

APPENDIX 1

FINAL DRAFT

VOLUNTARY ORGANISATIONS HEALTH CHECK

Introduction

The Health Check* is an easy to use monitoring and improvement tool aimed at helping voluntary organisations become more robust and sustainable. The aim is that organisations and Council, as a purchaser, will be better able to identify risks and challenges and spot the early warning signs of a potential problem in the areas of governance, performance against outcomes, the identification and management of risk and financial management. The tool also helps identify where there are areas of good practice that could be shared with the rest of the sector in West Lothian. It also enables performance reporting, at service level, of the Service Outcome and Outcome Indicators agreed by Council's Voluntary Organisation Policy Development and Scrutiny Panel in relation to the Voluntary Sector.

Framework

The Health Check framework looks at 8 key elements of the organisation:

1. Governance
2. Finance
3. Partnerships
4. Performance
5. Policies & Procedures
6. Staffing
7. User Feedback
8. Volunteers.

A series of statements and prompts are provided under each main heading to stimulate thinking. These are then rated by way of a traffic light system. The more 'reds' recorded the greater is the risk to the organisation and the Council as a purchaser of outcomes. The more 'greens' recorded suggests the organisation is less of a risk and may be a source of good practice from which other voluntary organisations could learn.

Performance Against Outcomes Purchased

As well as identifying risks and challenges, the Health Check embraces performance reporting against the outcomes purchased by Council from voluntary organisations. Performance reporting will be achieved through the use of the 'Impact Map', which should be used in parallel with the Health Check.

Voluntary Sector Service Outcome Reporting

The Health Check has also been designed to enable performance reporting, at service level, of the Service Outcome and Outcome Indicators agreed by Council's Voluntary Organisation Policy Development and Scrutiny Panel in relation to the Voluntary Sector. The Health Check framework will allow the collection of data that will inform that reporting.

Who Is Involved?

The senior staff member of the organisation and the Chair of the Board should meet with the designated Link Officer to work through the framework together.

Process

The process requires that each issue be taken in turn and a response agreed. It will help the process if there is agreement on what the rating should be i.e. Red, Amber, Green and what response should be entered in the table. It is recommended that one person is charged with noting the wording of each of the responses. Where appropriate insert "not applicable".

* Adapted from the Development Trusts Association 'Health Check' & 'Fit For Purpose'.

How Long Will It take?

You should devote up to three hours to properly work through the framework on the day and agree responses.

Action Plan

The Health Check responses can be used to inform the subsequent development of an action plan to address areas of concern or further development.

Helpful Documentation

The following is a suggested, though not exhaustive, list of helpful documents to have available for the review meaning:

- Annual report
- Board profiles
- Board handbook/induction process
- Budget for the year
- Employer's Liability Insurance
- Example of a current job description
- Membership of networks
- Memorandum & articles of association
- Minutes of recent Board meeting
- Most recent set of signed and audited accounts
- Most recent set of management accounts
- Newsletters
- Organisational chart
- Policies and procedures such as: governance, finance, human resources, health and safety, staff handbook, equal opportunities, contract of employment (sample), continuing professional development policy
- Project plans and related reports
- Public Liability Insurance
- Partnership agreements
- Promotional materials
- Strategic plan and/or business plan, operating plan
- Surveys or mapping exercises undertaken
- Trustees' Indemnity Insurance
- Written financial regulations/procedures.

Glossary of Terms

The following is a glossary of terms that may arise during the review meaning:

- Aims – aims which have a social emphasis e.g. housing, childcare, youth facilities, elderly care, quality of life, the promotion of good mental/physical health and well-being, family support, social inclusion, participation and interaction.
- Board – management body of the organisation: it may also be called management committee, committee of trustees, etc.
- Business plan – the document prepared and used by an organisation to plan and monitor its activities, usually over three-five years.
- Earned income – income from trading, e.g. payments received from providing services, rental income etc. Does NOT include grant income.
- Financial risk assessment – procedure undertaken regularly (usually annually) to identify financial risks.

