

Governance Practices Aide Memoire

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The Confederation believes it is important for all Member organisations to demonstrate sound governance practices in all their undertakings. This document is an aide memoire for those Member organisations to compare against their established governance practices.

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Introduction

Governance has evolved to encompass not only fulfilling legal and statutory obligations, but to include the embedding of a culture of good leadership and decision-making practice within an organisation. The Charity Commission, similar home nation regulators, and other stakeholders expect their various governance codes, though non-statutory, to be followed. Consequently, the Confederation has sought to clarify for Member organisations the governance measures it is reasonable and sensible to expect to be adopted in the Service charity sector.

This document is an aide memoire for those Member organisations to compare against their established governance practices. It acknowledges the need for flexibility in the procedures adopted and is intended to be complimentary to the Charity Governance Code (and similar home nation documents). A separate Information Note containing more detailed guidance on good governance has been prepared for those Member organisations who are still developing and shaping their individual governance measures.

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Consistency with Regulatory Bodies

The demonstration of a consistent standard of good governance is an obligation placed on all Member organisations by their respective home nation legislation and regulatory bodies, as it is for all charities outside of the Confederation. Consequently, the starting point for good governance is to comply with the prevailing legal requirements upon Trustees. The Charity Commission has advised in its publication 'The Essential Trustee' ([CC3](#)) that these duties are:

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

These fundamental obligations have been further described by specialist organisations such as the [NCVO](#) in their publications. Broader legal duties and responsibilities are enshrined in other pieces of legislation and are summarised as those: a) to comply with statutory, contractual, Common law, legislative and moral obligations; b) to discharge a 'duty of prudence', such as ensuring resources are used responsibly and maintaining solvency; and c) to exercise a 'duty of care' over the charity's operations through the decisions taken and activities performed. The Wales Council for Voluntary Action (WCVA) has produced [explanatory information sheets](#) with more details on the explicit laws to which a Trustee in England and Wales must comply, as well as those legal duties that confer a sanction, and those that do not but may impact on personal standing or a charity's public reputation.

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 recommends good practice, and is intentionally aspirational. It is a tool to support continuous improvement in charity governance.

There are two variants of the Code, one for larger charities with an annual income of £1 million and above and one for smaller charities with a lower income; although in practice there is little difference between them. Both can be downloaded from the [Charity Governance Code website](#).

In Scotland, governance compliance for charities is set out by the [OSCR](#). They have published [Guidance & Good Practice for Charity Trustees](#).

The Charity Commission of Northern Ireland has also published its own [Code of Good Governance](#) for charities operating within its jurisdiction. Collectively, the governance requirements from all home nation bodies are generally similar and the measures presented in this aide memoire are intended to be consistent with them.

Cobseo has prepared a governance self-reporting tool for Members, based on the principles set out in the Charity Governance Code, as a checklist to confirm that their governance is in good order, or to identify area for improvement. The Governance Assurance Self-Reporting Tool is accessible via the Governance section on the [Cobseo website](#), and the Cobseo [Governance Support Team](#) is available

to provide advice and support as required.

Those Member organisations that are incorporated also require their Directors to ensure compliance with the obligations to [Companies House](#) and the UK Corporate Governance Code on effective business management, as set out by the [Financial Reporting Council](#). Those Member organisations engaged in fundraising must also meet the regulatory and governance requirements in the [Fundraising Regulator's Code of Fundraising Practice](#).

Member organisations with CIO, Royal Charter, or other unique legal status are required to abide by the requirements of the charity regulators. Each organisation should also be satisfied they are aware of the governance requirements expected by other regulatory or accreditation bodies, if any, that relate to their particular activities, for example, the [Care Quality Commission](#) (health and social care), [Homes England](#) (social housing), [Arts Council](#) (museums and heritage), or other home nation equivalents.

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Good Governance: What is Expected?

It is recognised that governance arrangements within individual organisations will vary for a variety of reasons, including restrictions in their governing documents; size; complexity; or the particular nature of their charitable activities. Accordingly, it is normal to expect some flexibility in approach, and this is fine so long adherence to the underlying governance principles can still be demonstrated. This approach is also encapsulated in the [Charity Commission's 'apply or explain' doctrine](#).

In the Charity Governance Code, good governance is categorised under seven principles: organisational purpose; leadership; integrity; decision-making and risk; board effectiveness; and equality, diversity, and inclusiveness; and systems and accountability. The Charity Commission views this Code as challenging for charitable organisations to achieve, and advise that it should be tailored to the requirements of individual charity sectors (as Cobseo have in developing its governance checklist). Such sector-specific guidance should be designed to stimulate a culture of greater oversight and continuous improvement in the services provided to beneficiaries.

