy and procedure(s) and that it is effectively implemented. The board can monitor the implementation of the policy in several ways by:

- Ensuring that all appraisers and appraisees receive appropriate training.
- Asking for a report from the chief officer each year on its implementation which includes the percentage of staff who have been appraised over the previous 12 months and an explanation why any staff have not been appraised.
- The chair of the board counter-signing the appraisals of all the staff who report to the chief officer.
- Carrying out an annual staff satisfaction survey which should include questions of satisfaction with appraisal and supervision.

Staff Learning & Development

The board should ensure that there is an appropriate policy and supporting procedures in relation to staff learning and development, as well as an annual learning and development plan and budget for the organisation. It is the board's job to approve this learning and development policy, plan and budget and ensure the procedures are followed. The policy should ensure that:

- All new, and promoted, staff are effectively inducted.
- Staff learning and development needs are regularly assessed, both individually and collectively.
- An annual staff learning and development plan for each individual, and one for the organisation, based on the assessed learning and development needs, is developed, implemented and reviewed.
- There is a positive culture, policy and procedures in relation to the training and development of staff (and not just focused on attending courses).

- There is an appropriate learning and development budget and procedures as to how it will be allocated.

One of the ways that the board can ensure that many of the issues above are effectively addressed, is to gain an Investors in People award. This involves:

- An assessment of the organisation against the Investors in People standards.
- The development of an action plan as to how the organisation is going to meet the standards (the board should discuss and approve the action plan).
- Implementation of the action plan.
- External assessment for an Investors in People award.

The standards are clear and in plain English. Many organisations find it helpful to bring a specialist Investors in People trained person to carry out the initial assessment. Unfortunately, the costs of Investors in People are no longer subsidised by government.

Legal HR Compliance

As there is significant risk to the organisation in making poor personnel decisions, it is important that the board pays particular attention to ensuring that the organisation complies with the ever-changing legislation and case law in relation to human resources. This can be done in four main ways:

- Ensuring, as far as possible, that there is sufficient expertise at staff level. In a larger organisation this is usually in the form of a Personnel or Human Resources Officer/Manager.
- Recruiting someone to the board who has substantial expertise and experience in personnel law and practice.
- Establishing a human resources sub-committee of the board (including non-board members with HR expertise) if it would enhance the governance of the organisation, and not get embroiled in its operational aspects.
- Employing an HR advisor (a company or freelance HR specialist) on a contract.

- Making sure that staff terms and conditions and other personnel policies and procedures comply with the latest legislation and case law, perhaps by asking an external person or agency to review them from time-to-time, or piggy-backing on the terms and conditions of another, larger body that has the specialist HR function to keep up-to-date with relevant legislation and case law.

Salaries

One of the most challenging tasks in an organisation is ensuring that there is a salary structure that:

- Enables the organisation to attract and retain the best people.
- Is fair and equitable.
- Is simple and fit for purpose.
- Is affordable.
- Prevents drift i.e. an ever-increasing staff salary bill, without any increase in the number of staff or the amount, or value, of the work.

The board may not want to be involved in making assessments about the appropriate salary level of every new and changed post. It is, therefore, important to approve an appropriate salary policy and procedures which provides clarity on how the organisation will set and review the salaries of staff. Some of the issues that the policy will need to address are:

- What spinal point system will be used (this is often based on one used by relevant statutory bodies in the field)?
- How are the spinal points clustered (i.e. how many points are in each scale)?
- Will staff remain on the same spinal point if their job largely remains the same, or do they move up the spinal points on an annual basis? On what basis would staff not move up to the next spinal point?
- On what basis might a new member of staff not be placed on the first point of the scale? Are there limits as to which point they could be placed on? Who can decide?
- How is it decided which scale a post is placed on? In larger organisations, this may involve some form of job evaluation scheme.
- What is the mechanism, if someone's job has substantially changed, to seek to have their salary upgraded?

- Do salaries increase each year with inflation? In what circumstances might this not happen?
- Who, apart from the board, can make what decisions about salaries?

The above recommendations, about ensuring there is appropriate human resources expertise at both staff and board level, may help enable the development of an appropriate salary policy and procedure. As many organisations have salary policies, it may be useful to talk to other similar organisations about their salary policy. If the internal capacity is not there, it may be necessary to bring in specialist external expertise.

Assessing the Effectiveness of the Organisation in Relation to Human Resources

The board does not need to know all the details of staffing issues within the organisation, but it does need to decide what indicators it will keep an eye on. Useful indicators that the board should monitor might include:

- levels of staff attendance/absence;
- staff turnover;
- staff satisfaction levels in an annual staff survey; and
- staff grievances.

Diversity

As the society that third sector organisations serves becomes increasingly diverse, with the challenges that this can bring in terms of cultural understanding, language, etc. as well as the benefits, all organisations need to reflect on how they can respond positively to this diversity. One aspect of this is in terms of the composition of the board, which should reflect this diversity. Many third sector boards still lack balance in terms of gender, age, race, cultural background, sexual orientation, disability, etc. Recruitment to boards is often primarily by existing board members suggesting people who are within their own circles. It may be necessary to reach out beyond these existing circles and deliberately target underrepresented groups.

Another issue for the board is the composition of the staff group and how diversity is promoted and managed within the organisation. From the board's perspective, it is helpful to have a policy which outlines the organisation's positive approach to promoting and

managing issues of diversity and this is regularly reviewed. It may also be necessary to have an action plan to address specific diversity issues identified in the organisation and regularly monitor progress. Advice is available from the relevant Equality Commission.

Staff Involvement

Staff need to be managed and appraised, but they also need to be involved and listened to if they are to develop a loyalty and commitment to the organisation. It is not the role of the board, except in exceptional circumstances, to frequently listen directly to the views of staff, other than senior managers, but it should satisfy itself that there is both an appropriate organisational culture and particular mechanisms in place that provide a voice to staff in appropriate decisions. Feedback mechanisms may include the following:

- Regular meetings of teams within the organisation.
- Staff engagement in strategic and operational planning.
- Regular meetings and/or staff conferences, around the theme of continuous improvement.
- An annual staff survey.
- A team briefing system that allows for a flow of questions upwards as well as information downwards.
- A formal staff rep or consultative group.
- In larger organisations, a middle managers group.
- Providing staff who lead departments, programmes or projects with the opportunity to make presentations to the board about their work.

The timing of meetings can also be important in providing staff with a voice in relevant decisions. The regular meetings of the board; the date that board papers are circulated; the dates of (senior) management team meetings; and the dates of other staff meetings should all be scheduled to feed into each other.

Disciplinary & Grievance

Again, in most circumstances, it is not the role of the board to discipline staff or hear grievances, but it does need to be confident that performance and behaviour are effectively managed. It will, therefore, want to ensure that there are appropriate performance management, disciplinary and grievance policies and procedures and that these are effectively implemented and regularly reviewed.

Where directors/trustees may have a direct role in relation to discipline and grievance (apart from in relation to the chief officer - see below) is in appointing panels to hear appeals against decisions made by the chief officer, in accordance with agreed policies and procedures (this may be delegated to a Human Resources Committee). This is one of the reasons that directors/trustees, the chair and the board as a whole, should not get involved in disciplinary or grievance processes before this point, as it then prevents them being involved in appeals.

There are significant risks to the organisation in getting these processes wrong, or in making poor decisions (directors/trustees sometimes want to do the 'nice' thing, rather than, for example, dismiss a member of staff when that would be in the best interest of the organisation and its beneficiaries). It is another reason to ensure that there are directors/trustees with both HR and senior management skills and experience.

Volunteering

All third sector organisations involve some volunteers, from the voluntary input of directors/trustees to organisations involving thousands of volunteers delivering important direct services. In some organisations, it is the volunteers that are the members of the organisation, or a proportion of them. It is not, generally, the role of directors/trustees to recruit, retain and develop effective volunteers (apart from directors/trustees), but it is to ensure that an appropriate framework is in place to ensure the organisation makes effective and ethical use of this voluntary effort.

It can do this by approving a volunteering policy and procedures (which in a large organisation may be consolidated into a handbook), which provide assurance to the board that appropriate arrangements are in place to ensure that:

- Appropriate and interesting volunteer roles are identified and relevant role descriptions prepared and reviewed.
- Appropriate volunteers are recruited and selected.
- All volunteers receive an appropriate induction.
- All volunteers receive appropriate training to meet their needs.
- All volunteers receive appropriate recognition from the organisation and what role the board might play in this.
- All volunteers are effectively communicated with and consulted and provided with other opportunities for participation.
- As appropriate, the organisation makes effective use of short-term volunteering, placements and intern opportunities.

One comprehensive way that the board can ensure that there are effective arrangements in place for volunteering, is to achieve and maintain an Investing in Volunteers accreditation (<http://iiv.investinginvolunteers.org.uk>). This involves the kind of process outlined above for Investors in People, including:

- An assessment of the organisation against the Investors in Volunteering standards.
- The development of an action plan as to how the organisation is going to meet the standards (the board should discuss and approve the action plan).
- Implementation of the action plan.
- External assessment for an Investors in Volunteers award.

Questions for Board Members to Ask about Being a Good Employer

- Is there an up-to-date staff handbook?
- How can the directors/trustees be confident that the organisation is fully compliant with employment law?
- Are the appropriate human resources skills on the board?
- Do staff terms and conditions enable the organisation to recruit and retain appropriately skilled staff?
- Is there a salary policy? How are salaries benchmarked and set?
- Is there an appraisal and supervision policy for staff? How is compliance audited?
- Is there a staff learning and development policy and plan? How is progress monitored?
- How are staff consulted about decisions that may affect them?
- What is the organisational culture?
- How does the organisation promote and manage equality and diversity?
- Does the organisation effectively involve volunteers?

Resources

Michael Armstrong and Angela Barron (2004) *Managing Performance - Performance management in action* CIPD.

Roland and Frances Bee (2003) *Learning Needs Analysis and Evaluation* CIPD.

Malcolm Martin, Fiona Whiting *Charity Staff: How to employ them* Charity Committee accessible free from
<https://www.gov.uk/guidance/charity-staff-how-to-employ-paid-workers>

Human Resource Practice (latest edition 2020) CIPD

Steve McCurley, Rick Lynch and Rob Jackson (2012) *The Complete Volunteer Management Handbook* Directory of Social Change in association with Volunteering England

As Good as they Give Workbooks Volunteer Now

Fraser Dyer & Ursula Jost (2013) *Recruiting Volunteers - Attracting the people you need* Directory of Social Change in association with Volunteering England

The Complete Volunteer Management Handbook Rob Jackson, Mike Locke, Eddy Hogg and Rick Lynch 2019 Directory of Social Change

Steve McCurley and Rick Lynch (2010) *Keeping Volunteers - A guide to retaining good people*
Directory of Social Change in association with Volunteering England

The website of the CIPD has a range of useful Factsheets and other resources
(www.cipd.co.uk)

HRBird (www.HRBird.org.uk). has a wide range of free policies and procedures for use by
third sector organisations.

Employee Terms and Conditions NIDirect

[https://www.nidirect.gov.uk/information-and-services/employment-terms-and-conditions/e
mployment-contracts-and-conditions](https://www.nidirect.gov.uk/information-and-services/employment-terms-and-conditions/employment-contracts-and-conditions)

Labour Relations Agency *Employer Document Toolkit* <https://www.lra.org.uk/>

11. MANAGING THE CHIEF OFFICER

Introduction

One of the key functions of the board is to recruit and manage the chief officer. But it is one that it often does poorly, partly because there is often little guidance on how this should be done, and/or the chair does not have the appropriate skills, experience or confidence. The chief officer has a crucial role in the organisation, regardless of what stage the organisation is in its lifecycle. The main roles of the chief officer are:

- To lead in delivering the mission of the organisation.
- To manage the organisation's human, financial and physical resources in delivering the mission of the organisation.
- To carry out the decisions of the board.
- To inform, guide and advise the board in their planning and decision-making.
- To ensure compliance with all relevant legal requirements and those of external stakeholders.
- To support the board in ensuring a high standard of governance.

Recruitment & Selection

Let's set the scene: The current chief officer announces that they are leaving to take up a new job, giving the required one month's notice (which was in all staff contracts in the organisation), but has two weeks holiday to take. Suddenly, the board is on its own. There may be no obvious person to guide them through the various stages of the recruitment and selection process. Staff who normally manage recruitment and selection processes in the organisation cannot, generally, be involved in the process, as they may be potential applicants, or know potential internal applicants, and the chief officer will be their boss. There are some immediate issues that need to be dealt with, apart from a leaving party for the outgoing chief officer:

- An exit interview with the outgoing chief executive;
- Is there a succession plan in place for what the organisation should do next?
- Who is going to manage the organisation once the chief officer walks out the door?

Is there an obvious senior manager who could become an acting chief officer, until a new one is appointed? Is that person interested in applying for the permanent role (which may risk prejudicing the recruitment and selection process)?

- Would it be helpful to bring in an experienced skilled interim manager from outside until the new permanent chief officer is in post? Would it also be helpful if that person carried out an organisational assessment, so the board had a more objective view of the state of the organisation and what some of the priorities for the organisation moving forward might be and, therefore, what kind of chief officer the organisation should recruit?
- Who is going to do the work to manage and administer the recruitment and selection process? The process should be confidential, so, as mentioned above, staff who carry out other recruitments for the organisation should not be compromised by knowing the names of applicants and should not, therefore, be involved. For this reason, many boards appoint an external consultant or recruitment firm to advise the board and actually administer the recruitment and selection process, up to the final interview stage. The role of the board is, therefore, to approve the consultancy brief and fee, job description, person specification, salary band, recruitment and selection process and appoint directors/trustees to make up the panel for the final interviews.
- What kind of chief officer is the board looking for? A dynamic entrepreneurial person to grow the organisation and take it in new directions? A strong networker/ambassador who will build relationships with key external stakeholders and decision-makers? A process person who will ensure the organisation is fully compliant with legal requirements and deliver its services, within budget, to a consistent quality? A team-player who will care about the individuals within the organisation and build a more supportive united team? A key question is: what is the real appetite for change in the board? The board may decide that it wants all these things. Unfortunately, perfection is not likely to be available, so the board will need to make some decisions about what the priorities between competing skills should be. The board also needs to decide whether it wishes to consult staff or the senior management team about the priorities for the role and the skills of the post-holder. The culmination of these discussions should be an agreed job description, which

outlines the role and responsibilities, and a person specification, which will establish what knowledge, skills and experience will get someone through the shortlisting process and secondly establish the criteria that will be used to assess the candidates at interview stage.

- How can the board be confident that it is appointing the right person? The danger of appointing the wrong person as chief officer is a huge risk, which the board must take very seriously. All the evidence suggests that interviews alone are poor indicators of how someone will perform in a job (and many organisations, even at chief officer level only have a single selection interview) and references are usually of little use and are usually taken up too late in the process. So, what can a panel do to reduce risk and, therefore, improve the likelihood that they are making the right appointment? Some of the following may be helpful:
 - o Subject the most appointable candidates to at least two competency-based interviews (candidates often perform differently in the second interview).
 - o Include a series of practical assessment tasks that relate to key competencies for the job, as part of the overall assessment process.
 - o Insist on at least three references from previous employers before any final interview.
 - o Ask for additional references from other key individuals in the person's history that could confirm the suitability of a candidate, or otherwise.
 - o Design bespoke detailed competence-based reference forms.
 - o Have meetings, or at least have follow-up telephone conversations, with the referees of the preferred candidate and document.
 - o Check candidates' social media profiles as well as the websites and social media profiles of their current organisation.
 - o Check the accuracy of key items of information provided by the candidates.

It is important not to appoint until the panel is as sure as it can be that they have the right person. Some panels have a tendency to appoint the best candidate on the day, regardless of the level of confidence in the panel that this person is the right person to take the organisation forward. Often re-advertising is a better option and this often produces a very different field as it attracts candidates who may have thought that there was probably already an internal candidate lined up for the job.

Making the Offer

There is a key stage where the panel has decided to offer the post to one candidate (perhaps with a reserve). This is the only point where the potential new chief officer can seek to influence their starting salary and/or other terms and conditions. The person making the offer needs to be very clear what scope they have to negotiate and what the process is for getting approval for an improved offer.

Honesty

Too often new chief officers complain that the organisation was not honest with them about the state of the organisation. That may be because the board is unaware of what is really going on in the organisation. However, sometimes, even when they are aware of some of the challenging issues in the organisation, they do not share these with the incoming chief officer in case they decide not to take the job. As a result, the new chief officer walks in completely unprepared for what really needs done.

Induction

Like with all members of staff, the induction of a new chief officer is critical (even if they are an internal appointment) and is the board's responsibility. It is also not just a one-off activity over the first few days. It is what happens over the first few days, weeks and months. Important elements in the induction of a new chief officer, particularly coming from outside, include the following:

- Writing and approving an induction plan.
- Ensuring they are warmly welcomed to the organisation.
- Ensuring they are greeted by the chair when they arrive.
- Walking them through the building and introducing them to all staff who are there (the chair may need help in this).

- Ensuring all the employment paperwork has been signed.
- Answering any queries about the contract of employment.
- Meeting the directors/trustees informally as soon as possible, perhaps over lunch or dinner.



"Ensuring they are warmly welcomed to the organisation."

- Providing an information pack of relevant materials (e.g. board minutes, accounts, budgets, annual reports, evaluation reports, etc.).
- Organising a discussion of their job description and answering questions they may have.
- Organising a discussion about the board and governance in the organisation and key issues/ challenges that the chief officer will need to deal with in their first couple of months.
- Organising one-to-one meetings with each of the senior managers that report to the chief officer.
- Organising visits to each of the organisation's sites/services and/or presentations from key service managers.
- Identifying the organisation's key stakeholders whom the chief officer needs to meet early on, to start to build the relationship.

- Agreeing the arrangements for regular (e.g. monthly) supervision with the chair.
- Agreeing the reporting arrangements to the board e.g. a monthly chief officer's report.
- Outlining the probation period process (see below).

Probation

Regardless of the thoroughness of a recruitment and selection process, panels and candidates make mistakes. Sometimes the job just does not work out. That is the purpose of probation periods. Unfortunately, too many organisations do not take probation processes seriously and do not put in place appropriate assessment processes and therefore do not realise the need to take effective action until it is too late. The organisation should already have a probation process for all staff which should be followed by the chair in relation to the new chief officer. If it does not, or it is inadequate, the probation processes should be organised to include the following:

- The chair meets with the new chief officer every week for the first month; fortnightly for the second month; and monthly thereafter.
- Having a formal assessment of how the chief officer is getting on before the end of three months, six months and nine months (if the probation period is nine months). Before each of these, the chair should seek the views of senior managers and board members as to how the chief officer is getting on.
- If the need for corrective action is identified, the chair and the chief officer should, as soon as is practicable, agree a very specific action plan and how it will be assessed. This might include the provision of training/coaching/mentoring in a particular area where the chief officer is weak. If necessary, the probation period should be extended to allow for additional training, coaching and assessment.
- The confidence to terminate the contract if the corrective action has not produced the required change.

