



## Governance Practices Information Note

**Effective from: 18 July 2018**

**Latest update: 15 April 2019**

Broadly, governance by the members of a governing body encompasses fulfilling the legal and corporate requirements of the charity by the formation of policies and major business decisions, effective monitoring of their implementation and being accountable for an organisation's performance. These functions are bounded by legal requirements, a charity's governing documents and its existing liabilities and commitments. Accordingly, the Confederation recognises the importance of good governance and expects all Member organisations to demonstrate it is maintained to a consistent and robust standard in the UK and abroad. This Information Note supplements the Aide Memoire. It provides more details on individual governance measures and suggested ways they can be put into effect.

### Contents

#### [Introduction to the Information Note](#)

#### [Expectation 1: Trustee Responsibilities and Capabilities](#)

- a) [Trustee recruitment and diversity](#)
- b) [Trustee terms of reference](#)
- c) [Trustee induction](#)
- d) [Trustee understanding of responsibilities](#)
- e) [Trustee in public life](#)
- f) [Trustee training](#)
- g) [Trustee performance](#)
- h) [Trustee time limits](#)

#### [Expectation 2: Board Effectiveness](#)

- a) [Board organisation and documentation](#)
- b) [Board activities and individual responsibilities](#)
- c) [Board delegations](#)
- d) [Board reviews](#)
- e) [Board discord](#)
- f) [Board conflicts of interests](#)

#### [Expectation 3: Business Management](#)

- a) [Strategic business and financial planning](#)
- b) [Budget setting and monitoring](#)
- c) [Management of risk and efficiencies](#)
- d) [Financial audit/examination](#)
- e) [Remuneration setting](#)
- f) [Impacts on beneficiaries](#)

#### [Expectation 4: Core Policies](#)

- a) [Policy preparation and approval](#)
- b) [Policy review](#)

#### [Advice, Assistance and Training](#)

#### [Specialist Organisations](#)

#### [Member Recommended Publications](#)

Most sections include examples of approaches and document templates.

## Governance Practices Information Note

### Introduction to the Information Note

Recently, various concerns have been highlighted by regulators, national media and the general public over how governance was being undertaken in other charity sectors. In particular, the quality of some decision-making, understanding by Trustees of their roles and responsibilities, and the nature of executive oversight of the delivery of services to beneficiaries. The risk of poor practice in one charity damaging the reputation and public perception of the reliability of all charities within the same sector is well recognised. The Confederation believes it is important for all Member organisations to demonstrate sound governance practices in all their undertakings.

Cobseo seeks to assist Member organisations in the military charities sector to meet their legal and corporate obligations and the rising public expectations over governance arrangements. The full achievement of good governance includes activities beyond the strictly legal obligations on Trustees. In England and Wales, Trustees should also have regard to the recommended practices described in the Charity Governance Code. The code is not a legal or regulatory requirement. It sets principles and recommended good practice and is intentionally aspirational. It is a tool to support continuous improvement in charity governance.

The Confederation has prepared an Aide Memoire on [governance practices](#) describing a suggested set of expectations to which Member organisations should aspire. The Aide Memoire acknowledged there is a wide range of organisations within the Confederation, so flexibility of approach is acceptable, by which individual Member organisations can choose the precise means by which separate governance measures can be achieved. This allows individual Members, as far as practicable, to respect the requirements of their governing documents and the traditions and identity of their organisations. Those organisations who adopt variations to the measures suggested in the Aide Memoire, if called upon, should be able to explain the rationale for their approach.

This Note has been prepared to assist those Member organisations who have requested more details on how to improve some of their governance measures. The information provided is not obligatory. Instead, it is intended to explain the rationale for the governance measure and provide at least one possible approach to achieving each of the individual governance measures listed in the Aide Memoire.

This Information Note does not address directly safeguarding or fundraising issues. These are the subject of separate Aide Memoires available from [Cobseo.org.uk](http://Cobseo.org.uk).

Each of the non-mandatory governance codes issued or endorsed by regulators in the home nations (England & Wales, Scotland and Northern Ireland) group together differently their 'principles' or 'key elements' to achieve good governance. Broadly, these governance codes refer to similar requirements to be fulfilled by a charitable organisation.

This Information Note presents practical advice on governance measures. Accordingly, legal, regulatory and non-binding governance expectations are grouped together under four practical 'good governance expectations'. These are the expectations of capable **Trustees** serving on a well-run **Board** that addresses proactively its **Business** matters whilst ensuring sound **Policies** and practices are pursued in the organisation:

## Governance Practices Information Note

### 1. Trustee responsibilities and capabilities

- Measures to ensure a representative, knowledgeable and accountable body of Trustees are established and focused on advancing activities in the best interests of its beneficiaries.

### 2. Board effectiveness

- Measures to ensure the structure, decisions and operational oversight by a Board of Trustees are properly conducted, well informed and communicated within the organisation.

### 3. Business management

- Measures to ensure the viability of the organisation, its business planning, financial accounting and risk mitigation are thorough, well-controlled and focus on increasing the organisation's impact on its beneficiaries.

### 4. Core policies

- Measures to ensure there are effective operations and a respectful working culture in place through a set of essential policies that are well implemented and reviewed regularly.

[Back to top ↑](#)

## Governance Practices Information Note

### Expectation 1: Trustee Responsibilities and Capabilities

To fulfil these expectations a Member organisation should be able to demonstrate it has governance practices in place to recruit and appoint appropriately qualified and experienced individuals as Trustees with an appropriate range of backgrounds and skills and who understand their responsibilities.

Eight governance measures are presented that collectively should demonstrate a sound approach to undertaking the Trustee expectations in good governance:

- a. Trustee recruitment and diversity (including skills, job descriptions, recruitment scope and proactive approaches to diversity)
- b. Trustee terms of reference
- c. Trustee induction
- d. Trustee understanding of responsibilities
- e. Trustee in public life
- f. Trustee training
- g. Trustee performance (including objectives, review and reporting)
- h. Trustee time limits (including terms and reselection approach)

Member organisations have the flexibility to decide the extent and approach most suited to their structure and organisational arrangements. Further explanation and information on each measure is provided as advice and assistance to Member organisations.

