

Guidance note

# Trustee board effectiveness

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## Introduction

This ICSA guidance note is aimed at trustees in England and Wales<sup>1</sup> and can be adapted for any size of charity to reflect good practice for each organisation's needs. This document, along with other ICSA guidance notes, should provide sufficient detail for trustees and others interested in governance to think about the governance arrangements within their own charity and apply those aspects of good practice that are most appropriate and proportionate.

It is good practice for each charity to undertake a periodic review of their governance arrangements as the charity evolves and, where appropriate, amend policies, procedures, and the governing document<sup>2</sup> to ensure that they remain fit for purpose and are structured in the most effective way to meet the charity's objects and the environment in which it operates.

This guidance note reflects the findings of the Charity Commission and ICSA's review project into the governance arrangements of newly registered charities.<sup>3</sup>

For the purpose of this guidance note, it is assumed that the charity employs staff including a charity secretary, or other governance and compliance professional, who is not the chief executive officer.<sup>4</sup>

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- 1 While principles of good governance transcend national borders, it is important to bear in mind the specific differences in charity legislation for those charities operating in Scotland, Northern Ireland, and elsewhere.
  - 2 There are specific actions that must be taken in order to change a charity's governing document depending on the corporate structure of the organisation; in all cases changes to the charity objects will require approval from the Charity Commission. See ICSA guidance note on changing a charity's governing document for further details.
  - 3 Please see [www.icsa.org.uk](http://www.icsa.org.uk)
  - 4 Further details on the role of the charity secretary can be found in an ICSA guidance note of the same title.

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the ICSA information centre: **020 7612 7035** | [informationcentre@icsa.org.uk](mailto:informationcentre@icsa.org.uk)

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## Overall purpose

This guidance aims to support and augment the guidance in *Good governance: A code for the voluntary and community sector*, and covers the following aspects of charity governance:

- role of trustees and senior managers
  - role of the chairman
  - role of trustees
  - role of senior managers
  - hallmarks of a successful trustee board
- trustee composition and succession planning
- trustee support and the role of the charity secretary
- principles of sound decision making
- effective meetings
- evaluating trustee performance
- audit, risk and remuneration
- stakeholder engagement

## The role of trustees and senior managers

### Role of the chairman

The role of the chairman in creating good boards cannot be overestimated. The chairman creates the conditions for the overall board and the individual effectiveness of the trustees and the chief executive.

The chairman should demonstrate the highest standards of integrity and probity, and set clear expectations concerning the charity's culture, values and behaviours. The chairman will set the style and tone of trustee meetings.

The chairman, in liaison with the charity secretary and the chief executive, will set the agenda for the board's discussions. A successful chairman will:

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- demonstrate ethical leadership by upholding the values of the charity by example, and ensure that the organisation promotes equality and diversity for all its stakeholders
- provide clarity of vision to the board in fulfilling its charitable objects by capitalising on the freedoms it enjoys as a result of its status
- set a board agenda which is primarily focused on fulfilling the charity's objects, strategy, performance management, management accountability and ensuring that appropriate issues relating to those matters are reserved for board decision
- ensure the timely flow of high quality, relevant and accurate information
- make certain the board determines the nature and extent of significant risks the charity is willing to embrace in the pursuit of its objectives
- regularly consider succession planning and the composition of the board
- make certain the board has effective decision making processes in place and applies sufficient and robust challenge to proposals
- ensure committees are appropriately structured with relevant and up to date terms of reference
- encourage all board members to actively participate in board and committee meetings,<sup>5</sup> drawing on their skills, knowledge, expertise and interests
- act between full meetings of the board in authorising action to be taken *intra vires*,<sup>6</sup> e.g. banking transactions and legal documents in accordance with relevant mandates
- foster relationships built on mutual respect and open communication both between trustees, and between trustees and senior managers
- develop productive working relationships with all trustees, and senior managers, especially the chief executive, providing support and advice while respecting management responsibility
- hold the chief executive to account for the effective management and delivery of the organisation's strategic aims and objectives, where appropriate
- support and appraise the performance of the chief executive officer and where appropriate other members of the senior management team
- take the lead on trustee development matters, including inductions and ongoing learning opportunities
- maintain the trustees' commitment to board diversity, renewal and succession planning, in line with the charity's governing document and/or current good practice
- act on the results of any board or individual trustee evaluations
- be aware of, and respond to, his/her own development needs

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<sup>5</sup> The Charity Commission/ICSA publication CC48 Charities and Meetings, May 2003, provides further information.

<sup>6</sup> *Intra vires* means to 'act within the power' of the position concerned, in this instance the power of the chair. All such uses of the chair's power, however, should be reported to the full board of trustees, at the meeting immediately after the action was taken. Any powers residing in the chair are likely to be limited, given the collective responsibilities of the trustees. A document listing the matters reserved for the board should also highlight the limited individual powers of the chair – see ICSA guidance note on matters reserved for the board.

