

The Royal Microscopical Society Trustee Induction

This booklet contains the Charity Commission guidance for all who serve as trustees (members of Council), or who are about to take up trustee responsibilities with the Society. Before reading this, it is suggested that new trustees read *The Royal Microscopical Society: An Introduction*. This is available on request from the office.

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This booklet is not a legally binding document and its contents do not supersede any clause or clauses contained within publications of the Charity Commission. It is based on the Charity Commission's document - CC3 (February 2008) - and has been tailored to reflect the structure and the operations of the Royal Microscopical Society, e.g. passages that are not relevant to the Society, for example references to, and details of, Unincorporated bodies, have been removed.

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I. THE CHARITY FRAMEWORK IN BRIEF

This section sets out an overall description of the framework for charities, trustees and the Charity Commission. It is not a legal document, but an overall summary of the position, written in everyday language.

I.1 What are charities?

Charities are organisations set up for the benefit of the community. They enjoy some tax advantages from the government. While they can in certain circumstances trade for profit, they must use any such profit for the purposes of the charity. To qualify as a charity, an organisation has to meet strict conditions about its overall purposes, also referred to as its objects - contained within the Society's Royal Charter – and demonstrate that its purposes are for the public benefit. The organisation also has to be set up with a constitution or rules which meet certain conditions. These rules are usually referred to as a charity's governing document. The Society's "governing document" comprises its Royal Charter, its By-laws and its Rules.

I.2 Role of the trustees

Charity trustees are the people who serve on the governing body of a charity. The Society's governing body is known as "Council". Charity trustees are responsible for the overall control and management of the administration of the charity. They delegate day to day management to the senior staff of the charity but retain overall responsibility.

I.3 Role of the Charity Commission

The Charity Commission is the independent regulator of charities in England and Wales. Its job as regulator is to work closely with charities to ensure that they are accountable, well run and meet their legal obligations in order to promote public trust and confidence. Most charities must register with the Commission - the Society was registered in 1965 as Registered Charity no. 241990. There are some 180,000 registered charities in England and Wales. In Scotland the framework is different, and the Commission does not regulate Scottish charities.

The Commission provides a wide range of advice and guidance to charities and their trustees, and can often help with problems. Registered charities with an annual income over £10,000 must provide annual information and accounts to the Commission. The Society's annual income is ~£1M, therefore it provides information and accounts annually. The Commission has wide powers to intervene in the affairs of a charity where things have gone wrong.

More information about [the Commission](#) together with a range of [guidance for charities](#) can be found on the Charity Commission's website or by ringing the Charity Commission directly on 0845 300 0218.

2. INTRODUCTION

2.1 What is this guidance about?

To be a trustee requires time, understanding and effort. It is also a rewarding opportunity to serve the Society's community and develop personal skills. This guidance answers some of the more common questions and sets out briefly the duties of trustees.

2.2 'Must' and 'should': what do they mean

In this guidance, '**must**', means that there is a specific legal or regulatory requirement affecting trustees or the Society. Trustees must comply with these requirements.

The word '**should**' is used to indicate minimum good practice, but for which there is no specific legal requirement. Trustees should follow the good practice guidance unless there's a good reason not to.

Less formal advice and recommendations that trustees may find helpful in the management of the Society are also included.

2.3 Charity Legislation

This guidance takes into account the provisions of the Charities Acts 1993 and 2006.

2.4 Scope of this guidance

This guidance covers a range of key areas about the work of the Society and its trustees. Some topics are complex and governed by different laws and regulations. This document should not be relied upon to be an accurate or full description of legal matters affecting the Society. It provides a general introduction and overview, and highlights areas where further advice from the Society's legal advisers may be needed.

2.5 Using this guidance

The structure of this guidance follows the main headings used in the next section, 'Trustee duties at a glance'. Under each heading, there are relevant questions that new or existing trustees may raise about their duties. Generally, a concise summary answer ('The short answer') is given, followed by more background ('In more detail').

2.6 Other sources of help and advice

There are many resources which trustees can use. Trustees should make use of the expertise of relevant organisations to help them run the Society as effectively as possible.

3. TRUSTEE DUTIES AT A GLANCE

This section summarises the main duties and responsibilities of Society trustees. Again, it is not a legal document, but sets out the legal principles in everyday language. The headings on this page are also used for sections of the more detailed guidance that follows.

3.1 Trustees and their responsibilities

The Society's governing body is known as "Council". Members of Council are trustees and are responsible for the general control and management of the administration of the Society.

(1) Trustees have and must accept ultimate responsibility for directing the affairs of the Society, and ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up.

3.2 Compliance – Trustees must:

(2) Ensure that the Society complies with charity law, and with the requirements of the Charity Commission as regulator; in particular ensure that the Society prepares reports on what it has achieved and Annual Returns and accounts as required by law.

(3) Ensure that the Society does not breach any of the requirements or rules set out in its governing document and that it remains true to the charitable purpose and objects set out there.

(4) Comply with the requirements of other legislation and other regulators (if any) which govern the activities of the Society.

