

TRUSTEES ROLES, RESPONSIBILITIES AND CHALLENGES

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Sound Governance

“An effective charity is run by a clearly **identifiable** trustee body that has the **right balance of skills and experience** to run the charity effectively, acts in the **best interests** of the charity and its beneficiaries, understands its responsibilities and has systems in place to **exercise them effectively**”

Extract from 'The hallmarks of an effective charity (CC10)'

Charity Commission guidance

- CC3 – The essential trustee: what you need to know
- CC8 – Internal financial controls
- CC12 – Managing a charity’s finances
- CC19 - Charity reserves: Building resilience
- CC27 – Its your decision: charity trustees and decision making

Find these and more at:

<https://www.gov.uk/topic/running-charity/managing-charity>



Charity trustee meetings

Are we financially strong enough to continue to provide services for our beneficiaries?

Have we reviewed any contracts to deliver public services?

Do we have adequate safeguards in place to prevent fraud?

What is our policy on reserves?

Are we an effective trustee body?

Are we making the best use we can of our property?

Have we reviewed our contractual commitments?

Do we know what impact the social and/or economic climate is having on our donors and support for our charity?

Are we making the best use of the financial benefits we have as a charity?

If we have a pension scheme, have we reviewed it recently?

How can we make best use of any permanent endowment investments we hold?

Have we considered collaborating with other charities?

What effect is the current economic climate having on our charity and its activities?

Are we making the best use of our staff and volunteers?

Are we satisfied with our banking arrangements and our current and future investment policy?

15 questions trustees should ask

 **CHARITY COMMISSION FOR ENGLAND AND WALES**

Company's Act duties

1. to act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred
2. to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to—
 - a) the likely consequences of any decision in the long term,
 - b) the interests of the company's employees,
 - c) the need to foster the company's business relationships with suppliers, customers and others,
 - d) the impact of the company's operations on the community and the environment,
 - e) the desirability of the company maintaining a reputation for high standards of business conduct, and
 - f) the need to act fairly as between members of the company.
3. to exercise independent judgement
4. to exercise reasonable care, skill and diligence
5. to avoid conflicts of interest
6. not to accept benefits from third parties
7. to declare an interest in a proposed transaction or arrangement

Nolan Principles - for trustees

1. Selflessness

Trustees should act solely in terms of public benefit. They should not act in order to gain financial or other benefits for themselves, their family or their friends.

2. Integrity

Trustees should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their role as a trustee.

3. Objectivity

In carrying out the business of the organisation, trustees should make choices based on merit.

4. Accountability

Trustees are accountable for their decisions and actions to their stakeholders and the public and must submit themselves to whatever scrutiny is appropriate to their role.

5. Openness

Trustees should be as open as possible about all the decisions and actions they take.

