



Funding and Costing Workforce and Governance Development

A resource for the voluntary and community sector



workforce hub



governance hub



UK Workforce Hub

The UK Workforce Hub offers guidance and advice to help voluntary and community organisations to attract, develop and retain the staff and volunteers they need.

The Hub promotes good employment practice in the voluntary and community sector by offering a one-stop-shop website and helpline for organisations and a variety of publications and networks.

The UK Workforce Hub is hosted in England by NCVO, in Northern Ireland by NIVCA, in Scotland by SCVO and in Wales by WCVA.



Governance Hub

The Governance Hub aims to improve the quality of governance within the voluntary and community sector across England by:

- Increasing the supply of trustees and board members, with the range of profiles, skills and experience needed by voluntary and community organisations
- Enhancing the knowledge and skills of trustees, board members, senior managers and others involved in governance
- Enhancing the governance capacity of organisations to deliver their mission, engaging and involving their key stakeholders
- Promoting good governance in the voluntary and community sector.

The Governance Hub is a partnership of nine organisations that provide support to the voluntary and community sector: Association of Chief Executives of Voluntary Organisations (acevo), Black Training and Enterprise Group (BTEG), British Association of Settlements and Social Action Centres (bassac), Charity Trustee Networks (CTN), East Cornwall Council for Voluntary Services (ECCVS), National Association for Voluntary and Community Action (NACVA), National Council for Voluntary Organisations (NCVO), Social Enterprise Coalition (SEC) and Volunteering England. The accountable body for the Governance Hub is NCVO (charity number 225922).



ChangeUp

The UK Workforce Hub and Governance Hub are two of six national Hubs of expertise, developed as part of the ChangeUp programme to build capacity and improve the infrastructure of the voluntary and community sector. The other four Hubs are: Finance, ICT, Performance and Volunteering. The Hubs are funded by Capacity builders.

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By Ceri Hutton and Stephanie Sexton

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Glossary of terms and abbreviations

AGM: Annual general meeting.

FCR: Full cost recovery, which is explained in this resource.

liD: Investors in Diversity.

liP: Investors in People.

Senior staff member: The paid member of staff within the organisation with lead responsibility for overseeing its management and operations. In your organisation s/he may be called the project manager, director, chief executive officer (CEO) or a number of other names.

Trustees: The group of people legally responsible for the organisation. They may be known as the board, company directors, management committee or another name.

VCO: Voluntary or community organisation.

VCS: Voluntary and community sector.

Acknowledgements

In creating this resource, the authors have drawn substantially on the invaluable work already undertaken by a number of individuals and organisations on quality, costing, accounting and other issues. These works are all referenced at the end of Section 2 (Tool 7).

In addition, we drew on a number of informal and formal discussions with both VCOs and funders. We would particularly like to thank those organisations which attended the focus groups at the King's Fund in January 2007 to scrutinise the first draft. Your comments were all helpful.

Thanks are finally due to Sally Hiscock of the Governance Hub and Lai-Har Cheung of the UK Workforce Hub for their supportive and encouraging management throughout.

Ceri Hutton and Stephanie Sexton



Introduction

“We don’t really have a budget line for governance. We’ve got one for trustee meetings – for sandwiches and so on – does that count?”

London-based voluntary organisation

Background

Workforce and governance development – often referred to as ‘organisational development’ – form the bedrock of any VCO. They are about ensuring that your organisation is accountable, clear in its vision and direction, and that the people within it are supported and performing to the best of their abilities.

However, evidence shows that many VCOs are not adequately costing and budgeting for this and therefore not seeking funding for these areas. This is for a number of reasons, including external pressures such as funder preferences. Whatever the cause, the result can be that VCOs struggle to meet the full costs of ‘doing organisational development well’.

The VCS is resourceful, and will often find very cost-effective solutions to address needs such as staff development: for example, in-house training provided by staff or reciprocal mentoring arrangements set up with other organisations. In addition, the sector will often cover these costs by subsidising them – either through volunteer time, or through staff regularly working longer hours than they are paid for. Senior staff members, particularly in small to medium sized VCOs, are particularly vulnerable to long hours of unpaid overtime as they try to cover all the workforce and governance development needs of their organisation.

Purpose of this resource

This resource has been produced to help you better understand the costing and funding implications of workforce and governance development so that you are able to better plan, budget, cost and fundraise around these critical organisational areas.

VCOs have to juggle a lot of priorities. In terms of this resource, two particular agendas are relevant:

- **The quality agenda.** Much helpful guidance and many frameworks exist to help VCOs understand and adopt best practice (quality standards) around workforce and governance development, as well as other areas. Funders often expect to see ‘quality’ in these areas. As a result, many VCOs are already trying to meet or adhere to such guidance without necessarily being aware of the costs of doing so.
- **The full cost recovery agenda.** There is a lively debate in the VCS about recovering full costs, and how to do this. Many VCOs are trying to implement full cost recovery, and many second tier organisations are running support sessions to enable the organisations they work with to adopt this costing model.



Broadly, this resource fits between these two agendas. It encourages you to strive towards best practice and to try and recover your full costs. It does this by suggesting a number of practical ways in which you can more fully understand:

- what 'quality' means for workforce and governance development
- what this may cost in real terms
- how you may therefore want to reflect these costs in your budgets
- how you might make the case for funding these costs to external stakeholders, particularly funders.

This resource is divided into two sections:

- **Section One** provides an overview of the key issues raised by costing workforce and governance development, and explains more fully the potential uses of this resource.
- **Section Two** is a 'toolkit' that provides practical suggestions and examples to help you develop and cost these key areas.

Good luck with your costing and funding work.



Section I

Background information and overview

Background information

- What are workforce and governance development?
- What is full cost recovery?

About this resource

- Who is this resource for?
- What can this resource help with?
- How can my organisation benefit from using this resource?
- How does this resource fit alongside other frameworks?

Background information

What are workforce and governance development?

Every voluntary and community organisation (VCO) has trustees who have to 'govern' the organisation, and staff and/or volunteers who have to deliver the work (its activities, projects and services).

This means that both workforce and governance development are issues for every VCO, no matter how large or small.

Workforce development is about recruiting and developing your 'people resources' so that they are motivated, skilled and able to deliver the core activities and services of your organisation. In practice, this is about ensuring that your organisation recruits widely, wisely and well. Once it has done so, you need to ensure that people are clear about what they are doing, managed well and offered a variety of types of support and development to help them do their jobs and deliver on the organisation's core objectives.

Governance has been defined as *"the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation"*. In practice, this is about ensuring that every organisation has effective, skilled trustees who are clear about their role, that they set a clear strategic framework and that the organisation is operating in an accountable manner and within the law. Though trustees should lead the governance of every organisation, staff are often heavily involved in working alongside them to help them carry out activities associated with governance, such as producing strategic plans, trustee recruitment, meetings administration, organising AGMs, and so on.

Why are they so important?

It's obvious that having trustees, staff and volunteers who perform well, and in the interests of your organisation, is vital. But there are other reasons why their importance has become highlighted, particularly in recent times.

- The principle of 'voluntary leadership and governance' is the key defining characteristic of the VCS. The fact that the sector is led by voluntary trustees, with no financial interest, embodies both the spirit and the practice of VCS activity in the UK. This unique, defining and challenging principle is inspiring, but also presents many challenges in its practical implementation.
- At its core, the sector embraces values to do with the support and respect of individuals. Much of its activity involves promoting this for its beneficiaries, but it also needs to be consistent in doing this for those working within it. Making sure that it is fair, diverse and supportive means that a focus on workforce and governance development is essential.
- There has been an increasing focus on the need to improve the capacity of the VCS. This gave rise to the national ChangeUp initiative, which highlighted the key areas of workforce and governance development for all VCOs, and developed national centres of expertise to look at these areas (the 'Hubs', two of which – UK Workforce and Governance – have produced this resource).
- Quality frameworks abound. There is a general recognition that to be a viable VCO you need to be able to show that you meet basic best practice standards. Most recently, the publication of the Code of Governance¹ and National Occupational Standards for Trustees and Management Committees have helped to create a detailed reference point for quality around governance. In addition, Investors in People (IiP) and the more recently launched Investors in Diversity (IiD) focus on workforce and broader organisational development.