(5) Act with integrity, and avoid any personal conflicts of interest or misuse of the Society's funds or assets.

3.3 Duty of prudence – Trustees must:

(6) Ensure that the Society is and will remain solvent.

(7) Use charitable funds and assets reasonably, and only in furtherance of the Society's objects.

(8) Avoid undertaking activities that might place the Society's endowment (the Society has no endowments currently), funds, assets or reputation at undue risk.

(9) Take special care when investing the funds of the Society, or borrowing funds for the Society to use. (The Society's strategy to 2013 includes no plans to borrow funds.)

3.4 Duty of care – Trustees must:

(10) Use reasonable care and skill in their work as trustees, using their personal skills and experience as needed to ensure that the Society is well-run and efficient.

(11) Consider getting external professional advice on all matters where there may be material risk to the Society, or where the trustees may be in breach of their duties. The Society has established good relationships with its auditors and its Solicitor, both of whom provide advice on all matters relating to charities. In addition, the Society also receives advice from the Foundation for Science and Technology.

3.5 If things go wrong

The Charity Commission offers information and advice to charities on both legal requirements and best practice to help them operate as effectively as possible and to

prevent problems arising. In the few cases where serious problems have occurred the Charity Commission has wide powers to look into them and put things right. Trustees may also be personally liable for any debts or losses that the Society faces as a result. This will depend on the circumstances and the governing document of the Society. However, personal liability of this kind is rare, and trustees who have followed the requirements on this page will generally be protected.

4. TRUSTEES AND THEIR RESPONSIBILITIES

Charity trustees are the people who serve on the governing body of a charity - Council. Trustees have, and must accept, ultimate responsibility for directing the affairs of the Society, and ensuring that it is solvent, well-run, and meeting the needs for which it has been set up.

4.1 What should I do before I become a trustee?

The short answer

You should take all reasonable steps to find out as much as you can about the Society, and about what will be expected of you as a trustee.

In more detail

Finding out more: Before you become a trustee, you should learn as much as you can about the Society, and what being a trustee will mean for you. For instance, you should read Annual Reports, important policies and the annual accounts; you should also meet existing trustees, senior staff and perhaps some of the people who benefit from the Society's work. You may also be invited to attend a Council meeting as an observer before you formally join. The Society's auditors provide Trustee Induction presentations periodically at Council meetings.

The governing document: You should also get a copy of the Royal Charter, By-laws and Rules, and read them. They are the Society's main constitutional documents, and govern key aspects of the Society's work. If it isn't clear what they mean, then one of the existing trustees or the Administrator should explain it to you.

4.2 Trustees and directors – what's the difference?

The short answer

There are two main types of charity – unincorporated and incorporated. The exact legal position of trustees is slightly different in each. The Society is incorporated.

'Incorporated charities': The Society is incorporated by Royal Charter and is registered with the Charity Commission. Its incorporation by Royal Charter means that it is not regulated by Companies House. This is why it does not have Directors. The more common form of incorporated charity is a charitable company that is registered with the Charity Commission and is also registered with - and regulated by - Companies House.

4.3 Am I eligible to become a trustee?

The short answer

Most people over 18 years of age can become trustees, but a few are not eligible. People under 18 can be trustees of an incorporated charity.

In more detail

Ineligible people: Those who have already been disqualified as company directors and those who have been convicted of an offence involving dishonesty or deception are some of the people who cannot usually become trustees. In some cases, people who receive benefits from the Society may also be ineligible. Full details are in the Charity Commission’s guidance [Finding New Trustees: What charities need to know \(CC30\)](#) and [Users on Board: Beneficiaries who become trustees \(CC24\)](#).

4.4 Who appoints new trustees?

The short answer

The Society’s governing document sets out how trustees are appointed – they are usually proposed and elected by Fellows, however Section Chairs are elected differently, see below. All trustees, however appointed, must act in the Society’s interests, and must not represent the interests of any outside organisation or their own personal interests.

In more detail

Appointment methods: The Society’s governing document sets out how trustees are appointed. It also states who are to be trustees because of an office which they hold (known as ex officio trustees). An example of ex officio trustees are the Chairs of the Science Sections.

If there are problems: In the highly unlikely event that it is not possible to appoint new trustees – for whatever reason – the Charity Commission must be informed. It has the power to appoint new trustees in such circumstances. Again, detailed information is in [Finding New Trustees: What Charities Need to Know \(CC30\)](#).

4.5 How long does the appointment of a trustee last?

The short answer

The Society’s governing document specifies terms of office.

In more detail

Set terms: The Society’s set term of office is three years.

Reappointment: In the case of some officers, e.g. Honorary Treasurer, a trustee whose term of office has expired can be appointed for a further term of office. The governing document should be consulted for further details of this.

4.6 Can a trustee resign?

The short answer

Yes – it is usually straightforward for a trustee of the Society to resign. The remaining trustees can choose to co-opt a replacement until the next General Meeting.

In more detail

It is generally straightforward for a trustee of the Society to resign, unless the number of trustees would then drop below the minimum set out in the governing document. In such cases, a new trustee must first be appointed to replace the outgoing one. In all cases trustees should check the terms of the governing document.