6. Honesty

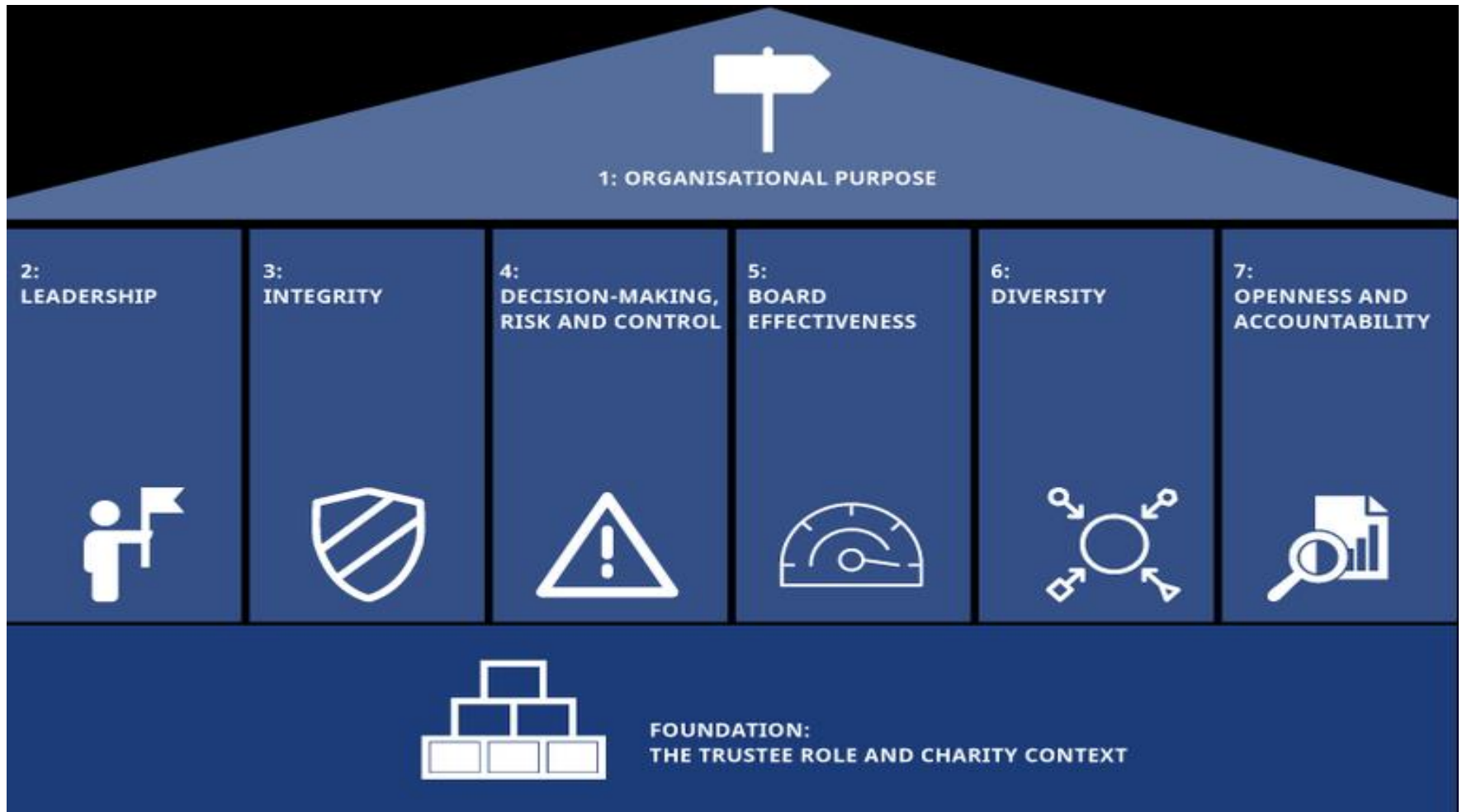
Trustees should declare any private interests relating to their trusteeship and take steps to resolve any conflicts arising in a way that protects the public benefit.

7. Leadership

Trustees should promote and support these principles by leadership and example.

Charities Governance Code – 7 principles

<https://www.charitygovernancecode.org/>



Charities Governance Code

Good governance is essential to effectiveness and survival of charities

Two codes:

1. Large Charities – suggested as income >£1M or audited
 2. Small Charities
- For both: Each year board reviews its own performance and of Chair.
 - In addition for larger charities:
 - Board reviews that of individual trustees each year
 - External evaluation every three years!