Appraisal

The board should have ensured that the organisation has an appropriate appraisal/ performance review process for all staff (see Chapter 10. *Being a Good Employer* above), which is consistently implemented. This process should also be applied to the chief officer, by the chair, or the chair and another board member, who should gather the views of the directors/trustees and senior managers beforehand and report back confidentially to the board on the outcome afterwards, without going into detail. Ideally, the appraisal interview should take place around the end of one planning/financial year and the beginning of the next.

Management/Supervision

The chief officer is responsible to the board and needs to be held to account. To some extent this may happen at board meetings where board members should be able to respectfully question or challenge relevant aspects of policy or practice within the organisation, or why agreed objectives were not achieved. Boards, however, are often not good at holding their chief officer to account, so there also needs to be a more regular (e.g. monthly) supervision meeting between the chair and chief officer, to which both players should bring agenda items. At these meetings the chair may want to follow up on actions that the chief officer agreed to undertake at a previous meeting. The chief officer may seek advice, provide information, etc. They should plan together the next board meeting and how to take forward governance improvement actions. The chief officer should make a note of actions agreed at the meeting and email them to the chair after the meeting.

Support

It is important for the board to be aware that being a chief officer can be a lonely job: they have no colleagues, only staff they manage and a board they are accountable to. Chief officers are human beings who, like everyone else, need support, particularly during challenging periods in the organisation. The board needs to do its best to ensure this support is available. This can be done in various ways:

- Through the regular 1:1 meetings between the chair and the chief officer. The chair should also try and identify how the chief officer is coping and identify any support they might need.

- By each director/trustee getting to know the chief officer and building a relationship of trust and honesty through at a minimum of one informal meeting over coffee each year and providing human support where needed.
- Offering to fund offline supervision/mentoring for the chief officer by an experienced individual from outside of the organisation.
- Paying for the chief executive's membership of appropriate leadership organisations, like CO3 in Northern Ireland, ACEVO in England and ACOSVO in Scotland who run a range of support schemes.
- Ensure there is a staff care contract in place that the chief officer, along with any other staff member, can confidentially access.

Under-performance

No-one likes to talk about it, but sometimes a board comes to realise that the chief officer is not performing to the standard expected. Hopefully, this is identified early during the probation period. But even if it is later in the chief officer's employment with the organisation, the board needs to take action: to be very clear with the chief officer what they consider the nature of the under-performance to be, what the board expects of the chief officer to correct the under-performance, what training and/or support is needed, and how they will monitor their performance in future.

Disciplinary Action

If it is considered that the chief officer may have breached the organisation's disciplinary code, the board has no choice but to appoint someone (a board member or an external expert) to investigate and recommend whether disciplinary action should be taken in accordance with the organisation's disciplinary procedures. Disciplinary action may be:

- An informal warning
- A written warning
- A final written warning
- Dismissal for gross misconduct, or repetition of behaviour for which they received a final written warning.

Any such disciplinary processes need to be carried out extremely professionally, with advice, from an experienced HR professional or employment lawyer, but should not be dragged out.

The chair should not be involved in any of these processes, because they may be required to hear any appeal.

Once a board has instigated any form of disciplinary action, even an investigation, in relation to the chief officer, it is likely that the relationship between the board and the chief officer, who is likely to have been suspended from duty on full pay, has broken down. The board needs to carefully manage this situation and ensure confidentiality.

Dismissal

It is something we do not want to think about, but it is sometimes the unpleasant task of a board to dismiss their chief officer for the good of the organisation and its beneficiaries. This can be done through the organisation's disciplinary procedures, or through a confidential negotiated settlement. None of these processes are easy and require great skill, and usually expert external professional advice to navigate. The risks to the organisation (as well as to the chief officer) are high and so the board needs to ensure the process is done as professionally as possible. What they should not do is avoid taking action because it is unpleasant.

Questions for Board Members to Ask About Managing the Chief Officer

- Does the chief officer have a job description? Is it accurate and appropriate?
- Does the chief officer have a contract?
- How are the chief officer's salary and terms and conditions determined?
- How is the chief officer regarded by key external stakeholders?
- Is there a clear process for the board to deal with the chief officer leaving in accordance with his/her contract?
- Is there a clear process for the board to deal with the chief officer leaving without notice?
- Is there a succession plan in place?
- Are disciplinary and grievance procedures in relation to the chief officer clearly laid out?
- Does the board effectively hold the chief officer to account?
- Is the chief officer regularly supervised and appraised?

Resources

Shirley Otto (2010) *Getting the best out of the relationship between the Chair and Chief Officer in a third sector organisation* *Guidelines in Governance Series: no. 1* Evolving Leadership and Governance Forum available free from <https://scotlandsgovernanceforumblog.files.wordpress.com/2016/08/guidelines-in-governance1.pdf>

Leading the CEO and Chair to Effective Governance (2013) ACEVO

Dorothy Dalton (2005) *Recruiting a new Chief Executive – A guide for chairs and trustees* NCVO

12. MANAGING RISK

Introduction

Managing risk is one of the most important governance functions. It enables the board to identify the threats to the survival of the organisation, or parts of it, and, therefore, to effectively address them. It also helps the board to prioritise what it spends its valuable time on. The responsibility for the management and control of a third sector organisation rests with the governing body and therefore its involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.

This should not be interpreted as meaning that the directors/trustees must undertake all aspects of the process themselves. In all but the smallest charities, the directors/ trustees are likely to delegate elements of the risk management process to staff, an audit and risk committee and/or professional advisers. The directors/trustees, however, should review and consider the key aspects of the process and results. The level of involvement should be such that the directors/trustees can make the required risk management statement in their annual report with reasonable confidence.

If there is no Audit and Risk Committee, the board might want to consider appointing a board member as a “Risk Champion” who will oversee risk and ensure that the risk register is regularly reviewed. Medium-sized and large charitable companies must report on their main risks and uncertainties in the directors’ report. At the time of writing, non-company charities with an income of £500,000 or more (and charities with incomes above £250,000 plus assets worth more than £3.26 million) must include a risk management statement in their trustees’ annual report. But it is good practice for smaller charities to report on their risk management activities too.

A risk management statement should include:

- An acknowledgement of the directors/trustees’ responsibility to identify, assess and manage risk.
- An indication of the organisation’s risk appetite.
- An overview of the organisation’s process for identifying risks.

- An indication that major risks, in particular, have been reviewed or assessed.
- Confirmation of the systems and processes set up to manage risks.

Larger organisations, or those with more complicated activities, should provide a more detailed risk management statement. This might include, for example:

- A description of the major risks the organisation faces.
- The links between the identification of major risks and the operational and strategic objectives of the charity.
- Procedures that extend well beyond financial risk to encompass operational, external compliance and other categories of identifiable risk.
- The link between risk assessment and both an assessment of the likelihood of its occurrence and its impact should the event occur.
- A description of the risk assessment processes and monitoring that are embedded in management and operational processes.
- Directors'/trustees' regularly reviewing the principal results of risk identification processes and how they are assessed and monitored.

The board is required to identify any potential risks that could prevent the organisation from meeting the needs of its beneficiaries and put processes in place to assess and manage those risks. A risk management process is normally made up of the following steps, discussed in more detail below:

1. Establish a risk policy.
2. Identify risks.
3. Assess risks.
4. Evaluate what action to take.
5. Review, monitor and assess the risks and mitigating processes periodically.

What are Risks?

Risks are anything that could prevent the organisation achieving its aims or carrying out its plans and meeting the needs of beneficiaries. The types of risks the organisation might face will depend on its size, funding and kind of activities, as well as other factors. The sort of risks an organisation might face include, for example:

- Damage to its reputation (e.g. a critical television, radio or newspaper news item; and/or social media communications).
- Losing a major funding stream.
- Defaulting on a government contract.
- Receiving substantially fewer public donations.
- Losing money through inappropriate investments.
- Losing an employment case at an industrial tribunal.
- Change in the government's policy on a particular issue, affecting grants or contracts.
- Theft or fraud.
- Technological failure.
- Cyber attack.
- A serious accident.
- A serious safeguarding incident.
- Loss of key personnel.
- Disasters due to severe weather, etc.
- A pandemic.

The specific risks that any particular charity may face will depend very much on the size, nature and complexity and nature of the activities it undertakes, and also on its finances. As a general rule, the larger and more complex, or diverse, a charity's activities are, the more difficult it will be for it to accurately identify all the major risks that it faces and put proper systems in place to manage them. Larger charities, however, are also more likely to already have more sophisticated policies and procedures in place. This means that the risk management process will always need to be tailored to fit the circumstances of each individual organisation, focusing on identifying the major risks.

Directors/trustees of large, complex charities, or where there are higher risks, will need to explore risk more fully than smaller simple ones.

Risks can be considered under various headings, such as the following suggested by the Charity Commission for England and Wales:

Risk category	Examples
Governance risks	• inappropriate organisational structure; • the board lacks relevant skills or commitment; and • conflicts of interest.
Operational risks	• lack of beneficiary welfare or safety; • poor contract pricing; • poor staff recruitment and training; and • doubt about security of assets.
Financial risks	• inaccurate and/or insufficient financial information; • inadequate reserves and cash flow; • dependency on limited income sources; • inadequate investment management policies; and • insufficient insurance cover.
External risks	• poor public perception and reputation; • demographic changes such as an increase in the size of beneficiary group; • turbulent economic or political environment; and • changing government policy.
Compliance with law and regulation	• acting in breach of trust; • poor knowledge of the legal responsibilities of an employer; and • poor knowledge of regulatory requirements of particular activities (e.g. fund-raising, running of care facilities, operating vehicles).

Following identification of the specific risks that a particular organisation might face, a decision will need to be made as to how likely they are to occur and what the impact would be if the event did actually take place. Decisions then need to be made about how the risk 'events' can be most effectively prevented, managed or ameliorated.

Directors/trustees should establish a risk framework to help them make decisions about the levels of risk that can be accepted on a day-to-day basis (i.e. what the risk appetite is) and what matters need to be referred to them for decision.

Having assessed the likelihood of an event taking place and the impact on the organisation if it did take place, there are five basic strategies that can be applied to manage an identified risk:

Avoid the activity giving rise to the risk completely, for example, by not taking up a contract, or stopping a particular activity or service.

- Transfer the financial consequences to third parties or sharing the risk, usually through insurance, or outsourcing.
- Reduce the likelihood of the risk happening.
- Mitigate the consequences if the risk does happen.
- Accept that it is a risk that is worth taking.

Recommended Risk Management Model

The Charity Commission for England and Wales recommends the following 5-stage model for boards to use in managing risk:

Stage 1: Establish a risk policy

An effective charity, or other third sector organisation, regularly reviews and assesses the risks it faces in all areas of its work and plans for the management of those risks. The implementation of an effective risk management policy is a key part of ensuring that the organisation is fit for purpose.

There are risks associated with all activities. They can arise through things that are not done, as well as things that are done, both on-going and new initiatives. Charities have differing exposures to risk arising from their activities and will have different capacities to tolerate or absorb risk. For example, a charity with substantial financial reserves could embark on a new project with a higher risk profile than, say, a charity facing financial difficulties. Risk appetite may also be a factor in what activities are undertaken to achieve the organisation's objectives. For example, an overseas relief charity operating in a war zone may need to tolerate a higher level of risk to staff than might be acceptable in its UK-based activities in order to achieve its objectives.

These considerations will inform the directors/trustees in their decision as to the levels of risk they are willing to accept and may provide a benchmark against which the initial risk assessment is undertaken. The risk assessment in turn will inform the directors/trustees of the charity's overall risk profile and the steps taken to manage the major risks identified. This will help them agree their policy(ies) on risk. Directors/ trustees need to establish and communicate clearly the boundaries and limits set by their risk policy(ies) to make sure there is a clear understanding of the risks that can and cannot be accepted.

Stage 2: Identifying risks

Although there are various tools and checklists available, the identification of risks is best done by involving those with a detailed knowledge of the way the organisation works. Whilst the risk management statement focuses on major risks identified by directors/trustees, input into this process should extend beyond the governing body, to include relevant staff.

Examples of what a charity, or other third sector organisation, will need to consider as part of this process include:

- The organisation's objectives, mission and strategy.
- The nature and scale of the organisation's activities.
- The outcomes the organisation wants to achieve.
- External factors that might affect the organisation, such as legislation and regulation.
- The organisation's reputation with its major funders and supporters.
- Past mistakes and problems that the charity has faced.
- The operating structure - for example using subsidiary trading companies, collaborating in a joint venture; or having branches or an affiliated structure.
- Comparison with other organisations working in the same area, or of similar size.
- Examples of risk management prepared by other similar organisations.

For this risk management process to work, directors/trustees and senior managers need to be genuinely committed to it. All staff and volunteers will need to understand the part they should play in risk management.

Directors/trustees will need to consult widely with key managers and staff, as ideas about potential risks and solutions may come from any level of the organisation. Internal workshops involving management, staff and volunteers are often used to gather information. Some workshops can involve supporters and beneficiaries where reputational risk or provision of service to beneficiaries is being considered.

Where the organisation conducts some of its activities through affiliated members, branches, subsidiary companies or joint ventures which are legally separate entities, risks may arise that could directly or indirectly impact on the organisation. For example, events in a subsidiary trading company may affect income streams to the charity, giving rise to reputational risk or may even affect operational objectives directly if the subsidiary is used as a vehicle for service delivery. The risk identification process, whilst focusing on the risk to the organisation itself, is, therefore, also likely to include identifying risks that may arise in branches or subsidiary companies. The directors/trustees of a charity may seek to ensure that the directors of subsidiary companies also adopt similar risk management procedures, with the results being reviewed by the directors/trustees or incorporated into the overall risk management processes of the organisation.

Stage 3 Assessing risk

All risks are not equal and producing a long list of possible risks can be unhelpful if they are not prioritised. Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence, to establish which are the most important or urgent and, therefore, need to be addressed with greater attention.

Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required. One crucial method is to look at each identified risk and decide how likely it is to occur and how severe its impact would be on the charity if it did occur.

This approach attempts to map risk in terms of the likelihood (L) of an undesirable outcome and the extent of the impact (I) that an undesirable outcome is likely to have on the organisation's ability to achieve its operational objectives. An overall risk score can then be calculated by multiplying likelihood (L) by impact (I).

It should enable the directors/trustees to identify those risks that fall into the major risk category identified by the risk management statement.

Risks which would have very high impact but very low likelihood of occurrence should have greater importance than those with a very high likelihood of occurrence but an insignificant impact. In these cases, the concept of impact and the likelihood of risks occurring and their interaction should be given prominence in both the risk assessment and risk management processes. If an organisation is vulnerable to a risk that potentially could have an extremely high impact on its operations, it should be considered and evaluated regardless of how remote the likelihood of its happening appears to be. Charities need to find a balance and they will need to weigh up the nature of the risk and its impact alongside its likelihood of occurrence. With limited resources, the risks and the benefits from the activity concerned will need to be considered. It is important to bear in mind that on rare occasions improbable events do occur with devastating effect, like the Covid-19 pandemic, at other times probable events do not happen.

A focus on high-impact risk is important, but directors/trustees should be aware that what may initially be considered a lower impact risk can quickly change to very high impact risk because of the possible connection between it happening and triggering the occurrence of other risks. One low impact risk may lead to another and another so that the cumulative impact becomes extreme or catastrophic. Many studies have shown that most risk failures are the result of a series of small, linked events that have a much greater cumulative impact to deal with than a single large event. If organisations only look at the big risks, they can end up ill-prepared to face the interaction of separate adverse events interacting together.

The following table can be used to assess what the potential impact of a risk might be:

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	• no impact on service; • no impact on reputation; • complaint unlikely; and • litigation risk remote.
Minor	2	• slight impact on service; • slight impact on reputation; • complaint possible; and • litigation possible.
Moderate	3	• some service disruption; • potential for adverse publicity - avoidable with careful handling; • complaint probable; and • litigation probable.
Major	4	• service disrupted; • adverse publicity not avoidable (local media); • complaint highly probable; and • litigation highly probable.
Extreme/Catastrophic	5	• service interrupted for significant time; • major adverse publicity not avoidable (national media); • major litigation expected; • resignation of senior management and board; and • loss of beneficiary confidence.

The following matrix can be used to assess the likelihood of the risk occurring.

Likelihood

Descriptor	Score	Example
Remote	1	may only occur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected to occur frequently and in most circumstances

Stage 4 Evaluating what action needs to be taken on the risks

Where major risks are identified, the board will need to make sure that appropriate action is being taken to manage them. This review should include assessing how effective existing controls are.

For each of the major risks identified, directors/trustees will need to consider any additional actions that need to be taken to manage the risk, either by lessening the likelihood of the event occurring, and/or lessening its impact if it does. The following are examples of possible actions:

The risk may need to be avoided by ending that activity (e.g. stop work in a particular area).

- The risk could be transferred to a third party (e.g. use of a trading subsidiary, outsourcing or other contractual arrangements with third parties).
- The risk could be shared with others (e.g. a joint venture project).
- The organisation's exposure to the risk could be limited (e.g. establishment of reserves against loss of income, phased commitment to projects).
- The risk can be reduced or eliminated by bringing in external specialist expertise to examine the risk and recommend ways of mitigating it.

- The risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, controls on recruitment, personnel policies).
- The risk may need to be insured against (this often happens for residual risk, e.g. employer's liability, third party liability, theft, fire, cyber risk).
- The risk may be accepted as being unlikely to occur and/or of low impact and, therefore, will just be monitored quarterly or annually.

Once each risk has been evaluated, the directors/trustees can draw up a plan for any steps that need to be taken to prevent, address or mitigate significant or major risks. Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk, in other words, the risk that remains after appropriate action is taken. Directors/trustees need to form a view as to the acceptability of the net risk that remains after the risk management processes/controls are put into place.

In assessing additional action to be taken, the costs of management and/or control will need to be considered in the context of the potential impact or likely cost of the event that the control seeks to prevent or mitigate. It is possible that the process may identify areas where the current or proposed control processes are disproportionately costly or onerous compared to the risk they are there to manage. A balance will need to be struck between the cost of further action to manage the risk and the potential impact of the residual risk.

Stage 5 Periodic monitoring and assessment

Risk management is a dynamic process ensuring that existing and new risks are identified and addressed as they arise. It should also be a cyclical process to continuously review how previously identified risks may have changed. Risk management is not a one-off event and should be seen as a process that will require regular monitoring and assessment. Staff, through the chief officer, will need to take responsibility for implementation. There needs to be communication with staff at all levels, through the chief officer, to ensure that individual and group responsibilities are understood and embedded into the culture of the charity, or other third sector organisation.

A successful process should ensure that:

- New risks are properly reported and evaluated.
- Risk aspects of significant new projects are considered as part of project appraisals.
- Any significant failures of control systems are properly reported, lessons learnt and corrective action taken.
- There is an appropriate level of understanding of individual responsibilities for both implementation and monitoring of the control systems.
- Any further actions required are identified.
- Directors/trustees consider and quarterly review the risk assessments (in larger organisations with the support of the Audit and Risk Committee).
- Directors/trustees are provided with relevant and timely interim risk reports.

