Part 1: Strategies, planning and monitoring

1.1 First words on trustees, 'management' and 'governance'

Enormous confusion runs through large numbers of voluntary organisations about how to manage. This usually surfaces in arguments over ***who*** *should manage. But the real debate is, or should be, about* ***what 'management' actually means****, because this is where the confusion starts.*

One major battleground is the question of whether the trustees or the paid CEO are responsible for managing a voluntary organisation. This is left to Part 2, which deals with the practicalities of routine management. But it is worth saying from the outset that the day to day management of the organisation, the supervision of the staff and delivery of services, emphatically ***are not*** *the immediate business of the trustees, unless there are no paid staff to do the work.*

Organisations that choose to run things in some other way have every right to do so if they can achieve both good governance and sound management. But if they fail there will be plenty of people with long and painful experience lining up to say "we told you so!"

Part 1 of this guide concentrates on the fundamental issues of establishing the direction, objectives and strategy of the organisation, setting targets for achieving the objectives and then monitoring progress towards those targets. But we need to start by recognising the importance and complexity of management in a voluntary organisation.

Definitions: 'trustee', 'management', 'governance'

Parts 1 and 2 of this guide describe the responsibilities of the people running voluntary organisations, and Part 5 examines issues such as the roles of 'boards of trustees' (or 'management committees') and how to select their members. But before discussing the managerial and governing responsibilities of '*trustees*', it is important to establish the meaning of several key terms.

'Trustee' A trustee is someone entrusted to look after money or other resources given to them by others for the benefit of a third party. Clearly this applies to the people responsible for running the vast majority of voluntary organisations, whether they receive their money directly from the public or as grants from other bodies. This guide uses the term 'trustee' to apply to:

- Members of management committees (of registered charities and non-charities);
- directors of 'community-owned' companies;
- the trustees of charitable trusts.

It also embraces all the other titles which trustees commonly use – 'council members', 'executive committee members', 'governors', 'board members' *etc*. See section 5.1.

'Board' The term 'board' or 'board of trustees' refers to the trustees acting together.

'Governance' Until recently this was not a widely used term. But it is valuable for distinguishing ***day-to-day management*** from the ***role of governing*** a voluntary organisation, which includes ensuring the organisation has clear objectives and priorities, an agreed programme of work, leadership, safeguards for its money and other assets, supervision for the CEO (if one is employed), and the *capacity* to manage its work within the law.

'Management', therefore, is the business of running the organisation – organising the delivery of its work programme, looking after its assets, supervising and directing the staff and volunteers *etc*.

'Charity' For the purpose of this guide, a charity is an organisation recognised as charitable by the Charity Commission in England and Wales. See Part 6 for a full description of what constitutes a charity.

The role of management and governance

Management is all The success of a voluntary organisation – the extent to which it meets the needs of its beneficiaries, its standing in the community, its vitality and its ability to respond to opportunities and problems – will depend to an overwhelming extent on its management capacity and how well the trustees govern. There is, for instance, little value in being showered with grant funding to deliver your services if your organisation does not have a clear sense of what it is trying to achieve or if there are no effective arrangements for supervising the staff who provide your services. At the other end of the scale, having too little money to do your job is only a disaster if you do not have the skills to economise wisely, target resources and prepare successful funding or contract bids, or if you lack the vision to redefine your priorities without losing your long term objectives.

…and voluntary organisations have a strange way of managing For very good reasons charity and company law and the voluntary sector itself impose an interesting (and some might argue arbitrary and inefficient) management structure on voluntary organisations. Compared with the small private business, where one or perhaps two people take all the decisions, voluntary sector organisations with collective decision making arrangements have an impressively cumbersome arrangement for getting things done. On top of that, trustees do not get paid for their contribution. So one of the main factors providing motivation and control in successful private sector management is missing from voluntary organisations. This is not an argument for paying trustees. But it is part of the explanation for management in voluntary organisations being such hard work. It also helps to explain why local business people, whose skills could be a great asset to many small groups, often feel so uncomfortable as trustees, even when they are properly motivated by altruism.

Responsibilities for management In this context ‘responsibilities’ are not the same as ‘duties’. The trustees’ obligation to provide good governance brings them a number of important managerial responsibilities. You may be directly involved in carrying out some tasks, while others can be delegated to the staff you employ. As a trustee, you will remain *responsible* for the staff's actions and you must monitor the way they carry out *their* duties. Trustees' responsibilities include:

- Strategic planning;
- accountability to funders and other stakeholders (beneficiaries, volunteers, staff, *etc*);
- monitoring the work of the organisation;
- evaluating the work of the organisation;
- managing the organisation's property and land;
- managing the organisation's public relations;
- representing the views of the organisation;
- staff and volunteer management;
- overseeing fundraising activities.

Deciding how to govern

Good governance involves ensuring the overall health and effectiveness of your organisation. This includes the need for sound judgement on how to exercise your role. A guidebook can only provide guidance. It remains for the trustees to agree collectively on how things will be done. In particular, they should reach agreement and decide as a matter of policy:

- What governance actually is (see section 5.3)
- What they are responsible for (see above);
- what they need to plan (see Section 1.2);
- when to plan (see Section 1.2);
- what to monitor (see Section 1.5);
- how to monitor (see Section 1.5);
- who manages (see Section 2.1);
- when to manage (see Section 2.1-2.8);
- what to manage (see Section 2.2-2.8);
- when not to manage (see Section 2.1);
- when to review all these policies (see Section 1.2 and 1.6).

Dangerous assumptions It may seem obvious to say that you will not know that all the trustees are in agreement on these issues until you have discussed them together. If you shortcut the discussion about the way you will govern, sooner or later you are likely to find you disagree about it among yourselves. It is remarkably common for trustees to assume that, because they are all working for the same cause, they will automatically agree on the way to go about it. If you are unlucky, this will lead to rifts within the board, disagreements with senior staff and, possibly, serious management mistakes.

Standards and codes of conduct

Making trustees aware It is important that all trustees receive a simple statement of their role in running the organisation when they are appointed. This particularly applies to people with little or no previous board experience. The Charity Commission and other bodies publish valuable downloadable codes of practice. But it is wise to go through them with trustees to ensure they understand the implications and the terminology.

The Hallmarks of an Effective Charity As part of its role in promoting high standards and building public confidence, the Charity Commission has identified the '*Hallmarks of a Well-Run Charity*'. It expects that every registered charity will work to achieve the fundamental standards on its checklist of hallmarks, and these clearly have equal relevance to voluntary organisations in general.

The hallmarks An effective voluntary organisation is:

- clear about its purposes, mission and values and uses them to direct all aspects of its work.
- run by a clearly identifiable board or trustee body that has the right balance of skills and experience, acts in the best interests of the charity and its beneficiaries, understands its responsibilities and has systems in place to exercise them properly.
- fit for purpose - its structure, policies and procedures enable it to achieve its purposes and mission and deliver its services efficiently.
- always seeking to improve its performance and efficiency, and to learn new and better ways of delivering its purposes. An organisation's assessment of its performance, and of the impact and outcomes of its work, will feed into its planning processes and will influence its future direction.
- financially sound and prudent - it has the financial and other resources needed to deliver its purposes and mission, and controls and uses them so as to achieve its potential.
- accountable to the public and others who have an interest in its work (stakeholders) in a way that is transparent and understandable.

The Good Governance Code *Good Governance: A Code for the Voluntary and Community Sector* describes a set of basic principles developed by the Trustee Network, the National Council of Voluntary Organisations in England (NCVO). This summarises an effective board's role in providing good governance and leadership as:

- understanding their role

- ensuring delivery of the organisation's purpose
- working effectively both as individuals and as a team
- exercising effective control
- behaving with integrity
- being open and accountable.

Checklist

- Do the trustees understand the difference between 'governance' and 'management'?
- Does the board need to discuss whether it should be concentrating more on issues of governance and involve itself less in operational management?

Further information

- Charity Commission, *The Essential Trustee: what you need to know, CC3;*
- Charity Commission*, The Hallmarks of a Well-Run Charity*, *CC10;*
- Charity Commission, *Being a Trustee (a basic guide in plan language);*
- Trusteenet, *Governance: A Code for the Voluntary and Community Sector*, downloadable leaflet from www.trusteenet.org.uk.

1.2 Strategic planning

The enormous commitment which voluntary organisations show in delivering their services has a major disadvantage – it prevents trustees from taking the longer view to see where they are going. Even dynamic and innovative organisations can find themselves endlessly responding opportunistically to funding or contract offers, but with no real sense of direction. And less adventurous organisations may go nowhere at all, until the main funder decides to pull the plug. 'Strategic planning' is the jargon for a vital job for trustees, which can reinvigorate the organisations they work for, their personal interest in their work and their relationships with colleagues. It also can be a lot of fun. So just do it!