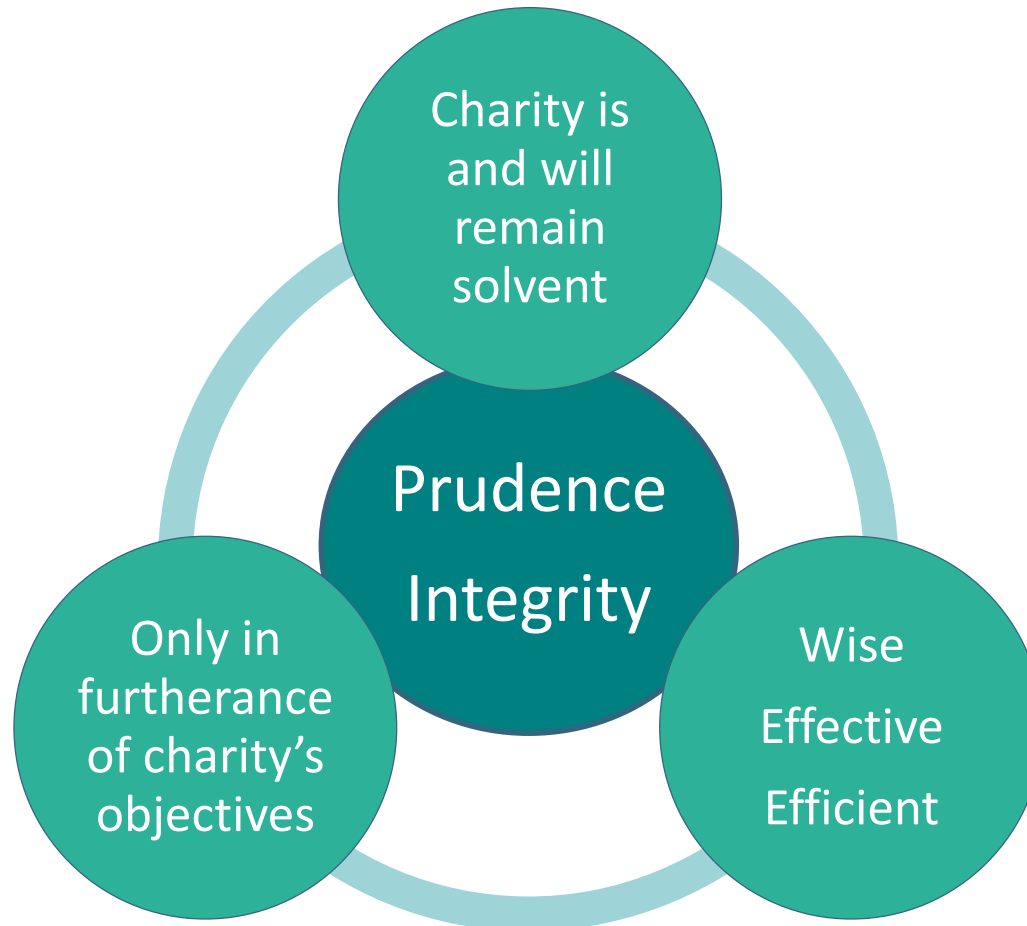
Charities Governance Code –the basics

Starting point is that trustees are:

- committed to cause and want to help deliver charity's purposes
- meeting charity's stated public benefit is ongoing requirement
- understand roles and legal responsibilities, and read:
 - Charity Commission's guidance *The Essential Trustee (CC3)*
 - charity's governing document
- committed to good governance and charity's continued improvement



Duty of care over resources

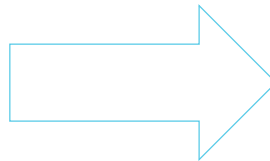


Financial management definition

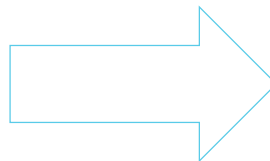
Efficient and effective management of funds so as to deliver objectives

Requires:

