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**WITH BEST WISHES  
 FOR THE SEASON  
 FROM ALL OF US AT  
 CTN**



### news and opinion from a trustee's perspective

#### **What are the issues you are facing in the current economic climate?**

The recession has already had a substantial impact on charities and their trustees, and no one is clear when the economy will start to improve. CTN always seeks to address the current needs of trustees, so we are doing a short survey to find out how the economic downturn is affecting trustees and their charities. We will use the results to direct our own work, and will also pass on an anonymised summary to other national bodies seeking to help charities at this time. There are just 6 short questions, so it shouldn't take long to complete.

To take part in the survey please go to.

[http://www.surveymonkey.com/s.aspx?sm=B0p7Ziv5yrCtSW6ZBfmN3g\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=B0p7Ziv5yrCtSW6ZBfmN3g_3d_3d)

#### **Does your board need new trustees?**

Many boards are carrying at least one trustee vacancy, and we know that finding new ones is quite a challenge.

To help, CTN has launched **trusteefinder**, a free online trustee vacancy service. It has thousands of vacancies, posted by trustee members and also drawn from the National Volunteering Database, which is populated by local Volunteer Centres and run by do-it.org.uk.

**Trusteefinder** is available on CTN's website [www.trusteenet.org.uk](http://www.trusteenet.org.uk) or by typing in [www.trusteefinder.org.uk](http://www.trusteefinder.org.uk). Please do pass this news on to other trustees.

#### **Good behaviour on the board**

Trustees have often told CTN about issues their boards are facing as a result of the behaviour of other trustees. To help management committees and trustee boards to avoid and deal with such issues, CTN has developed a booklet which provides practical guidance on how to introduce and develop a code of conduct which is suitable for individual boards. It includes example codes of conduct, hint and tips and case studies of how other charities have used codes of conduct.

The booklet was launched at a Parliamentary Reception on 19 November, attended by Kevin Brennan, MP, Minister for the Third Sector, who said, "I warmly welcome this new guidance on codes of conduct for charity trustees, which will offer practical help to trustee boards in strengthening their governance arrangements."

Everyone who provided their address when registering on CTN's website will be sent a free copy of the booklet in the new year.

The booklet is also available to download free in pdf format from [www.trusteenet.org.uk/resources/2099](http://www.trusteenet.org.uk/resources/2099) and hard copies can be purchased from CTN for £6 each plus post and packaging.

## Trustee Indemnity Insurance poll

Charity Trustee Networks and Third Sector magazine are running a short poll of members about trustee indemnity insurance. The overall results of the five-question poll will appear in the 28 January 2009 edition of Third Sector magazine.

The poll is open until Tuesday 6 January 2009 - to take part please visit [http://www.surveymonkey.com/s.aspx?sm=1WCBpg7xQ0A35BSV5TbObw\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=1WCBpg7xQ0A35BSV5TbObw_3d_3d)

### Find out more:

There are lots of resources to help you recruit trustees on CTN's website. Go to: <http://trusteenet.org.uk/resources/2048>

CTN can run workshops based on the Codes of Conduct booklet. These cost £200 plus expenses. If you are interested please contact Claire Farmer on 0787 282 3075 or [claire.f@trusteenet.org.uk](mailto:claire.f@trusteenet.org.uk)

## Another new discount for trustees

Investing in Governance is a governance review tool that enables charity boards to assess their governance against best practice, and to make changes to improve performance.

Trustee boards can buy the tool and work through the tick boxes themselves. Alternatively they can pay for a consultant to work through it with them, achieving a quality mark at the end of the process.

Trustees visiting our website <http://trusteenet.org.uk/news/investing-governance> can get codes which, when put into the Investing in Governance website, give them a discount on the cost of the framework and the Quality Mark. More information is available at [www.investingingovernance.org.uk](http://www.investingingovernance.org.uk)

## Appointing a Trustee

John West at Balanced People, a recruitment firm which is a subsidiary of Chartered Accountants, Kingston Smith LLP, shares his experience about recruiting trustees.

Trustees play a critical role in charities, safeguarding the interests of the beneficiaries. It is important to take sufficient time and use effective procedures to appoint the right people to join your Board of Trustees. You will need to select candidates who can complement the existing skills on the Board and who can interact well with colleagues. Finding the right trustee can be a tricky task and can easily take at least six months— so start planning early! Here is our six point plan for recruiting a trustee:

**Advertise the position** - The recruitment process needs to be transparent and fair to all applicants. Ideally all trustee positions should be advertised.

**Form a recruitment panel** - This should include a chair for the recruitment panel (who should be a trustee), one or two other trustees and another person who isn't a trustee and can bring another perspective to the process.

