

Trustees workshop

An introduction 9 November 2022

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Use your charity's governing document

- ▶ Every charity has a governing document. It contains:
 - ▶ your charity's aims or purposes (its 'objects')
 - ▶ rules for how it must operate
 - ▶ Have the latest version and use it when making plans and decisions.
- ▶ Use the register of charities to check what your charity's governing document is. It's usually a constitution, trust deed or memorandum and articles of association.

Focus on your charity's purposes

- ▶ You **must** deliver only your charity's purposes. Your charity's funds can **only** be spent on supporting the delivery of these purposes.
- ▶ Make sure you understand:
 - ▶ what your charity is set up to achieve (its purposes)
 - ▶ who your charity is there to benefit (its beneficiaries)
 - ▶ what your charity can or cannot do to carry out its purposes (its powers)
- ▶ Checking that your charity is furthering its purposes is something you will do all the time as a trustee.
- ▶ For example, whenever you:
 - ▶ set your budget for the year
 - ▶ agree new projects or services
 - ▶ think about how to use the charity's property

Drifting into activities that your charity is not set up to do

- ▶ This can happen if you do not focus on your charity's purposes. For example, where the charity:
 - ▶ wants to deliver a new service, but trustees have not checked that this new work fits the charity's purposes
 - ▶ has applied for a grant, which must be spent on activities that do not match the charity's purposes
 - ▶ Using charity funds or resources on other purposes is very serious. Trustees may have to repay the charity from their own money.
- ▶ Keep your charity's purposes under review to ensure that they properly reflect what the charity does.

Public benefit

- ▶ Public benefit is what makes charities different from other organisations.
- ▶ Provide a clear benefit for a wide enough section of the public when delivering your charity's purposes.
- ▶ Run your charity for the public benefit. This means considering the Commission's public benefit guidance on running a charity.
<https://www.gov.uk/government/publications/public-benefit-running-a-charity-pb2>
- ▶ You should:
 - ▶ be clear about who benefits from your charity and what these benefits are
 - ▶ make sure that any private benefits to individuals or organisations are necessary, incidental and in the interests of the charity
 - ▶ manage any risk of harm to beneficiaries and the public
- ▶ You must report on public benefit every year in your charity's annual report

What else your governing document says

- ▶ Your governing document has rules on how to manage your charity. Comply with them. This will help you make valid decisions help to avoid damaging disputes.
- ▶ Governing documents usually say:
 - ▶ how trustees must be appointed
 - ▶ how often trustees must meet
 - ▶ how many trustees are needed to make a valid decision
- ▶ A governing document can give you extra powers. For example, powers to invest or borrow money.

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- ▶ It might also say if there are things that you cannot do. For example:
 - ▶ making payments to trustees
 - ▶ selling the charity's land
 - ▶ If you are using a power, make sure you comply with your trustee duties, such as the duty to act in the charity's best interests.
 - ▶ You should also keep your governing document up to date.

The law

- ▶ You do not have to be an expert. But make sure your charity complies with the law.
- ▶ To help you do this, take reasonable steps to find out what laws apply.
- ▶ Charity law includes requirements about [what you must report to the Commission](#).
- ▶ [Further guidance on charity law by topic](#) is also available on the Commission's website.

Other laws and regulations

- ▶ Other requirements may apply to your charity depending on:
 - ▶ what it does - for example, if it owns land, employs staff, raises funds, or works with children
 - ▶ its structure - for example, if it is a company, a charitable incorporated organisation or a trust
 - ▶ where it works - for example, if it works in other parts of the UK or worldwide
- ▶ Charities are also subject to general laws such as tax, data protection, and health and safety which trustees have responsibilities to meet.

A short video - Charity purpose and rules



- ▶ <https://www.bing.com/videos/search?q=Charity+Commission+Five-Minute+Guides&&view=detail&mid=DB635FD29AB8DB7D6FE7DB635FD29AB8DB7D6FE7&&FORM=VRDGAR&ru=%2Fvideos%2Fsearch%3Fq%3DCharity%2BCommission%2BFive-Minute%2BGuides%26Form%3DVDRSCL%26%3D0>

Managing charity finances

Key message

- ▶ As a trustee you must take steps to make sure that your charity's money is safe, properly used and accounted for. Every trustee has to do this.

