

 **Charity**
COMMISSION

for England and Wales

The Hallmarks of an Effective Charity

The Hallmarks of an Effective Charity

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Introduction

In June 2003 we published **The Charity Commission and Regulation** explaining how the Commission regulates charities and the principles we follow in doing this. **The Hallmarks of an Effective Charity** complements this framework by setting out the principles that our regulation aims to protect and promote and the standards an effective charity and its trustees aspire to.

The Commission's role

The Charity Commission is established by law as the regulator and registrar for charities in England and Wales. Our approach is to regulate with the object of promoting compliance with charity law and equipping charities to work more efficiently and effectively. Our regulation is intended to enable charities to maximise their potential and enhance their accountability to beneficiaries, donors, and those who benefit more widely from charities. The end result should be increased public trust and confidence in charities.

We fulfil our role as regulator by:

- securing compliance with charity law, and dealing with abuse and poor practice;
- enabling charities to work better within an effective legal, accounting and governance framework, keeping pace with developments in society, the economy and the law; and

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- promoting sound governance and accountability.

The aim of this publication

The Hallmarks set out the standards that we believe an effective charity and its trustees will try to uphold and the principles that our regulatory framework exists to support.

Each of the six Hallmarks describes an overarching principle and **not** a legal requirement. Together they set out a framework for effectiveness that charities can work towards. The bullet-points under each of the Hallmarks suggest ways in which each might be achieved but will not be applicable to all charities. Some charities may find different routes to the same end. Although the principles on which the Hallmarks are based will be relevant for all charities, the way in which they can be achieved will vary with the size, income, complexity and activities of each charity.

Compliance with the law is an integral part of good governance and effectiveness. This publication does not attempt to list the legal requirements that apply to charities and charity trustees; detailed guidance on particular areas of legislation and charity administration can be found in our range of publications and on our website.

Who needs to read this guidance?

This publication is **primarily** designed for charities with an annual income of £250,000 and above. Even within this group, there are some charities that will find that not all of the bullet-points are relevant to them - for example, charities that do not deliver services but make grants to their beneficiaries. In particular we would like to emphasise that some of the methods of achieving the Hallmarks will not apply to smaller charities. There is guidance on our website specifically for very small charities with an income of less than £10,000 a year.

In addition, this publication will help trustees address issues raised when we visit charities.

Meanings of terms used

In this guidance:

Activities means anything done using resources belonging to the charity or under its control, and include all of its work and services.

Aims are the means by which the charity delivers its mission.

Beneficiaries are the persons, people or bodies who may benefit under charitable trusts.

Charity trustees are the people who, under the charity's governing document, are responsible for the overall control of the charity and ensuring that it is properly managed. In the charity's governing document they may be called trustees, managing trustees, committee members, governors or directors, or they may be referred to by some other title.

Governing document means any document setting out the charity's objects and usually how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, rule, conveyance, will, Royal Charter, Scheme of the Commission or other formal document.

Impact means the broad, longer term effects of the charity's work. It can be positive or negative, intended or unintended.

Indicators are well-defined, easily measurable information, which show how well the charity is performing.

Mission means a specific purpose which contributes to the charity's vision.

Objects are the charitable purposes that the charity is to achieve which are set out in the charity's governing document.

Outcomes are the changes, benefits, learning or other effects that happen as a result of the charity's services or activities.

Stakeholders are those who have an interest in, or expectation of a charity either as individuals or representatives of a group. These might include service users/beneficiaries, staff, volunteers, trustees, donors and so on.

Values are the set of principles which a charity seeks to apply both in setting its mission and aims and in its day-to day operations.

Vision means the ideal towards which the charity is working.

