



What do Trustees do?

**An introduction to
the roles and responsibilities of Trustees
of voluntary organisations
and community groups**

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The role and responsibilities of Trustees

The Trustee and Management Committee National Occupational Standards (NCVO: 2006) identify four units of good practice for Trustee Boards:

1. Purpose

Safeguard and promote the values and mission of the organisation.

2. Direction and shape

Determine the strategy and structure of the organisation.

3. The work of the organisation

Ensure the organisation operates in an effective, responsible and accountable manner.

4. The work of the board

Ensure the effective functioning of the organisation's board of trustees.

The National Occupational Standards (NOS) come in a 'pocket-sized edition' and in a 'toolkit folder' and are available from the National Council for Voluntary Organisations (NCVO).

In the following pages, we will consider these four areas using twelve sub-headings from the Swindon Trustee Network's (STN) **Trustee Handbook** (Voluntary Action Swindon: 2007)

An alternative guide in a question and answer format is **The Essential Trustee: What you need to know** (2007) produced by the Charity Commission.

1. Purpose

Safeguard and promote the values and mission of the organisation

Why does the organisation exist?

Who and what for?

- **"Set and maintain vision, mission and values**

The trustee board is responsible for establishing the essential purpose of the organisation. They are also responsible for guarding the ethos and values of the organisation.

- **Ensure compliance with governing document**

The governing document / constitution (*e.g. Memorandum and Articles or Trust Deed*) is the rulebook for the organisation. The trustees make sure it is followed. In particular, the organisation's activities must comply with the charitable objects.

- **Promote the organisation**

Through their own behaviour, their governance oversight and their activities on behalf of the organisation trustees enhance and protect the reputation of their organisation. They are good ambassadors for the organisation. "

(STN Trustee Handbook: 2007)

The constitution of a voluntary organisation or community group is central to its purpose. It is crucial Trustees make sure that they have the right kind of constitution for their group and then once they have one to comply with it. The constitution laid out in the governing document of the group provides the legal basis and purpose (charitable objects) of the group. When a group is initiating new projects or services it is important that Trustees make sure these new developments still fit with the objects (charitable) in the constitution or that they take the necessary steps to change the constitution.

2. Direction and shape

Determine the strategy and structure of the organisation

Which activities to prioritise? And when?

What risks to take?

What risks not to take?

- **"Develop Strategy**

Together, the trustee board and chief executive officer (if the group has one) develop long-term strategy. Meeting agendas reflect the key points of the strategy to keep the organisation on track.

- **Maintain proper fiscal oversight**

The trustees are responsible for effectively managing the organisation's resources so it can meet its charitable objects. The trustee board:

- Secures sufficient resources to fulfil the mission
- Seeks to minimise risk for the organisation"

(STN Trustees Handbook: 2007)

It is the Trustees' responsibility to decide what activities, processes, and structures are required for the organisation to be able to fulfil its mission and express its ethos and values. The strategic questions of 'which?', 'how?', and 'when?' need to be asked and answered in order for the organisation to develop its strategic and business plans. Where does the organisation want to be in three, five or even ten years time? How is it going to get there?

It is becoming increasingly important to be aware and keep track of the fast changing policy, legal and funding environment that voluntary organisations and community groups operate in. Whilst this is time consuming and complex, it is better to be able to pro-actively engage with these changes rather than to be caught having to play catch up.

3. The work of the organisation

Ensure the organisation operates in an effective, responsible and accountable manner

*Trustees oversee the organisation,
Trustees are not managers*

- **"Establish and monitor policies**

The trustee board creates policies to govern organisational activity.

These cover:

- Guidance for staff
- Systems for reporting and monitoring
- An ethical framework for everyone connected with the organisation
- Conduct of trustees and board business

- **Set up employment procedures**

The trustee board creates comprehensive, fair and legal personnel policies. These protect the organisation and those who work for it.

They cover:

- Recruitment
- Support
- Appraisal
- Remuneration
- Discipline

It also recruits and selects new trustee board members.

- **Ensure accountability**

The trustees should ensure that the organisation fulfils accountability as required by law to the Charity Commission, the Inland Revenue, Customs and Excise and the Registrar of Companies (if it is a company limited by guarantee).

The organisation should also be accountable to donors, beneficiaries, staff, volunteers, and the general public. This means publishing annual reports and accounts.

- **Ensure compliance with the law**

Trustees are responsible for checking that all the organisation's activities are legal. This includes Charitable Law and Company Law,

as well as other legislation that may apply to your group, for example, working with children and vulnerable adults or health and hygiene.

- **Maintain proper fiscal oversight**

The trustees are responsible for effectively managing the organisation's resources so it can meet its charitable objects. The trustee board:

- Secures sufficient resources to fulfil the mission e.g. funding
- Monitors spending in the best interests of the organisation
- Approves the annual financial statement and budget
- Protects the organisation against liability by providing insurance
- Seeks to minimise risk for the organisation
- Participates in fundraising (in some organisations)
- Ensures legal compliance (e.g. annual accounts)."

(STN Trustee handbook: 2007)

In considering the work of the organisation, it is worthwhile highlighting that the Trustees are responsible for all that the organisation does. Trustees need to be aware of what is going on yet their role is more one of oversight, they are not managers. Whilst Trustees need to authorise what the organisation is doing, good policies and procedures and clear lines of accountability can facilitate delegation. A balance needs to be struck allowing volunteers and staff to get on with their jobs whilst avoiding the board of Trustees being passive or not informed enough to make responsible decisions.

