Governance Practices Information Note

Effective from: 18 July 2018
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The Confederation recognises the importance of good governance as a key component in assuring good practice and maintaining Public trust, 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 Governance Practices Aide Memoire, and provides more details on individual governance measures, and suggestions on how they can be put into effect.

Contents

Most sections include examples of approaches and document templates.

Introduction to the Information Note

The generosity and support of the general public, and those who donate their time and resources to assist this in need across the Armed Forces Community, is underpinned by an expectation that Service Charities will operate legally, ethically, and in accordance with the good governance practice specified by regulatory authorities. Maintaining and enhancing the Public's trust is at the heart of everything Cobseo does; however, Experience elsewhere has demonstrated how individual incidents of poor practice can damage the reputation and public perception of the charity sector as a whole, which is why Cobseo puts maintaining public trust at the heart of everything it does; which in turn emphasises the importance of Member organisations being able to demonstrate that they have sound governance processes and practices in place. This Information Note, which supplements the Governance Practices Aide Memoire, aims to assist Member organisations, and their Trustees, in meeting their legal and corporate responsibilities, and upholding good governance practice.

The full achievement of good governance extends beyond Trustees' legal obligations, and should also incorporate the recommended practices described in the Charity Governance Code. The Code is not a legal or regulatory requirement, but it sets out a range of principles and recommended good practice, that are intentionally aspirational, and provide the direction to support continuous improvement in charity governance. The Charity Governance Code is applicable in England and Wales; however, similar guidance is also available for Scotland and Northern Ireland.

The Confederation has prepared an Aide Memoire on governance practices describing a suggested set of expectations, based on the Charity Governance Code, to which Member organisations should aspire. The Aide Memoire acknowledges the wide range of organisations within the Confederation, and the need for a flexible approach in which individual Members can consider how best to reflect the principles of good governance in ways that relate to their organisation. This provides scope for for individual Members to respect the requirements of their governing documents, and the traditions and identity of their organisations, in developing their governance assurance processes and activities. Where this varies from the measures suggested in the Charity Governance Code, or the Governance Practices Aide Memoire, Trustees should focus on meeting the underlying intent and be prepared, if necessary, to explain the rationale of their approach.

This Note has been prepared to assist Member organisations requested more details on how to improve some of their governance measures. The information provided is not obligatory but is intended to explain the rationale for specific governance measures set out in the Governance Practices Aide Memoire and provide at least one possible approach to achieving successful delivery.

This Information Note does not address directly Safeguarding, Data Protection or Fundraising issues. These are the subject of separate Aide Memoires, which are also accessible via the Cobseo website

While the guidance issued or endorsed by Regulators in the home nations (England & Wales, Scotland and Northern Ireland) each have their own principles' or 'key elements' to achieve good governance, they are all broadly similar in practice.

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 proactively addresses its **Business** matters, whilst ensuring that sound **Policies** and

practices are pursued within the organisation:

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 inclusion, 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 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.

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Expectation 1: Trustee Responsibilities and Capabilities

To fulfil these expectations a Member organisation should be able to demonstrate that it has governance practices in place, based on open competition and in accordance with the principles of equality, diversity, and inclusion, 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 (including skills, job descriptions, recruitment scope and proactive approaches to equality, diversity, and inclusion)
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** – An organisation should seek the most appropriately qualified, skilled and/or experienced individuals to become Trustees, and should measures in place to encourage applications from minority communities.

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 an open and competitive process that incorporates the best principles of equality, diversity, and inclusion. 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.