- Planning
- Organising
- Monitoring
- Control



Strategic Management



Internal Financial Controls

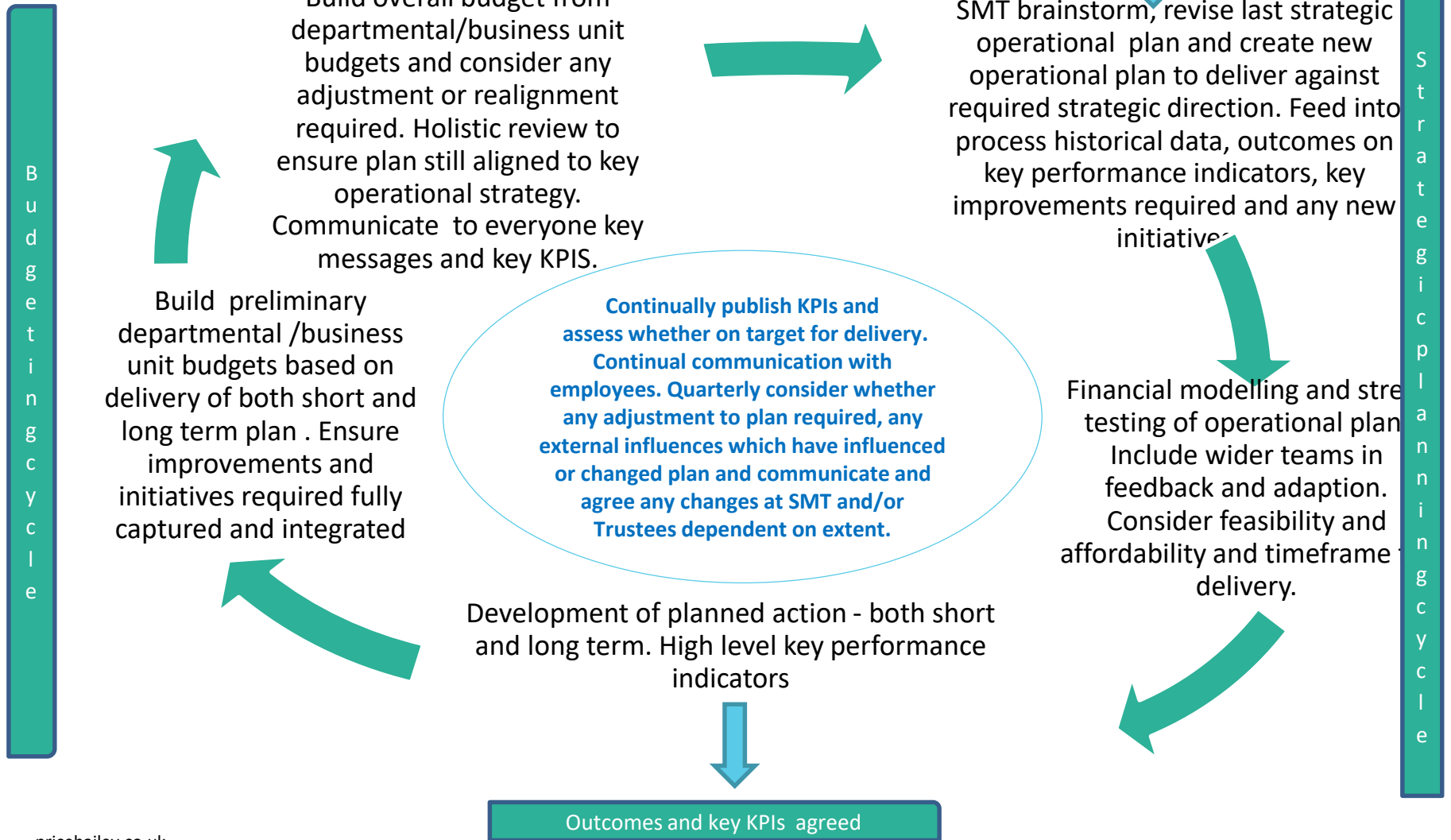
....of your financial affairs and resources

Strategic Management

- What are your objectives?
- What is your purpose? Why do you exist?
- How will these be done?
- How will you measure success?
- Key risks summary – what will stop you
- Clear linkage of budget with strategy



Strategic planning cycle



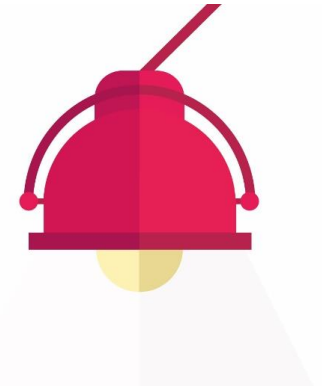
Scenario planning

- Where are you now?
 - Your income/potential income
 - How guaranteed is that income and for how long?
 - How do you deliver any change?
 - What are your resources and what can they achieve? Change job roles and work patterns? Premises and services– short term or long term shift?
 - What could you drop, change or do without? Deliver more for less?
 - How will this affect your ability to deliver on your cause?
 - Mergers/collaborations/partnership working – expand knowledge, reach and offerings?
 - Identify key performance indicators – use as early warning signs



