

TRUSTEES' INDUCTION

Pathfinder Guide for

#Name# Rivers Trust

Based on ART's specimen Memorandum & Articles of Association.
Accordingly, details must be checked against the specific Rivers Trust
Memorandum & Articles and amended as necessary.

Prepared by Association of Rivers Trusts
www.associationofrivertrusts.org.uk



Purpose of Induction

- To inform how your Trust operates.
- To set out its aims and objectives.
- To describe its activities to achieve those aims and objectives.
- To minimise risks or mistakes and accentuate good governance.
- To make your role as a Trustee fulfilling and pleasurable!

Trustees' Role

- To promote the Trust's charitable purpose – the advancement of environmental protection and improvement - for the public benefit.
- To act as its guardian, responsible for its public accountability, so that integrity is maintained and expectations are met.
- The “Job Description” forming part of the induction pack sets this out in more detail.

Induction pack checklist

In addition to this guide, your Trust should provide its:

* Not available for a newly formed Trust.

- Memorandum & Articles of Association.
- Latest Annual Report & Accounts*.
- Recent Management Accounts (or outline Budget).
- Recent Board Minutes*.
- Trustee contact list.
- Newsletters and other publicity material (as available).

General Reference

- The Charity Commission's website www.charity-commission.org.uk is extremely good and highly recommended, with 2 of its publications “essential reading”
 - CC3 The Essential Trustee: What you need to know
 - CC60 The Hallmarks of an Effective Charity
- The Good Governance Code is also good, with the summary recommended for smaller charities.

Induction Process

Part 1: Legal framework

Part 2: Governance and Trusteeship

Part 3: Finance and Risk

Part 4: Personnel and structure

Part 5: Aims & activities

Part 1: Legal Framework

- Your Trust is incorporated as a company limited by guarantee.
- It is a legal entity in its own right, separate from the trustees. It is governed generally by both company and charity law.
- This form is favoured over a bare trust which has no legal entity status other than through the personal status of each trustee.

Company Limited by Guarantee

- The Trust is specifically governed by its Memorandum and Articles of Association.
- The Memorandum covers the Objects and Powers.
- The Articles cover the Administrative Regulations.
- Its Trustees are Directors for the purposes of the Companies Acts.
- Liability is limited to the nominal amount guaranteed, except where Directors are negligent.

Charitable Objects of the Trust

For the public benefit: -

- Conservation, protection, rehabilitation and improvement of rivers, streams, watercourses and water impoundments of the # geographical area # or #name of catchment(s)# and adjacent areas.
- Education in the understanding of rivers, river corridors & catchments, including fauna and flora and economic or social activity, and river catchment management.
- Education of the need for conservation, protection, rehabilitation and improvement of aquatic environments.

Powers

The Trust's powers to apply funds cover:

- Making grants
- Organising events
- Publishing documents
- Promoting education
- Employing staff
- Collaborative partnerships
- Investment
- Banking
- Trading
- Fund-raising
- Buying/selling/leasing property

Administrative Regulations (1)

Membership

- Members of a company are legally distinct from the Trustees.
- Their names/addresses are set out in the Register of Members. They have a right to receive Annual Accounts and vote at general meetings
- Members of Rivers Trusts are usually the Trustees and restricted to them (as per ART's specimen Articles).
- There may be additional categories called members in return for a subscription, who are not legal Members but supporters/friends etc.

Administrative Regulations (2)

Trustee Board and Meetings

- The Articles of Association sets out: -
 - Minimum of 2 Trustees: maximum of 20.
 - One-fifth generally retire by rotation (nearest if not divisible by 5).
 - No restriction on second or more re-appointment.
 - No set minimum number of meetings per year.
 - Quorum of 2.
 - Chairman has second & casting vote if equality of votes.
- Notice of meetings must be given to all Trustees (in the UK).
- For good order, Agendas and Board Papers should be circulated in advance, and only tabled in exceptional circumstances.