The trustees' role in planning?

What is 'strategic planning'? Strategic planning is a lofty term which may well deter smaller groups. In fact it means little more than planning for the long term. It is nothing to be frightened of. And, yes, it is almost certainly relevant to your organisation. If you don't like the jargon, abandon the word 'strategic' and call it your 'Three Year Plan' or 'Five Year Plan'. Don't abandon the planning though.

What is the point? Planning the development of your organisation and its future is a key role of the trustees. It helps to:

- Set a clear sense of purpose;
- set, or confirm, the direction and the key objectives of your work;
- establish priorities;
- establish what resources you will need and how in general you will secure them;
- establish how resources should be used;
- provide a way to evaluate new proposals and opportunities;
- produce more detailed operational or work plans.

A strategic plan is a working tool, which you should live with and upgrade as you progress. It has no use if you leave it on a shelf gathering dust.

What does the strategic plan cover? The plan should contain:

- Your overall aims;
- your specific objectives and targets;
- outline plans (strategies) for achieving those targets and objectives;
- the financial implications of the plan
- risk areas, *i.e.* the possible problems and obstacles which your plan might run into
- how you will monitor your achievements and progress;
- an annual timetable for reviewing your strategy.

When to plan There are a number of points in the life of your organisation when you should consider going through a comprehensive strategic planning process. These include:

- When you start out;
- when you are considering making major changes, *eg* expansion of your service, acquiring premises or staff for the first time;
- when you are forced to respond to changing external circumstances, *eg* funding cutbacks, changes in legislation which affects your service;
- automatically within three years of your last strategy planning exercise.

Well, we do that anyway Many voluntary organisations carry out strategic planning automatically as the need arises, hardly aware of the process. But making a special point of producing the strategic plan may enable you to incorporate some issues that usually get left out (perhaps involving the trustees more or consulting other stakeholders) – and find ways of making it more fun.

How to go about strategic planning

There is no single way to carry out strategic planning. But a number of elements can provide useful tools:

- Decide from the start what is the main reason you need a new plan – *eg* for fundraising, to examine expansion opportunities, to overhaul current operations (but don't be constrained by this in the course of the exercise);
- get away from the organisation's normal working environment;
- work together as a team;
- decide what you want to achieve before you start: discuss the items on the 'what is the point?' and 'what does the strategic plan cover?' checklists above;
- look at your mission statement, or write it if you feel you need one;
- carry out a SWOT analysis (strengths – weaknesses – opportunities – threats) of your organisation (see below);
- carry out brainstorming to establish a set of clear objectives and practical targets for your organisation;
- examine how you will find the money to meet those targets and revise them as necessary;
- get someone to write a draft of what you have agreed so far;
- examine the draft in detail, and then get everyone to agree to the final document;
- agree on the status of the final document – confidential, limited circulation or for publication;
- build in a timetable for action and review.

Getting away Only larger and reasonably well-heeled organisations may think instinctively about taking participants away on a 'residential' to carry out their strategic planning over two or three days. But it is difficult to over-estimate the benefits of a well-organised residential planning session. If you are looking at developing an operation costing tens of thousands of pounds a year or a major one-off investment, spending a few hundred pounds on a block booking for hotel accommodation should not perhaps be unthinkable. But whatever the environment you choose, here are a few tips:

- Go somewhere physically different to your normal meeting place if you possibly can – borrowing someone else's meeting room for a day perhaps;
- get away from phones, especially mobiles;
- choose a time when you are not used to having meetings – daytime if you usually meet in the evenings, and vice versa; a Saturday meeting can be a marvellously refreshing change;
- plan for your comfort – have regular coffee breaks, lay on something to eat for lunch, and if you are organising a residential don't overlook the amount of informal creative thinking that can be done in the bar (at least for the first hour or so).

Planning for planning Plan your agenda carefully in advance. Work out what you want to achieve, what ground you need to cover, how much time you need and can afford to spend on each issue, and the total length of time. Assume that you cannot possibly do the job in less than a hard working half day. The most disastrous planning sessions are those where the trustees squander their time arguing about what is on – and how to get through – the agenda. Start the session by confirming the agenda with your colleagues.

Who takes part? One of the most difficult challenges in setting up a strategic planning session is ensuring the best possible attendance by the trustees. This may well restrict your options for times and locations. You will need to be both diplomatic and firm:

- Don't expect to achieve 100 per cent attendance by the trustees – you may never get the job done if you wait for this – but try to involve as many as possible;
- do make a fuss about the exercise – make it clear that everyone is expected to be present;
- definitely include the CEO if you employ one – your senior worker probably knows more about the organisation than anyone else;
- other senior managers are also usually essential participants
- you may welcome any opportunity to exclude a troublesome trustee who distracts the business of meetings – but you probably solve nothing if they are not party to important decisions about the future, and managing conflict can actually engender creativity.

Working together One of the greatest benefits offered by special strategic planning meetings is the opportunity to take a completely fresh look at your whole organisation, and that can include:

- Thinking about aspects of your work which you normally take for granted;
- building a common vision with colleagues;
- developing your working relationship with fellow trustees.

Brainstorming One key element of planning together is to involve everyone fully in the process, including the most reticent. The 'brainstorming' approach using a flip chart to record the group's thoughts in a random order before you pause to analyse or organise them is great for this job.

Brainstorming needs to be:

- Focused on ideas, any ideas, no matter how off the wall they sound;
- well led (but not stage-managed) and geared to giving everyone a fair say;
- lively and stimulating – so don't slow it down with detailed debate;
- followed through – try to make the exercise lead naturally into the next discussion so that people can see the point;
- wrapped up properly – make sure there is a chance to write up or come back to the suggestions later.

Group work Another way to engage quieter members of your team and restrain the more vocal is to break up into smaller groups for some of the planning work. This can be hugely effective for encouraging a diversity of views particularly if you are trying to challenge a tired status quo. And it can equally well help to confirm a consensus if the groups all come to the same conclusion. But the approach can be over-used or applied thoughtlessly with possibly damaging results:

- breaking up into small groups can sometimes frustratingly interrupt the flow of a productive team debate;
- not everyone enjoys the small group experience – and imposing this way of working can sometimes alienate your team;
- it can be extremely time-consuming and even tedious if you have meticulous feedback sessions for your everyone to regurgitate the discussions they've just finished in groups;
- if you work in groups too much it can defeat the object of developing a collective view.

Get yourselves a good leader Good planning involves a well organised approach. You will certainly need someone to take you through the process to ensure that you keep on track, cover the ground and reach clear decisions where decisions are required. There are several options for leadership:

- The Chair may be the obvious choice, but make sure your Chair understands all the issues, and knows what the planning process needs to achieve;
- the CEO may be the best person to get you through the planning, particularly if they have thought through the issues already; the danger of being led by a clear thinking and determined CEO is that trustees may not have the chance to do much thinking for themselves;
- another trustee who has special skills as a facilitator should be considered as a serious option, perhaps performing a double act with the CEO;
- an outside facilitator may be useful if you are likely to have difficulty reaching agreement or if you need someone to stimulate ideas - but weigh up the costs against the benefits.

The mission statement

Time to check your mission If you do not have a 'mission statement' you may need to write one when you start the planning process. If you have one, you should revisit it to remind yourselves of what it says, and discuss whether it satisfactorily describes your current aims and objectives.

What is a mission statement? A mission statement is a short clear statement that summarises:

- What the organisation aims to do;
- who it aims to benefit;
- how and where you intend to achieve it;
- and how you will judge the quality of your work;
- Clearly in the case of registered charities it must be based on your formal charitable objectives (see Section 7.2).

An example of a fictional mission statement Aberanywhere Development Trust is a partnership organisation to promote community initiatives in Aberanywhere. Its aim is to improve facilities and opportunities for the residents of Aberanywhere by encouraging and supporting local people to undertake projects which address the needs of their community.

Using the mission statement The mission statement can have a variety of uses:

- As an aid initially to defining the purpose of your organisation;
- as a reference which can be returned to periodically to remind trustees and staff why the organisation exists, and to focus attention on how they can develop it in the course of the strategic planning process;
- as a banner to let supporters, users and the public know what you want to achieve;
- for inclusion in your annual report.

Drawbacks Despite its value in most cases, there can be drawbacks to writing mission statements:

- Drafting them can become a serious and lengthy distraction;
- they are associated in many minds with vacuous and meaningless statements of some business enterprises;
- by pruning an organisation's aims down to its bare bones, it is indeed all too easy to end up with empty platitudes and meaningless jargon.

For these reasons, you may prefer to ignore the fashion and produce a longer, more comprehensive statement of your objectives, aims, strategies and targets – or at least to avoid trying to write your mission statement in a large group while there are more pressing issues to deal with.

