

# SMALL CHARITY TRUSTEES: HOW TO OVERCOME KEY CHALLENGES



## NPC briefing, June 2017

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On 13 March 2017, NPC and The Clothworkers' Company held a seminar exploring the role of trustees in small charities. This report outlines the issues discussed and summarises advice from our speakers. It also draws on numerous resources published by NPC related to trusteeship.

The seminar was chaired by **Sarah Denselow**, Trustee at Crohn's and Colitis UK and Consultant at NPC. The panellists and topics of discussion were:

- **Julia Kaufmann OBE**, Chair at Small Charities Coalition, presented on the various challenges that small charities face in achieving effective governance and suggested some solutions.
- **Harry Hoare**, Trustee and Director of Universify Education, spoke about his experience setting up a small charity and how his board overcome the issue of having limited resources.
- **Andrew Hudson**, Chair at Hackney Winter Night Shelter and The Old Church, and Trustee at the Mayday Trust and Volunteering Matters, shared his broad range of experiences.

Roundtable discussions and a question and answer session followed the panellists' comments, allowing delegates to discuss common issues that they face as trustees at small charities.

## What challenges do trustees at small charities face?

*'Large or small, the governance role and responsibilities are exactly the same, but small charities often face particular difficulties.'*

**Julia Kaufmann OBE, Chair, Small Charities Coalition**

Thousands of people volunteer to be trustee of a charity, a role that can be immensely rewarding. Trustees have overall legal responsibility for the charity. They guard its mission, appoint and oversee the chief executive and play a key role in shaping the organisation's values and culture. These responsibilities are shared by all trustees in small and large charities alike and there are both good and bad examples of governance no matter the size of the charity.

Small charities make up the bulk of the UK charity sector, with 87% of all charities having an income below £100,000.<sup>1</sup> Smaller charities can often be more flexible and respond quickly to local needs, and may have strong roots in the community they serve, so getting involved with a small charity can be an opportunity to make a real difference.

Three themes emerged from this discussion:

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<sup>1</sup> Data from NCVO civil society almanac 2016

- coping with limited funds and staff capacity;
- balancing governance and operational roles; and
- attracting new talent and keeping the board energised.

The following three sections present ideas and advice from the speakers in how to overcome some of the difficulties that these challenges may present.

## Coping with limited funds and staff capacity

### Resourcing issues for small charities

By their very nature, small charities usually have limited resources and staff (sometimes no staff at all) to run their activities and pursue their mission. It is not always a simple case of larger charities having ample resources and smaller charities struggling to get by. But many small charities have been under pressure to stretch their resources further—an experience familiar to many attendees at the seminar. This is especially due to changes in commissioning and cuts to public services. A 2016 survey of local charities (with respondents almost entirely from small or micro-charities), reported that three-quarters of those surveyed had seen a reduction in staff over the previous year with 55% having no full time staff members at all. This risks reducing the quality, quantity and continuity of services. 73% said they had seen an increase in demand for their services, while only half were confident that their charity would survive the next five years.<sup>2</sup>

### What this means for trustees

Due to these limitations, trustees at small charities are expected to make do with few resources and without the same degree of staff involvement that trustees at larger well-resourced charities might expect. Julia Kaufmann pointed out that even for charities with staff, they may not have the experience or time to fully support a board of trustees by supplying agendas and thorough reports, let alone undertaking trustee inductions and skill audits. Trustees—holding responsibility for the organisation’s financial health—are also under pressure to plan ahead to avoid periods of financial difficulty. A recent report for Lloyds Bank Foundation for England and Wales, published shortly after the seminar, highlighted the lonely role of trustees in small charities with *‘everyone looking to you for answers, while the little support you had is shrinking away.’*<sup>3</sup>

### Making the most of resources

To counter a skills shortage or low staff numbers, trustees often draw on the assistance of supporters and the rest of the board. If serious difficulties in the charity have been identified, trustees may decide to hold more frequent meetings and plan ahead to find solutions or make costs savings to avoid closure. Andrew Hudson also urged small charities to make the most of the external professional advice and support that is available.

### Don’t be afraid to ask for help

*‘We’ve found that most people are happy to help, so talk to anyone who might be useful and be persistent.’*

Harry Hoare, Trustee and Director, Universify Education

It’s always worthwhile asking for external help and to be aware that many providers give advice to charities for free or at a reduced cost. Speakers at the seminar pointed to NPC, NCVO, Eastside Primetimers, Reach, East London Business Association and the Small Charities Coalition as just some of the organisations offering free

<sup>2</sup> Local Giving (2016) *Sustainability report local charity & community group sustainability report 2016*.