- Financial sustainability – the organisation is funded through a diverse mix of *earned income* and grants and no one funder contributes more than 25% of income which secures its long-term future.
- Governing documents – the organisation's 'constitution'; the memorandum and articles of association for a company.
- Running costs – cost of core staff and provision of 'core' services, excluding capital expenditure on specific projects.
- Sensitivity analysis - a technique to estimate what will happen to the organisation's income and expenditure if assumptions and estimates of them turn out to be unreliable. It involves changing the assumptions or estimates to see the impact. In this way, it prepares the Board in case income and/or expenditure do not turn out as expected.
- Stakeholders – all the people who have an interest internally and externally in your organisation such as Board members, staff, the community in the area of benefit, partners, users and funders.
- Turnover – this is all the income of the organisation (including any trading subsidiaries) for a financial year.

DRAFT FOR COMMENT
VOLUNTARY ORGANISATION
HEALTH CHECK FRAMEWORK

Finance	Red	Amber	Green	Prompts	Comments, Follow-up Action (what, who when)
1. Are there written financial procedures for all aspects of the organisation's financial activities, including book keeping, expenses and petty cash, with checks and balances to avoid misuse of funds which are regularly reviewed?	No	Partly	Fully	How are the financial responsibilities allocated to staff and Board, bearing in mind the Board's ultimate responsibility to ensure that there are adequate operational controls in place for all financial processes? Are financial regulations observed?	
2. Does the organisation meet the requirements for dealing with HMRC, VAT, PAYE and pensions?	No	Partial is not permitted	Fully	Is there awareness of VAT thresholds; does the organisation monitor its position? How does the organisation deal with HMRC and PAYE (including pensions)?	
3. Are the finances of the organisation pro-actively managed?	No	Partly	Fully	Does the organisation have an agreed budget for the year, against which income and expenditure are regularly reviewed?	
4. How would you describe the organisation's income and expenditure projections?	Optimistic	Informed by previous year	Conservative with sensitivity analysis	Are the organisation's income and expenditure projections based on real data with fully explained assumptions and include a sensitivity analysis?	
5. How often does the Board review the organisation's income and expenditure during the financial year?	Not at all	Once or Twice	Quarterly or more frequently	Are management accounts presented regularly to the Board? Please provide a copy of the latest set of management accounts . Please note this does not refer to Annual Accounts.	
6. How often does the Board undertake a financial risk assessment?	Never	Every 1 to 2 years	At least annually	What is the Board's attitude and approach to financial risk assessment?	

Finance (cont)	Red	Amber	Green	Prompts	Comments, Follow-up Action (what, who when)
7. What level of reserves does the organisation have on its balance sheet?	0-2 months	3-months	6-months	How does the organisation provide for the need to cover fluctuations in income, current liabilities and un-planned expenditure?	
8. Did suppliers chase for unpaid bills during the previous financial year?	Nearly every day	At least once a week	Not often	How good is the organisation at paying its bills?	
9. Were restricted funds or reserves used to pay debts during the previous financial year?	Frequently	Occasionally	Never	Are funds or reserves used for the purposes stated or for any purpose?	
10. Leading up to pay days, was every scrap of cash chased during the previous financial year?	Always	Sometimes	Rarely or never	How robust is the organisations cash flow?	
11. If it has one, how often did the organisation use its overdraft facility during the previous financial year?	More than once a month	Between once a month and once a year	Not used	Does the organisation have an overdraft facility? How often is it exercised and is it ever exceeded?	
12. When are financial reports presented to the Board?	Late or not at all	Tabled	In advance	How informed are Board members about the organisation's finances?	
13. Is the financial data that is presented to the Board explained?	Never	Sometimes	Always	What level of knowledge and understanding do Board members have of the organisation's financial position?	
14. What proportion of the organisation's income is at risk in the next 12 months?	More than 50%	10 - 50%	Less than 10%	How robust is the organisation's income?	