- See an example job description for a Chair of Trustees

- A further example of a [role description](#) for a Trustee from NCVO, as used for its own organisational requirements.

iii. **Recruitment scope** – Recruitment should normally be undertaken based on an open competition; however, in some circumstances, such as for specialist or otherwise defined roles (e.g. nominative roles), or because of the organisations governing documents, the recruitment might need to be more limited in its scope. Where this applies, the rationale 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 holding office in a charitable organisation. The Charity Commission [has provided guidance](#). Similar guidance is available from other home nation Regulators.

iv. **EDI** – Boards that commit to equality, diversity and inclusion are more likely to set a positive example and tone for the charity by following an appropriate strategy for delivering its purpose and setting inclusive values and culture. Accordingly, 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 governing documents, or other constraints, limit the scope for open competition, the Board should be able to account for the rationale. 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 identified a number of practical measures that would [increase the attractiveness and diversity of applicants](#) for Trustee positions. This includes:

- Keeping Board papers (particularly financial information) short and 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 an open and inclusive approach, with 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 required by potential candidates; whether there is an opportunity for applicants to address the membership; and the information provided to the membership on candidates for election.
- How members vote, and under what circumstances (e.g. is it a membership vote held at an AGM, or a postal ballot).
- Whether, and in what form, potential candidates have an opportunity to make their case to the membership.

b. **Trustee terms of reference** – Each Trustee should have written terms of reference that explains their role and responsibilities, which may include specific as well as collective responsibilities; the length of appointment; and attendance, training and performance obligations. How this information is conveyed may vary (e.g. it might be in the form of a Trustee code of conduct). What is important is the Trustees have a clear understanding 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 Governance Pages

c. **Trustee induction** – Each Trustee should undertake a period of induction, ideally before they join the Board of Trustees or, failing that, as soon as possible. The scope and length of the induction process will vary; however, it should normally include ensuring that the Trustee:

- Has been briefed on their personal responsibilities as a Trustee, which includes upholding the charitable purpose of the organisation, and 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.

A good practice often adopted by Member organisations is to provide an induction handbook, or pack, to new Trustees that includes copies of relevant documents and other reference material. Other helpful sources of advice include:

- 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. The Guidance trustee welcome pack can be accessed here. Examples of a Trustee induction pack from the wider charity sector for reference can be found at Voluntary Action Swindon and Blyth Quays Trust

d. **Trustee understanding of responsibilities** – Upon appointment, and following induction, Trustees should be invited to confirm that they understand their responsibilities to the organisation and to fellow Trustees. This should be in writing and, while there is no single format for this, the following details would be relevant topics to consider for inclusion:

- The Trustee confirms that they are eligible by law to perform the role of a Trustee.

- A statement affirming that the Trustee has received and understands their terms of reference as a Trustee of the organisation, and has received 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 has received copies of the governing documents.

- The Trustee understands they are jointly and individually 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 the 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 to Board discussions and abide by the decisions taken.

- The Trustee undertakes to draw on m their experience and judgment to take decisions that are consistent with the objects of the organisation, and the best interests of its beneficiaries, and is consistent with demonstrating the achievement of public benefit.

- The Trustee recognises that they have an equal status on the Board with fellow Trustees, and that any differences in outside life, such as military rank, social status, personal background, qualifications, employment history etc have no bearing on their authority to contribute to Board' discussions 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

New Trustees should also confirm they are not disqualified under new Charity Commission rules (from 1 August 2018) from holding office. Charities should also have a process in place to periodically confirm that its Trustees are eligible to serve. the existing grounds for exclusion include being an undischarged bankrupt (or similar); disqualified from being a director; and having unspent convictions for dishonesty or deception offences, which includes the following:

• 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, such as aiding and abetting in any of the offences listed.