Planning

The SWOT analysis To carry out a SWOT analysis you can use your flip chart or work individually to list factors affecting your organisation:

Internal factors

- Your organisation's *strengths* – ie the positive features of your organisation which will help it in the future (its staff, premises, service, volunteers *etc*);
- your organisation's *weaknesses* – ie the negative features which could obstruct your development (these might be funding problems, poor publicity, lack of staff training or too few volunteers).

External factors

- The *opportunities* – *ie* the main opportunities for your organisation to develop its work (*eg* new demand, funding sources, partnership arrangements, National Assembly policies, new legislation);
- and *threats* – *ie* the main threats from outside which could hold back your development (*eg* competition for resources, changes in local government priorities, new legislation).

A basis for planning The main benefit of the SWOT analysis is that it provides a realistic basis for subsequent planning.

Make sure that the plan you develop:
- Compensates for every weakness;
- neutralises every threat;
- takes maximum advantage of your strengths and opportunities.

Don't forget that the same issue can be a strength *and* a weakness, a threat *and* an opportunity. The SWOT analysis has some less obviously psychological benefits as a starting point for a planning session by focusing everyone's attention on the organisation, bringing out the positives which you may usually take for granted, and allowing the difficult issues people don't like to talk about to be teased out.

Types of strategy The strategies which evolve will inevitably be one of three types, though trustees might choose different types of strategy for separate aspects of their work:
- Stability: not to change;
- growth: to expand to meet more needs, to meet needs differently or to meet new needs which are emerging;
- cutback: to survive financially and focus on activities which the organisation is best at (though cutting back simply to save money is a poor strategy if an organisation is providing an effective service to known beneficiaries, so it might well be better to design a strategy which accommodates economies but continues to work at raising the money needed to provide the service).

Getting there The biggest challenge of the planning process is to establish the way objectives can be achieved in practice. This probably needs to take into consideration a wide range of issues including the organisation's financial and human resources (for instance, what can you realistically expect of your staff or volunteers?), premises, equipment, relationships with other bodies, contracting arrangements *etc*.

The trustees at the strategic planning meeting should explore all these issues together. Even if they feel ill equipped initially, they will have a far better grip on the organisation by the time they have finished sharing ideas with one another. But you can get a long way with some concentrated brainstorming and a discussion to reach general agreements. The outcomes will vary greatly from one organisation to another, but they might include issues as varied as:
- Identifying the groups of people who will benefit, and a rough estimate of the numbers you will reach;
- agreement on the scope and location of the services you want to provide;

- the type of facilities or equipment you will need to provide, including updating existing equipment;
- the balance of activities and their respective priorities, eg the proportion of income and effort which should be devoted to different groups of beneficiaries, to research, or to publicity etc;
- major changes in statutory provision of funding or services;
- a new fundraising strategy;
- likely competition from other organisations;
- programmes to recruit and train volunteers;
- provisional target dates for key steps in your strategies;
- how you will assess your progress.

Bear in mind that the detailed planning to implement your strategy comes later and is another job entirely. But you should apply practical judgement to your strategy planning to make sure your targets remain realistic and achievable, even though you will not yet be in a position to evaluate them fully.

A draft strategy paper Having got this far you will need to write down what you have decided and fill in any obvious gaps. The draft strategy should give a clear outline of *how* you aim to move from your organisation's present position to the one it aspires to have reached by the end of the plan period. It will need to establish priorities and also, importantly, set out what work the organisation will not be attempting to do. It should incorporate:

- Overall aims and specific objectives;
- how other proposals for your organisation fit into the strategic plan;
- financial implications;
- management implications;
- challenges and risks.

Plans within the plan It is important to recognise that the strategic plan sets a framework for more detailed planning to follow. For example:

- A commitment to a new fundraising strategy with two or three key targets will involve specific approaches for each, clear priorities and expected outcomes, timetables and monitoring arrangements;
- a new project development may require a fundraising campaign, the preparation of a business plan, recruitment of staff and a new monitoring system.

Operational plans Once the draft strategic plan has been agreed by the trustees, and final adjustments made, you will need yet another plan – an *operational plan* to begin implementing your strategic plan (see Section 1.3). An operational plan should cover a manageable period of time such as a year (or possibly six months), not the full span of your strategy. The task of preparing it is not part of the trustees' strategic planning role and will normally be passed on to the person responsible for managing the organisation, though the trustees should have the opportunity to discuss and comment on it.

Reviewing your progress

Reviewing the strategic plan Strategic planning must be an on-going process (as should other types of planning in your organisation, for that matter). Even if a five-year plan has been agreed, you and your fellow trustees should review the plan each year to monitor progress against targets, to check that any assumptions made are still valid, or to see if changes in external circumstances justify modifying the plan. Ensure that any necessary updating is carried out, or it will become increasingly redundant.

Getting away, again If you managed to hold a special meeting away from the workplace to help develop your initial strategic plan, you will probably already be sold on the idea of repeating the exercise at yearly intervals to check how it is working in practice. The special review meeting can be such an enormously useful experience.

Depending on how you use the time and who is invited, the review meeting can have a range of other ancillary benefits similar to those of the strategy planning session, including:

- Induction for new board members;
- team building for the trustees;
- an opportunity for staff, volunteers, trainees and board members to work alongside one another and get to know each other better;
- a rare opportunity to take a revitalising longer view of what you are doing;
- a chance for new ideas to be taken on board and old problems tackled.

Work and play One approach is to commit your organisation to a regular annual away-day or residential, and design the content to fit current needs – looking back, looking forward, building the team, or perhaps just letting off steam that has been building. It needs to be planned to be enjoyable too – though its rarity value is usually enough to ensure that.

Checklist

- Does your organisation have a mission statement?
- Does your organisation have a strategic plan?
- Is the strategic plan reviewed each year?
- Are new trustees given a copy of the mission statement and any planning documents you may have?
- Does your board need to review the way it carries out its planning?

Further information

- Hudson, Mike, *Managing Without Profit, Third edition*, Directory of Social Change Penguin Books, 2009;
- Lawrie, Alan, The Complete Guide to Business and Strategic Planning for Voluntary Organisations, Third edition, Directory of Social Change, 2007;
- WCVA free download *2.1 Developing a strategic plan;*
- WCVA free download, *1.1 First steps - from idea to action.*

1.3 Business and development planning

The original idea that encouraging voluntary organisations to produce business plans would make them more 'business-like' in the management of their activities is sound enough. And no one could be unhappy if that helped good projects to get funding. But it took about ten seconds for some deluded organisations to convince themselves that they need only produce something impressive which ***looked*** *like a business plan in order to persuade certain grant makers to part with their money. So what if the plan is hopelessly unrealistic and fails to show how the proposed project needs to operate in order to succeed – so long as it serves the greater good of filling the coffers?*

So business planning for some has become a mechanism for conning the funders and planning to fail. In fact, it takes as long to produce a dishonest business plan as to produce a realistic and truthful one, and an honest plan stands a better chance of convincing a responsible funder. Trustees should perhaps pay more attention to the project plans their organisations are producing.

From strategy to practice

Next steps When the strategic plan is in place (see Section 1.2) it will be necessary to plan how your ideas will be put into practice. How you go about this depends on what you are trying to achieve, your funding objectives, and on a variety of other issues such as the cost, scale, scope, complexity and difficulty of what you are aiming for. The document you use to turn the vision and objectives of the strategic plan into reality is loosely called a 'business plan'. But beware – the terminology is rather inexact and a variety of different planning approaches commonly get bracketed together under the name 'business plan'.

A plan for every occasion The plan you write will depend on what you need. You should consider which of the following will best help your organisation at present:

- An 'operational plan' spells out in detail, primarily for internal use, how you will run your services (and it might cover a period of only six or twelve months – see Section 1.2);
- a 'development plan' gives a broad view of the overall development of a new or existing organisation, showing how each of your objectives will be achieved;
- a 'management plan' addresses structural and management issues and can be valuable for an organisation which is expanding rapidly and needs systems, staffing arrangements, and decision making procedures to be updated;
- a '*business* plan': strictly speaking a business plan shows in detail how a single activity (or a single activity organisation) will operate, including evidence of the demand for it and its viability (but the term is now used loosely

to cover any of the approaches listed here); business plans are also commonly used to support funding applications;
- issue-based plans: you may split the planning job into more manageable parts over a period of time and produce a 'staff/management development plan' a 'fundraising plan', a 'promotional plan' *etc*.

The planning approach Don't be put off by the terminology. What matters is what you want the plan to do for the organisation, not what it's called. This guide uses the general term '*business* plan' – which rightly implies that you are planning in a business*like* way – to cover all the possibilities.

The precise contents of your plan are up to you (and your funders) and the model business plan later in this section can be amended as radically as you like to fit your organisation's needs. But the discipline which the framework gives you easily justifies the effort of getting to grips with preparing a properly documented plan.