Administrative Regulations (3)

Company General Meetings

- An AGM requires 21 clear days' notice to Members, Trustees & Auditors, and will cover approval of Annual Accounts, (re-) appointment of Trustees, (re-) appointment of Auditors and their remuneration.
- An EGM generally requires 14 days' notice unless a special resolution (Companies Act definition) is being proposed. ART's secretary can advise if necessary.
- With Members and Trustees the same group, a General Meeting may seamlessly precede or follow the Board meeting for expediency, but they are distinct legally and Minutes should be prepared separately.
- The Trust's quorum for General Meetings is 3. One vote per member. Chairman has a second and casting vote on equality of voting. Poll permitted but no proxy voting.

Administrative Regulations (4)

Other provisions

- The Board is generally empowered to exercise all the powers of the Trust, including delegating to committees.
- The regulations remind of the duty to keep:
 - Assets in safe custody.
 - A Minute Book.
 - Accounting Records.
- If the Trust is ever wound up – merger perhaps? – all surplus assets must go to a similar charity.
- A Trustee can be appointed as unremunerated managing director/chief executive.

The Bottom Line

- All Trusts are obliged to comply with the law and related regulations generally, inter alia:
 - Charities Act 1993 & 2006 SORP 2005
 - Employment Rights Act 1996 etc
 - Human Rights Act 1998
 - Employers' Liability Insurance
 - Data Protection Act 2002
 - Companies Acts 1985, 1989 and 2006 (companies only)
- The Mem & Arts is the bespoke rule book.

Part 2: Governance & Trusteeship

The underlying principles are for Trustees to act:

- Collectively as a Board, unless specifically authorised/delegated otherwise.
- Wholly and solely in the best interests of the Trust.

The Trustees' "Job Description" gives more detail.

Trustee Board Constitution

- A Board should be collectively strong and widely representative.
- The Trust should focus on experience in:
 - Land management Riparian ownership
 - Water management Public sector
 - Plc governance Community partnerships
 - Investment and finance Environmental science
- Recruitment will often be by word of mouth – identifying those with a strong local commitment.
- The Board should try to remain close to the Trust's roots. (ART's specimen Articles provide for the nomination of Trustees by the local River Association, but alternatively an informal mechanism for local involvement is recommended).
- Retirement by rotation balances continuity with freshness.

Trustee's Interest

- You have a fiduciary duty to act in best interests of your Trust.
- With integrity and not for personal gain.
- For transparency and protection, extra care should be taken to record sensitive issues involving conflict or potential conflict of interest. A “negative” can often be difficult to prove.
- If in doubt, seek Charity Commission consent.

Personal Interest

- Declare any interest at the earliest opportunity, withdraw from meeting and don't vote thereon.
- Have no financial interest in your Trust's property
- Have no financial interest in supplying goods or services etc. except:
 - Professional fees and charges (on an arms' length basis)
 - Reimbursement of expenses

Payment of Trustees

- The Trust should adopt the usual practice of not paying Trustees.
- Trustees cannot profit (financially) from their trusteeship.
- Reimbursement of expenses properly and reasonably incurred, supported by receipts, is perfectly acceptable.
- It is feasible to Gift Aid the reimbursement back to the Trust, assuming the benefit outweighs the administrative costs.
- Further details relating to paying trustees are given in Charity Commission publication CC11.

General responsibilities

- Ensuring your Trust acts at all times in accordance with its charitable status and within its objects.
 - Subject to Inland Revenue limits, only primary purpose trading is permitted. Otherwise a separate trading company is necessary.
- Maintaining the accountability and reputation of your Trust, particularly to Funders.
- Maintaining control systems, e.g. documentary evidence in respect of grant claims.

“Watchdog” not “Bloodhound”

- As a Trustee you are expected to exercise ordinary care.
- You are therefore: -
 - expected to have or demand sufficient information to make rational decisions and to act as a steward
 - not expected to know minutiae or about trivial day-to-day dealings of the Trust.