Finance (cont)	Red	Amber	Green	Prompts	Comments, Follow-up Action (what, who when)
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15. How many significant sources and types of income (i.e. grant, earned income) does the organisation have?	One	Two or three	Four or more	How diversified is the organisation's income streams?	
16. Has the organisation ever sought an income generating opportunity even though it was not central to the organisation's core mission and values?	Yes, The organisation is always open to new opportunities	Yes. It was considered but rejected	No. Opportunities are always evaluated against the organisation's mission	Do you chase any or every opportunity for funding?	
17. Was the organisation in financial surplus or deficit according to its most recent signed annual accounts?	Unplanned deficit stated in accounts	Planned deficit stated in accounts	Achieved planned level of financial surplus	Was the level of financial surplus or deficit planned or did it just happen? By referring to the most recent audited, approved and signed annual accounts , please state either the level of: Financial Surplus £ Financial Year: or Financial Deficit £ Financial Year:	
18. Did the organisation submit accounts on time to OSCAR which were independently examined / audited in accordance with OSCAR requirements?	Yes	Partial not permitted	No	Was there compliance with the requirements of the charities regulator OSCAR? Were proper accounting records kept?	

Governance	Red	Amber	Green	Prompts	Comments, Follow-up
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					Action (what, who when)
19. Is there a clear understanding of the distinction between Governance and management roles?	No	A bit if a grey area	Yes. Fully documented. Reviewed at least annually by the Board	Are the responsibilities of the Board and management clearly written down, communicated and understood by the Board and management? How often are these reviewed and how?	
20. Do Board members undergo a formal induction process?	No	Informal	Yes. Fully documented. Reviewed at least annually by the Board	Is there an up-to-date documented process to support Board induction?	
21. Do Board members receive formal guidance or training regarding their responsibilities as directors/trustees?	No	Sometimes	Yes. Updates are provided as required at each Board meeting	Is there a structured system of initial and on-going guidance and training in place? If so who provides this?	
22. Do all Board members regularly attend Board meetings?	No	Sometimes	Majority attend regularly. Fully documented. Reviewed at least annually by the Board	Is attendance recorded and monitored?	
23. Are Board meetings managed effectively?	No	Partly	Fully	Are Board meetings properly minuted and contain agreed and allocated actions, which are followed up at subsequent meetings?	
24. Does the mix of Board members reflect the community of users the organisation serves and the particular expertise the Board needs?	No	Partly	Fully	How does the organisation ensure that the make up of the Board is a mix of user-representatives and others who bring particular expertise, such as legal, HR, financial? How does it achieve that balance?	
25. Is the Board is accountable to its community?	No	Partly	Fully	How does the structure of the organisation ensure accountability to the community?	

Governance (cont)	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
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26. Does the organisation have a clear and agreed mission, aims and definition of its target beneficiaries which have been defined through community consultation/ mapping exercise/ evidence of need?	No	Partly	Fully	What is the organisation seeking to achieve? Who benefits from this? How is this understood by all concerned?	
27. Does the organisation keep the community informed of its activities? Does it welcome and act upon input from the community?	No	Sometimes	Fully	How does your organisation ensure the flow of information to and from the community?	
28. Does the Board make all policy decisions?	No. Management makes them.	Sometimes Board, sometimes management	Yes	How does the organisation ensure that the Board ultimately controls policy? If not who makes policy decisions?	
29. What information does the Board get?	None	Some and late or incomplete or tabled	Appropriate, timely and accurate information	Is the Board provided with appropriate, accurate and timely information covering Financial Management, Governance & Human Resources and is it provided in advance of regular Board meetings?	
30. Does the organisation comply with the legal duties and responsibilities that apply to it?	Don't know	Partial is not permitted	Yes. Compliant and fully documented. Reported as required. Reviewed at least annually by the Board	How does the Board know if the main and relevant points of the law that affect voluntary organisations, such as constitutional compliance, charity law, company law, employment law, equal opportunities, health and safety, data protection, etc are being met.	