¹ All documents referred to in this section are referenced under 'Further Resources'

- Increasingly, funders expect VCOs to demonstrate accountability and basic best practice in these areas. Many funding applications, for example, will ask for a copy of your strategic and/or business plan, and a copy of your accounts. In addition, many funders will want to see evidence that you have diversity strategies in place for your trustees and staff. However, although funders can be keen to check and assess these areas, they are not always aware of, or prepared to fund, the full costs of implementing best practice, which can be costly, and time consuming.

What is full cost recovery?

Full cost recovery (FCR) is not a new concept, but has gained recognition in recent times. The Gershon Efficiency Review in 2003 highlighted the need to improve the funding relationship between the VCS and funders. It also called on the sector to identify 'core costs' more clearly and fully in order to 'recover' them from funders. This would ensure that the core infrastructure and staffing of organisations was not squeezed to an unviable level in favour of a constant focus on service delivery.

The key resource on FCR is published by acevo² and New Philanthropy Capital: *Full Cost Recovery: A guide and toolkit on cost allocation*. This resource helps VCOs identify what their core costs are (it calls them 'overheads'), and then provides a template for apportioning these out across funded projects or services. In theory this means that most, if not all, of your funding applications will have a combination of direct project costs, plus an apportionment of your overheads.

- The FCR guide divides overheads into five categories: premises and office costs; director; support services; governance and strategic development; and general fundraising (see page 25 of the FCR guide). The guide also lists what you may wish to include in these categories (see page 34-35). Of particular note to this resource on funding workforce and governance development are: central functions (senior staff member³ and support services), salaries and on-costs of director and all staff performing core organisational support (e.g. finance, personnel, reception). It should be noted that it is the percentage of their salary and on-costs which is not engaged on direct projects or fundraising which should be included here.
- Governance and strategic development could include:
 - Audit and statutory accounts
 - Legal and professional fees
 - Trustee expenses
 - Strategic development costs (e.g. costs relating to developing a business plan such as consultancy fees) although not the salary costs of staff who work on this which are already included in central functions.

What difficulties does FCR pose?

Though the principle of full cost recovery is sound, some VCOs report difficulties in implementing this approach. For example:

- FCR can be problematic for VCOs with only one or two sources of project funding, as here the percentage apportionment of their overheads will be high.
- Apportioning overhead costs is difficult for those who do not know the full portfolio of their funded projects and services when they make their FCR calculations. If you don't know how many funding bids you are putting in, and/or will be successful, you can't know the percentage of overheads to allocate.

² Association of Chief Executives of Voluntary Organisations

³ The full cost recovery template in fact uses the term 'director' throughout to denote the senior staff member

- FCR does not necessarily allow for the building up of contingency or reserves, which are needed if organisations are to be prudent. Unless there are reserves, the organisation will not have a buffer against unforeseen costs, many of which are associated with workforce issues (e.g. recruitment, maternity pay and cover etc).
- Though some funders are sympathetic to the principle of FCR, it seems that others are still operating a 'glass ceiling' in terms of the percentage of overheads they are prepared to fund – normally around 10 to 15%.
- The VCS consistently subsidises its work. Trustees and volunteers, who contribute significantly to the effectiveness and productivity of the sector, are usually not remunerated. Many staff work more than their contracted hours on a regular basis in order to get the essential tasks done. Senior staff members in small to medium-sized VCOs are particularly susceptible to this: without dedicated staff members for functions such as office management, finance, fundraising and personnel, they might find themselves taking on all of these and writing the strategic plan at the weekend! This unpaid work is not and cannot be included in the FCR model, which is based on actual expense rather than true cost, leading some VCOs to note that 'full expense recovery' may be a more accurate descriptor of the process.

What's the link between FCR and costing workforce and governance development?

There are two main reasons why it is important to think through workforce and governance development costs when working towards FCR:

I. To ensure you set your 'overheads' accurately

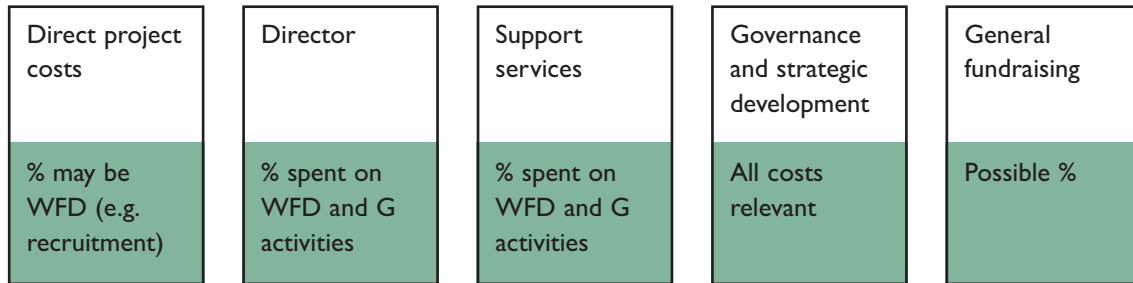
Workforce and governance development costs may be included at a number of points when calculating your overall figures for FCR:

- **Direct project costs.** For each project, you need to ensure that you include all direct costs. Recruitment of a project worker can be included here, as this is a workforce cost.
- **Central function cost.** A percentage of the senior staff member and support services will be spent 'doing' workforce and governance development. Time spent on business planning, trustee liaison and reporting, induction and supervision of staff and so on is time spent on workforce and governance development.
- **Governance and strategic development costs.** It is clear that these are directly associated with governance, but you need to include sufficient levels of funding in your budget (before you apportion it) to ensure that you have enough resources to effectively govern and develop your organisation.
- **General fundraising costs.** Though fundraising per se can be seen as separate from either workforce or governance development, there are elements of marketing and promotion (of your organisation) that can reasonably be viewed as communicating with stakeholders. As such, they are not only fundraising but also a part of sound organisational development.



Figure 1: Workforce and governance development costs in the full cost recovery model

Shaded area indicates where workforce development (WFD) and governance (G) costs may be found. The percentage will vary depending on the level of work undertaken in these areas.



Source: adapted from FCR template, page 25.

The FCR template also has another category – premises and office costs – which is vital both to your projects and core functions.

Unless you consider the full costs of implementing best practice in workforce and governance development when listing and then calculating your costs in each of these areas, you may risk leaving some out. This will mean that the cost arrived at for each funding application leaves your organisation short-changed in relation to these areas. This in turn will affect the resources you have available to do the work. So for example, if you do not include any costing around holding strategic planning away-days (consultancy, venue etc), you will not ‘recover’ these costs, and will be constrained in your strategic planning process.

2. To help you present the generic category of ‘overheads’ in a more detailed and positive way

The FCR toolkit necessarily reduces overheads into a few basic cost areas. However, when presenting these costs to funders (and indeed internally) it may be helpful to divide up your overheads, and link them to activities that reflect best organisational practice. Many of these activities relate to either workforce or governance development.

Doing this will enable you to identify and cost exactly what funders – and your organisation – are delivering *in activity terms* for their money. So for example, it is recommended good practice that trustees and staff members undertake a risk assessment exercise. This requires staff time, trustee time, and other possible costs such as external expert advice. These are all costs that could easily be ‘hidden’ in the overhead category, but if you cost them separately, you can better explain the link between work and resources.



About this resource

Who is this resource for?

This resource is intended for use by VCOs as an **internal document**. It will help them think through how they currently cost their organisational development work in order that they can better plan, budget, cost and fund these areas in the future.