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- build and maintain close relations and effective communications between the charity's various constituencies and stakeholder groups to promote the effective operation of the charity's activities
- represent the charity at functions, meetings and in the wider media, in line with the charity's agreed media strategy.

The chairman of each board committee fulfils an important leadership role similar to that of the chairman of trustees, particularly in creating the conditions for overall committee and individual trustee effectiveness.

## **The role of trustees**

On appointment a trustee should dedicate time to participate in a formal, comprehensive and tailored induction programme. It may be appropriate for a new trustee to partner with a more experienced trustee to speed up the acquisition of knowledge about the charity in order to quickly contribute to trustee meetings and decision making. Trustees are expected to visit and talk to senior and middle managers, volunteers and beneficiaries to gain a rounded understanding of the charity, its activities, the environment in which it operates, and the risks it faces.

Experienced trustees should devote time to developing and refreshing their knowledge and skills, including those of communication, to ensure that they continue to make a positive contribution to the board. Being well-informed about the charity, and having a strong command of the issues relevant to the organisation, will generate the respect of other trustees and senior managers.

Trustees need to make sufficient time available to discharge their responsibilities effectively. Recruitment material for trustees should state the minimum time that the trustee will be expected to spend on the charity's business, and seek the individual's confirmation that s/he can devote that amount of time to the role. Prospective trustees should be advised that in times of change or challenge this commitment is likely to increase.

Trustees have a responsibility to uphold high standards of integrity and probity. They should support the chairman and senior managers in instilling the appropriate culture, values and behaviours in the boardroom and beyond.

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All trustees should insist on receiving high-quality, accurate and timely information sufficiently in advance so that there can be a thorough discussion of the issues under consideration. Further information on meetings and board packs can be found below.

Trustees should seek, be aware of and take into account the views of stakeholders, because these views may provide different perspectives on the charity and its performance.

## The role of senior managers

Generally, staff, including senior managers, are not part of the board of trustees,<sup>7</sup> but often will be invited to trustee meetings to present papers, provide additional information and answer trustee questions. It is usually not in the power of senior managers to vote on proposals presented to the board of trustees.

Where senior managers take a wider view of the charity's governance and leadership however, this can help achieve greater knowledge of, involvement with and commitment to the charity's operating environment and decision making processes.

As the most senior manager in a charity the chief executive is responsible for working with trustees to consider and agree the strategic direction of the organisation and for delivering that strategy. The chief executive's relationship with the chairman is a key relationship that can help the board be more successful and effective. The code states that the differing responsibilities of the chairman and the chief executive should be set out in writing and agreed by the board of trustees. Due consideration and thought should be given to those areas of potential overlap.

The chief executive, with the support of the senior management team, has primary responsibility for setting an example to the charity's employees and volunteers, communicating to them the expectations of the board in relation to the charity's culture, values and behaviours. The chief executive is responsible for supporting the chairman to make certain that appropriate standards of governance permeate throughout the charity. The chief executive will ensure that the board of trustees are aware of the views of employees and volunteers on relevant charity matters, when appropriate.

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<sup>7</sup> As trustees must not benefit from their position, it usually precludes paid staff members from being trustees unless the charity's governing document expressly provides for this or the Charity Commission has given their approval. Further information can be found in ICSA's guidance note on the payment of trustees.

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The chief executive will ensure the board of trustees know the views of the senior managers on matters relating to the charity's business in order to improve the standard of discussion and, prior to any decision being taken, explain in a balanced manner the divergence in actions to be taken between the senior managers and trustees. Unless delegated to other individuals or a committee, the trustees will retain the right to make decisions. Responsibility for any delegated functions remain with the board of trustees.

Senior managers have the most intimate knowledge of the charity and its capabilities when developing and presenting proposals and when exercising judgment on strategic matters. Senior managers should appreciate that constructive challenge from trustees is an essential aspect of effective governance and should embrace the testing of proposals by the trustees when making decisions.

## Hallmarks of a successful trustee board

The board's role is to provide leadership of the charity within a framework of prudent, effective and proportionate controls which enables risk to be evaluated and managed.

A successful board of trustees will develop and promote a collective vision for the charity's purpose that mirrors the charitable objects of the organisation. Aligned to that vision will be the charity's internal operating climate, culture, behaviours and values: these will be established by the board of trustees, articulated and embodied in the actions of the trustees. The board of trustees will provide good governance and leadership by:

- understanding their role
- ensuring delivery of organisational purpose
- working effectively both as individuals and as a team
- exercising effective control
- behaving with integrity
- being open and accountable.<sup>8</sup>

A successful board is not necessarily a comfortable place. Challenge as well as teamwork is essential. Diversity in the trustee boardroom is an important factor of the trustees' effectiveness, creating a breadth of perspective among trustees and senior managers and breaking down any inclination towards 'group think'.

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<sup>8</sup> The six principles detailed in Good governance: A code for the voluntary and community sector.

