

**Matters
reserved
for the
Board**

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Matters Reserved for the Board

All co-operatives should be headed by an effective Board, responsible for the long-term success of the business in accordance with the International Co-operative Alliance Values and Principles.

An effective Board leads and controls the business but delegates day-to-day responsibility to [senior] staff.

Directors need to remind themselves constantly of the distinction between 'direction' and 'management'. Whilst the distinction is not always clear-cut, it is critical that there should be an all-round awareness of it. Only by working together can directors and staff create the appropriate conditions for a successful co-operative business.

The Board and [senior] staff must function as a team. It is vital that they have trust and respect for one another in their respective roles. The co-operative's governing document and associated policies and protocols should clearly specify the respective duties and responsibilities of the Board and of [senior] staff.

The co-op should report on the types of decisions taken by the Board and which are delegated to staff. Periodically, the Board should consider those matters that require its approval.

There are a number of matters which are required, or that in the interests of the co-operative, can be decided only by the Board as a whole.

The UK Corporate Governance Code states that, "There should be a formal schedule of matters specifically reserved for [the Board's] decision and that the annual report should contain a 'high level statement of which types of decisions are to be taken by the Board and which are to be delegated to management'".

It is necessary for the Board to clarify the matters reserved for the Board. Without a clear and documented statement, the Board may find itself faced with some difficulties in attempting to discipline managers and/or seek redress in circumstances where the Board considers that transactions have been undertaken, when the authority for which is open to question. The Board must ensure that any schedule of reserved matters is provided to [senior] staff and all newly appointed directors.

The notes which follow attempt to provide a list of the schedule of matters that could be reserved for the Board's approval in small to medium-sized co-operatives. They are based on the ICSA guidance on Matters Reserved for the Board. It is recognised that the relative importance of some matters included in this guidance will vary according to the size, complexity and risk profile of the co-operative's business.

Multiple signatures

In drawing up a schedule of Matters Reserved for the Board, co-operatives should clarify which transactions require multiple Board signatures on the relevant documentation.

Delegation

The Board should regularly review which matters are reserved for the Board and which can be delegated. When delegating matters, it should collectively exercise these powers to committees or directors, or staff and volunteers if the co-operative has them and set any limits of delegation including that the final decision on a delegated matter is required to be taken by the whole Board.

Urgent matters

In drawing up a schedule of Matters Reserved for the Board it is important to establish procedures for dealing with matters which often have to be dealt with urgently, often between scheduled Board meetings. If the matter is routine and discussion is not necessary the approval of all the directors may (if permitted by the co-op's governing document) be obtained by means of a written resolution (including decisions using electronic means). However, in all cases the procedures should balance the need for urgency with the overriding principle that each director should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the co-operative committing to it.

The checklist on the following pages has been produced to assist Boards and secretaries in preparing a schedule of Matters Reserved for the Board in accordance with good corporate governance practice.

See the 'Directors Toolkit' resource page via www.thehive.coop/governance to download an editable template.

1. Membership issues

- i. Agreement of all aspects of membership policy.
- ii. Encourage the growth of membership, its involvement in the affairs and participate in the governance of the co-operative in recognition that co-operatives are membership based.
- iii. Reporting to members – i.e. frequency, location and content of members' meetings and through the annual report.
- iv. Profit distribution and determination for members' approval.
- v. Approval of high level plans for the annual general meeting and other general meetings, including any draft agendas, proposed rule changes and any resolutions and corresponding documentation to be put forward to members at a general meeting.

2. Strategy and management

- i. All matters concerning the determination and operation of the co-operative's governing document, taking advice, where appropriate, from the secretary.
- ii. Responsibility for ensuring that the co-operative's affairs are conducted in accordance with its governing document, the best interests of the co-operative and its members, and in accordance with Co-operative Values and Principles.
- iii. Approval and review of the co-operative's objectives, strategies and policies with a view to securing its long term future, including review of performance against those objectives and strategies.
- iv. Approval of the annual operating and capital expenditure budgets and any material changes to them.
- v. Oversight of the co-operative's operations ensuring:
 - a) Competent and prudent management.
 - b) Sound planning.
 - c) Maintenance of sound risk management and internal control systems.
 - d) Compliance with statutory and regulatory obligations.
 - e) Review of performance in the light of the co-operative's strategic aims, business plans and budgets and ensuring that any necessary corrective action is taken.
 - f) Approval of the extension of the co-operative's activities into new business or geographic areas.
 - g) Approval of any decision to cease to operate all or any material part of the co-operative's business.