<sup>3</sup> Lloyds Bank Foundation for England and Wales (2017) *Facing forward: How small and medium-sized charities can adapt to survive*.

resources, technical assistance or mentoring for trustees. Free online courses from websites such as FutureLearn and Google Garage are also worth considering to skill-up trustees and staff. Attracting skilled volunteers and building relationships with businesses is also a way to access support, but charities should factor in the time and resources that it will take to manage these relationships.

*‘The old stories about chairs having the loneliest job can be more true than ever in a small charity—chairs should know where they can turn to for friendly advice.’*

Andrew Hudson, Chair, Hackney Winter Night Shelter and The Old Church

## Don't skimp on the essentials

While pro-bono opportunities and advice from peers can be very valuable, Andrew Hudson warned that *‘whatever you do, if you do not have the skills to oversee that activity on the board and cannot get this free from elsewhere, make sure you get the skillset required to get the job done’*. Some support is too essential for charities not to allocate proper resources.

Setting up the board to govern effectively and working to improve its performance is also something that should not be seen as ‘a nice to have’. Charities with limited resources may be reluctant to engage in the development of even the most basic of trustee responsibilities. But proper inductions are essential, as new trustees need to be clear about their duties and responsibilities. The benefits of taking the necessary time and effort into creating role descriptions, recruiting carefully, identifying development needs and investing in training are very likely to outweigh the costs involved.

### Case study: Small charities overcoming the challenge of limited resources

Universify Education was founded in 2016, it works with Year 10 students to promote educational equality, aiming to open up the university system for anyone with academic potential regardless of their background. For a small and newly formed charity with limited resources, Harry Hoare, Director and Trustee, draws on the support of others to make the charity's resources go further.

Instead of trying to take on all responsibilities alone, Universify's three-strong board of trustees utilise their contacts and friends to assist with legal, financial and digital support. This has helped the charity complete the accounts and design the website, while also drawing on the policies used by Oxford Summer Courses—the commercial summer school provider that Universify grew from. Universify has also taken on an ad-hoc part-time worker (who also works for Oxford Summer Courses) to assist with the administration. This means Harry and his fellow trustees can spend less time stuffing envelopes and instead focus on issues such as strategy and relationship building. Harry found that others in the sector were often happy to help, with larger charities such as the Access Project and the Sutton Trust being happy to advise on programme design and school recruitment.

In addition to planning for and seeking the most cost-effective way to undertake all parts of its work, Universify has been able to strike deals with partners by sharing office space and negotiating benefits in kind from contacts, such as student accommodation. Participating schools are also encouraged to contribute toward the transportation of pupils. In its first year, Universify calculated its unit cost to be four times less than similar courses offered by national charities.

Universify also knows when to prioritise time and money to achieve outcomes that are important for the future. Developing the fundraising potential of the charity is currently a key aim, so in its first year Universify published an impact report. This was a big commitment and cost for such a small organisation, but the charity has found it a useful tool for learning and improving what it does, as well as establishing credibility and communicating its work to funders.

# Balancing operational and governance roles

## Blurring of a trustees role

Board members quite often end up acting as (unpaid) staff in small charities—whether this is leading a staff working group, providing technical advice or answering the phone in reception. While many trustees enjoy this work, which is often a necessity for under-resourced charities, blurring of a trustee’s role can become an issue if not carefully monitored. Julia Kaufmann calls this *‘the irresistible pull’* away from governance to operational roles. Trustees should be careful not to identify too closely with staff, as it is their duty to remain objective, and provide constructive criticism. Andrew Hudson advised trustees to be as rigorous on processes, documentation and contracts as they are in their day jobs. Meanwhile Julia warned trustees not to allow regular chats and staff meetings to take the place of formal board meetings. Even if trustees communicate regularly, it is still necessary to set aside time to discuss governance issues.

*‘When trustees are required to act as staff, make sure that governance and operational meetings are kept distinct.’*

Julia Kaufmann, Chair, Small Charities Coalition

## Ensuring each role is clearly defined

For small charities relying on board members taking on dual roles, Andrew Hudson advises using formal documentation to set out what their role involves and *‘to prioritise what only a trustee can do’*. This ensures that trustees understand the separation in duties and make the time to undertake their governance roles. In [Above and beyond in trusteeship](#), NPC uses the table below to set out the connected and sometimes overlapping roles of the senior team and the board to help find where the governance line sits.

