Association of Chairs

Effective chair
Effective board
Effective non-profit



Financial Leadership in Small Charities

Reflections | Recommendations | Resources

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Acknowledgements

This set of reflections has been put together in response to requests from Association of Chairs members for guidance on their role when it comes to the financial stewardship of their charity. We would like to thank all those members who reviewed drafts, attended our roundtable and generously contributed feedback and insights. Particular thanks go to Samantha Barber, Conor Doyle and Alex Marsh for their detailed and very helpful comments.

In addition, we would like to thank Kristina Kopic, Head of Charity & Voluntary Sector, ICAEW, Caron Bradshaw OBE, CEO of the Charity Finance Group, and her colleagues Clare Mills, Sarah Lomax and Rui Domingues, for their professional critique and contributions.

We would like to thank Liz Pepler and Uday Thakkar, both former trustees of the Association of Chairs, for volunteering their time to write this guide, absorb and coordinate the responses, and author this final version.

Finally, we would like to thank the Chartered Accountants' Livery Charity for supporting this work with a grant.

All errors remain with the authors.

A note on the signposting

Wherever possible we have added links to reliable charity sector-specific resources and guidance where we mention them. Every effort has been made to make sure that the resources are free to access. Where this has not been possible we have chosen resources where there is a modest membership fee for small charities. All links were correct at the time of writing (summer 2024). We cannot take responsibility for any broken links that may occur in time and chairs are advised to check all resources are up to date and appropriate for their charity.

A note on following this guide

Where this guide signposts to guidance from the Charity Commission please note that this is the Charity Commission for England and Wales. For chairs of charities registered in Northern Ireland and Scotland we recommend that you refer to the guidance from the Charity Commission for Northern Ireland and to the Scottish Charity Regulator.

Charity finance is very context-specific. We offer these reflections as prompts for further exploration rather than as professional advice. Please always consult an appropriately qualified advisor when taking financial decisions.

About the Association of Chairs



Chairing a charity or non-profit is unique, rewarding, and demanding. Your role is vital, because effective board leadership, and effective boards, are crucial for creating resilient, thriving charities.

We're here for all chairs in all their diversity – no matter how big or small your non-profit is, no matter where you are on your chairing journey.

Our membership includes vice chairs, co-chairs, and former chairs. We understand the challenges of chairing and are here to help.

We offer:

Community – the chance to be part of a unique, collaborative network of chairs, vice-chairs, co-chairs, and committee chairs, new and experienced, from organisations small and large. Our community meets online, in person, and on social media, with opportunities to ask questions and get support.

Bespoke resources – access to our guides, tools, newsletters and blogs, written by chairs, for chairs. Our resources are focused on the unique demands of the chairing role, and help you to tackle those tricky issues that crop up time and time again.

Training – the opportunity to attend many varied training events, workshops, and webinars throughout the year, on topics that chairs tell us they want to explore more.

We are the only membership organisation focused on chairs. We would love for you to join us and be part of our collaborative community.

Visit our website associationofchairs.org.uk for details of how to join.

Foreword

I am delighted to have been asked to write a foreword to this guide on Financial Leadership in Small Charities. The origins of this guide started in 2021 when my predecessor, Hilary Lindsay, was Almoner during the COVID-19 pandemic. To help with everyone's isolation Hilary started the Livery Charity Chairs Group so that the chairs of livery charities could share their experiences and learn from each other. She found the information and support of the Association of Chairs invaluable as this new venture got underway and she felt it particularly appropriate to bring before our trustees (all of them members of ICAEW) the idea of giving a grant to the Association as a way to support good financial practices across all charities.

Being a Chartered Accountant, dealing with numbers day in day out, the finances of an organisation do not faze me. In fact, I love the challenge of looking at the numbers and using them to paint a picture of the organisation. However, I realise that financial understanding does not come easily to everyone and hence this guide was born. As a chair of a charity, you will understand that strong governance is essential to any successful organisation. Financial governance is a key part of that.

This guide will not make you a 'qualified' accountant overnight – you may still need qualified accountants in your charity – but it will enable you to understand why financial governance is so important and give you the tools to help you in your role as chair.

