



not for profit | Charity Commission CC60

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the hallmarks of an effective charity

The Charity Commission issued CC60: The Hallmarks of an effective charity in April 2004 to set out the standards they believe an effective charity and its trustees will try to uphold. They are overarching principles and not legal requirements which set out a framework for effectiveness that charities can work towards.

The 'hallmarks' are as follows:

focus on impact and outcomes - 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

fit for purpose - the structure, policies and procedures of an effective charity enable it to achieve its mission and aims and deliver its services efficiently

sound governance - 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

maximises potential - an effective charity manages and uses its resources so as to optimise its potential

accountable and transparent - an effective charity is accountable to the public and other stakeholders in a way that is transparent and understandable

flexible - 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.

This fact sheet details the suggested ways that a charity might achieve the hallmarks although it should be borne in mind that they will not all be applicable to every charity. We suggest that charities consider the hallmarks and put in place strategies to meet them where appropriate. The Commission has indicated that these hallmarks will be discussed when they visit charities.

The following reproduces the detailed methods by which the Commission have suggested that charities may demonstrate the hallmarks. It should be borne in mind that these are only a framework and might not be applicable to all charities.

focus on impact and outcomes

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 (e.g. 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

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

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

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- 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

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 fund-raising strategy that works within recognised good practice frameworks and considers which methods of fund-raising are appropriate for the charity
- has robust processes in place for the management and control of all fund-raising 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

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
- 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
- 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
- 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

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- 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

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, e.g. 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.

about haysmacintyre

haysmacintyre, Chartered Accountants and business advisers, works with over 550 charities and not for profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients' requirements.

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