- a. **Trustee recruitment and diversity** – An organisation should seek the most appropriately qualified, skilled and/or experienced individuals to become Trustees. Getting on Board, in March 2019, released a practical guide on [How to Recruit Trustees for Your Charity](#) which covers advertising vacancies, interviewing and on boarding.

Organisations should also be able to explain the mix of relevant skills it is looking to have on its board. It would be expected, unless governing documents dictate another approach, the selection of new Trustees should be undertaken through a competitive process. During a recruitment round for new Trustees an organisation should endeavour to address the following measures:

- i. **Skills** - An up-to-date skills list (or audit) of its existing Trustees and assessment of those skills it would be beneficial to increase. Examples of a procedure for a skills audit and a downloadable skills audit template are available online at [Reach Volunteering](#), [Prospectus](#) and [DIY Committee Guide](#).
- ii. **Job description or competencies listing** – There should be a description of the role and a listing of the competencies and experience sought for each new Trustee position. It is reasonable to expect the competencies sought from a recruitment round would be consistent with the findings of a board's skills list/audit.

## Governance Practices Information Note

- See an [example job description](#) for a Chair of Trustees
- Generic job descriptions for a Trustee are downloadable at [Prospectus](#) and [Bournemouth Council for Voluntary Service](#).
- A further example of a [role description](#) for a Trustee from NCVO, as used for its own organisational requirements.

iii. **Recruitment scope** – Under normal circumstances recruitment should be undertaken based on an open competition for applications from prospective candidates. In some circumstances, such as for specialist or otherwise defined roles (e.g. nominative roles), recruitment may be more limited in its scope and possibly prescribed by an organisation's governing documents. A reason for this approach should be recorded, e.g. in the minutes of a Board of Trustees meeting. Further information on conducting recruitment rounds for Trustees is available:

- Advice and templates for a job description and recruitment advertisement can be found at [Business Victoria](#) and [WCVA](#).
- A useful recruitment pack to assist small charities mount a [recruitment campaign for new Trustees](#) is available from NCVO for a small charge.
- The Charity Commission has produced a [Trustee Welcome Pack](#) that may be of assistance to prospective and newly appointed Trustees.

Member organisations need to ensure that Trustee candidates (and also candidates for senior management positions) are not disqualified from becoming an office-holder in a charitable organisation. The Charity Commission [has provided guidance](#). Similar guidance is available from other home nation regulators.

iv. **Diversity** – Member organisations should seek to broaden the diversity of personal and specialist backgrounds of its Trustees by promoting the position as widely as may be practicable in appropriate locations. Where the diversity of Trustees is limited by the governing documents of an organisation, the board should be able to account for this situation. Trustee recruitment websites include:

<http://trusteesweek.org>  
<https://do-it.org/channels/trustee-finder>  
<https://secure.thebiggive.org.uk/trustees>

Additionally, the Charity Commission has provided further advice on ways to [increase the attractiveness and diversity of applicants](#) for Trustee posts, by:

- Keeping board papers (particularly financial information) short and

## Governance Practices Information Note

easy to understand.

- Providing documents in accessible formats.
- Making it clear that Trustees can claim reasonable expenses, including help with travel and childcare.
- Holding meetings at venues that are accessible for people with disabilities.
- Having meetings at times that do not exclude people who are working or have caring responsibilities.

v. **Reserved Trusteeships** – Trustee positions reserved for election from an organisation's membership, or similar, should still encourage appointments to be based on competency and relevant experience. Cobseo would recommend considering the following:

- How members gain access to knowledge and/or the background experience and skills of individuals standing for election i.e. whether there is an opportunity for applicants to address the membership and what literature on the applicant(s) members receive
- How members vote and under what circumstances i.e. is a vote held at an AGM amongst other members or is it postal
- How applicants lobby – what rules are there on applicants lobbying the membership.

b. **Trustee terms of reference** – Each Trustee should have an individual, written terms of reference that explains their role and responsibilities on the Board of Trustees, length of appointment, and attendance, training and performance obligations. This information may be conveyed in an alternate form, for example in a Trustee code of conduct, and should fully inform Trustees of their obligations and responsibilities. There are various examples of generic terms of reference for Trustees available from the wider charity sector, including [Community Southwark](#) and [Creative Skillset](#).

c. **Trustee induction** – Each Trustee should undertake a period of induction, ideally before they join the Board of Trustees. Where this is not possible, induction should be completed as promptly as possible. The scope and length of induction would vary between Member organisations, although it should normally include ensuring a Trustee:

- Has been briefed on their personal responsibilities as a Trustee to the board, to upholding the charitable purpose of the organisation and to ensuring compliance with the prevailing legal, regulatory and governance obligations.
- Has read and understood the Charity Commission's guidance '[The Essential Trustee](#)'.
- Has had exposure to the work of the charity.
- Has received an explanation (and copies) of the organisation's governing documents, recent reports, business plan and financial position
- Has received an explanation (and access to copies) of the organisation's core policies.

## Governance Practices Information Note

A procedure used by some Member organisations is to provide an induction handbook or pack to new Trustees that includes copies of relevant documents and other reference material. This is a practical approach that Member organisations may choose to adopt. Other helpful resources are available.

- Helpful checklists of topics to include in an induction programme are available at [Governance Pages](#), [NCVO](#), [SCVO](#) and at the [DIY Committee Guide](#).
  - Advice on Trustee recruitment and developing an induction programme is available from [WCVA](#) and at a small charge from [NVCO](#).
  - The contents of an induction pack for Trustees should be tailored to the specific requirements of a Member organisation. Examples of a Trustee induction pack from the wider charity sector for reference can be found at [Voluntary Action Swindon](#), [Blyth Quays Trust](#) and at [Hampshire Gardens Trust](#).
- d. **Trustee understanding of responsibilities** – Trustees upon appointment and following induction should make a confirmation they understand their responsibilities to the organisation and to fellow Trustees on the board. An approach suggested in codes of governance is for each Trustee to sign a code of conduct or similar declaration. There is no single format for a code of conduct document. For reference, the following details would be relevant topics to consider for inclusion:
- The Trustee confirms they are eligible by law to perform the role of a Trustee.
  - The Trustee has received and understand their terms of reference as a Trustee of the organisation and a copy of the Charity Commission guidance 'The Essential Trustee (ref: CC3)' and/or any similar guidance from charity regulators in other home nations, e.g. [Scotland](#).
  - The Trustee understands and is familiar with the objects and powers of the organisation and have received copies of the governing documents.
  - The Trustee understands they are jointly and severally liable for the consequences of the decisions taken by the board and that this liability is equally shared by all Trustees. (The extent of their legal liability will be affected by a Member organisation's incorporated or unincorporated status, terms of any indemnity insurance and any other guarantees or legal arrangements in effect.)
  - The Trustee undertakes to contribute constructively and impartially in board discussions and abide by the decisions taken.
  - The Trustee commits to take, using their experience and judgment, decisions that are consistent with the objects of the organisation, the best interests of its beneficiaries and consistent with demonstrating it is achieving a public benefit.
  - The Trustee recognises they have an equal status on the board and differences in outside life such as military rank, social status, personal background,