I hope you find the guide helpful. We at the Chartered Accountants' Livery Charity are delighted that we can support the Association of Chairs, and in particular new chairs of small charities, in this way.

Beverley Turner
Almoner and Chair of the Trustees, Chartered Accountants' Livery Charity

Welcome and about this guide

Congratulations on becoming chair of a small charity. Being a chair of a small charity is a wonderful opportunity to make a meaningful contribution to a cause that has special meaning to us personally.

There are around 170,000 charities on the Charity Commission register. Most of those are small with an annual income of less than £1m. Many are volunteer-led and do not have any paid staff. This set of reflections is for new chairs who are starting their leadership journey at one of these wonderful small charities.

Your role is a unique one. It is to lead the board and ensure that the charity practises good governance. In our guide, A Chair's Compass, we explore the four core elements which underpin and support this leadership role:

- Clarity of purpose
- Cohesive board action
- Considered decision-making
- Constructive relationships

When it comes to financial leadership, the chair has no special responsibilities. All trustees - and we can't emphasise this enough - all trustees are jointly and collectively responsible. However, your duty to lead the board in delivering good governance also extends to financial governance.

In this set of reflections, we invite you to explore each of your four leadership responsibilities through the lens of financial governance. We also invite you to consider a fifth, to explore your role in supporting yourself and fellow trustees in building financial confidence.

This document is not an exhaustive guide to finance. Neither is it an exhaustive guide to the financial responsibilities of trustees. There are plenty of resources available elsewhere which cover both of these and we signpost to some of these below.

Our aim here is to address the unique nature of the role of the chair. To this end, we have put together this set of reflections to support you at the start of your chairing role by considering five key financial governance questions:

- How can I support trustees with their financial duties?
- What board arrangements will support our financial governance?
- Do we have a clear financial plan?
- Do we have the financial information that we need?
- Are key finance relationships working well?

In the appendix at the end, we offer a framework for you to do a self-assessment and chart your progress.

And while we offer these reflections to all those who are new to their charity chair role and who are leading smaller organisations, given that good financial governance is a lifelong learning endeavour, more experienced chairs and those of larger organisations might also find some value in what follows.

We hope that you find it a useful resource to support you in your own reflections.

QUESTION ONE

How can I support trustees with their financial duties?

How can I support trustees with their financial duties?

What we mean

Trustees have financial duties that they need to fulfil and it falls to you as the chair to make trustees aware of this and support them in fulfilling this duty. It is important to remember that trustees are "collectively responsible for the financial impact of any decisions taken with their authority"[1]. Your chairing role itself does not give you specific finance duties. However, you do have the job of leading the board to create the conditions for good financial governance to take place.

Reflections

When it comes to the financial stewardship of the charity, each individual trustee has financial responsibilities that they need to fulfil collectively. It is your role as chair to make this collective action happen.

While it is not essential for all chairs and trustees to have had formal finance training or come from a professional finance background, what all board members do need is a good understanding of trustees' financial duties and how to fulfil them, and the ability to understand the financial papers and contribute meaningfully to financial discussions.

It is worth noting that managing the finances of a charity is not always the same as managing the finances in a for-profit organisation. For example, charities often receive income which is restricted to specific activities and the period that the income covers doesn't always align neatly with the charity's financial year. It can be tricky sometimes to follow the flow of funding. All of this can quickly add a layer of complexity to understanding a charity's financial position. Fortunately, there is a lot of excellent guidance, training and mentoring available to support trustees and we signpost to some of these below.

Recommendations

Recognise that many trustees may be encountering these finance duties for the first time and may need support with their finance learning journey. A good place to start for an overview of trustees' duties is the Charity Commission's CC3 guide which requires trustees to:

- Carry out the charitable purposes for the benefit of the public.
- Comply with your governing document and the law.
- Act in the best interests of the charity.
- Manage resources responsibly.
- Act with reasonable care and skill.
- Ensure your charity is accountable.

You'll also want to read the Charity Commission guide 'Managing charity finances'. This sets out requirements to protect the money, manage payments to trustees, keep good financial records, know the financial position and manage financial difficulties promptly. You need to read this along with 'What to send to the Charity Commission' which requires trustees to keep the Charity Commission register up to date, file a Trustees Annual Report and Accounts, submit an annual return and report any serious incidents.