A business plan is a document which:
- Demonstrates and justifies opportunities and/or needs for a service;
- shows what can be done about them;
- shows *how* the organisation will respond;
- shows that this response will be 'viable' –*ie*, that it can be achieved practically and within the resources which will be available (commercial activities, including community businesses, also need to show that they can make a financial surplus because just breaking even is ultimately a recipe for failure).

These demands provide a valuable framework for planning by voluntary organisations, because they challenge those preparing the document to answer fundamental questions about what they are doing – "what?", "why?", "how?", "how much?" and "what if?" (Compare this with the largely routine job of describing how a strategy will be put into practice, and you will see that a business plan is a tool for thinking as well as doing.)

What is the point of business planning?

Finding out what is expected If another body, such as a funder asks for a business plan *you must find out what they expect it to include.* In some cases the funders themselves are not clear what they want, until, that is, you produce something they can find fault with.

The purpose of business planning? The idea of 'business planning' is an import into the voluntary sector from the work of commercial enterprise. There are still some trustees who balk at the suggestion that what they are doing has any connection with business, but the onslaught of business planning and the demands it puts on organisations of all sizes are by now unavoidable. If the term 'business' is offensive, call them 'development plans' instead.

Good quality business plans are multipurpose tools that can:
- Help organisations to define their objectives in detail;

- encourage them to gather fresh knowledge about their service users and clients;
- provide a detailed blueprint for developing projects and activities, and the means to monitor progress;
- support grant applications;
- provide valuable information about your work and objectives for new trustees and employees, and for outside advisors;
- help to promote your activities with certain groups in the community – eg individual local authority members and officers and business people.

The final version of your business plan will have its uses. But many of the benefits lie in the *process* of planning which producing it forces on you.

Planning to improve your internal operation Whatever other reasons you may have for producing a business plan, you should always try to see it as a tool with the power to:

- Encourage trustees to review their organisation's long and short term objectives and share aspirations with one another;
- encourage teamwork among members of your group;
- force you to test the prospects for viability of your plans with hard financial details;
- alert you to future dangers and show up flaws in your strategy planning;
- help you to understand your proposed developments and new activity in detail;
- help you to identify new possibilities and build flexibility into your activities;
- clarify the way you will manage and staff your activities;
- provide the means to monitor actual progress;
- highlight your weaknesses and the reasons why you may not be successful.

If this list sounds too good to be true, bear in mind that you would have to work hard to achieve all of these benefits. But none of it is unrealistic.

Planning to raise money There is one fundamental flaw to the view that business planning is a powerful tool for enhancing an organisation's activity and performance.

They are usually written with a completely different purpose – to raise money. The consequences of this alternative perspective are, to say the least, unhelpful (and the result is often just poor quality plans):

- In many cases the business plan is written under duress, or as a chore, because someone else has asked for it or expects it. It becomes someone else's – 'the funder's plan';
- staff and trustees who believe that raising money is the answer to every problem can and do completely subvert the process by writing the type of plans which they think funders want to see;
- some funders (but fewer these days than in the past) may be satisfied with plans that 'say the right things', even if the evidence is missing;
- they foster project failure and poor performance, and damage to the potential beneficiaries;

- they create bad experiences for funders, which may make them reluctant to take risks with innovative projects in future;
- organisations become further chained to the dependency culture – a common weakness which business planning is intended to reduce;
- other worthwhile initiatives become starved of resources.

The business plan format

The basic shape of the plan will be much the same, whatever its purpose and audience. The plan should include:

- A summary;
- an introduction addressed to your particular audience;
- the context and background to your plan;
- your objectives;
- the practical proposals and the need for them;
- how they will be managed and monitored (including timetables and review methods);
- how much it will all cost, and where the money will come from.

Models to avoid Beware of other models, which may not do the job you need:

- Model plans designed for conventional businesses often contain distracting elements which are irrelevant to voluntary organisations (financial forecasting related to their profitability, for instance);
- models for conventional businesses exclude some elements which are important or vital for voluntary and community groups (*eg* details of the beneficiaries and membership, the provision for social auditing *etc*);
- simplified, 'fool-proof' business plan forms produced by some financial institutions will simplify the process so much that they may be worse than useless – don't go near them

Recommended format There is no single definitive model for a business plan. The model plan at the end of this section can be adapted to meet the needs of individual voluntary organisations by amalgamating or eliminating any of the sections as required. *It assumes that the plan is the central part of a grant request – because plans are almost always used this way sooner or later.*

Preparing the business plan - the general approach

When? Any new voluntary venture needs a plan, whether it is produced by a newly established organisation or an existing one that is undertaking a fresh development. To be brutally realistic, in most cases you are unlikely to write a plan until someone else tells you to do so. But you should definitely start thinking about and discussing the *contents* of the plan at a much earlier stage – while you are exploring ideas for developing your activities and writing your strategic plan.

Who is it for? Don't forget that this is *your* plan. A business plan that does not incorporate the ideas of all the trustees is a lost opportunity. One that ignores their ideas may well lack their support or understanding when you implement it.

This is probably the last chance you will get, for at least a year, to involve trustees together in the planning process.

Who does it? The usual approach is to delegate one person to write your business plan, normally the CEO if one is employed. If there are no paid staff to do the job, the organisation may be lucky enough to have a trustee with business planning experience. But you should ensure that everyone else is regularly consulted on the ideas that are going into it, and that that trustees discuss early drafts jointly.

Another much more demanding approach is to delegate members of the group to write or produce information for different sections of the plan. You will need a co-ordinator to ensure that all the jobs are done on time or reallocated to other volunteers, and to polish the document and harmonise the writing styles. This approach is certainly hard work, but it is extremely valuable for creating a shared understanding through collaboration.

How long should it take? Resist the temptation to spend months over it. Try to write it fast (say, within a month) and have two or three intensive planning sessions with the group to share and refine ideas. Otherwise you will get bogged down and lost in the process.

Is 'market research' really necessary? It may be essential to provide hard evidence for your proposal, which can only be collected by research. In most situations 'market research' (like 'marketing') is mostly a matter of common sense, with a small amount of technical nous, which you can pick up from a friendly professional researcher. Researching the 'market' for a kids café, for instance, involves asking the right people (children living or going to school in the area of the proposed cafe) the right questions (*eg* about their leisure time activities, their eating habits and their pocket money). In this example you might get schools to co-operate with a questionnaire. As a group exercise for trustees and other volunteers, the research does not have to be a chore, and the information you gather can be enormously enlightening, and all the more dependable because you collected it yourselves.

Do you need help? Most of the process is entirely logical and does not require special skills. If you are not familiar with producing financial projections it might well be advisable to consult someone with financial experience to make sure you are on the right track – this could be a worker in another group or an advisor from your local county voluntary council. The main areas where less experienced organisations might need outside help are:

- The cash flow forecast (see also below and in Sections 4.10 and 4.11 on financial monitoring);
- designing effective (objective) questionnaires for market research, and evaluating the results;
- fixing charges for your services;
- monitoring and evaluation processes.

Writing the plan and the forecast

Trustees certainly need to be *involved* in the process of business planning, but they will only need to *write* it if there is no one else to do it. This sub-section is designed for trustees who have little or no previous experience of business planning, and who need to undertake the work themselves.

A few basic tips

- It is vital to use a word processor. It's extremely handy to be able to change things around as you go along, and you are almost certain to need to alter it later when the document is revised for other potential funders, when you adapt extracts for internal reference or information leaflets, or when it is updated in 12 months time;
- start by producing a rough picture of the income and expenditure (which you will refine later). The order in which you write the rest of the plan is much less important;
- one possible approach is to build it up layer by layer - starting with an outline plan and then filling in more detailed information in several stages. This encourages you to think in ever more detail about the project, and to check that your earlier assumptions still apply as more information is accumulated;
- revise it – your understanding of the way your project or organisation will work will improve the more you think about it;
- share it with fellow trustees – six heads can be much better than one.

The cash flow forecast Even if every penny of your income comes from a single grant source, you will need to make sure that there is money in the bank at the right time to pay your bills. The cash flow forecast at its simplest will tell you when you need to receive any grant instalments to avoid being overdrawn at the bank. As soon as you are reliant on earned income of any kind (such as charges for your services) the rate at which you receive money can be expected to become variable and less predictable, and it can easily fail to keep pace with the rate at which you spend it. A cash flow forecast is simply a budget forecast which:

- Includes your opening bank balance;
- shows income and expenditure in the month *when you actually receive or spend the money*, and;
- shows you the expected size of your balance at the end of each month.