3. Financial reporting and controls

- i. Review of systems for ensuring compliance with all legal requirements including review and approval of the annual report and financial statements, letter of representation attesting to the accuracy of the financial statements supplied by the co-operative to the auditor and all accounting policies.

- ii. Review of systems of audit, including receiving the auditor's report on the accounts and ensuring maintenance of a sound system of internal control and risk management including receiving reports on and reviewing the effectiveness of the co-operative's risk and control processes to support its objectives and strategies.

- iii. Approval of capital expenditure and disposals in excess of [£X] for an individual item.

- iv. Approval of any changes in accounting policies or practices.

- v. Approval of any policy in relation to dividends.

- vi. Declaration of dividends.

4. Internal Controls

- i. Ensuring maintenance of a sound system of internal control and risk management including:
 - a) Deciding the types of risk the co-operative is prepared to take.
 - b) Monitoring the current risks the co-operative is facing and the risk register.
 - c) Receiving reports on, and reviewing the effectiveness of, the co-operative's risk and control processes to support its strategy and objectives.
 - d) Approving procedures for the detection of fraud and the prevention of bribery.
 - e) Undertaking an annual assessment of these processes.
 - f) Approving an appropriate statement for inclusion in the annual report.
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5. Contracts

- i. Approval of capital expenditure – a clear statement of delegated authority is essential. It should be clear which levels of capital spend require Board approval.
- ii. Approval of all business acquisitions and disposals.
- iii. Approval of all property acquisitions and disposals.
- iv. Approval of all land and building leasing transactions.
- v. Approval of all funding arrangements proposed for the co-operative. In general, directors should seek independent external advice before considering proposals for property sale and leaseback transactions.

6. Constitution of the Board and senior staff appointments

- i. Ensuring adequate succession planning for senior staff.
- ii. Selection of the chair and vice-chair(s) of the Board.
- iii. Appointment of the chief executive, including terms and delegated authority, his/her performance appraisal and his/her removal from office including compensation terms for loss of office.
- iv. Approval of the management structure.
- v. Appointment or removal of the secretary.
- vi. Appointment, reappointment or removal of the external auditor to be put to members for approval, following the recommendation of the audit committee.
- vii. Approval and review of the co-operative's HR policies.
- viii. Approval of any amendments to the recognised Trade Union's terms and conditions.

7. Directors' fees and remuneration

- i. Determining the remuneration of the chief executive, secretary and other senior staff.
- ii. Determining the remuneration of any professional external directors subject to the co-operative's governing document and member approval as appropriate.

8. Delegation of Authority

- i. The division of responsibilities between the Board and senior staff, which should be in writing.
- ii. Approval of the terms of reference of Board committees.
- iii. Receiving reports from Board committees on their activities.

9. Corporate Governance Matters

- i. Undertaking a formal and rigorous review [annually] of its own performance, that of its committees and individual directors and the division of responsibilities.
- ii. Determining the independence of directors in light of their character, judgment and relationships.
- iii. Considering the balance of interests between members, employees, customers, suppliers and the community.
- iv. Review of the co-operative's overall corporate governance arrangements.
- v. Receiving reports of the views of the co-operative's members to ensure that they are communicated to the Board as a whole.

10. Policies

- i. Approval of policies, including:
 - a) Code of Conduct for Directors.
 - b) Bribery prevention policy.
 - c) Whistleblowing policy.
 - d) Equality & Diversity policy.
 - e) Environment and Sustainability policy.
 - f) Health and Safety policy.
 - g) Tendering policy.
 - h) Human Resources policy, including any training structures in place.

This is part of a series of resources making up the **Directors Toolkit** accessed via www.thehive.coop/governance

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