

## NPC briefing, July 2012

Dinah McKenzie

# Should trustees be paid?

## The debate rages

On 11 June 2012, NPC and The Clothworkers' Company held a seminar for people interested in discussing the issue of payment of trustees: not currently commonplace, but allowed by the Charity Commission on a case-by-case basis. Most attendees were trustees, many also working in charities.

This report highlights the key themes discussed during the seminar: beginning with the case for payment of trustees from the point of view of charity effectiveness, before looking at the question in a more philosophical way, at whether payment would be the right thing to do. Opinions were divided—something we're seeing more widely subsequently, since July's publication of the Hodgson Review and its recommendation that charities with incomes over £1m be free to pay trustees.

The seminar was chaired by **Dan Corry**, Chief Executive of NPC. The panellists were:

- **Debra Allcock Tyler**, Chief Executive of the Directory of Social Change
- **Alex Massey**, Policy Officer, Acevo
- **Kevin Carey**, Chair, RNIB
- **Tony Manwaring**, Chief Executive, Tomorrow's Company

### Introduction

It is a tough time for charities at the moment, with a changing landscape that is unlikely to return to 'normal' any time soon: with new funding arrangements, increased collaboration and greater demand for services. It is against this background that Lord Hodgson's Review of the Charities Act has been conducted, making it a good time to ask how we can improve charity governance and whether there we can learn anything from the private sector.

The seminar sought to explore whether payment of trustees might improve the quality of charity governance, and attract more people to trusteeship.

As we have noted previously in this series, and set out in our most recent publication, *The benefits of trusteeship*, there are many gaps on trustee boards: almost half of charities have at least one vacancy, with many lacking specialist skills on their boards. And diversity remains an aspiration at many: the average age of trustees in the UK is 57, and minority groups are often under-represented.

Kevin Carey, the Chair at the RNIB is paid—he could not afford to fulfill the three-day-a-week role were he not. 'Charity isn't a moral trophy, it's a way of getting stuff to end users', he told the seminar audience. 'What makes the UK charity body strong is what we deliver, not how we do it.' On the other hand: 'It should be against the law', began Debra Allcock Tyler, Chief Executive of the Directory of Social Change. 'Leadership is a vocation, not an occupation—if you want to get paid, go elsewhere!'

And so the battle lines on what Lord Hodgson describes as this 'hugely divisive issue' were drawn—should trustees be paid: yes, no or maybe? Debra Allcock Tyler's helpfully framed the complex debate with a set of questions:

- What is the business case?
- What is the leadership case?
- What is the moral case?



The Clothworkers' Company

## Should trustees be paid? The business case

### Yes

The business case for paying trustees begins with diversity of board members and breadth of skills. As set out in *The benefits of trusteeship*, two thirds of UK trustees are over 50 years old, with only a half of one percent aged under 25; and the BME population, for example is under-represented. Our report mentioned 81% of charities as relying on word of mouth or personal recommendation to find new trustees, and 66% of large (and 72% of very large) charities finding it difficult to attract new trustees with the right skills.

At the seminar, the only speaker arguing unequivocally for paid trustees was himself one—Kevin Carey, Chair of the RNIB, who was paid £24,000 in 2011. Without payment, Kevin would not be able to spend the necessary three days a week at RNIB, and he argued that the payment was fair—at the same level as a non-executive Director of an NHS Trust.

The Charity Commission was happy to approve this payment, and indeed uses Kevin's situation as an anonymised case study on its website, commenting: *'The charity wished to enable three trustees with valuable specialist skills to contribute regularly, without financial hardship to themselves ... We recognise the contribution made ... expertise ranged from IT support, disability employment services, access to work and the needs of visually impaired people.'*

***'It is important that no one fears that they will be out of pocket by becoming a trustee. This is especially the case where young people, the elderly or people on state benefits or low incomes are concerned.'***

**Charity Commission**

Kevin himself was more direct still: *'If a company had a board full of trustee-types, it wouldn't be allowed. Charities pay for all other kinds of skills, for example for consultants, so it's irrational to deny that governance matters—society can't keep on about charity governance and then deny charities the means of getting it right.'*

Although declaring himself in two minds on the question, Tony Manwaring, CEO of Tomorrow's Company (a 'think

and do tank' specialising in corporate and charity governance) has sympathy for these views. *'Why not?'* he asks. *'Payment may attract a higher level of skill.'*

### No

*'There is absolutely no evidence whatsoever to say that if you are paid you perform better,'* opened Debra Allcock Tyler of the Directory of Social Change. All of the evidence points the other way—and she cited the example of bankers' bonuses—pay does not equal performance.