Producing a cash flow forecast Here are a few tips:

- The whole planning process should start with a cash flow forecast: you must be able to see realistic ways of securing enough income to cover all your expenditure before you know that your project is a practical proposition;
- use a computer spreadsheet for the forecast if you possibly can (even if you have never used a computer for anything except word processing, the enormous flexibility you get for testing and revising your figures can justify the time spent learning to use a spreadsheet programme);
- don't concentrate only on optimistic expectations – anyone can make a project look good with wishful thinking; devise a realistic scenario in which your

outgoings are rather higher, and the income takes longer to build up, than you would like, and then work out how you would survive in *that* situation;
- don't expect the first version of the forecast – or even the third or fourth – to be best or last; as your planning progresses you will think of items you have missed, correct mistakes and make refinements;
- don't be frustrated by the need to keep going back to it; the improvements you make are well worth the extra time;
- don't be afraid to ask for help if you need it.

Dealing with the forecast sceptics Planning, especially financial planning, can be threatening to some people because it exposes weaknesses and sometimes leads to conclusions you'd prefer not to deal with. So be prepared to persuade the doubters who tell you:
- "Financial forecasts are always wrong" – yes, and so are railway timetables; but there would be no service at all without them;
- "if we can't reliably predict three months ahead, why produce a three-year cash flow forecast?" – year 1 of a project is distorted by the special demands of getting it started, and even if the project is running at full speed throughout the whole of year 2 (which cannot be guaranteed), the financial situation in the second year can still be affected by the anomalies in the first (*eg* grant surpluses carried forward because of a slow start); so it is not until year 3 that you get a completely clear view of how the project will run and whether it is likely to be sustainable.

What about the truth? Good business planning can sometimes be subverted by funders. It is not unknown for public sector bodies to ask for plans to be rewritten, not because they are inaccurate but because they are *too* honest! It's easy to get the message that the best practice is to mislead potential funders – exaggerating its financial viability, minimising the defects of the scheme and and the weaknesses of your organisation. The disastrous consequence of this approach is that you may end up with the funding you asked for, but without a realistic, workable project to deliver.

Pressure to change your plan Whatever the circumstances, you must stay in control of your own plan, and not allow others to dictate contents which you cannot put into practice:
- Emphasise, even embellish if you must, the positive aspects of your proposal, but don't make commitments you cannot deliver on;
- always ask why changes are needed:
  - is there a real defect in your proposal?
  - does your project fail to match the criteria?
  - if it's to distort the truth so that the funder can give you a grant you'll need to talk this situation through informally because it is fraught with risks for your organisation if things go wrong later.

Plans and studies by outside consultants

Ownership There is one important alternative to the business planning process described above – getting an outside specialist to do it for you. Whatever the scope of the consultancy, it is crucial that the work is understood and 'owned' by the group. Ownership means simply that the proposals or plans have the same commitment from members of the group that they would have had if the group had carried out all the work themselves.

Funding for plans The idea of an outside consultant can be particularly attractive if funding is readily available for business planning. Nowadays, many funders, including public bodies, are prepared to provide grants, particularly if jobs and training are a likely outcome. The cost of a very basic plan for a small to medium voluntary organisation will probably start around £3,000 or £4,000. If you need and can afford something more complex that includes community consultations or follow-on help with *implementing* a business plan, you might expect a total fee starting at £5,000 or £6,000 and possibly very much more.

Alternatives If you cannot attract outside grant funding and it's vital to bring in an outsider to tackle the planning (because the project is beyond your skills or because you need a completely fresh outside view) you may still be able to get the job done by:

- investing some of your reserves in employing a consultant, or
- finding an agency which will provide help free (ask your local county voluntary council to advise you).

'Feasibility studies' and 'business plans' Funding schemes sometimes refer to 'feasibility studies' rather than business plans. In everyday language there is not a great deal of difference, because a business plan needs to demonstrate the 'feasibility' of the project idea, and is likely to include an element of research to do so. But in practice it is essential to make it clear when writing the brief for the work that you want a full business plan produced at the end of the process. A dull or unscrupulous consultant who is simply asked to produce a feasibility study could leave you with a market research report and a cash flow forecast, but no rounded plan for implementing the project.

Using outside consultants

Money can be wasted if the consultancy is not set up and managed properly:

- it is vital to prepare a detailed written brief for the consultancy (or get your prospective consultant to prepare one which meets your specifications) – this should cover the work to be carried out, the time it will take, the completion date and the all the costs (fees, expenses and VAT); discuss it again with the consultant before the work starts to avoid misunderstandings;
- funders may require you to get use a formal tendering process, but it is always a good idea to ask at least two consultants to quote unless you are employing someone you know and trust;
- use WCVA's Database of Trainers and Consultants to find specialists who work in your field and download their guidance on making appointments;
- always follow up references, and talk to other groups or agencies about the appropriateness and competence of a consultant before employing them for the first time;

- there is no substitute for a consultant who works closely with you throughout the process – insist on this;
- indicate the level of consultation which is expected; the very minimum arrangement should be detailed discussions between your consultant and the trustees when the consultancy starts, half way through and at the point when a draft plan is produced;
- put the terms which have agreed in writing - including the price, any additional expenses, VAT, whether it's a fixed fee, time-span for completion, reporting arrangements and the form you want final document to appear in; you don't need a formal contract because a letter is just as binding
- co-operate with the consultant as much as possible by providing information when you are asked for it, and help in any way you can.

Further information

- WCVA free download, *2.2 The Business Plan*;
- WCVA free download, *2.x14 Using freelance trainers and consultants*.
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A model business plan

This model provides an extensive list of items to include in your business plan. Individual organisations will need to decide which topics to include.

1. A cover: Include your name and logo, the name of the funder it is addressed to, and don't forget to include the date (many people do). Indicate whether this is a draft, and number different drafts sequentially. It's easy to get confused with different versions of your plan.

2. Introduction: The Introduction should include:
- A brief outline of the project or development.
- An outline of the total funding required, and the prospective sources if it's part of a bid.
- An explicit statement of the amount of grant being applied for from the funder.

4. Background:
- Describe what you do.
- Explain your objectives (and charitable objects).
- *Briefly* describe the origins and development of your organisation.
- Outline your existing and proposed constitutional arrangements.

4. Personnel:
- List the trustees with their roles and a little background information about each, such as employment and outside interests.
- Include details of the CEO and other key staff (whether already in post or proposed) – you can include job descriptions in an appendix.

5. The need or 'market':

- Who are the current and proposed beneficiaries or users/clients of your service?
- Quantify the need for the service.
- How did you go about identifying and evaluating this need, *ie* any market research you have carried out and a summary of the results? (present the full results in an appendix); you should include evidence of the general background need (*eg* drawn from census and other statistics – readily available from your local council - and anecdotes drawn from your experience).
- Are there any special characteristics which you have identified?
- Who else is providing this type of service, and how is yours unique or better?

6. The development proposal:

- Describe the services which you want to provide or develop.
- Explain how they will operate and why you chose to run them in this specific way; describe any specialist equipment, processes or approaches which are unlikely to be familiar to people outside your organisation.
- What are the targets for this year of operation?
- Describe any special legal and licensing requirements you will be required to meet.
- What are the potential problems with this service and how will you overcome them?

7. Promotion and service delivery

- How will you let your potential users and clients know about your service?
- Who will actually provide the service? Where? When?
- What are the targets for the first year of the new operation?

8. Charges:

- How have you fixed your proposed charges, if any?
- How do they compare with similar services available in your area or elsewhere?
- Include any detailed calculations in an appendix, and refer to them here.

9. Staffing and volunteering:

- What paid posts will you create to provide the service? What skills are required?
- Are there any significant recruitment issues such as salary levels or availability of skills?
- What facilities and training will be provided for staff and volunteers?
- How and by whom will volunteers be recruited, inducted and supervised?
- Is there a code of practice for volunteering?

10. Management:

- Who will make overall policy; who will take day to day decisions; who will be consulted?

- How will decisions be recorded and communicated and their implementation monitored, and who is ultimately responsible?
- How will the paid manager and staff work effectively with the trustees?
- How will the financial arrangements be managed, supervised and monitored?
- Where appropriate, include a chart to show how the management structure fits together.

11. Premises, equipment and other issues: Describe any other important factors in the launch or running of the service, including:
- The ownership and/or tenancy terms, lease or purchase cost, and suitability of premises.
- Necessary adaptations and conversion costs.
- Transport facilities you will provide or use.

12. Training and support:
- What help have you had to develop the capacity of your group, your project ideas and your management skills?
- What training will be necessary for staff and directors in future, and what plans and resources are there for delivering this training?

13. The beneficiaries:
- Define all the groups of people who receive benefit from your activities, directly or indirectly (*eg* service users and clients, volunteers).
- In what specific ways will these groups benefit?
- How will you record and measure whether you are achieving these benefits?

14. Accountability:
- How will the public know about your work?
- How will you involve the community in the project or organisation?
- How will clients and users be involved in the planning, delivery or monitoring of the service?