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## Trustee composition and succession planning

Appointing trustees who are able to make a positive contribution is one of the key elements of board effectiveness. Trustees will be more likely to make good decisions and maximise the opportunities for the charity's success in the longer term if the right skill sets are present in the boardroom. This includes the appropriate range and balance of skills, experience, knowledge and independence. Trustees should possess critical skills of value to the board and relevant to the challenges the charity faces.

Whether or not the charity has a nominations committee, the chairman should be responsible for leading board recruitment. The process should be continuous and proactive, and should take into account the charity's agreed strategic goals. The aim should be to secure a boardroom which achieves the right balance between challenge and teamwork, and fresh input and thinking, while maintaining a cohesive board.

It is important to consider a diversity of personal attributes among board candidates, including:

- critical assessment
- sound judgment
- courage
- independence of thought
- openness
- honesty
- tact
- humility
- flexibility in thinking
- ability to listen
- ability to forge and build productive relationships
- ability to develop and inspire trust.

Diversity of psychological type, background and gender is important to ensure that a board is not composed solely of like-minded individuals. A board requires trustees who have the capability to suggest change to a proposed strategy and to promulgate alternatives.



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Given the importance of committees in many organisations' decision making structures, it will be important to recruit trustees with the necessary technical skills and knowledge (or a willingness to acquire them) relating to the committee's subject matter, as well as the potential to assume the role of committee chairman.

The chairman's vision for achieving the optimal board composition will help the nominations process for reviewing the skills required, identifying gaps and developing transparent appointment criteria to inform succession planning. A review of the effectiveness of the recruitment process should be undertaken to assess whether the desired outcome was achieved, and to suggest changes to future processes.

Good board appointments also require a prospective trustee to carry out their own due diligence<sup>9</sup> to understand the charity, appreciate the time commitment required and assess the likelihood that they will be able to make a positive impact on the charity.

## **Trustee support and the role of the charity secretary**

The charity secretary has a key role to play in facilitating the effective functioning of the board of trustees through the timely presentation of information which, by being accurate, clear and comprehensive, assists high-quality decision making. The trustee board can add value by delivering, or procuring the delivery of, the matters required by regulations and Charity Commission guidance and, in particular, induction and development of board members in a way which suits the needs of the charity.

The charity secretary should be independent and impartial in their capacity as an adviser to the board of trustees and other committees on issues of process and governance standards expected as part of legislation or regulations relating to charities.

The responsibilities<sup>10</sup> of the charity secretary necessitate them playing a leading role in the good governance of a charity by supporting the chairman and helping the board of trustees and its committees to function effectively.

The charity secretary should report to the chairman on all board governance matters. This does not preclude the charity secretary also reporting to the chief executive in relation to their other executive management responsibilities. The appointment and removal of the

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<sup>9</sup> A guidance note on this issue can be found on the ICSA website.

<sup>10</sup> The ICSA guidance note on the role and duties of the charity secretary provides more detail.

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charity secretary should be a matter for the board as a whole, and the remuneration of the charity secretary might be determined by the remuneration committee, where there is one.

The charity secretary can also add value by fulfilling, or procuring the fulfilment of other aspects of the code of governance on behalf of the chairman, in particular trustee induction<sup>11</sup> and development. This should be in a manner that is appropriate to the particular trustee, and which has the objective of enhancing that trustee's effectiveness on the board or in committees, consistent with the results of any board evaluation process. The chairman and the charity secretary should periodically review whether the board and the charity's other governance processes are fit for purpose and consider any improvements or initiatives that could strengthen the governance of the organisation.

The charity secretary's effectiveness can be enhanced by their ability to build relationships of mutual trust with the chairman and trustees while maintaining the confidence of the senior management team.

## Principles of sound decision making

General principles of decision making reflect the legal issues relating to the governance and leadership of a charity, including the requirements that trustees must:

- act within their powers
- make decisions, and act, in the best interests of the charity, its current and future beneficiaries
- be appropriately informed of all relevant factors relating to a significant proposal under discussion
- not be swayed by personal interests or factors that are irrelevant
- be able to defend their decisions in terms of their legal duties and powers.

By following the principles, the charity trustees can be confident that they are fulfilling their duties in accordance with good practice; can demonstrate the professional manner in which decisions are made; reduce the opportunity for perceived or real conflicts of interest to cloud decisions; and inspire confidence within the charity's interested parties that the charity is acting transparently.

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<sup>11</sup> Refer to the ICSA guidance note on trustee inductions for further information.

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Trustees make decisions in a way that meets the requirements of charity and other relevant legislation and the charity's governing document. This will include:

- constitutional directions regarding conduct of meetings and decision making
- collective responsibility
- respecting the conditions attached to the use of delegated powers, including the monitoring of the use of such powers
- recording decisions.

