

What is a Board of Directors for?

The Directors of a Company (often called 'Trustees' when the company is a charity as is The Blahs) are appointed by the company's Members to run the company on their behalf. This means that Company Directors have ultimate legal responsibility for the running of a Company.

How does the Board do this?

Company Directors can discharge many of their duties 'diligently' by responsible delegation. This means that they appoint senior staff to be in charge of the day to day running of the Company, including most further staff appointments.

Most Boards meet four times a year to take an overview of the Company's progress. They must be kept up to date on what has been happening, particularly financially, so that they can consider and, if appropriate, approve financial, artistic and other plans.

Some Boards appoint specialist committees to keep a closer eye on key areas such as finance. These groups will meet more frequently, work closely with relevant staff and report back to the main Board meetings.

Company Directors are also held responsible for compliance with Companies House rules: ensuring that annual returns are made and accounts submitted on time, that changes to Director's circumstances or the Company office are notified promptly. In practice these duties are usually delegated to a designated Company Secretary or to an Administrator.

Directors should ensure that they are involved in the drawing up of Company policy documents, since they can also be in the firing line for breaches of Health & Safety Law, for employment issues and other day to day matters.

The law says that Company Directors must:

- Act in accordance with the Company's governing document and ensure that the Company works in line with this.
- Only exercise their powers for the purposes for which they were conferred – for the benefit of the Company not the individual.
- Exercise independent judgment: Company Directors are advised to take independent legal or financial advice, if in doubt. This will protect them from fines, disqualification from being a director, personal liability for the company's debts or a criminal conviction.
- Exercise reasonable care and skill: when acting on the Company's behalf a Director should show the skill expected of a person with their knowledge and experience and act as a reasonable person would do looking after their own business.
- Act in good faith: Avoid conflicts of interest including not accepting benefits from third parties and declaring any personal interest in the Company's transactions or arrangements.
- Take ultimate responsibility for health and safety matters
- Check that the correct amount of tax, VAT and National Insurance contributions are paid and on time.

Directors don't get paid for their role, but can claim reasonable expenses.

You cannot become a Director on the following grounds:

- having an unspent conviction for an offence involving dishonesty or deception (such as fraud)
- being bankrupt, or entering into a formal arrangement (for example an individual voluntary arrangement) with a creditor

- removal as a company director or charity trustee because of wrongdoing

The Blahs are a Limited Company: what is this?

A company is a separate and independent legal entity totally distinct from its members, and as such it can, in its own name, hold property, open bank accounts, employ staff, enter into contracts and assume legal commitments. The members are those who found the company and sign the constituting documents. Thereafter members are appointed in terms of the constitution.

The Board of Directors is the committee or group of people legally responsible for deciding strategy and policy and for managing and controlling the organisation. The Board is appointed by the members and can be dismissed by the members. Neither the members nor the Board of a limited company, incur any personal liability for the debts of that company unless they breach the rules relating to 'insolvent trading', or otherwise act outside their authority legally or breach the written constitution of the company in a material way.

The term 'limited' in a limited liability company means that the liability of the members of the company is restricted. The limit of the liability of members in the case of a guarantee company is the specified value of the guarantee (typically £1 or a similar nominal amount).

A company's constitution is set out in two documents, its Memorandum and Articles of Association. The Memorandum of Association crucially describes the main purposes of the company and the powers through which its Board will achieve them. The Articles of Association cover more administrative matters about process, such as the rules governing the introduction, length of term and exclusion of members; the power members have over the Board; rights of members to attend general meetings of the company and the procedural rules for both Board and general meetings.

A company has to comply with the regulations of the Companies Acts which require the keeping of certain statutory records, detailed minutes of meetings and proper accounts and the making of various returns to the Companies Registration Office. All but the smallest companies also need an accountant to prepare and present accounts to Companies House.

The Blahs operates as a Charity: what is this?

A charity must be set up with a charitable purpose e.g. the advancement of the arts and culture. A charity's purposes are important for:

- anyone joining, supporting or benefiting from the charity, so they can understand what it does, who it helps, where and how it works
- the trustees – the purposes set out the limit of what your charity can do; your trustees must make decisions and run the charity in a way that is consistent with
- its purposes

Charitable status has distinct economic benefits, as it exempts the organisation from liability to Corporation and Income Tax on its earnings and on its investment income. It also enables the organisation to obtain both from companies and from private individuals sponsorship, donations and gifts which attract tax relief. That not only encourages such donations but enables the arts organisations to recover tax from HM Revenue and Customs in respect of donations and gifts.

An organisation with charitable status is also eligible for relief from payment of business rates levied by local authorities and encourages the possibility of special rates for purchases from certain suppliers. Charitable status does not provide any general exemption from Value Added Tax (VAT), however, there are some reliefs and exemptions available. Where an organisation has charitable status, great care must be taken in running ancillary activities which might not be regarded in law as 'charitable': eg the sale of books.

Being a charity requires the submission of a Trustees Annual Report and Accounts to The Charity Commission.

Anyone joining the Blahs' Board will be fully supported to understand their role and responsibilities through an induction process which will include: an introductory session led by Cause4, a social enterprise that supports charitable organisations to grow; two hours of 'critical friend' time by phone/email from Cause4 and an induction pack which will contain required reading.