Many of the issues covered by this resource will be understood by those already implementing full cost recovery, and by larger organisations that may have sophisticated costing systems in place. For these organisations, this resource may not have much to offer – although we were surprised when talking to a range of larger VCOs at the extent to which workforce and governance development costs could still be ‘hidden’, and costs underestimated.

More probably, this resource will be of use to:

- smaller organisations that may still be developing their planning, budgeting and costing processes
- second tier (or infrastructure) organisations that support them
- larger VCOs who have not yet considered these issues.

We hope that it will provide a useful starting point to thinking about and developing your approach.

What can this resource help with?

The resource can help you to:

- gain a better understanding of what workforce and governance development are and why they are important
- assess the true costs associated with doing these activities well
- check that your budget reflects your commitment to these areas
- persuade stakeholders – both internal and external – about the value of workforce and governance development and the need to fund it.

How can my organisation benefit from using this resource?

Considering the issues raised by this resource, and using some or all of the tools it provides, offers a number of potential benefits. It will help your organisation to:

- gain a better understanding of what best practice in workforce and governance development involves
- develop a clearer idea of what your organisation’s budget needs to cover this work
- ensure that your FCR allocations are based on a budget, which includes all the core (overhead) funding you will need



- assess whether the level of resourcing for individual activities is appropriate to your organisation. For example, a strategic planning exercise may involve high levels of external input, or none at all. If you know how much your planned activity will cost, you can balance this against your overall resource levels, the value of the activity, and the needs of the organisation at that time. All of these are important. If your organisation has lost direction and credibility, investing in a comprehensive strategic planning exercise may be absolutely essential, even if your resources are limited
- engage with funders and other stakeholders more constructively when representing core costs in project and service bids. You can show them what this core funding is used for and, importantly, how these activities are vital in providing a strong, robust service for your beneficiaries
- approach funders with a specific interest in building organisational capacity, and show them what you have planned, how this relates to recommended best practice, and how much it costs in real terms
- demonstrate to staff delivering core services within your organisation that their activities are not generic or of secondary importance – they actively contribute to a vital organisational development agenda without which the organisation will not survive and thrive. This may help motivate such staff.

How does this resource fit alongside other frameworks?

Full cost recovery

The FCR model helps you apportion your full costs (or perhaps, more accurately, expenses) across all the projects and services you receive funding for. In order to do this, you need to have a clear idea of what you should include as ‘overheads’ i.e. what are your core costs? Unless this is clear, you will have to leave them out of the calculation when you are doing your FCR percentage allocation.

One step towards improving your costing and funding is to review your budget lines to check you are including all costs you need for best practice workforce and governance development activities. So for example, if you currently do not have a ‘training and development’ budget line, you will need to include this before you allocate costs, otherwise you will not be able to recover the money you need for this.

A small note of warning! If you are working towards FCR, you should note that understanding the true costs of individual workforce or governance activities (see Tool 3 and 4) will not directly translate into your FCR calculations. Full cost recovery does not allow you to charge double if you work twice your hours– the ‘cost’ is fixed by the salary, not the time spent. This resource encourages you to think about the true cost i.e. a time-based calculation, partly because this will help you understand how much (or little) you are currently putting into these areas and partly because it will develop your understanding of the true cost of your core work. The result? You will be able to argue for more funding, or perhaps better manage your resources internally.

Getting a better understanding of the true cost of these activities, including the staff time you spend on them, can also help you make a better case when negotiating with funders for overheads. Anecdotally, some funders are still very reluctant to fund core costs as they see them as secondary to ‘direct project costs’. The reality is, of course, that unless there is a strong organisational framework, which reflects best practice and is open to user scrutiny (all of which takes time and resources to achieve), projects risk having little robustness, relevance or future. But this needs to be argued, and argued strongly.

Quality frameworks

There are a large number of quality frameworks that outline best practice in workforce and governance development. Some of them are specific to these areas, such as the Code of Governance, and others are more generic, such as PQASSO or Charity Commission guidance. Broadly speaking, these frameworks set out 'principles' or 'standards' for the VCS, and then propose some detailed ways in which these can be met.

Sometimes these frameworks help you identify how to do an existing activity better. Alternatively, you may need to add to or develop your existing work in order to meet the good practice standards they contain. Inevitably, there is a cost associated in doing this, even if it is only staff time.

In Tool 2, we have provided you with a list of activities derived from certain key frameworks. It is not within the scope of this document to list every quality standard as the list would be very long and would duplicate existing documents.

Instead, our checklist provides a condensed summary of the main activities associated with adhering to best practice in workforce and governance development. This should enable you to plan your organisational development agenda and then, if appropriate, calculate the true cost of doing this.

Legal accounting frameworks

This refers to the accounts required under charity and company law (produced by audit) rather than your internal accounting and monitoring systems.

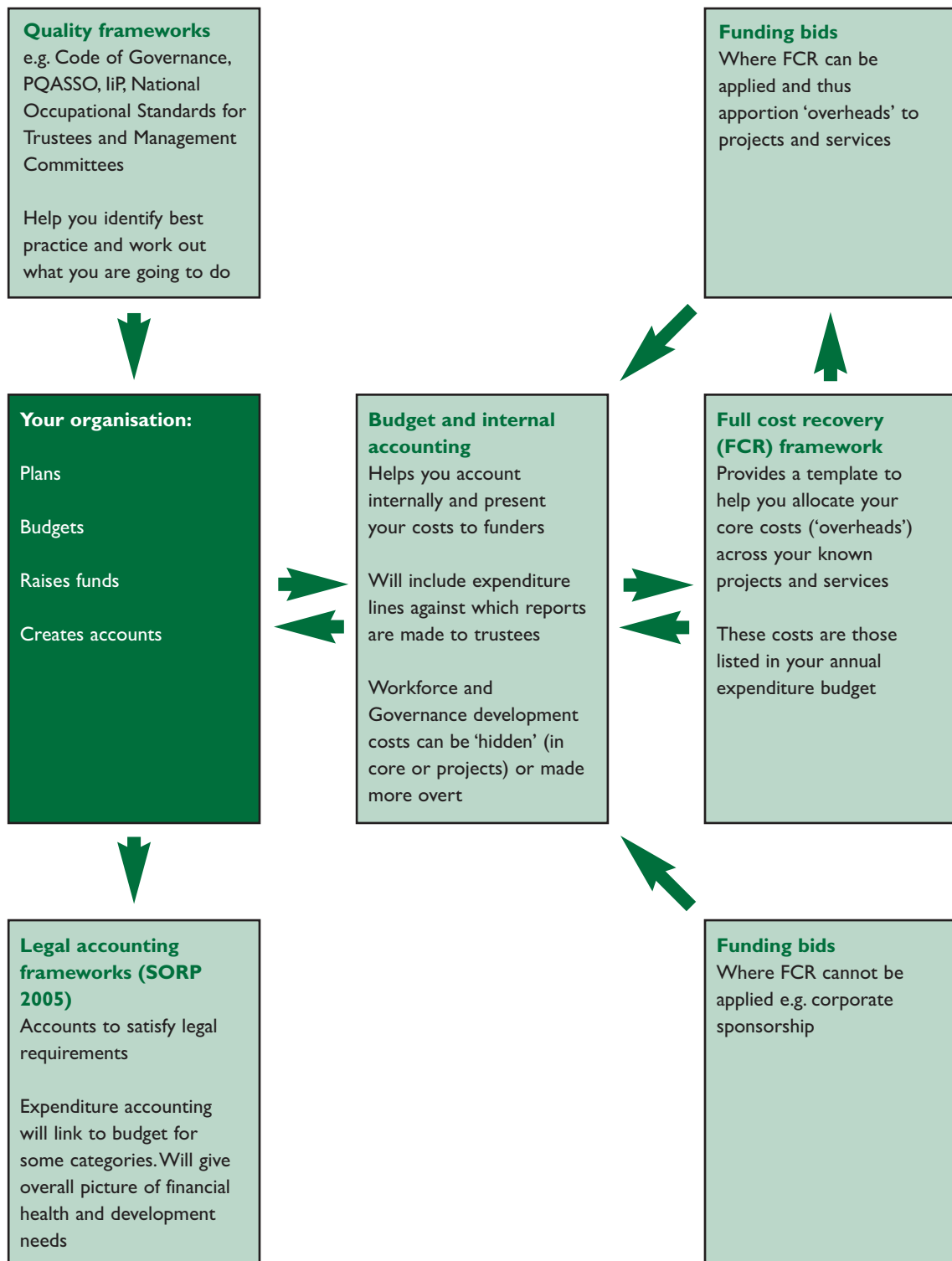
SORP 2005 requires a trustees report in the body of the accounts, which details trustees, structure, governance, management, objectives, achievements, financial review and plans for future periods. The level of detail depends on the size and complexity of the charity. This feature indicates a renewed and welcome recognition of the importance of good practice in the governance of VCOs, and requires VCOs to report on key areas of their governance activity that are aligned with best practice in quality frameworks.