4.7 Can trustees delegate their responsibilities?

The short answer

Trustees can generally delegate certain powers to agents or employees, but will and must always retain the ultimate responsibility for running the Society.

In more detail

Delegation powers: Trustees always have the ultimate responsibility for running the Society. But they generally have the power to delegate certain powers to agents, subject to their governing document, and any relevant legislation. For example, the Society uses investment managers who have delegated powers.

Dealing with third parties: Someone acting as a delegate or agent of the trustees should always make clear in dealings with third parties that they are acting in that capacity (particularly if they are not an employee of the Society), and should always record in writing what was agreed in the conversation.

4.8 How do trustees make decisions?

The short answer

All decisions by the trustees concerning the Society are taken by all the trustees, acting collectively and as a team. However, the decisions need not be unanimous; a majority decision is sufficient.

In more detail

Collective responsibility: Subject to any power of delegation there is a general rule that trustees must take personal responsibility for their decisions, and that all decisions concerning the Society must be taken by the trustees acting together.

Setting up groups or committees: Trustees can always invite some of their number to look into particular matters and make recommendations. The decision whether or not to act on the recommendations is for the trustees to take together. The governing document of the Society permits the trustees to set up committees – such as the Science Sections - with delegated powers to carry out particular functions.

Delegating to employees: The trustees may need to delegate decisions on day-to-day management matters to employees. In these cases the scope of the authority should be clearly laid down in writing and instructions given for decisions on important matters to be reported to the trustees. Trustees should have proper reporting procedures and clear lines of accountability. Information and guidance for trustees who employ staff is provided by a number of organisations, including the National Council for Voluntary Organisations (NCVO) and the National Association for Voluntary and Community Action (NAVCA).

4.9 What do the Chair (President), Honorary Treasurer, and Executive Honorary Secretary do?

The short answer

Some trustees are known as 'officers' and have special responsibilities. For the Society these include the Chair (who is the President of the Society), the Honorary Treasurer and the Executive Honorary Secretary. There are also other officers who are listed in the governing document.

In more detail

Special responsibilities: The President, Honorary Treasurer and the Executive Honorary Secretary have wider responsibilities than other trustees. For instance, the President represents the Society to its external audiences, and plans and chairs trustee meetings. The Honorary Treasurer ensures that proper accounts are kept, and helps set financial and investment policies. The Executive Honorary Secretary provides the link between the trustees and the employees. However, when it comes to making decisions about the Society, the trustees must take them together.

A number of organisations, including the Institute of Chartered Secretaries Administrators (ICSA), provide model job descriptions for Chairs and Treasurers.

5. COMPLIANCE

5.1 Trustees must:

- ensure that the Society complies with charity law, and with the requirements of the Charity Commission as regulator; in particular ensure that the Society prepares reports, Annual Returns and accounts as required by law
- ensure that the Society does not breach any of the requirements or rules set out in its governing document and remains true to the charitable purpose and objects set out there
- comply with the requirements of other legislation and regulators which govern the activities of the Society
- act with integrity, and avoid any personal conflicts of interest or misuse of charity funds or assets

5.2 Can trustees be paid for their duties?

The short answer

Generally, no. Most trustees are unpaid, and must not benefit in any way from their connection with the Society. There are limited exceptions to this rule and the 1993 Act allows trustees to be paid in certain circumstances for providing services to the Society over and above their normal trustee duties.

In more detail

Prohibited benefits: Trustees are not entitled to receive any payment out of the Society's funds other than reasonable and necessary out-of-pocket expenses, such as the cost of travel to attend trustee meetings. Additionally, they must not benefit, either directly or indirectly, from the Society by, for instance:

- taking a lease of the Society's property;
- borrowing money from the Society; or
- making contracts to do business with the Society.

When trustees abuse their position: This is a legal rule and any trustee who breaks it may have to make good any loss that results to the Society out of their own pocket. Even if there is no loss, a trustee who makes a profit from breaking the rule may have to pay the amount of any profit to the Society.

Exceptions: There is an exception where the governing document (or other rules that the Society must follow) explicitly allows payment to trustees, and/or allows them to do business with the Society. Any personal benefit must strictly comply with the terms and

conditions of the authority allowing the benefit. The Charity Commission can also authorise a transaction between a charity and a trustee personally, where the trustees can show a clear advantage to the Society. In addition the 1993 Act contains provisions that allow payment of trustees, but only for the provision of goods or a service to the Society over and above their normal trustee duties. This does not include contracted employment or payment for acting as a trustee. Trustees must meet certain conditions and have regard to Charity Commission guidance when using the power. You can find out more by reading the information sheet on the Charity Commission's website about the power to pay trustees for services or by reading guidance [Payments of Charity Trustees \(CCI I\)](#).

5.3 Can a trustee be employed by the Society?

The short answer

Generally, no because trustees must not gain from their position. Again, there are limited exceptions to this rule.