Table 1: The responsibility split between the executive/senior management team and the trustees<sup>4</sup>

Responsibility	Primary role of management	Primary role of the board
<b>Purpose of the charity</b>	Vision, mission and values are best jointly developed and agreed, although board would have final say	
<b>Strategy and impact</b>	Strategy is best jointly developed and agreed. Management should report on progress and impact achieved, which the board then reviews regularly	
<b>Policies</b>	Develop and implement	Identify policies needed, review and monitor
<b>Financial viability</b>	Obtain funding for the strategy. Spend resources on operational and charitable work	Approve overall spending and resource allocation. Review and ensure financial viability
<b>Accountability and transparency</b>	Report to stakeholders	Ensure accountability
<b>Charity staffing</b>	Appoint and manage staff	Appoint and manage the chief executive
<b>Risk and conflict</b>	Identify, evaluate and mitigate risk	Ensure risk and conflicts are managed
<b>Legal compliance</b>	Provide advice	Responsible for legal compliance
<b>Governance effectiveness</b>	Support effective governance	Responsible for governance effectiveness
<b>Insight and judgement</b>	Provide evidence and analysis	Provide insight and judgement

<sup>4</sup>NPC’s table was adapted from a diagram by Compass Partnership published in Hudson, M. (2009) *Managing without profit: Leadership, management and governance of third sector organisations*. Directory of social change.

## Attracting new talent and keeping the board energised

### Barriers to getting the right people on the board

Many small charities have trouble recruiting and maintaining their boards, with almost a third admitting to extreme difficulty in sourcing skilled trustees.<sup>5</sup> This was also the case for many attendees at the seminar. Andrew Hudson explained that smaller charities often have a harder pitch to make in finding trustees that are willing to play a hands on role—one which requires much more of a commitment than attending just four meetings each year. Julia Kaufmann highlighted that it can be harder for small charities to attract trustees with the appropriate skills, particularly treasurers. Small charities often can't compete with the away days and thank you dinners offered by larger charities, let alone provide in-depth training and support. Composing a board that is diverse in skills and backgrounds can also be difficult for a small charity as there is a much smaller pool of potential trustees.

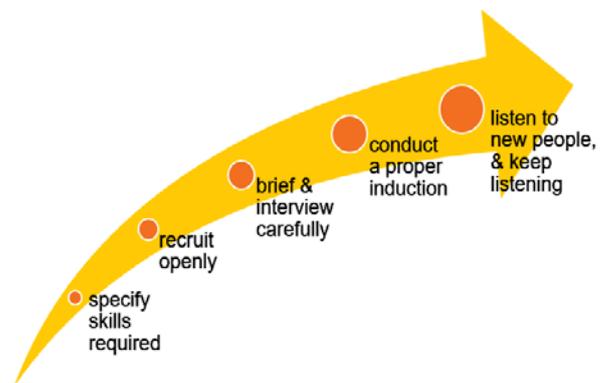
*'It's very tough recruiting trustees, particularly if you don't have a big name.'*

Julia Kaufmann, Chair, Small Charities Coalition

### Recruiting effectively and inducting trustees<sup>6</sup>

To select the best candidates, the process for recruiting trustees should reflect the importance of their role. Figure 1 from Andrew Hudson's presentation sets out the steps required to recruit and induct new trustees effectively. Small charities should plan ahead to determine the skills, experiences and characteristics that will be required in the future in order to replace trustees. Andrew emphasised that the skills needed and any expectations should be communicated clearly to candidates, including the specific hours involved for each role.

Figure 1: Steps to recruiting



*'Being limited in options, there is nothing wrong with small charities using their network to recruit, but they must make sure they use it to find the best people for the job—not their friends.'*

Andrew Hudson, Chair, Hackney Winter Night Shelter and The Old Church

Many boards rely on personal networks to recruit trustees. Increasingly charities see the benefit of having an open and active recruitment process using social media, recruitment websites and the range of digital tools now available to reach those beyond a trustee's usual networks. Charities should make their selection processes as professional as possible with full applications, panel interviews and references. Once a new trustee is inducted (or even earlier), longer-serving trustees should treat this as a learning opportunity and actively seek feedback and views from their new board member. A new trustee's initial impressions and a fresh perspective can be a useful resource for boards looking to improve the way they work, and boards should foster a culture where asking questions and speaking out is welcomed.