One common method of codifying such an approach is through the use of a risk register. The register seeks to pull together the key aspects of the risk management process. It outlines gross risks and their assessment; the controls in place; and the net risks (after the risk mitigation processes have been put in place). It should then identify follow up action required, responsibilities for the actions and the monitoring procedures.

Quarterly monitoring by directors/trustees supplemented by interim reports is likely to be sufficient for most organisations where operating conditions are stable. Depending on an organisation's risk profile, more frequent monitoring might be advisable.

The following is an example from the Charity Commission for England and Wales of what one section of a Risk Register might look like in relation to an identified risk around a charity's investments:

Example – Investment Risk

Risk area/risk identified	Lack of return/diversity of investment portfolio
Likelihood of occurrence (L score)	probable (4)
Severity of impact (i score)	major (4)
Overall, or 'gross', risk (L x i)	high (16)
Control procedure	• investment policy set by directors/trustees; • written instructions to FSA-authorised investment adviser; and • quarterly reviews by directors/trustees.
Retained, or 'net', risk	medium
Monitoring process	performance reports reviewed quarterly by directors/trustees
Responsibility	directors/trustees and treasurer
Further action required	quarterly agenda item for board meetings
Date of review	quarterly

Template for a Risk Register

The following is one example of a template for a risk register. There are other examples. Some risk registers use a traffic light colour-coded system. The same template can then be used for each risk identified.

Nature of the risk identified	Risk 1: e.g. loss of net income
Likelihood of occurring (1-5)	e.g. 4
Impact if it did occur (1-5)	e.g. 4
Overall risk rating	Likelihood X Impact
Action taken to mitigate the risk	e.g. Developed an income generation strategy
Net risk (having taken the mitigating actions: Likelihood (1-5))	e.g. 3
Net risk (having taken the mitigating actions: Impact (1-5))	e.g. 4
Additional actions identified	e.g. 1. Employ a fundraising officer 2. Recruit 2 senior business leaders on to the board
Actions to be taken by whom	e.g. 1. CEO 2. Chair
Actions to be taken by when	e.g. 1. By April 2022 2. By June 2022

Insurance

A key way that risk is managed is through the purchase of insurance which enables organisations to handle the costs of compensation claims made against them. There are a number of types of insurance third sector organisations usually take out to cover the cost of claims made against the organisation:

Employers' liability insurance

Voluntary organisations are obliged by law to have employers' liability insurance to cover all volunteers and employees. It covers the cost of compensating volunteers and employees who are injured at or become ill through work.

Public liability insurance

This insurance covers the cost of claims made by members of the public for incidents that occur in connection with the organisation's activities. It covers the cost of compensation for personal injuries, loss of or damage to property, and death. If members of the public visit the organisation's premises, or off-site events are arranged which members of the public attend, the organisation should take out public liability insurance.

Motor insurance

For organisations which uses vehicles for voluntary purposes they are legally obliged to have motor insurance which covers against costs that arise as a result of injuries caused to other people and damage to their vehicles.

- If the organisation has its own vehicles for employees or volunteers to drive, it is up to the organisation to arrange insurance for the entire fleet of vehicles.
- If employees or volunteers use their own vehicles for voluntary purposes, they should be covered by their own regular motor insurance policy, but they should check with their insurer to be sure. Some insurers cover volunteer driving within regular motor insurance policies while others may charge an extra premium or impose a higher excess for volunteer drivers.

Property insurance

Property insurance covers the cost of repairing or rebuilding an organisation's premises, or replacing its contents. It will cover against risks such as flooding, fire and theft. There are two types of property insurance – buildings insurance and contents insurance:

- buildings insurance covers the cost of repairing or rebuilding the organisation's premises if it is damaged or destroyed.
- contents insurance covers the cost of replacing the property's contents if they are damaged or stolen.

Trustee liability insurance (trustee indemnity insurance)

Directors/trustees are in a position of trust within a third sector organisation and should consider taking out trustee liability insurance also known as trustee indemnity insurance. This covers them for certain compensation claims resulting from breach of trust or breach of duty or negligence arising in their capacity as a charity trustee and any associated legal

costs, subject to limitations. It is usually regarded as a permitted personal benefit. It is the responsibility of the board to ensure that the organisation has the appropriate type and level of insurance (some government tenders specify the amount (£) of insurance cover it is required to take out) and that the insurance represents good value. These are normally achieved by engaging an insurance broker who will arrange the best deal by approaching a range of insurance companies for quotes.

Cyber insurance

The risk of losing funds or data, or technology being denied or failing due to accidental or malicious interference, has never been greater. Increasingly, organisations rely on technology to help achieve their aims and objectives, causing cyber risks to have exponentially increased in recent years. Cyber incidents can disrupt organisations through reputational damage, operational downtime, financial loss, and legal action. Cyber Risk insurance cover should be held by any organisation which:

- holds personal data (such as names, addresses on service-users, staff, or volunteers;
- holds any personal banking information;
- electronically stores 'business-critical' data;
- is reliant on technology to conduct key aspects of its work;
- receives online donations;
- has a website; and/or
- has an online bank account.

Disaster Recovery Planning

One particular aspect of managing risk is having a Disaster Recover or Business Continuity Plan. As a part of an effective risk management process, a charity should consider what needs to be done if a serious event does take place. This could range from a fire or flood to a serious computer malfunction.

Organisations should consider how services to beneficiaries would be affected as a result of a serious incident, including those with a major impact and a low likelihood, and put in place a plan to enable the organisation to resume normal operations as soon as possible.

Questions for Board Members to Ask About Risk Management

- Is there a risk register?
- When was the last time the risk register was updated?
- What role does the board have in relation to the management of risk?
- Is there a thorough assessment of both the likelihood of the risks happening and the impact if they did?
- Are there appropriate actions to mitigate the risks?
- Do the actions agreed effectively mitigate the more substantial risks?

Resources

Risk assessment toolkit (free) Knowhow Non Profit - can be accessed free at <https://knowhow.ncvo.org.uk/studyzone/how-to-carry-out-a-risk-assessment-1>

Risk management standard – The Institute of Risk Management - <https://www.theirm.org/>

Charities and Risk Management Charity Commission for England and Wales. Available from <https://www.gov.uk/government/publications/charities-and-risk-management-cc26>

ISO31000 The Global Risk Management Standards available for purchase from ISO31000 The Global Risk Management Standards

Association of British Insurers '*Voluntary Organisations and Insurance*' <https://www.abi.org.uk/data-and-resources/tools-and-resources/voluntary-organisations-and-insurance/>

13. PROMOTING HEALTH AND SAFETY

Introduction

Following the discussion of risk in the previous chapter, for all organisations, one of the key areas of risk is health and safety. It is one of the areas where the individual directors/trustees can be held personally liable if they fail to fulfil their legal responsibilities and could, in the most extreme cases, involving corporate manslaughter, end up in jail.

The Board's Responsibility

It is, therefore, vital that the board takes health and safety very seriously and ensures that the organisation fulfils its responsibilities for the safety, health and welfare of service-users, volunteers, staff, directors/trustees and visitors.

The board is responsible for effective health and safety management in the organisation. It can delegate some tasks to others, but not its ultimate responsibility for health and safety. It, therefore, needs to establish a health and safety policy that is much more than a document – it should be an integral part of the organisation's culture and practice. The board should take the lead in ensuring the communication of health and safety duties and benefits throughout the organisation. The board needs to clearly 'own' and understand the key issues involved, decide how best to communicate, promote and champion health and safety and comprehensively fulfil its health and safety responsibilities. The board also needs to ensure that the chief officer, or another senior manager, has the appropriate skills, knowledge, and, if necessary, expert advice to develop appropriate supporting policies and procedures to prevent health and safety problems occurring and ensure the organisation responds quickly and effectively where difficulties arise or new risks are introduced.

Leadership

The board and chief officer need to give the clearest visibility of leadership on health and safety and ensure they take the issue very seriously. They need to have the understanding and skills and knowledge to do so. This leadership role should be stated clearly in the role description of the board, the job description of the chief officer, as well as the job descriptions of all staff, reflecting the scope of their responsibilities. Everyone has health and safety responsibilities.

Health & Safety Policy

The board is required to agree a health and safety policy, which ensures the board and staff are aware of the significant risks faced by their organisation and the commitment to addressing them. The health and safety policy should be a 'living' document which should evolve over time, e.g. in the light of major organisational changes such as restructuring or a significant growth, and in light of the identification of new hazards, or changes in legislation. The policy should set out the board's own role and that of individual board members in leading the health and safety of its organisation and should be prominently displayed in the organisation's premises.

Board Membership and Skills

When the board assesses its relevant skills and identifies that it does not have the appropriate health and safety skills or experience, it should take appropriate action to:

- Obtain competent health and safety advice from a suitably qualified and experienced person or company.
- Receive appropriate training to meet the identified need.
- Recruit/elect an experienced health and safety manager/advisor as a director/trustee to the board to ensure the issue is being taken seriously and that its strategic importance is understood. The board member can then act as a scrutineer – ensuring the processes to support boards facing significant health and safety risks are robust.

Governance Structure

The board should integrate health and safety into the main governance structures, including the board sub-committee structure, so that a sub-committee, such as Risk and Audit, addresses the issues of health and safety in more detail than can be done by the full board. The full board should consider a report each year on health and safety; so that all directors/trustees can ask questions to ensure themselves that the organisation is fully compliant.

Health and Safety Risk Assessments

The board should ensure that regular health and safety risk assessments are carried out (at appropriate intervals – different aspects of health and safety risks need assessed at different intervals: daily, weekly, monthly and annually) and the overall findings, and any identified major risks or major non-compliance reported to the board. Management systems must allow the board to receive both specific (e.g. incident-led) and routine reports on the performance of health and safety policy.

Much day-to-day health and safety compliance information needs to be reported only at the time of a formal review. But only a strong system of internal monitoring can ensure that items of major non-compliance are brought to the board's attention during the year. The formal annual review should summarise for the board the issues identified over the 12 months and provide the board with re-assurance of effective compliance, or what action is being taken to ensure full compliance.

In making organised visits to the organisation's premises/facilities (see *Chapter 7. Ensuring Excellent Services* above), health and safety may be one the issues that the visiting directors/trustees should consider.

Board Decision-Making

In its decision-making, the board should:

- Ensure there are health and safety targets/objectives which are effectively monitored in the operational plan.
- Consider the health and safety implications of introducing new processes, new working practices or new personnel, dedicating adequate resources to the task and seeking advice where necessary.
- Make sure that health and safety arrangements are adequately resourced in the budget.

Incident reporting

The board should actively promote a culture that gives staff the confidence to report incidents, rather than a culture of blame which encourages staff to hide and/or deny incidents.

The board needs to ensure there are effective systems in place to report accidents, diseases and dangerous occurrences. The Accident Book can be used for this purpose or electronic records can be kept on a computer. The recording of the information must conform to data protection legislation (see Chapter 15. *Ensuring Data Protection Compliance*) and records must be kept for at least three years.

The board should ensure that there are appropriate systems in place to report more serious workplace injuries, incidents and work-related diseases to the relevant public Health & Safety authority (different in different parts of the UK) and the Charity Commission, as well as to the board. Any serious incident connected with work which results in death or major injury to a service-user, staff member or volunteer, or self-employed person working on the organisation's premises or activities must be immediately reported. A dangerous event, or a member of the public being taken to hospital from the organisation's premises must also be reported. Any injury which results in the injured person being away from work for more than three days and any disease, confirmed in writing by a doctor, arising from specific types of work, will also need to be reported, within 10 days.

Staff Involvement

As mentioned above, all staff have responsibilities for health and safety and this should be reflected in their job descriptions. The wording of these health and safety responsibilities will be different for managers than for service-delivery staff on the ground. Staff must also be involved in decisions that affect their health and safety. In larger organisations, this should be through the establishment and support of a staff-management health and safety committee. The staff survey should also ask questions about health and safety. In all organisations, staff and volunteers should be given opportunities to discuss health and safety issues and identify potential risks and actions needed to mitigate the risks.

Auditing Health and Safety Compliance

All organisations need to have formal procedures for auditing and reporting health and safety performance against the agreed procedures. The board should ensure that any audit is honest and objective and is perceived as a positive management and governance tool. The board should be discussing an internal audit report at least once a year. Every two or three years, the board should commission an external audit of health and safety compliance.

Some larger organisations with substantial risks put in place an externally accredited health and safety management system based in ISO 45001:2018.

Reporting of Health and Safety Data

As mentioned in *‘Being a Good Employer’* (Chapter 10.), the board should monitor sickness absence through regular data reporting; and workplace health and wellbeing through the annual staff survey, in order to alert the board to underlying problems that could seriously damage performance or result in accidents and long-term illness.

It is essential for the board to establish whether the essential health and safety principles – strong and active leadership, worker involvement and assessment and review – have been embedded in the organisation and the system is effective in managing risk and protecting people. As mentioned above, the board should specifically review health and safety performance at least once a year. The review process should:

- Examine whether the health and safety policy reflects the organisation’s current priorities, plans and targets and revise accordingly.
- Examine whether risk management and other health and safety systems have ensured effective reporting to the board.
- Report health and safety shortcomings, and the effect of all relevant board and management decisions.
- Decide actions to address any weaknesses and a system to monitor their implementation.
- Consider immediate reviews in the light of major shortcomings or events.

Information Displayed

Health and safety related information that the organisation should have on display in all its premises is as follows:

- The Health and Safety policy statement (signed and dated).
- “Health and Safety Law: What you need to know” poster.
- A valid copy of the Employer’s Liability (Compulsory) Insurance certificate.
- Fire evacuation procedures.
- First-aid arrangements (including the location of the first aid box).

Fire Safety

One very specific and major aspect of health and safety is fire: fire prevention; fire management – the ability to identify and tackle a fire when it occurs; and evacuation. The board is responsible for ensuring that:

- The organisation's premises and staff are kept safe from fire and its effects and that people can escape to safety if there is a fire.
- A regular fire risk assessment is carried out of the organisation's premises. If there are five or more staff, or the organisation requires a licence or registration for the premises, then the significant findings of the risk assessment and any actions taken to remove or reduce the risk must be recorded. The purpose of the fire risk assessment is to help the organisation to decide:
 - o what are the chances of a fire starting in the workplace;
 - o whether a fire in the workplace would put people in danger;
 - o if any individuals may be especially at risk;
 - o whether existing fire precautions are suitable, or whether more precautions are needed;
 - o what necessary fire precautions are required to protect all of the people on the premises such as testing smoke alarms and fire alarms;
 - o what appropriate information, instruction and training on the fire precautions needs to be given to all the staff and volunteers; and
 - o when fire drills will occur. Best practice is for there to be fire drills at least twice a year.

First Aid

The board is responsible for ensuring that appropriate first aid arrangements are in place. They will vary according to the size of the organisation and nature of the work. The minimum first aid provision, however, that should be provided in any workplace is:

- A suitably stocked first-aid box.
- An appointed person to take charge of first-aid arrangements.
- Information for all employees about first-aid arrangements.

An organisation may determine that it requires a first-aider, if so, they must hold a valid certificate of competence in either: first aid at work (FAW), issued by a training organisation approved by HSENI or HSEGB; or emergency first aid at work (EFAW), issued by a training organisation approved by HSEGB or HSENI or by a recognised Awarding Body of Ofqual/ Scottish Qualifications Authority.

Premises

If an organisation owns premises, it will be responsible for the structure of the building and the services to it, which may include any external areas such as car parks, pathways, entrance and exits and so on. The board will need to make sure that the building is structurally sound, well maintained and safe. The board should ensure that there is a planned, preventative maintenance programme in place to identify any problems before they cause any health and safety issues.

If the organisation rents premises, the organisation may have less responsibility for the building. Generally, depending on the nature of the lease, the organisation will still have to look after repairs and maintenance inside the building and make sure any equipment provided for staff to use is safe, fit for purpose and maintained. External maintenance and repairs to the building and external areas are more likely to be the responsibility of the landlord, particularly in multi-occupancy premises. Common areas such as corridors and any equipment provided by the landlord, such as a lift, remain the responsibility of the landlord. It is very important that responsibilities are outlined and agreed before the agreement is signed. If you share premises with other organisations, it is often a good idea to have a joint health and safety committee. This enables organisations to communicate and agree how to manage any issues relating to the premises.

Workspaces

The board should ensure that:

- Workspace/workstation risks have been assessed and reduced.
- All workstations meet the minimum requirements, including screens, keyboards, desks, chairs, the work environment and software.
- Work is planned so that there are breaks or changes of activity, with more frequent shorter breaks preferable to less frequent longer breaks.

- Appropriate training and information are provided.
- All public areas are well lit and free from hazards.

Lone-working

The Covid-19 pandemic has substantially increased the number of third sector staff who permanently, or some of the time, work on their own at home, visit service-users on their own, or otherwise often work on their own. Regardless of the different situations, there are some measures that every organisation should consider, including:

- Finding ways of avoiding lone-working, where there are less risky alternatives.
- Having a Lone Worker policy.
- Carrying out risk assessments, especially if visiting service-users alone.
- Having contact arrangements/whereabouts procedures in place.
- Providing a means of communication such as a mobile phone.
- Providing adequate first-aid equipment.
- Putting in place arrangements for lodging or storing money.
- Avoiding particularly hazardous activities, such as using dangerous equipment.
- Ensuring staff are trained to adequately assess any risks and take the necessary precautions in these situations.
- Ensuring the lone worker knows what to do if a dangerous or uncomfortable situation occurs, protecting their personal safety at all times.
- Ensuring there is an appropriate 'violence at work' policy.

Driving as Part of Work

Many staff are required to drive a vehicle as part of their work, be it in a charity-owned or hired vehicle, or the worker's own vehicle. Road safety is controlled by road traffic laws and enforced by the police, though some aspects of driving and vehicles are subject to health and safety laws. The board should:

- Ensure that the organisation has policies and procedures in place for driving at work, which would include making sure that:
 - o drivers are properly trained and competent;
 - o drivers are fit and healthy to drive;
 - o the driver and car have got adequate insurance;
 - o there is a clear policy about carrying passengers especially children and adults at risk;
 - o there is a clear policy on alcohol and drug consumption prior to driving;
 - o the vehicle is fit for purpose, safe and well maintained;
 - o safety equipment, seatbelts and head restraints are fitted correctly, work properly and are maintained;
 - o the statutory inspections of the vehicle have been carried out;
 - o routes are appropriately planned;
 - o work schedules are realistic;
 - o sufficient time has been given to allow journeys to be completed safely with adequate breaks included for very long journeys;
 - o ensure there are appropriate parking arrangements for vehicles owned, or leased, by the organisation; and
 - o there is a clear written policy on using mobile phones and hands-free kits.

