

KEY GUIDES



The Charity Trustee's Handbook

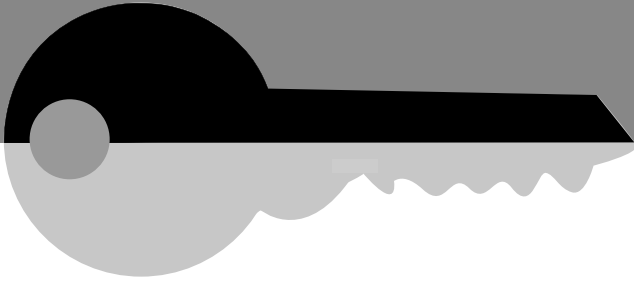
3rd edition

Mike Eastwood
& Jacqueline Williams

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Published by the Directory of Social Change (Registered Charity no. 800517 in England and Wales)

Head office: Resource for London, 352 Holloway Rd, London N7 6PA

Northern office: Suite 103, 1 Old Hall Street, Liverpool L3 9HG

Tel: 020 7697 4200

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First published 2001

Reprinted 2003, 2005 and 2007

Second edition published 2010

Reprinted 2011, 2013, 2015 and 2016

Third edition published 2017

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ISBN 978 1 78482 007 7

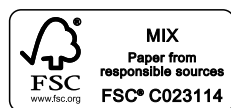
British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Cover and text design by Kate Griffith

Typeset by Marlinzo Services, Frome

Printed and bound by Page Bros, Norwich



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About the series

This series of key guides is designed for people involved with not-for-profit organisations of any size, no matter how you define your organisation: voluntary, community, non-governmental or social enterprise. All the titles offer practical, comprehensive, yet accessible advice to enable readers to get the most out of their roles and responsibilities.

There are several other titles available in this series, you can find details about the whole range at www.dsc.org.uk/publication/key-guides.

For further information, please contact the Directory of Social Change (see page 146 for details).

About the Directory of Social Change

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of independent charities, voluntary organisations and community groups are fundamental to achieve social change. We exist to help these organisations and the people who support them in achieving their goals.

We do this by:

- Providing practical tools that organisations and activists need, including online and printed publications, training courses, and conferences on a huge range of topics
- Acting as a 'concerned citizen' in public policy debates, often on behalf of smaller charities, voluntary organisations and community groups
- Leading campaigns and stimulating debate on key policy issues that affect those groups
- Carrying out research and providing information to influence policymakers, as well as offering bespoke research for the voluntary sector

DSC is the leading provider of information and training for the voluntary sector and publishes an extensive range of guides and handbooks covering subjects such as fundraising, management, communication, finance and law. Our subscription-based websites contain a wealth of information on funding from grant-making charities, companies and government sources. We run more than 300 training courses each year, including bespoke in-house training provided at the client's location. DSC conferences and fairs, which take place throughout the year, also provide training on a wide range of topics and offer a welcome opportunity for networking.

For details of all our activities, and to order publications and book courses, go to www.dsc.org.uk, call 0207 697 4200 or email cs@dsc.org.uk.

About the authors

Mike Eastwood is currently Diocesan Secretary in the Diocese of Liverpool and Vice-Chair and Non-Executive Director at the Royal Liverpool and Broadgreen University Hospital Trust. As well as this, he is Director of the Renewal and Reform programme (Archbishops' Council part-time secondment).

Mike was Chief Executive of the Directory of Social Change from 1995 to 2001, chair of trustees for the National Association for Voluntary and Community Action, a member of the Advisory Council to the Charities Aid Foundation and a trustee for the Liverpool Council for Social Service.

Mike is co-author of another popular DSC publication: *Writing Better Funding Applications*.

Jacqueline Williams is a governance and financial management consultant and trainer, and has extensive experience working with boards of directors (and trustees) across sectors internationally. Her most recent roles have included working with the Centre for Charity Effectiveness (part of Cass Business School) where she was involved in developing the *Building Better Governance* series. Another was with the International Finance Corporation (part of the World Bank Group), providing governing advice and related services in different parts of Africa.

Her earlier career included regulatory and compliance roles with PricewaterhouseCoopers, the United Friendly Group and Sea Containers Group in the UK. She has had extensive personal experience serving on boards of not-for-profit organisations, mainly in the role of treasurer. Jacqueline is a qualified accountant and lawyer and has a Masters in Corporate Governance and Ethics.

