

New
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Capital

NPC briefing

Trusteeship 2010

An update for charity trustees

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The Clothworkers' Foundation

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Introduction

'The Government believes that the innovation and enthusiasm of civil society is essential in tackling the social, economic and political challenges that the UK faces today. We will take action to support and encourage social responsibility, volunteering and philanthropy, and make it easier for people to come together to improve their communities and help one another.'

The Coalition: our programme for government (May 2010)¹

In May 2009, NPC published *Board matters*, a review of charity trusteeship in the UK. Since then, there have been some significant changes to the world in which charities work. We have a new Coalition Government with new priorities, which has, on the one hand, stated its commitment to building 'the Big Society' (as in the quotation above), and on the other, announced public spending cuts of unprecedented magnitude.

It is trustees' responsibility to help their charities respond to these challenges and opportunities, supporting stressed executive teams and making difficult decisions about resources and priorities. Trustees need to be vigilant. As we noted in *Board matters*, it is when times are tough that poor governance becomes most obvious.

The last year has also seen some new developments in the world of trusteeship, with the emergence of new services and initiatives, and the publication of new research and resources. So now seems like a timely moment to update trustees on these changes and discuss issues that should be at the top of their agenda.

This briefing draws on desk research, consultation with experts, and a series of three seminars that NPC ran for charity trustees in May-July 2010, but NPC takes responsibility for any opinions expressed. The briefing is designed to highlight news and views, to discuss emerging trends and to inspire fresh thinking. We recognise that boards have diverse needs, and trustees' roles vary with the size and type of charity. A 'one size fits all' approach to trusteeship would never work, and not every point we make will be relevant to every trustee. But we hope you find this useful, and we are keen to hear your feedback.

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1. Setting the scene

To set the scene, we will start this briefing with a quick overview of two of the main developments in the world around us that are likely to affect charities and their boards.

The new Government and the Big Society

The new Conservative-Liberal Democrat Coalition Government, formed in May 2010, has placed the concept of building ‘the Big Society’ at the heart of its plans.

Its vision is of a society where government gives *‘citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want’*. It believes that *‘Only when people and communities are given more power and take more responsibility can we achieve fairness and opportunity for all’*.²

The Government sees volunteering as integral to this vision. In the same publication quoted above, the Cabinet Office also noted that, *‘Government on its own cannot fix every problem. We are all in this together. We need to draw on the skills and expertise of people across the country as we respond to the social, political and economic challenges Britain faces’*.³

Being a trustee is one of the most useful ways in which people can volunteer their time and expertise to support charities. So we would urge both charities and the Government to use this opportunity to shine the spotlight on trusteeship—to raise awareness of its value to individuals, charities, and their communities, and highlight what makes boards effective.

The commitment of charity trustees across the country reflects a passionate interest in a particular cause or issue, and precisely the type of ‘social action’ that the Government wants to encourage. As well as helping charities and their beneficiaries, being a trustee is personally rewarding and can provide opportunities to develop new skills and interests, as Carol Lake’s experience (discussed in the box below) demonstrates. It requires a serious investment of time and effort, but not a fixed amount of hours every week, which makes it a form of volunteering that can be fitted into busy work or personal schedules.

We would also urge Government and employers to take concrete steps to support these efforts, for example, by systematically giving people time off work to volunteer.

The economic outlook

The recognition that government cannot on its own fix every problem is not just a reflection of a political philosophy that emphasises rolling back ‘the Big State’. It is also a reflection of the lack of resources government is going to have at its disposal as the full effects of the economic downturn are felt.

We know that charities are not going to escape unscathed. Government provides £12.8bn in annual income to the voluntary sector, or approximately 36% of the sector’s total income, which makes it the second largest funder of charities after individuals. Twenty-two per cent of voluntary sector organisations (38,000) have a direct financial relationship with the state, and 23,000 of these organisations receive over half their income from government.⁴ Cuts to important funding streams for charities such as the Future Jobs Fund have already been made public. And the June Budget announcements—the rise in VAT, the average 25% cuts to departmental budgets, the £11bn reduction in the welfare budget—will undoubtedly hit charities. It is just a question of how hard.

