

Overriding responsibility of the board

All board members/trustee have a duty to make sure that the organisation operates within the limits of its financial resources, both expected and actual. In this regard a board member/trustee is like a financial guardian.

Even in an organisation that has limited liability, if a board member/trustee behaved recklessly or negligently, particularly in allowing the organisation to operate when there was no likelihood of meeting its debts or responsibilities, then they can be held as being personally liable. Therefore, in all circumstances a board member should act as a reasonably diligent person. Consequently, board members should insist upon regular meetings of trustees and on accurate financial information being available to them.

Specific responsibilities of the board

- Obtaining finance to carry out the group's aims and objectives.
- To ensure that proper books and records are maintained.
- To agree and determine budgets.
- To review and monitor management accounts and information, holding meetings to review the organisation.
- If a company, to maintain the statutory books such as the register of members, registration of directors and so forth.
- To receive and approve annual accounts which give a true and fair view of the organisation's affairs.

Restricted Reserves

Restricted reserves relate to those funds given to the charity for a set and pre-agreed purpose, where the conditions are set by the funder or the person giving. Monies can only then be spent on the pre-agreed purpose unless the person who has given the money agrees to a change.

An independent project of



Lesbian, gay, bisexual & trans people in the South West

Reg Charity no: 1072772

Unrestricted Reserves

Unrestricted reserves are often referred to as ‘free reserves’. They can be used for whatever purpose the charity wishes, obviously within its objects.

Designated Reserves

Designated Reserves are where the charity itself decides to ‘ring fence funds’ for a specific purpose that will be incorporated within its Reserves Policies. Examples could include building up a reserve policy to replace a roof several years hence or to establish a redundancy fund, particularly if the organisation is very much project based. The charity can create such a Designated reserve and in the same way it may ‘un-create’ them.

Reserves Policy

Until relatively recently the emphasis from the Charity Commission appeared to be one of suggesting that so many months worth of operating expenditure should be held by way of reserves. However, surveys and enquiries have led to subtle changes and now the emphasis has moved more towards justifying reserves since many organisations were just building up reserves as if it had become habit. It remains the primary charitable objects of all charities to get on and do what they were set up to do and spend money, not hoard it.

- The typical reasons for holding reserves are likely to be;
- Funds necessary to complete an existing project or activity
- Funds received in advance of a project or activity
- Part of the organisations strategic planning, such as the possible use of reserves as a funding ‘match’ or funding ‘leverage’ in a future project
- To build up a cash reserve to meet a large one off payment, such as a new roof
- To cover redundancy costs, particularly for activity that might not have funding renewed in the future

A contingency, ideally based on experience. An example might be an organisation situated in a low lying area, subject to flooding who have to carry a large insurance excess on their policy. Such an item might well be identified from the organisations risk assessment.

An independent project of



Lesbian, gay, bisexual & trans people in the South West

Reg Charity no: 1072772

The board as an employer

The trustees as a board are responsible for the wellbeing of everyone who works for it. While this section concentrates on employees, many of the responsibilities also extend to volunteers.

The 'soft' issues of responsibility can be defined as:

Maximising the potential of individuals

Making the best and most sufficient use of people

The promotion of an active and fertile relationship between them and the organisation.

The 'hard' areas of board responsibility around relevant legal regulation and requirements can be summarised as:

Ensuring compliance with relevant Employment law. In the last 10 years there have been 179 pieces of legislation, the majority relate to volunteers as well as employees

All employees having statement of terms and conditions of employment, job description and the like

Avoiding all forms of discrimination

Observing Health & Safety requirements

Maintaining employers liability insurance as well as ensuring that volunteers cover is similarly catered for

The board should also have in place a formal employment policy including guidelines on holiday allowances, compassionate and other leave, review dates, pay policy, grievance and disciplinary procedure, redundancy terms, and the like. It is likewise important that there is also an Equal Opportunities Policy; indeed many funders now require sight of such a document with a funding application.

An independent project of



Lesbian, gay, bisexual & trans people in the South West

Reg Charity no: 1072772