One-Off or Regular Events

In event management it is very important that the board ensures that health and safety is included in the pre-planning stage of all events. For each fundraising (or other kind of) event, regardless of size, the health and safety risk assessment and plan should include the following:

- Who is involved?
- What numbers are expected to attend?
- Does the event require an entertainment licence? Has one been obtained?
- Will crowd control measures be required?
- Is it ticketed, or at the door?
- Do they have special requirements?
- How many people are permitted in the premises?
- Are there particular health and safety risks?
- How must the seating be laid out to allow for effective exit in event of a fire?
- What is the fire evacuation plan? Is it displayed?
- Is there suitable fire-fighting equipment? When was it last inspected?
- What is the nature of the event?
- Where will it be held?
- How will people get there?
- How long will the event last?
- What equipment is needed?
- What welfare facilities are required?
- What first-aid provision is required?
- How will the organisation communicate with the crowds?
- Do emergency services need to be informed?
- What emergency evacuation plans have you made?
- Where is the event being held?
- How will it be laid out?
- Will the weather have an effect?
- What are the ground conditions?
- Is traffic management required?

Governance Failure on Health and Safety

When board members do not lead effectively on health and safety management the consequences can be severe. Individual directors/trustees are potentially liable for related offences, such as the common law offence of gross negligence manslaughter when directors/trustees cause death by their own grossly negligent behaviour. This offence is punishable by an unlimited fine and a maximum of life imprisonment. Putting in the appropriate arrangements, however, can significantly reduce the health and safety risks to staff, volunteers and service-users, and, therefore, the potential culpability of directors/trustees.

Questions for Board Members to Ask to Ensure Health and Safety Compliance

- How do board members know, with any confidence, that the organisation complies with its health and safety responsibilities?
- Does the board receive an annual report on health and safety compliance?
- Are there adequate health and safety skills on the board?
- Has the board clearly designated a senior manager with responsibility for health and safety compliance?
- Do all staff have their health and safety responsibilities included in their job descriptions?
- Does the organisation have a health and safety policy approved by the board?
- Is there a set of health and safety procedures?
- Is there a schedule of daily, weekly and monthly health and safety checks?
- Are there appropriate fire arrangements and procedures?
- Are there appropriate first aid arrangements in place?
- Does the organisation have lone workers? Is there an appropriate policy?
- Are staff required to drive while at work? Is there an appropriate policy?

Resources

The Health & Safety Executive

(<http://www.hse.gov.uk/healthservices/index.htm>) has a wide range of relevant guidance materials

Health and Safety at Work: An Essential Guide for Managers 2019

Kogan Page Association of British Insurers *Health & Safety for Businesses and the Voluntary Sector - Key Principles*

Providing Safe & Healthy Workplace with ISO 45001:2018 R.C. 2019 Grover and S. Grover Notion Press

14. SAFEGUARDING OF CHILDREN AND ADULTS AT RISK

Introduction

Many charities and other non-profit organisations exist to assist or care for those who are particularly vulnerable by reason of age i.e. children or young people under 18 years of age, or adults who have exposure to harm through abuse, neglect or exploitation which may be increased due to their personal characteristics and/or life circumstances. Other third sector organisations come into regular contact with vulnerable groups, even if that is not their primary purpose.

Directors/trustees are responsible for ensuring that those benefiting from, or working with, the organisation, are not harmed in any way through contact with it. They have a legal duty to act prudently and so must take all reasonable steps within their power to ensure that this does not happen. It is particularly important where beneficiaries are vulnerable groups.

The law on safeguarding varies in each jurisdiction. Directors/trustees are expected to know the relevant law, how it applies to their organisation and how to ensure compliance with it. They should also adopt best practice, as far as possible. This chapter is not intended as a definitive statement of the law, which varies throughout the UK and Ireland, and case law often changes, but outlines some of the key principles.

Safeguarding

Safeguarding is a term which is broader than protection and relates to the action an organisation takes to promote the rights and welfare of children and adults; prevent harm from occurring; and to protect children and adults where harm has occurred or is likely to occur. Safeguarding is everyone's responsibility. Safeguarding can be defined as:

- Promoting the rights of children and adults
- Protecting children and adults from maltreatment.
- Preventing impairment of the health and development of children or adults.
- Ensuring that children and adults grow up in circumstances consistent with the provision of safe and effective care.
- Taking action to enable all children and adults to have the best outcomes.

Directors/trustees of charities which work with vulnerable groups must always act in their best interests and, as directors/trustees, ensure they take all reasonable steps to prevent harm to them. Having safeguards in place within an organisation not only protects and promotes the welfare of children and adults but also it enhances the confidence in the directors/trustees, staff, volunteers, parents/carers and the general public, and reduces the danger of damage to the organisation's reputation.

The necessity to safeguard children and adults applies both to charities working in the UK/Ireland and to those working in other countries where children and adults may face different or additional risks of abuse or exploitation.

The board carries ultimate responsibility for safeguarding the children and adults it works with. It should ensure appropriate safeguards are in place and effectively implemented. These safeguards should include a written 'Safeguarding Policy' supported by robust procedures, including procedures for the safe recruitment and selection of staff and volunteers, and procedures for dealing with issues of concern or abuse. The Safeguarding Policy should make it clear that the organisation will not tolerate any form of abuse wherever it occurs or whoever is responsible.

Criminal Record Checking

The board needs to ensure that the organisation is meeting its legal requirements in relation to the recruitment and selection of staff and volunteers. Certain roles within the organisation, which put staff and volunteers in regular contact with children and/or adults may require a criminal record check. There are different levels of checks available. Jobs or roles that fall within the definition of 'regulated activity' involving, for example, regular unsupervised activities such as teaching, training, instructing, caring for or supervising children, driving a vehicle only for children; regular contact with children in, for example, schools, children's homes, childcare premises, children's hospitals; providing regular personal care, for example, washing or dressing, or health care; generally require an Enhanced Disclosure with Barred List check. The definitions vary in each nation. The board should ensure it is familiar with the rules in the relevant nation.

The relevant record checking service may provide information for the organisation to decide who is suitable or unsuitable to work or volunteer with children or adults at risk and it is illegal for a barred person to apply for regulated activity (paid or voluntary), or for a charity to knowingly employ/involve a barred person in such work.

It is also a legal requirement for employers to refer someone to the relevant disclosure and barring service where two conditions have been met. If there is information provided through the disclosure the organisation must undertake a risk assessment in relation to employing/involving the applicant.

1. The organisation has withdrawn permission for the individual to engage in regulated activity, regardless of whether the individual has been dismissed, redeployed, made redundant, has resigned or retired.
2. They think the person has either engaged in relevant conduct; satisfied the harm test; or received a caution for, or a conviction for or been convicted for a relevant offence.

Rules vary from nation to nation, and are regularly updated so organisations should make themselves fully aware of the precise up-to-date requirements in the relevant jurisdiction.

The Safeguarding Policy

Such a policy is vital as it is a statement of intent that demonstrates a commitment to safeguard children and adults involved with a charity from harm. Such a policy on safeguarding should include:

A statement that the welfare of children and adults is paramount.

- A commitment that no children or adults will be treated any less favourably than others in being able to access services which meet their particular needs.
- A commitment that all children and adults without exception have the right to protection from abuse regardless of gender, ethnicity, disability, sexuality or beliefs.
- A commitment that all concerns, disclosures and allegations of abuse will be taken seriously by directors/trustees, staff and volunteers and responded to appropriately - this may require a referral to Social Services; the independent Local Authority Designated Officer for allegations against staff, directors/trustees and other volunteers; and/or the Police.

- A commitment to implement safe recruitment and selection procedures and effective management procedures.
- Arrangements for the regular review of the policy and procedures, at least once every three years.
- A named person/s (and deputy) with a clearly defined role and responsibilities in relation to the safeguarding of children and adults, appropriate to the level at which s/he operates. This includes receiving safeguarding concerns and liaising with the appropriate statutory agencies, where relevant.
- A description of what abuse is, including the categories of abuse and possible indicators, and the procedures for how to respond to it and report it where there are concerns about the safety or welfare of a child or adult, or concerns about the actions of a director/trustee, staff member or volunteer. Relevant contact details should be available.
- Guidance on confidentiality and information sharing, which is legislation compliant, and which clearly states that the protection of the child/adult is the most important consideration.

The policy should also make clear:

- When the policy was approved and endorsed by the board of trustees, and when it will be reviewed e.g. every three years or sooner where there are changes in practice or legislation, or where there is a change in the organisation's operational procedures.
- Who the policy applies to (i.e. all directors/trustees, staff and volunteers).
- Reference to principles, legislation and guidance that underpin the policy.
- That children, adults and parents/carers are informed of the policy and procedures as appropriate.
- Reference to other associated policies and procedures which promote the safety and welfare of children and adults e.g. with regards to: health and safety, anti-bullying, protection of children online and photography, etc.

Safeguarding Protection, Procedures and Systems

Procedures and systems should provide clear step-by-step guidance on what to do in different circumstances and they clarify roles and responsibilities. Systems for recording information and dealing with complaints are also needed to ensure implementation and compliance. Procedures for protecting children and adults should be linked to the procedures of the relevant regional safeguarding bodies around the UK and Ireland.

The board should ensure that the procedures and systems include the following:

Prevention

- A comprehensive Health & Safety policy and related procedures.
- Effective programme planning and risk assessment of activities
- Ensuring appropriate staffing/volunteer ratios
- Policies and procedures to ensure appropriate risk assessment take place to help prevent abuse happening in the first place, such as, where possible, reducing the need for adult workers to have one-to-one access to children and adults involved with the organisation.
- A code of behaviour for directors/trustees, staff and volunteers. The consequences of breaching the code are clear and linked to disciplinary procedures (for staff) and problem-solving procedures (for volunteers).
- An appropriately written clear code of behaviour for children and adults accessing the organisation's services/taking part in activities.

Detection

- Making directors/trustees, staff and volunteers aware of what abuse is and what might constitute a concern

Responding, recording and reporting incidents/disclosures/allegations and concerns

- Putting in place safeguarding processes which give clear, step-by-step guidance if abuse is disclosed, alleged or suspected.
- Responding to concerns rapidly and facilitating statutory authorities to carry out their investigations confidently.
- Having a clear system for reporting concerns as soon as abuse is identified or suspected.

- A process for recording incidents, disclosures, concerns, allegations and referrals to the relevant authorities, and storing these securely in compliance with relevant legislation and kept for the time specified.
- A process for reporting serious incidents to the Charity Commission.

Recruitment and Selection

- Adopt thorough recruitment and selection processes when seeking new staff/volunteers. These should include clear job/role descriptions and person/volunteer specifications, application forms, criminal conviction declarations, seeking confidential written references, thorough two-stage interviews (staff), competency-based questions, trained panel members, etc, meeting (volunteers)The organisation's Safeguarding Policy Statement should be provided to the applicant with the application form.
- Where required, an appropriate disclosure check should be carried out. In the case of directors/trustees, because of their position within the organisation, whenever there is a legal entitlement to obtain a relevant disclosure check in respect of such a director/trustee, a check should be carried out. This goes beyond circumstances where the director/trustee comes into contact with vulnerable groups.
- Carry out the appropriate level of criminal records checks on staff, volunteers and trustees (depending on their access to children or adults at risk).
- Comply with the different requirements within the relevant jurisdiction.

Complaints Process

- A complaints procedure which is an open and well publicised way in which adults, children, parents or carers can voice concerns about unacceptable and/or abusive behaviour. Where the complaint is in relation to a particularly serious incident, for example, where abuse or exploitation is suspected, then the reporting procedure takes precedence over the complaints procedure.

Staff/volunteer support and supervision

- Systems to ensure that all staff and volunteers working with vulnerable groups are monitored, supervised and supported and that they have opportunities to learn about the protection of children and adults in accordance with their roles and responsibilities.

- Induction training should be provided for all staff and volunteers, and safeguarding training should be provided, tailored to their level of contact. Training may cover the legal and policy context of safeguarding, the categories of abuse, how to deal with a disclosure of abuse, reporting concerns, boundaries within which staff and volunteers should operate, and how to create a safe environment. The related issues of eSafety, domestic violence and abuse, honour-based violence, forced marriage, female genital mutilation, children who live away from home or go missing, child sexual exploitation, racism and violent extremism should be addressed, where relevant.
- New staff should be subject to a probation period, with a thorough assessment of the person's suitability, before their employment is confirmed.
- Staff should have their performance appraised at least once a year, and any areas of concern addressed and monitored.
- New volunteers should be subject to a trial period, with a thorough assessment of the person's suitability to volunteer within the trial period. Periodic reviews should take place during their time as a volunteer.

It is important that each organisation's safeguarding policy and procedures are tailored to the needs of those involved, and relevant to the services/activities it delivers. For example, disabled children who are at increased risk of abuse; babies and toddlers who are vulnerable due to their age and dependence on adults.

Questions for Board Members to Ask

- Does the organisation have an appropriate written safeguarding policy and procedures, in line with current legislation and best practice guidelines?
- How is the policy and procedures disseminated across the organisation?
- How is compliance with the policy and procedures audited?
- Does the board receive regular reports in relation to compliance with its safeguarding responsibilities?

Resources

England

In England, the Department for Education is responsible specifically for child protection. The key legislation is *Working Together to Safeguard Children 2018*

For current guidance on safeguarding, legislation and resources see GOV.UK, most recently updated in September 2020 available at <https://www.gov.uk/government/publications/working-together-to-safeguard-children--2>.

The Charity Commission for England and Wales provides guidance on ‘*Safeguarding and protecting people for charities and trustees*’ available at

<https://www.gov.uk/guidance/safeguarding-duties-for-charity-trustees>

Wales

In Wales the Social Services and Wellbeing Act 2014 is responsible for child protection and provide the legal framework. For current, legislation, guidance and resources see <https://gov.wales/safeguarding-guidance>

Useful guidance is also available from <https://www.safeguarding.wales/>

Scotland

In Scotland, the Scottish Government is responsible for child protection.

National Guidance for Child Protection in Scotland 2021

<https://www.gov.scot/publications/national-guidance-child-protection-scotland-2021/>
Scottish Government

Northern Ireland

In Northern Ireland The Department of Health is responsible for child protection.

Adult Safeguarding: Prevention and Protection in Partnership DOH & DOJ 2015

<https://www.health-ni.gov.uk/publications/adult-safeguarding-prevention-and-protection-partnership-key-documents>

Cooperating to Safeguard Children and Young People in NI, DOH 2017

<https://www.health-ni.gov.uk/publications/co-operating-safeguard-children-and-young-people-northern-ireland>

Access NI

<https://www.nidirect.gov.uk/information-and-services/accessni-criminal-record-checks/apply-accessni-check>

Disclosure and Barring Service (DBS)

<https://www.nidirect.gov.uk/articles/disclosure-and-barring-protecting-children-and-vulnerable-adults>

Further information, including best practice guidelines and self-assessment checklists can be found at www.volunteernow.co.uk

Republic of Ireland

Children First - National Guidelines for the Protection and Welfare of Children Tusla 2017

<https://www.tusla.ie/children-first/children-first-guidance-and-legislation/>

'Safeguarding Vulnerable Persons at Risk of Abuse – National Policy and Procedures', HSE 2014

<https://www.hse.ie/eng/about/who/socialcare/safeguardingvulnerableadults/>

Very useful guidance is available at <https://www.safeguardingireland.org/>

15. ENSURING DATA PROTECTION COMPLIANCE

Introduction

Many third sector organisations deal with significant amounts of data about staff, volunteers, service-users and donors, for example. The responsibilities of those who control and process such data has been increasing substantially. Boards need to ensure that they are compliant with The General Data Protection Regulation (GDPR) which came into force in the UK from May 2018.

The Information Commissioner's Office (ICO) has an obligation to help third sector, private and public organisations to prepare to meet the requirements of GDPR, and so produces useful materials on organisations' obligations under the regulations. They will be issuing further guidance on particular aspects of the legislation.

Who the GDPR is Relevant to

The GDPR applies to all forms of data processing carried out by any organisation. It does not apply to data processing covered by the Law Enforcement Directive, processing for national security purposes and processing carried out by individuals purely for personal/household activities.

GDPR applies to both data 'controllers' and data 'processors'. the 'controller' says how and why personal data is processed and the 'processor' acts on the controller's behalf. It is basically unavoidable for your organisation to process personal data as this will include your own employees as well as service users etc. If an organisation is acting as a data processor for another organisation, GDPR requires the organisation to maintain records of all personal data and processing activities. The potential liability for those responsible for a data breach is whichever is the higher of €20 million or 4% of global annual turnover.

However, a data controller is not relieved of their obligations where a processor is involved – the GDPR places further obligations to ensure contracts with processors comply with the GDPR.

The Data that GDPR Applies to

Personal data

GDPR applies to ‘personal data’. However, GDPR’s definition is more detailed than that contained in the old legislation and makes it clear that information such as an online identifier – e.g. an IP address – can be personal data. The more expansive definition provides for a wide range of personal identifiers to constitute personal data, reflecting changes in technology and the way organisations collect information about people.

For most organisations, keeping HR records, customer lists, or contact details, etc. the change to the definition should make little practical difference. It can be assumed that if someone holds information that falls within the scope of the Data Protection Act 1998, it will also fall within the scope of GDPR.

GDPR applies to both automated personal data and to manual filing systems where personal data are accessible according to specific criteria. This could include chronologically ordered sets of manual records containing personal data. Even personal data that has been pseudonymised – e.g. key-coded – can fall within the scope of GDPR depending on how difficult it is to attribute the pseudonym to a particular individual.

Sensitive personal data

GDPR refers to sensitive personal data as ‘special categories of personal data’. These categories are broadly the same as those in the Data Protection Act 1998, but there are some minor changes. For example, the special categories specifically include genetic data, and biometric data which have been processed in a way that uniquely identifies an individual. Personal data relating to criminal convictions and offences are not included, but similar extra safeguards apply to its processing.

Lawful Processing

For data processing to be lawful under the GDPR, an organisation needs to identify a lawful basis for it before processing personal data. These are often referred to as the “conditions for processing”. It is important to determine the lawful basis for processing personal data and documenting this.

This becomes more of an issue under GDPR because the lawful basis for processing has an effect on individuals' rights. For example, relying on someone's consent to process their data, now this consent must be explicit, specific and informed. It can also be withdrawn at any time.

Processing of personal data can be lawful if:

- There is the explicit consent of the data subject (see section on 'Consent' below).
- Processing is necessary for the performance of a contract with the data subject or to take steps to enter into a contract.
- Processing is necessary for compliance with a legal obligation.
- Processing is necessary to protect the vital interests of a data subject or another person.
- Processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller.
- It is necessary for the purposes of legitimate interests pursued by the controller, or a third party, except where such interests are overridden by the interests, rights or freedoms of the data subject.

Conditions in Relation to Special Categories of Personal Data (i.e. Sensitive Personal Information)

In relation to processing special categories of sensitive personal information, this is only allowed on the basis of certain specific grounds. Some of these which are of particular relevance to third sector organisations have been noted below:

- Processing carried out by a *not-for-profit body* with a political, philosophical, religious or trade union aim, provided the processing relates only to members or former members (or those who have regular contact with it in connection with those purposes) and provided there is no disclosure to a third party without consent.
- Explicit consent of the data subject (see section on 'Consent' below), unless reliance on consent is prohibited.
- Processing is necessary for carrying out obligations under employment, social security or social protection law, or a collective agreement.