Protect your charity's money

- ▶ Make sure that money is only spent on what is allowed by the charity's governing document.
- ▶ Use the Charity Commission's Internal financial controls checklist [Internal financial controls for charities \(CC8\) - GOV.UK \(www.gov.uk\)](#) to help you do this properly. This will help you make sure that money coming into the charity is:
 - ▶ secure and recorded
 - ▶ only spent on your charitable purposes
 - ▶ at less risk of theft, fraud or cyber crime
- ▶ The Charity Commission guidance “protect your charity from fraud and cyber crime” gives advice on how to prevent or deal with fraud .

Managing risks you have identified

- ▶ Using the checklist will help you spot the main risks to your charity's money and help you plan how to manage them effectively. Your charity should keep a list of the risks and how they are managed, reviewing it regularly.
- ▶ Use your annual report to say what the charity has done to prevent these financial and other risks. This helps to show your supporters and the Charity Commission what you are doing to protect your charity's money.

Know your charity's financial position

- ▶ Your charity should have a budget. Check that it is being used. It helps make sure you have realistic plans based on how much money your charity:
 - ▶ currently has
 - ▶ plans to raise
 - ▶ plans to spend each year
- ▶ By checking how much your charity receives and spends against the budget, you can identify problems in good time and agree what to do about them.
- ▶ [The National Council for Voluntary Organisation's budgeting guide](#) explains charity budgeting and planning in more detail.

Get the funds you need

- ▶ Your charity may acquire funds it needs in different ways.
- ▶ This can include:
 - ▶ fundraising
 - ▶ selling goods and services
 - ▶ making investments
- ▶ Make sure you know what the rules are for getting funds in these ways and that your charity complies with them.

If your charity does not spend all its income

- ▶ Check that your charity has a reserves policy. This explains whether your charity is aiming to keep a reserve of unspent income, what it will be used for and why this is reasonable. Check that your charity sticks to the policy or can explain why if it does not.
- ▶ Make sure that your charity's annual report explains the policy and says how much money (if any) it has kept in reserve, what it is for and when the charity will use it.
- ▶ If you want more information, see <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves#annex-1-a-simple-approach-to-developing-a-reserves-policy>

Keep accurate financial records

- ▶ Make sure that your charity keeps records to show all the money coming into your charity and the money it spends to help it meet its aims. You should check whether your charity's governing document has any specific rules on record keeping and follow them if it does.
- ▶ Check that your charity has adequate records to show:
 - ▶ details of money received and spent by the charity - for example bank statements and minutes of any meetings where significant decisions were taken
 - ▶ the charity's assets and liabilities
- ▶ These records are used to prepare the accounts which trustees approve.
- ▶ You must ensure that your charity keeps accounting records for:
 - ▶ 6 years for a charity that is not a company
 - ▶ 3 years for a company charity

Manage expenses and payments to trustees

- ▶ All trustees can claim expenses. These are to cover out-of-pocket payments to carry out your duties, for example:
 - ▶ travel to and from trustee meetings
 - ▶ postage and telephone calls for charity work
 - ▶ childcare or care of other dependents while attending meetings
- ▶ Your charity should have a written policy setting out what is classed as an expense and how to claim and approve expenses.
- ▶ As a trustee you cannot receive any other payments or benefits from your charity unless the charity's governing document allows it, or you have a specific authority for it. [Trustee expenses and payments - GOV.UK](https://www.gov.uk/government/topics/charities)
(www.gov.uk)

Deal with financial problems quickly

- ▶ Ensure that you have enough money to settle bills. Act quickly if there is a significant change in the amount of money coming into or going out from your charity.
- ▶ If you think your charity may be facing insolvency read this for advice on the actions you should take <https://www.gov.uk/government/publications/managing-financial-difficulties-insolvency-in-charities-cc12/managing-financial-difficulties-insolvency-in-charities#dealing-with-potential-insolvency>
- ▶ Take any expert advice as early as possible. This will help you work out what action to take.
- ▶ For example:
 - ▶ develop alternative sources of funding or launch an emergency appeal
 - ▶ borrow money from banks or stakeholders
 - ▶ raise issues with any grant bodies you have received funds from
 - ▶ reduce actual or planned spending
 - ▶ review any charges your charity makes for facilities or services
 - ▶ stop or delay doing some of your charity's activities
 - ▶ merge with another charity
 - ▶ close your charity