These accounts enable you to examine and present your expenditure retrospectively and against certain set categories. As such, they can be useful for longer-term planning, helping you identify core deficits or surpluses. SORP 2005 provides for the analysis of your expenditure based on activity within the SoFA (statement of financial activities). There are three main activity groups: charitable, fundraising and governance.

There has been some concern that SORP 2005 might make VCOs seek to limit the amount of expenditure they account for as 'governance'. This would seem to be against the spirit of SORP 2005, which in principle at least accepts the importance of best practice in governance in particular, and should therefore be tolerant of the need to fund such development properly.



Figure 2: Different frameworks associated with costing



Section two

A basic toolkit

Tool 1: Case studies – common costing problems

Tool 2: Activity checklist

Tool 3: Basic costing process

Tool 4: Case studies – costing

Tool 5: Budget template

Tool 6: Making the case

Tool 7: Further resources



Tool 1: Case studies – common costing problems

Purpose

The aim is to show how organisations can run into difficulties, if they do not consider the true costs of their workforce and governance development activities.

Case study A

What can happen when you don't include recruitment costs in a budget?

A small voluntary organisation works in the field of early intervention with older people. The organisation received a grant to fund a worker for one year. The grant covered salary and basic on-costs.

The organisation believed that it could use its networks to identify a new worker with relative ease. However, the short contract made it difficult to recruit using that method and the trustees were confronted with a dilemma: should they use some of the salary costs to recruit, divert funds from other projects to meet the cost of wider recruitment or seek additional funding?

Due to the terms of the grant, the organisation was not able to delay the start of the project in order to seek funding. In any case, funding was minimal and to use some of it to finance recruitment would make the project untenable. The organisation decided to 'borrow' from other projects, which created difficulties for those projects and staff, contributed to resentment within the organisation and thus a downturn in the organisation's productivity.

Case study B

What can happen if the true cost of undertaking a strategic plan is not appreciated by board and staff?

It had been five years since this organisation's last strategic review and the senior staff member was concerned that she had no basis on which to plan or proceed with projects. Trustees were reluctant to spend their reserves on getting help to develop a strategic plan, and it was agreed that the senior staff member should prepare one on her own. She says: "I thought it would be relatively straightforward and perhaps wasn't as assertive as I could have been."

The organisation works with children and the external environment had changed significantly since the last strategic plan had been written. The senior staff member says: "We had been getting on



with it at an operational level, but hadn't had time to take a step back and review what the changing external circumstances really meant for us as an organisation." The regulatory frameworks in relation to child protection had also changed. "Very soon, I realised that to do a thorough job would take more time than I had," she says.

Trustees were sympathetic, but with concerns about their financial situation asked the senior staff member to 'do what she could'. She comments: "Actually, you can't do these things half-heartedly. If you don't make sure that everything is covered, you can make some very serious mistakes. I had to talk to people beyond the usual stakeholders, have serious conversations with staff about what was constraining them, re-think how our values could apply in the current environment, and then worry about the funding streams I didn't know about. All this and keep the organisation running."

"In the end, I was working 70 hours a week and it made me ill. I was performing badly, which had a knock-on effect with staff and their work. I kept bringing half-finished drafts to the trustees, but both they and I knew that it was inadequate. If only we had planned better to know what it entailed and what the costs would actually be." After three months, trustees and staff realised that they needed more resources and brought in somebody to assist with a fundamental organisational review, but not before a lot of time and energy had already been spent.

Case study C

What can happen if the support and development needs of core staff are not met?

"I joined this organisation because they said that they would provide an opportunity to develop my skills as an administrator and I would be an active part of the team." This worker, an administrator, had been with the organisation for a year. The organisation works with women in the sex industry. She was committed to helping to provide a quality service to them and her job description had identified ways in which she could be 'the interface' between the organisation and its beneficiaries.

Despite asking for supervision, access to training, opportunities to learn about the women's needs and how she as an administrator could help, no opportunities to develop her skills or role were forthcoming. "I felt like a bit of machinery – even the photocopier gets more attention," she said. The experience had left her demotivated and her core work was suffering (with the inevitable impact on the organisation). These feelings were reflected in her dealings with people outside the organisation, affecting the image and reputation of an organisation already working in a hostile environment.

Case study D

What can happen if you can't explain the value of funding your 'overheads'?

"Unusually, the grant-making body sent someone to assess us and our funding application," says the development worker at this local advice organisation, which had never really defined its 'core work', and always added 15% as overheads. "This seems to work but wasn't based on anything other than what we thought the funders would tolerate," he says.

The grant assessor wanted to make sure that their limited funds would be used for the benefit of service users. The funding body understood that a key way to deliver quality services is to ensure that an organisation's governance is strong and that a way to retain good staff is to help them develop in the role as well as the task.

However, in order to meet the twin objectives of ensuring value for money and funding an effective organisation, the grant assessor needed to understand why so much money was being asked for. The development worker could not provide a valid reason and no link was made between having a strong board and being accountable and open to beneficiary views, or any arguments put forward for providing staff training or support, which would in turn provide a better service.

"I couldn't answer other than in a vague way. I found myself being quite defensive. I think my reaction and lack of a clear answer left the assessor wondering what else we weren't clear about and as a result, we weren't awarded the grant."

Tool 2: Activity checklist

Purpose

The aim is to help you check the basic elements of good practice in workforce and governance development in order to:

- ensure that you are doing them all to some level
- provide signposts to key quality frameworks
- start you thinking about whether or not there are costs associated with any of these areas, which you are not currently building into your budget or funding applications.

Problems this is trying to tackle

One of the key barriers to accurately budgeting for, costing and then funding workforce and governance development, is not identifying your activities correctly. You may not be involved in an activity, or you may call it a 'core activity' or something similar. This means that the activity, and thus the costs, can be hidden to the organisation itself.

Explanation of checklist

This checklist provides a condensed summary of the main activities associated with adhering to best practice in workforce and governance development. These are listed in the left hand column. They have been derived from a large number of frameworks, some of which are signposted in the middle column so that you can refer to them for the detail should you wish to.

The activities have been grouped into four main areas, as follows:

Area 1: Strategic – setting the strategic direction and framework

Area 2: Safeguards – being prudent, legal and accountable

Area 3: Structures – being clear about roles and where people fit

Area 4: Performance – getting the most out of people in your organisation

How to use the checklist

1. Go through each activity listed in the left-hand column and ask yourself: are we doing this? If so, are we doing it adequately?
2. If you need more detail, or to look up best practice in any of these areas, check out the signposted frameworks in the middle column. These will give you a better idea of whether what you are currently doing meets best practice in these areas.
3. Make a note in the right hand column ('for follow up') where you feel you need to investigate further and/or start planning work in this area.