Invest time and, where appropriate, resources in regular board finance training to refresh trustees on their financial responsibilities and update them on any developments in the regulatory requirements. If your budgets are tight, encourage trustees to read the Charity Commission guidance, and look out for and attend free training. For example, your local Council for Voluntary Service (CVS) often hold free or low cost training.

1 CC3 The Essential Trustee

Hold individual inductions for all new trustees to familiarise them with the charity's finances. You may want to explain the business model, the reserves policy, the financial history, the current financial position and any financial challenges and opportunities ahead.

Undertake regular one-to-ones with existing trustees to check how comfortable each of them is feeling with fulfilling their finance duties. Use these as an opportunity to assess the extent to which trustees understand the financial reports presented at board meetings and how comfortable they feel contributing to the financial decision-making. Many trustees will find it easier to admit to a lack of financial awareness in a one-to-one setting than at a board meeting.

Some questions to think about

How can I support trustees to build financial confidence?

Some people love numbers. Others find them baffling, and some people find them anxiety-provoking. What steps can you take to support trustees with building their financial confidence?

Are our resources protected?

This is front and centre of a trustee's finance duties. All boards need a set of robust financial controls so that the resources are applied to the charitable objects in line with any donor restrictions. Do you have robust financial controls in place and are they up to date?

Do we keep good financial records which communicate our financial position clearly and are we well-placed to manage financial difficulties promptly?

Good financial governance is underpinned by good financial information. Are you confident you have the information that you need? We consider this in more detail in section four of this guide.

Is our Charity Commission register up to date?

Your Charity Commission register entry is your compliance window to the world. When up to date and complete it is a sign to stakeholders that you are on top of your financial governance.

Resources

CC3 The Essential Trustee; What you need to know, what you need to do

CC8 Internal financial controls for charities

Charity Commission Managing charity finances

Institute of Chartered Accountants of England and Wales (ICAEW) Free online trustee finance training

ICAEW Charity community

Financial governance: A gentle guide for the non-financial charity trustee

Charity Finance Group guide - Essential charity finance for small charities, includes checklists for the board and for individual trustees

Directory of Social Change - It's a nightmare with the numbers

Glossary of finance terms - Charities SORP Appendix One

QUESTION TWO

What board arrangements will support our financial governance?

What board arrangements will support our financial governance?

What we mean

Sometimes as charities grow and financial matters become more complex and involved, the finances need a level of scrutiny that exceeds the time afforded by board meetings alone. At times like this, delegating some of the scrutiny to individuals or sub-committees can be a really useful way to extend board-level capacity and allow deeper consideration of the finances. Where such arrangements exist, it is your role as chair to make clear the purpose of each one, whether any decision-making rights have been delegated and how all workstreams join up and complement one another.

The role of the treasurer

Sometimes, charities appoint an honorary treasurer who is responsible for "monitoring the financial administration of the charity and reporting to the board of trustees, in compliance with the governing document"[2]. Similar to the chair, the treasurer has no specific decision-making rights, and whether a board has a treasurer or not, all trustees remain collectively responsible for the finances.

It is important that the board does not defer to the treasurer and take their word as gospel when it comes to financial decision-making. You have a key role in ensuring that trustees feel comfortable questioning the treasurer and in making sure all voices are heard. It is worth noting that in our experience, more often than not, some of the best finance questions can come from trustees with the least financial knowledge or background, and all views are to be encouraged.

We are often told that it can be difficult for smaller charities to recruit a treasurer. This does not necessarily need to compromise the quality of financial governance. Many small charities operate very well without a treasurer on the board. Indeed, there is a view that having a treasurer can be detrimental to the board on the basis that it can absolve other trustees from engaging with the finances.

However, our view, unsurprisingly, is that a treasurer can help enormously when it comes to elevating the financial expertise - and resulting financial resilience - at board level. For support with finding a treasurer you might want to explore the services of Reach Volunteering, ICAEW Volunteers and Charterpath. To find out more about the treasurer role, visit the Honorary Treasurers Forum.

The finance sub-committee

The exact remit of the finance committee varies from charity to charity but generally its purpose is to oversee the proper management of the charity's finances, review management accounts, budgets and forecasts. We recommend that members of the committee include both financial and non-financial trustees as this range of focus can lead to richer discussions.