## Governance Practices Information Note

qualifications, employment history or other variations have no bearing on the authority of a Trustee to contribute their views to the board's debates and decisions.

- The Trustee understands the acceptable and respectful behaviours expected in their interactions with fellow Trustees and other members of the organisation.
- The Trustee understands the time commitment they are expected to contribute to the organisation.
- The Trustee acknowledges they must take no personal benefit from their role as a Trustee and will declare any conflicts of interest and gifts received that may compromise their conduct in this role.

More information on the content of a code of conduct for organisations of different sizes and a model Trustee code of conduct template are available from the [Charity Trustee Network](#).

A Trustee should also confirm they are [not disqualified under new Charity Commission rules](#) (from 1 August 2018) from holding office. Charities are required to do this regularly by requiring self-declarations. Existing grounds for disqualification by virtue of being an undischarged bankrupt (or similar); disqualified from being a director; and having unspent convictions for dishonesty or deception offences, have been extended to the following categories:

- Certain terrorism, money laundering and bribery offences
- Misconduct in public office
- Perjury or perverting the course of justice
- Contravention of certain orders of the Charity Commission in a statutory inquiry
- Attempted offences are now included, as is secondary participation in any of the offences – such as aiding or abetting.

In addition, a person will now be automatically disqualified if he or she is named on the sex offenders register, has been found in contempt of court for making false statements, or if he or she has been removed by the Charity Commission or the court as an officer, agent or employee of a charity on the grounds of misconduct or mismanagement.

These provisions also apply to senior members of management team. More information is available from the [Charity Commission](#).

- e. **Trustee in public life** – In addition to the requirements for Trustees to govern in accordance with charity laws and discharge effectively the responsibilities of their role, regulators have also noted they should demonstrate publicly their adherence to non-binding standards of conduct. This is seen as a further measure to promote confidence in the work of charitable organisations.

## Governance Practices Information Note

A prominent and widely acknowledged non-binding standard is the Nolan Principles on Standards in Public Life. Accordingly, it is reasonable to expect a Trustee should be aware and, in their conduct, undertake to abide by the [Nolan Principles on Standards in Public Life](#).

The Nolan Principles state the holders of a public office in their behaviour, actions and decision-making should be able to demonstrate: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. It is viewed by the Confederation these principles are consistent with the qualities expected from Trustees (and Directors for incorporated charitable organisations) and should be enshrined in a Member organisation's governance measures.

- f. **Trustee training** – All Trustees should endeavour to undertake further training or familiarisation regularly, ideally annually, to ensure they remain informed about the scope and breadth of the work of the organisation, refresh their knowledge on sensitive or topical policy areas (such as safeguarding, fundraising, information management, fraud protection) and cognisant of changes in the prevailing legal and regulatory regimes.

The amount of training appropriate will vary depending on the size and complexity of the organisation and the availability of the Trustees. Whilst it is recognised Trustees are frequently busy people with many calls on their time, a suggested expectation is each Trustee should endeavour to undertake one day of internal or externally arranged training or familiarisation on a topic(s) relevant to the organisation.

Numerous organisations including NCVO, NPC, SCC, WCVA, SCVO and NICVA (Northern Ireland Council for Voluntary Action) offer free or paid for short training events potentially suitable for Trustees. Information on a variety of options for periodic Trustee training is available at [WCVA](#).

- g. **Trustee performance** – Organisations in the wider charity sector are increasingly introducing performance appraisals for their Trustees. In addition, codes of governance referred to by regulators include an expectation that the performance of Trustees should be subject to some form of annual, or when appropriate, review.

Where a Member organisation seeks to establish a Trustee performance appraisal procedure led by the Chair of the Board of Trustees or senior management team, a suggested approach is as follows:

- i. **Objectives** – To agree, where appropriate, a set of performance objectives that reflect Trustee's responsibilities to the board and the organisation
- ii. **Review** – To conduct a performance meeting. This review could be further informed through formal or informal meetings with Trustees.
- iii. **Reporting** – To prepare, when appropriate, a written performance report that acknowledges achievement and notes of improvements or changes in performance sought.

## Governance Practices Information Note

Where there is no reason to the contrary, a Chair might also be subject to some form of review or reflective discussion with another person connected with the organisation or an external person with a similar objective standing.

Advice on the approach to conducting a performance appraisal of Trustees is available at [NCVO](#) and [Governance Pages](#). A more detailed appraisal tool kit is available from [NCVO](#) for a small charge.

Model questions for use in an [appraisal meeting](#) are included in advice from.

Numerous formats for performance appraisal forms are available. Examples that could be tailored to the requirements of a Member organisation can be found at [VolResource](#) and at [The Geraldine R. Dodge Foundation](#).

- h. **Trustee time limits** – In general, the popular view is a Trustee should not serve more than a maximum continuous period. There is no legally mandatory time period. Nine years is the indicative maximum term suggested by various regulatory and oversight bodies, although this may be divided into shorter blocks of time with a re-selection process determined internally by the Member organisation.