In more detail

The legal position: Generally, a trustee cannot become an employee of the Society nor can an employee become a trustee. The exception is when permission is given by the Charity Commission or a court of law. Charity Commission guidance [Payment of Charity Trustees \(CCI I\)](#) provides more information about this.

When trustees abuse their position: This is a legal rule and a trustee who breaks it may have to repay to the Society any benefits they have received, such as salary. The rule still applies even where the trustee has resigned as a trustee, before or after taking up employment.

The exception: The only instance in which special permission may not be needed is where the Society can show that the trustee has not obtained the employment by reason of being a trustee and there is no ongoing conflict of interest. This would mean that the trustee concerned:

- has no significant involvement with the Society's decision to create or retain the post, or with any material aspect of the recruitment process; and
- had resigned as a trustee to apply for the post in advance of a post being advertised publicly in a fair and open competition.

Seeking advice: If in any doubt, a trustee should approach the Charity Commission or a legal adviser for advice at an early stage.

5.4 Do trustees have to keep accounts?

The short answer

Yes. All charities must prepare annual accounts. Different rules apply to different sizes and types of charity. Preparing accounts is of course only one part of proper financial planning and control.

In more detail

The legal position: There are legal requirements (in the 1993 Act and associated regulations) for charities, relating to:

- maintenance and retention of accounting records;
- preparation of charity accounts and Annual Reports;

- audit or independent examination of accounts;
- submission of accounts, Annual Reports and Annual Returns to the Charity Commission; and
- availability of accounts to the public.

Financial thresholds: The Society has an annual income of ~£1M and so must submit its accounts to the Charity Commission annually, within 10 months of the end of the relevant financial year. The Society's financial year ends on the 31st December.

Non-submission of accounts: If trustees fail to submit the accounts and Annual Return to the Charity Commission on time, this could lead to action being taken against them. This action could include conducting an investigation into the Society or publishing the Society's details on the Charity Commission website as defaulting in the submission of Annual Returns and accounts.

5.5 Why are accounts and a report necessary?

The short answer

Because they are a central part of the accountability of charities to funders, regulators and the wider public.

In more detail

Accountability and stewardship: The Annual Report and accounts are the primary means through which trustees report on their stewardship of the Society and show public accountability. The two documents form a package and should be sent out together. The accounts provide financial information as to how resources are obtained and used and about the financial situation of the Society. The Annual Report must explain what the Society is trying to do, how it is going about it, whether it has achieved its objectives, and how it has carried out its aims for the public benefit. It also provides an opportunity to explain the figures in the accounts, such as fundraising costs and their effectiveness as well as its future plans.

The amount of detail required depends on the size of the Society. You can find more information about charities' reporting requirements in Charity Commission guidance [Charity Reporting and Accounting: The essentials April 2009 \(CCI5b\)](#) and about public benefit in [Charities and Public Benefit](#).

5.6 What guidance is there about accounts?

The short answer

There is a good range of available guidance from the Charity Commission and other bodies, such as the Society's auditors.

In more detail

The Charity Commission provides a range of accounting guidance to help trustees prepare their Annual Report and accounts. All are available on the '[Charities Accounts and Reports](#)' pages on the Charity Commission's website or from the Charity Commission directly on 0845 300 0218. [Charity Reporting and Accounting: The essentials April 2009 \(CCI5b\)](#) provides useful reading for new trustees.

The SORP: In addition, there is the [Statement of Recommended Practice, 'Accounting and Reporting by Charities'](#). This contains the regulations about how accounts should be

prepared. This is usually referred to as SORP 2005 and is available free from the Charity Commission website.

The Society follows SORP 2005.

5.7 Do charity accounts need external audit or scrutiny?

The short answer

All charities with a gross income of more than £10,000 must have their accounts scrutinised by 'an independent person'. Larger charities – such as the Society - have a full external audit each year.

In more detail

External audit: A charity's accounts must be audited by a registered auditor if either:

- its gross income for the year exceeds £500,000; or
- its gross income for the year exceeds £100,000 and at the end of the year the aggregate value of its assets (before deduction of liabilities) exceeds £2.8 million.

The Society meets both these criteria.

5.8 What are charity trustees' duties in relation to fundraising?

The short answer

Trustees must ensure that they have proper control of funds where people are raising money on their behalf – such as with AMFES - or where they employ a professional fundraiser (not currently relevant to the Society). They must ensure that funds are spent (or earmarked) for the purposes for which they were raised.

In more detail

The legal position: Where trustees give permission for people to raise money on their behalf or where they employ people to undertake fundraising on their behalf, all funds raised should be paid into a bank account in the Society's name before deduction of any expenses. In certain circumstances this is a legal requirement. Trustees must always ensure that:

- any appeal properly describes what donations from the public will be used for; and
- where professional fundraisers are employed as agents for the Society, a contract is drawn up.

Good practice: In addition to these legal requirements, trustees should always:

- be aware of good fundraising practices, such as the Institute of Fundraising's Codes of Fundraising Practice;
- insist on approving both the fundraising methods and any appeal literature that will be used on their behalf;
- think carefully about the wording that explains the purpose of any fundraising appeal. Where an appeal has a specific purpose (such as to purchase a particular piece of equipment), it is helpful to specify how the funds can be applied if the main purpose of the appeal fails or if there are any surplus funds left over (for example, the general purposes of the Society);
- be prepared to be open and honest about the costs of such an appeal if asked; and
- explain in their Annual Report the effectiveness of fundraising.