In addition, a person will now be automatically disqualified from serving as a Trustee if he or she is named on the sex offenders register; has been found in contempt of court for making false statement;, or 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 law, and effectively discharge the responsibilities of their role, Regulators have also indicated that they expect Trustees publicly demonstrate their adherence to standards of conduct. Whilst non-binding, this is seen as a further measure to promote confidence in the work of charitable organisations.

f. **Nolan Principles** - A prominent and widely acknowledged non-binding standard is the Nolan Principles on Standards in Public Life, which the Confederation regards as consistent with the attributes expected from Trustees (and Directors of incorporated charitable organisations. Accordingly, it is expected that Trustees of Member organisations should be aware of and, in their conduct, undertake to abide by, the Nolan Principles on Standards in Public Life. These state that the holders of public office should in their behaviour, actions and decision-making, be able to demonstrate selflessness; integrity; objectivity; accountability; openness; honesty; and leadership.

g. **Trustee training** – All Trustees should endeavour to undertake periodic training or familiarisation, to ensure they remain informed about the scope and breadth of the work of their organisation, and 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 required will

vary depending on the size and complexity of the organisation, and the availability of the Trustees. Whilst it is recognised that Trustees will have many calls on their time, a reasonable expectation is that undertake one day of internal or externally arranged training that is relevant to the organisation.

Numerous organisations including NCVO, NPC, WCVA, SCVO and NICVA (Northern Ireland Council for Voluntary Action) offer free or paid for short training events potentially suitable for Trustees.

h. **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.

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 VolReource. 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.

i. **Trustee time limits** – The popular view is a Trustee should not serve more than a maximum continuous period. There is no legally mandatory time period; however, 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. The bottom line is that there should be an

established and documented process in place.

- **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. 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.

- **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 decisions on whether to undergo re-election, or vote to determine if a further intermediate term on the Board is offered.

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:

- Board organisation and documentation
- Board activities and individual responsibilities
- Board delegations
- Board reviews
- Board discord
- 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.

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. 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 that the frequency of 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.

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** – Regulators favour transparency in Board decision-making, with information made available at least annually, in the organisation's publications and website, on the number of meetings and the general scope of the work undertaken by the Board during the year, whilst recognising that there may be some sensitive, confidential, or commercial information that needs to be protected. One further approach for consideration 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 any s sub-committees may be made publicly available. Some Member organisations supplement their indicative calendar by including key milestones, r such as deadlines for consultations, planned surveys, and/or other business-related activities.

vii. **Formal Board documentation** – A proper documentary record of the information provided for each Board meeting, the discussions held, and decisions made should be taken. As a minimum, this should include:

- The Board Agenda.
- A set of Minutes as the formal summary record of the deliberations during each Board meeting.
- A formal Record of the decisions made, agreed actions, and the expected response dates. (either separately or incorporated in the Minutes).
- A similar structure for the formal recording of proceedings should be used at Board sub-committees, if constituted by the organisation.
- Separately, a set of papers presented at each Board meeting should be archived by the 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 minimum, the retention period for say, tax records or major contractual commitments should be considered by the Board.

Board activities and individual responsibilities – Through their Board activities, all Trustees should be satisfied their views have been welcomed and fairly considered, and that they have not felt constrained in challenging the status quo or received wisdom. They should have confidence that the activities of the Board have remained focussed on planning and delivery of the organisation's strategic objectives.

i. **Vision** – The Board should demonstrate it has set and considered regularly the organisation's governing documents, vision and values statements, and that they have been 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 that there are opportunities for the views of members, beneficiaries, and other stakeholders to be considered before major decisions are

taken.

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 Charity Governance Code for larger charities, that it would be appropriate for a Vice Chair to be appointed as someone 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** – The Chair should hold periodic bilateral meetings, or informal discussions, with each Trustee to provide an opportunity for them to voice any 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, such as safeguarding, data protection, fundraising and financial probity. Regulators recommend that individual Trustees are identified to lead on the oversight of specific legal and other requirements associated with the organisation's activities; however, this would not affect the collective responsibility of all Trustees for the organisations decisions and activities.