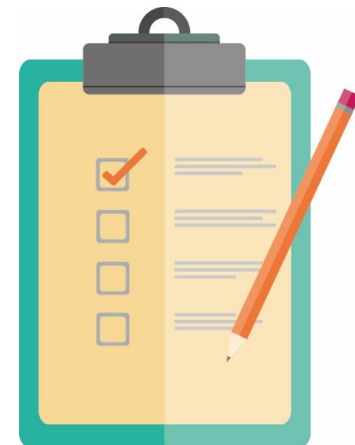
COVID-19 factors entities need to consider

- What impact are the restrictions and lockdown measures having on demand for the charities services/funds?
- Can the charity/entity continue to operate? Working from home? Digital and online services and security/data protection
- What other impact has COVID-19 had to date?
 - Mental health and wellbeing, loneliness
 - Efficiency
 - Social interaction with team and clients
- Have any restrictions been imposed which have reduced or suspended activities? Is the entity able to continue to provide services, closed or adapted?



COVID 19 factors entities need to consider:

- Will the entities insurance policies cover any losses arising from the coronavirus and if so, how long it might take for a pay-out to be received?
- Are there additional costs to account for as a result of the pandemic, for example, increased cost in supplies, redundancy costs, restart costs once the crisis is over?
- Are there any anticipated cost-savings to account for while in lockdown, for example, reduction in travel, office costs, furloughing staff?
- If the lockdown is having a significant impact, how long can the entity/charity survive?



COVID-19 implications

Short to long term:

- Scenario planning – when will programme delivery and income generation opportunities return? How guaranteed is your future income?
- Maintaining interim services – existing online provision; resource adaptations; communications. Change job roles and work patterns? Premises and services—short term or long term shift?
- Revised budgets and cash flow modelling – what can be salvaged of this financial year? What are the “pinch-points”? Additional costs and/or savings?
- Furlough and redundancies - staff stress levels/holidays
- Reserves and cash usage – prudence and preservation. What could you drop, change or do without? Deliver more for less?
- Mergers, partnership working and collaborations?
- Identify key performance indicators – use as early warning signs