More broadly, we know that the economic downturn is already affecting charities. In a Charity Commission survey published in March 2010, 59% of charities reported having been affected by the downturn, up from 38% in September 2008 and 56% in September 2009. Of those affected, 62% had experienced a drop in income.⁵

As well as reducing funding, the economic downturn is increasing demand for the sort of support that charities can provide. So, more than ever, society needs effective charities, capable of making the most of limited resources. And effective charities need effective boards.

As charities grapple with these problems, trustees will face new pressures. Declining income will mean difficult decisions need to be made about staffing, which services to keep and which to cut, and whether to consider mergers and collaboration. These dilemmas will throw up new leadership and HR issues, and boards must rise to the challenge.

It is also increasingly important for trustees to be aware of their liabilities. Indeed, the number of serious incidents reported to the Charity Commission increased by more than 75% in 2009/2010.⁶ As we noted in *Board matters*, trustees can, in rare cases, face personal liabilities if something goes wrong. If they act imprudently or are in breach of trust—for instance, by deciding that their charity should take out a loan that it is not in a position to pay back—they can legally be held collectively and personally responsible. If this does happen, the Charity Commission can intervene to remove trustees' liabilities if it feels that they have acted reasonably. The potential liabilities are much lower for trustees of charities that are also incorporated as companies limited by guarantee, and some trustees may choose to take out trustee indemnity insurance.⁷

Trustees may be facing new pressures and risks, but this briefing will not be all doom and gloom. The outlook may not be rosy, but trusteeship remains something that can be both important to society and charities, and rewarding to individuals. Trustees and potential trustees should be realistic about the challenges and serious about how they can address them. They should also be positive about the difference they can make if they fulfil their role.

Passion and a new perspective

Carol Lake, Head of Corporate Responsibility, EMEA, for the investment bank JP Morgan, describes her experience of being a trustee.

'Passion drove me to it. I have loved theatre as long as I can remember and when I was invited to become a trustee of a prestigious London venue, I jumped at the chance. I was looking for an opportunity to view theatre from another perspective, to understand the ecology of the sector better, and to contribute by applying skills and connections gathered from my experience in business.'

'Several years later, and with three theatre boards under my belt, I can say that I found what I was looking for and then some.'

'Being a trustee gave me a new perspective. Through the board's regular business and big initiatives, such as capital projects, I gained a new appreciation of the interconnections between the theatre, the broader cultural landscape, the community and much else. It was like looking at a familiar landmark from a new vantage point—from the air or from the sea perhaps—it remaining the same but with an added context that adds to its importance, value and beauty.'

'I was able to apply my skills, yes, but I was also able to refine them and develop new ones. I learnt more about what it takes to be a good chair from one chairman that served under as a trustee than from anything I have directly experienced elsewhere in my career. Interestingly, that particular chairman came from the theatre world.'

'Throughout my career I have always worked for big businesses. Being a trustee gave me a chance to understand the demands of a smaller organisation as well as to appreciate the vision, capabilities and dedication of what it takes to run a non-profit organisation. I learnt too, the need for pragmatism, risk-taking and speed in problem solving when the show, quite literally, must go on.'

'The people I have met through my trusteeships have been wide-ranging and eclectic, and through them I have developed my experience of team dynamics. An entirely unexpected pleasure was to explore new personal approaches. It is wonderful for anyone who might feel typecast in their individual style at work, to move from talker to listener, leader to follower, blue sky thinker, to devil's advocate—and of course, vice versa. And for anyone who ever doubted that diversity was a true competitive advantage, it provided living, breathing evidence of the benefits that can be achieved when a wide range of experience and opinions come together under the right leadership.'

'Of course, it hasn't always been plain sailing. It can take more time that you bargain for and the view from the engine room can be quite different from the outside—not necessarily in a negative way, but enough to reinforce the good sense of undertaking thorough due diligence before agreeing to be a trustee. Finding out about a charity's financial situation is one thing, but I quickly learnt the importance of finding out about the people too—the chair, fellow trustees, executive team and other important figures. If it's an active board, you'll be working closely with them and it helps if you get along.'