15. Cash flow forecast: Include a cash flow forecast for the forthcoming three years (see Section 4.10).

16. Analysis of the financial arrangements: Describe the financial implications of your proposals in detail by referring separately to the items under the income and expenditure headings in your cash flow forecast.
- Explain, perhaps in an appendix, how your figures were arrived at.
- Describe the sources of funding which you hope to secure.
- Assess the overall cash flow situation for the period of the forecast.
- Explain what action would be taken in if you miss your income targets or overspend.
- Indicate how the project or service will be sustained in the longer term.

17. Project timetable:

- Provide a timetable to show the key stages in achieving each of your main objectives, both while the project is being developed and when it is running.
- Explain the method you will use to monitor your progress against the timetable.

18. Strengths and weaknesses:

- Identify the strengths and weaknesses of your organisation to show that you have properly evaluated your capacity to develop the project.
- Show how you will take steps to remove the weaknesses you have identified or what steps you will take to minimise their impact.

19. Summary of grant request:

- How much grant aid is needed and for what purpose? What other sources of finance have you explored and secured, particularly matching funding?
- What funding will be needed in future years, and where will it come from?

1.4 Target setting

It is not unknown for CEOs in voluntary organisations to predict the end of civilisation as we know it when trustees suggest that they should be involved in setting targets for their work. This resistance, which is much less common than it once was, is based on blind fear – of the unknown, or of being found to be wanting. A common response by a manager is to point out that there is not enough time because the staff are already overloaded. The argument that target setting is a useful tool for establishing clearer work priorities and relieving stress cuts no ice with the truly paranoid employee. Trustees might well conclude that the more resistance they receive to the introduction of target setting (and associated monitoring arrangements), the more these valuable management techniques are likely to be needed.

The purpose of setting targets

Why targets are necessary Monitoring an organisation's activity without targets to refer to is like monitoring finance on the strength of monthly income and expenditure figures without an annual budget. You may feel you are in control, but you run the risk of discovering you're not, only after it is too late to do anything about it. As a trustee, you need more than subjective written or verbal reports from the CEO to be assured that you are on the right course. A few well-chosen target dates, and numerical landmarks which you are working towards (such as increases in numbers of users, funding raised, or projects started) can make the difference between success and failure. Having targets to monitor doesn't have to be a burden on anyone.

The benefits of target setting

- Setting targets is a vital part of the job of setting priorities, allowing trustees and staff to be more in control of the organisation's work;

- trustees can carry out their monitoring role more effectively, and – sometimes crucially - feel more relaxed about leaving the CEO to get on with managing;
- management staff are required to think through their work more thoroughly as they identify the targets, so they may get a better grip on their jobs and on planning their workloads;
- staff know what is expected of them: they know what to aim for and can measure their own progress, so they are more likely to feel their work is worthwhile and want to take a personal interest;
- the trustees will recognise a CEO or another senior officer who is performing poorly at an earlier stage; this means that support or training can be provided and crises averted.

From plans to targets

You will set and review different types of target at different intervals. All are relevant to the task of monitoring progress (see Section 1.5). Don't get hung up on subtle distinctions between them. What is most important is to set objectives which are:

- *Measurable* in the short, medium and long term;
- *understandable* to the people responsible for achieving them and the people responsible for monitoring them.

Strategic targets The strategic plan will set long term objectives, and should define the most important steps along the way, even though it may not fill in much of the detail. Where appropriate, these targets should have approximate dates attached to them. Your strategic targets might include:

- Reaching an important fundraising objective;
- starting and completing individual projects;
- the number of new initiatives started in a three-year period.

Operational targets A business plan or operational plan which sets out your work for the coming year should include timetables with events and landmarks for your activities and a more detailed breakdown of how you will achieve the longer term targets, *eg*:

- The dates when new staff are employed and when premises are taken over for a major project development;
- setting up and running a major event;
- maintaining the number of users or clients at a particular level;
- recruiting a specified number of new volunteers.

Target tasks Some of the landmarks above can be broken down further into individual tasks, and in some cases the order and timing of these tasks can be critical to your completing the main job successfully.

One of the clearest examples of this is recruitment: once you know the date when you want a new worker to start, you need to work backwards to plot the dates for the interviews, the shortlisting, the closing date for applications, placing a newspaper advert and writing a job description. If you don't stick to the timetable of tasks you could have problems.

Making targets relevant When you set targets for your work you should try to make them as practical as possible so that staff and volunteers know what they are realistically expected to achieve. For instance, if the business plan for your furniture recycling project forecasts that you will provide 1200 families with items of furniture in the year, your quarterly target is likely to be around 300. But it would be better to set monthly targets which vary from month to month to reflect factors such as a pre-Christmas boom and your customers' lack of ready cash in January and February.

Who sets the targets?

The following recommended arrangements depend on organisations establishing a clear separation of roles between the trustees and the CEO. See Section 2.1 for the details of this critical relationship.

The trustees' role If the voluntary organisation employs a CEO, it is not the job of the trustees to work out what the detailed targets should be. But the trustees' role is critical for good governance:

- It is essential that trustees should establish the basic policies for target setting;
- trustees will set or confirm the *overall* strategic targets themselves;
- trustees must be aware of the way that target setting works in practice so that they know what to look for in their monitoring role;
- the trustees should also undertake the job of confirming or amending targets which have been recommended by the CEO or another officer; this is not the only possible approach, but it is central to the monitoring arrangements recommended by this guide.

A procedure A procedure for setting targets should be as simple as possible to avoid unnecessary bureaucracy. If there are hitches, the arrangements can be adjusted in the light of experience. One model involves the CEO in:

- Producing a timetable for a period of three, six or twelve months with key tasks, events and objectives identified for each month;
- agreeing a list of the main tasks to be completed for two or three months ahead, with indications of the priority of each item;
- indicating simple priorities ('primary', 'high', 'medium' and 'low' is easily specific enough);
- submitting the proposed targets to the trustees to confirm or amend – in this way the trustees are exercising their responsibility for governance, retaining control, and leaving their management staff free to manage.

1.5 Monitoring – and accountability

Monitoring can give trustees considerable power and authority in their organisation – far more power than is sometimes achieved by trustees who misguidedly try to interfere in day-to-day management over the head of the CEO. But the point is frequently lost on trustees at both ends of the management spectrum, from those who abandon the staff to do absolutely everything, to those who want to steer the manager's hand while s/he is writing cheques or ordering paper clips. Some trustees actually look disheartened when told by advisors that their job is to monitor and not to manage. It is as if the single most important job in providing good governance is not quite good enough for them. Yet the alternative to operating an effective monitoring system is probably to wrestle permanently with management crises – which wouldn't have occurred if problems had been picked up at an early stage as part of their supervision role.

Monitoring monitoring

What is monitoring? Monitoring is the process of gathering and recording information on a regular basis. It keeps account of progress and work undertaken against agreed objectives, sometimes called 'performance targets' and 'performance indicators'.

What needs to be monitored? The trustees have a responsibility for monitoring all aspects of the organisation's activities. This will encompass:

- Services provided to the beneficiaries;
- the management and development of the organisation (as defined by the strategic and business plans and by the targets agreed by the trustees – see Section 1.2-1.4);
- staffing and administration issues;
- finance (financial monitoring is a crucial function for trustees and is dealt with separately in Sections 4.9 and 4.10).

How much monitoring? In a small organisation providing just one type of service it is possible for trustees to receive reports about most of what the organisation has done during the previous month – who has been helped and in what ways, how much income has been received, how many hours of voluntary work has been done *etc*, down to how much has been spent on breakages or volunteers' travel expenses. In a larger voluntary organisation there are serious dangers with monitoring this level of detail, which could:

- Overwhelm the trustees' meetings and act as a barrier to their effective monitoring of major issues;
- tempt trustees to interfere with the management role of the staff;
- overburden or distract the staff with gathering information which trustees do not read or read.

Information for what? Clearly trustees need to establish policies which specify rational and useful levels of monitoring information. You should be guided in this by asking yourselves:

- Why you want the information and what use do you make of it – do you read it? Does it affect your decisions? Would you still be able to exercise your responsibility for the organisation if you did not receive all of it?
- How much do you trust the staff who are providing the information? – a new CEO might be expected to provide rather more information in the first few months so that you can be assured they are on top of their job (if you really don't trust an existing manager, monitoring alone will not solve the problem and you will need to take action to provide support, training or more supervision; but monitoring can be the means by which you test whether this action is being effective).
- Are the trustees straying from their monitoring role into telling the CEO how to manage? – if you are it's time to back off.

