Pro Active Resolutions

Aspects of a Well Run Charity

The charitable sector is becoming increasingly important to the government as a means of delivering its social policies. The level of state funding, including the lottery has had a major impact on the running of charities. As the sector becomes more professional in its approach and the competition for funding greater the demands to show that the charity is operating effectively is vital.

There are many facets in running a charity but broadly they can be split into three major areas: Governance, Finance and Beneficiaries. Charitable organisations are established to meet the needs of beneficiaries, and must take account of their views in developing its policies and operational activities. That does not mean handing over the running to the beneficiaries but having structures in place to take account of their views in delivering the charitable aims. This involvement of the beneficiaries must take account of the funder's wishes who should also be involved in discussions about the policies and objectives and how they are to be provided.

Having identified the need to respond to the two major stakeholders in the process the charity must show that it is managed effectively, with safeguards in place to ensure that it is managed effectively into the future. For those charities receiving government funding these requirements are likely to be specified in a PPA (Public Partnership agreement) linked to the funding. A fundamental principal in ensuring a well-run charity is the reliance on a board of trustees. If the main aspect of governance is the trustee then the quality, skills and performance of trustees is crucial. We all know the difficulty of appointing trustees but there must be a clear rationale in those appointments. Firstly however the trustees are appointed, be it by nomination of funders, representatives of beneficiary groups, elected by members or co-opted onto the board they have a duty to act independently of their sponsors. Trustees must act in the best interest of the charity regardless of the views of their own particularly constituents. To help ensure this trustees are precluded from receiving any personal financial gain from their involvement in the charity. If there is at any time a conflict of interest this must be stated by the trustees and appropriate action taken.

For a charity limited by guarantee trustees are also legally company directors and governed by company law in how they carry out their roles.

One of the most worrying aspects for many trustees is finance. Often the need to serve clients is hampered by lack of funds that can create a temptation to be over optimistic. A well run charity needs to ensure that finances are kept in order so that any fluctuations in activity are planned within the financial well-being of the charity. This means that it is more than simply complying with SORPs (see article in this edition) but ensuring robust systems of control of assets are in place. This control covers not only cash but also materials and other assets such as computers.

Trust is vital for any charity, however temptation can sometimes prove too great for some. It is best if temptation is avoided by strict systems of financial control which will be discussed in future issues. In addition to financial regulations good use of assets requires policies on reserves and investments to ensure that the charity can meet its commitments whilst at the same time ensuring that as much as is reasonably possible is spent on the beneficiaries.