The Cobseo Governance Assurance Self-Reporting Tool, and this Aide Memoire, reflect feedback from Member organisations, who expressed a preference to have practical guidance on the governance measures they are expected to demonstrate. Accordingly, this Aide Memoire consolidates the legal, regulatory and non-binding governance expectations under four practical expectations of good governance. 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 within the organisation, namely:

1. Trustee Responsibilities and Capabilities

Measures to ensure a representative, knowledgeable and accountable body of Trustees are established in accordance with the principles of equality, diversity and inclusiveness, 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 the Board 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 upon increasing the organisation's impact upon 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.

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Expectation 1: Trustee Responsibilities and Capabilities

The appropriate selection and skills set of each Trustee, including the Chair, are recognised as central to successful leadership, strategic development, and organisational performance for the benefit of its beneficiaries. Consequently, the preparation of new Trustees and maintaining the performance of established ones are important activities in the achievement of good governance. The Confederation expects Member organisations to have in place governance arrangements that enable Trustees:

- To be fully cognisant of the legal obligations and leadership role they have taken on.
- To perform personally both effectively and consistently.
- To be confident their contributions and views in the collective board leadership of the organisation are equally influential regardless of any external factors.

To fulfil these expectations Member organisations should be able to demonstrate it has governance practices in place to recruit and appoint appropriately qualified and experienced individuals to serve as Trustees; and that the Board comprises an appropriate range of backgrounds and skills, all of whom understand their responsibilities:

- Trustee recruitment** – It is expected that the selection of new Trustees should be undertaken through a competitive process underpinned by a clear and effective approach to supporting equality, diversity, and inclusion, both in terms of professional and personal backgrounds.
- Trustee terms of reference** – Each trustee has written terms of reference explaining their legal duties, commitments to the board and personal liabilities. This may be expressed within other documents, for example a Code of Conduct.
- Trustee induction** – Each Trustee should complete a defined programme of induction, including introduction to the organisation’s founding documents; finances, policies and work of the organisation; and [CC3, the Charity Commission guidance for Trustees](#) (or similar in other home nations).
- Trustee understanding of responsibilities** – A Code of Conduct, or similar confirmation, to acknowledge Trustees understands their individual and collective responsibilities to the Board and the organisation. There should also be a confirmation by each Trustee (and senior managers) they are [not disqualified from holding office](#) under the wider definition of disqualification that came into force on 1 August 2018.
- Trustee in public life** – A further measure to promote confidence in the work of charitable organisations, advised by the regulators, is for Trustees to adopt 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.
- Trustee training** – Trustees should periodically refresh their knowledge of the scope and breadth of the work of the organisation.
- Trustee performance** – A mechanism where the performance and commitment of the Trustees is periodically assessed against a set of relevant criteria. The Chair of the Board should also be subject to some form of periodic review or reflective discussion.

- h. **Trustee time limits** – A maximum term on the board for a Trustee should be published, together with a rationale if this term exceeds the period of nine years suggested by Regulators. The form of end and mid-term reselection procedures used by the Board should be agreed and published.

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Expectation 2: Board Effectiveness

The Board of Trustees represents the ultimate responsible body within a charitable organisation. Consequently, demonstrating that the Board is well-led, and cognisant of their duties, is an expected component of good governance. Trustees have collective legal and executive authority to set the vision for the organisation, determine strategy, take major decisions, be held to account for the conduct of its activities, and be answerable for its achievements to beneficiaries.

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 that potential conflicts of interest are addressed. This includes:

- a. **Board organisation and documentation** – Trustees should have an organised, informed, and constructive approach within the Board to discharge their responsibilities. Practical arrangements should define the size and composition of the Board, frequency, and format of its meetings, and a consistent approach to documenting their proceedings.
- b. **Board activities and individual responsibilities** – Trustees should be satisfied that their views are welcomed and fairly considered; they feel able to challenge the status quo or received wisdom; and are satisfied that the activities of the Board focus on the organisation's strategy, performance, and assurance. Measures should be described on how the Board sets its vision; periodically reviews its governing documents; assigns individual oversight responsibilities where necessary; and maintains a culture of diversity of thought in its decision-making.
- c. **Board delegations** – A recognition should be demonstrated that a Board of Trustees addresses the strategy and oversight of the organisation, and clearly distinguishes itself from those who manage day-to-day operations. Arrangements should be made to define the roles and reporting lines for Executive staff and Board sub-committees, and the setting of their delegated powers.
- d. **Board reviews** – The Board of Trustees has an important review and revising function. A review process should periodically consider the terms of reference of the Board, its sub-committees (where appropriate), and Trustees.
- e. **Board discord** – Differences of opinion will arise from time to time, and ordinarily would be resolved amicably. Regulators encourage Trustee Boards to have procedures available to address any Board dispute that requires mediation. This could be addressed in the Trustee Code of Conduct.
- 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 declared promptly, and their handling appropriately documented. Individual family or business interests and gifts/hospitality received, where they might affect the organisation, should be registered, and a mechanism followed for their updating and disclosure.