And Debra does not think that paying trustees will help with diversity, either. She feels that there is no evidence that people from minority backgrounds, for example, are more driven by money than anyone else, arguing further that *'If someone comes to your charity because he or she is getting paid, do you necessarily want that person? it would be better to pay a consultant for his or her expertise instead.'*

***'There are a million and one more effective ways [to attract trustees] than ... pay.'***

**Debra Allcock Tyler**

*'And anyway,'* remarked Tony Manwaring, still in two minds on the subject, *'[payment could be] too costly, especially for smaller charities. It could lead to the worst of all worlds: charities paying a bit but still unable to compete for good trustees.'*

### Maybe

Alex Massey, of the Policy Team at ACEVO took a case by case view of the business argument for payment. There are certain charities that could benefit from paid trustees, he said, for example those struggling to attract people with key skills and qualities, or to increase diversity (including the representation of beneficiaries) on the board.

Alex gave two examples of charities where the payment of trustees seemed sensible: one where a substantial amount of travel overseas was required; another a housing association where specific knowledge was crucial to the trustee role. And so a move towards trustee payment in some charities reflects to some extent the increasing professionalisation of the sector, with an ever-greater number of charities taking on the delivery of public services. *'It's horses for courses,'* Alex concluded, *'but the sector as a whole should keep its voluntary ethos.'*

The *horses for courses* point led to a deal of discussion at the round table stage of the evening. One table was *'completely split'*; another reported back that *'there was lots of discussion about whether the complexity of large organisations pointed to it, but thought ... that there is no automatic link between the complexity of an organisation and the need to pay trustees.'*

It seemed at times that the devil was in the detail. The issue of money, time, and how the less well-off can become trustees got tables embroiled in some heated debates about board processes, time requirements of trustees, defining when someone might need payment on welfare grounds, and so forth. A former Charity Commission employee provided a reality check by observing that most requests they had received for consent to pay trustees were for candidates who were comfortably off—so not needing remuneration on welfare grounds.

## Should trustees be paid? The leadership case

### Yes

Big, complex charities need the right kind of leadership, argues Kevin Carey; senior, non-executive participation, especially in matters of finance. His own payment seems to have become *irrationally iconic*, he feels, *It is being presented as a point of principle but is in fact a question of competence.*

Quite simply, Kevin wants to run RNIB properly, with the best people he can get, regardless of their economic circumstances; wants *'to force the great and the good to fight for positions against the world's best'*. Kevin didn't believe boards should be limited to recruiting the *'retired, unemployed or rich'*.

***'This is being presented as an issue of fundamental principle, but in fact it's a question of competence.'***

Kevin Carey

In the round table discussions, the question of accountability came up, with some of the audience believing pay to be a good way to hold charity leadership to account.

### No

Again, Debra Allcock Tyler led the charge, arguing that charity trustees are leaders not just in the charity itself but in the community as a whole. *'Leadership is a vocation*

*not an occupation,'* she said. *'It's a calling to serve other people—if you want to be paid, go elsewhere.'* Debra dismissed the accountability argument as lacking substance—there are better ways of holding board members accountable.

***'If you need to make better financial decisions, hire a better Finance Director'***

Debra Allcock Tyler

### Maybe

It is where trustees have a higher degree of responsibility that the Charity Commission looks at payment. its website reads: *'If we are asked to approve a payment, we will normally only do so where a charity's complexity of operation has led to an unusually high burden of trusteeship. This will usually involve a trustee exercising a higher degree of responsibility and supervision in a complex field of activity.'*

***'[With increasing] professionalisation, there is a logic that charities may want to adapt their governance.'***

Alex Massey

## Should trustees be paid? The moral case

And on to the most contentious question of the evening—not only was each of the four speakers exercised by this, but the feedback from the round-table discussions on the floor also largely concerned this area. *Passions ran high*, reported back NPC's Iona Joy of her table, reflecting the mood of the room.