The Hallmarks

Focus on impact and outcomes

1. **An effective charity considers the impact that it wants to have and actually has on the people who benefit from it, is clear about its objects, vision, mission and values, and how it will achieve them.**

In order to demonstrate this, the charity:

- complies with the law by ensuring that its aims and planned activities are within the objects set out in its governing document;
- has a clear idea of its vision, mission, and values (eg set out in a written statement that is regularly reviewed) which gives the charity focus, direction and clarity and involves stakeholders both in defining and measuring its efficacy;
- prepares and regularly reviews a written plan outlining the steps it will take to achieve its mission;
- has considered methods of identifying, measuring and learning from the charity's achievements and outcomes, including the positive and negative effects that it has on the people who benefit from the charity, other stakeholders and the community as a whole;
- sets achievable targets and indicators against which success is measured based on the aims of the charity, the needs of the people who benefit from it, the quality of its services and the resources available;
- regularly reviews whether the charity's objects (as set out in its governing document) are up to date and relevant.

Fit for purpose

2. The structure, policies and procedures of an effective charity enable it to achieve its mission and aims and deliver its services efficiently.

In order to demonstrate this, the charity:

- reviews its organisational and trustee structures and evaluates its achievements and performance against its targets on a regular basis to ensure that it is maximising its potential;
- identifies and regularly assesses the risks that it is exposed to and decides how it will manage them;
- regularly reviews its governing document to ensure that it is up to date and that the trustees have the powers that they need in order to achieve the charity's objects and manage its resources;
- identifies and complies with relevant legislation and takes professional advice where necessary;
- develops and uses written policies and procedures for its employment practices, including the appointment, appraisal, training and development of staff;
- recognises and promotes diversity in beneficiaries, staff and volunteers;
- where it utilises volunteers, cultivates an environment which attracts volunteers to support the aims of the charity and puts in place policies and procedures which recognise their worth and maximise their contribution to the charity;
- has policies and procedures to protect vulnerable groups that it works with including, for example, children and people with a learning disability.

Sound governance

- 3. An effective charity is run by a clearly identifiable trustee body that has the right balance of skills and experience to run the charity effectively, acts in the best interests of the charity and its beneficiaries, understands its responsibilities and has systems in place to exercise them effectively.**

In order to demonstrate this, the charity:

- complies with the law by ensuring that the trustee body is constituted in accordance with the governing document;
- identifies the mix of skills, knowledge and experience necessary for the efficient and effective direction of the charity and ensures that the rotation of trustees provides adequate opportunities for re-assessing that mix;
- recruits and selects trustees on the basis of the mix of skills, knowledge, experience and the diversity that they bring to the trustee body, as well as the time they have to do the job well; undertakes all appropriate checks to ensure that a prospective trustee is both eligible and suitable to act in that capacity;
- has a policy for managing conflicts of interest on the trustee body and ensures that trustees understand that they must act solely in the best interests of the charity;
- has an induction programme for trustees which enables them to rapidly become effective and valuable trustees;
- has a trustee body that takes responsibility for evaluating its own performance and for identifying and addressing the individual training needs of trustees;
- has a trustee body that is the right size for the charity - large enough to include the right balance of skills and experience needed to run the charity effectively, but small enough to facilitate discussion and effective decision making;
- has a clear understanding of the respective roles of the trustee body and staff with written role descriptions for trustees and trustee officers (such as the Chair and Treasurer), and has systems in place that the trustee body use to monitor and oversee the way in which their delegated powers are exercised;
- is able to take decisions which further the work of the charity while recognising and managing the risks to the charity's beneficiaries, to itself and to other stakeholders.

Maximises potential

4. An effective charity manages and uses its resources so as to optimise its potential.

In order to demonstrate this, the charity:

- plans to manage its resources (including finance, skills, knowledge, experience and assets), considers appropriate methods of controlling costs and generating new funding, and monitors actual performance so as to identify any potential problems in good time and take corrective action;
- has robust systems in place for internal financial control and the protection of its funds;
- diversifies its sources of income, for example, to reduce the risk of over dependence on one or two sources;
- has a fundraising strategy that works within recognised good practice frameworks and considers which methods of fundraising are appropriate for the charity;
- has robust processes in place for the management and control of all fundraising activities undertaken by the charity or on its behalf;
- has a strategy in place for both its investments and its reserves which takes into account and plans for the needs of current and future beneficiaries;
- considers and plans for the use of non-cash resources such as volunteers, donated goods, and physical assets for own use or investment;
- considers collaborations and partnerships with other organisations and mergers with other charities to improve efficiency and the better delivery of benefits and services.