Key

Code: Code of Good Governance

Standards: National Occupational Standards for Trustees and Management Committees

liP: Investors in People

PQASSO: Practical Quality Assurance System for Small Organisations

CC: Charity Commission guidance

CC (OG): Charity Commission operational guidance

(For full references, see Tool 7: Further resources)

Area 1: Strategic – setting the strategic direction and framework

Checklist of key activities	Some signposts to quality frameworks	For follow up
Establish a timetable and process for your strategic planning	Code: B, E Standards: 1	
Create/review values, vision and mission in line with charitable objects	Code: B, D, E Standards: 1 liP: 1.1 PQASSO: Area 1 CC: 3, 9, 22, 36	
Establish your organisation's operating context and 'place in the market'	Standards: 1	
Determine strategic aims and objectives, through planning sessions and consultation	Code: C, D, H Standards: 1, 2 PQASSO: Area 4	
Keep up to date with legal and regulatory frameworks	Code: B, C, E Standards: 1, 2 CC: 3, 8, 60	
Write the strategic plan in line with the values and vision	Standards: 1 liP: 1.1, 2 PQASSO: Areas 1, 2, 6	
Ensure that principles of diversity and equality are incorporated and expressed in your strategic planning process, and the plan itself	Code: C, D, E Standards: 2, 3 liP: 3.2*; 3.3*; 3.4* (<i>*apply when related to learning and development</i>) PQASSO: Areas 3, 4, 5, 6, 8, 9, 12	
Create and deliver a marketing strategy, which communicates who you are and what you are doing to key stakeholders	Code: H	
Create a business, or operational plan (this might be part of the overall strategic plan, but more detailed), which sets clear priority targets, is costed and provides a framework for trustees to monitor progress against	Code: B, C, D, E Standards: 1, 2 liP: 1.2; 9.2; 9.3 PQASSO: Areas 1, 3, 4, 8, 9, 11	

Area 2: Safeguards – being prudent, legal and accountable

Checklist of key activities	Some signposts to quality frameworks	For follow up
Keep up to date with the legal and regulatory environment, and make sure you have policies which are in line with this and regularly reviewed	Code: B, C, D Standards: 1, 2, 3 PQASSO: Areas 2, 3, 5, 7 CC: All guidance relevant – see website	
Make sure trustees are fully aware of how far the organisation is legally compliant e.g. by creating a 'legal compliance policy/procedure'	Code: B, C, D Standards: 3 PQASSO: Area 8 CC: 3	
Create, implement and review your financial procedures and monitoring	Code: B, C, D, E Standards: 3 PQASSO: Area 7 CC: 8, 19, 60	
Create, implement and review expenses and remuneration procedures for volunteers and trustees	Code: B, C, E, G CC: 11	
Risk assessment and management – have a regular process for undertaking and reporting on this, and managing the outcome	Code: C, D, F, H Standards: 3 CC: 12	
Make sure contingency planning around workforce (e.g. for maternity cover, recruitment, backfill costs) are included in budgeting process	Code: B, C	
Create and adhere to policies and procedures which protect the organisation from negligent or improper behaviour, e.g. conflict of interest, whistle blowing etc	Code: B, D, E, G Standards: 3 CC (OG): 79	
Ensure all trustees know about and regularly review all policies and procedures	Code: C, D Standards: 1, 2, 3	

Area 3: Structures – being clear about roles and where people fit

Checklist of key activities	Some signposts to quality frameworks	For follow up
Create and review a clear statement of trustee responsibilities, specifications for officers and terms of reference for trustee committees. Regularly review these, as well as trustee effectiveness	Code: D, F Standards: 2, 3, 4 CC: 3	
Create and review a delegated authority guide, delineating staff and trustee responsibilities/roles	Code: B, D, F Standards: 4 liP: 1.6 PQASSO: Areas 2, 3, 5, 9	
Ensure (e.g. by annual or bi-annual review, perhaps linked to strategic plan) that your governing document continues to be 'fit for purpose' – particularly in relation to charitable objects and the eligibility and appointment/election of trustees	Code: D Standards: 2, 3, 4	
Create and implement a recognised method for job evaluation and salary review, applied across all posts. Involves having clear job descriptions and contracts of employment	Code: B, C, D	
Ensure that the staffing and management structure is appropriate to the plan and the support/development needs of staff	Code: C, D, F Standards: 3 liP: 1.4; 2.1; 3.1; 3.3 PQASSO: Areas 1, 2, 3, 5, 6, 9, 11, 12	

Area 4: Performance – getting the most out of people in your organisation

Checklist of key activities	Some signposts to quality frameworks	For follow up
Staff recruitment and induction – ensure clear and diversity-aware procedures and recruit and induct as necessary	liP: 8.1 PQASSO: Areas 2, 5, 6	
Volunteer recruitment and induction – ensure clear and diversity-aware procedures and recruit/induct as necessary	liP: 8.1 PQASSO: Areas 2, 5, 6	
Ensure regular review of trustee performance, active recruitment as necessary and clear induction procedures for all trustees	Code: D, E, F Standards: 4 CC: 24, 30, RSI, RS10	
Staff and volunteer management – ensure clear procedures exist and are followed around staff appraisal, supervision, support and development (including coaching/mentoring)	Standards: 3 liP: 1.4; 2.1; 3.2; 3.3; 3.4; 5.2; 5.4 PQASSO: Areas 1, 3, 5, 6, 9	
Performance review appraisals – ensure progress and performance regularly reviewed against plan and reported	Code: B, D, E, H Standards: 4	



Tool 3: Basic costing process

Purpose

This is a tool to help you understand and develop your own way of costing most, if not all, aspects of workforce and governance development in your organisation. The basic steps can be applied to the activities (or a combination of the activities), which you identified using Tool 2: Activity checklist. In Tool 4, we provide some case study examples of how this may be applied in practice.

Important points to note!

This basic costing process uses a daily rate approach to calculating staff time. This is a very simple method, which works out an average daily rate based on salary and immediate on-costs. You should note:

- This does not include the costs of accommodating and supplying the essential equipment needs of the staff members concerned.
- This is not the way in which overhead costs are allocated in FCR. As explained in Section One, the FCR model is about allocating a percentage of a whole salary cost across projects, rather than calculating the actual time spent. However, knowing what it actually costs you is always useful for management, fundraising and future planning purposes.
- Remember that you will want and need to make choices about how you undertake any of the activities. There is always a 'deluxe' version and a 'good enough' version, depending on how far you prioritise them and want to meet best practice standards.
- By costing up what you would like to do (your 'deluxe' version), you may realise that you simply do not have the resources. In this case, you may have to reduce what you do, re-prioritise some of the tasks, or perhaps go out to seek more funding to cover the revealed costs!

Basic process steps

To cost any exercise, walk yourself through the following steps and answer each question fully.

Before you start

Step 1

Step 1: Calculate the daily rates of your paid staff

Before starting these costing exercises, it helps greatly if you have an approximate idea of the daily rate for each staff member. This is calculated as follows:

- Add up gross salary + on-costs to arrive at figure X
(On-costs = weighting allowances + employer's National Insurance costs + employer's pension contributions)
- Work out the number of days worked by that member of staff annually (discount holidays and reasonable absence time) to arrive at figure Y
- Divide X by Y to get an approximate daily rate for each member of staff.

This is the *daily rate* for each staff member, which you can now apply to the process of costing this and other activities. It will only change if the member of staff's salary level changes.

Describe your activity and break it down into tasks

Step 2

Step 2: What activity is being planned and costed?

State the main activity (or combination of activities) you want to cost. Examples: undertaking an annual risk assessment exercise; developing a three to five-year strategic plan; creating and implementing a new appraisal system for all staff and volunteers.

Step 3

Step 3: What tasks will this involve?

Identify all the tasks that may be involved in this activity. Break these down into as small a component as you can. Don't just say 'hold an event' break this down into identifying a venue; inviting participants; identifying and ordering catering etc. It is useful at this stage to have an outline timetable so that you can see all the elements needed.