More information: [Charities and Fundraising \(CC20\)](#) and [Charities and Commercial Partners \(RS2\)](#) explain trustees' duties when raising funds in more detail.

5.9 What if the Society's objects no longer serve a useful purpose?

The short answer

If a charity's objects are no longer relevant there are ways of changing them. The Society's Royal Charter and By-laws were last updated in 2008.

In more detail

Regular review: Trustees should regularly review whether the Society is still meeting a useful purpose. Sometimes a charity can become more effective by changing the way it works. In other cases it may need to change the objects or provisions (or both) in its governing document.

After the objects have been changed: Whether or not prior authorisation is needed trustees must give the Charity Commission details of any change to the objects of the Society. To amend the Royal Charter or By-laws, the Society must obtain approval from its Fellows and the Privy Council.

Further information: This can be a complex area – Charity Commission guidance [Changing your Charity's purposes \(CC36\)](#) provides an overview of the subject and the 'Apply for it' area of the Charity Commission website contains further detailed guidance and forms to help with the procedures.

5.10 With what other laws and regulations must trustees comply?

The short answer

Like all organisations, the Society is subject to the law of the land. Aspects of the Society's work may be regulated by other government bodies. Trustees need to be aware of these requirements, and must ensure that the Society complies.

In more detail

Some examples: The following list gives examples of key areas that may apply to the Society:

- Employment law.
- Health and safety legislation, for instance as relating to staff, volunteers and beneficiaries.
- Legislation concerning racial equality, disability discrimination, equal opportunities and similar areas.
- If the Society works with children or other vulnerable people, the range of legislation protecting those clients.

The Society owns a residential property that it lets, and a commercial property that it leases. It must comply with the law in these areas.

External advice: This is not a full list, and other regulators and Inspectorates may be involved. Trustees may need to seek external advice to be sure they are aware of all their compliance responsibilities.

6. DUTY OF PRUDENCE

6.1 Trustees must:

- ensure the Society is and will remain solvent
- use charitable funds and assets reasonably, and only in furtherance of the Society's objects
- avoid undertaking activities that might place the Society's endowment, funds, assets or reputation at undue risk
- take special care when investing the Society's funds or borrowing funds for it to use

6.2 What are the financial duties of trustees?

The short answer

The trustees of the Society must ensure that its finances are used appropriately, prudently, lawfully and in accordance with its objects.

In more detail

Financial management: This could include making decisions about fundraising, the provision of services, and investments. This is an important duty in any charity. Whatever the size of the capital and income of the Society, proper financial management is the key to the success of the Society and its ability to help its beneficiaries.

6.3 What are the principles for trustees?

The short answer

Trustees must act reasonably and prudently in all matters relating to the Society and must always bear in mind that their prime concern is the Society's interests. The Society's income and property must be applied only for the purposes set out in the governing document.

In more detail

Fairness and objectivity: The Society's expenditure must be applied fairly among people who are properly qualified to benefit from it.

Accumulation of surpluses: The income of a charity must be applied for its purposes within a reasonable period of receipt, unless the trustees have an explicit power to accumulate it. Without such a power, the trustees should not allow the Society's income to accumulate unless they have a specific use for it in mind. If the trustees are allowed discretion about the use of the Society's property, but are in any doubt about the proper use of that discretion, they should ask the Charity Commission for advice. Information about charities holding reserves can be found in [Tell it like it is: The extent of charity reserves and reserve policies \(RS13\)](#).

The Society has a Reserves Policy that is reviewed twice yearly.

Personal conduct of trustees: Trustees must act reasonably and prudently in all matters relating to the Society and need always to bear in mind that their prime concern is its interests. They must not let any personal views or prejudices affect their conduct as trustees. They must exercise an appropriate degree of care in administering the Society.

Conflict of interest: Where trustees are required to make a decision that affects the personal interests of one of the trustees, the Society's governing document may require that that person should not be present at any discussion or vote on the matter. Even if the

governing document does not require this, trustees should follow this procedure as a matter of good practice. At the start of each meeting of Council, trustees are asked to declare whether they have a vested interest in any item on the agenda.

Further information: You can find more details about procedures for dealing with conflicts of interest in the Charity Commission's [guide to trustees on conflicts of interest](#).

6.4 What duties do trustees have towards charity property?

The short answer

Trustees must always act to protect property owned by the Society. This is the property in St Clements Street, Oxford which has commercial premises (leased to a restaurateur) on the ground floor, the offices occupied by the staff on the first and second floors, and a flat on the second and third floors that is let through a reputable agent. It also includes its equipment, fixtures and heritage assets.