4. The Work of the Board

Ensure the effective functioning of the organisation's board of trustees

*Trustees are part of a team,
Delegation and collaboration is vital*

- **"Maintain effective board performance**

The board keeps its own house in order. It engages in:

- Productive meetings
- Effective committees with adequate resources
- Development activities
- Regular performance reviews
- Partnership with consultants where necessary

- **Select and support the chief executive**

If necessary, the trustee board creates policy covering the employment of a chief executive. They also select and support the chief executive and review their performance.

- **Respect the role of staff**

The trustee board recognises and respects the domain of staff responsibility. At the same time, it creates policy to guide staff activities and safeguard the interests of the organisation."

(STN Trustee Handbook: 2007)

A board of trustees with clear processes for informed discussion, decision-making, and delegation is essential to the smooth running of an organisation and the satisfaction of its trustees. Well prepared agendas and briefing documents with well facilitated (chaired) meetings and concise minutes including actions can make all the difference. If a board has a good rhythm of covering all the areas already outlined and effective decision-making mechanisms a lot of the crises that beset organisations can be avoided. Clear role descriptions and good relationships within the board and with staff, volunteers and other stakeholders are vital.

Financial Concerns in more detail

As financial matter and liability are a common and valid concern let us consider the Trustees' role and responsibilities with regard to finance in more detail*.

- **Securing sufficient resources to fulfil mission**

The organisation needs to be able to fulfil its commitments and work within an annual budget

Trustees have oversight of new projects / activities

How secure are funding streams?

Are all costs included?

Trustees must ensure adequate Charity reserves

What levels should be maintained?

***See the Charity Commission website:
CC19 - Charities' Reserves***

- **Monitoring spending / income in best interests of the organisation**

Trustees need to ensure "reasonable controls" are in place:

Segregation of duties

Authorisation / approval of expenditure

Signing of cheques

Payment of staff / volunteers

Ensuring completeness of income

Control over accounting system

Proper use of assets

How do trustees ensure controls are working?

Have written financial policies and procedures

Checklists to ensure that controls are operating

External scrutiny in line with Charity Commission requirements.

www.charity-commission.gov.uk See Charity Reporting and Accounting.

Through review of management accounts

These are needed to ensure that financial position is correctly disclosed and understood

Management accounts should be reviewed quarterly or monthly depending on size

Compare actual income / expenses against the budget and/or last year's totals

Management accounts should include a balance sheet and a brief narrative report setting out reasons for variances - "Exception reporting"

- **Approving annual accounts and budgets**

Trustees need to decide who will prepare budgets and accounts

Everyone needs to work to an agreed timetable

Annual Accounts are approved by the Trustees and presented to members at the AGM

The financial situation needs to be understood by all Trustees, not just the Treasurer. Summary accounts and narrative commentaries can help with this.

CC15b - Charity Reporting and Accounting: The essentials

- **Protecting against liabilities - insurance**

Standard business insurances:

Assets

Third party

Public liability

Trustee liability insurance can be taken out against claims arising as a result of legitimate actions as trustees, as long as they have acted honestly and reasonably.

Previously organisations needed Charity Commission permission to take out Trustee liability insurance, now it can be bought by all groups.

CC49 - Charities and Insurance (Feb 2007)

- **Minimising risks for the organisation**

What sort of risks should the Trustees consider?

The level of risk should be appropriate to the objects and activities of the organisation.

How are risks identified and recorded?

How are risks mitigated?

Risks need to be disclosed within the Trustees Annual Report.

CC - Charities and Risk Management (inc. Appendices)

- **Participation in fundraising**

Trustees have overall responsibility for the organisation's fund-raising activities

Trustees need to decide whether they fundraise or not.

Specific areas to watch are:

Funds need to be used for what they were raised for.

There needs to be financial controls over income.

The use of professional fund-raisers.

Trading by charities.

Benefits to donors.

CC20 - Charities and Fundraising

CC35 - Trustees, trading and tax

- **Ensuring legal compliance**

Trustees are responsible for preparation and approval of:

Annual Financial Statements

Trustees Annual Report

Annual Return

Need to ensure compliance with Statement of Recommended Practice ('the SORP')

Auditors or Independent Examiners (depending on annual income) need to be appointed by the members, not Trustees.

What support is available for Trustees?

National Support Organisations and websites:

Charity Commission

Website: www.charitycommission.gov.uk

Tel: **0845 3000218** Minicom: **0845 3000219** Fax: **0151 7031555**

Email: enquiries@charitycommission.gov.uk

Governance Hub

The Governance Hub brings together information and ideas about governance in the voluntary and community sector.

Website: <http://www.governancehub.org.uk/>

It is now on the NCVO website and can be accessed on

<http://www.ncvo-vol.org.uk/governance>

NCVO

NCVO (The National Council for Voluntary Organisations) is a registered charity which gives voice and support to civil society.

Website: <http://www.ncvo-vol.org.uk/>

Freephone: **0800 2 798 798**

Textphone: **0800 01 88 111** (minicom)

Email: helpdesk@askncvo.org.uk

Governance Pages

A website that aims to provide useful information on governance for community groups and small voluntary organisations.

Website: <http://www.governancepages.org.uk/>

TrusteeNet

CTN is the national charity for trustees

Website: <http://www.trusteenet.org.uk/>

Tel: **01483 230280**

Fax: **01483 303932**

Email: info@trusteenet.org.uk

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DEVELOP Enhancing Community Support

Providing Services and a voice to voluntary organisations & community groups to support & enhance the development of their organisations.

For further details on all the services available see our website: **www.developecs.org.uk**

Services include:

- **Development Support**
- **Latest Information & News**
- **Funding Advice**
- **Representation & Consultation**
- **Networking Opportunities**
- **Training**
- **Practical Support Services**
- **DEVELOP Volunteering**

For further information contact us:

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