**Collate an information pack** - As part of a transparent process it is important that all candidates who apply for the position are sent exactly the same information about the charity and the role.

**Screen the CVs** - Be open-minded when you screen through the CVs. Try to add an extra dimension to the existing board.

**Ask the right questions** - Prepare a list of open-ended questions in advance of the interviews.

**Check out references** - Although this is a voluntary position, it is still vital to check out character and professional references. After all, the charity is dealing with public money – whether from taxes or from donations – and it is important that the trustees have a high degree of integrity.

For further information or assistance about recruiting trustees John can be contacted on [jw@balanced.co.uk](mailto:jw@balanced.co.uk), 020 7306 5670. John has provided a case study about recruiting trustees, which is available at [www.trusteenet.org.uk/resources/2046](http://www.trusteenet.org.uk/resources/2046)

## NEW GUIDE FOR CHARITY TRUSTEES

The Institute of Chartered Secretaries and Administrators has published the 2<sup>nd</sup> edition of the **ICSA Charity Trustee's Guide**.

This guide provides quick and easy access to essential information on charities regulation and best practice.

For more details or to order it go to [www.icsabookshop.co.uk](http://www.icsabookshop.co.uk)

## In the current climate, where is your money safe?

Heather Lamont is a client investment director at CCLA [www.ccla.co.uk](http://www.ccla.co.uk), and treasurer of three charities: National Animal Welfare Trust, Crisis, and the Cripplegate Foundation.

The tough answer is that there is probably no bank which is completely risk free. Until a year or so ago, most of us would have let this pass as a statement of the blinking obvious, without seriously considering the possibility that a decent-sized bank in the developed world was actually going to go down the pan with our money.

So we shouldn't be too quick to blame those charities caught out by the Icelandic banks' collapse. My guess is that most of them had policies in place which allowed them only to invest in institutions with a respectable credit rating.

Events have moved fast, with problems identified in banks that until recently were regarded by the rating agencies as relatively safe. And the whole business has shaken people's faith in the rating agencies anyway. So what's the solution?

Obviously it will help if a bank has some sort of deposit guarantee behind it, especially (we have to trust) if that's from the UK government. But if a bank does collapse and a compensation scheme is invoked, it may be months before a charity gets its money back, which could cause serious cash flow problems for some.

As well as keeping a close eye on developments, trustees should (and many are) consider whether their deposits are too concentrated in one place. The price of diversifying across a greater number of institutions may be that you don't get such high rates of interest - but in the current climate, that's a financial management decision that should be easy to justify.

## What are your trustee meetings like?

Most of the time that boards spend together is in meetings, so it's important to make the most of that time. A good meeting is so rewarding and a poorly run meeting can be so frustrating. Of course a good chair makes all the difference but having good arrangements in place in terms of agendas, minutes, meeting logistics and use of time help promotes success.

BoardsCount's work has found that an average trustee board has:

- 6 meetings a year in the evening for 3 hours
- 60% of meetings finish more or less on time
- Two thirds of board members are happy with their meeting arrangements
- Agendas are typically drafted by the Chief Executive and approved by the Chair
- The average length of a board's board papers is 50 sides (smaller organisations less)
- 60% of board members are happy with their board papers
- About one third of boards have informal time around meetings
- About half of board members come to the meetings well prepared
- Only 13% of boards review their meetings at the end.

How does your board compare with the average? Are you happy with your current meeting arrangements? Maybe it's time to review them to make sure your board is better than the average.

CTN has teamed up with BoardsCount™ to offer a member discount. For more details, see <http://trusteenet.org.uk/content/boardscounttm>

## Chances to have your say – open consultations

- Proposed changes to **reporting requirements for English and Welsh charities operating in Scotland** – closes 23 December. Information available at - <http://www.oscr.org.uk/OpenConsultations.stm>
- Charity Commission consultation on **draft supplementary guidance on Public Benefit and the Advancement of Moral or Ethical Belief Systems** – closes 5 January. Information available at - <http://www.charity-commission.gov.uk/publicbenefit/pbmor.asp>
- **Time off entitlement consultation** seeking views on extending the right to time off to people serving in a wider range of civic roles. It also considers non-regulatory ways to encourage people to take on roles in third sector organisations. It doesn't suggest that trustees should get any entitlement to statutory time off – closes 19 December. Information available at - <http://www.communities.gov.uk/publications/communities/timeoffconsultation>
- The **Big Lottery** is consulting on its strategic framework for 2009 onwards. Help them frame their future strategy by responding to their 10 'BIG Questions'. Information available at - [http://www.biglotteryfund.org.uk/index/about-uk/big\\_thinking.htm](http://www.biglotteryfund.org.uk/index/about-uk/big_thinking.htm)

## In more detail: New statutory duties from the Companies Act 2006

**Conflicts of Interests** - On 1<sup>st</sup> October 2008 a new statutory duty on company directors to avoid conflicts of interest came into force. This has come out of the Companies Act 2006 and has created a deal of discussion, with arguments being made that charitable companies will need to amend their Articles of Association in order to be able to authorise a conflict of interest.