In more detail

The trustee role: Trustees are accountable for the Society's solvency, continuing effectiveness and the preservation of its endowments (should it acquire any). They must exercise overall control over its financial affairs. They should ensure that the way the Society is administered is not open to abuse by unscrupulous associates or employees; and that their systems of control are rigorous and constantly maintained. More details and a checklist of controls is in the Charity Commission's guidance [Internal Financial Controls for Charities \(CC8\)](#).

Land and buildings: The trustees need to know on a continuing basis the condition of the building, that it is being properly used, and that adequate insurance is in place. The Trustee Act 2000 confers a power to insure property but it does not impose a duty to do so. However, the By-laws of the Society require it to do so. More details are available in the Charity Commission's guidance [Charities and Insurance \(CC49\)](#).

Cash management: Money not needed for immediate expenditure should be invested. The Charity Commission recommends that if expenditure is expected in the near future, surplus cash is deposited to earn interest. Investments need to be reviewed periodically to ensure they remain suitable for the Society's needs. Wherever possible, the Charity Commission suggests that funds are placed in a range of investments so as to avoid substantial losses caused by the failure of a single investment or institution.

The Society has appointed an investment manager who attends meetings with trustees twice yearly. He is guided by the Society's Investment Policy that is set by trustees.

Bank accounts: Trustees must follow the relevant clause in the Society's governing document that specifies who is authorised to sign cheques and approve payments. Further guidance on security matters related to a charity's finances, is available in the Charity Commission's guidance [Internal Financial Controls for Charities \(CC8\)](#). You can also find [guidance on electronic banking](#) on its website.

The Society uses electronic banking. The Honorary Treasurer oversees all outgoing transactions.

Debts and money due: Trustees must ensure that all income due to the Society is received and that all tax and rating relief due is claimed.

6.5 What powers do charity trustees have when investing funds?

The short answer

The Trustee Act 2000 gives trustees a general power of investment. This allows trustees to place funds in any kind of investment as though they were the absolute owner of those funds: trustees must comply with certain conditions when using this power. The general power of investment is in addition to any existing power, but is subject to any restrictions and exclusions in the Society's governing document.

In more detail

Trustee' duties: When exercising any power of investment, trustees must follow standard investment criteria on the suitability and diversification of investments. They must also review the investments from time to time, and take proper advice when investing or reviewing those investments. They must also comply with the duty of care except, in the case of a constitutional power of investment, where it is excluded.

The Society has an Investment Policy that is reviewed twice yearly.

Further information: You can find more guidance on selecting and managing the Society's investments in [Investment of Charitable Funds: Basic Principles \(CCI4\)](#).

6.6 What are Common Investment Funds and Common Deposit Funds?

The short answer

Common Investment Funds and Common Deposit Funds are collective investment schemes which are open only to charities.

In more detail

Common Investment Funds: A Common Investment Fund (CIF) is a type of collective investment scheme in which money contributed to the scheme by investors is pooled and the operator of the scheme invests the money in a range of investments in accordance with the published policy of the scheme. They are similar to unit trusts, and provide specialised investment management. There are a number of CIFs, each of which has different objectives. They can take investments only from charities and may have different requirements about minimum investments. Trustees of the Society will still be responsible for reviewing their investments periodically and will still need to do so to ensure that investment in a particular CIF continues to be appropriate.

The Society has a sum invested in a Charity Properties Fund. Details of this are included within the accounts.

Common Deposit Funds: Similar to CIFs, but dealing with cash deposits rather than investments, common deposit funds (CDFs) enable charities to deposit their money collectively, with a better rate of interest than if investing alone.

The Society does not currently use Common Deposit Funds.

You can find more information on [CIFs](#) on the Publications and Guidance page on the Charity Commission website.

6.7 Can trustees buy land?

The short answer

Yes – trustees have a general power to buy land (this term includes buildings).

In more detail

Duty of care: Trustees should remember that the general power to acquire land is subject to the statutory duty of care.

The governing documents of the Society gives powers to acquire land. See also the Charity Commission's guidance [Acquiring Land \(CC33\)](#).

6.8 Can trustees sell or lease land belonging to the Society?

The short answer

Yes. Most charities can sell land unless the trusts (there are no trusts on the Society's property) on which it is held prevent this. There are certain requirements which trustees must meet when selling a charity's land.

In more detail

Power to sell or lease land: The governing document of the Society gives the trustees power to dispose of land.

Procedures for disposal: Before trustees may sell, lease or otherwise dispose of land or buildings, they will follow a statutory procedure. In certain circumstances, this will require trustees to obtain an Order from the Charity Commission beforehand, giving consent. Trustees considering the sale of charity property should read [Disposing of Charity Land \(CC28\)](#).

The requirements: Briefly, trustees must instruct a qualified surveyor and must consider the advice given. Trustees must not sell land for less than the best price reasonably obtainable. To lease land for more than seven years, trustees must follow the statutory procedure for sales, but there is a simpler procedure for some leases for seven years or fewer. If, in either case, trustees are unable to follow the statutory procedure, or they wish to sell land to a person connected with themselves, they must obtain an order from the Charity Commission.

Property subject to trusts: When the property being sold or leased is subject to trusts requiring it to be used for charity's specific purposes, the trustees must normally give public notice of the disposal. The Society's current property is not subject to trusts.