Trustees should be able to demonstrate that they exercise their powers by drawing on relevant and sufficient evidence. This will generally be different for each decision, depending on the situation and circumstances involved. On occasion it may involve seeking expert advice from a suitably qualified professional. Where such advice is sought it would be beneficial to have appropriate records of the reasons for seeking that advice, the advice received, and the actions taken by the appropriate decision making forum as a result of that advice. Good decision making can be facilitated by:

- ensuring participants are afforded time to prepare for meetings
- high-quality board packs
- obtaining expert opinions when necessary
- allowing time for debate and challenge, especially for complex, contentious or charity-critical issues
- achieving timely closure
- providing clarity on the actions required, including timescales and responsibilities.

Well-informed and high quality decision making is a critical requirement for a board to be effective and does not happen by accident. Boards can minimise the risk of poor decisions by investing time in the design of their decision making policies and processes, including the contribution of committees.

Boards should be aware of factors which can limit effective decision making, such as:

- a dominant personality or group of trustees on the board which can inhibit contributions from other trustees

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- insufficient attention to risk, and treating risk as a compliance issue rather than as part of the decision making process, especially in cases where the level of risk involved in an activity could endanger the stability and sustainability of the charity
- failure to recognise the reputational implications of trustee decisions and the actions arising from those choices
- a reluctance to involve trustees, or viewing the trustee meeting as a 'rubber stamp' to approve decisions already made
- complacent or intransigent attitudes
- weak organisational culture
- inadequate information or analysis.

Trustees need consciously to design and implement decision making policies and processes to deliver the charity's strategic objectives effectively. Many of the factors which lead to poor decision making are predictable and preventable. For those which are not, additional precautions can be taken to avoid decisions that destroy reputation and damage an organisation.

Flawed decisions can be made with the best of intentions. Competent individuals can believe passionately that they are making a sound judgment when they are not. Factors known to distort judgment include conflicts of interest, emotional attachments, and inappropriate reliance on previous experience and decisions. For significant decisions, therefore, a governing board or committee may wish to consider extra steps, for example:

- including in meeting packs a description of the process that has been used to arrive at and challenge the proposal prior to presenting it to the meeting. This allows participants not involved in the project to assess the appropriateness of the process as a precursor to assessing the merits of the project itself
- where appropriate, putting in place additional safeguards aimed at reducing the risk of distorted judgements. Safeguards may include commissioning an independent report, seeking advice from an expert, challenge from an appointed 'devil's advocate' within the trustee meeting, establishing an *ad hoc* committee, or arranging additional meetings. Some chairmen favour, for example, three separate discussions for important decisions – concept; proposal for discussion; proposal for decision. This gives senior managers more opportunity to put the case forward at the earlier stages, and all meeting participants the opportunity to share concerns or challenge assumptions well in advance of the point of decision.

Boards can benefit from reviewing past decisions, particularly those with poor or unanticipated outcomes. A review should not focus just on the merits of the decision itself but also on the decision making process.

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## Effective meetings

Board and committee meetings are the central mechanism by which proposals are discussed and decisions made. As such, it is important that meetings are effective to ensure the charity is directed and governed in a manner that inspires confidence and provides assurance to beneficiaries, staff, volunteers and other stakeholders, including regulator(s)

### Purpose of meetings

'The overriding purpose of the law of meetings is to ensure that those who are entitled to participate in the company's decision making process are given a reasonable and fair opportunity to do so but also to ensure that decisions can be made by a majority of those who actually choose to participate.'<sup>12</sup>

### Agendas

Establishing the purpose and actions to be taken at a meeting helps to focus the resources and efforts of trustee board and committee members. The agenda is an ordered list of the business to be transacted at a meeting. While it is not strictly necessary to provide this list of business to be transacted, it is good practice for an agenda and supporting papers to be sent to board or committee members ahead of the proposed meeting to enable them to be sufficiently informed and prepared for the discussions proposed. ICSA recommends that agendas and board packs should be sent at least five working days before the meeting. This should include a weekend, in case members wish to dedicate time to reading the papers away from their normal working environment.

It is normal for the agenda to refer only briefly to the nature of each item to be transacted, with supporting papers providing more detailed information. To assist trustees in assessing the work of the meeting, it is useful to include a supporting line as to the purpose of the document, e.g. to state whether it is for information, decision, approval or discussion.

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<sup>12</sup> Page 2, The Law and Practice of Company Meetings, A. Hamer, ICSA Publishing 2013.

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## Agenda planning

In drafting the agenda, the chairman, chief executive and charity secretary are likely to discuss and decide the items to be included and the order in which they are to be discussed. Agenda items may be influenced by the use of a corporate calendar which highlights key dates for the submission of formal reporting documents within the business year, along with those items that recur. It is generally recommended that agendas place complex items for decision at the top of the agenda for the board or committee to discuss and decide while they are still fully engaged, with administrative or 'information only' items at the bottom of the agenda.

## Timed agendas

Timed agendas may be used to highlight the amount of time dedicated to each item, and to focus board and committee members on the business to be transacted within the limited timeframe of the meeting. Where timed agendas are used, careful planning of the agenda will be required to assess the time required to facilitate scrutiny and challenge, and the chairman will have to manage the business adeptly to ensure that items aren't rushed or inappropriately curtailed because of timing issues.