Accountable and transparent

5. An effective charity is accountable to the public and other stakeholders in a way that is transparent and understandable.

In order to demonstrate this, the charity:

- complies with its legal obligation to produce an Annual Report and accounts which includes an explanation of what the charity has done during the year and, as a matter of good practice, the extent to which it has achieved its charitable aims in a way that internal and external stakeholders can understand;
- complies with relevant legal and good practice obligations for financial reporting, including the Charities Statement of Recommended Practice (SORP) and has reporting practices that are honest, open, even-handed (not hiding the bad), clear and comply with the appropriate standards;
- explains its activities and decisions in an open and transparent way while maintaining confidentiality where appropriate, and is able to demonstrate its independence from other bodies. Independence in this context means that the charity must act to carry out its own charitable purposes, and not for the purpose of implementing the policies or directions of a governmental authority, or of any other bodies;
- welcomes both positive and challenging feedback from its stakeholders and has well-publicised, effective and timely procedures for dealing with complaints about the charity and its activities. These explain rights to complain and appeal and give details of the process and likely timescales;
- has a communications strategy that ensures that accurate and timely information is given to stakeholders including the media, donors and beneficiaries.

Flexible

6. **An effective charity is flexible enough to influence and adapt to changes in the environment in which it works in order to meet the changing needs of those who use its services.**

In order to demonstrate this, the charity:

- has systems in place to gather and analyse information about emerging trends in the environment in which it operates, and their likely impact on the activities of the charity and partner organisations, and uses these to inform its planning processes;
- welcomes feedback from its beneficiaries about the services it provides and the areas where improvements could be made;
- identifies and uses opportunities to influence the environment in which it works to be more conducive to its aims, following the law and good practice when campaigning or lobbying;
- is not complacent but is engaged in a process of continual improvement, using techniques and tools best suited to its size and activities, eg recognised quality systems and benchmarking, to improve its own future performance;
- is ready to share good practice with other bodies;
- investigates and makes appropriate use of new technologies to carry out its activities more effectively;
- considers from time to time different methods of carrying out its administrative work, for example buying in external services or collaborative working such as sharing resources such as staff, offices or transport.

Further reading

The Charity Commission produces a wide range of publications and website guidance giving information and advice to charity trustees and the general public on a number of issues relating to charity law and regulation. The full list of publications is on our website or in our publication CC1, but the list below is a selection based on some of the issues identified in this guidance.

We have also listed a selection of other organisations which can be used as sources of information.

Website publications

The Charity Commission and Regulation
Charities and Risk Management
Child Protection
Conflicts of Interest

Charity Commission Publications

The Charity Commission and Regulation
CC3 The Essential Trustee: What you need to know
CC8 Internal Financial Controls for Charities
CC9 Political Activities and Campaigning by Charities
CC15 Charity Reporting and Accounting: The essentials
CC20 Charities and Fund-raising
CC47 Complaints about Charities

To obtain copies of these or any other of our publications you can either:

- view and print them from our website;
www.charitycommission.gov.uk;
- order during opening hours - Monday to Friday 08:00 - 20:00 and 09:00 - 13:00
Saturdays by telephoning us on **0845 300 0218**; or
- write to **Charity Commission Direct, PO Box 1227, Liverpool, L69 3UG.**

Other sources of useful information

Association of Chief Executives of Voluntary Organisations (acevo)

acevo is a professional organisation for chief executives in the voluntary sector. It offers them support, advice and development opportunities with the aim of raising standards within the voluntary sector by enhancing the professionalism and expertise of chief executives.

acevo
1 New Oxford Street
London
WC1A 1NU

Tel: 0845 345 8481
Email: info@acevo.org.uk

Charities Evaluation Services (CES)

The charity was established to increase the effectiveness of the voluntary sector by developing its use of evaluation and quality systems and can help with setting aims and objectives, clarifying intended outcomes and impact, training, advice and support with quality systems (such as PQASSO) and monitoring and evaluation.