'Being a trustee has been a valuable experience for me. I can most definitely say that it has been helpful to me personally and professionally, and I hope that I have repaid this through my contributions to the boards I have served on. My experience has left me more rounded, informed and engaged. I'm better connected and have a wider appreciation of leadership skills. It has reinforced some views and challenged my thinking on others. It's been an insurance against the dangers of cynicism and entrenched attitudes. It has given me a better understanding of how the arts sector works but also how our society works. I have learnt that being a trustee isn't so much a chance to give something back: it's a chance to share something. Passion.'

2. News and views

Last year, NPC's *Board matters* report highlighted the importance of trusteeship and suggested a number of improvements that could help to strengthen it:

- **Promoting trusteeship and improving recruitment:** we suggested that charities, funders and government should promote awareness of trusteeship; improve advertising of trusteeship as a way of supporting charities; and develop a simpler system for linking potential trustees to vacancies.
- **Supporting boards:** we noted a range of initiatives that could help boards to maximise their contributions. These included improving induction of new trustees, making guidance for trustees more accessible, coordinating efforts to improve standards, and encouraging networking among trustees.
- **Improving evaluation of board performance:** we argued that boards, particularly of large organisations, need to get serious about evaluating their own performance on a regular basis.

So, what progress has been made on these fronts? In this section we will revisit our original recommendations and discuss new developments and ongoing issues that trustees and charities should be aware of.

Promoting trusteeship and improving recruitment

Estimates suggest that there are over 800,000 charity trustees in England and Wales.⁸ This number is certainly not to be scoffed at—it represents a major investment of time and energy from individuals across the country. But estimates suggest that almost half of charities have at least one vacancy on their board.⁹ We also know that diversity, in terms of age, background, experience and skills, continues to be an issue. For example, the Charity Commission estimates that less than 1% of trustees in England and Wales are under the age of 25.¹⁰

Board matters highlighted two issues that make it difficult to get the right people on charity boards—public awareness and enthusiasm is still relatively limited, and the recruitment system is not joined up. Has this situation changed over the last year?

Public awareness and enthusiasm

Becoming a trustee is not a form of volunteering that immediately springs to mind for most people. Indeed, a 2006 survey showed that less than 5% of people were aware of trusteeship as a way to support a charity.¹¹ It is difficult to assess whether public awareness of, and enthusiasm for, trusteeship has increased since then; as far as we know, there has been no follow-up survey. However, efforts are being made to address this issue, which we outline below.

What's new?

The Charity Commission, in partnership with five charities,^{*} is organising the first ever **Trustees' Week**, which will be held between 25 and 31 October 2010 (further details should be available from the Charity Commission shortly). This will consist of a media campaign led by the Charity Commission, and other partners will be organising events during the week. It will aim to promote and celebrate the important role that trustees play, and encourage people from all walks of life to get involved. This is clearly a positive development, though until further information is available, it is difficult to ascertain how far-reaching it will be.

^{*}Getting on Board, Reach, the NCVO, Charity Trustee Networks and the Institute of Chartered Accountants in England and Wales (ICAEW).

The National Council for Voluntary Organisations (NCVO), one of the partners involved in Trustees' Week, is also running a **Trustee Recruitment Challenge**. It has produced a range of resources for infrastructure organisations, representing particular groups of charities, to help them run local or sector-specific campaigns to recruit more trustees. It will also be running a Trustee Recruitment Learning Forum on 14 September 2010, which will include a briefing for infrastructure organisations about how to get involved in Trustees' Week.

Another route to raising awareness is through employers and professional associations. The charity **Getting on Board** continues to work with employers and employees to highlight the benefits of board-level volunteering with charities, schools and public bodies, particularly for leadership development programmes and 'talent pools'. It has just started working with the charity Pro Bono Economics to evaluate the economic and other benefits of board-level volunteering.