A chair shares their experience

"For us, there was huge value in setting up a finance sub-committee as it allowed proper time for review and challenge of financial matters - but a clear delegation of authority and full transparency was essential, as was making sure any board member was welcome to join as a member or observer and making full minutes available to the board was also important."

2 https://honorarytreasurers.org.uk/governance/

However, it is also worth noting again that many smaller charities operate very well without a sub-committee and we always recommend that careful consideration is given to setting one up before doing so.

A chair shares their experience

"I had a very challenging experience where a finance sub-committee became the de facto board. We resolved this, over time, by having a very clear delegated authority and terms of reference that were revisited periodically."

When setting up a sub-committee for the first time, it can be helpful to start with a time-limited working group to see how it affects board dynamics before making it a permanent feature of the board. The Association of Chairs has member resources on the role of committees which you can download from our member resource library.

Recommendations

Scheme of delegation

Whatever arrangements you and the board put in place to manage and scrutinise the finances, being clear about their purpose and any delegated authorities is essential. This can be achieved with a scheme of delegation for a finance sub-committee, a role description for a treasurer and a job description and clear finance policies for a CEO.

Clear purpose

Trustees should be kept informed about the work being undertaken by each workstream and they should be given opportunities to question and challenge any reports or recommendations arising from them.

Coordination

Consider holding regular meetings with the treasurer, any chairs of sub-committees and the chief officer to ensure there is full oversight of - and cohesion of - all workstreams. A lot of the groundwork for good financial governance happens in between board meetings!

Board meetings facilitation

You as chair have a special role in ensuring that the board stays focused on its financial duty. A lot can be achieved with a good meeting agenda and careful chairing of meetings to give adequate time to consider the financial matters, ensure all voices are heard and keep decision-making on track. It never hurts to remind trustees that the only stupid question in finance is the one we don't ask!

And finally it is important to remember that trustees remain jointly and collectively responsible for their financial decision-making and any work delegated to an individual or a committee supports rather than replaces that collective duty.

Resources

AoC Making board committees work (available to members)

The National Council for Voluntary Organisations (NCVO) Financial Procedures Manual with example delegation authorities

NCVO documenting your delegation

NCVO sub-committee terms of reference guidance

Honorary Treasurers Forum for Treasurer job descriptions and support

The Charity Treasurer's Handbook

Independent examinations of charity accounts: guidance for trustees

The Association of Chief Executives of Voluntary Organisations (ACEVO) example terms and references for a Finance and Audit committee

QUESTION THREE

Do we have a clear financial plan?

Do we have a clear financial plan?

What we mean

One of your primary tasks is to ensure that the board sets a clear direction and is undertaking activities to achieve its aims. When it comes to the finances, this means ensuring that the organisation has a clear financial plan to deliver the organisation's strategy. The financial plan should consider the financial implications of the intended strategy, and it should commit to a course of action that manages the financial risks and optimises the financial opportunities over the longer term. A good financial plan need not be long. It will simply set out the charity's current financial position, its intended financial goal, the financial policies it will adopt, and the journey it will take to get from A to B. (Common policies include the reserves policy, the remuneration policy and a full cost recovery policy.) The plan will make sure that the board's strategy is actually achievable and that it does not compromise the future financial sustainability of the charity.

Reflections

Without a financial plan, many charities are simply floating adrift in the seas of change. However, in today's economic climate where there is a high degree of financial uncertainty, a highly fixed long-term financial plan is not appropriate. For many of us, a flexible approach will be far better so that we can adapt and respond to change as needed. Since the pandemic, much has been written about the benefits of investing time in building organisational resilience to protect against change and uncertainty.

"Organisational resilience is the ability of an organisation to anticipate and prepare so that we can adapt and respond to incremental change and sudden disruption in order to survive and prosper."[3]

When building the financial resilience of a charity, you can start by:

- Anticipating the possible financial future with forecasts.
- Preparing for uncertainty by building reserves.
- Adapting to change by considering differing financial scenarios.
- Responding in good time with early warning indicators.