Short video - Managing Finances



- ▶ <https://www.bing.com/videos/search?q=Charity+Commission+Five-Minute+Guides&ru=%2fvideos%2fsearch%3fq%3dCharity%2520Commission%2520Five-Minute%2520Guides%26%3d0%26FORM%3dVDVXX&view=detail&mid=2C1C3C760F0733DAF15B2C1C3C760F0733DAF15B&&FORM=VDRVSR>

Plan your meetings

- ▶ You must usually make your decisions at meetings. Follow your governing document on when to call and hold meetings, and how to run them. [Charity meetings: making decisions and voting - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/charity-meetings-making-decisions-and-voting)

Practical things you can do and think about

- ▶ **Keep records from the start**
- ▶ Record in your meeting minutes or separately:
 - ▶ meeting dates and who attended
 - ▶ any conflicts of interest - who they affected and how you handled them
 - ▶ what information and advice you used, and how you used it
 - ▶ options you considered and the main reasons for your decision
 - ▶ any disagreements worth noting
 - ▶ the results of any vote
- ▶ Check that this is happening so that you can show that you have acted properly.

Making decisions at a charity

- ▶ Work together to make the best decisions you can for your charity.
- ▶ Often there will not be a perfect solution. Your decision can be different from the one another group of people would reach, but it must be informed and responsible.
- ▶ To meet this standard, you must:
 - ▶ act within your powers
 - ▶ act honestly and with good intentions, and only in your charity's interests
 - ▶ be sufficiently informed, taking any advice you need (get relevant information, take your time)
 - ▶ take account of all relevant factors
 - ▶ ignore irrelevant factors
 - ▶ manage conflicts of interest
 - ▶ make a decision that is within a range of decisions that a reasonable body of trustees could make
 - ▶ You must not allow your personal motives or prejudices affect how you decide things.

Decisions (continued)

- ▶ These principles should always guide your approach. But make especially sure that you and the other trustees can show that you have used them for decisions which are:
 - ▶ complex, or
 - ▶ high impact, or
 - ▶ involving significant money or other property, or
 - ▶ high risk
- ▶ We recommend you use The Commission's It's your decision guidance to help in those cases. It gives more detail about each principle. [It's your decision: charity trustees and decision making - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/its-your-decision-charity-trustees-and-decision-making)

Consider getting advice

- ▶ Use any skills or experience you, as an individual, have to help the other trustees with a decision.
- ▶ Trustees may need advice to help them reach a decision. Your charity can pay for the cost of this where it is for the charity only.
- ▶ Check that your adviser:
 - ▶ has the right qualifications or expertise
 - ▶ is well informed about the issue you are deciding
- ▶ Before you make important decisions, think about whether you should get the views of the charity's:
 - ▶ beneficiaries
 - ▶ members
 - ▶ donors or supporters
- ▶ Check your governing document. Some charities have members who can make certain decisions.

Work together to make decisions

- ▶ As trustees you should attend trustee meetings.
- ▶ You must make your decisions together. This is because every trustee, including anyone absent:
 - ▶ is responsible for those decisions made at the meeting
 - ▶ must support and carry out decisions
- ▶ Do not just go along with the opinions of one person or allow some trustees to push through decisions without discussion. This is important if a decision goes against the charity's principles.
- ▶ **If you disagree**
- ▶ If you, an individual trustee, strongly disagree with a decision:
 - ▶ share your views and any information and knowledge you have with the other trustees
 - ▶ ask for your disagreement to be recorded
- ▶ But you must follow a valid decision (one made using the principles) even if you disagree with it.
- ▶ If you cannot do this, you should consider resigning.

Involve others at your charity

- ▶ You may be able to delegate some decision-making to others at your charity, for example staff, volunteers, or trustee committees. Many charities have the power to do this. But all the trustees remain responsible for any delegated decisions.
- ▶ When you give staff or others responsibility for decisions, tell them:
 - ▶ what they can and cannot decide
 - ▶ when and how to report back to you
- ▶ You can also ask staff and others to attend your trustee meetings to provide information and advice, though you remain responsible for making the final decision.