## Strategically focused agendas

Formulating strategy and ensuring that strategic direction is being implemented by the senior management team are key functions of the trustee board. Linking board agenda items to specific aspects of the charity's strategy can help trustees monitor the progress being made in fulfilling strategic goals and also clearly highlights the importance of the information being presented and the action to be taken.

## Managing conflicts of interest or loyalty

Trustees have a legal obligation to act in the best interests of the organisation, in accordance with the charity's governing document and legislation, and to avoid situations where there may be a potential conflict of interest. Conflicts should be declared at the start of each meeting, or as soon as it becomes apparent if the meeting is underway.<sup>13</sup>

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<sup>13</sup> A specimen conflicts of interest policy for charities can be found on the ICSA website.

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## AOB

'Any other business' (AOB) is usually placed as the last item on the agenda, but can be contentious if the business raised does not give the members adequate time to consider the proposal. Some chairmen may refuse to accept an item raised under AOB and defer it until the next meeting. In some cases, it may be that an item that is uncontroversial or requires a swift resolution may be dealt with at that time, with the agreement of the board or committee.

There are examples of organisations requesting that items to be raised under AOB are notified to the chairman prior to the meeting. The chairman will then take the decision whether to allow the issue to be raised at that meeting or not. This may be an approach that offers some benefits to charities.

## Formal records

Minutes are produced to provide an accurate record of business transacted at the trustee board or committee meeting, decisions made and actions to be implemented. There are legal requirements for the production and retention of minutes that must be followed.<sup>14</sup>

The minutes of meetings should record the decisions taken and provide sufficient background to those decisions. All papers presented at the meeting should be clearly identified in the minutes and retained for reference.

Procedures for the approval and circulation of minutes should be established. It is standard practice to distribute copies of the draft minutes to trustees ahead of the next meeting or with the papers for that meeting. There are examples of draft minutes being circulated as soon as possible after a meeting with a request for comments to be submitted ahead of the next meeting, thereby speeding up the agenda item that ratifies the minutes of the previous meeting.

'The art of preparing minutes is not simply doing so concisely, accurately and clearly in the shortest time possible, although achieving these objectives requires a degree of aptitude. It is knowing when to sacrifice or adapt these principles. Egos must be smoothed. Detailed explanations may sometimes be required. On other occasions, brevity will be the only way to avoid

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<sup>14</sup> For further information refer to *The Law and Practice of Company Meetings*, ICSA Publishing, July 2013.

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opening old wounds...What can never be compromised, however, is the principle that the minutes should contain an accurate record of the decision taken...it is neither necessary, nor desirable, to include a transcript of the proceedings.<sup>15</sup>

Minutes, therefore, should not be a verbatim account of the discussion, but should clearly state the decision made. In writing minutes, the following should be borne in mind:

- the minutes provide evidence of decisions taken. Trustees can be legally bound by a decision recorded in the minutes, which they had confirmed as accurate
- they should be brief, but authoritative. Some minutes may only record the decisions made, others may include background narrative, supporting arguments and reasons for the decisions reached
- minutes should provide sufficient information so that someone who was not at the meeting can read them and ascertain why certain decisions were made.<sup>16</sup>

## Meeting packs

Given that meeting packs should be available to trustees at least five working days prior to the meeting, due consideration should also be given to the size and content of them.

Some boards receive their packs by email (which may be encrypted), post or have access to an online system where they can access the agenda, minutes and supporting papers. There is still a tendency within some organisations for paper documents to be issued by post or courier which can be inconvenient and costly given the weight of packs. As trustees require sufficient information to be able to perform their duties effectively, there is a delicate balance to be achieved in supplying the requisite information and trustees having sufficient time to read, digest and prepare questions.

## Report cover sheets

Some organisations use standard cover sheets<sup>17</sup> for each report presented to the board of trustees. Such cover sheets can include:

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<sup>15</sup> Page 481, *The Law and Practice of Company Meetings*, ICSA Publishing.

<sup>16</sup> For further information please refer to *Effective Minute Taking*, ICSA Publishing, June 2013.

<sup>17</sup> A specimen cover sheet can be found on the ICSA website.



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- title, author, and date of the report
- clear proposal and summary outline of key issues in the report
- purpose of the report, e.g. for decision, information, approval etc
- identifying the implications of accepting the proposal or not in terms of finance, governance, regulation, legal compliance, risk and staffing
- which strategic goals it supports, or how it links into any assurance framework, or standards
- history of the document: which committee has reviewed it already, whether it is in draft or final form.

## Report standardisation

A standard format for reports may prove beneficial to the board or committee members trying to understand the information provided and its purpose. Reports with an executive summary at the start, risks (including opportunity loss), anticipated outcomes and conclusion/clear recommendation, especially for lengthy papers, will provide the highlights for those trustees who have not been able to set aside sufficient time to read the pack in close detail. It should provide a framework by which the author can focus on the key issues relating to that paper or proposal.