Associate your activity with people, and calculate their time costs

Step 4

Step 4: Who does these tasks, and how long will they take?

Decide which staff members need to be involved with each task and how much time (in days) they will spend in total. Be as precise as you can, though inevitably this will be a 'guesstimate'. Don't underestimate how long things take, nor discount the small tasks – they all add up!

Note: You can also complete this step for trustees and volunteers, if you want to get a sense of how much the organisation is gaining from their unpaid contribution.

Step 5

Step 5: Calculate the total cost of the staff time involved

For each member of staff involved, multiply their daily rate by the total number of days you expect them to work. You will then get an individual figure for each staff member, and added up this will come to a total organisational figure for the cost of staff time.

Associate your activity with direct and contingency costs

Step 6

Step 6: Identify what direct billed costs are involved

These are costs that are 'billed' to your organisation, normally via invoice. These may include: catering, venue, transport, trustee and volunteer expenses, professional fees, consultancy fees, training costs, publications or subscriptions.

Step 7

Step 7: Identify any contingency that should be set aside

Are there any obvious costs that should be set aside to deal with the unpredictable? For example, if you are costing 'creating an effective recruitment strategy', should you set aside a reasonable amount for unforeseen recruitment costs? Or if you are costing 'staff training and development', are there any backfill costs for staff to cover services?

Step 8

Step 8: Add up staff + direct billed + contingency = TOTAL!

This will give you a true cost for the activity, not including any premises or office costs.

Tool 4: Case studies – costing

Purpose

The aim is to demonstrate how a basic costing exercise might work in practice. Three case studies are provided.

Important points to note!

The following are NOT a definitive guide as to how to do these particular activities (strategic planning, staff recruitment and trustee induction). The decisions you make about how you go about any particular activity will be yours and yours alone, though it is obviously helpful to reference these to best practice standards.

In all of these case studies, the senior staff member is referred to as the chief executive officer (CEO).

Case study 1: Drawing up a strategic plan

Setting the scene: An organisation with 10 paid staff and eight active trustees needs to develop a strategic plan to support a series of new funding applications. Though the trustees are interested and committed, they do not have much experience of strategic planning and the CEO is very busy with project-related responsibilities. Trustees are keen to do the job well and see it as a learning opportunity for them and the organisation. They do not just want to 'tick the boxes'; they also want to think genuinely about the medium to long-term future. They are therefore prepared to invest in some consultancy time to help the organisation think 'outside the box', and to provide support to the CEO.

Step 1: What are the daily rates of those working in the organisation?

CEO – £150; fundraiser – £100; six project workers – £90 each; two administrators – £50 each.

Step 2: What activity is being planned and costed?

Developing a full strategic plan, including undertaking an external analysis, reviewing the vision, values and mission and developing a detailed planning framework for the next three years.



Step 3: What tasks does this involve?	Step 4: Who and for how long?	Step 5: Total cost of staff time (for each staff member = no. of days x daily rate)	Step 6: Direct billed costs?	Step 7: Contingency costs?
Write a timetable for the planning process and take to trustees	CEO – 0.5 days <i>Trustee time</i>	CEO 12.5 days x £150 = £1,875	£40 (trustee meeting expenses)	None
Research operating context and write up findings – telephone/ meet stakeholders, research funding, read up on competitors and new policy trends	CEO – 1.5 days Fundraiser – 1 day Project worker A – 1 day Project worker B – 1 day Administrator – 1 day	Fundraiser 2.5 days x £100 = £250 Project workers 13 days x £90 = £1,170 Administrator 6 days x £50 = £300	None	None
Hold focus groups with a) beneficiaries and b) those who don't use service	Project worker C – 2 days		£200 (focus group incentives/travel) £100 (venue for focus groups)	None
Commission consultant (write brief and interview). Liaise to set up away-day with staff and trustees	CEO – 1 day		£120 (advert) £1,000 (consultant fee)	None
Organise away-day (book venue and catering, co-ordinate diaries, provide information gathered on external environment and stakeholders)	CEO – 0.5 days Administrator – 1 day		None	£150 for one day office cover
Hold away-day on vision, values and main aims. Write up notes	All staff – 1 day attendance CEO – 0.5 day notes <i>Trustee time</i>		Consultant fee budgeted above £200 (venue) £150 (catering) £100 (staff and trustee travel)	None
Process analysis of operating context plus external analysis to write initial draft framework	CEO – 3 days		£40 (trustee meeting expenses)	None
Take to trustees for discussion and steer	CEO – 0.5 day		None	None
Further internal planning session looking at detailed objectives and targets	All staff – 0.5 day attendance		£100 (motivational lunch for staff)	None – details put on telephone message
Write up final draft plan	CEO – 3 days Administrator – 1 day		None	None
Take to trustees and agree plan	CEO – 0.5 days <i>Trustee time</i>		£40 (trustee meeting expenses)	None
Print plan and disseminate a hard copy to all on mailing list (300)	Administrator – 1.5 days		£1,400 (printing costs) £250 (postage)	None
Step 8: Add totals for staff (Step 5), direct billed (Step 6) and contingency (Step 7)		£3,595	£3,740	£150
	Total cost		£7,485	



Case study 2: Recruitment and start up of new project worker

Setting the scene: A small, second tier organisation of five full-time and two part-time staff needs to employ a new project worker. The organisation employs a full-time CEO, part-time finance director, part-time administrator and four full-time project workers, one of which they are now recruiting. As it is a small organisation, it needs to ensure that the new worker will be able to make a contribution to the organisation as a whole as well as undertake his or her own particular project work.

Step 1: What are the daily rates of those working in the organisation?

CEO – £150; finance director – £100; project workers – £90; administrator – £50.

Step 2: What activity is being planned and costed?

Recruitment and initial induction of a new project worker to ensure that they are able to contribute fully, both to their project and organisational role.



Step 3: What tasks does this involve?	Step 4: Who and for how long?	Step 5: Total cost of staff time (for each staff member = no. of days x daily rate)	Step 6: Direct billed costs?	Step 7: Contingency costs?
Write a timetable for the recruitment process and take to trustees	CEO – 0.5 days <i>Trustee time</i>	CEO 9 days x £150 = £1,350	None	None
Prepare budget including development and contingency costs for project worker	CEO – 0.25 days Finance director – 0.5 days	Finance director 1 day x £100 = £100	None	None
Write job description, person specification and advert; prepare recruitment pack; place advert; send out packs and respond to enquiries	CEO – 0.75 days Administrator – 1.5 days	Existing project workers (A, B and C) 5 days x £90 = £450 New project worker 14.5 days x £90 = £1,305	£3,500 (adverts in national and local press)	None
Identify shortlisting and interview panel. Fix dates and do shortlisting	CEO – 1 day Administrator – 0.5 days	Administrator 3 days x £50 = £150	None	None
Invite candidates to interview	Administrator – 0.5 days		None	None
Selection interviews (Panel = CEO plus project worker and trustee)	CEO – 1 day Project worker A – 1 day <i>Trustee time</i>		£100 (room hire as none available at office) £10 (trustee travel) £90 (travel expenses for interviewees)	None
Take up and pursue references	CEO – 0.5 days		None	None



▲	▲	▲		
Step 3 (continued):	Step 4 (continued):	Step 5 (continued):	Step 6 (continued):	Step 7 (continued):
Acceptance and rejection letters, including contract negotiation and feedback to all applicants if requested	CEO – 1 day		None	None
Creation of induction plan, initial training and needs analysis, and writing up learning programme	CEO – 1 day New project worker – 0.5 days		None	None
First month induction, including: weekly meetings with CEO; meetings with all staff for half a day; reading relevant materials; meetings with external stakeholders as appropriate	New project worker – 9 days CEO – 3 days Finance – 0.5 days Administrator – 0.5 days Project worker A – 1 day Project worker B – 2 days Project worker C – 1 day		None	None
Initial training as identified with CEO	New project worker – 3 days		£575 (training fees for 3 days)	£300 (staff cover)
Seminars and conferences	New project worker – 2 days		£150 (two conferences attended, £75 each)	£200 (staff cover)
Step 8: Add totals for staff (Step 5), direct billed (Step 6) and contingency (Step 7)			£3,355	£4,425
	Total cost		£8,280	