- Processing is necessary to protect the vital interests of a data subject or another individual where the data subject is physically or legally incapable of giving consent.
- Processing relates to personal data manifestly made public by the data subject.
- Processing is necessary for the establishment, exercise or defence of legal claims or where courts are acting in their judicial capacity.
- Processing is necessary for reasons of substantial public interest on the basis of Union or Member State law which is proportionate to the aim pursued and which contains appropriate safeguards.
- Processing is necessary for the purposes of preventative or occupational medicine, for assessing the working capacity of the employee, medical diagnosis, the provision of health or social care or treatment or management of health or social care systems and services on the law or a contract with a health professional.
- Processing is necessary for reasons of public interest in the area of public health, such as protecting against serious cross-border threats to health or ensuring high standards of healthcare and of medicinal products or medical devices.
- Processing is necessary for archiving purposes in the public interest, or scientific and historical research purposes or statistical purposes in accordance with Article 89(1).

Further information on these grounds can be found in the Data Protection Act 2018. In general, particular care should be taken when processing these types of data and consideration should be given towards whether or not the specific consent of the data subject is required.

Consent

When the legal basis for processing relied upon is consent, under GDPR that consent must be a freely given, specific, informed and unambiguous indication of the individual's wishes. There must be some form of clear affirmative action – or in other words, a positive opt-in. Consent cannot be inferred from silence, pre-ticked boxes or inactivity. Consent must also be separate from other terms and conditions, and the organisation will need to provide simple ways for people to withdraw consent. Public authorities and employers will need to take particular care to ensure that consent is freely given.

Consent has to be verifiable, and individuals generally have more rights where consent is relied on to process their data. An organisation can, however, rely on other lawful bases apart from consent, for example, where processing is necessary for the purposes of an organisation's or a third party's legitimate interests.

Organisations are not required to automatically refresh all existing consents to comply with the GDPR. But if an organisation relies on individuals' consent to process their data, it must make sure it meets the GDPR standard on being specific, granular, clear, prominent, opt-in, properly documented and easily withdrawn. If not, the consent mechanisms need to be adapted and fresh GDPR-compliant consent sought, or an alternative to consent found.

Rights of Individuals

GDPR creates some new rights for individuals and strengthens some of the rights that previously existed.

These rights include:

- The right to be informed.
- The right of access.
- The right to rectification.
- The right to erasure.
- The right to restrict processing.
- The right to data portability.
- The right to object.
- Rights in relation to automated decision-making and profiling.

The right to be informed

The right to be informed encompasses an organisation's obligation to provide 'fair processing information', typically through a privacy notice. It emphasises the need for transparency over how personal data is used. The information supplied about the processing of personal data must be: concise, transparent, intelligible, easily accessible; written in clear and plain language, particularly if addressed to a child; and free of charge.

The table below summarises the information that needs to be given to individuals and at what stage.

What information must be supplied?	Data obtained directly from data subject	Data not obtained directly from data subject
Identity and contact details of the controller and where applicable, the controller's representative) and the data protection officer		
Purpose of the processing and the lawful basis for the processing		
The legitimate interests of the controller or third party, where applicable		
Categories of personal data		
Any recipient or categories of recipients of the personal data		
Details of transfers to third country and safeguards		
Retention period or criteria used to determine the retention period		
The existence of each of data subject's rights		
The right to withdraw consent at any time, where relevant		

The right to lodge a complaint with a supervisory authority		
The source the personal data originates from and whether it came from publicly accessible sources		
Whether the provision of personal data part of a statutory or contractual requirement or obligation and possible consequences of failing to provide the personal data		
The existence of automated decision making, including profiling and information about how decisions are made, the significance and the consequences.		
When should information be provided?	At the time the data are obtained.	Within a reasonable period of having obtained the data (within one month) If the data are used to communicate with the individual, at the latest, when the first communication takes place; or If disclosure to another recipient is envisaged, at the latest, before the data are disclosed.

Right of Access

Under GDPR, individuals have the right to obtain:

- confirmation that their data is being processed;
- access to their personal data, without delay and at the latest within one month of receipt (unless complex or numerous where the period can be extended by a further 2 months; and
- other supplementary information – this largely corresponds to the information that should be provided in a privacy notice (see Article 15).

These are similar to existing subject access rights which existed previously.

If the Request is Manifestly Unfounded or Excessive

Where requests are manifestly unfounded or excessive, in particular because they are repetitive, an organisation can:

- charge a reasonable fee, taking into account the administrative costs of providing the information; or
- refuse to respond. Where an organisation refuses to respond to a request, it must explain why to the individual, informing them of their right to complain to the supervisory authority and to a judicial remedy without undue delay and at the latest within one month.

Provision of Information

An organisation must verify the identity of the person making the request, using ‘reasonable means’. If the request is made electronically, the organisation should provide the information in a commonly used electronic format.

GDPR introduced a new best practice recommendation that, where possible, organisations should be able to provide remote access to a secure self-service system which would provide the individual with direct access to his or her information. This will not be appropriate for all organisations, but there are some sectors where this may work well. The right to obtain a copy of information or to access personal data through a remotely accessed secure system should not adversely affect the rights and freedoms of others.

Requests for Large Amounts of Personal Data

Where an organisation processes a large quantity of information about an individual, GDPR permits it to ask the individual to specify the specific information the request relates to. GDPR does not introduce an exemption for requests that relate to large amounts of data, but it may be able to consider whether the request is manifestly unfounded or excessive.

Rectifying Personal Data

Individuals are entitled to have personal data rectified, normally within a month, if it is inaccurate or incomplete. If an organisation has disclosed the personal data in question to third parties, it must inform them of the rectification where possible. It must also inform the individuals about the third parties to whom the data has been disclosed where appropriate. Where an organisation is not taking action in response to a request for rectification, it must explain why to the individual, informing them of their right to complain to the supervisory authority and to a judicial remedy.

The Right to be Forgotten

The right to erasure is also known as ‘the right to be forgotten’. The broad principle underpinning this right is to enable an individual to request the deletion or removal of personal data where there is no compelling reason for its continued processing. The right to erasure does not provide an absolute ‘right to be forgotten’. Individuals do, however, have a right to have personal data erased and to prevent processing in specific circumstances:

- Where the personal data is no longer necessary in relation to the purpose for which it was originally collected/processed.
- When the individual withdraws consent.
- When the individual objects to the processing and there is no overriding legitimate interest for continuing the processing.
- The personal data was unlawfully processed (i.e. otherwise in breach of GDPR).
- The personal data has to be erased in order to comply with a legal obligation.
- The personal data is processed in relation to the offer of information society services to a child.

The right to erasure is not limited to processing that causes unwarranted and substantial damage or distress. However, if the processing does cause damage or distress, this is likely to make the case for erasure stronger.

There are some specific circumstances where the right to erasure does not apply and an organisation can refuse to deal with a request for the following reasons:

- To exercise the right of freedom of expression and information.
- To comply with a legal obligation or for the performance of a public interest task or exercise of official authority.
- For public health purposes in the public interest.
- For archiving purposes in the public interest, scientific research, historical research or statistical purposes.
- For the exercise or defence of legal claims.

Children's personal data

There are extra requirements when the request for erasure relates to children's personal data, reflecting the GDPR emphasis on the enhanced protection of such information, especially in online environments.

If an organisation processes the personal data of children, it should pay special attention to existing situations where a child has given consent to processing and they later request erasure of the data (regardless of age at the time of the request), especially on social networking sites and internet forums. This is because a child may not have been fully aware of the risks involved in the processing at the time of consent.

Telling other organisations about the erasure of personal data

If an organisation has disclosed the personal data in question to third parties, it must inform them about the erasure of the personal data, unless it is impossible or involves disproportionate effort to do so. GDPR reinforces the right to erasure by clarifying that organisations in the online environment who make personal data public should inform other organisations who process the personal data to erase links to, copies or replication of the personal data in question.

While this might be challenging, if an organisation processes personal information online, for example on social networks, forums or websites, it must endeavour to comply with these requirements.

The Right to Block or Suppress Processing of Personal Data

Under the previous legislation, individuals had a right to ‘block’ or suppress processing of personal data. The restriction of processing under the GDPR is similar. When processing is restricted, an organisation is only permitted to store the personal data, but not further process it. It can retain just enough information about the individual to ensure that the restriction is respected in future.

Organisations are required to restrict the processing of personal data in the following circumstances:

- Where an individual contests the accuracy of the personal data, an organisation should restrict the processing until it has verified the accuracy of the personal data.
- Where an individual has objected to the processing (where it was necessary for the performance of a public interest task or purpose of legitimate interests), and the organisation is considering whether its organisation’s legitimate grounds override those of the individual.
- When processing is unlawful and the individual opposes erasure and requests restriction instead.
- If an organisation no longer needs the personal data but the individual requires the data to establish, exercise or defend a legal claim.

An organisation may need to review procedures to ensure it is able to determine where it may be required to restrict the processing of personal data. If an organisation has disclosed the personal data in question to third parties, it must inform them about the restriction on the processing of the personal data, unless it is impossible or involves disproportionate effort to do so. The organisation must inform individuals when you decide to lift a restriction on processing.

The Right to Data Portability

The right to data portability allows individuals to obtain and reuse their personal data for their own purposes across different services. It allows them to move, copy or transfer personal data easily from one IT environment to another in a safe and secure way, without hindrance to usability. An organisation must provide the personal data free of charge without undue delay, and within one month (unless it is unduly complex) in a structured, commonly used and machine-readable form. Open formats include CSV files. Machine readable means that the information is structured so that software can extract specific elements of the data. This enables other organisations to use the data.

If the individual requests it, an organisation may be required to transmit the data directly to another organisation if this is technically feasible. However, organisations are not required to adopt or maintain processing systems that are technically compatible with other organisations. If the personal data concerns more than one individual, the organisation must consider whether providing the information would prejudice the rights of any other individual.

Some organisations in the UK already offer data portability (e.g. through *midata* in the banking industry) which allow individuals to view, access and use their personal consumption and transaction data in a way that is portable and safe. It enables consumers to take advantage of applications and services which can use this data to find them a better deal, or help them understand their spending habits.

The right to data portability only applies:

- to personal data an individual has provided to a controller;
- where the processing is based on the individual's consent or for the performance of a contract; and
- when processing is carried out by automated means.

The Right to Object

Individuals have the right to object to:

- processing based on legitimate interests or the performance of a task in the public interest/exercise of official authority (including profiling);
- direct marketing (including profiling); and
- processing for purposes of scientific/historical research and statistics.

Organisations must inform individuals of their right to object ‘at the point of first communication’ and in an organisation’s privacy notice. It must be “explicitly brought to the attention of the data subject and shall be presented clearly and separately from any other information”. Individuals must have an objection on ‘grounds relating to his or her particular situation’ If they have legitimate grounds to object, the organisation must stop processing the personal data unless: they can demonstrate compelling legitimate grounds for the processing, which override the interests, rights and freedoms of the individual; or the processing is for the establishment, exercise or defence of legal claims.

Processing personal data for direct marketing purposes (e.g. direct mail appeals)

An organisation must stop processing personal data for direct marketing purposes as soon as it receives an objection. There are no exemptions or grounds to refuse. The organisation must deal with an objection to processing for direct marketing at any time and free of charge. It must inform individuals of their right to object “at the point of first communication” and in their privacy notice. This must be “explicitly brought to the attention of the data subject and shall be presented clearly and separately from any other information”. These requirements are similar to the previous rules.

Processing personal data for research purposes (e.g. researching prospective donors)

Individuals must have “grounds relating to his or her particular situation” in order to exercise their right to object to processing for research purposes. If an organisation is conducting research where the processing of personal data is necessary for the performance of a public interest task, the organisation is not required to comply with an objection to the processing.

Automated Decision-making and Profiling

GDPR provides safeguards for individuals against the risk that a potentially damaging decision is taken without human intervention. These rights work in a similar way to previous rights under the previous legislation. An organisation will need to identify whether any of its processing operations constitute automated decision-making and consider whether it needs to update its procedures to deal with the requirements of GDPR.

Individuals have the right *not to be subject to a decision* when:

- it is based on automated processing; and
- it produces a legal effect or a similarly significant effect on the individual.

An organisation must ensure that individuals are able to:

- obtain human intervention;
- express their point of view; and
- obtain an explanation of the decision and challenge it.

The right to object does not apply if the decision:

- is necessary for entering into, or performance of, a contract between the organisation and the individual;
- is authorised by law (e.g. for the purposes of fraud or tax evasion prevention); or
- based on explicit consent.

Furthermore, the right does not apply when a decision does not have a legal or similarly significant effect on someone.

Profiling

GDPR defines profiling as any form of automated processing intended to evaluate certain personal aspects of an individual, in particular to analyse or predict their:

- performance at work;
- economic situation;
- health;
- personal preferences;
- reliability;

- behaviour;
- location; or
- movements.

When processing personal data for profiling purposes, an organisation must ensure that appropriate safeguards are in place. It must:

- Ensure processing is fair and transparent by providing meaningful information about the logic involved, as well as the significance and the envisaged consequences.
- Use appropriate mathematical or statistical procedures for the profiling.
- Implement appropriate technical and organisational measures to enable inaccuracies to be corrected and minimise the risk of errors.
- Secure personal data in a way that is proportionate to the risk to the interests and rights of the individual and prevents discriminatory effects.

Automated decisions must not be based on the processing of ‘special categories of data’ unless:

- the organisation has the explicit consent of the individual; or
- the processing is necessary for reasons of substantial public interest on the basis of the law. This must be proportionate to the aim pursued, respect the essence of the right to data protection and provide suitable and specific measures to safeguard fundamental rights and the interests of the individual.

Accountability and Governance

GDPR includes provisions that promote accountability and governance. These complement GDPR’s transparency requirements. While the principles of accountability and transparency have previously been implicit requirements of data protection law, GDPR’s emphasis elevates their significance.

Organisations are expected to put into place comprehensive but proportionate governance measures. Good practice tools that the ICO has championed for a long time such as ‘privacy impact assessments’ and ‘privacy by design’ are now legally required in certain circumstances. Ultimately, these measures should minimise the risk of breaches and uphold

the protection of personal data. Practically, this is likely to mean more policies and procedures for organisations, although many organisations will already have good governance measures in place.

The new accountability principle requires organisations to demonstrate that they comply with the principles and states explicitly that this is the organisation's responsibility.

The board must ensure that the organisation:

- Implements appropriate technical and organisational measures that ensure and demonstrate that the organisation complies with GDPR. This may include internal data protection policies such as staff training, internal audits of processing activities, and reviews of internal HR policies.
- Maintains relevant documentation on processing activities.
- Where appropriate, appoints a data protection officer.
- Implements measures that meet the principles of data protection by design and data protection by default. Measures could include:
 - o data minimisation;
 - o pseudonymisation;
 - o transparency;
 - o allowing individuals to monitor processing;
 - o creating and improving security features on an on-going basis; and
 - o using data protection impact assessments where appropriate.

An organisation may also decide to adhere to approved codes of conduct and/or certification schemes.

Documenting Processing Activities

As well as the obligation to provide comprehensive, clear and transparent privacy policies (see section above on individual rights), if an organisation has more than 250 employees, it must maintain additional internal records of its processing activities.

If an organisation has fewer than 250 employees it is required to maintain records of activities related to higher risk processing, such as processing personal data that could result in a risk to the rights and freedoms of individuals; or processing of special categories of data or criminal convictions and offences.

Organisations must maintain internal records of processing activities, including recording the following information:

- Name and details of the organisation (and where applicable, of other controllers, its representative and data protection officer).
- Purposes of the processing.
- Description of the categories of individuals and categories of personal data.
- Categories of recipients of personal data.
- Details of transfers to third parties including documentation of the transfer mechanism safeguards in place.
- Retention schedules.
- Description of technical and organisational security measures.

An organisation may be required to make these records available to the relevant supervisory authority for purposes of an investigation.

Data Protection Impact Assessments

Data protection impact assessments (DPIAs) (also known as privacy impact assessments or PIAs) are a tool which can help organisations identify the most effective way to comply with their data protection obligations and meet individuals' expectations of privacy. An effective DPIA will allow organisations to identify and fix problems at an early stage, reducing the associated costs and damage to reputation which might otherwise occur. While not a legal requirement under the previous legislation, the ICO has promoted the use of DPIAs as an integral part of taking a privacy by design approach. See the ICO's Conducting privacy impact assessments code of practice for good practice advice. An organisation must carry out a DPIA when: using new technologies; and the processing is likely to result in a high risk to the rights and freedoms of individuals.

Processing that is likely to result in a high risk includes (but is not limited to):

- systematic and extensive processing activities, including profiling and where decisions have legal effects – or similarly significant effects – on individuals.
- Large-scale processing of special categories of data or personal data relation to criminal convictions or offences. This includes processing a considerable amount of personal data at regional, national or supranational level that affects a large number of individuals and involves a high risk to rights and freedoms e.g. based on the sensitivity of the processing activity.
- Large-scale, systematic monitoring of public areas (CCTV).

The DPIA should contain the following information:

- A description of the processing operations and the purposes, including, where applicable, the legitimate interests pursued by the controller.
- An assessment of the necessity and proportionality of the processing in relation to the purpose.
- An assessment of the risks to individuals.
- The measures in place to address risk, including security and to demonstrate that you comply.
- A DPIA can address more than one project.

Data Protection Officers

Under GDPR, organisations must appoint a data protection officer (DPO) if it:

- is a public authority (except for courts acting in their judicial capacity);
- carries out large-scale systematic monitoring of individuals (for example, online behaviour tracking); or
- carries out large-scale processing of special categories of data or data relating to criminal convictions and offences.

An organisation may appoint a single data protection officer to act for a group of companies, or for a group of public authorities, taking into account their structure and size.

Any organisation is able to appoint a DPO. Regardless of whether GDPR obliges it to appoint a DPO, organisations must ensure that it has sufficient staff and skills to discharge its obligations under GDPR.

The DPO's minimum tasks are:

- To inform and advise the organisation and its employees about their obligations to comply with GDPR and other data protection laws.
- To monitor compliance with GDPR and other data protection laws, including managing internal data protection activities, advise on data protection impact assessments; train staff and conduct internal audits.
- To be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, service-users, customers, etc).

The board must ensure that:

- The DPO reports to the highest management level of the organisation – i.e. board level.
- The DPO operates independently and is not dismissed or penalised for performing their task.
- Adequate resources are provided to enable DPOs to meet their GDPR obligations.

The DPO may be an existing employee, as long as the professional duties of the employee are compatible with the duties of the DPO and do not lead to a conflict of interests. The role of DPO can also be contracted out externally. GDPR does not specify the precise credentials a data protection officer is expected to have. It does require, however, that they should have professional experience and knowledge of data protection law. This should be proportionate to the type of processing the organisation carries out, taking into consideration the level of protection the personal data requires.