If you would like to explore this further, the Lloyds Bank Foundation for England and Wales (LBFEW) Organisational resilience framework written with and for small charities has questions which you can use to assess your own resilience, strengths and development points.

Recommendations

Encourage the board to think big picture, long-term

Invest time during the year to explore different scenarios, determine the key financial risks and opportunities and their impact on beneficiaries.

Work with trustees to agree on a clear and simple financial plan

This will help ensure that the organisation's strategy is financially achievable. A lot can be revealed in the planning stage! The chair does not need to be the one to actually write the financial plan - this can be done by the treasurer, or chief officer or finance lead if they exist - but you do need to put in place the arrangements for a plan to be developed and, once it is in place, make sure it is implemented and monitored.

3 https://www.bsigroup.com/en-IE/our-services/Organizational-Resilience/

Commit to building the organisation's longer term financial resilience

Build flexibility into both the organisation's strategy and into the supporting financial plan to allow the charity to adapt and respond to change as required. Develop the financial reporting so that the charity can anticipate the future with forecasts, be able to absorb shocks with reserves and respond to risk with some good early warning indicators (see section four of this guide on financial information).

Recognise that reserves are a key part of your longer term financial resilience

Your financial plan should maintain your reserves within the agreed reserves policy set by the board. Your reserves should not be a surprise at year end - you should report on reserves regularly mid-year. We are often told that the Charity Commission requires 3–6 months in reserves. This is a myth! Your reserves policy should be specific to your own organisation and it should be sufficient to cover your risks. Where this is not possible, you need to understand and manage the risks of having low reserves.

A chair shares their experience

"Having a simple financial plan with a clear reserves policy was critical for us. In one version of the future we were fine. In another version we were going to be facing some difficult decisions. Forecasting our worst case and our best case and charting a course between the two helped us work through some difficult times financially."

Some questions to think about

Do all trustees understand what your charity is trying to achieve financially?

Do you have a simple multi-year financial plan which shows the financial implications of your intended activities?

In particular, have you considered the impact on your reserves?

Critically, do you understand what your financial plan means for your beneficiaries?

Resources

NCVO Writing a charity finance strategy

NCVO often runs finance strategy training - visit the events section of their website

LBFEW Organisational resilience framework

Embrace Finance resources on small charity financial resilience

QUESTION FOUR

Do we have the financial information that we need?

Do we have the financial information that we need?

What we mean

Your role is to steward the decision-making process to ensure sound decisions are made in the best interests of the charity (assuming that it is financially stable) and that any conflicts of interest are managed. When it comes to financial decision-making, your first concern is to make sure that the board is confident that the charity is a going concern[4] and that it takes appropriate action when this is in question. Once this is satisfied, the purpose of the decision-making is to deliver the agreed financial plan and build longer term financial resilience. In this section we focus on the need for accurate, reliable and timely financial information when making sound financial decisions.

Reflections

As chair, you lead on the board agenda and it is your role to ensure that the finances get an appropriate amount of time for review during meetings. All finance information provided to the board needs to be up to date, accurate and clearly presented. For very small charities or those with a simple financial profile, it might be sufficient to set and monitor a budget, keep simple financial records in an Excel cashbook, have a reserves policy and prepare and file year-end accounts (the type of accounts required depends on the charity's annual income and constitution.) An Excel cashbook is a standard Excel template to do simple bookkeeping. A good accountant will be able to provide one and help you customise it for your charity. Free online templates are also available. Always check that these suit your needs and audit the template first to check for broken formulas or links.

As your small charity grows, it is very likely you will need some or all of the following:

- An annual operating budget by fund to make sure the planned activities are affordable, restrictions are honoured and reserves remain within target level.
- A regular management report comprising:
  - an actual v budget report which shows where the position on grants and reserves is different from budget in order to take corrective action.
  - a cash-flow forecast to be confident in paying bills as they fall due.
  - a balance sheet to ensure assets remain greater than liabilities.
  - some charts to track key trends and alert you to problems.
  - a risk register to monitor key financial risks.
- A set of SORP compliant year-end accounts.

Aside from the very small charities who can prepare receipts and payments accounts, your year-end accounts will need to be prepared in accordance with the Charities Statement of Recommended Practice.