Part 3: Finance and Risk

- Your Trust should appoint reputable auditors for regulatory compliance and peace of mind.
- E.g. Association of Rivers Trusts has engaged Mazars, an international firm with a strong reputation for charities' expertise.
- Internally to reduce and manage risk, the principles are the segregation of duties (as far as practicable if few in number), control and review.

Accounting

- Financial year end is Trust specific.
- Statutory accounts are subject to various income/expenditure thresholds, recommended practice/accounting standards and independent audit or examination.
- Annual accounts must be approved by the Trustees and/or the AGM and filed statutorily within 10 months of year end with Companies House and/or Charity Commission.
- Management accounts are prepared for the Board and should be circulated monthly or quarterly, as appropriate to your Trust.

Budgets & Business Plans

- In principle, a Trust should be run in a business – like manner.
- Budgets should be prepared annually.
- Business Plans should likewise be updated annually for strategic direction.
- Project funding is notoriously difficult to predict – outcome & time-wise - and a flexible approach to budgeting is to be expected.
- Performance should be measured against budget in management accounts, and acted upon.

Accounts – Key Points

- Accounts must differentiate between restricted (subject to donors' wishes) and unrestricted (charitable objects) funds.
- Most grant funding is paid in arrears, which can cause severe cash flow implications and require loan facilities (and Trustees' personal guarantees).
- Depending on turnover, accounts can be prepared on an accruals basis or on receipts and payments.
- A prudent accounting approach is required, e.g. if an accruals basis, grant claims should only be credited to P & L when reasonably certain.

Banking

- For control purposes, the cheques should have 2 signatures (unless a de minimis is later agreed with auditors).
- Money laundering regulations have made changing bank mandates an administrative burden. Authorised signatories are therefore generally limited - balancing control against expediency.
- There should be a strict principle of no dual capacity of signing for one's own expenditure.
- A secondary control procedure of approving expenditure is recommended e.g. initialling the corresponding invoice or expenses form.

Expenditure Authority

- The authority to commit expenditure on behalf of a Trust is critically important – being the point at which a binding contract is entered into.
- Expenditure authority is Trust specific. It will change over time, but be probably based on a cascading system of delegated control determined by the Board, covering:
 - Amount limits
 - Budgeted or unbudgeted
 - Capital or revenue
 - Duration of contract
 - Availability of Trustees (though email can help)

Funding, Reserves & Investments

- The reserves policy and investment policy of the Trust must be disclosed in the Annual Accounts.
- Funding for Rivers Trusts often involves public grants. The uncertain outcome of project bids, the slow bid process and slow payment of claims significantly impact on reserves.
- Funding principles generally should be to:
 - Have a broad funding base to reduce risk.
 - Hold surplus funds in short term deposits, until comfortable that there is sufficient to fund, say, 12 months' activities (without overdraft/loan facilities).
 - Obtain professional investment advice thereafter.

Accounting Records

- Accounts software (Intuit or Sage offer a good range) aids computerisation of records and allows financial reports to be prepared electronically.
- Invoices should be approved for payment and kept with supporting documents in hard copy form for 6 years (min) for tax purposes.
- Grant claim documentation should be clearly identified for grant audit purposes and may need to be retained for 12 years.
- There should be a fixed asset register to identify all main assets.

Tax

- Charitable status provides exemption from income or corporation tax.
- A charity can take advantage of Gift Aid tax relief.
- VAT is payable.
- VAT registration depends on the need or net benefit in so doing.
- Administrative burden when employees exist can be reduced by:
 - Obtaining dispensations from the IR for reimbursement of expenses and car mileage (Fixed Profit Car Scheme).
 - Keeping within tax exemption limits for other expenses and avoiding P11D benefits-in-kind reporting.