A Member organisation should be able to demonstrate there is an established and documented process to define the time to be served by a Trustee on a board:

- i **Terms** – An approach suggested by regulators is for a Trustee's maximum continuous period on a Board of Trustees to comprise three terms of three years each. Member organisations should be able to refer to circumstances presented in a documented board decision if they chose a different combination of intermediate terms and/or the maximum suggested period of nine years is to be exceeded.
- ii **Re-selection approach** - At the end of each three-year (or different) intermediate term, there should be a procedure in place to review the contribution made by the Trustee and to record a decision on whether to undergo a re-election or vote to determine if a further intermediate term on the board is offered to a Trustee.

[Back to top ↑](#)

## Governance Practices Information Note

### Expectation 2: Board Effectiveness

To fulfil the important functions of the Board of Trustees a Member organisation should have governance practices in place to demonstrate its board is properly constituted, conducts its business robustly and potential conflicts of interest are addressed.

Six governance measures are presented that collectively should demonstrate a sound approach to undertaking the Board expectations in good governance:

- a. Board organisation and documentation
- b. Board activities and individual responsibilities
- c. Board delegations
- d. Board reviews
- e. Board discord
- f. Board conflicts of interests

Member organisations have the flexibility to determine the specific arrangements and procedures most suited for their Board of Trustees and the organisation. Further explanation and information on each measure is provided as advice and assistance to Member organisations.

- a. **Board organisation and documentation** – An effective Board of Trustees should be able to demonstrate it provides good governance and leadership through a regular, organised, informed and constructive approach to discharging its responsibilities. Useful guidance on the organisation and structure of Board meetings in charitable organisations is given at [GOV.UK](https://www.gov.uk). The common board organisation measures are:
  - i. **Composition of board, transparency** – A clear presentation of the membership of the Board of Trustees and the board's terms of reference should be available in the publications and website of the charity. These may be contained in, or supplementary to, the making available of the governing documents on the organisation's website.
  - ii. **Size of board** – A board should be large enough to have sufficient skills, experience and knowledge, but not so large that decision-making, consensus and compromise are difficult to achieve. There is no statutory limit on the size of boards. The Charity Commission and others have expressed opinions that boards should consider having between 5 and 12 Trustees. The approach suggested is for a Member organisation to be able to explain the suitability of the chosen size of its board.
  - iii. **Meetings frequency** – The board should ensure the frequency of its board meetings is sufficient to be effective in discharging the charitable purposes of the organisation. Consequently, the appropriate number of meetings per year is likely to vary between Member organisations. Unless there are reasons to justify an alternate frequency, a suggested default is to meet at least three times per year.

## Governance Practices Information Note

- iv. **Quorum** – The quorum necessary for the board (i.e. minimum number of Trustees required to be present) to take decisions should be clearly expressed in the governing documents.
- v. **Board annual reporting** – Some regulators would prefer increased transparency of board decision-making. Information could be made available at least annually, in an organisation's publications and website, on the number of sittings and the general scope of the work undertaken by the board during the year. It is understood an organisation also has a responsibility to ensure any confidentiality are safeguarded. One further approach for consideration, similar to some public bodies, could be for summaries of board meetings to be published where it is inappropriate for full copies of minutes to be released.
- vi. **Calendar of meetings, topics** – An indicative calendar of planned meeting dates for the board and its sub-committees may be made publicly available. Some Member organisations supplement their indicative calendar by mentioning other deadlines, for example responses to consultations, planned surveys and/or other business-related activities.
- vii. **Formal board documentation** – A proper documentary record of the information provided for each meeting of the board, the discussions held and decisions made should be taken. As a minimum, this should include:
  - 1. A Board Agenda
  - 2. A set of Minutes as the formal summary record of the deliberations during each board meeting
  - 3. A formal Record of the Decisions made, the actions accepted and expected response dates. (These could be in a separate document or incorporated in the Minutes.)
  - 4. A similar structure for the formal recording of proceedings should be used at board sub-committees, if constituted by an organisation.
  - 5. Separately, a set of papers presented at each board meeting should be archived by a Member organisation for future reference, as or when required. In addition, if not held in perpetuity, the Board should agree a minimum retention period for its archived board documentation. As a default, the retention period for say, tax records or major contractual commitments could be considered appropriate by the board.
- a. **Board activities and individual responsibilities** – Through their activities on the board all Trustees should be satisfied their views have been welcomed and fairly considered, they have been free to challenge the status quo or received wisdom, and they are confident the activities of the board have focussed primarily on the organisation's strategy, performance and assurance.

## Governance Practices Information Note

- i. **Vision** – The board should demonstrate it has set and considered regularly the organisation’s governing documents, vision and values statements and be satisfied they are communicated to the rest of the organisation. There is no mandatory period for this review cycle so it should be agreed by the board. A default period for consideration could be at least every five years.
  - ii. **Stakeholders’ views** – The board should be satisfied there are opportunities for the views of members, beneficiaries and other stakeholders to be considered before major decisions are addressed.
  - iii. **Governance statement** – The board should prepare and agree for publication a governance statement for inclusion in the Trustees’ annual report.
  - iv. **Vice Chair** – The Charity Commission has indicated in their endorsement of the governance code for larger charities it would be appropriate for a Vice Chair to be appointed as someone to whom Trustees can use as an intermediary if needed. Individual Member organisations may have other roles defined in their governing documents that fulfil this requirement.
  - v. **Bilateral meetings with Trustees** – A Chair should hold periodically bilateral meetings or informal discussions with each Trustee to provide an opportunity for them to voice concerns and to ensure the full diversity of views are aired.
  - vi. **Individual responsibilities** – A board should be able to justify its approach to its oversight arrangements for sensitive and topical issues, for example: safeguarding, data protection, fundraising and financial probity. Regulators have suggested a preferred approach is for individual Trustees to be identified by the board to take on the oversight of specific legal requirements, social responsibilities and policy implementation for sensitive areas of its activities. These sensitive issues may change over time and some may not be relevant to some Member organisations.
- b. **Board delegations** – The role of a board is to address the strategy and performance of the organisation. It should avoid managing the day-to-day. This is the role of the Chief Executive or similar designated person and their management team.

In smaller organisations where a Trustee may also be involved in working in the organisation they should ensure they have a clear understanding of the separation of their roles between the duties of a Trustee and of a staff member or volunteer undertaking an operational activity.