Monitoring arrangements

Simple formats for monitoring information The trustees must decide what information they will monitor, in consultation with the CEO. Then you need straightforward mechanisms for the staff to provide it and for the trustees to examine it. Here are a few suggestions:

- **Use a consistent format** *ie* the same information in the same form every time – if you vary the format you will not be able to make comparisons;
- **produce monthly reports** basic information can be presented on a simple form, for example a multi-purpose community centre might have a standard report form for staff to complete each month which includes:
    - the number of users for each type of activity
    - the number of trainees/training sessions provided
    - the number trainees/users gaining qualifications
    - the number of voluntary groups making bookings
    - the number of community groups advised/supported
    - special community events organised
    - the number of volunteers and/or the total number of volunteer hours
- **report your progress against targets** where you have previously set targets in your strategic or business plan, trustees will need periodic reports (every two or three months perhaps) with separate columns to compare actual performance against the targets; the same community centre might need to report on any of the items listed above plus:
    - funding for project 'X' secured to date
    - number of new community activities established
    - progress against the timetable for building work or grant expenditure
    - new users/trainees in the period
    - number of new volunteers recruited and trained

- **explain variations from targets** the standard monitoring report format will need other columns to explain the extent of and reasons for any under or over-achievement of the targets and proposed/ recommended future action;
- you can't measure everything: not all the information needs to be or should be quantitative.

All this may sound complicated, but forms like these can be completed by a manager in a few minutes, provided the relevant information has been recorded routinely during the period. The real challenge is getting discipline into the original record keeping. So don't waste your staff's time and patience by asking them to collect information you won't use.) The proposed targets for the next period can use exactly the same format.

Monitoring for outside bodies. Trustees cannot afford to forget that funders may also ask for regular monitoring reports as a condition of funding. It is wise to ensure that their requirements are integrated into your monitoring system so that you do not have to produce two sets of records.

More complex monitoring: Some adventurous charities are nowadays experimenting with more *qualitative* record keeping and monitoring to track not just *how much* they do but also the *amount of change* they create. In one example volunteers are tracked by interviews and simple questionnaires from the point when they arrive till the time they leave. Hey presto! evidence of changing levels of confidence, lists of real skills acquired, even records of their evolving financial circumstances, states of health, and their sense of wellbeing. It is difficult to overstate the power of producing evidence that community organisations and charities are not just managing social problems but actually changing lives. This is more valuable than ever in a funding climate where some parts of the voluntary sector are being moved inexorably towards payments by results.

The audit committee

The job of an audit committee Larger organisations sometimes take monitoring to another level by establishing an audit committee – a small committee appointed by and reporting to the board of trustees – whose role is to safeguard the organisation's integrity. The job is advisory and involves reviewing, monitoring and ensuring adherence to the law, to standards, and policies. Generally the committee will examine issues such as:

- Accounting and financial policies and controls;
- the quality of information provided for planning and decision making;
- the reliability of monitoring procedures.

The future of audit committees Smaller organisations are much less likely to need or to be able to afford the time to set up an audit committee, but public pressures for voluntary organisations to be more accountable to the community means that audit committees could have a larger role in future.

Accountability

What is 'accountability'? Monitoring and evaluation (see Section 1.6) are means of ensuring that your organisation is accountable for its work.

'Accountability' tends to be a slightly vague term, because:

- Only part of it will be a practical requirement (accountability to funders, the Charity Commission *etc*) – the rest is 'moral' accountability;
- the people you are accountable to make up an ill-defined and diffuse group which might stretch from your clients and users to 'the community' or 'society' as a whole (if you appeal to the general public for their support and their money);
- the accountability of one voluntary organisation will differ from the next because their services, funding arrangements, management procedures, public profile *etc* vary so widely.

This lack of clarity does not mean that accountability is unimportant, though. Trustees particularly in registered charities are legally and morally accountable for the way they supervise and control the running of their organisation, and for the resources they have been given. The public expects this control to be exercised responsibly and in the best interest of the community, rather in the way that it expects high standards from politicians (and most people will aware of the collective sense of betrayal when that trust breaks down).

Accountable to whom? Depending on the organisation's legal status, trustees will be accountable to a variety of organisations and people, which are likely to include:

- Private donors;
- central and local government funders;
- company donors;
- the Registrar of Companies;
- the Charity Commission;
- the organisation's own members;
- the beneficiaries;
- staff and volunteers;
- the general public (because of the tax benefits charities receive);
- HM Revenue and Customs.

Being accountable

- Charity law requires trustees of all registered charities to send a return to the Charity Commission each year (see Section 7.7).
- Depending on the size of their gross income or total expenditure, trusts and associations will also have to submit an annual report and accounts (or financial statements), with an independent examination or audit report .
- Companies limited by guarantee must submit an annual trustees' report, including accounts, and an annual return to the Registrar of Companies, as well as to the Charity Commission.

- Annual reports, or amended versions of them, can be used to communicate the organisation's activities, and income and expenditure to donors, the public, staff and volunteers.
- Many funders specify the way in which voluntary organisations must report the use of their grants.
- Voluntary organisations are morally, if not legally, accountable to their beneficiaries; it is certainly good practice wherever possible to consult clients and users about current and proposed services, and to involve them in planning activities – in many cases not consulting users can lead to a breakdown in relationships or the collapse of the organisation's service.

Checklist

- Do you regularly monitor the way in which your voluntary organisation operates and its achievement of objectives?
- Do you need to review the targets/indicators you monitor?
- Do you need to review the way in which information is presented to the board?
- Does your board comply with the regulations to account to the Charity Commission and/or the Registrar of Companies?
- Does your board need to review how you account to donors, funders, staff and volunteers?
- Does your board need to review how staff and volunteers are held accountable?

Further information

- **Charities Evaluation Services** is the UK's leading provider of support and advice on quality and evaluation systems for the voluntary sector. *First Steps in Monitoring and Evaluation* is one of a number of information leaflets from the CES Free Downloads page at www.ces-vol.org.uk;
- WCVA free download, *2.6 Monitoring and evaluation*.

1.6 Evaluating your voluntary organisation's work

A big problem with evaluation is that it can be already too late to do it when you decide you need it. You may wish you had carried out an evaluation exercise to demonstrate what a marvellous impact you have had as a result of your latest project. But, even if you have recorded all the information to show that your initiative has been working well for the past 12 months, the chances are that you will have no way of demonstrating what things were like before you started.

A second big problem with evaluation is that it sounds impossible the moment someone describes what is involved. How can you find the time to do all that planning and record keeping? In fact, you may already be recording most of the relevant information. What you really need, though, is a commitment to evaluation at the point when you prepare your grant applications. If you fully document the need for your project and set your targets clearly and accurately at this stage (which is only good fund raising practice after all), recording your progress should fall into place naturally when you start spending the grant. And if the job still seems onerous, cut it down to match your capacity – you'll get better results doing half the work than doing all the work half-heartedly.

What's the value of it?

What is evaluation? Evaluation is the process of looking at the information collected in the course of monitoring and making judgements on the quality of the organisation's work, the progress made and achievements. The evaluation process requires some experience and knowledge of the field in which the work is being undertaken. Evaluation is carried out against stated aims.

The value of evaluation Evaluation is a way of assessing the impact, cost-effectiveness and quality of the work of your organisation. It is part of a cycle of planning, monitoring and evaluating your work which should feed back into your operation to guide changes in the future. Evaluation is important since it:

- Demonstrates whether you have used your time and money effectively;
- identifies your strengths and weaknesses;
- checks your progress and enables you to reassess where you are going;
- allows you to check whether what you are doing is still what local people want and need;
- allows you to check whether your work actually benefits the people who most need it;
- enables you to involve users and clients more closely in your work;
- provides a basis for future planning;
- makes you question whether you are carrying out your aims and objectives and working within the organisation's policy framework.

The evaluation cycle There is more than one way to evaluate the work of your organisation, but there are several basic steps which should form part of any system:

- Decide who will carry out the evaluation;
- agree on your aims for the evaluation;
- decide what evidence you need;
- decide what methods and measures you will use;
- establish a *baseline*, or starting point, against which you can compare your results (this part is critical);
- gather baseline information;
- establish systems to routinely collect information and to regularly review it;
- plan specific evaluation activities;

- analyse the information;
- tell the relevant people what you have found out;
- ensure that the findings are acted upon, and necessary changes are implemented in the organisation;
- plan the next phase of the evaluation (which will include the changes you have put in place).

Who should do the evaluation Who carries out the evaluation depends partly on your resources.

- **The options:**
  - Self evaluation;
  - bringing in an outsider;
  - forming an evaluation circle – a group of associated projects or organisations who develop common approaches and support each other, perhaps with an outside facilitator;
  - involving local residents and service users in carrying out the evaluation;
  - a combination of these approaches.
- **An outsider can:**
  - Give the evaluation credibility;
  - encourage feedback from people who may not be completely honest with you directly;
  - have a more objective approach;
  - bring in outside knowledge and skills.
- **Self-evaluation can:**
  - Ensure that the organisation's values are reflected in the evaluation;
  - ensure that inside knowledge (eg of local attitudes) is taken into consideration;
  - encourage ownership and commitment among those involved;
  - help to ensure that recommendations are taken on board.

