Making decisions: Part Four

RATIONALE: MAKING DECISIONS IS ALSO CLOSELY LINKED TO MANAGING RISK. IT IS IMPORTANT FOR TRUSTEES TO BE AWARE AND INFORMED ABOUT RISK. THIS DOES NOT ALWAYS MEAN AVOIDING RISK ALTOGETHER; IT IS BETTER TO RECOGNISE RISKS AND TAKE APPROPRIATE STEPS TO MANAGE THEM. THERE IS USUALLY SOME ELEMENT OF RISK IN DECISION MAKING, AND SOMETIMES INNOVATION ONLY COMES ABOUT THROUGH MEASURED RISK-TAKING.

The Foundation has power to delegate decision making to consultants, sub-committees, or individual trustees. This support enables trustees to govern effectively. Where trustees delegate decision making, they must always retain ultimate responsibility and accountability for all decisions that are made.

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 charity must be taken by the trustees acting together.

Where Foundation trustees delegate, they must have clear and robust reporting procedures and lines of accountability in place, to ensure that delegated authority is exercised properly. High risk and novel decisions should not be delegated. Trustees should agree appropriate guidelines to help assess what is likely to be high risk or novel.

Depending on the impact of the decision, there may often be no adverse consequences at all for the charity or its trustees; but the consequences for them can be serious, particularly if:

- An improperly made decision results in financial loss or damage to the charity's reputation
- A trustee receives an unauthorised personal benefit
- There is uncertainty about whether a decision is valid or not, putting the charity at risk of litigation or financial loss

If Foundation trustees make a decision improperly, they are likely to have committed a breach of trust. This means a breach of any of their legal duties.

Trustees of the Foundation formed as a company also risk breaching their duties as directors under company law. Trustees can be held personally liable for any loss to the charity resulting from a breach of trust which they committed or were party to.

Trustees who receive an unauthorised personal benefit may have to refund the benefit to the charity.