## Late papers

It is important that trustees are provided with the opportunity to prepare for meetings sufficiently in advance. Tabling papers on the day of the meeting deprives them of that opportunity and could undermine the quality of decision making. If the trustee board or committee is to challenge such behaviour, the chairman will need to provide clear leadership in co-operation with the charity secretary and chief executive. Refusing to accept late papers provides a strong indication that such actions will not be tolerated in the future.

## Intelligent information

Not all trustees read and process information in the same way. Certain data is better presented in a different format in order to reinforce the message to be conveyed. It is, therefore, essential that a range of presentational devices are used to report important information to the meeting. Examples from the NHS emphasise the importance that data presented to the board needs to be accurate, valid, reliable, timely, relevant and complete.<sup>18</sup>

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<sup>18</sup> Page 7, Figures you can trust, Audit Commission, 2009.

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Taking into account the responsibility of the board of trustees to focus on strategic issues and monitor progress against agreed goals, the aim of reports to the meeting must be to develop ways of presenting intelligent information on each aspect of strategy and operational performance, maximising the use of routinely collected data. The use of text, data tables, graphs, dash boards and balanced score cards can all have a place in relaying information to the meeting in a meaningful and easily understood manner.

## **Pre-meeting preparation**

In short, each trustee should receive the same information at the same time, sufficiently in advance of a meeting to offer them the opportunity to prepare. Before a meeting each trustee should:

- be clear as to the purpose of the meeting and the role they play at that meeting
- have read the agenda, and any supporting papers, and prepared questions to be raised at the appropriate time, or have thought of suggestions to resolve problems
- be clear on the decision that is being asked for
- request further information ahead of the meeting or seek clarification from the charity secretary or report author (including highlighting any errors not of material consequence), where appropriate
- submit apologies sufficiently in advance of the meeting
- arrive for the meeting on time, stay for its duration, and ensure regular attendance at all meetings.

## **The meeting**

Ensuring that the meeting environment is comfortable and conducive to the business to be transacted should not be underestimated as a contributor to its success. Seating arrangements for the board of trustees and any members of staff delivering presentations or invited to attend should be given due consideration, along with minimising external noise and distraction, an opportunity for participants to access water (tea/coffee) and to have a break if the meeting is longer than a few hours.

The table should be arranged so that the chairman can see all participants and acknowledge any trustee seeking to ask a question. It may also be beneficial for the charity secretary to sit close to the chairman in order to provide technical guidance and

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seek clarification without unduly disturbing the meeting. If a presentation is to be given, suitable AV equipment should be positioned around the room so slides are visible and legible from a range of points.

## Quorum

The charity secretary should be available to advise the chairman as to whether the meeting has reached its quorum, and can therefore be viewed as a legally constituted meeting for the purposes of the charity.

The charity secretary should remain alert to ensuring that the meeting maintains quorum throughout, especially with regards to trustees leaving the meeting for formal and informal purposes, and for those matters where a conflicts of interest policy applies.

## Chairing skills

Ensuring that a meeting starts and finishes on time is a task that requires great skill from the chairman in keeping the meeting moving, yet focused on the business to be transacted. The success of a meeting can be influenced heavily by the actions of the chairman, and the skill required to lead and facilitate a trustee meeting should not be underestimated.

An adept chairman can facilitate an effective meeting by:

- focussing on what the meeting must achieve and gain commitment to the agenda
- establishing the ground rules (this could include a code of conduct for which may be supported by a meeting etiquette policy<sup>19</sup>)
- using a business-like style (timely, focused, maintaining gravitas)
- being inclusive and non-partisan, allowing trustees to participate
- offering an overview of the task but avoiding beginning with their own view or questions
- steering discussions in a structured way; managing time and personalities
- testing comprehension; paraphrasing and checking back
- building on contributions to reach consensus
- summarising and repeating actions to be taken before moving to the next agenda item.

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<sup>19</sup> A specimen meeting etiquette policy can be found on the ICOSA website.

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The use of a timed agenda is one way in which the meeting can focus on the business that needs to be transacted in the time allocated. Ensuring that the chairman has sight of a clock or watch (e.g. placed in front of the chairman rather than behind them) throughout the meeting can assist in the time management of the meeting.

Another option may be not to discuss in detail those items that are for 'information only', but to provide an opportunity for questions and points of clarification. Assuming that each trustee has read the meeting pack, there is little need for the person presenting to go through their reports in any detail; highlights and any new information that may add to the discussion should be all that is required before questions are asked and the discussion begins.

## **Meeting interruptions**

Trustees should be fully prepared for the meeting, mentally and physically. They should have read meeting papers, and noted any points that they would like clarified or addressed. They should arrive ahead of the start of the meeting and be ready to commence at the appointed time. If, for any reason, a member needs to leave the meeting early or temporarily they should advise the chairman beforehand. The chairman can then take a decision as to whether to change the running items on the agenda to make sure a meeting retains its quorum for those items that require a decision or formal approval.