Short video - Making Decisions



- ▶ <https://www.bing.com/videos/search?q=Charity+Commission+Five-Minute+Guides&ru=%2fvideos%2fsearch%3fq%3dCharity%2520Commission%2520Five-Minute%2520Guides%26%3d0%26FORM%3dVDVVXX&view=detail&mid=064685327AA2F1BEAD9C064685327AA2F1BEAD9C&&FORM=VDRVSR>

Managing conflicts of interest in a charity

- ▶ **Identify** conflicts of interest
- ▶ There are **2** common types of conflict of interest: **financial conflicts and loyalty conflicts.**

- ▶ **Financial conflicts**
- ▶ These conflicts happen when a trustee, or person or organisation connected to them, could get money or something else of value from a trustee decision.
- ▶ They do not include a trustee's expenses - for example, for going to a charity meeting.
- ▶ **Some common examples**
- ▶ **Financial conflicts for a trustee happen if your charity is deciding whether to:**
- ▶ pay the trustee for doing their trustee role (more than their expenses)
- ▶ employ or pay the trustee, or their relative, for some work at your charity, or its trading company
- ▶ sell, loan or lease charity assets (land or anything else the charity owns) to the trustee
- ▶ buy, borrow or lease charity assets from the trustee
- ▶ buy goods from a business owned by the trustee

▶ **Loyalty conflicts**

- ▶ These conflicts are not about money or other trustee benefits. They happen when, for other reasons, a trustee might not be able to make decisions that are best for the charity.

▶ **Some common examples**

- ▶ They can happen if the charity's decision involves a person or organisation linked to a trustee. For example:
 - ▶ the trustee's employer
 - ▶ another charity where they are a trustee
 - ▶ the organisation that appointed them as a trustee
 - ▶ their relatives or friends
- ▶ **Conflicts can affect all types of charities.** But you must identify and deal with them properly.
- ▶ All of you must do this, not just the trustee with the conflict. Otherwise, you will not meet your joint legal responsibility to make decisions:
 - ▶ based only on what's best for your charity
 - ▶ without influence from your personal interests

4 steps to dealing with conflicts of interest

- ▶ **Declare conflicts of interest (step 1)**
- ▶ You must tell the other trustees if you personally have a conflict of interest. Do this early.
- ▶ Do not ignore something that might be a conflict for you or another trustee. Talk to the other trustees if unsure.
- ▶ **You and the other trustees should:**
 - ▶ identify and declare conflicts at the start of meetings - a standard agenda item
 - ▶ keep and update a register of interests
 - ▶ **Follow a conflicts of interest policy and** any rules in your charity's governing document about conflicts of interest.
- ▶ **You should also set a policy to tell trustees:**
 - ▶ when conflicts of interest commonly happen
 - ▶ how to declare them
 - ▶ what all of the trustees need to do about them
- ▶ Review your policy regularly and discuss it with new trustees

4 steps to dealing with conflicts of interest

- ▶ **Consider removing conflicts of interest (step 2)**
- ▶ As trustees you have to take action to stop the conflict from affecting your decision.
- ▶ The action depends on your situation, but you must decide based only on what is in the best interests of your charity.
- ▶ Consider if it is best for the charity to remove the conflict. This is particularly important if it is a serious conflict.
- ▶ If you do not need to remove the conflict, you must prevent it from affecting your decision in a different way. Use the following steps to manage it.

4 steps to dealing with conflicts of interest

- ▶ **Manage conflicts of interest (step 3)**
- ▶ Check that any trustee payments or benefits are authorised
- ▶ You must not allow a trustee - or organisations or people connected to them - to benefit from your charity, unless it's allowed by (any of the following):
 - ▶ rules in your charity's governing document
 - ▶ the law
 - ▶ the Charity Commission or the Court
- ▶ **Check and follow:**
 - ▶ your charity's governing document
 - ▶ any directions from the Commission, for example if we have given your charity permission to benefit a trustee
 - ▶ other legal rules that apply to your charity

4 steps to dealing with conflicts of interest

- ▶ **Keep a record of conflicts of interest (step 4)**
- ▶ Record:
 - ▶ what the conflict was
 - ▶ who or what it affected
 - ▶ when it was declared
 - ▶ how you managed it
- ▶ This will help to show that you have acted properly.

What to do about serious conflicts of interest

- ▶ **Common examples of serious conflicts are where:**
 - ▶ a majority of you have a conflict
 - ▶ there is a single trustee, who has a commercial interest in the charity decision
 - ▶ your decision involves significant money or risk, and there is a conflict

In these types of situation, consider these options.

- ▶ Can you remove the conflict? Consider:
 - ▶ changing your plan
 - ▶ asking a conflicted trustee to resign
 - ▶ deciding not to appoint a conflicted person
 - ▶ Can you appoint additional trustees not affected by the conflict?
- ▶ Take legal advice if you're unsure. Your charity can pay for this.
- ▶ Consider if you need to ask the Commission to authorise your decision in very high-risk cases.