Planning for evaluation

Preparation When planning and designing the evaluation it is important to:

- Allow adequate time – eg for getting reporting forms and questionnaires right for the job;
- be clear about aims and objectives – particularly if there are a variety of interests involved in the evaluation who may have different views on its purpose;
- involve all the key stakeholders – and ensure that differences of view are recognised even if they cannot be reconciled.

Defining types of activity – 'inputs' You will need different information to measure each area of your work. So the first step is to decide what activity areas you will evaluate separately. A multipurpose community centre, for example, might need to record information about its sports hall, its computer training project and its community development work. With apologies to those who despair at the jargon, ‘inputs’ are what you put *into* the process: your activities, facilities and resources, including staff and volunteer time.

Defining objectives – ‘outputs’ Next you need to decide what ‘outputs’ to expect from each of your inputs (outputs are activities generated by the inputs, such as numbers of people using the facilities, new activities, qualifications gained).

Defining aims – ‘outcomes’ Outcomes are the results of the activities, which sometimes take a while to become evident. In the example of the community centre below, these more fundamental objectives might include increased personal confidence for users, reductions in local crime, improvements in the health of individuals, and greater wealth both for individuals and community organisations.

Deciding what measures to use Having decided what ‘outputs’ and ‘outcomes’ you expect to see, you now need ways of measuring them. But do not try to measure everything – some features may simply be too difficult for you to measure (eg improvements in the wealth of local residents) and some information may be too time consuming to collect, record or analyse.

An example: Objectives for Evaluation of Aberanywhere Estate Community Centre shows the type of measures which you can reasonably expect to use:

- Numerical records of your work which you should keep routinely – numbers of users or clients for each activity, enquiries from the public, volunteers and trainees, *etc*;
- observations: anecdotal information is little use on its own, but you should keep a log or diary of all the positive results of your work as they happen (eg the unemployed person who got a job on the strength of their voluntary work);
- user satisfaction records: you need to give your users the opportunity to record their views about the services you provide on a routine basis (the fact that you need this information for your evaluation should persuade you to make the feedback system work);
- questionnaires: for things which you do not currently measure you may need to carry out simple surveys to establish the views of the public, members, new users etc; try to collect information which can be quantified (eg “give a score between 1 and 5 …” rather than “was it good for you?”);
- representative interviews: interviewing a sample group of people can be as informative as a large survey;
- other local information: public and voluntary bodies keep a wealth of statistical information which may reflect the work which you are doing (monthly police antisocial behaviour figures for your area, enquiries about debt problems to the Citizens Advice Bureau, unemployment and benefit claimant rates, numbers of people claiming housing benefit and so on); using these figures where they are relevant can be particularly helpful because independent sources have extra credibility.

Establishing the baseline No amount of information about your work will tell you about *improvements* unless you can say what the situation was like before you started measuring.

Sometimes these 'baseline' statistics are already available, but sometimes it can be invaluable if you carry out your own survey (a community consultation in the case of the community centre, for instance) at the outset. Useful sources of information for the baseline include:

- Original grant applications;
- past research reports and statistics on the area, eg from the local authority or training agency;
- previous records of your work;
- statements of your own aims and objectives;
- press coverage of issues relevant to your organisation.

Try to match your measures (and the way you gather and record information for them) to this baseline information.

Measurement and interpretation

Record keeping The greatest challenge is ensuring that all your staff and volunteers understand the purpose of the record keeping and that they maintain the process throughout the whole of the evaluation cycle (perhaps a period of 12 months).

Interim reporting Use the information as you progress – feed it into routine reports to the board of trustees every few months, and be prepared to act on the information to improve your services or record keeping if you need to.

Make sense of your failures You need to understand what went wrong if you fail to reach your targets, so that you can put things right. Don't be afraid to be self-critical. You will need to decide whether:

- You have departed from your original objectives;
- the environment has changed (and you may need a different approach);
- you did not allow enough time or resources;
- there were unforeseen obstacles;
- your evaluation measures were inappropriate;
- your performance or administration was poor (find out why);
- you have not done what you said you would.

Feedback The evaluation exercise may have little effect and you will receive no credit for it if no one knows about it. Consider the following:

- Producing detailed recommendations for action which are discussed fully and acted on by the board (essential);
- publishing the results in your annual report (probably essential);
- running a feedback event for interested parties, including users;
- getting press publicity for the positive results.

Basic principles of evaluation

Evaluation is not an exact science, so don't be disappointed by the compromises and shortcuts which it inevitably involves. Successfully completing an exercise over a period of, say, 12 months is a huge achievement in itself. But you can make life easier for your organisation if the evaluation is:

- Systematic and planned – ie deliberate and not 'ad hoc';
- checkable – ie the information you produce sounds reasonable and credible to people who see it;
- efficient – only do work you need; don't waste people's time;
- able to involve people who have an interest in the results – so you need a process which is real to your members, users and all the trustees rather than something flashily professional;
- relevant – use measures which tell you what you want to know;
- productive – make sure it has results, and is not an end in itself;
- stimulating – if it is not fun, involving and stimulating you may interest no one.

Social audits and social accounting

What is a social audit? Social auditing (or 'social accounting', which is an alternative term for the same thing) is basically a method of evaluating the performance of organisations. In practice it has many features common with the approach described above – both in what is measured and how the measurement is carried out. But its primary purpose is probably more to provide evidence of success to the outside world than to enlighten those conducting the evaluation. (The term is also used to mean a survey which aims to identify a community's physical and human resources. Those should be called 'community audits' instead to avoid confusion.)

Do social audits work? The idea of social auditing has been around for a number of years. It is originally an import from the private sector among large companies such as The Body Shop and Shell who wanted to emphasise their benign social impact to gain a competitive advantage. In the voluntary sector, it has often been used as a mechanism to show to funders and politicians that profits and jobs are irrelevant measures of the beneficial impact made by social enterprise organisations.

There is now interest in evaluating the so-called 'triple bottom line' – financial, social and environmental performance, for very similar reasons.

But in reality, social auditing has failed to make much of an impact. This is partly because of the complexity of many toolkits which have been developed to measure the work of voluntary sector organisations, and the high cost (in either staff time or the employment of expensive outside consultants) of implementing systems for recording and evaluating information.

Yet social auditing continues to hold the potential for a wide range of benefits, and in particular to enable organisations to provide:

- Firm evidence to sceptical outsiders that regeneration initiatives, social enterprise organisations, and pioneering environmental and social projects of all kinds are having a positive effect;
- objective measures of how far organisations are achieving their stated charitable objectives;

- raw material which can enable service providers to improve their quality control.

If you decide to carry out an audit Organisations should not ignore the possibilities of social auditing. The most important message for anyone who takes the plunge is to keep the process simple and manageable. You will instinctively and automatically take on more work than you can easily achieve - everyone does. So:

- Set modest targets;
- take a look at existing models for the social audit process and chop them down by half unless you are absolutely sure you have the resources;
- track down social audit training programmes at least to get you started, and check whether you can attract funding to cover some of the staff time involved
- evaluate just a few specific aspects of your organisation, not the whole thing;
- don't even attempt it unless you have someone with the time and energy to carry it through – half an audit is at best just a learning experience.

We have been waiting for many years for simpler, more accessible models to be developed – which organisations can use with confidence at relatively little cost - and for grant makers to show a greater willingness to fund this type of evaluation. We may need to continue to be patient.

Checklist

- Do you regularly evaluate the work of your organisation?
- Do you have an effective evaluation system?
- Do you need to seek advice on evaluation?

Further information

- The Communities First programme in Wales has recently started to adopt a form of evaluation called 'Results Based Assessment' (RBA). *Communities First* workers should be able to advise community organisations on this in the areas where the programme operates.
- Charities Evaluation Services, various free downloads from www.ces-vol.org.uk;
- WCVA free download, *2.6 Monitoring and evaluation*.

Example Objectives for Evaluation of Aberanywhere Estate Community Centre					
Area of activity	*Facility/ resource ('inputs')*	*Activities created ('outputs')*	*Intended result ('outcomes')*	*How measured*	*Target month*
Sports hall	New sports equipment	new junior basketball team five-a-side football competition increased number of users	increased confidence for estate children, reduction in vandalism/ crime, improved fitness	observation record of numbers user comments feedback forms police reports	12
Computer training	Set up computer room	beginners course for single parents word processing course informal training for volunteers	increased confidence progression to other training employment opportunities	records of nos. of trainees/ vols./ qualifications *etc* observations trainees questionnaire	12
Community development support	Community development worker	advice for 10 local groups set up new 2 new community enterprise projects service community groups network	improved skills community involvement in regeneration sustainable community projects environmental improvements	observations records of extra income, nos. of groups, projects networking conference feedback reduction in unemployment	12