## **Meeting preparedness**

Trustees need to make sufficient time available to discharge their responsibilities effectively. Inevitably this will involve being well-informed about the charity, and having a strong command of issues relevant to the organisation. Effective trustee boards will seek constantly to develop and refresh their knowledge and skills to ensure that their contribution to the meeting and the organisation remains informed and relevant.

Because of the importance of the process of decision making to the work of the charity, trustees should insist on accurate, clear and comprehensive information being provided sufficiently in advance to enable thorough consideration of the issues prior to, and informed debate and challenge at, meetings.

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It may become clear that individual trustees are not fully prepared for meetings, for example if they ask questions that are answered in the paper presented or otherwise do not contribute fully to the meeting. If this is a behaviour that arises at each meeting, the chairman may deem it appropriate to speak to the trustee, ascertain the underlying problem and find a solution. Where the individual concerned is no longer able to commit the time required in preparing and attending meetings, then they should consider their position.

## **Scrutiny and challenge**

There are many factors that can impact on the level and relevance of challenge and debate within a meeting. Preparedness is one aspect, another may be that the trustee simply does not understand the information presented. All trustees have a responsibility to provide robust scrutiny. There is a duty to ensure that the board receives appropriate assurance and reassurance on the management and performance of the organisation.

The chairman should ensure that trustee meetings focus on strategic issues, which will require a sound mix of historic as well as forward-looking information. Market trends and contextual analysis should be provided to frame the decisions that need to be made. Where problems are identified, the response of the trustee board should not be to demand additional information, but to ensure that the senior management team acquire that information, analyse it, and present a way forward for the meeting to discuss, amend or approve. The board should, as a matter of course, avoid becoming too involved in operational details.

## **Collective responsibility**

While trustees are expected to offer constructive challenge and independence of thought within the boardroom, once a decision has been made they must observe collective responsibility.

Thorough and comprehensive inductions for all trustees and ongoing development opportunities help strengthen the understanding of the roles and responsibilities of trustees. Development opportunities may also help to build a unified team. Neither training, nor development, should incur the excessive expenditure of limited funds, but could be arranged inexpensively with imagination.

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## Culture

All those involved in decision making within a charity have a responsibility to maintain confidence in the charity by upholding high standards of integrity and probity, and supporting the chairman and senior managers in embedding the appropriate culture, values and behaviours in decision making forum and beyond.

To help in ensuring that the trustee board has a positive impact on the culture of the charity it may be useful to establish a system whereby strategic decisions are made that support cultural development. As mentioned above, explicitly linking agenda items and reports to the organisation's strategic goals, and vision and mission, can help shape a culture that provides the best environment for achieving charitable objects.

## Strategic leadership

To assist trustee boards and committees in obtaining the right balance between strategic decision making and compliance monitoring, the charity might like to think about the following information being made available (in addition to that already mentioned):

- trends in performance, in terms of finance and organisational development, quality and the experience and satisfaction of beneficiaries
- forecasts and anticipated future performance issues
- information about the external operating environment
- an accurate and balanced picture of current and recent performance (including financial and non-financial perspectives)
- a focus on the most important measures of performance, highlighting exceptions
- standardised format in order to take account of known factors that affect outcomes, such as the age and deprivation profile of patients
- comparative performance with that of similar organisations.

## Meeting behaviours

ICSA research undertaken in light of the financial crisis, in response to the Walker Review, highlighted that boardroom behaviours played an integral role in the governance weaknesses exposed. The report stated that best practice boardroom behaviour may be characterised by:

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- a clear understanding of the role of the board
- the appropriate deployment of knowledge, skills, experience, and judgment
- independent thinking
- the questioning of assumptions and established orthodoxy
- challenge which is constructive, confident, principled and proportionate
- rigorous debate
- a supportive decision making environment
- a common vision
- the achievement of closure on individual items of board business.

The degree to which these behaviours can be delivered is shaped by a number of key factors:

- the character and personality of the trustees and the dynamics of their interactions
- the balance in the relationship between the key players, especially the chairman and the chief executive, the chairman, chief executive and charity secretary, the chief executive and the board as a whole, and between trustees and senior managers
- the environment within which board meetings take place
- the culture of the boardroom and, more widely, of the organisation.

These issues apply equally to charities in their decision making arrangements and charities should consider how they can instil appropriate behaviours within their governance arrangements.

## Meeting etiquette

Trustees should act with independence, rigour, integrity, probity, honesty, mutual trust and display high standards of conduct.<sup>20</sup> Agreeing a meeting protocol may be one way in which to establish the culture and mutual respect required to achieve a successful meeting and ongoing dynamics.

## Use of committees

Committees constitute an important aid to decision making, and should be given sufficient time to report back after meetings. A trustee board should take full responsibility for the work of its committees and for their recommendations. Charities can improve the effectiveness of committees by clarifying and regularly reviewing the

<sup>20</sup> A model code of conduct for charity trustees can be found on the ICSA website along with a specimen board etiquette policy.

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remit of each committee, the processes of interaction between each committee and the board and among the committees, and the nature and content of discussions and follow-through.