- i. **Separation of Chair and Chief Executive roles** – The Chair of a Board of Trustees should not undertake the role of a Chief Executive. This would be inconsistent with the Nolan principles on Standards in Public Life and

## Governance Practices Information Note

the UK Corporate Governance Code from the [Financial Reporting Council](#).

A helpful description of the separation of roles for a charitable organisation is given at the [DIY Committee Guide](#).

- ii. **Chief Executive terms of reference, powers, oversight** – The board must agree the terms of reference and formally appoint a Chief Executive to manage operations, staff, finances and delivery of services to beneficiaries, unless there are appropriate and similar other delegations in place or specified in the governing documents.

The board should also agree in conjunction with the Chief Executive a written set of strategic objectives and success criteria to be achieved and, within defined limits, a delegation of responsibility for operational decision-making and sufficient financial authority. The performance of the Chief Executive, in return, would be answerable to the Chair and the board for their actions. A generic description of the role of a Chief Executive is provided at [WCVA](#).
  - iii. **Sub-committee powers, oversight** – Some organisations delegate various oversight and decision-making functions to sub-committees, for example a Finance sub-committee. A sub-committee must be chaired by a Trustee. The board should ensure each sub-committee has written terms of reference, a set of strategic objectives to be achieved and, within defined limits, a delegation of responsibility for strategic decision-making. Each sub-committee chair in return, would be answerable to the board for their actions.
  - iv. **Subsidiary organisations, review of arrangements** – Where an organisation has created one or more subsidiary organisations there should be a formal written relationship established with the board of the parent organisation and the board of each subsidiary. The arrangement should be scheduled for a periodical review by the Board of Trustees. As a default, it is suggested the arrangement should be scheduled for review at least every three years.
- c. **Board reviews** – To ensure the outlook and diversity of the leadership of an organisation remains up to date there should be a documented, regular review of the roles and terms of reference (ToR) of the board, its Trustees and senior executive staff.
- i. **Chair and Trustee ToRs** – At the commencement of a Chair/Trustee's activities on a board they should receive an individual ToR or an alternate document that fulfils this requirement. The requirements of an organisation can change over time, so the scope of ToRs should be subject to a periodic review to ensure they remain relevant and up to date. The frequency of a review of the ToRs and who would be the appropriate person to undertake a review should be agreed by the board. An evaluation approach to review

## Governance Practices Information Note

ToRs and board activities can be found at [FAMU](#).

- ii. **Board of Trustees ToR** – The terms of reference of the Board of Trustees should be reviewed periodically. The frequency of a review of these ToRs should be agreed by the board. Examples of a Board of Trustees ToR are available at [Career Connect](#), [The Pensions Regulator](#) and at the [Landscape Institute](#).

It is recognised the terms of reference of the Board of Trustees for some Member organisations is contained within its governing documents and may be further codified in an organisation's' bye-laws or similar instruments. In these cases, a separate terms of reference document would be duplicative. Trustees should still be free to consider periodically the continuing relevance of their terms of reference and initiate the appropriate action if changes are agreed to be in the best interests of their beneficiaries.

- iii. **Sub-Committee (ToR)** – The terms of reference of each sub-committee of the board and the sub-committee Chair should be reviewed regularly. The frequency of a review of these ToRs should be agreed by the Board of Trustees.

- iv. **Board performance review** – It is suggested the performance of the Board of Trustees should be reviewed internally at regular intervals, perhaps annually or every second year. Examples of approaches to conduct a review are available at [Salford CVS](#) and [Kingston Smith](#).

Regulators advise a Board of Trustees may also benefit from a periodic external evaluation of their ways of working. This is not an obligatory requirement. Where a board is minded to undertake an external review, a period of three years has been suggested in the Charity Governance Code but the circumstances in some Member organisations may be able to justify a longer period.

- d. **Board discord** – Differences of opinion may arise from time to time and ordinarily would be resolved amicably. Regulators encourage a board to have procedures available to address a [board dispute](#) that requires mediation, since they can be disruptive to the reputation and operations of an organisation. Accordingly, in well-governed organisations the board should operate in cooperative manner that promptly surfaces such issues and has systems in place for disagreements to be resolved amicably within the board as quickly as possible and with integrity.

An approach to resolution may be covered in the organisation's governing documents or Trustee code of conduct. Alternatively, specialist guidance is available on appointing external assistance. Examples of a board dispute resolution policy are available at [Operational Guidance](#), [Effective Governance](#) and [Community Veracity](#).

## Governance Practices Information Note

f. **Board conflicts of interests** – Trustees and executive officers may have potential conflicts of interests between their charitable, personal or professional activities. Where conflicts of interest exist, they should be surfaced promptly, and their handling appropriately documented. Individual family or business interests and gifts/hospitality received, where they may affect the organisation, should be registered and a mechanism followed for their updating and disclosure.

- i. **Register (Declaration) of Interests** – The Trustees, including the Chair and senior executive officers should record in a disclosable Register of Interests any actual or potential conflicts of interest in their private or business life, or that of close relatives and associates, that may affect the organisation’s performance or reputation. The handling of any conflicts of interest should also be recorded in the Register. It is likely these would be in accordance with the procedures laid down in a Member organisation’s governing documents. Trustees and others should be requested to review and revise their entries on the Register at least once every year.

Guidance on defining conflicts of interest, preparing a policy and a reporting template are available from several sources that can be found at [GOV.UK](http://GOV.UK), [OSCR](http://OSCR) and at the [Small Charities Coalition](http://Small Charities Coalition).

- ii. **Declaration of potential conflicts at meetings (or other times)** – Each meeting of the Board of Trustees should have a standing agenda item calling upon participants to declare any actual or potential conflicts of interest relating to the published agenda. The Chair (or Vice Chair if it involves the Chair) should record how they have addressed any declared interests.
- iii. **Gifts and hospitality reporting** – A Member organisation should maintain a disclosable Register of the hospitality and gifts received or offered to the Trustees, including the Chair and senior executive officers, as well as other identified members of staff. The acceptance of hospitality and gifts and recording in the register should be in accordance with a written gifts and hospitality policy. A template on [hospitality policy and reporting](#) is available.
- iv. **Disclosure of Registers** – The Board of Trustees should decide upon the availability and access by stakeholders and third parties to the Register of Interests and Register of Hospitality and Gifts.