4 Broadly speaking, going concern is an accounting concept in which a charity is able to continue its operations in the foreseeable future and meet its financial obligations as they fall due. For more technical guidance we recommend this AACA FactSheet.

Leading in times of financial uncertainty

Many smaller charities tell us that they are facing financial uncertainty and some are experiencing financial difficulties. It is vital that boards are able to assess financial risks with confidence and that trustees are aware of their financial responsibilities in times like these.

When it comes to managing financial difficulties, we recommend reading the Charity Commission guidance note 'Managing financial difficulties' as a starting point. If you have concerns about your charity's financial future, the Association of Chairs can also signpost members to a free insolvency helpline. If you have concerns that your charity may need to close a project or the whole organisation you may want to visit The Decelerator, an organisation which supports charities through endings. Further resources are listed below.

Recommendations

Commit to good financial governance

Your role is to ensure that the board has timely, reliable and accurate financial information to support its financial decision-making. We recommend circulating the finance papers at least a week ahead of the meeting to allow trustees time to review and digest them. We also recommend inviting trustees to submit finance questions in advance and come to the meeting prepared to discuss the papers.

Invest in good finance systems and processes

Good financial information is not possible without good finance systems and processes - and someone with the skills and expertise to implement them effectively. A small investment in charity finance expertise can go a long way in making it all run smoothly.

Make financial reports accessible to non-financial trustees

Try to present key messages in a mix of words, pictures and numbers. A few simple charts and a narrative can go a long way!

Reserves, reserves, reserves!

When building financial resilience, commit to maintaining reserves in line with the agreed policy. Track reserves levels during the year.

Financial resilience is about managing financial risk

In our experience, the tendency is for financial reporting to focus on the past. To build financial resilience you also need to look to the future. A year-end forecast alongside some simple charts showing key trends in, say, income and expenditure and reserves, can go a long way in alerting you to financial risk in time for you to take corrective action.

Some questions to think about

Does the board understand the financial information that is presented to it and does it have the ability to assess and manage its financial risk?

- As a minimum, is the charity a going concern and able to pay its bills as they fall due for the foreseeable future?
- Does it have adequate reserves and an up-to-date reserves policy?
- Is there an operating budget for the coming year and does it include secured income only or is there a fundraising target for the year?
- Is the fundraising target larger than the current reserves level and does the charity have systems to manage the risks should income not reach target levels?

Could the reports be presented better, to help non-financial trustees get to grips with the finances and ask questions?

- Does the financial reporting include an actual v budget report by fund and does it report on the current reserves position?
- Does the reporting include a forecast and show where restricted funds are likely to be over or underspent, and whether reserves are going up or down?

What can you do as chair to encourage the board to consider and manage your key financial risks?

- Are the key financial risks captured and monitored in your organisational risk register?
- Might you also include a few charts in your regular finance reports which show some of the key trends and future predictions in your income and expenditure, reserves and cash over time to alert you to potential icebergs ahead?

Resources

Sayer Vincent guide to reading charity accounts

NPC's The little blue book; Guide to analysing charities

CC19 Charity reserves: building resilience

CC12 Managing a charity's finances

Charity Commission guide on Managing financial difficulties

CC15d Charity reporting and accounting: the essentials

Saffery - Going concern considerations for charities

Association of Chartered Certified Accountants (ACCA) - technical factsheet on being a going concern

AoC Insolvency guidance - available to members

QUESTION 5

Are key finance relationships working well?

Are key finance relationships working well?

What this means

Good financial governance cannot be achieved with the right board structure and the right financial information alone. It takes good working relationships between all members of the board to do good financial governance. Your role as chair is to recognise this, invest time to nurture relationships and keep the inevitable tensions constructive, in support of beneficiaries' interests. In short, it is the chair who turns a group of individual trustees into an effective board. All relationships are important. Below we highlight some of the key relationships with respect to financial stewardship.

Reflections

The chair and the board

When it comes to the financial stewardship of the charity the chair is the conductor of the orchestra rather than composer of the music. Your role is one of oversight, coordination and facilitation and your aim is to set the culture to generate collective responsibility. This can be achieved by modelling a positive attitude towards financial stewardship and encouraging trustees to embrace the finances.