Codes of Conduct and Certification Mechanisms

GDPR endorses the use of approved codes of conduct and certification mechanisms to demonstrate that organisations comply. The specific needs of small and medium sized enterprises must be taken into account.

Signing up to a code of conduct or certification scheme is not obligatory. But if an approved code of conduct or certification scheme that covers an organisation's processing activity becomes available, it may wish to consider working towards it as a way of demonstrating compliance.

Adhering to codes of conduct and certification schemes brings a number of benefits over and above demonstrating compliance. It can:

- improve transparency and accountability - enabling individuals to distinguish the organisations that meet the requirements of the law and they can trust with their personal data;
- provide mitigation against enforcement action; and
- improve standards by establishing best practice.

When contracting work to third parties, including processors, organisations may wish to consider whether they have signed up to codes of conduct or certification mechanisms.

Codes of conduct should help organisations to comply with the law, and may cover topics such as:

- fair and transparent processing;
- legitimate interests pursued by controllers in specific contexts;
- the collection of personal data;
- the pseudonymisation of personal data;
- the information provided to individuals and the exercise of individuals' rights;
- the information provided to and the protection of children (including mechanisms for obtaining parental consent);

- technical and organisational measures, including data protection by design and by default and security measures;
- breach notification; or
- dispute resolution procedures.

If an organisation signs up to a code of conduct, it will be subject to mandatory monitoring by a body accredited by the supervisory authority. If it infringes the requirements of the code of practice, it may be suspended or excluded and the supervisory authority will be informed. Organisations also risk being subject to a fine of up to 20 million Euros or 4 percent of turnover. Adherence to a code of conduct may serve as a mitigating factor when a supervisory authority is considering enforcement action via an administrative fine.

Certification does not reduce an organisation's data protection responsibilities. It must provide all the necessary information and access to its processing activities to the certification body to enable it to conduct the certification procedure.

Any certification will be valid for a maximum of three years. It can be withdrawn if an organisation no longer meets the requirements of the certification, and the supervisory authority will be notified. If it fails to adhere to the standards of the certification scheme, it risks being subject to a large fine, as above.

Breach Notification

GDPR puts a duty on all organisations to report certain types of data breach to the relevant supervisory authority, and in some cases to the individuals affected. A personal data breach means a breach of security leading to the destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This means that a breach is more than just losing personal data.

Organisations only have to notify the relevant supervisory authority of a breach where it is likely to result in a risk to the rights and freedoms of individuals. If unaddressed such a breach is likely to have a significant detrimental effect on individuals – for example, result in discrimination, damage to reputation, financial loss, loss of confidentiality or any other significant economic or social disadvantage. This has to be assessed on a case-by-case basis. For example, an organisation will need to notify the relevant supervisory authority about a loss of service-user details where the breach leaves individuals open to identity theft.

On the other hand, the loss or inappropriate alteration of a staff telephone list, for example, would not normally meet this threshold.

Where a breach is likely to result in a high risk to the rights and freedoms of individuals, an organisation must notify those concerned directly. A 'high risk' means the threshold for notifying individuals is higher than for notifying the relevant supervisory authority.

A breach notification must contain:

- The nature of the personal data breach including, where possible:
 - the categories and approximate number of individuals concerned; and
 - the categories and approximate number of personal data records concerned.
- The name and contact details of the data protection officer (if the organisation has one) or other contact point where more information can be obtained.
- A description of the likely consequences of the personal data breach.
- A description of the measures taken, or proposed to be taken, to deal with the personal data breach and, where appropriate, of the measures taken to mitigate any possible adverse effects.

A notifiable breach has to be reported to the relevant supervisory authority within 72 hours of the organisation becoming aware of it. GDPR recognises that it will often be impossible to investigate a breach fully within that time-period and allows you to provide information in phases. If the breach is sufficiently serious to warrant notification to the public, the organisation responsible must do so without undue delay. Failing to notify the relevant parties of a data breach when required to do so can result in a large fine, as noted above.

In preparing for breach reporting, an organisation should make sure that its staff understand what constitutes a data breach, and that this is more than a loss of personal data. It should ensure that it has an internal breach reporting procedure in place. This will facilitate decision-making about whether it needs to notify the relevant supervisory authority or the public. In light of the tight timescales for reporting a breach - it is important to have robust breach detection, investigation and internal reporting procedures in place.

Questions for Board Members to Ask to Ensure the Protection of Data

- Is the organisation registered with the ICO?
- What personal data does the organisation process?
- Who are the data controllers and processors in the organisation?
- Is the processing of data within the organisation permitted under GDPR?
- Does the organisation have a data protection policy approved by the board that is compliant with GDPR?
- Does the organisation have data protection procedures that are compliant with GDPR?
- What breaches of GDPR have there been and were they reported to ICO and the relevant Charity Commission?
- Have all relevant staff received appropriate accredited training in GDPR?
- Do the individuals whom the organisation processes data in relation to know their rights under GDPR?

Resources

Information Commissioner's Office (ICO) *Guide to GDPR* -

<https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/>

General Data Protection Regulations A Guide for Charities – accessible at

<https://www.buzzacott.co.uk/uploads/gdpr-a-guide-for-charities.pdf>

DSC Key Guides: Data Protection - for voluntary organisations The fully revised and updated 4th edition for current data regulation and law for voluntary and civil society organisations.

GDPR the Essentials for Fundraising Organisations.

[https://ciof.org.uk/loF/media/IOF/Policy/1iof-gdpr-essentials-2019-v2-march-\(2\).pdf?ext=.pdf](https://ciof.org.uk/loF/media/IOF/Policy/1iof-gdpr-essentials-2019-v2-march-(2).pdf?ext=.pdf)

16. REPRESENTING THE ORGANISATION EXTERNALLY

Introduction

Third sector organisations do not operate in a vacuum. They depend very much for their success on a range of external stakeholders. Much of this interaction with these external players is carried out by others in the organisation and directors/trustees need to be very careful not to interfere in the legitimate roles of staff. But the board and individual directors/ trustees do potentially have an important role to play.

Board Membership

In some cases, representatives of important external bodies (funders or partners) may actually be invited to sit on the board of a third sector organisation as either full members or observers. This can bring the external stakeholder closer to the organisation, which can be a very positive thing. There are also dangers, however: the external organisation may actually be a competitor interested in finding out more about the competition; a funder may interfere with the independent decision-making of the board; and the board may be unwilling to discuss difficult issues in front of external representatives and, therefore, these issues may fester.

Directors/trustees may also have very important external contacts (if they do not, then the board should be thinking about how to recruit new members who do), who would be of value in furthering the objects of the charity. It is a very appropriate role for individual directors/trustees to make introductions, particularly for the chief officer, to individuals who may be able to help the organisation on a voluntary basis, because, for example, of their expertise in an area the organisation is struggling with; because they control significant wealth and could support the organisation financially; or they are a senior decision-maker in government; or they could be a bridge to contacts in one or all of these areas.

Planning

In developing strategic plans, it is very important that the board ensures that external stakeholders are carefully involved in providing their input into the plans, and not in a tokenistic way. The extent of the engagement will depend on the importance of the stakeholder to the organisation. This was discussed under Chapter 6. *Providing Strategic Direction* above.

Acting as an Ambassador

Individual directors/trustees also have a role in acting as effective ambassadors for the organisation; accepting corporate responsibility for decisions; promoting the good name of the organisation; presenting the organisation in a positive light; and, at the extreme, not bringing the organisation into disrepute.

The board needs to ensure the organisation is represented appropriately and effectively at official functions. This will normally be the role of the chief officer, but there will also be occasions where the chief officer is not available and may ask a board member to represent the organisation; or where the invitation is to the chief officer and a board member (normally the chair). In this situation, directors/trustees need to be well briefed on what they are going to, who they might expect to meet there, if they will be required to speak at the event and what about, and whether there are specific organisational objectives that could be promoted at the event, for example, in meeting a particular senior decision-maker or funder and asking to arrange a follow-up meeting with them, etc.

External Communications

Whilst it is not normally the role of the board or individual directors/trustees to directly communicate with the external world (e.g. the general public through the media, or specific stakeholders) on behalf of the organisation, it is the role of the board to ensure that the organisation effectively builds public awareness of its work and that there are good relationships with the public, funders and other relevant agencies.

Third sector organisations should have clear policies on the use of emails and social media in order to protect the organisation, and the individual.

One way that the board can play an appropriate role in external communications is to discuss and approve a Communications Strategy and action plan and monitor its implementation. These communication objectives can then be incorporated into the annual operational plan monitored by the board.

Public Policy Advocacy

There is often more than one way of achieving an organisation's objectives. The natural tendency, in response to seeing a need in the community, is to want to establish a service to help those who need it. It may be, however, that a much more effective way of dealing with the need to is to bring about relevant changes to public policy and practice, for example to influence relevant legislation, the policies and strategies of statutory bodies (government departments and non-departmental public bodies), the budgets of relevant services and the practice of how statutory services are delivered on the ground.

One example of the impact of policy changes in the UK and Ireland is in relation to child protection/safeguarding (discussed above), which, it can be argued, has done much more to change the lives of children than simply providing services to children who have been victims of child abuse, exploitation or neglect, although, of course, both are necessary.

It is not the role of individual directors/trustees to campaign or lobby on these issues (unless this is part of an agreed strategy), but to ensure that the organisation has an appropriate plan in place to bring about appropriate changes in public policy and practice. This plan should include clarity about the following:

- the issues the organisation wishes to campaign on and what precise changes it wants to achieve.
- What clear powerful messages it wishes to consistently communicate?
- Who the external decision-makers and influencers are that the organisation needs to cultivate and influence?
- What timing issues need to be considered?
- What actions are required to achieve the desired influence that will result in the desired changes?
- What other organisations share similar policy goals that collaborate on relevant campaigns?
- What other influencers or celebrities could help endorse particular campaigns and how can they be reached?

The board should discuss and approve its public policy advocacy plan and monitor its implementation. Where individual directors/trustees have relevant contacts, it may well be appropriate for these directors/trustees to use these existing relationships to help achieve the organisation's advocacy aims, by making introductions and/or setting up meetings which they may attend with the Chief Officer.

The board also needs to be aware of the constraints on lobbying and campaigning. A charity cannot be established for the purpose of changing legislation. However, a charity can carry out political activity or campaigning provided: the activity is solely in support of its charitable purposes; the activity is not prohibited in its governing document; it remains independent and does not align itself with a particular political party; and it is in the charity's interests and the trustees are acting with due care. Useful advice is available from 'Non-party Campaigners: where to start' from the Electoral Commission and 'Charities and Politics from the Charity Commission for Northern Ireland.

Networks and Forums

It is a healthy sign when an organisation participates very actively in the main forums and networks concerned with promoting the interests of the beneficiary group. Major change rarely comes from one third sector organisation working on its own, but from as many players coming together to agree a common agenda in improving the lives of beneficiaries, including bringing about changes in public policy and practice. The board should, therefore, also ensure that the organisation effectively participates in relevant forums and networks and collaborates appropriately with other agencies.

Questions for Board Members to Ask to Ensure Effective External Representation

- Would you feel equipped to represent the organisation if required?
- Are there board members who can act as a bridge to other relevant sectors/bodies?
- How well known is the organisation, and by whom?
- Has the organisation an appropriate communications strategy and action plan?
- Are there appropriate PR skills on the board?
- Has the organisation clear positions on key public policy issues?
- Has the organisation got a campaigning strategy and action plan?
- Does the organisation contribute positively to relevant networks that contribute to the development of public policy in your field of work?

Resources

Ian Bruce (4th Edition 2011) *Charity Marketing - Delivering income, services and campaigns* ICOSA

Sally J. Patterson and Janel M. Radtke (2009) *Strategic Communications for Non-profit Organization: Seven Steps to Creating a Successful Plan* Hardcover

Jeff McLinden (2012) *The Non-profit Communications Handbook: How to Engage Donors, Raise More Money and Strengthen Your Non-profit's Brand through Donor-Focused Communications* [Kindle Edition]

Marcia Avner, Josh Wise and Jeff Narabrook (2nd Ed 2013) *The Lobbying and Advocacy Handbook for Non-profit Organizations* Fieldstone Alliance

Marcia Avner (2014) *Non-profit Board Member's Guide to Lobbying and Advocacy* Fieldstone Alliance

Digital Marketing for Charities (2021 Guide) Social Digital Marketing Blog Last modified: 23 Jan 2021 by Pooja Shevade

Chris Rose *How to Win Campaigns - A practical guide for creating and running successful campaigns*. 2011 Directory of Social Change

Campaigning and Political Activity Guidance for Charities Charity Commission for England and Wales

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/610137/CC9.pdf

How to Write a Charity Marketing Strategy and other useful articles from Charity Comms available to access from

<https://www.charitycomms.org.uk/how-to-write-a-charity-marketing-strategy>

Non-party Campaigners: where to start the Electoral Commission

<https://www.electoralcommission.org.uk/non-party-campaigners-where-start>

Charities and Politics from the Charity Commission for Northern Ireland

<https://www.charitycommissionni.org.uk/media/1149/20190530-ccni-eg036-political-activity-and-campaigning-guidance-for-charities-v20-for-publication.docx.pdf>

Appendix 1

GOVERNANCE MANUAL – MODEL CONTENTS

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ROLE DESCRIPTION OF THE BOARD

2.1 BOARD

ROLE PURPOSE: To provide the overall governance and leadership for the organisation in progressing the organisation's vision, mission and values, ensure it fulfils its financial and legal responsibilities, and promotes best practice.

MAIN RESPONSIBILITIES

1. GOVERNANCE

Ensure that the organisation is effectively and accountably governed.

2. PLANNING

Ensure the organisation has a clear sense of direction which is effectively articulated in agreed strategic and operational plans which are effectively implemented and regularly reviewed.

3. SERVICES

Ensure the organisation provides high quality programmes which meet the needs and expectations of service-users, and the public generally, and are regularly reviewed.

4. FINANCIAL

Ensure that the organisation's resources are managed prudently and accountably in achieving the aims and objectives of the organisation.

5. INCOME GENERATION

Ensure the organisation generates sufficient income to achieve its aims and objectives.

6. HUMAN RESOURCES

Ensure the organisation fulfils its responsibilities as a good employer of staff and volunteers

7. HEALTH & SAFETY

Ensure that the organisation fulfils its responsibilities for the safety, health and welfare of service-users, volunteers, staff and visitors

8. EXTERNAL RELATIONS

Ensure there are good relationships with other relevant agencies and stakeholders, and promote public policy goals.

MAIN DUTIES

1. GOVERNANCE

Ensure that the organisation is effectively and accountably governed and complies with company and charity law.

- 1.1. Ensure that the organisation fulfils its company and charity law obligations and complies with its memorandum and articles of association.
- 1.2. Decide on the need for a Company Secretary and, if appointed, ensure they have the appropriate knowledge/skills and fulfils his/her responsibilities.
- 1.3. Ensure there is an up-to-date register of members of Council and members are kept informed, consulted and encouraged to participate in the organisation.
- 1.4. Ensure the Board has the skills & knowledge to govern effectively.
- 1.5. Manage effectively the recruitment & selection of new Board & committee members and ensure new Board and committee members are properly inducted.
- 1.6. Regularly review the governance structures and performance of the Board and take appropriate action.

2. PLANNING

Ensure the organisation has a clear sense of direction which is effectively articulated in agreed strategic and operational plans and which are effectively implemented and regularly reviewed.

- 2.1. Ensure internal and external stakeholders are appropriately consulted on the development of the organisation's plans.
- 2.2. Contribute to and approve strategic and operational plans to guide the work of the organisation.
- 2.3. Ensure there are clear targets, responsibilities, performance indicators and review dates in strategic and operational plans.
- 2.4. Monitor the achievement of agreed objectives and performance indicators and ensure appropriate action.
- 2.5. Identify resource and skill constraints and needs arising from plans (money, buildings, equipment, people, skills, etc).

3. SERVICES

Ensure that the organisation provides high quality programmes that meet the needs and expectations of service-users, and the public generally, and are regularly reviewed.

- 3.1. Approve the development of new programmes and services which are in accordance with the organisation's Vision, Mission and Values.
- 3.2. Ensure there are regular internal reviews, and an objective evaluation at least every 5 years, of all services and programmes.
- 3.3. Regularly review the need for new and revised organisational-wide service policies and approve appropriate policies.
- 3.4. Ensure quality standards & procedures are in place in relation to all the organisation's services, which are effectively implemented & regularly reviewed.

- 3.5 Ensure that the Board is aware of the views (positive and negative) of service-users.

4. FINANCIAL & PHYSICAL RESOURCES

Ensure that the organisation resources are managed efficiently and accountably in achieving the aims and objectives of the organisation.

- 4.1 Ensure there are clear and appropriate financial policies and procedures (including expenditure authorisation limits) and ensure probity, transparency and protection against theft and fraud.
- 4.2 Approve financial plans and budgets to achieve the aims and objectives of the organisation.
- 4.3 Authorise extraordinary expenditure outside delegated limits and budget (in accordance with agreed delegation of financial authority).
- 4.4 Ensure there is a professional annual external audit.
- 4.5 Ensure there are effective internal financial controls including regular internal audits.
- 4.6 Ensure grants and donations are applied in accordance with the requirements of the funder / donor.
- 4.7 Ensure the organisation is effectively insured against appropriate risks, through the Finance Committee and Audit & Risk Committee.
- 4.8 Ensure there is a Hon Treasurer who has the appropriate skills and fulfils his/her role effectively.
- 4.9 Ensure there is optimum accountability and transparency to the members and other stakeholders regarding financial affairs.
- 4.10 Ensure that moneys are effectively invested taking into account legal responsibilities, the need to minimise risk, maximise returns and ethical responsibilities.
- 4.11 Ensure there is an appropriate procurement policy which is effectively implemented and regularly reviewed.
- 4.12 Ensure a register is kept of all fixed assets, through the Finance Committee.
- 4.13 Ensure all physical assets are well looked after and used effectively and efficiently.

5. INCOME GENERATION

Ensure the organisation generates sufficient income to achieve its aims and objectives.

- 5.1 Approve and review fundraising targets and a fundraising strategy to maximise net income from private, corporate and charitable sources and ensure it is effectively implemented & regularly reviewed.
- 5.2 Ensure income from appropriate statutory sources is maximised, without compromising the organisation's independence to speak and act as an advocacy organisation.
- 5.3 Develop net income from social economy businesses.
- 5.4 Ensure the organisation's fundraising initiatives are in harmony with the ethos and values of the organisation.

6. HUMAN RESOURCES

Ensure the organisation fulfils its responsibilities as a good employer of staff and volunteers.