*'It's harder to induct trustees when they are your friends, board meetings are then also more likely to turn into a support meeting instead an effective board.'*

Julia Kaufmann, Chair, Small Charities Coalition

<sup>5</sup>Local Giving (2016) *Sustainability report local charity & community group sustainability report 2016*.

<sup>6</sup>Diagram from Andrew Hudson's presentation at this event.

## Board maintenance

There are a number of approaches that charities can take to keep the board fresh and continually improving. Charities should make sure trustees are clear about what is expected of them. They may wish to stipulate that trustees must attend a certain number of meetings each year and follow a code of conduct. As well as helping with recruitment, a periodic skills audit can help the board uncover trustee training and development needs.

Depending on the size of the charity and work required of trustees, 12 members is often seen as an upper limit for a board—much larger can soon become unwieldy. For some small charities, a much smaller board may be appropriate, but too small and it can be difficult to get a good mix of skills. It is important for the governance of a small charity to develop as the charity grows and changes. Andrew Hudson explained that as The Old Church grew, trustee numbers increased from three to ten. This helped the charity ensure that it had all the skills required and enough people to share the tasks, while allowing some room for turnover too.

## Plan ahead to keep the board fresh

*‘I’ve come across charities with trustees serving terms of over 30 years—you must have good policies in place to stop this happening.’*

**Julia Kaufmann, Chair, Small Charities Coalition**

Planning ahead for staged changes in the trustee board is crucial in order to attract fresh talent and to avoid losing continuity and knowledge if a number of members retire within a short timeframe. Many trustees at the event admitted to having very long serving members on the board, who sometimes can be reluctant to change with the times or no longer have the time or means to fully commit. Rolling fixed terms for the length of service can help out here and keep the board fresh—for example three years followed by another three years, split by clear ‘break points’. Fixed terms provide a coherent framework for those holding the voting rights to have a neutral discussion about whether a trustee should continue or not.

One small charity at the event spoke about how they created the post of patron especially for a long-serving member of the board who had contributed a great deal, while another encouraged a skilled but time-poor trustee to become an advisor. These approaches give retiring board members recognition and still allow the charity to have access to their skillset. Another trustee at the event complained that a dominant chair was having a disruptive influence. Establishing trustee terms and good succession planning is a sensible approach to guard against this situation.

## Final thoughts

Trustees play a vital role in keeping the UK’s small charities running and create impact for their service users and wider cause. Small charity trusteeship brings particular challenges, some of which will not have easy solutions—simply due to the lack of resources, the necessary balancing of operational and governance and difficulties in recruiting the right people to do the job in small charities. There are, however, procedures and good practice to adhere to, which can help both trustees and staff to plan ahead, be realistic about what they can achieve and look out for external opportunities to support the board. These steps can help the board focus on its primary objective of ensuring the organisation is effectively run and give trustees the head space required to avert any obstacles on the horizon and to drive impact.

## Further reading

*The essential trustee: What you need to know, what you need to do*, Charity Commission

*Good governance: A code for the voluntary and community sector*, ACEVO, ICSA, NCVO, SCC and WCVA—new version currently in consultation and due for publication in 2017

*15 questions trustees should ask*, Charity Commission

*Transmitting trust through governance: Charity governance review 2016*, Grant Thornton

*What makes a good charity?* NPC

*Board matters: A review of charity trusteeship in the UK*, NPC

*It starts from the top: Improving governance, improving impact*, NPC

*Facing forward: How small and medium-sized charities can adapt to survive*, Lloyds Bank Foundation for England and Wales

The Small Charities Coalition has a wide range of advice and materials available on its website [www.smallcharities.org.uk](http://www.smallcharities.org.uk), including resources on [governance](#).

NPC runs a series of trusteeship seminars supported and hosted by The Clothworkers' Company. Summary briefings from these sessions are available to download from our website [www.thinkNPC.org](http://www.thinkNPC.org), where you can also find information about future seminars.

The Clothworkers' Company also holds the annual [Charity Governance Awards](#)—in partnership with NPC, Prospectus and Reach—which has special categories for small charities to celebrate outstanding governance.

## **Transforming the charity sector**

NPC is a charity think tank and consultancy. Over the past 15 years we have worked with charities, funders, philanthropists and others, supporting them to deliver the greatest possible impact for the causes and beneficiaries they exist to serve.

NPC occupies a unique position at the nexus between charities and funders. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

**Increasing the impact of charities:** NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

**Increasing the impact of funders:** NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

**Strengthening the partnership between charities and funders:** NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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