Acknowledgements

The author and publishers would like to thank Tesse Akpeki, Tim Cook, Dorothy Dalton, Lindsay Driscoll, Ruth Froggatt, Beryl Hobson, Linda Laurance, and Lucy Swanson, as well as Neal Green and Sarah Miller at the Charity Commission, for their input at different stages of this book's preparation or for their contributions to previous editions. Their knowledge, experience and insights have been invaluable.

Special appreciation to The Small Charities Coalition, for assigning the text from *The Code of Conduct for Trustees* to us to adapt and update as a new chapter for this edition. Thanks too, to Sandy Adirondack for the helpful checklists at the back of the book and for her advice on other aspects of the text.

And thanks to the many trustees and others who have shared their experiences with us.

Foreword

We live in unpredictable and fast-changing times. During the last few years, the environment in which charities and their boards of trustees operate has changed significantly. Three factors have brought about this change:

1. Strong negative coverage by the media as a whole, but mainly by the press. This has included the naming and shaming of trustees of failed or failing charities.
2. Our main regulator, the Charity Commission, has been forced by negative press coverage and by significant cuts in its funding to do a lot less in its role as an enabler of good governance, and instead do more in its role as a tough regulator.
3. The Charities (Protection and Social Investments) Act 2016 has given the Charity Commission greater powers – including the power to disqualify people from serving as trustees.

As a result there is much more focus on governance and particularly on compliance. Although compliance to the law and regulation is important, there is much more to governance than compliance.

The good news is that these major changes, and the financial downturn that started in 2008, has made trustees realise the importance of effective governance. I am hugely impressed by the many boards of trustees up and down the country who are working hard to ensure they govern effectually.

The Charity Trustee's Handbook is vital in these turbulent and uncertain times. The third edition includes additional sections on risk (including risks faced by charities working internationally), the importance of board effectiveness reviews and the usefulness of having a good code of conduct for trustees.

Being a trustee should be enjoyable, satisfying and even challenging. As long as you are willing to use your skills, expertise, experience and common sense for the benefit of your charity, and as long as you are willing to learn, you will get a great deal from trusteeships. This handbook will help to guide you successfully along the way.

I hope you enjoy being a trustee as much as I do.

Dorothy Dalton
Governance Specialist

Who this book is for

This book is written for 'you' as a current or prospective charity trustee. Throughout, we speak directly to you the trustee rather than to the board of the charity or the charity itself, or to staff, advisers or other readers who need or want to know about the role of trustees.

The book provides an introduction for trustees of charities anywhere in the UK. The legal and regulatory requirements in this book are based on England and Wales. There are differences in law and regulation across the four nations of the UK, but the basic principles of good trusteeship apply throughout the UK, and apply to both registered charities, as well as those that have not exceeded the necessary financial threshold and so remain unregistered. The basic principles also apply regardless of whether the charity is a charitable trust, an unincorporated association, a company limited by guarantee, a charitable incorporated organisation (CIO), or has another legal form.

We use the words 'voluntary sector' as our terminology of choice to describe the sector as a whole; it reflects the truly voluntary nature of being a trustee. However, the term voluntary sector is all-encompassing, incorporating both organisations that are charities and those that are not. We use the terms 'charity' or 'charities' rather than voluntary sector where the context is specific, such as in relation to legal requirements or where we have quoted statistical information.

1 What is a trustee?

This book aims to be a practical guide about how to operate effectively as a charity trustee, starting with two basic questions: ‘What is a charity trustee?’; and ‘What are you letting yourself in for when you become a charity trustee?’ It is about the practicalities and the reality, rather than being mainly about charity law, or the details of your legal responsibilities and liabilities. For information on charity law see the Charity Commission’s website on Gov.uk, and for information on other legal issues see the relevant sections on Gov.uk, such as employment, data protection, health and safety and so on.

First, by becoming a trustee of a charity, you are joining the wider voluntary sector. Whilst the size and scope of the sector can be defined in many ways, according to one snapshot in *The UK Civil Society Almanac 2017*, there are over 165,000 general charities in the UK (each with its own board of trustees) with a combined annual income of around £45 billion. Between them they have assets of over £112 billion and employ over 853,000 people. In addition to the charities in that survey there are many charities and other voluntary sector organisations that are not included for various reasons.