Governance (cont)	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
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31. Has the Chief Executive ever cancelled a Board meeting during the previous financial year?	More than once	Once	Never	What have been the reasons if such a thing has happened and with what notice?	
32. Does the Board, through its make up, have access to a range of business skills appropriate to the needs of the organisation?	No or not sure	Mainly, but there are some gaps	Yes. Where circumstances demand, specific skills may be bought-in and/or advisors retained.	Does the Board conduct a skills audit?	
33. Do the Chair and Chief Executive have a constructive relationship?	No	Most of the time	Yes	How is that evident, known, demonstrated to other Board members?	
34. In the last 12-months, has the number of Board members been at the minimum number allowed by the constitution?	Yes. It is very difficult to recruit new Board members	No, but have to work hard to get the right people	No. Good people are always keen to join	Is there a high turnover of Board members? Is there an agreed, written process for filling vacancies?	
35. Are Board members able to raise issues and resolve them?	No. Issues are always raised by the same one or two individuals	Issues are raised but not resolved	Yes	How equitable, democratic, open and transparent is the Board and its processes?	
36. When were the organisation's strategic objectives last reviewed by the Board?	More than three years ago	One to three years ago	In the last year	Does the Board have a development day where they look at past performance and look forward?	
37. How was the organisation's governance reviewed during the last 12-months	Not at all	In response to external factors	As part of an on-going internal risk management process	Does the Board review its governance structures in a systematic and documented way at least one per year? If so what was the process? What improvements have been made? Who has benefitted?	

Partnership	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
38. What evidence is there of value-added partnering arrangements with other key agencies and stakeholders?	None	Some	Wide range of formal value-added partnering agreements with key stakeholders	What value-added does the organisation's partnering with other key agencies and stakeholders bring?	
39. Is information on	Not at all	Yes, if it suits	Regular sharing	What interaction is there with other key	

services/activities shared with other key agencies and stakeholders		the organisation to do so		agencies and stakeholders? What information is shared? If shared, why?	
40. How aware and involved is the organisation in relevant local networks?	Not at all	Low level of awareness and engagement	High level of awareness and engagement	How outward looking is the organisation?	
41. Is the organisation aware of the Community Planning Partnership and its priorities?	No	Some awareness	High level of awareness	How aware is the organisation of the wider community context in which it operates?	
42. Does the organisation input to the development of local policies, planning structures or consultations?	Not at all	Yes, if it suits the organisation to do so	Yes, active contributor	How aware is the organisation engage with the wider community context in which it operates?	

Performance	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
43. By referring to the	10% or more, worse	Between 5%	Between 5% worse	Does the Board monitor performance on a	

Outcomes Impact Map attached to this Health Check, what was the organisation's performance against the outcomes purchased by Council for the last quarter or 6-months or 12 months?	than target	and 10% worse than target	& 10% better than target	planned regular basis, take corrective action where performance is below expectations and plan improvements? The period that performance against outcomes is measured over, should be agreed in advance between the Link Officer and the organisation. That period will vary according to the size and nature of the organisation and the outcomes and service delivered.	
Policies & Procedures	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
44. Do the organisation's management information systems provide relevant feedback to indicate how improvements can be made to services?	Never	Sometimes	Regularly	Does management continuously review performance and plan improvements?	
45. What arrangements does the organisation have in place regarding Health and Safety (H&S)	No H&S Policy in place or implemented	H&S Policy and procedures in place but not formally monitored	Policy and procedures in place and Implemented. Formally monitored	What evidence is there that the organisation's arrangements for H&S legislation are current e.g., risk assessments, first aiders, lone working arrangements, a designated H&S officer?	
46. What arrangements does the organisation have in place regarding Employment legislation	No policies or procedures in place or implemented	Policies and procedures in place but not formally monitored	Policy and procedures in place and implemented. Formally monitored	What evidence is there of compliance with Employment legislation e.g., contracts of employment, equal opportunities,	

Staffing	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
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47. If the Chief Executive left tomorrow, would the organisation grind to a halt?	Within three months	Within six months	The organisation would carry on confidently	Does the organisation have a succession plan in place?	
48. Are visitors greeted by smiling, friendly staff?	Not often	Some of the time	Always	What is the attitude toward service users?	
49. What is the rate of staff turnover?	More than 25%	15 - 25%	Less than 15%	What is the level of staff turnover and why?	
50. What measures does the organisation take for retaining and training staff?	None	Measures apply to managers only	Applies to all staff and volunteers. A budgeted CPD programme is in place and formally reviewed annually	How does the organisation anticipate changes in its operating environment and how does it develop staff skills accordingly?	
51. Does the organisation have an organisation chart and does it show a clear line management structure?	No	Yes, but not reviewed for more than 12-months	Yes and reviewed in the last 12-months	Is there an organisation chart? Discussion should be around whether the Board is involved in determining the structure. Whether the Board is involved in looking at any over-burdening of responsibility on any one person. Is the organisational chart meaningful in that, for example, staff actually get supervised and appraised according to the diagram?	
52. Do staff and volunteers have clearly defined roles and responsibilities?	No	Some have	Yes	Does the organisation have clear, up-to-date job descriptions for staff? Are volunteers proactively recruited and inducted around clear roles?	
53. Does the organisation have an appraisal system in place to manage performance of staff and volunteers?	No	Yes, but not implemented	Yes, implemented and reviewed in the last 12-months	How does the organisation manage performance? Do staff and volunteers actually get supervised and appraised?	