Board delegations – The role of the Board is to address the strategy and performance of the organisation. It should avoid managing day-to-day issue, which is the responsibility of the Chief Executive or similarly designated person, and their management team. In smaller organisations, where Trustees might also be involved in the delivery of the organisation's objectives, there should be a clear understanding of the separation of their role as a Trustee, and that of a staff member or volunteer undertaking operational activities. Particular issues to take into consideration include:

i.   **Separation of Chair and Chief Executive roles** – It is strongly recommended that the Chair of the Board of Trustees should not also undertake the role of Chief Executive. The inherent conflicts of interest would be difficult to reconcile, and is inconsistent with the Nolan principles and 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 https://www.diycommitteeguide.org/resource/clarifying-committee-staff-roles

ii.   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. All sub-committees should be chaired by a Trustee, and the Board of Trustees should ensure each sub-committee has written terms of reference are in place, together with the 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 subject to periodic review by the Board of Trustees. As a default, it is suggested the arrangement should be scheduled for review at least every three years.

v. **Board reviews** – To ensure the outlook and diversity of the leadership of the organisation remains up to date, there should be a documented, regular review of the roles and Terms of Reference (TORs) of the Board, its Trustees, and senior executive staff.

vi. **Chair and Trustee TORs** – At the commencement of a Chair/Trustee's activities as a member of the Board, they should receive an individual TORs, or an alternate document that fulfils this requirement. This should be periodically reviewed given that requirements can change over time.. The Board should determine the frequency of such reviews, and who should undertake them.

vii. **Board of Trustees TORs** – TORs for the Board of Trustees should be prepared, and periodically reviewed; with the frequency of these reviews being determined by the Board. Examples of Board of Trustees TORs are available at The Pensions Regulator and at the National Deaf Children's Society

viii. 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.

ix. **Sub-Committee TORs** – The TORs of each sub-committee of the Board and the sub-committee Chair should also be reviewed regularly, and the frequency of a review of these TORs should be agreed by the Board of Trustees.

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, and templates for the conduct of such reviews are available at Salford CVS and Kingston Smith. Regulators also advise Trustee Boards might also benefit from a periodic external evaluation of their ways of working. This is not an obligatory requirement, but if adopted, the Charity Governance Code recommends a review every three years.

Board discord – Differences of opinion may arise from time to time, and are normally resolved amicably, but disputes can be disruptive to the reputation and operations of the organisation. Regulators recommend having procedures in place to ensure that any board dispute is addressed and resolved promptly in the spirit of cooperative working and integrity. The approach on resolution

of disputes might be covered in the organisation's governing documents, or Trustee code of conduct; However, in some cases it might be necessary to seek specialist external guidance. Examples of a board dispute resolution policy are available at Operational Guidance, Effective Governance. .

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 arise, they should be promptly declared, 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 regular review 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, and OSCR ..

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, and local authorities, expect Registers to be disclosed publicly. In the interests of transparency, Member organisations might wish to consider making their Registers available online or provide details on where they can be viewed.

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Expectation 3: Business Management

To fulfil good governance expectations a Member organisation should be able to demonstrate that 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.

There are six governance measures that collectively should demonstrate a sound approach to Business Management, namely:

- Strategic business and financial planning.
- Budget setting and monitoring.
- Management of risk.
- Financial audit/examination.
- Remuneration.
- Impacts on beneficiaries.

The business undertaken by Trustees should typically include ensuring that 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, such as Executive Officers with delegated powers.

Business planning and financial planning

a. **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 3-5 years, and the objectives it intends to pursue. An extended timescale may be prudent if the purposes of the organisation require a strategic view over a longer time.

b. **Sustainability** – As part of the strategic planning process, Trustees should consider 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, to ensure the continued viability of the organisation to provide for its beneficiaries. The scope of such a 'sustainability review' might be integrated within the Member organisation's longer-term business planning process or undertaken as a separate exercise. As a default, it is recommended that a sustainability review is undertaken at least every five years.

c. The Board of Trustees should also consider, as part of this process, whether there are opportunities to improve its services to beneficiaries through collaboration, joint working or rationalisation of operations with other organisations. Guidance from the Charity Commission can be found on collaboration working and mergers (CC34); and a Cobseo Information Note on Efficiency and Rationalisation is also available on the Cobseo website

d. **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 benefits that could be achieved by 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.