Case study 3: Trustee induction programme

Setting the Scene: An organisation providing play schemes for children has eight members of staff. The organisation has good links to the local community, from which all of its trustees are drawn. At the last AGM, five of the seven long-serving trustees had to step down for various reasons, leaving only two. However, there was keen interest from members in the vacant posts and six new members put themselves forward, were assessed for their basic suitability and conflict of interest, and were voted in as trustees. The organisation now has eight trustees, six of whom are keen but entirely new. The board has lost the experience and ‘organisational memory’ of those who have just left; trustee meetings are spent helping the new members to ‘catch up’. As a result, staff and trustees have decided to implement a thorough induction programme, developing the knowledge and skills base needed for effective governance.

Step 1: What are the daily rates of those working in the organisation?

CEO – £100; office manager – £80; two part-time administrators – £40; four play workers – £60.

Step 2: What activity is being planned and costed?

A trustee induction programme designed to ensure that all trustees understand their role, responsibilities and the organisation while developing basic skills to take forward their governance role at the start of their tenure. This will then be developed with further training.



Step 3: What tasks does this involve?	Step 4: Who and for how long?	Step 5: Total cost of staff time (for each staff member = no. of days x daily rate)	Step 6: Direct billed costs?	Step 7: Contingency costs?
Skills audit and training needs analysis produced and worked through with each trustee member	CEO – 2 days <i>Trustee time</i>	CEO 8.5 days x £100 = £850	None	None
New induction pack drawn up for all existing trustees	CEO – 1.5 days Play workers – 2 days Administrator – 2 days	Play workers 6 days x £60 = £360	None	None
Each trustee assigned to ‘shadow’ one play worker for half a day	Play workers – 4 days <i>Trustee time</i>	Administrator 2 days x £40 = £80	None	None
Four evening coaching/training sessions booked and held on: regulatory environment; child protection issues; trustee responsibilities; being a responsible employer; strategic planning (needs identified through initial analysis)	CEO – 3 days <i>Trustee time</i>		£450 (speaker fees for three of the sessions) £300 (trainer fees for trustee roles session) £200 (venue hire for sessions in local community centre) £260 trustee travel (for four sessions)	None
Trustee feedback and appraisal of programme through questionnaire and meetings	CEO – 2 days <i>Trustee time</i>		None	None
Step 8: Add totals for staff (Step 5), direct billed (Step 6) and contingency (Step 7)		£1,290	£1,210	£0
Total cost		£2,500		

Tool 5: Budget template

Purpose

The aim is to provide some workforce and governance development prompts for budget lines that you could incorporate into your full budget. Having a budget line will make your commitment to workforce and governance development overt. It will also help you to plan, account for funding and measure progress. Incorporating some or all of these will also give you a fuller picture of the core costs (overheads) that you need to incorporate into your full cost recovery allocations.

Important points to note!

This is not a full budget template; clearly there are a number of key budget areas that have not been included (such as salaries, rent and a variety of office costs). The areas listed below are only the areas that relate to workforce and governance development.

In addition, the template does not take into account the full cost of these areas. Much of the work (and thus cost) associated with activities such as trustee meetings will be undertaken by paid staff. These salary costs are not included in these budget lines.

Workforce development budget lines (Other than salaries and on-costs of NI, weighting and pensions)

Staff training

Staff professional development – courses and qualifications

Backfill costs for staff training and development (i.e. to provide cover for the absences associated with staff learning, if needed)

Staff mentoring and coaching

Staff networking – conference and event attendance

Staff recruitment

(Note. This may be included as part of a specific project cost, but there is also a need to budget for recruitment costs generally in the organisation, if there is going to be known growth or staff turnover. A contingency element in a budget for recruitment is wise when staff teams are larger than eight people, based on average staff turnover and the calculated risk of people leaving or not appointing in the first round of interviews.)

Staff meetings and away-days (e.g. venues, facilitation, speakers)

Staff travel costs (for travel other than to the office)

Staff insurances (employers' liability and professional indemnity)

Subscriptions and publications

Staff contingency costs – maternity, illness, staff cover

(Note. These need to be set aside proportionately to cover unforeseen expenses related to your staff team and the risk the organisation carries)



Governance budget lines

Trustee meeting costs

Trustee sub-committee meeting costs

Minute taker (if not covered by staff or trustees)

Trustee networking – conference and event attendance

Trustee travel expenses

Trustee development and training

Trustee recruitment (e.g. advertising, interview costs)

Trustee indemnity insurance

Strategic planning consultancy support (e.g. away day facilitation)

Professional advice (e.g. legal advice on regulatory matters)

AGM

Annual report

Audit and accountancy

Legal fees (e.g. Company House returns)

Stakeholder consultations (e.g. focus groups, questionnaires, consultancy input)

Subscriptions and publications

Tool 6: Making the case

Purpose

The aim is to enable you to make the case for meeting best practice in key areas of workforce and governance development, and thus costing and funding these areas appropriately. This is most likely to relate to funders, for example, if your core costs are challenged. However it may also be useful to convince staff and/or trustees of the need to dedicate time and resources to these areas.

How to use this tool

For each of the four broad areas you looked at in Tool 2 (Activity checklist), we have identified some key gains of doing these areas well, and some of the critical losses your organisation could sustain if you don't. As you will see, some of the losses are potentially extremely serious for your organisation.

Area 1: Strategic – setting the strategic direction and framework

Gains if we perform well in this area	Losses if we don't
Values, vision and mission (core purpose) are clear to trustees, staff and volunteers and in line with legal objects.	Trustees, staff or volunteers can 'pull in different directions' and fail to deliver a consistent message.
The image of the organisation is up to date, and trustees and staff work as a 'corporate whole', sending a consistent message about the organisation to all external stakeholders.	<p>Organisation can present a confusing picture to external stakeholders.</p> <p>Actual or potential users of the service may be lost, or referred inappropriately.</p> <p>Potential funders and other stakeholders may see (wrongly or rightly) a tired image reflecting a tired service.</p> <p>Staff and volunteers may have to expend time and energy revising others' impressions rather than doing their job.</p>
Trustees and staff understand the context for the organisation's work and its relevance ('place in the market').	Organisation may be overtaken by external pressures, competition and initiatives, which jeopardise its funding and/or render its services irrelevant or unviable.
Trustees able to make decisions and plan against regular and informed reviews of the organisation's performance in key strategic areas.	If the trustees are not aware of how the organisation is performing (e.g it has not conducted stakeholder or equality reviews) they cannot take remedial action or improve these areas.
Trustees and staff have clear strategic framework and plan to take its work forward, and against which to monitor progress, changes and developments.	Without this, nothing binds the various strands of the organisation together into a cohesive and logical whole. Organisation risks doing things because the opportunity presents, with potential 'mission drift', and/or taking on of inappropriate projects and work, potentially at odds with its governing documents.
Trustees are aware of progress against the strategic framework, and able to monitor performance, analyse and plan for resources and mitigate risks which may arise.	Trustees may not be aware of difficulties or changes that could undermine credibility or focus of organisation, or cause resourcing difficulties.
Organisation preserves its independence and focus, with new opportunities and potential initiatives/projects assessed against clear framework (values, vision, mission, aims).	Organisation could pursue inappropriate funding opportunities that 'derail' it from its core focus, and may become unduly controlled by an external organisation or individual.
Organisation has clear and purposeful relationships with key stakeholders, including partners and beneficiaries, which are regularly reviewed.	<p>Time and resources are expended on unnecessary or irrelevant relationships.</p> <p>Organisation does not maintain or encourage new and purposeful relationships that could benefit its work.</p>
Organisation able to argue for and gain resources for activities which are known to be relevant, responsive and true to its core focus.	Organisation does not gain resources, resulting in services being run down or discontinued, and beneficiaries suffering the consequences of this.