Users	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
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54. Does the organisation seek the views of service users?	No	Sometimes	Regular, planned surveys	How does the organisation find out if the service is what service users need?	
55. Does the organisation make changes to its services as a result of user feedback?	No	If we feel like making a change	Yes, within the constraints of the resources available to the organisation	How does the organisation gather evidence of what service users need and what does it do with that?	
56. Does the organisation tell users that it has changed its services as a result of user feedback?	No	Sometimes	Yes, through structured feedback and newsletters or other means	Does the organisation communicate effectively and regularly with its users on service changes?	
Volunteers	Red	Amber	Green	Notes	Comments, Follow-up Action (what, who when)
57. What part do volunteers play in the delivery of the organisation's services?	None	Small part	Critical to the delivery of a quality service	Does the organisation use volunteers? How are they utilised?	
58. Do West Lothian residents volunteer to help in your organisation?	No	Once per year	More than once per year	Please state how many West Lothian residents volunteer 1 or more times per year for x hours per week, month or year?	
59. If your organisation is in an area of deprivation in West Lothian, do West Lothian residents from that area of deprivation volunteer to help in your organisation?	No	Once per year	More than once per year	Please state: How many West Lothian residents in X area of deprivation volunteer 1 or more times per year for X hours per week, month or year?	
TOTALS	Number of Reds:	Number of Ambers:	Number of Greens:		

Name:

Name:

Name:

Signed:

Signed:

Signed:

Date:

Date:

Date:

VOLUNTARY SECTOR SERVICE OUTCOME REPORTING

VOLUNTARY SECTOR SERVICE OUTCOME REPORTING

The following will inform the populating of Outcome Indicators that are reported to Council's Voluntary Organisation Policy Development & Scrutiny Panel (PDSP). Please add an informed commentary in the section below for each of the topics shown.

Topic	Commentary
The organisation reported improved Board governance in 2011/12	
The organisation reported an increase in £x funding from non-council sources in 2011/12	
The organisation reported a financial surplus of £x in 2010/11	
The organisation engaged in X training and development programme options provided by Scottish Business in the Community during the period 09/2011 to 04/2012	
The organisation had X West Lothian residents volunteering 1 or more times per year for X hours per week, month or year	
The organisation had X West Lothian residents from areas of deprivation in West Lothian volunteering in those areas 1 or more times per year for X hours per week, per month or per year	

Name:

Name;

Name:

Signed:

Signed:

Signed:

Date:

Date:

Date:

OUTCOMES IMPACT MAP

WEST LoTHIAN COUNCIL
 OUTCOMES IMPACT MAP
 THIRD SECTOR SERVICE PROVIDER REPORTING TEMPLATE

Year:

Quarterly
 or
 6 Monthly
 (✓ as appropriate)

Quarter:
 or
 Month:
 (complete as appropriate)

Service Provider:		Contact Name/Details:	Date:	Link Officer:	Link Officer Comment/Action:	Date Entered in Monitoring Database:	
Stakeholder	Outputs	Service Level Outcomes	Indicators Description	Indicator Source	Indicator Quantity @ X Quarter Or Y Month	Variation (%) Change from Baseline Quantity @ X Quarter Or Y Month	External contributing factors
Who experiences significant CHANGE as a result of this service?	What Outputs are generated for this stakeholder group?	What CHANGES do this group experience because of the service?	How will this change be measured?	How has this data been collected? / What source has been used for this data?	Express the indicator as a number of something, percentage of something, cost, etc.	What is the % increase/ decrease from the baseline or the last quarter or the previous 6-months??	What outside of the service could be contributing to this change?

Name:

Name:

Name:

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Date:

Date:

Date: