

## Highlights from the Forum Meeting – the relationship between the board and the executive team

What is the ideal relationship between an Honorary Treasurer and Finance Director?

Does the relationship between them need to change when an organisation comes under financial pressure?

Our guest speaker David Rowe, Honorary Treasurer of SSAFA (Soldiers Sailors Airmen and Families Association) and MD at UBS Wealth Management shared his experiences and advice on how to achieve the very best working relationships between a treasurer and the executive team, particularly during a period of change.

For the past eight years David has been a Trustee at [SSAFA](#), a charity that has provided lifelong support for British military families since 1885. Originally set up to help the families of sailors left with no income when they were at sea, the charity has an annual turnover of £50m.

Its 'sprawling reach' across the UK includes 94 branch networks that deliver a range of welfare and social care services through trading companies and government contracts.

In recent years, the increased complexity of the business model has led to charity to make changes in its financial management model and subsequently within the team. Previously, SSAFA was funded mainly by government contracts from Germany, Cyprus and the UK Ministry of Defence, but contacts have changed and the funding model has become more complex.

When David was asked to be treasurer two years ago the charity had a full time finance team led by a Finance Director who had been in post for 30 years.

It was running at a surplus of £1m every year and because everything seemed fine the Honorary Treasurer didn't question how the finance team worked. The Honorary Treasurer chaired the audit committee and the investment committee and each had four meetings a year, but three were focused on audits. Risk management was also not high on the agenda and there were no significant changes made to the finance team over a period of many years.

Without any detailed scrutiny of this team, no one addressed the lack of skills and resource needed to deal with the growing complexity of the business.

In 2010, a new Chairman was appointed who took a 'drains up' approach to reviewing governance. New committees were established, together with new terms of reference and more focus put on risk management. But with a continued surplus of £1m the finance team was untouched.

In 2012, a new CEO was appointed who improved the charity's service delivery and terms of reference but again, the finance team was left alone.

'Crunch time' came however, in 2013/14 when the major contract in Germany was successfully retained. The Army started to reduce the number of soldiers in Germany so income became more suppressed. At the same time, NHS contracts changed. Many doctors wanted to be on locum salaries for which it was very difficult to budget and the costs were higher so profit was eroded.

Unprepared for these changes, lacking adequate management information or solutions, the CEO realised that objectivity in the trustee team was lost, governance was in danger of failing and change was needed urgently.

The Finance Director and Honorary Treasurer stepped down and David was appointed as temporary Honorary Treasurer.

### **A new world and different way of doing things**

David made several changes. He renamed the audit committee – the audit and risk committee, placing far greater prominence on risk management.

The role of the investment committee also changed, renamed the Finance and Investment Committee – and met more frequently to discuss and focus on the long term financial outlook.

He also improved the management information – ensuring there was clearer information, which was better presented so it could be understood by everyone. He wanted to ensure that all the trustees as well as the Honorary Treasurer were on top of the finances and able to strategically evaluate risks and the financial outlook.

David believes in an 'arms-length' relationship between the Finance Director and Honorary Treasurer - which he feels is essential for maintaining objectivity. He says the Honorary Treasurer shouldn't be part of the executive team, but a 'critical friend' who is separate.

David doesn't attend all the many other committee meetings or get too involved because he wants to maintain his independence and relies on having good management information to keep informed.

He said that when the relationship between the FD and the Honorary Treasurer isn't good it can become very hard to get the right information through to trustees – the relationship must work and be open and honest.

David stressed the importance for charities to refresh their trustee board regularly, adding that length of service is definitely not 'a strength' and that all trustees should be ready participate at meetings and be curious. Having really good management information can help here and also help avoid group think.

Meetings should be chaired really well, with good time keeping, papers sent out in advance and ensuring that the right people are present so good decisions can be made.

David concluded by stating that the process of change worked at SSAFA because it happened quickly and the Trustee body was decisive.