Whilst not a mandatory requirement, regulators in other sectors, for example for school governors, NHS Trusts, local authorities, expect registers to be disclosed publicly. In the interests of transparency, Member organisations may well consider making their registers available online or provide details where their registers can be viewed.

[Back to top ↑](#)

## Governance Practices Information Note

### Expectation 3: Business Management

To fulfil good governance expectations a Member organisation should demonstrate its Trustees regularly and robustly consider strategic development options, assess risks that may challenge the viability or achievements of the organisation, and monitor the overall performance of its charitable activities.

Six governance measures are presented that collectively should demonstrate a sound approach to undertaking the Business management and oversight expectations in good governance:

- a. Strategic business and financial planning
- b. Budget setting and monitoring
- c. Management of risk
- d. Financial audit/examination
- e. Remuneration
- f. Impacts on beneficiaries

The business undertaken by Trustees should typically include ensuring the organisation meets its legal obligations, demonstrates a continuing public benefit, maintains its financial viability, manages its risks, allocates resources to best serve its beneficiaries and assesses the impacts achieved. These duties are principally discharged through the decisions and actions of the Board of Trustees and those staff members, for example executive officers, upon whom it has conferred delegated powers.

#### a. Business planning and financial planning

- i. **Strategic business plan** – The Board of Trustees should agree a strategic outlook and plan for the organisation looking ahead at the needs of its beneficiaries over the next 3 to 5-year period and the achievements it intends to pursue. An extended timescale may be prudent if the purposes of the organisation require a strategic view over a longer time period.

**Contents of a business plan** – A strategic plan should include:

- a review of the organisation's charitable purposes
- a realistic assessment of the likely demand for services and resources available
- the desired outputs, outcomes and impacts
- the likely external environment in which it will be operating and its public reputation
- how the strategy will ensure the continuing sustainability of the organisation in the best interests of its beneficiaries
- a consideration of the efficiencies and rationalisation possible from closer joint working with other organisations
- a recognition of organisation's wider responsibilities to communities, stakeholders, society and the environment and how they will be maintained.

## Governance Practices Information Note

There are many formats for preparing a business plan. One source of examples of prepared business plans is available at the [DIY Committee Guide](#). Details on the structure of a business plan and templates for non-profit organisations can be found again at the [DIY Committee Guide](#), but also at the [Small Charities Coalition](#), [NCVO](#) and at [Bridgespan](#).

The future outlook, organisational structure, income generation, assets deployed, working environments, geographical footprint, service delivery outcomes, partnering opportunities, and other key indicators of organisational performance, should be reviewed regularly by the board to ensure the continued viability of the organisation to provide for its beneficiaries. The scope of such a 'sustainability review' may form part of a Member organisation's longer-term business planning process. Alternatively, if a board prefers, it can be undertaken separately from its strategic business planning. As a default it is suggested a sustainability review should be undertaken at least every five years.

- ii. **Financial projections** – The strategic plan should be supplemented with a corresponding set of financial projections to demonstrate the responsibility of Trustees for maintaining the viability of the organisation and sufficient reserves.

Examples of financial projections preparation and reserves calculations are available. The NCVO has a suite of tools, some free for all and some part of its paid-for service, to assist in evaluating an organisation's [financial projections and funding mix](#). Other helpful sources of advice can be found at [GOV.UK](#), [The Wise Owl Partnership](#) and [WCVA](#).

- iii. **Annual operational plan** – The Board of Trustees should agree prior to the commencement of a financial year an annual operational plan that has realistic outcomes and delivery timescales. The Trustees should demonstrate the operational plan is monitored regularly during the year with senior executive staff (or another responsible person). The Trustees should be satisfied the operational plan is in accordance with the organisation's:
  - charitable purposes
  - strategic aims
  - available resources

Various examples an operational plan are available at [Pharmaceutical Society NI](#) and [Leo Isaac](#).

### b. Budget setting and monitoring

- i. **Annual budget** – The Board of Trustees should agree the annual budget for the organisation and demonstrate it is monitored and challenged regularly with its senior executive staff (or another responsible person).

## Governance Practices Information Note

Helpful information and templates examples on preparing budgets in charitable organisations are available at [CFG Small Charities Programme](#), [The Money Charity](#) and [WCVA](#).

- ii. **Benchmarking** – The financial reporting and operational delivery of the organisation should, where possible, be compared periodically by the Board of Trustees with the performance of similar organisations.

### c. Management of risk and efficiencies

- i. **Recognition of risk** – The Trustees should demonstrate at Board meetings they are aware of their responsibility to understand and control the major risks potentially affecting the organisation and monitor the likelihood of a risk becoming realised.

The ‘thirdsector’ news source has suggested from its assessment of the sector that there may be [five predominant risks potentially affecting charitable organisations](#), with smaller charities likely to be affected most acutely: i) damage to reputation; ii) decline in funding and donations; iii) inadequate insurance; iv) loss of data; and v) fraud.

The Board of Trustees should also set out the process by which it identifies those risks it will oversee directly and those whose mitigation can be delegated to responsible persons in the organisation. Regulators recommend the organisation’s risk management arrangements are reviewed at least once a year by the Board. The variety of risks likely to require the attention of the Trustees of a charitable organisation have been explained in some detail by the [Charity Commission](#). They have listed the areas of a charity’s activities where potential risks should be identified as governance, operations, finance, public and political changes, and compliance with laws.

The Board of Trustees considers periodically, and in its strategic plans, if opportunities exist with other organisations to improve its services to beneficiaries from possible collaborations, joint working or rationalisation of operations. Information from the Charity Commission can be found in their guidance on [collaboration working and mergers \(CC34\)](#).

- ii. **Risk register** – The Board of Trustees should agree and regularly review a Register of Risks cataloguing the credible major risks potentially affecting the organisation. The Trustees should set the level of risk they are prepared to tolerate against each one and agree the mitigation measures proposed by the senior executive staff to minimise the likelihood and/or impact of a major risk occurring. Examples of procedures and templates for identifying risks, their mitigation and compiling a risk register can be found at the [DIY Committee Guide](#) and [Volunteering Queensland](#).