Area 2: Safeguards – being prudent, legal and accountable

Gains if we perform well in this area	Losses if we don't
Trustees and staff aware of, and organisation compliant with, all relevant legal and regulatory obligations.	<p>Organisation operating illegally. Danger of litigation, or closure.</p> <p>Funding withdrawn or not given.</p> <p>Damage to reputation among partners, service users, referral agencies and funders.</p> <p>Potential perception that organisation takes ill-advised risks.</p>
Organisation able to assess and manage risk.	<p>No contingency planning or budgeting resulting in organisation being vulnerable.</p> <p>Risk aversion could limit range of ideas and models they develop for the benefit of their users.</p> <p>Staff and volunteers become fearful and do not develop ideas or practice; morale is affected and resignations likely.</p>
Organisation's finances and performance are monitored and controlled by trustees.	<p>Judgements are made without understanding of the consequences. Danger of insolvency.</p> <p>Trustees open to manipulation by staff.</p> <p>Organisation vulnerable to fraud. Further costs incurred by needing expert help, or having to pay fines e.g. Inland Revenue, Customs and Excise etc.</p>
Trustees behave in transparent, fair and accountable ways when making all decisions.	<p>Trustees do not make decisions with the active and constructive engagement of all, and are not held to account.</p> <p>Risk of infighting/factions.</p> <p>Negative impact on strategic planning and performance management.</p>
Organisation protected against financial implications of staff turnover and change in circumstance.	<p>Inability to replace leaving staff.</p> <p>Inappropriate use of properly resourced parts of the organisation to support poorly resourced parts. Inappropriate use of reserves (leaving the organisation both vulnerable and unable to try new models).</p> <p>Staff left anxious affecting morale and performance. Negative impact on service.</p>

Area 3: Structures – being clear about roles and where people fit

Gains if we perform well in this area	Losses if we don't
Trustees, officers and committees are clear about their roles, responsibilities and authority.	Lack of clarity about who is responsible or accountable, which can result in duplication or no action. Constant checking takes time and affects performance and decision-making. Decisions taken on behalf of the organisation without recourse to necessary information and consideration of implications. Staff members become confused, de-motivated and frustrated.
Trustees and staff are clear about who is able to take decisions on all matters.	Overall lack of direction. Organisation grinds to a halt as decisions are either not taken, or taken by the wrong people without full information or authority.
There is a clear staffing and management structure, which reflects the organisation's purpose and provides adequate support to and performance management of all staff and volunteers.	If structure and support is either too top-heavy or too hands-off, staff risk being inadequately or over-managed. Resources can be expended on maintaining a structure, which is not 'fit for purpose', and/or trying to deal with de-motivated and badly-supported staff.
Organisation's governance structures are appropriate to the size and nature of the organisation and the effective delivery of its key functions.	Organisation can find itself operating inappropriate and sometimes unwieldy procedures, for example trustee recruitment that is time consuming.
Trustees are open to scrutiny and aware of how effective they are in running the organisation.	Trustees don't recognise when they are not performing well, so they are not able to give the organisation the input, advice, leadership and steer it needs. Trustee recruitment problems can often ensue.
All those working for the organisation are remunerated (paid staff) or appropriately reimbursed (expenses for volunteers/trustees) according to a clear and fair framework and procedure. The salary structure is 'defensible' to the outside world.	Staff, volunteers and trustees feel exploited by the organisation with a risk to morale, performance, image of the organisation and retention rates. Inappropriate requests for expenses and remuneration are made that are difficult to reject. Poorly informed budgeting and understanding of full costs. Potential for external stakeholders to criticise or withdraw support.



Area 4: Performance – getting the most out of people in your organisation

Gains if we perform well in this area	Losses if we don't
Sufficient trustees with an appropriate breadth of skills to be able to run the organisation effectively.	Not enough appropriately skilled trustees leading to poor decision-making, risks not managed, liabilities not understood, lack of leadership and ultimately organisational decline or failure.
Recruitment of staff, trustees and volunteers is timely and effective.	Unfilled posts or the 'wrong people in the wrong place' will have negative impact on the organisation's performance.
Full and appropriate induction provided to all staff, trustees and volunteers.	Lack of investment in induction leads to staff, trustees and volunteers unable to fulfil their roles quickly and adequately. Tasks don't get done, and people lose motivation.
All staff and volunteers are appropriately managed, supported and developed.	The organisation may have difficulty with retention of staff, volunteers and/or trustees who may also become disaffected and promote a negative image of the organisation.
A learning culture exists in the organisation which encourages reflection, analysis and development for individuals and the organisation as a whole.	Neither the organisation nor the individuals working within it will be able to review effectiveness, learn from experience and improve current practice unless time is set aside to discuss and learn.
Staff have work plans against which they are monitored and supported, and their progress is reported to trustees by senior staff member.	Trustees don't know about problems, and staff unclear about what is expected. Objectives are not met in full or at all. Overspend is possible. Insufficient time (as well as financial support) allocated, with staff becoming overburdened and disaffected. Staff don't see where they 'fit', leading to 'silo' culture.

Tool 7: Further resources

Useful organisations

acevo

www.acevo.org.uk

acevo is the professional organisation in the third sector dedicated to chief executives. With New Philanthropy Capital, it has published *Full cost recovery: A guide and toolkit on cost allocation* (see references).

CASH-ONLINE

www.cash-online.org.uk

CASH (Community Accountancy Self Help) aims to provide people with the basic financial skills needed to run successful voluntary organisations. Their website provides several relevant briefings around financial issues, including FCR.

Charity Commission

www.charity-commission.gov.uk

Regulator and registrar for charities in England and Wales. The Commission provides a wide range of guidance documents and reports to help with all aspects of governance.

Charities Evaluation Services

www.ces-vol.org.uk

Provides training, consultancy and publications including the Practical Quality Assurance System for Small Organisations (PQASSO).

Charity Finance Directors' Group (CFDG)

www.cfdg.org.uk

CFDG specialises in helping charities to manage their accounting, taxation, audit and other financial functions.

Finance Hub

www.financehub.org.uk

The Finance Hub aims to develop financial sustainability in the Third Sector within England. It does this through an integrated programme of research, development, training and information dissemination.

Governance Hub

www.governancehub.org.uk

The Governance Hub exists to improve governance within the voluntary and community sector in England. It provides a range of information and resources on governance, including the Code of Good Governance, all of which are freely available through their website.



New Philanthropy Capital

www.philanthropycapital.org

New Philanthropy Capital works with donors, funders and the voluntary and community sector to increase the quality and quantity of funding and other resources for charities.

Performance Hub

www.performancehub.org.uk

The Performance Hub works to help third sector organisations (charities, voluntary organisations, community groups and social enterprises) to achieve more with the resources at their disposal.

Sustainable Funding Project

www.ncvo-vol.org.uk/index.asp?id=2090

The Sustainable Funding Project encourages and enables voluntary and community organisations to explore a full range of funding and financing options to develop a sustainable funding mix.

UK Workforce Hub

www.ukworkforcehub.org.uk

Provides a range of information and resources on employment practice, leadership, learning and skills, working and volunteering in the VCS, and National Occupational Standards.



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Workforce and governance development – often referred to as ‘organisational development’ – form the bedrock of any voluntary and community organisation. This resource, produced by the UK Workforce Hub and Governance Hub, is designed to help you better understand the costing and funding implications of organisational development so that you are better able to plan, budget, cost and fundraise around these critical areas.

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