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 NCVO and at Bridgespan.

e. **Financial projections** – The strategic plan should be supplemented with a corresponding set of financial projections, reflecting Trustees' responsibilities 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.

f. **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 have arrangements in place to monitor progress during the year, (usually with the Executive staff responsible to delivery). The Trustees should be satisfied the operational plan is in accordance with the organisation's charitable purposes; strategic aims; and available resources. Further advice is available via Leo Isaac.

Budget setting and monitoring - The Board of Trustees should agree the annual budget for the organisation and have arrangements in place to monitor progress (usually with the Executive staff responsible for delivery). Helpful information and templates examples on preparing budgets in charitable organisations are available at CFG Small Charities Programme, The Money Charity and WCVA. 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.

Management of risk - Trustees should be able to demonstrate that they have identified and are managing the major risks that might affect the organisation's ability to achieve its objectives, including regular review of mitigation action. ThirdSector identified the five predominant risks potentially affecting charitable organisations as: damage to reputation; decline in funding and donations; inadequate insurance; loss of data; and fraud. More specifically:

a. **Risk Management Process** - The Board of Trustees should 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.

b. **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 Government Website.

c. 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.

d. **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.

Financial Audit/Examination

a. **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 be able to demonstrate that they have a credible process in place to appoint an auditor (or independent examiner) and, where appropriate, to consider advice from their Audit Committee. Independent examination of charity accounts: guidance for trustees.

b. **Audit Committee** – If an organisation has an Audit Committee, Regulators have recommended that:

- The 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.

c. **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.

Remuneration – The Board of Trustees should publish its policy on setting the remuneration of its senior Executive staff, and for any special circumstances when a Trustee receive remuneration. To promote transparency, Regulators recommend that this policy is published on the organisation's website. A summary should also be included in the organisation's annual report. Details on the setting of a remuneration policy and disclosure of remuneration information are presented at the NCVO, SORP and OSCR.

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 beneficiaries of a project or organisation's work, and the wider impact, such as contributing to government's national and regional policies (e.g employment and skills; education and vocational training; health outcomes; care in the community and housing priorities). Impact reporting is still an emerging discipline, and there is no single recommended approach. However, there are various sources of advice, including an ad-hoc group, Inspiring Impact, comprising partners from the charity sector, business and government, who have prepared a variety of online resources and self-assessment tools to assist the voluntary sector organisations in measuring the impact of what they do.

Impact measurement approach – Trustees have a duty to ensure that their organisation is implementing the charitable objects it was set up deliver, which in addition to setting the strategic and operational direction, also requires clear definitions of the desired outputs, outcomes, and impact; and Trustee Boards 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 an impact measurement toolkit is available at Kingston Smith.

Impact reporting and feedback – Trustee Boards 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	Poppy Factory
Officers' Association	SSAFA
RNRMC	RAFBF
The Royal Marines Charity	

Expectation 4: Core Polices

The Confederation is aware policies and clear working practices for some topics are explicitly expected by Regulators, most 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.

Policy preparation and approval

a. The Board of Trustees should demonstrate they have documented their formal agreement on the content and implementation of each policy of the organisation.

b. 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 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 tin 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](#).

Policy review

a. 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.

Advice, Assistance and Training

The Charity Commission offers a wide range of advice and guidance for Trustees to assist in understanding and discharging 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 managing a charity produced by the Charity Commission for 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 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. The Scottish Council for Voluntary Organisations (SCVO) have a Good Governance checkup tool, which can be accessed if organisations sign up.

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), 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 NPC is a charitable research and events organisation. It has produced open access advice on good governance practices based on its own studies into charities.

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.

The Directory of Social Change suggest some charity governance publications on their website.

Cobseo is a Confederation 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 via Social Media channels.

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.

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