## Governance Practices Information Note

HM Treasury has produced an authoritative guide on the [management of risk in the public sector](#), known as 'The Orange Book'. There are several specialist providers of paid-for training on risk management. Two examples are the [Institute of Risk Management](#) and the external provider, Alexos, of HM Government's ['Management of Risk' tool](#).

- iii. **Annual reporting** – Regulators recommend the Board of Trustees should agree a description of its approach to risk management in the organisation's annual report. Information suggested by the [Charity Commission](#) to be included in an annual risk statement is as follows:
- an acknowledgement of the Trustees' responsibility to identify, assess and manage risks
  - an overview of a charity's process for identifying risks
  - an indication that major risks have been reviewed or assessed
  - confirmation of the systems and processes set up to manage risks

### d. Financial Audit/Examination

- i. **Appointment of auditors/independent examiner** – Organisations with an annual income over £1 million must have an annual external 'audit' of accounts. Correspondingly, it is expected smaller organisations should undertake a less intensive but independent annual 'examination' of their finances to ensure public trust and confidence in their operation is upheld. The Board of Trustees should demonstrate they have a credible process in place to appoint an auditor (or independent examiner) and, if it exists, after considering advice from their Audit Committee. The Charity Finance Group has prepared guidance on [appointing, tendering and changing auditors](#) (or independent examiners).
- ii. **Audit Committee** – If an organisation has an Audit Committee, regulators have recommended:
- its chair has recent and relevant financial experience
  - the committee includes at least two Trustees
  - the committee (or Board of Trustees) meets the auditors without staff present at least once a year.
- iii. **Financial concerns** – The Audit Committee (or other arrangement) should be appointed by the Board of Trustees and empowered in its terms of reference to address concerns raised regarding alleged financial improprieties or wrongdoing, including whistleblowing. The Charity Commission have prepared guidance on [the structure and terms of reference](#) for an audit committee.
- e. **Remuneration setting** – The Board of Trustees should publish a policy for the setting of the remuneration of its senior executive staff and in the special circumstances when a Trustee may receive a remuneration. To promote transparency the regulators, recommend this policy is published on the website. A summary should be included in

## Governance Practices Information Note

the annual report of the organisation.

Details on the setting of a remuneration policy and disclosure of remuneration information are presented at the [NCVO](#), [SORP](#) and [OSCR](#).

- f. **Impacts on beneficiaries** – Impact is the broad or longer-term effects of a project or organisation’s work (i.e. the difference it makes to people’s lives). This can include effects on people who are direct users of a project or organisation’s work, effects on those who are not direct users or effects on a wider field, such as a government’s national and regional policies on, for example, employment and skills, education and vocational training, health outcomes, care in the community and housing priorities.

Impact reporting is still an emerging discipline. No single approach is widely acknowledged as the standard to which to aspire. However, some approaches available are increasing in their popularity as a reasonable approximation to assess the impact of activities. An ad-hoc group, [Inspiring Impact](#), comprising partners from the charity sector, business and government, has prepared a variety of [online resources](#) and [self-assessment tools](#) to assist the voluntary sector to make impact measurement the norm within their organisations.

- i. **Impact measurement approach** – A Board of Trustees must ensure a charitable organisation is carrying out the purposes for which it is set up. This means that it must be able to explain how the charity’s activities further or support those purposes. Consequently, a key role for the Trustees is to agree upon and define clearly their desired outputs, outcomes and impact.

The board should agree an approach to evaluate the impact the organisation’s work has had in achieving its charitable purposes.

An introduction to measuring and reporting impact is available at [NCVO](#) and at the [Impact Hub](#). An impact measurement toolkit is available at [Kingston Smith](#).

- ii. **Impact reporting and feedback** – A Board of Trustees should communicate the results from the organisation’s assessment of the impacts achieved in an annual impact report or another similar document, such as the Charity’s Annual Report.

The typical contents of an impact report have been listed by the [NPC](#). Examples from the service charities sector of separate annual impact reports or integrated as part of a charity annual report are available on the internet. A selection for reference is given below.

[RFEA](#)  
[Officers’ Association](#)  
[RNRMC](#)  
[The Royal Marines Charity](#)

[Poppy Factory](#)  
[SSAFA](#)  
[RAFBF](#)  
[RAFA](#)

## Governance Practices Information Note

### Expectation 4: Core Policies

The Confederation is aware policies and clear working practices for some topics are explicitly expected by regulators, notably safeguarding, fundraising, financial management, data protection, whistleblowing and external complaints handling. To support addressing the many obligations within employment and health & safety legislation it would be prudent to adopt policies on the issues they encompass.

A broad selection of template policy documents for small charities are available at the [Voluntary Action Islington](#). To assist a new charity focus on policies, a helpful [policy preparation table](#) has been produced by the support organisation Community Southwark.

To achieve this aspect of good governance a Member organisation should be satisfied appropriate policies and related practices are in place and subsequently, reviewed periodically. As a minimum, Trustees should ensure the following core set of policies are prepared by relevant personnel and are confident they are understood and implemented properly across the organisation.

#### a. Policy preparation and approval

- i. The Board of Trustees should demonstrate they have documented their formal agreement on the content and implementation of each policy of the organisation.
- ii. The Board of Trustees should ensure, if not already in place, the following core set of policies are prepared by the organisation and approved at the earliest opportunity:
  - **Safeguarding.** Examples of policies for safeguarding children, adults at risk and charity staff are available at the [NSPCC](#), [WCVA](#), [GOV.UK](#) and [NCVO](#).
  - **Fundraising** (if appropriate to the organisation.) Examples of fundraising policies can be found at [Chelsea Pensioners](#) and [FLVC](#).
  - **Financial management, investment and reserves, fraud control and accounting procedures** including reference to the SORP financial reporting approach. A specialist site with model policy documents can be found at [SORP](#).
  - **Data protection and privacy.** Examples of data protection policies following the commencement of the General Data Protection Regulation (GDPR) can be found at [OSCR](#), [ABF The Soliders' Charity](#), [GRCC](#) and [IAPP](#).
  - **External complaints handling.** The elements of a good complaints handling have been set out by the [Legal Ombudsman](#). Examples of a template complaints policy can be found at [Scope](#) and at the [Riviera Care Group](#).
  - **Whistleblowing.** Issues to address in preparing a whistleblowing policy are explained at [CHS Alliance](#) and [GOV.UK](#). Examples of different

## Governance Practices Information Note

forms of template whistleblowing policies are available at the [Free Management Library](#), [Salford CVS](#) and [Heart of England NHS](#).