Expectation 3: Business Management

The business undertaken and overseen 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 impact achieved. These duties are principally discharged through the decisions and actions of the Board of Trustees, and those staff members, such as Executive Officers, with delegated powers.

To fulfil good governance expectations, Member organisations should be able to demonstrate that its Trustees regularly and robustly consider strategic development options; assess risks that might challenge the viability or achievements of the organisation; and monitor the overall performance of its charitable activities:

- a. **Strategic business and financial planning** – Trustees should be able to demonstrate that they periodically review the strategic business plan of the charity, including assessing the future needs of its beneficiaries, and to understand the external environment, financial and capability projections, and the impact sought. Sound reasons should be demonstrated to justify the planning criteria and time horizon chosen. Periodically, broader sustainability reviews should be undertaken into the continued viability of the organisation, including its beneficial purpose, income forecasts, and whether new structural arrangements, or collaborations, should be pursued.
- b. **Budget setting and monitoring** – There should be a robust annual budget preparation process, and a formal mechanism for approval by the Board of Trustees. Further budget oversight and challenge should be undertaken throughout the year.
- c. **Management of risks** – The Board of Trustees should set out the process by which it identifies, records, and reports the major risks potentially affecting the organisation. Five of the major risks regularly considered are: damage to reputation; decline in funding; inadequate insurance cover; loss of data; and fraud. Processes should be in place to regularly review the status of risks; the likelihood of each risk arising; and the effectiveness of mitigation measures.
- d. **Efficiencies** - The Board of Trustees should periodically consider, including in its strategic plans, if opportunities exist to improve its services to beneficiaries from possible collaborations, joint working or rationalisation of operations with other organisations.
- e. **Financial audit/examination** – Organisations with an annual ‘income’ over £1 million (the current [SORP threshold](#)) must have an annual external ‘audit’ of accounts to ensure public trust and confidence in their operation is upheld. Organisations with smaller incomes should undertake a less intensive, independent annual financial ‘examination’. The Board of Trustees should be able to demonstrate that they have a credible process in place to comply with SORP; maintain adequate reserves and investment policies; appoint an auditor (or independent examiner); report the findings publicly; and address any financial concerns identified.
- f. **Remuneration** – For organisations with salaried staff it is recommended that the Board of

Trustees have a transparent approach to setting and publishing decisions on remuneration.

- g. Impacts on beneficiaries** – Central to an organisation’s strategy, decisions and performance, is for Trustees to maintain a focus on maximising the impact of its support to beneficiaries. The Board of Trustees should also be able to demonstrate they have a method to estimate and report the impact of their charitable activities.

Trustees should also ensure that the necessary processes are in place to ensure that the practices of the organisation comply with the legal obligations for safeguarding, data protection and fundraising. Specific Aide Memoires for each of these are available on the [Cobseo website](#).

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Expectation 4: Core Policies

Charity Regulators will expect policies and clear working practices to be in place:

- Safeguarding
- Fundraising (if appropriate to the organisation)
- Financial management, investment and reserves, fraud control and accounting procedures (including reference to the [SORP](#) financial reporting approach)
- Data protection and privacy
- External complaints handling
- Whistleblowing
- Crisis management
- 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
- Health, safety, and risk management, including lone and remote working. (A helpful guide on how to write a policy, along with a template is available from the [Health & Safety Executive](#))

To assure good governance, Trustees should be satisfied that appropriate policies and related practices are prepared by the relevant personnel, and are understood and implemented properly across the organisation; and are subject to regular review.

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Smaller Charities Derogation

Regulators appear to expect all aspects of governance described in their governance codes to be implemented irrespective of the size or complexity of a charitable organisation. It is recognised that the amount of documentary information routinely prepared, and the formality of meetings, and decision-making, should be simpler in smaller charities, particularly for those with no full-time staff. A less expensive and resource-intensive approach to financial oversight, using an annual external financial examiner rather than external auditor, is permissible to Regulators. Notwithstanding these modest simplifications, all Member organisations should aspire to achieve to the best of their abilities the good governance expectations summarised in this Aide Memoire. The Cobseo Governance Support team is available to provide advice and assistance as required.

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](#). They have also prepared a [Governance Health Check](#) document.

Member organisations operating in Scotland should also refer to Office of the Scottish Charity Regulator (OSCR). They have prepared [Good practice guidance for Trustees and related their advice to the relevant Scottish law](#). The Scottish Council for Voluntary Organisations (SCVO) have a [Good Governance checkup tool](#), which can be accessed if organisations sign up.

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Cobseo is an organisation that actively shares knowledge and activities for the benefit of the Armed Forces Community. Cobseo funded training events, reinforced by Members' events, are made available for the Cobseo Membership. These events are shared in the Cobseo Weekly Newsletter and on Social Media Channels.

The Governance Practices Aide Memoire is an evolving document that may change over time to reflect regulatory changes, user experience, and feedback from Members.

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