



Are we an Effective Board?

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Responsibilities

All charity boards must, first and foremost, ensure that they are discharging their legal responsibilities if they are to be considered an effective board.

They could be providing a lot of detailed operational input, but if they have not first ensured, for example, compliance with the governing document then they would be falling short in their role. So what are these overriding responsibilities?

- To act in the interests of the charity and put the interests of the charity first;
- Ensure the charity acts in accordance with its governing document and in a manner which is consistent with its purposes;

- Act with due care and diligence;
- Ensure compliance with legislation.

With these responsibilities always in mind, a board will be demonstrating good governance if it works to exercise control and deliver the organisations purpose.

To do this the members of the board must fully understand their role; this includes not just what they should be involved in, but also what boundaries exist and when they should allow delegated management space to run the organisation.

What is the role of the Board?

The board have a collective responsibility so don't just defer to the member with a particular skill; benefit from his or her guidance but form your own judgement.



The trustee board is responsible for establishing strategies to achieve the purpose or mission of the charity. They are also responsible for safeguarding its assets as well as its values and reputation. Although the long term strategy will normally be developed with a lot of input from the Chief Executive, the responsibility for it lies with the board. In many cases the internal Senior Management Team will have created the ideas and sourced the information from which to establish the strategy. The role of the board would be to challenge and stress test the plans to ensure they are happy that they follow the overarching purpose of the charity and are viable initiatives.

After setting the long term strategy, it is then necessary to establish and monitor policies that ensure the charity will work to achieve that strategy. Part of this will involve employment procedures and recruiting the right people for senior positions. One of the most important things that any board will do is to select and then support, as well as review the performance of the Chief Executive. Proper systems

for reporting and monitoring are needed and the board should set the overall values framework for everyone involved with the charity.

The board must make sure that the charity's activities comply with its charitable objectives and that it is accountable as required by law to the regulator (Charity Commission or OSCR), the Registrar of Companies (if applicable) and HMRC.

Maintaining fiscal oversight is a key board role, as it is their responsibility to manage the resources so that charitable objectives can be met. It needs to know that there are sufficient resources available and so will need involvement in setting budgets and approving financial statements, as well as monitoring spending. Risk management is also critical and it is the boards role to set and agree policies.

Having a framework for delegation, internal control and ensuring that appropriate reporting is brought to board meetings is very important.



What makes a board effective in fulfilling this role?

Different boards will be able to work effectively in different ways, but some of the more important steps to take are to ensure:

- Meetings are productive;
- Individual standards of conduct are high;
- Effective sub committees are established;
- Good recruitment and induction processes are established;
- Regular performance reviews are held.

Recruitment is crucial as a board needs to be comprised of people with the correct mix of skills. It is not always enough just to have an interest and willingness to help, the board have a collective responsibility so don't just defer to the member with a particular skill; benefit from his or her guidance but form your own judgement. Occasionally governing documents will stipulate where trustees should be sourced from, if this is the case for your organisation it remains important to ensure there is a broad mix of skills.

Two members of the board who need particular skills are the Chair and the Honorary Treasurer. The Chair should have a background in strategy and management and needs to provide leadership and direction. The treasurer should ideally have a background in finance and risk and needs to monitor financial reporting and risk management.

The relationships that these two key board members have with management are critically important in ensuring good governance. The Treasurer must have a good working relationship with the Head of Finance, such that they can be sure that good quality, reliable financial reporting is brought to board meetings. However, the most important factor is the relationship between the Chair and the Chief Executive. This must be close so that the Chair is available to advise, but not so close that it is seen as interference. The balance in this relationship is tricky and may vary depending on the individuals involved, but it's important to get it right as most high profile cases of charities failing involve a very dominant Chief Executive who hasn't been subject to strong enough board oversight.



Checklist for the month

- ✓ Ensure you have the right mix of skills on the board and that you work effectively as a team – **perform a board skills audit**;
- ✓ Develop strategy to ensure delivery of your charity's objectives and compliance with the governing document – **does your organisation have a detailed strategy document?**;
- ✓ Monitor policies and exercise effective control – **consider how you are doing this and if necessary, introduce a formal procedure for monitoring e.g. audit effectiveness of the board**;
- ✓ Be a sounding board and source of advice for the Chief Executive – **consider implementing board 360° appraisal processes to gauge the success of the relationships**;
- ✓ Do not interfere – respect the role of staff and let management manage – **test yourself on this, if you are a board member are you a critical friend or an interfering presence for the Senior Management Team, is the balance correct?**



Where can I get more information?

There are a number of useful resources available and two of the best ones are:

Code of Good Governance

www.governancecode.org/summary-code-of-governance

Six key principles of good governance, developed for, and by the voluntary sector.

The Essential Trustee

www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3

This provides an overview of the duties and responsibilities of a trustee.

If you have any questions arising from this article or would like to speak to a member of our team about how we can help. Please get in touch with your local MHA member firm.