Charities Evaluation Services
4 Coldbath Square
London
EC1R 5HL

Tel: 020 7713 5722
Email: enquiries@ces-vol.org.uk
Website: www.ces-vol.org.uk

Charity Finance Directors' Group (CFDG)

CFDG is a membership organisation which specialises in helping charities to manage their accounting, taxation, audit and other finance related functions. The Charities Resource Network is the online information service of the CFDG.

3rd Floor
Downstream Building
1 London Bridge
London
SE1 9BG

Tel: 0845 345 3192
Email: info@cfdg.org.uk
Website: www.cfdg.org.uk

Charity Trustee Networks (CTN)

This charity offers trustees mutual support by encouraging and developing self-help trustee network groups providing cost effective, peer to peer consultancy and mentoring.

Charity Trustee Networks
3-4 Frensham Suite
Friary Court
13-21 High Street
Guildford
GU1 3DG

Tel: 01483 230280
Fax: 01483 303932
Email: info@trusteenet.org.uk
Website: www.trusteenet.org.uk

Directory of Social Change (DSC)

The Directory promotes positive social change and provides a wide range of resources for trustees.

London

24 Stephenson Way
London
NW1 2DP

Liverpool

Federation House
Hope Street
Liverpool
L1 9BW

Tel: London 0845 077 7707 & Liverpool 0151 708 0117

Email: (Training and Events) London: training@dsc.org.uk

Liverpool: north@dsc.org.uk

Website: www.dsc.org.uk

Ethnic Minority Foundation (EMF) and the Council of Ethnic Minority Voluntary Organisations (CEMVO)

EMF and CEMVO develop resources for black and ethnic minority organisations, these include networking and training opportunities and a trustee register.

Boardman House

64 Broadway
Stratford
London
E15 1NG

Tel: 020 8432 0000

Email: enquiries@emf-cemvo.org.uk

Website: www.emf-cemvo.co.uk

National Association for Voluntary and Community Action (NAVCA)

This organisation is the national umbrella body for 250 Councils for Voluntary Service in England. A local Council for Voluntary Service provides advice, support and information to voluntary organisations and charities in their area, including help with registration. If you would like details of your local Council for Voluntary Service please contact NAVCA as below.

Similar organisations to the NAVCA exist for voluntary organisations and charities based in Wales. Please contact WCVA (see page 15).

National Association for Voluntary and Community Action
The Tower
2 Furnival Square
Sheffield
S1 4QL

Tel: 0114 278 6636
Email: navca@navca.org.uk
Website: www.navca.org.uk

National Council for Voluntary Organisations (NCVO)

NCVO is the largest umbrella body for the voluntary and community sector and offers advice and information on a wide range of subjects. As well as providing best practice advice, NCVO represents the sector when dealing with government and policy makers. NCVO is also a membership body and has over 4,200 organisations as members.

National Council for Voluntary Organisations (NCVO)
Regent's Wharf
8 All Saints Street
London
N1 9RL

Tel: 020 7713 6161
Fax: 020 7713 6300
Helpdesk: 08002 798 798
Email: ncvo@ncvo-vol.org.uk
Website: www.ncvo-vol.org.uk

Wales Council for Voluntary Action (WCVA)

WCVA is the voice of the voluntary sector in Wales. It represents the interests of, and campaigns for, voluntary organisations, volunteers and communities in Wales. It provides a comprehensive range of information, consultancy, funding, management and training services. Charities can use the WCVA website to find their nearest County Voluntary Council (CVC).

Wales Council for Voluntary Action
Baltic House
Mount Stuart Square
Cardiff
CF10 5FH

Tel: 029 2043 1700
Helpline: 0870 607 1666
Website: www.wcva.org.uk

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