- 6.1 Ensure the organisation complies with all legal requirements and best practice in relation to Human Resources (staff and volunteers).
- 6.2 Ensure there are appropriate recruitment & selection policies & procedures in relation to staff and volunteers, which are consistently implemented and regularly reviewed.
- 6.3 Ensure there is an effective process in place to hear the views of staff and volunteers (e.g. regular satisfaction surveys of staff and volunteers).
- 6.4 Ensure there are appropriate employment policies and procedures and they are complied with.
- 6.5 Set and regularly review Terms & Conditions of employment for all staff.
- 6.6 Set appropriate salary scales for all posts.
- 6.7 Approve panel members for the recruitment & selection of staff reporting to the chief officer.
- 6.8 Approve all new or changed posts at 2nd tier level (except in exceptional circumstances, the filling of vacant posts is delegated to the chief officer).
- 6.9 Ensure there is a positive culture, policy & procedures in relation to the training and development of staff and volunteers.
- 6.10 Appoint and induct the chief officer.
- 6.11 Ensure effective management and appraisal of the chief officer.
- 6.12 Carry out disciplinary & grievance procedures in relation to the Chief officer, or other disciplinary or grievance procedures which cannot be heard by the chief officer, in accordance with agreed policies and procedures.
- 6.13 Appoint Appeal Panels for Disciplinary and Grievance Appeals in accordance with agreed policies & procedures (may be delegated to the Human Resources Committee).
- 6.14 Ensure there is effective team-working within the organisation.
- 6.15 Ensure there are clear roles for volunteers and they receive the support, supervision, recognition, training and development which they require.

7. HEALTH & SAFETY

Ensure that the organisation fulfils its responsibilities for the safety, health and welfare of service-users, volunteers, staff and visitors.

- 7.1 Appoint a Health & Safety officer and ensure they fulfil their responsibilities and report regularly to the Board on the organisation's compliance with health & safety requirements.
- 7.2 Ensure there is an appropriate Safety Statement, that it is effectively implemented, and regularly reviewed.
- 7.3 Ensure there are appropriate health & safety policies and procedures, which are effectively implemented and regularly monitored.

- 7.4 Ensure that regular health & safety risk assessments are carried out and recommendations made and implemented in light of the risk assessments.
- 7.5 Ensure the organisation complies with the specific health & safety requirements relating to fire safety.
- 7.6 Ensure staff and volunteers receive the health & safety training they need to fulfil their health & safety responsibilities.
- 7.7 Ensure there is an appropriate policy and procedures to protect children and adults at risk from abuse.

8. EXTERNAL RELATIONS

Ensure there are good relationships with the public and other relevant agencies.

- 8.1 Ensure and promote the good name of the organisation.
- 8.2 Ensure there is an appropriate internal and external communications strategy which is effectively implemented and regularly reviewed.
- 8.3 Ensure the organisation is represented appropriately and effectively at official functions.
- 8.4 Ensure the organisation effectively participates in relevant forums and collaborates appropriately with other agencies.
- 8.5 Ensure compliance with GDPR in relation to data processed in the organisation.
- 8.6 Ensure the organisation contributes effectively to the development of public policy.
- 8.7 Ensure the organisation builds strong relationships with relevant stakeholders.

ROLE DESCRIPTION FOR ORDINARY BOARD MEMBERS

Board members are elected by the membership of the organisation at the Annual General Meeting of the Board, normally for a cycle of three years. Additional individuals can be co-opted onto Board until the following AGM. There may be up to 11 members of the Board. Meetings are usually held quarterly with 1 or 2 meetings on strategy each year.

Role Purpose: To promote the aims, objectives and values of the organisation, and contribute to the good governance of the organisation.

Main Responsibilities

Each Board member agrees:

1. to take part in formulating, and monitoring progress against, the aims and priorities of the organisation;
2. to ensure that adequate policies and practices are in place to protect the organisation from risk and are in keeping with its aims and values;
3. to ensure that the organisation functions within the legal and financial requirements of a charitable organisation and company limited by guarantee and strives to achieve best practice; and
4. to act honestly, in good faith, using reasonable skill and care.

Main duties

1. Formulating strategic aims.

- 1.1. Contribute to developing the organisation's strategic and operational plans and monitor their implementation.
- 1.2. Always consider the best interests of the organisation as a whole and its beneficiaries, whether as a Board member or any of its committees, sub-committees, groups etc.
- 1.3. Reflect the organisation's vision and values strategy and major policies at all times.
- 1.4. Contribute specific skills, knowledge and contacts and support the organisation in fundraising activities.
- 1.5. Be familiar with the nature of the work of the organisation

2. Ensuring policies and practices are in keeping with the aims and values.

- 2.1. Contribute to the identification, development and monitoring of relevant policies and procedures.
- 2.2. Follow the Code of Conduct at all times, particularly when exercising the function of a Board member or participation in any of the committees, sub-committees or groups.
- 2.3. Attend meetings of the Board (and apologise if unable to attend).
- 2.4. Reflect the Board's aims, policies, values and concerns on all the organisation committees and working groups.

3. Ensuring best practice.

- 3.1. Be an active member of the Board in exercising its responsibilities and functions.
- 3.2. Attend and prepare for meetings by reading the agenda and papers in advance.
- 3.3. Send apologies when unable to attend.
- 3.4. Maintain good relations with other members of Board, staff and volunteers.
- 3.5. Read materials prior to attending meetings.
- 3.6. Take part in induction and/or training sessions provided for the benefit of members of Board.
- 3.7. Fulfil such other duties and assignments as may be required from time to time by Board or Chair.

4. Acting honestly, in good faith, using reasonable skill and care.

- 4.1. Use reasonable skill and care in the governance of the organisation.
- 4.2. Act honestly and in good faith i.e. in the interests of the organisation.
- 4.3. Not to benefit or gain personally (or any 'connected person') and identify where there may be any potential conflict of interest (see Conflict of Interest policy in this Guide).
- 4.4. Comply with company and charity law.

ROLE DESCRIPTION FOR THE CHAIR OF THE BOARD

Role Purpose: To plan and run Board meetings effectively and ensure the organisation, as a whole, sets, and adheres to, a clear mission, vision, strategy, values, aims and objectives.

Main Responsibilities

1. To ensure that the Board fulfils its responsibilities for the governance of the organisation.
2. To work in partnership with the chief officer to achieve the agreed aims and objectives.
3. To ensure that there is an effective relationship between Board and the staff/volunteers.
4. To plan and chair the office-bearers' group (if there is one).

Main duties

1. Ensuring the Board fulfils its responsibilities.

- 1.1. Plan meetings of the Board, in partnership with the chief officer, including agreeing the agenda.
- 1.2. Effectively chair meetings of the Board and see that it functions effectively and carries out its responsibilities.
- 1.3. Ensure there is a quorum present.
- 1.4. Ensure that the Board sets overall strategy and policy objectives and effectively monitors their implementation.
- 1.5. Ensure that the business of meetings is effectively planned and appropriately dealt with and that decisions, when required, are clearly arrived at and recorded and their implementation monitored.
- 1.6. Ensure that satisfactory arrangements are made to identify and appoint the next chair of the Board.
- 1.7. Work in consultation with other office-bearers, Board members, and, where appropriate, the chief officer to recruit Board members with relevant expertise and experience.
- 1.8. Ensure that the Board regularly reviews how it is working, its structure, role and relationship to staff and implements agreed changes as necessary.
- 1.9. With the chief officer, ensure that all Board members receive appropriate inductions, advice, training and information relating to their role.
- 1.10. Serve as a spokesperson for and/or promoter of the organisation, when appropriate.

2. Helping to achieve the aims and objectives set for the organisation.

- 2.1. Ensure that the Board develops a long-term strategy for the organisation and annual operational plans with clear objectives which can be monitored.
- 2.2. Monitor progress in implementing the annual operational plan.
- 2.3. Ensure that appropriate aims and objectives are set for the acquisition and management of resources (personnel, financial, material) and their achievement monitored.
- 2.4. Provide appropriate supervision and support for the chief officer

- 2.5. Ensure that appropriate arrangements are in place to support, monitor and review the work of other staff.
- 2.6. Help to promote the organisation to a wider audience of potential donors and beneficiaries.

3. Ensuring an effective relationship between Board and the staff/volunteers.

- 3.1. Ensure that the organisation has appropriate procedures to support, guide and develop staff and volunteers to achieve the agreed aims and objectives.

4. Chairing the Office-Bearers Group.

- 4.1. Plan and chair the meetings of the Office-Bearers Group.
- 4.2. Help make essential decisions between meetings of the Board within the terms of authority delegated by the Board.
- 4.3. Provide support and advice to the chief officer as required.
- 4.4. Identify key issues for and assist in planning forthcoming Board meetings.

ROLE DESCRIPTION FOR A VICE-CHAIR

Role Purpose: To support the Chair in ensuring the effective governance of the organisation and to deputise for the Chair in their absence.

Main Responsibilities

1. To deputise for the Chair when required.
2. To support the Chair in ensuring that the Board fulfils its responsibilities for the governance of the organisation.
3. To participate effectively in the Office-Bearers Committee (if there is one).

Main Duties

1. Deputising for the Chair

- 1.1. chair meetings of the Board in the absence of the Chair, seeing that it functions effectively and carries out its duties.
- 1.2. ensure that the business of such meetings is dealt with appropriately and that decisions, when required, are clearly arrived at and recorded and their implementation monitored.
- 1.3. keep well informed about current issues within the organisation to be able to deputise in the absence of the Chair.

2. Supporting the Chair

- 2.1. help ensure that the Board sets overall strategic and operational plans and monitors progress.
- 2.2. work in partnership with the chair, other office-bearers and chief officer in achieving the agreed aims and objectives.
- 2.3. support the chair in ensuring that the Board regularly reviews how it is working, its structure, role and relationship to staff and implement agreed changes as necessary.
- 2.4. work in consultation with the Chair to recruit Board members, with relevant experience and expertise.

3. Actively Participate in Office-Bearer Meetings

- 3.1. attend meetings of the Office-Bearers Committee and chair meetings in the absence of the Chair.
- 3.2. help make essential decisions between meetings of the Board within the terms of authority delegated by the Board.
- 3.3. help monitor progress in implementing the operational plan.
- 3.4. help provide support and advice to the chief officer as required.
- 3.5. help identify key issues for, assist in the planning of, forthcoming Board meetings.

ROLE DESCRIPTION FOR AN HONORARY SECRETARY

Role Purpose: Ensure the meetings of the board are effectively serviced and contribute to the office-bearers group.

Main Responsibilities

1. To Act as the formal correspondent of the Board, when it is not appropriate for the chief officer.
2. To ensure that Board meetings are effectively serviced.
3. To Participate as a member of the Office-Bearers Group.

Main Duties

1. **To Act as the formal correspondent of Board, when it is not appropriate for the chief officer**
 - 1.1. write letters on behalf of Board, when it is not appropriate for a member of staff to do so.
 - 1.2. deal with formal correspondence to Board, when it is not appropriate for a member of staff to do so.
2. **To ensure that Board meetings are effectively serviced**
 - 2.1. ensure there is an appropriate person to take and write up minutes of Board meetings.
 - 2.2. write minutes of confidential Board discussions, as designated by the Chair.
 - 2.3. liaise with the chief officer concerning other aspects of the servicing of Board meetings.
3. **To Actively Participate in Office-Bearer Meetings**
 - 3.1. attend meetings of the Office-Bearers Committee and chair meetings in the absence of the Chair and vice-chair.
 - 3.2. help make essential decisions between meetings of the Board within the terms of authority delegated by Board.
 - 3.3. help monitor progress in implementing the operational plan.
 - 3.4. help provide support and advice to the chief officer as required.
 - 3.5. help identify key issues for, and assist in planning, forthcoming Board meetings.

ROLE DESCRIPTION FOR AN HONORARY TREASURER

Role Purpose: to ensure sound financial planning and control to enable the organisation to use its money effectively and efficiently and to ensure controls are in place to minimise the negative impact of risk.

Main Responsibilities

1. On behalf of Board, to ensure that the organisation's financial resources are effectively and efficiently planned and controlled.
2. To ensure that Board members have the financial information they require to make decisions about the organisation's finances.
3. To chair the Finance Committee.
4. To participate in the Office Bearers' Committee.
5. To ensure adequate and effective risk management

Main Duties

1. Ensuring effective and efficient financial planning and control.

- 1.1. ensure there is an effective financial planning and budgeting system in place to plan and guide all aspects of the organisation's work.
- 1.2. ensure there is effective monitoring against the budget.
- 1.3. ensure that adequate financial controls are in place and that the organisation operates with a sound financial framework.
- 1.4. ensure all financial transactions both at home and overseas are properly recorded and accounted for.
- 1.5. ensure that appropriate internal audit procedures are in place.
- 1.6. ensure that all financial protocols required by funders are adhered to.
- 1.7. work with the chief officer and deputy chief officer in order to be satisfied that the financial information presented to the Board is accurate and presented in an appropriate manner.
- 1.8. ensure that the organisation complies with good practice in relation to external audit, reviews the audit report and addresses issues raised in the management letter.

2. Ensuring the Board is provided with relevant financial information.

- 2.1. ensure that the Board receives quarterly management accounts statements.
- 2.2. make reports to the Board on the quarterly statements.
- 2.3. ensure that annotated variance reports are available for the quarterly meetings of the Board.
- 2.4. ensure that Board members receive an annual auditors' report.
- 2.5. report to the Board on the Auditor's report and accounts.

3. Chairing the Finance Committee.

- 3.1. chair the quarterly meetings of the Finance Committee.
- 3.2. With the members of the Finance Committee, to:
 - o ensure that the organisation operates within the financial guidelines set out in current legislation and its own Standing Orders, and to keep these requirements under review and make recommendations to the Board on appropriate changes;
 - o ensure the organisation is effectively insured against financial risk;
 - o ensure adequate and effective risk management;
 - o advise the Board on the financial implications of its strategy and policy objectives;
 - o meet with the external auditors to discuss the auditor's report and accounts;
 - o ensure that the organisation has a satisfactory system for holding in trust for its beneficiaries any monies or property and to ensure that where appropriate monies are invested to the greatest benefit of the organisation within the constraints of the law and ethical investment practices; and
 - o review the financial reports and annotated variance reports, on a quarterly basis, and recommend appropriate action to present to the Board quarterly.

4. Actively participate in the Office Bearers Committee.

- 4.1. As an Office Bearer, make decisions between meetings of the Board within the terms of the authority delegated by Board.
- 4.2. ensure the Office Bearers Committee receives quarterly financial statements and to report on the same.
- 4.3. ensure that appropriate arrangements are in place to support, monitor and review the work of the chief officer and other staff.
- 4.4. provide support and guidance to the chief officer.
- 4.5. attend Office Bearers meetings.

5. To ensure adequate and effective risk management.

- 5.1. ensure the organisation has a risk management system.
- 5.2. identify any potential risks facing the organisation.
- 5.3. ensure controls are in place to mitigate potential risk.
- 5.4. develop Risk Registers.
- 5.5. monitor and review Risk Registers annually.

TERMS OF REFERENCE FOR A FINANCE COMMITTEE

Role Purpose: To provide support and advice to the Treasurer in carrying out her/his specific responsibilities and assist the Board in overseeing the financial, planning, management, control and reporting of the organisation.

1. Membership.

- 1.1. Members are appointed to the Finance Committee by the Board on the basis of relevant expertise. There may be members of the Finance Committee who are not members of the Board.
- 1.2. Members will be appointed by Board at the first meeting of Board following the AGM.
- 1.3. The committee will have a maximum of 5 members of whom one will be Treasurer.
- 1.4. Length of service will be one year. Members will be reappointed each year.
- 1.5. Both the chief officer and Finance Director will be in attendance at Finance Committee meetings, except in exceptional circumstances.

2. Meetings.

- 2.1. The Committee will meet at least quarterly prior to the meeting of the Governance Board and prior to the AGM. Other meetings can be arranged at the discretion of the Treasurer and/or chief officer.
- 2.2. Meetings will be chaired by the Treasurer.
- 2.3. The Treasurer and Finance Director will liaise to draw up an agenda.
- 2.4. The Finance Director will take minutes, which will be approved by the Treasurer prior to circulation.

3. Areas of Responsibility.

- 3.1. To ensure that the organisation operates within the financial guidelines set out in current legislation and its own Standing Orders, and to keep these requirements under review and make recommendations to the Board on appropriate changes.
- 3.2. To advise the Board on the financial implications of its strategy and policy objectives.
- 3.3. To ensure that the organisation has a satisfactory system for holding in trust for its beneficiaries any monies or property and to ensure that where appropriate monies are invested to the greatest benefit of the organisation within the constraints of the law and ethical investment practices.
- 3.4. To review the financial reports and annotated variance reports, on a quarterly basis, and recommend appropriate action to present to the Board quarterly.
- 3.5. To support the Hon Treasurer and Finance Director in carrying out their respective responsibilities.

4. Powers.

- 4.1. To make proposals/recommendations to the Board on matters of financial management.

5. Reporting to Board.

- 5.1. All minutes of all meetings will be circulated to the Board.
- 5.2. Proposals and recommendations to the Board will be circulated prior to Quarterly Board meetings.
- 5.3. Substantive items will be included on the agenda for Board meetings.
- 5.4. To identify any potential risk facing the organisation and ensure controls are in place to mitigate the risk.
- 5.5. Review the Risk Register.

TERMS OF REFERENCE FOR AN OFFICE-BEARERS' COMMITTEE

Role Purpose: To advise Board on the governance of the organisation and to ensure the effective support and guidance of the chief officer.

SPECIFIC RESPONSIBILITIES

BOARD MEETINGS

- Plan, and discuss the draft agenda, for forthcoming Board meetings.
- Plan for how key items should be dealt with by the Board.
- Devise and review, with the chief officer, an annual timetable of Board meetings and regular key agenda items.

GOVERNANCE

- Advise the Board on governance issues.
- Ensure the governance objectives of the operational plan are achieved.
- Plan reviews of the Board's governance performance.

OFFICE-BEARERS

- Help plan for appropriate succession to office-bearer posts within the memorandum and articles of association.

CHIEF OFFICER

- Ensure the chief officer receives appropriate support, feedback, supervision and appraisal.
- Provide advice to the chief officer as requested.

OTHER

- Undertake such other tasks as are delegated by the Board.

Terms of Reference

MEMBERSHIP

- Office-bearers are elected by the Board at the first meeting following the AGM, to serve for a period of one year, but are eligible for re-election.
- The members of the committee will be the chair, vice-chair, treasurer and honorary sec.
- The Chief officer will normally be in attendance at office-bearer meetings.

QUORUM

- The quorum will be two honorary officers.

MEETINGS

- The committee will meet at least 4 times a year, in advance of Board meetings.

MINUTES

- The chair will ensure that appropriate minutes are taken of office-bearer meetings and circulated to Board with Board papers.

TERMS OF REFERENCE FOR AN AUDIT AND RISK COMMITTEE

Role Purpose: To help protect the charity against theft, fraud and other risks by providing assurance that the organisation has the appropriate policies, procedures and controls in place and they are effectively and consistently implemented.