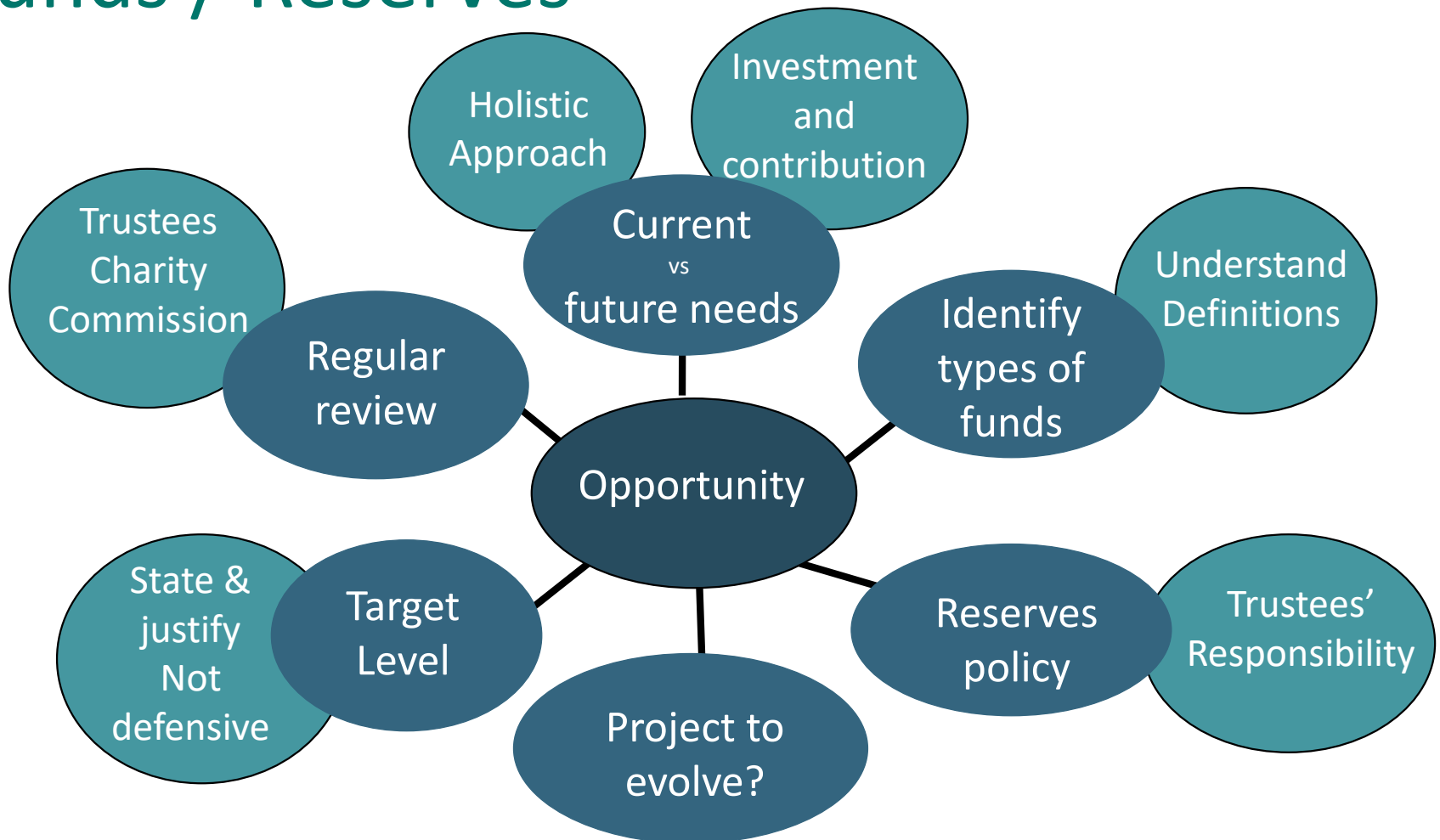


Charity Commission guidance

- <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector>
- Trustees should consider short, medium and longer term priorities, and if need to amend financial planning given their current situation
- Trustees to think about whether or not certain projects, spends or activities can be stopped or delayed in order to focus on essential spending if they are facing financial challenges at this time
- **Reserves can be spent to help cope with unexpected events like those unfolding at present**

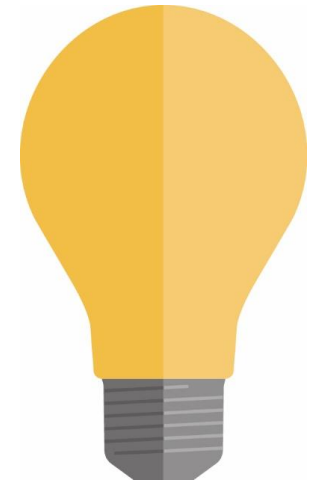


Funds / Reserves



Managing and using reserves

- In managing financial risks, need to include reserves BUT cannot be considered in isolation
- Need to understand financial model of the charity
- Risks of that model from scenario planning – understanding when and how will use reserves
- Strategy and future plans – investment required?
- Working capital and cash flow
- All interact with the need to come up with a reserves policy to feed into the strategic plan
- Once used they are gone – plan wisely



CC8 – Internal financial controls



The trustees, as a body, are together responsible for **establishing**, **implementing** and **monitoring** their charity's internal financial controls.

They may decide to delegate the detailed work on this task to one or more trustees or to members of staff. However the trustees should make a collective decision on what controls are needed.

Internal financial controls are essential checks and procedures that help trustees:

- meet their legal duties to safeguard the charity's assets.
- ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information
- identify and manage the risk of conflicts of interest, loss, waste, bribery, theft or fraud;
- ensure that the trustees comply with charity law and regulation relating to finance.