The power of charity boards to delegate is a special power that must be exercised by the board collectively. The extent of powers delegated to a committee, or individual, should be specified in a resolution, within the governing document, or within the committee's terms of reference approved by the board. Terms of reference should be regularly reviewed, and updated to ensure that they continue to meet the needs of the charity.

Such terms of reference should establish the purpose of the committee and the framework by which it shall report to the trustee board. The minutes of all meetings of committees of the charity's board (or a written summary of them) should be circulated to the trustee board prior to its next meeting and the opportunity should be given at that meeting for any trustee to ask questions about that committee's work.

The trustee board needs to assure itself that committees are looking at items in more detail, and to understand the reasoning behind the recommendations they present. Poor or missing minutes significantly undermine the board's ability to assure itself that its directions are being followed and activity is being monitored appropriately.

The number of committees, and who sits on them, needs to be given careful consideration in order to be sure that all trustees are involved in committees (but not every committee) and that sufficient information is presented to the board in order to fulfil its oversight function. Great care should be taken to avoid the trustee board simply repeating discussions that have already taken place at a committee, and to avoid the delegation of decisions that are not the legal responsibility of the trustee board.

## **Evaluating trustee performance**

Boards continually need to monitor and improve their performance. This can be achieved through board evaluation, which provides a powerful and valuable feedback mechanism for improving board effectiveness, maximising strengths and highlighting areas for further development. The evaluation process should aim to be objective and rigorous.



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Like induction and board development, evaluation should be bespoke in its formulation and delivery. The chairman has overall responsibility for the process and should select an appropriate approach and act on its outcome. The vice-chairman is likely to lead the process for evaluating the performance of the chairman. Chairmen of board committees should be responsible for the evaluation of their committees.

The outcome of a board evaluation should be shared with the whole board and fed in to the board's work on composition, induction design and development programmes. It may be useful for the charity to have a review loop to consider how effective the board evaluation process has been.

External, independently facilitated board evaluations can add value by introducing a fresh perspective and new ways of thinking. It may also be useful in particular circumstances, such as a change of chairman, where there is a known problem around the board table requiring tactful handling, or where there is an external perception that the board is, or has been, ineffective. In other sectors, it is recommended good practice for an externally facilitated board evaluation to take place every three years.

Whether facilitated internally or externally, evaluations should explore how effective the board is as a unit, as well as the effectiveness of the contributions made by individual trustees. Some areas which may be considered, although they are neither prescriptive nor exhaustive include:

- the mix of skills, experience, knowledge and diversity of the board, in the context of the challenges facing the charity
- the clarity of the leadership in attaining the charitable objects, strategic goals and values of the charity
- succession and development plans
- how the board works together as a unit, and the tone set by the chairman and chief executive
- key board relationships, particularly the chairman/chief executive, chairman/vice chairman, chairman/charity secretary, and trustees/senior managers
- the effectiveness of individual trustees
- the effectiveness of board committees and how their work is connected with the main board

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- the quality of the general information provided on the charity and its performance
- the quality of papers and presentations to the board
- the quality of discussions around individual proposals
- the process the chairman uses to ensure sufficient debate for major decisions or contentious issues
- the effectiveness of the charity secretary
- the clarity of the decision making process and use of authorities
- the processes for identifying and reviewing risks
- how the board communicates with, and listens and responds to, beneficiaries, members, staff, volunteers and other stakeholders.

## **Audit, risk and remuneration**

While the board may make use of committees to assist its consideration of audit, risk and executive remuneration, it retains responsibility for, and makes the final decisions on, all of these areas. The chairman should ensure that sufficient time is allowed at the board for discussion of these issues.

Sufficient time should be allowed after committee meetings for them to report to the board on the nature and content of discussion, on recommendations, and on actions to be taken. The minutes of committee meetings should be circulated to all board members, unless it would be inappropriate to do so, and to the charity secretary (if they are not responsible for servicing that committee). The remit of each committee, and the processes of interaction between the committees and between each committee and the board, should be reviewed regularly.

## **Stakeholder engagement**

Communication of a charity's governance presents an opportunity for the charity to improve the quality of dialogue with its stakeholders, generating greater levels of trust and confidence.

## Trustee board effectiveness

The annual report is an important means of communicating with stakeholders. It can also be used to provide well thought-out disclosures on the charity's governance arrangements and board evaluation exercise. Thinking about such disclosures can prompt the board to reflect on the quality of its governance, and what actions it might take to improve its structures, processes and systems.

The chairman has a key role to play in representing the charity to its principal audiences, and is encouraged to report personally about board leadership and effectiveness in the governance aspect of the trustees' annual report.



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Guidance notes are prepared by the ICSA policy team to support the work of company secretaries and other governance professionals working in the corporate and not-for-profit sectors, and in NHS trusts.

Guidance notes offer authoritative advice, interpretation and sample materials for the many issues involved in the management and support of boards. As such, they are invaluable for those helping their organisations to build trust through good governance.

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