1. Membership

- 1.1. Members are appointed to the Audit & Risk Committee by the Board on the basis of relevant expertise. It is good practice that there are independent members of the Audit & Risk Committee (A&RC) who are not members of the Board.
- 1.2. A Chair will be appointed by the board each year. The Chair of the committee will not be the Treasurer or other cheque signatory.
- 1.3. Members will be appointed by the Board at the first meeting of the Board following the AGM.
- 1.4. The Committee will have a maximum of 5 members - at least one of whom should be an accountant. The Treasurer will be an ex officio member.
- 1.5. Length of service will be one year. Members will be reappointed each year.
- 1.6. The chief officer, deputy chief officer (DCE) and Head of Human Resources will all be in attendance at the Audit and Risk Committee meetings, except in exceptional circumstances.

2. Meetings

- 2.1. The A&RC will meet at least twice per year. It will meet with the external auditors in August / September to examine the Key Issues Memorandum (KIM) and any other information which the external auditors wish to draw to the attention of the A&RC. The A&RC will report to the September meeting of the Board in order to seek ratification of the Annual Report of the Directors and the Annual Accounts.
- 2.2. The Chair of the A&RC and the DCE will liaise to draw up an agenda. The DCE will take minutes, which will be approved by the Chair prior to circulation.
- 2.3. The Committee Chair may convene additional meetings if they deem it necessary.
- 2.4. At least 50% of the members of the committee should be present in order that the meeting is quorate.
- 2.5. The Chair of the Committee may ask other employees of the Charity to attend to assist with discussions on a particular matter.

3. Areas of Responsibility

The Committee will:

- 3.1 Provide the Governance Board with an Annual Report.
- 3.2 Ensure that audit and internal control arrangements and the management of risk within the Charity are deemed effective in dealing with the risks which the Charity may face.
- 3.3. Ensure the internal and external auditors have unrestricted access to the organisation, and, when required, to the Committee Chair.
- 3.3. Provide assurance to the Board on the strategic processes for risk management, control and governance within the Charity and both the adequacy and effectiveness of internal control within the Charity.
- 3.5. Recommend the appointment of external auditors and of the appointment of internal auditors.
- 3.6. Oversee the planned activities of and reports from the internal and external auditors.
- 3.7. Ensure that there is an adequate response from Management to issues identified by audit activity, including the external auditors' Key Issues Memorandum (KIM); anti-fraud policies, whistle blowing processes and arrangements for special investigation.
- 3.8. Provide assurance on any documents laid before the Governance Board relating to internal control, accounting, auditing and our risk management.

4. Information

The A&RC's secretariat will ensure that the following are drawn up and made available to the Committee:

- 4.1. A Register of Risks and Ratings of Risks identified.
- 4.2. Any subsequent changes to risks and their rating.
- 4.3. Updates on how risks are being managed and any additional action required.
- 4.4. A Financial System Manual and updates to the Manual.
- 4.5. An internal audit plan.
- 4.6 Reports on internal audit activities.
- 4.7. Information regarding the selection, appointment and role of auditors, 4.8 both internal and external.

4.9. Proposals by the Honorary Treasurer and reports from the Finance 4.10 Committee and any changes to the Charity's accounting policies or practices.

4.11. The external auditors' report on other work done during the financial year.

4.12. Management's responses to issues identified by internal and external audit activity, including the external auditors' management letter.

TERMS OF REFERENCE FOR 'TASK & FINISH' WORKING GROUPS

Role Purpose: A short-term or ad hoc committee set up to deal with a specific issue and report its recommendations to the Board, within the agreed parameters and timescale.

The terms of reference for each working group, which will normally be developed by Board with the chief officer or his/her designate and be approved by Board, will address the following:

1. the clearly defined purpose, tasks and timescale of the working group;
2. the skills, experience and knowledge appropriate to the working group;
3. who is in the group, and how they are appointed;
4. how often the group should meet;
5. who services the group;
6. what decisions the group can take on its own and which require to be referred to Board for decision; and
7. the arrangements for reporting back to the Board.

CODE OF CONDUCT FOR BOARD MEMBERS

INTRODUCTION

This code applies to members of the Board of the organisation.

All charity trustees have legal duties and responsibilities. The directors of a charitable company are both charity trustees and company directors, so have duties under company law as well as charity law.

PURPOSE OF THE CODE

To set out the relevant standards expected by Board members, in order to maintain the highest standards of integrity and stewardship; to ensure that the organisation is effective, open and accountable; and to ensure a good working relationship with the chief officer and his/her team.

CODE

1. *Commitment to the mission and values*

Board members are expected to be fully committed to, and actively promote, the mission, aims and values of the organisation.

2. *Act with Probity and Prudence*

Board members must act with probity, due prudence and should, collectively, take and obtain and consider professional advice on anything in which the Board members do not have sufficient expertise themselves.

3. *Be Fair and open-minded*

Board members should bring a fair and open-minded view to all Board discussions and ensure that all decisions are made in the interests of the organisation's and of current, potential and future beneficiaries.

4. *Be accountable*

Board members should hold themselves accountable to the organisation's stakeholders including the public and partner organisations for Board's decisions, the performance of the Board and of the organisation.

5. *Selflessness*

Except where legally authorised, Board members must not gain financial or other material benefit for themselves, their families or their friends, from their involvement in the charity. Nor must a Board member attempt to use his/her status as trustee to gain customer advantage within the organisation e.g. queue jump. This does not preclude Board members from claiming legitimate receipted expenses, within agreed policy.

Board members may not canvass on behalf of any applicant(s) or potential contractors in relation to any recruitment or contract tendering process within the organisation. Nor should they permit themselves to be canvassed by others who may have an interest in staff recruitment, contracts or potential contracts, or the decisions of Board. All attempts to canvass Board members should be immediately reported to the Chair.

A Board member must not place him/herself under any financial or other obligation to outside organisations that might influence him/her in the performance of his/her official duties.

6. *Not bring the organisation into disrepute*

Board members should conduct themselves in a manner which does not damage or undermine the reputation of the organisation and should not take part in any activity which is in conflict with the objects or which might damage the reputation of the organisation, including on social media.

7. *Collective decision-making*

Board members must make decisions together and take joint responsibility for them. The extent to which any one Board member, or a small group of Board members is empowered to speak for, or take action on behalf of, the organisation or Board must (subject to any specific constitutional rules) be a matter for Board members to decide together. Such decisions must be recorded.

8. *Contribute to the organisation*

Board members are expected to make a contribution to the organisation in other ways than attending Board meetings e.g. becoming a member of a committee, working group, interview panel, attending fundraising or PR events, taking part in organised visits to see the organisation's work.

9. *Ensure compliance with the law and best practice*

With the assistance of the chief officer and appropriate professional advisers, Board members must ensure that the organisation complies with all relevant regulatory and statutory requirements and must exercise overall control over the organisation's

affairs. Board members should also have a commitment to the continuous development of good practice.

10. Read the Articles of Association

Board members must be familiar with the articles of association of the organisation and with this Governance manual. These should be kept under regular review by the Board. Any changes must be made in accordance with constitutional and legal requirements.

11. Know the organisation

In order to develop a working knowledge of the organisation and to ensure credibility, Board members should endeavour to keep up-to-date with the work of the organisation.

12. Meeting discipline

Board members should strive to attend all meetings regularly, ensuring they prepare for the meetings, follow the agenda, respect the authority of the chair, and contribute appropriately and effectively.

13. Dignity & Respect

Board members should, at all times, treat anyone connected with the organisation (beneficiaries, staff, volunteers, directors/trustees) with dignity and respect; listen respectfully to the views of others at board or committee meetings; not seek to dominate discussions; and accept the democratic decisions of the board.

14. Conflicts of Interest

Board members must aim to foresee and avoid any potential conflict of interest in relation to themselves, their partner, or close relative (see the Conflict of Interest Policy). They must not participate in any discussions or vote concerning any contract or transaction from which they, their partner, or close relative may benefit directly or indirectly.

15. Confidentiality

Confidential information or material (relating to personal information about beneficiaries, donors, members, staff, or which is commercially sensitive, etc) provided to, or discussed at, a Board, or committee meeting, or working group must remain confidential and within the confines of Board, committee or working group and must not be discussed outside the governance structures. *Properly constituted, balanced and competent Board*

Board members have a responsibility to develop and ensure the maintenance of a properly constituted, balanced and competent Board, including clear procedures for selection, election, training, retirement and if necessary, removal of Board members and to ensure arrangements are followed for recruiting the chair, vice chair, treasurer and other honorary officers.

16. Authority of the chair

The Chair is responsible for the running of Board meetings. Board members are expected to submit to the authority of the Chair in relation to the conduct of meetings, unless a proposal, which is contrary to the ruling of the Chair, is put to the vote and supported by the majority of members of Board.

17. Clarity of Decision-making

Policies and strategies agreed by Board should be expressed in unambiguous and practical terms, so that the chief officer and staff responsible for implementing those policies are clear what they need to do. Directions given to the chief officer and the staff should come from Board as a whole, unless there is specific delegated authority to the chair, committee, working group or individual Board member.

18. Equal Opportunities

Board members should act fairly and in accordance with good employment and equal opportunities principles in making decisions affecting the appointment, recruitment, development, appraisal, remuneration and discipline of staff.

19. Clarity of Roles & authority

Board members must ensure there is a clear understanding of the scope of authority delegated to the chief officer. Given the chief officer delegated authority, Board members should be careful – individually and collectively – not to undermine this authority or to interfere in operational issues.

Board members must understand, accept and respect the difference in roles between the Board on the one hand, the chief officer and staff on the other hand, ensuring that the honorary officers, Board, the chief officer and their staff team work effectively and cohesively for the benefit of the organisation, and develop a mutually supportive and loyal relationship.

20. Trustee appraisals

Board members should be willing to participate in an annual appraisal by the Chair of the board of what they have contributed over the previous, any concerns they have and how they intend to contribute over the coming year.

CONFLICTS OF INTEREST POLICY

Avoiding Conflicts of Interest

Conflicts of interest do not have to be a problem if managed correctly and sensitively. All conflicts of interest, whether actual or potential, should be declared promptly at the earliest possible opportunity. As a direct result there should be clear procedures for Board members to make such declarations and these should be recorded in the minutes of the meeting or in a register held for such purposes. When such a conflict arises and is duly declared the Board member takes no part in the discussion or vote. They should leave the meeting until the conclusion of the discussion. Where a Board member has an on-going or major conflict of interest, he or she should consider resigning from the Board. The matter should be discussed with the Chair at an early stage.

Policy

The primary duty of Board members is to act solely in the best interests of the organisation. All conflict of interests, whether actual or potential, should be declared promptly at the earliest opportunity. The purpose of this policy is to protect the organisation and its trustees from any appearance of impropriety. Therefore, we the trustees of the organisation agree the following:

Any Board member who has a financial or material interest in a matter under discussion, should declare the nature of the interest and withdraw from the meeting unless they have dispensation to speak.

If the Board of Management member has any interest in the matter under discussion, which creates a real danger of bias, that is, the interest affects their, or a member of their household, spouse, partner or close relative, more than the generality affected by the decision; they should declare the nature of the interest and withdraw from the meeting unless they have dispensation to speak.

If a Board member has any other interest which does not create a real danger of bias, but which others might reasonably think that it could influence their decision, they should declare the nature of the interest, but may remain at the meeting, participate in the discussion and have a vote, subject to the ruling of the chair.

If a Board member is in any doubt about the application of these rules, they should consult the Chair.

CHECKLIST FOR THE INDUCTION OF NEW BOARD MEMBERS

1. Notify Companies House and the Charity Commission of the new director (with appropriate signed form)
2. Provide Induction Pack, to include the following:
 - a. Organisational frameworks
 - i. Articles of Association/governing document
 - ii. Governance manual
 - b. Current Strategic and Operational Plans
 - i. Strategic Plan
 - ii. Operational Plan
 - iii. Most recent Monitoring Report
 - c. Finances
 - i. Audited Accounts
 - ii. Current year budget
 - iii. Most recent variance report against budget
 - d. Policies
 - i. Equal opportunities
 - ii. Health & Safety
 - e. Background Information
 - i. Annual Report
 - ii. Information Pack
 - iii. Newsletter
 - iv. Minutes of last 3 Board meetings
 - f. Personnel
 - i. Names, short biography and contact for Board members
 - ii. Names and job roles of staff (staff structure)
 - g. Calendar of meetings and Events
3. Meet with the chief officer to discuss the work of the organisation
4. Meet with the Chair to discuss the governance of the organisation and the role and potential contribution of the new trustee; answer questions on governance issues; and identify further induction or information requirements.

Appendix 2

Employment Handbook Model Headings

Section 1 Background to the Organisation

Section 2 Terms and Conditions

- 2.1 Terms and Condition of Employment
 - 1. Induction
 - 2. Probation
 - 3. Other paid employment
 - 4. Notice of termination
 - 5. Payment of salary
 - 6. Overpayments
 - 7. Income Tax and National Insurance
 - 8. Pensions
 - 9. Place of Work
 - 10. Hours of Work
 - 11. Job Descriptions
 - 12. Employee training for your role
 - 13. Job flexibility
 - 14. Mobility
 - 15. Change of personal details
 - 16. Smoking
 - 17. Confidentiality
 - 18. Temporary shortage of work
 - 19. Performance and review
 - 20. Staff appraisal scheme

Section 3 Leave

- 3.1 Public/Bank Holidays
- 3.2 Annual Leave
- 3.3 Absence & Leave
- 3.4 Time off for dependants
- 3.5 Appointments
- 3.6 Bereavement leave

Section 4 Sickness Absence

- 4.1 Sickness Absence Policy
- 4.2 Introduction
- 4.3 Aims of the Policy
- 4.4 Responsibilities
- 4.5 Notification of Incapacity for Work
- 4.6 Evidence of Incapacity
- 4.7 Sick Pay
- 4.8 Holidays and Annual Leave During Sickness Absence
- 4.9 Monitoring Absence
- 4.10 Management of Different Types of Absence

Section 5 Family Leave

- 5.1 Maternity Policy
- 5.2 Paternity Pay and Leave
- 5.3 Adoption Policy
- 5.4 Shared Parental Leave Policy
- 5.5 Parental Leave Policy
- 5.6 Dependents Leave or Time off for family emergencies
- 5.7 Flexible Working Policy

Section 6 Performance

- 6.1 Employee Code of Conduct
- 6.2 Disciplinary Procedure
- 6.3 Capability Policy & Procedure
- 6.4 Grievance Procedure

Section 7 Allowances

- 7.1 Travel Expenses

Section 8 Staff Development

- 8.1 Staff Learning and Development Policy
- 8.2 Staff Appraisal and Supervision Policy

Section 9 Termination

- 9.1 Redundancy Policy
- 9.2 Retirement Policy
- 9.3 Resignation/ Termination Policy

Section 10 Equal Opportunities

- 10.1 Equality and Diversity Policy
- 10.2 Dignity at Work Policy and Procedures

Section 11 IT, Data Protection and Social Media

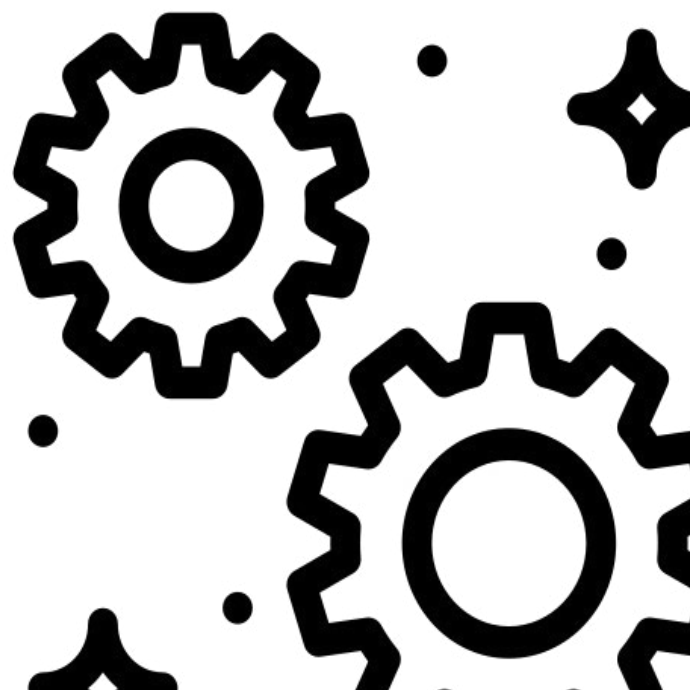
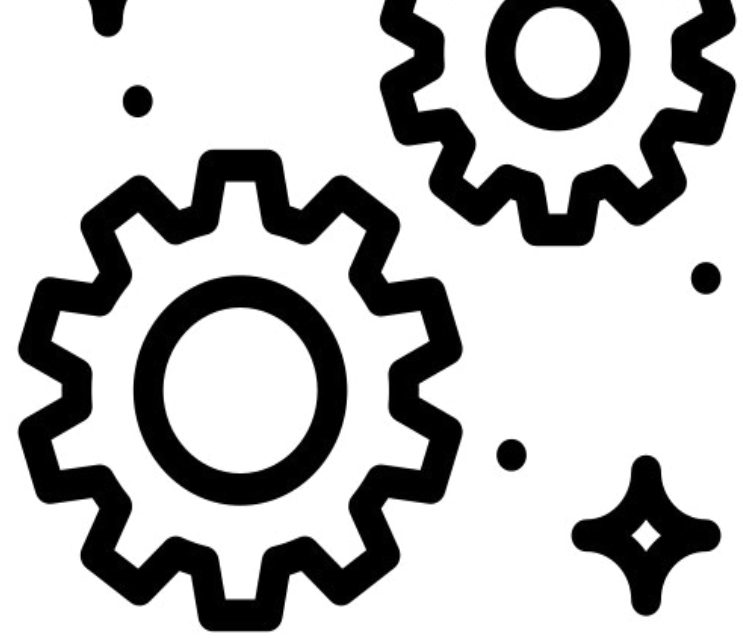
- 11.1 IT Policy
- 11.2 Data Protection and Information Security Policy
- 11.3 Responsibilities
- 11.4 Responsibilities of Individuals/staff
- 11.5 Definitions
- 11.6 Data Protection Principles and Compliance
- 11.7 Lawful grounds for processing
- 11.8 Consent
- 11.9 Sharing personal data
- 11.10 Transfer to another country
- 11.11 Rights of the data subject
- 11.12 Subject access request
- 11.13 Data Breach
- 11.14 Record keeping
- 11.15 Training
- 11.16 Data protection impact assessment (DPIA)
- 11.17 Direct Marketing
- 11.18 Compliance
- 11.19 Complaints
- 11.20 Social Media Policy

Section 12 Health and Safety

- 12.1 Health and Safety Policy
- 12.2 Alcohol and Drug Policy

Section 13 General

- 13.1 Gifts and Hospitality Policy
- 13.2 Whistleblowing policy
- 13.3 Anti-Bribery Policy
- 13.4 Anti- Fraud Protection Policy
- 13.5 Complaints and Compliments Policy
- 13.6 Environmental Sustainability Policy
- 13.7 Confidentiality Policy
- 13.8 Policy on Company vehicles





Chief Officers 3rd Sector

CO3, Chief Officers 3rd Sector
31 Bruce Street
Belfast, BT2 7JD

Tel: 02890 245356 |
Email: info@co3.bz | Web: www.co3.bz

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