The chair and the auditor

All small charities registered in England and Wales with an income over £25,000 pa will need external scrutiny of their year-end accounts. For smaller charities with an income under £1m pa (and gross assets less than £3.26m) this will be an independent examination. For larger organisations this will be a full audit. It is your role to ensure that the charity has the correct form of external scrutiny from a suitably qualified professional. It is the board that appoints the independent examiner or auditor, and while the treasurer liaises with the auditor on specific issues (such as the board's representation letter), it can be helpful for you as the chair to hold the relationship with the auditor.

A chair shares their experience

"I had the experience of a treasurer who was incorrectly accounting for restricted and unrestricted funding. Not only that but the management accounts told the board very little. It was through our relationship with the auditor that we managed to eventually sort this out. It can be very helpful for the chair to have a direct and independent relationship with the external auditor or examiner, especially if the treasurer is not a chartered accountant with extensive charity experience."

The chair and the CEO

Running a charity can be a challenging job at the best of times, and this is especially true if the charity is experiencing financial difficulties. You have to both support and line manage the CEO. Clear lines of delegation can help remove some of the uncertainty and confusion that can come when building longer term financial resilience. They also free up valuable time to focus on the issues at hand rather than waste time revisiting who can and should be doing what.

The chair and the finance team

All charities need someone to do the heavy lifting on the financial record-keeping and reporting. Some will have a volunteer, maybe the treasurer or another trustee, who will roll their sleeves up and do the work (this will be in addition to rather than instead of the financial governance duties we have reviewed above). Others might have an in-house member of staff who leads on the finances. Others put in place external professional support or a mix of in-house and outsourced support.

If a board member is leading on the financial recording and reporting the board will still need to scrutinise the numbers and take steps to keep this arrangement under review to make sure it is still

working in the best interests of the charity. If you are fortunate to have staff then you will want to be confident that they feel supported in their roles, with access to the expertise, knowledge and systems required to manage the particular financial profile of your own charity. It will also be important to determine and respect formal line management responsibilities. No-one wants to be managed by more than one boss!

Your role is not necessarily to make the arrangements or manage them once in place. It is to ensure that whatever arrangements are in place are adequate for the job in hand, that everyone involved has what is needed for them to operate effectively and that, again, all workstreams are joined up and complementing each other.

The chair and the treasurer

We cover the role of the treasurer above (see p.11). The relationship between the chair and the treasurer is a critical one. When it works well it can be transformative. When it doesn't it can be challenging. We recommend investing time in the relationship, creating one of mutual respect and understanding but not one of deference. The financial considerations are often only part of the wider decision-making. For more guidance on working with a treasurer, visit the Honorary Treasurers Forum.

The chair and the chair

Being a chair can be lonely at times. There are big decisions to be made and when there are vulnerable beneficiaries in the mix the stakes can feel high. Remember that when it comes to the finances, all trustees have collective responsibility. Your job is not to do it all and it is not to have all the answers, it is to lead and to ensure that you and your fellow trustees ask the right questions. Our final recommendation is to be kind to yourself, invest in the support you need and celebrate your successes.

A final word

Thank you for downloading this guide. We hope that you find it a useful resource. Being a chair is one of the most rewarding roles in a small charity. We wish you well in your chairing journey and we thank you for being part of our community.

A chair shares their experience

"Having clear financial parameters which the board delegates to the CEO to work within is essential. These include a finance policy, a reserves policy, and a delegation of authority. We ran without proper documented delegation of authority – or indeed a CEO job description – up until an external governance review (which was voluntarily requested by the board). The lack of formal structure of delegated authority and the lack of a job description were determined to be the root cause of extensive confusion around responsibilities and authorities, which had resulted in a real mess. I am pleased to say that two years on – with some hard work and guidance from our auditor – we managed to get all of this sorted.