- **Crisis management.** Guidance on crisis management and/or serious incident reporting can be found at [Gov.uk](#) and the [NCVO](#). This example of a serious incident framework from [NHS England](#) covers a comprehensive list of possibilities in which some may not be applicable to an individual organisation.
- **Human resources** (i.e. one or more policy documents) including, where appropriate, recruitment, personal conduct, bullying and harassment, discipline, staff grievance, working arrangements, absence management, pensions and retirement, redundancy, volunteering. A wide selection of model HR policy documents are available to subscription members of [NCVO](#).
- **Health, safety and risk management**, including lone and remote working. A helpful generic H&S policy template is available from the [Health & Safety Executive](#). Templates for special circumstances e.g. a home visits policy are available at [WCVA](#).

### b. Policy review

The Board of Trustees should approve a timetable for existing policies to be reviewed and ensure executive officers (or other people) are formally tasked to undertake these reviews. Not all policies need to be reviewed over the same time period.

A set of enquiring questions to assist in [reviewing a policy](#) is reproduced from the university sector.

[Back to top ↑](#)

## Governance Practices Information Note

### Advice, Assistance and Training

The Charity Commission offers a wide [range of advice and guidance for Trustees](#) to assist them to understand and discharge their governance responsibilities. A widely acknowledged initial text for new Trustees is the document [entitled 'The Essential Trustee'](#). Commonly referred to as 'CC3'. The ['Charity Fundraising: a guide to trustee duties \(CC20\)'](#), also produced by the Charity Commission, should be noted by those Trustees who work for organisations who actively fundraise as an active element of their financial operations.

Member organisations operating in Northern Ireland should be aware of the locally available guidance on [running](#) and [managing](#) a charity produced by the Charity Commission for Northern Ireland. These are accompanied by helpful guidance on fulfilling the [compliance and reporting requirements](#) in Northern Ireland.

The WCVA in Wales has prepared a selection of [Information Sheets](#) tailored for charities operating in the Principality. They include advice on the principles of governance and Trustees' recruitment, training, legal duties and liabilities. The WCVA also organises [specialist training on governance](#) topics.

Member organisations operating in Scotland should also refer to the [Office of the Scottish Charity Regulator](#) (OSCR). They have prepared good practice guidance for Trustees and related their advice to the relevant Scottish law.

[Back to top ↑](#)

### Specialist Organisations

Advice and training on the governance of charitable organisations and discharging successfully the duties of Trustees is produced by various specialist organisations. Some of the organisations providing helpful information on good governance are the National Council for Voluntary Organisations (NCVO), the Small Charities Coalition (SCC), New Philanthropy Capital (NPC), The Governance Institute (ICSA) and Association of Chairs (AoC).

The NCVO is a subscriber membership organisation and has produced an extensive range of guidance and information on governance issues, [some free to download](#) for non-members. The NCVO also undertakes governance audits and consultancy work for charities and runs various lecture-based and online [training courses, including on governance](#) issues.

The [SCC is a subscriber membership body](#) that has listings by topic of large selections of free to access information. It is possible to identify guidance on governance and charity management topics from its extensive catalogue of information available from numerous sources. Its website also lists forthcoming governance and other charity-related [training events](#). The SCC operates, in partnership with the Do-it organisation, a [listing of charities seeking new Trustees](#) and provides advice to individuals interested to become Trustees.

The NPC is a charitable research and events organisation. It has produced open access

## Governance Practices Information Note

advice on [good governance practices](#) based on its own studies into charities.

Other, notable [open access NPC guidance](#) is available on improving diversity in the governance of charities and approaches to [impact reporting](#).

The Governance Institute is part of the ICSA (Institute of Chartered Secretaries and Administrators). It is a subscriber membership organisation that seeks to influence and inform policy on governance matters. The organisation is not solely focused on the requirements of charitable organisations, although its policy team has produced a range of up to date [guidance notes and templates on charity governance](#). They are only available currently to its subscribers.

The AoC is a subscriber membership organisation. It seeks to assist Chairs of social purpose and not-for-profit organisations develop their [capabilities and skills in leading](#) a Board of Trustees to deliver their organisation's aims. The AoC is the originator of the concept of a Chairman's Compass, an approach to improve board effectiveness and details are downloadable at the [Association of Chairs](#). Notably, it also operates the [Beacon programme](#) in England. A contact and training platform for Chairs of smaller charities.

[Back to top ↑](#)

## Member Recommended Publications

There are various books written specially for Trustees, Board Chairs and Chief Executives on leading and managing non-for-profit organisations. Two respected examples suggested by colleagues in the service charities sector are:

1. [Good Governance: a practical guide for trustees, chairs and CEOs](#) by Dorothy Dalton. Published by NCVO. ISBN 978-0-7199-0001-3.
2. [Managing Without Profit, 4<sup>th</sup> edition](#) by Mike Hudson. Published by DSC (Directory of Social Change). ISBN 978-1-78482-022-0.

[Back to top ↑](#)



## Governance Practices Information Note

Cobseo is a Confederation that actively shares knowledge and activities for the benefit of the Armed Forces community. Training events and Members' events organised or funded by Cobseo are made available for staff, executives and Trustees. A diary of training events is published on [Cobseo.org.uk](http://Cobseo.org.uk).

The Governance Practices Information Note is an evolving document that may change over time upon use from the experiences and suggestions reported by its Members. The latest version can be found at [Cobseo.org.uk](http://Cobseo.org.uk).

### **Confederation of Service Charities (Cobseo)**

2<sup>nd</sup> Floor,  
Mountbarrow House,  
6-20 Elizabeth Street,  
London,  
SW1W 9RB

Tel: 0207 811 3225  
[enquiries@cobseo.org.uk](mailto:enquiries@cobseo.org.uk)  
[www.cobseo.org.uk](http://www.cobseo.org.uk)

[Back to top ↑](#)