Overall, who knows how many hours of voluntary work are clocked up by the millions of people who volunteer each year? The only thing we can say for sure is that they dwarf the hours given by paid staff.

Charities and other voluntary organisations cover an enormous range of activities, from the arts to the environment, from health to welfare, from educating preschool children to caring for older people in poor health, from maintaining the nation’s heritage to providing accommodation for homeless people. A lot of people who have had experiences on the board have said that the most rewarding thing about being a trustee is making change happen.

Voluntary organisations are not the only ones working in these areas. The public and private sectors are also active here, providing services targeting individuals and their communities. Indeed there is increasing competition between the different sectors, with voluntary organisations often competing against private sector companies for public sector contracts. It is very positive to see numerous examples of charities collaborating with private sector organisations to further charitable

causes and support efforts in this way. In the private sector, corporate social responsibility schemes are just one example of private sector initiatives that support social change, and it has been encouraging to see an increase in recent years. However, there are clear differences in how voluntary organisations do things compared with the public and private sectors. The following list provides some examples.

- Any surpluses or profits voluntary organisations make at the end of the year are ploughed back into the work of the organisation rather than distributed to members or shareholders.
- Compared with the public and private sectors, this ‘third sector’ of charities and other voluntary organisations is tiny. Over 40% of registered charities have an annual turnover of less than £10,000 and some 77% of all charities report an annual turnover of under £100,000. The most recently published figure for the annual turnover of Tesco (£48.4 billion in group sales) is bigger than the entire voluntary sector; all the health charities combined could probably keep the National Health Service going for about a fortnight.
- Apart from a tiny minority which are under the control of politicians or political appointees, voluntary organisations are independent of government.
- Many voluntary organisations rely heavily on volunteers to do their work. It is estimated that each year 41% of the population of the UK regularly take part in formal voluntary work for a charity or voluntary organisation.

This is by no means an exhaustive list. However, it does illustrate the point that charities and other voluntary organisations have a particular role to play in society. Even if they deliver or enhance services also provided by the public sector, they cannot replace government; their motivations are different from those in the private sector; people view them differently from other sectors (how many people would willingly do unpaid work for their local bank or the local job centre?). And it is up to the trustees to define the particular role that their charity will play.

Trustees also generally give their services on a voluntary basis but are different from other volunteers in that they are ultimately accountable for the actions of their charity, and in very rare circumstances can be held personally liable if something goes wrong. All trustees need to understand their responsibilities and take them seriously, but should keep them in perspective. Trusteeship for many is an opportunity to contribute to the work of the charity and make a difference, deriving pleasure and personal satisfaction in doing so. The responsibilities and sources of further information are summarised later in this chapter.

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The Charity Trustee's Handbook

The charity sector survives and thrives thanks to people like you – people who volunteer as trustees for the benefit of others. The responsibility of trusteeship, and the volume of legal information on what you should and should not do, however, can be overwhelming.

Whether you're a new trustee or have been in the role for some time, this book will help you to find your way and make good decisions.

The book offers:

- Clear information about your duties as a trustee, with suggested publications for further reading
- Straightforward advice on planning the work of the organisation, getting funding and dealing with numbers
- Examples and advice on handling your charity's financial situation
- A brand new chapter on codes of conduct

This new edition gives you practical advice that takes account of legislation in the Charities Act 2011, the Charities (Protection and Social Investment) Act 2016 and the 2017 *Charity Governance Code*. You can also take advantage of a series of checklists to help you develop your understanding and confirm whether or not you're on the right track. However large or small your charity, this handbook will be an essential requirement for every trustee.

'The Charity Trustee's Handbook is a practical addition to the resources of any trustee. The checklists for making your board of trustees and its sub-committees effective are invaluable.'

Tesse Akpeki, Leadership, Governance and Personal Development Consultant

'This satnav for trusteeship is a valuable tool and a true must-read publication.'

Andrew Hind, Professor of Charity Governance, Cass Business School and former CEO, Charity Commission

ISBN 978-1-78482-007-7



9 781784 820077

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