Short video - Conflicts of interest



- ▶ <https://www.bing.com/videos/search?q=Charity+Commission+Five-Minute+Guides&ru=%2fvideos%2fsearch%3fq%3dCharity%2520Commission%2520Five-Minute%2520Guides%26%3d0%26FORM%3dVDVVXX&view=detail&mid=F65553941F0767D5BB8AF65553941F0767D5BB8A&&FORM=VDRVSR>

What to send to the Charity Commission and how to get help

- ▶ **Charity register details**
- ▶ Your charity's entry on the register is public information. It must always be up-to-date - use the register of charities to check your charity's entry.
- ▶ Your charity needs to let the CC know about changes to the:
 - ▶ details of the trustees
 - ▶ charity's name or governing documents
 - ▶ charity's contact details
 - ▶ Check who at your charity can make changes

What to send to the Charity Commission and how to get help

- ▶ **Annual return, report and accounts**
- ▶ You need to know if your charity must send these to the Commission and when they are due. Different charities face different requirements. Check if your charity is getting it right.
<https://www.gov.uk/guidance/prepare-a-charity-annual-return>
- ▶ You and the other trustees can task someone else to provide the information, but all the trustees are responsible for making sure the right information is sent to us on time.

What to send to the Charity Commission and how to get help

- ▶ **Dealing with serious problems and reporting them to the Charity Commission**
- ▶ If something goes wrong you and the other trustees should consider if the problem has caused (or could cause) significant harm or loss to your charity or the people it helps.
- ▶ If so, ensure your charity reports it to the CC promptly as a serious incident.
- ▶ Find out more about what is meant by significant harm or loss and about reporting serious incidents [How to report a serious incident in your charity - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity)

What to send to the Charity Commission and how to get help

- ▶ Whether or not the problem needs to be reported to the CC, you and the other trustees should:
 - ▶ act quickly to prevent further harm, loss or damage
 - ▶ plan what you want to say and who to communicate this to
 - ▶ review the situation and learn how to stop a repeat
 - ▶ let the right people know, including the police if there's been a suspected crime

What to send to the Charity Commission and how to get help

- ▶ Know when your charity needs permission from the Charity Commission to do something
- ▶ The most common things that a charity may need permission for are:
 - ▶ changing its governing document
 - ▶ paying a trustee or someone connected to them (not including expenses)
 - ▶ buying, selling or leasing land from or to anyone connected with the charity
 - ▶ spending money or selling land (without replacement) that the charity should keep forever ('permanent endowment')
- ▶ All the trustees of your charity are responsible for getting the right permission. Use the Charity Commission's online services and forms [About our services - The Charity Commission - GOV.UK \(www.gov.uk\)](#) to:

What to send to the Charity Commission and how to get help

- ▶ **Free help, information and services you can get from the Charity Commission (for all charities)**
- ▶ Help they provide
- ▶ they provide a wide range of guidance. This is to help you understand your trustee role and how to get things right and avoid mistakes.
- ▶ If you cannot find the information you need in the guidance or if you need help with what to send the Charity Commission or getting their permission, you can:
 - ▶ call: 0300 066 9197 Monday to Friday between 9am and 5pm
 - ▶ use the enquiry form <https://forms.charitycommission.gov.uk/enquiry-form/>

What to send to the Charity Commission and how to get help

- ▶ **Information the Charity Commission will send you**
- ▶ a welcome pack to you when you become a trustee for the first time
- ▶ regulatory alerts to your charity about risks that could affect it
- ▶ You can also:
 - ▶ sign up to get updates when new content is added to their website
 - ▶ follow on Twitter or LinkedIn
 - ▶ read their blog [Charity Commission \(blog.gov.uk\)](http://blog.gov.uk)

Short Video - Reporting Information



- ▶ <https://www.bing.com/videos/search?q=Charity+Commission+Five-Minute+Guides&&view=detail&mid=40655F40BB946CEE286940655F40BB946CEE2869&&FORM=VRDGAR&ru=%2Fvideos%2Fsearch%3Fq%3DCharity%2520Commission%2520Five-Minute%2520Guides%26%3D0%26FORM%3DVVVXX>

Thank you for your attention

- ▶ We hope that this presentation has been of help to you in understanding the role of the trustee in developing and sustaining a thriving charity.