6.9 Can the Society borrow money on the security of its land?

The short answer

Generally, a charity can borrow money and give a charge (i.e. a mortgage) on its land as security for the loan but its trustees must comply with certain conditions. The Society's reserves are significant and its long-term strategy to 2013 does not include plans to borrow.

In more detail

Need for advice: Before they mortgage a charity's property, trustees must get advice from a person with ability in, and experience of, financial matters who has no personal interest in the proposed loan. This person can be a trustee or employee of the Society, and must advise

on whether the loan is necessary for the Society, whether the terms are reasonable, and whether the Society will be able to repay the loan on those terms.

Unsecured borrowing: Trustees should seek advice in the same way even where the borrowing, such as a temporary overdraft, is unsecured. If trustees do not seek advice on matters on which they are not themselves experts, they could be regarded as having acted imprudently. This may leave them personally liable for the consequences. The Society has never needed, nor used, an overdraft facility. Its strategy to 2013 does not include plans to do so.

More information: You can find more details on mortgages in [Disposing of Charity Land \(CC28\)](#).

7. DUTY OF CARE

7.1 Trustees must:

- use reasonable care and skill in their work as trustees, using their personal skills and experience as needed to ensure that the Society is well-run and efficient
- consider getting external professional advice on all matters where there may be material risk to the Society, or where the trustees may be in breach of their duties

7.2 What is the statutory duty of care?

The short answer

This general duty on trustees means they must give enough time, thought and energy to their duties as trustees, and make reasonable use of their skills and experience.

In more detail

The law says: The Trustee Act 2000 sets out what it calls the 'duty of care' – to exercise such care and skill as is reasonable in the circumstances having particular regard to:

- any special knowledge or experience that the trustee has or professes to have; and
- where a trustee acts in the course of a business or profession, to any special knowledge or experience that it is reasonable to expect of a person acting in the course of that kind of business or profession.

In most cases the Trustee Act 2000 does not apply to incorporated charities such as the Society, but the principles of general charity law impose similar duties and requirements on trustees.

7.3 How often do trustees need to meet?

The short answer

They must meet as often as needed to do justice to the affairs of the Society, and make well-informed decisions. Trustees who do not meet often enough risk breaching their duty of care. At the first Council meeting after the AGM, trustees consider the number of meetings that will be held in the coming year.

In more detail

Need for regular meetings: The Society's trustees meet three times per year. In addition, and Executive Committee (comprising the officers of the Society) meets a further three times.

Quorum of trustees: The governing document requires a quorum for meetings of the trustees. The trustees must ensure that their number does not fall below the minimum required for a quorum or, if it does, that it does not stay below that number. Detailed guidance is in [Charities and Meetings \(CC48\)](#).

7.4 How much time will be needed?

The short answer

This will depend on the Society's activities at any given time and on how involved the trustee becomes. The best way to have an idea is to speak with existing trustees.

In more detail

Giving adequate time and energy: Being a trustee will involve preparation for and attendance at trustee meetings, and often also at other meetings and functions. It is essential that trustees are able to devote enough time to these essential duties of being a trustee. This means they should be aware of their responsibilities and duties and how much time they will need to give. There are three meetings of Council each year, and time should be given in advance of these to thoroughly read all papers relating to each meeting. Trustees may become involved in committees and should expect to allocate further time to these.

7.5 What else do trustees need to think about?

The short answer

Running the Society can be complex and trustees need to be up to date on the operating environment for the Society. This may involve wider networking, taking up training opportunities, or reading the relevant newsletters.

In more detail

Collaboration: Trustees should find out what work is being done by similar organisations working in the same area. In some cases they can do this by joining an umbrella association (the Society is a member of the Foundation for Science and Technology) co-ordinating work in a particular field. Trustees should try to collaborate with other charities and avoid duplicating their efforts.

NCVO's Collaborative Working Unit provides support and advice on all forms of collaborative working, from joint projects to full mergers. You can find detailed information about working with other charities in the Charity Commission's guidance [Collaborative Working and Mergers: An introduction \(CC34\)](#) and the research report [Collaborative Working and Mergers \(RS4\)](#).

Strategy and risk: Trustees are also responsible for setting the Society's strategic aims, objectives and direction. The current strategy was ratified in 2009 and extends to 2013. Identifying risks arising from the Society's activities and managing those risks is important in helping to ensure that the Society achieves its strategic aims and objectives. The Society has a Risk Register that is reviewed at meetings of Council. Should a serious incident occur, which may cause a significant loss of funds or a significant risk to a charity's beneficiaries, resources or reputation, it is good practice for trustees to report this as soon as possible after they become aware of it. Trustees of the Society must make a statement in the Annual Report as to whether they have considered the major risks to which the Society is exposed and systems designed to minimise those risks. As part of their Annual Return trustees must report any serious incident if they have not already done so or confirm that no such incident has occurred. Guidance on how to undertake [risk management](#) and reporting serious

incidents is available via the ['Meeting our Requirements'](#) page on the Charity Commission website.