Financial governance matrix for chairs

Question	A Compliant	B Developing	C Mature
Q1 How can I support trustees with their financial duties?	I support trustees with their finance learning journey by sharing CC3 The Essential Trustee and signposting to relevant financial training and guidance.	A plus ... I ensure that the board invests time and where appropriate resources in regular board finance training to refresh trustees on their financial responsibilities and update them on any developments in the regulatory requirements.	A and B plus ... I hold individual inductions for all new trustees and ensure that they are familiar with the financial profile of the charity. I undertake regular one-to-ones with individual trustees and ensure they have opportunities to raise any concerns they may have.
Q2 What board arrangements will support our financial governance?	I work with the board to consider the financial governance arrangements that will best support our charity. Each committee has a scheme of delegation which clearly defines purpose and scope and is followed and maintained. All officers and appointed staff have a role and job description which clearly defines delegated authorities.	I ensure that trustees and staff are clear about the purpose and remit of each committee and officer role and are kept informed about the work being undertaken by each workstream. Trustees have the opportunity to question and challenge any reports or recommendations arising from them.	I set agendas and run meetings which ensure trustees are focused on and can fulfil their financial duties. All trustees are invited to question the financial information and encouraged to participate in the financial decision-making. I hold regular meetings with the treasurer, any chairs of sub-committees and the chief officer to ensure that there is full oversight of - and cohesion of - all workstreams.
Q3 Do we have a clear financial plan?	I work with trustees to set a clear and simple financial plan which we follow.	I commit to building the organisation's longer term financial resilience by supporting the board to take decisions which build flexibility into both the organisation's strategy and into the supporting financial plan to allow the charity to adapt and respond to change as required.	I work with trustees so that our board recognises that reserves are a key part of our longer term financial resilience and that our financial plan should maintain our reserves within the agreed reserves policy set by the board and manage the risks appropriately when this is not possible.

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Q4 Do we have the financial information that we need?	I have created the expectation that we will invest in good finance systems and processes to deliver financial reports that support informed decision-making and enable trustees to manage short and longer term financial risks.	Our charity makes financial reports accessible to non-financial trustees. I check with trustees that they have the information needed to fulfil their financial responsibilities.	We have an up-to-date reserves policy that we use to support our short- and longer term financial decision-making. We track reserves during the year and know when they are within - and without! - the agreed reserves policy. We have a set of indicators which show us financial trends and which alert us to potential problems in good time to take corrective action
Q5 Are key finance relationships working well?	We have appointed an appropriately qualified independent examiner or auditor and have access to up-to-date, reliable professional advice.	I recognise that when it comes to the financial governance of the charity, responsibility lies with all trustees collectively. My role is one of oversight, coordination and facilitation. I model good behaviours by embracing the finances and attending to effective risk management. Where we have delegated authority to named individuals we have clear lines of responsibility which are followed and they are held accountable.	Our key relationships are working well. No voice dominates discussions and difficulties in relationships are addressed and resolved.

A financial governance matrix for trustees can be found on the Association of Chairs website

About the authors

Liz Pepler

Liz is a charity resilience specialist, founder of Embrace Finance and co-founder of the Small Charity Friendly Collective. She is an experienced committee chair, treasurer, trustee and finance director and specialises in smaller charities with an annual income up to £1m.

Liz is co-author of Lloyds Bank Foundation's Organisational Resilience framework which supports organisations to build long-term resilience in times of uncertainty. Liz delivers finance training for a range of infrastructure bodies and grant-makers including NCVO, Lloyds Bank Foundation for England and Wales, the Fore Trust, Youth Music, the Association of Chairs and others.

Liz is a certified bookkeeper and member of the Institute of Accountants and Bookkeepers with a Masters in Charity Accounting and Financial Management (Dist) and a PG Certificate in Charity Administration. She is currently Finance Associate at the Civic Power Fund. Liz is a fellow of the RSA.

Uday Thakkar

Uday is a chartered accountant by training. He worked in management consultancy for over 20 years across the UK and in Africa. He then started a number of enterprises before launching and managing a charity.

In 2002 Uday launched Red Ochre, a social enterprise that focuses on improving the sustainability and effectiveness of the not-for-profit sector across the UK. Uday has won the Social Enterprise Mentor of the Year Award and is a regular and popular speaker at conferences and seminars on strategy, income diversification, governance, leadership, and finance.

Uday has been a trustee of several charities, including governance and finance improvement infrastructure charities. Uday recently stepped down as chair of a health charity which, under his watch, tripled in size and substantially scaled impact on beneficiary groups primarily from immigrant communities.

Open working commitment

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