The view of the Charity Commission is that directors of charitable companies have always been under a duty to avoid such conflicts and in many cases their constitutions will already be sufficient to deal with this.

Many constitutions for charitable companies already require directors to withdraw from any discussions where there would be a conflict, and in many cases this will be sufficient to avoid such a conflict arising.

If this is not the case and a conflict arises that could not be dealt with by following this procedure, a charity can seek an order from the Commission authorising directors to do something that would otherwise be a breach of the statutory duty.

Alternatively, charities can amend their governing documents to enable them to authorise conflicts of interests. GD 1, the Commission's model governing document, has been revised to include a clause permitting directors, where appropriate, to authorise what could be described as conflict of loyalty – a conflict of duty where no material benefit arises to the director. The Commission is confident that this is consistent with the requirements of the Companies Act 2006. The relevant clause is 5(7) of the Memorandum, available at [www.charity-commission.gov.uk/Library/publications/pdfs/gd1text.pdf](http://www.charity-commission.gov.uk/Library/publications/pdfs/gd1text.pdf)

'There are specific issues that charities with trading subsidiaries should consider', says James Sinclair-Taylor of Russell Cooke Solicitors.

**Trading subsidiaries** are particularly likely to have boards whose

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TO DATE

If you are no longer a trustee or your details have changed, log in to [www.trusteenet.org.uk](http://www.trusteenet.org.uk) to update your details.

## ANY OTHER BUSINESS?

Do let us have your feedback on this e-newsletter by replying to this email. Let us know if we are getting it right or how we can improve this e-newsletter, **trustee focus** goes out bi-monthly, and we want as much content as possible to be from you - we would really welcome your ideas and submissions.

This newsletter is sent to you by CTN

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directors face conflicts of interest because directors will also often sit on a charity's board or be employed by the charity. The governance documentation supporting the memorandum and articles should be examined to alert trading subsidiary directors to the issues they face.

Where appropriate, resolutions can be passed considerably simplifying compliance by authorising conflicts in advance. This will be particularly useful for those which arise by virtue of the directors having a directorship of two companies.

In order to pass these resolutions in a trading subsidiary either the Memorandum and Articles of the trading subsidiary will need to be amended to include a specific power in the Articles allowing this to be done, or a written resolution approving the process will need to be passed by the member who, of course, will be the parent charity. The parent charity will not be able to use the resolution procedure for its own authorisation but will instead have to amend its Memorandum and Articles. Once the trading subsidiary board has the powers it can deal with the conflicts as they arise. This may have implications for the composition of the board and quorum because the authorisation is only effective if given by a Board meeting which is quorate without counting the affected director or any other interested director.

Typically, one would expect the board authorisation of a conflict of interest to include safeguarding provisions, such as, requiring that where the director obtains the information as a result of his position in company B, he will not be obliged to disclose this information to company A. Where the other company/charity is a potential competitor, the same procedure could be used by them.

In most situations the board of company B may only want to give this kind of release if the company A acknowledges that the director in question can keep the company information confidential and not use it for B's affairs. This would enable a director to ring-fence information received from each company.

**Directors' duties** - Traditionally trading subsidiary directors tend to be a rather neglected group when it comes to governance support. However, directors now have a set of statutory duties, and the training and support package for directors of trading subsidiaries needs to include alerting them to these new duties.

**Simplification** - Most charities want to run their trading subsidiaries with the absolute minimum of fuss and the Companies Act provides a welcome range of ways of simplifying their admin, including dispensing with the company secretary and annual general meetings. However, most trading subsidiaries will only be able to do this simplification if they update their articles.

## Network Events in December, January and February

Please go to [www.trusteenet.org.uk/events](http://www.trusteenet.org.uk/events) for more details of these and many more events.

**5 January** – Network of Women Chairs - London

**20 January** - Cumbria Trustee Network – Kendal

**22 January** – Lewes District Trustee Network

**4 February** – Cumbria Trustee Network – Barrow

**5 February** – Cumbria Trustee Network – Maryport

**26 February** – Honorary Treasurers' Forum – London

**26 February** – Lewes District Trustee Network