8. IF THINGS GO WRONG

The Charity Commission offers information and advice to charities to help them operate as effectively as possible and to prevent problems arising. In the few cases where serious problems do arise, it has wide powers to look into these problems and to help resolve them. Trustees may also be personally liable for any debts or losses that the Society faces as a result. This will depend on the circumstances and the Society's governing document. However, personal liability of this kind rarely occurs and trustees who have followed the requirements in this guidance will generally be protected.

8.1 What are the liabilities of charity trustees?

The short answer

As stated above, a conscientious and committed trustee need have few worries about personal liability. But it is important for all trustees to understand their position.

In more detail

The normal position: If trustees act prudently, lawfully and in accordance with the governing document, then any liabilities (i.e. debts or financial obligations) that they incur as trustees can normally be met out of the Society's resources. However, if trustees incur liabilities or debts that amount in total to more than the value of the Society's assets they may not be able to cover themselves in full out of the Society's property, even if the liabilities have been properly incurred.

If trustees act imprudently: If the trustees act imprudently, or are otherwise in breach of the law or the governing document, the position is different. Here, trustees may be personally responsible for liabilities incurred by the Society, or for making good any loss to the Society. Since trustees act collectively in running a charity, they will usually be collectively responsible to meet any such liability.

Charity Commission powers: The Charity Commission can take proceedings in court for the recovery, from trustees personally, of funds lost to charity as a result of a breach of trust by the trustees. However, there is only a small likelihood that trustees will have to pay out of their own pocket towards a financial loss suffered by the Society, or towards compensating a third party who has suffered a financial loss as a result of their dealings with the Society. In cases where a breach of trust causes a loss to the Society, the Charity Commission can relieve trustees of their liability to pay, provided they have acted honestly and reasonably. Despite this, the charity Commission appreciates there are genuine concerns about the risk of personal liability.

Reducing risk: The Charity Commission strongly recommends that trustees are particularly careful when entering into substantial contracts or borrowings to ensure that the Society has the means to meet its obligations. If trustees are clear about all the potential risks and identifying the areas, if any, where the Society might be exposed, trustees can take preventative action to lessen the possibility of personal liability. For example, the Charity Commission recommends that trustees:

- familiarise themselves with the governing document;
- establish effective induction procedures for new trustees;
- take professional advice when needed or required by statute;

- take advice from the Charity Commission or a professional expert when unsure about their duties;
- clarify what powers they have to delegate authority either to an agent or employees;
- implement effective internal management and financial controls;
- find out what areas of law might affect the Society’s activities, such as employment, health and safety, human rights and data protection; and
- before they enter into a contract, satisfy themselves that the Society has the resources to meet its part of the contract and understand the consequences of breaching the contract.

8.2 Can a charity insure trustees against personal liability?

The short answer

Where it is in the interests of the Society, trustees can be insured by the Society against personal liability. Charity trustee insurance is included in the charity’s current general insurance policy.

In more detail

Insurance that is not a personal benefit: Where reasonable to do so, trustees can insure the Society out of the Society’s funds against liabilities to third parties arising from acts properly undertaken in the administration of the Society. For example, the Society has standard Employee Indemnity and Third Party Indemnity insurance policies. This is not a trustee benefit, and explicit authority to buy this type of insurance is not required.

Insurance that is a personal benefit: The 1993 Act allows almost all charities to buy trustee indemnity insurance policies. There are certain limitations – for example, the policies cannot include cover for criminal fines or penalties, a trustee’s costs in defending criminal proceedings if he or she is convicted of fraud, dishonesty or reckless conduct, or where the trustee’s liability results from a deliberate disregard of the interests of the Society. Charity trustee insurance is included in the charity’s general insurance policy.

More information: You can get more details about using the Society’s funds to purchase this type of insurance in the Charity Commission’s guidance [Charities and Insurance \(CC49\)](#).

8.3 Can a charity be wound up?

The short answer

In certain situations, a charity can be wound up, or its assets transferred to another charity. This is a complex area of law, and trustees must ensure that they act lawfully. The Charity Commission can advise, and may need to use its statutory powers.

NOTE: Trustees of the Society are expected to act with a view that the Society will exist in perpetuity and make decisions accordingly.

In more detail

The law says: A charity can only be wound up if:

- all of its property is expendable and has been disposed of; or
- the governing document contains a dissolution or winding-up provision (this is the case for the Society)
- the trustees have decided to transfer the Society to another with similar objects.

After winding up: Whenever a registered charity is wound up or ceases to operate because all its property has been spent or transferred to other charities, the trustees must send a copy of the final accounts (showing a nil balance and how the remaining assets were distributed) to us, with a request to have the Society removed from the [Register of Charities](#).

More information: Further guidance and forms to help with the processes of bringing a charity to an end and expending permanent endowment are in the '[Apply for it](#)' area of the Charity Commission's website.

9. FURTHER INFORMATION AND ADVICE

Initial questions can be directed to the Administrator of the Society.

There are many resources that charity trustees can use to help them carry out their duties. A full list can be found on the Charity Commission's website.