### Yes

*'The risk to [the sector's] reputation,'* argued Alex Massey of ACEVO, *'is not that a small number of people receive a stipend but charities should fail to carry out their charitable purposes.'*

This sentiment—focussing on the practical delivery of services to those in need—echoes Kevin Carey's persuasive view: *'Charity isn't a moral trophy; it's a way of getting stuff to end users.'*

Kevin went on to stress: *'I don't want to make rules for other charities, but I don't want the Charity Commission making such rules for charities either.'* Kevin felt that charities' having the ability to determine their own destinies is the key point, not that charities *have* to pay trustees.

## No

*'Once it's done, there's a huge downside,'* argued Tony Manwaring. *'The charity sector is special because it has values and principles ... we celebrate charities for their non-professional status, and this attracts supporters.'*

Debra Allcock Tyler agrees: *'The public knows that trustees are doing it because they care,'* she opened. *'It is key that the public knows that trustees are making decisions objectively—it's difficult to face donors and beneficiaries if not.'*

Those against payment, on the panel and in the audience, voiced strong opinions about payment poisoning the ethos of the voluntary sector, and affecting the sector's overall brand.

And this argument, it appears has been the biggest stumbling block to the Charity Commission's supporting more paid trustees to date. Its website is unequivocal: *'The concept of unpaid trusteeship has been one of the defining characteristics of the charitable sector, contributing greatly to public trust in charities. This does not mean that a trustee can never receive any payment or benefit... Trustee boards need, though, to minimise the risks to their charity's reputation and operation.'*

***'I hate the payment of trustees because it's the commoditisation of human endeavour.'***

Debra Allcock Tyler

## Maybe

There were fewer fuzzy lines in this area than in the other two: opinion, both on the panel and in the audience, was not only divided but appeared quite set.

## Final thoughts

This *'endless conversation'*, as Debra Allcock Tyler termed it, is hardly going to be resolved in an evening—perhaps especially not on the very evening that England was due to play its first match in Euro 2012. But opinions were aired, thoughts were clarified in an atmosphere of tolerance and good humour.

On balance, opinion—in the audience as on the panel—tended toward a *No*. However, there was a palpable feeling that this was something to revisit as conditions change in the sector, even if not the biggest issue at present.

One month on, and the Hodgson Review calls payment *'a hugely divisive issue in the charity sector'*: the review's own research finding that 61% of respondents felt that trustees should not be paid (although, interestingly, 47% of younger respondents felt that they should).

The Review recommends that charities with incomes of over £1m, including *'truly huge organisations handling substantial amounts of public and private money'*, should be allowed to pay trustees should they feel it helpful in recruiting boards suitable to the task. Crucially, they should be allowed to do this without having first to seek permission of the Charity Commission—so long as there is full disclosure of the fact in their annual reports.

In response, seven sector bodies, including NCVO, Directory for Social Change, and Volunteering England, have signed a letter to Nick Hurd asking him to reject the Hodgson's Review's recommendation, and published strong public positions.

Meanwhile in the opposite camp ACEVO's Chief Executive and policy team have taken a robust public stance in favour of charities being free to make the choice—they don't see the recommendation as requiring charities to pay trustees. As Ralph Michell, ACEVO's Director of Policy puts it, *'in each individual case, when a charity considers paying its trustees, who is best placed to make the judgement on whether it should – the charity whose money it is, or the Charity Commission?'* However, ACEVO has launched a survey to canvass members' views which may take a different view.

The evidence on whether payment affects success and quality, or change trustee/potential trustee behaviour, is sketchy and not persuasive either way. There is no evidence to say that if you pay trustees you get better trustees. But nor is there evidence to say that for charities, you wouldn't get better trustees.

So here is a debate that goes to the very heart of the core mission of the charity sector and what it should prioritise. Expect this debate to run and run!

## Further reading

To find out more about the issues raised in this briefing, go to [NPC's Trusteeship page](#) on our website, our trusteeship series, including *Board matters*, discusses many of the topics aired in this session.