Risk Management

- The priority should be to reduce and manage risk at source – the principle of prevention, not cure.
- The Board should undertake an annual formal risk review, including general conduct and reputation, as well as normal insurable risks.
- Insurance cover should be maintained or considered as the fall-back, typically:
 - Employers' Liability - £10M : Public Liability - £2M
 - Professional Indemnity - £1M
 - Trustees' Indemnity - £250k
- A combined Employers' and Public Liability policy is common and is a failsafe for volunteers etc. whose status may be unclear.

Part 4: Personnel and Structure

- The Board should exercise high level control generally, delegating as appropriate.
- Specialist professional services (e.g. legal, pensions or fiscal advice) should be contracted out as necessary.
- Employment risk (e.g. unfair dismissal) is in practice probably the biggest financial risk to rivers trusts, but can significantly be controlled via employment contracts and a staff handbook.
- ART can provide precedent procedures and policies, but a local employment specialist is recommended in cases of dispute.

Employees

- Employees are a rivers trust's most valuable asset.
- Especially when few in number, their time is at a premium, and positive Board support is vital.
- Pay and conditions should be reasonable for the post and an annual review process adopted.
- Experienced and/or professionally qualified staff assist internal integrity.
- Pensions and Life Assurance provide long term stability & protection and ART has set up umbrella Schemes open to all rivers trusts' employees (6% employer: 4% employee pension contributions – employer life assurance contributions).

Staff Handbook

A Staff Handbook including the following items clarifies procedures and reduces employment risks

- Employment terms
- Disciplinary procedure
- Grievance procedure
- Capability procedure
- IT/Data protection
- Health and Safety
- Equal opportunities
- Complaints procedure
- Expenses procedure
- Timesheets procedure

Health and Safety

- Health and safety is mainly common sense - which is not necessarily that common!
- Irrespective of the low risk nature of rivers trusts and the legal Health & Safety thresholds, your Trust should have:
 - a policy document
 - guidelines tailored to rivers trusts activities and a risk assessment protocol
 - organisational chart
- Engrain an “if in doubt, don’t” culture to prevent accidents.

Organisational Structure

This is obviously Trust specific, starting with the Trustees at the top and working down for reporting and health and safety purposes, as necessary.

Board of Trustees (Directors)

Chief Executive

Senior officers

Project staff

Part 5: Aims and Activities

(1) General Policy of Rivers Trusts

- To promote sustainable, holistic and integrated catchment management and sound environmental practices.
- To promote environmental education.
- To realise economic benefits for local communities.

(2) Principles

- A “bottom-up wet- feet” approach.
- Consent.
- Partnership.
- Education and technology transfer.
- A culture of open conduct (confidentiality permitting) both internally and with the outside world.

(3) Aims and Objectives

- Your Business Plan should set out your aims and objectives and be related to delivering solutions specific to your catchment areas.
- Board papers and minutes, accounts and reports help to monitor activities and progress on a confidential basis, and provide the basis for changes to meet evolving circumstances.
- Publicity material and events provide further briefing and demonstrate accountability to the outside world, particularly Funders.

Publicising activities

- An effective rivers trust should be ready to explain and justify itself (confidentiality permitting) via:
 - Partnerships.
 - Publishing newsletters.
 - Producing leaflets.
 - Website development.
 - Presentations to community groups.
 - Stands at agricultural and community shows.
 - River walks.
 - Demonstration sites.

Generally Avoid

- Engaging in campaigning activities or direct political lobbying – leave the riparian or river association to highlight problems.
- Engaging professional fund-raisers or undertaking public collections – where special rules apply.
- Direct advertising – dubious returns?
- Concentrating just on a single issue e.g. “fish”.
- Losing sight of the big picture!

Maintain a Good Reputation

- Base opinions on sound science and best practice.
- Forge partnerships with the EA etc to work collectively to solve environmental problems.
- Encourage reliability, objectivity and enthusiasm.
- “Success reporting” sustains a good reputation.
- Focus on delivery and communication for public accountability as a charity.