CC8 – Internal financial controls

- Annual review of controls – proportionate and not too onerous
- Segregation of duties
- Budgeting and monitoring finances:
 - the latest management accounts
 - comparison of budget to actual figures
 - explanation for variances between forecasts and what actually happened
 - details of cash flow and closing bank balances



CC8 – Internal financial controls



As a minimum:

- keep ‘sufficient’ accounting records to explain all transactions and show the charity’s financial position
- prepare annual report and accounts meeting legal requirements
- consider the reserves policy, manage their level and disclose reserves policy in Trustees’ Annual Report
- formally approve the Trustees’ Annual Report and accounts
- ensure accounts are subjected to external scrutiny required by law/charity’s governing document

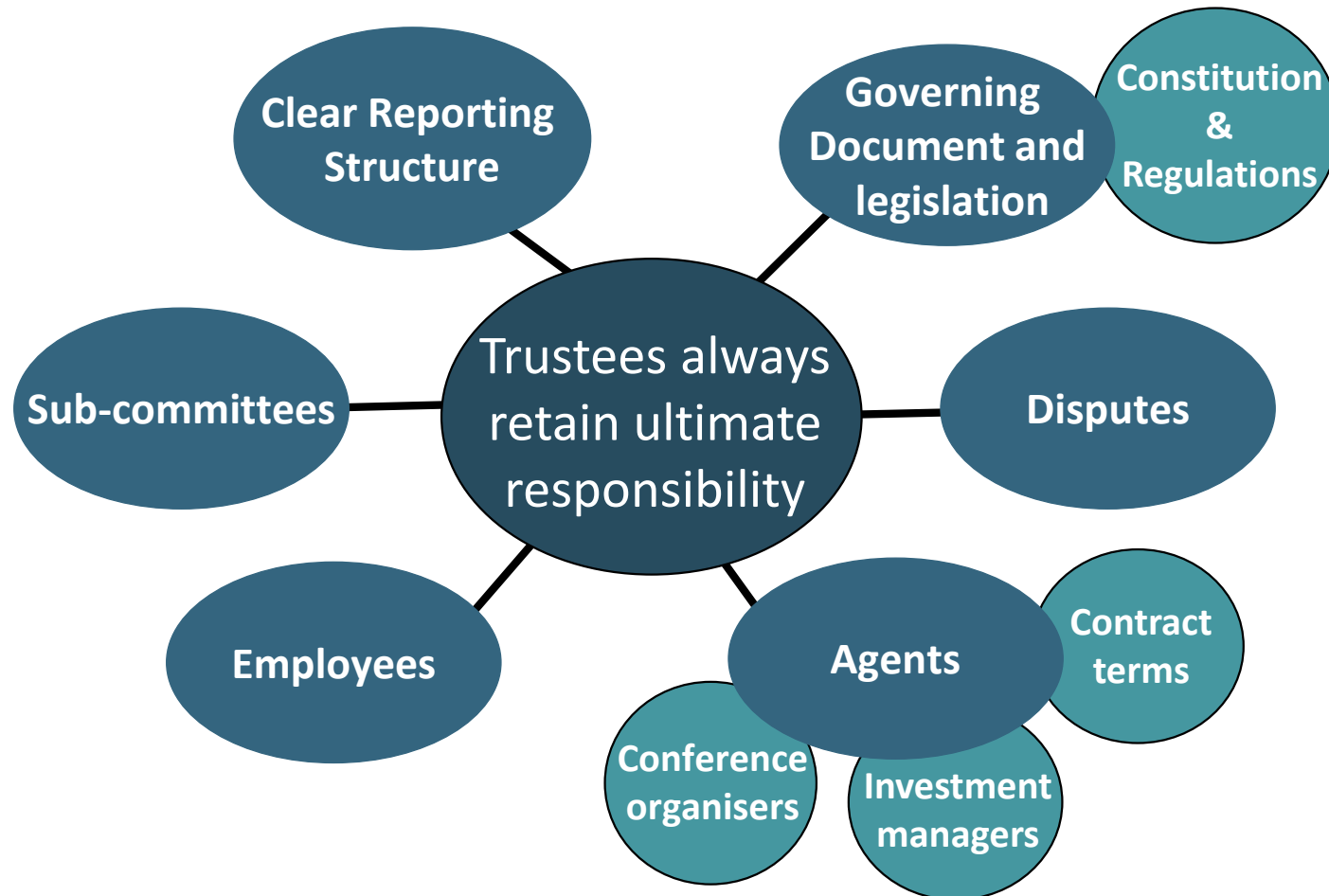
CC8 – Internal financial controls



As a minimum:

- ensure Trustees' Annual Report, accounts and annual return are filed on time with Charity Commission/OCSR as required by law and also with Companies House
- meet requests from the public for copies of the charity's most recent trustees' annual report and accounts
- safeguard the assets of the charity and ensuring proper application of resources
- take steps for the prevention and detection of bribery, fraud, financial abuse and other irregularities

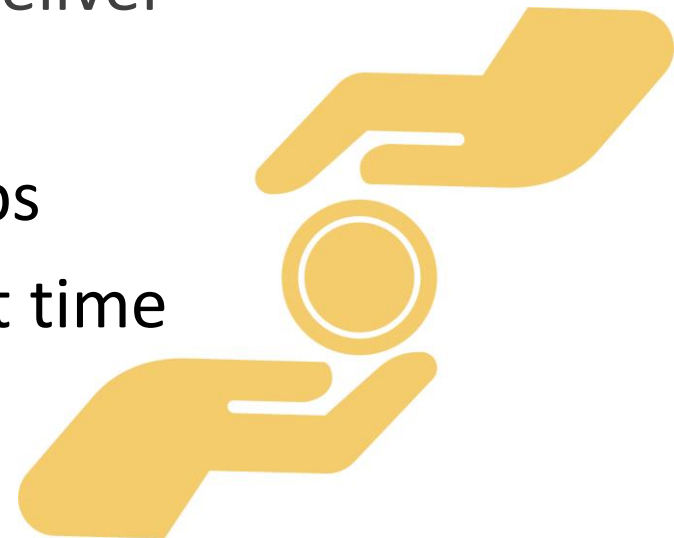
Delegation and Decision-making



How?

Be clear on responsibilities – not abdication

- Role of trustees
 - governance – lead and direct
 - decision making and oversight/supervise
- Role of senior management and staff
 - management – implement and deliver
 - day to day running
- Respect/Good working relationships
- Use of committees – detail/commit time



What can you delegate

- Authority - but not responsibility
- What depends
- An illustration:

Small grant making trust	<ul style="list-style-type: none">• trustees decide
Large grant making trust	<ul style="list-style-type: none">• trustees produce written guidelines• parameters set e.g. authorisation limits• receive reports• what needs to come back to Board?• use of committees?

Matters reserved for Board

Write them down. E.g:

- Set strategic aims and objectives
- Set values, standards, guidelines, polices
 - Code of conduct, H&S, Remuneration, Bribery Act
- Approve delegation terms and conditions/authorisation limits
- Ensure sufficient resources (Financial & Human)
- Oversight of operations
- Review management performance
- Approve accounts, accounting polices
- Risk management and internal control
- Approve major contracts & principal advisors
- Board members and appointment

Are you comfortable with what you do not see????



Risk Management



Organisation vs Employee Wellbeing



Strategic planning

- Strategic plan (and business plan to deliver it) –developed and adapted with scenario planning as change happens
- Investment time and money
- Keep it ‘live’ and refer to it all the time
- Evolve and adapt as circumstances change
- Build effective management team and timely decision making processes
- Know those ‘ criteria for success’ - key indicators and how they are tracked – react to warning signs
- [Guide to scenario planning:](https://www.cass.city.ac.uk/_data/assets/pdf_file/0010/37297/picture_this.pdf)
https://www.cass.city.ac.uk/_data/assets/pdf_file/0010/37297/picture_this.pdf
- <https://knowhow.ncvo.org.uk/tools-resources/board-basics/tools-and-guidance/ncvotoolsfortomorrowextract.pdf>



Above all remember.....

A well run charity will be there long after you are!



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