Since autumn 2009, Getting on Board has also been working with a group of professional associations, together with the Charity Commission, the Appointments Commission and Schools Governors One-Stop Shop. This group aims to raise the profile of board-level volunteering and encourage members of professional associations to volunteer on boards. At its meetings, representatives of professional associations have the opportunity to share experience and strategies for achieving this. In addition, the group plans to hold an event in Essex later in 2010 for members of professional associations and employees of commercial companies. Professional associations currently involved are the Law Society, the Bar Council, the Chartered Institute of Personnel and Development (CIPD), the Institute of Chartered Accountants of England and Wales, the Institute of Directors, LawWorks, the Worshipful Company of Information Technologists, the Institute of Chartered Secretaries and Administrators, and the Institute of Fundraising.

The **Institute of Fundraising** has taken the initiative of launching a campaign to encourage its members to volunteers as trustees. This new initiative was set up in response to member feedback which suggested that there is a lack of knowledge about fundraising on charity boards, which can lead them to place unrealistic expectations on staff. It is being run in partnership with the NCVO, which provides recruitment support for charities through its Trustees Unlimited service (see below) and Trusteebank, a free online service for advertising or viewing trustee vacancies.

New mechanisms for advertising trusteeship vacancies have also emerged over the last year. In March 2010, **The Big Give**, a website that helps donors to find and support charities, started to advertise trusteeship vacancies for the charities registered on its website. People can search for vacancies by charity sector, geographical location and keywords, and The Big Give will make sure that charities follow up on any applications made through its website.

Our view

The development of new awareness-raising initiatives, and greater collaboration between different organisations involved in trusteeship, are positive. We hope that Trustees' Week will help to promote the value of trusteeship to a wider public audience, and it will be interesting to see what impact it achieves.

But we would like to see government go a step further. One of the biggest obstacles to volunteering is a lack of time, which helps to explain why such a large proportion of trustees are retired (nearly half of trustees are aged 60 or over).¹² In *Board matters*, we recommended that if government is serious about promoting volunteering, it should consider giving its employees a right to time off work to undertake voluntary activities such as being a trustee. This could help increase diversity on boards, and could help job seekers in the recession, as many professionals are struggling to find work and keen to learn new skills.

In its recently published *Cabinet Office Structural Reform Plan*, the Government stated that two of its actions for building the Big Society are 'Break down barriers to social action and volunteering' and 'Explore how to make regular volunteering an element of civil service appraisal; identify and publish data to give greater detail of government support for social action'.

Some government departments already have promising initiatives in place. Baroness Neuberger's report on *Employer-supported volunteering in the civil service*, published in July 2009, found that nearly all departments have some form of volunteering policy. Some of these policies seem well-established. For instance, the Home Office allows its staff up to five days paid leave to undertake volunteering, has built volunteering into its personal development plans and appraisal system, and helps staff find appropriate volunteering opportunities.

However, the report notes that few departments have reliable data on how many staff make use of volunteering policies. If the Government is serious about breaking down barriers and publishing data 'to give greater detail of government support for social action', we think it should monitor staff engagement in volunteering. We would also like to see all departments making formal employee volunteering schemes a priority, and ensuring that becoming a trustee is one of the options they highlight to staff. This should be feasible, even in a climate of public spending cuts. As the report notes, some smaller departments 'have found imaginative ways round a lack of resources', and developing volunteering opportunities may be supported through training and development budgets.¹³

NPC thinks that other employers should do more to encourage employees to become trustees too. As well as helping charities, being a trustee can improve staff skills and satisfaction. It fits well into corporate social responsibility programmes and it can provide good leadership development opportunities. Yet employer-supported volunteering remains relatively limited. According to the 2006-2007 *Helping Out* study,[†] 30% of employees in the public sector said their employer offered an employer-supported volunteering scheme (as compared to 45% of public sector employees).¹⁴ We can assume that employers' awareness of trusteeship as a form of volunteering is lower still.

What is preventing more employers from developing employer-supported volunteering programmes? A June 2010 report from the **ACEVO Taskforce on Better Regulation**, *Public Impact Centred Regulation for Charities*, recommended that 'Work should be undertaken to understand and address the blocks stopping employers (from all sectors) from recognising the benefits of and encouraging their employees to serve on charitable boards.' It suggested that one approach to achieving this might be a sector scheme to get charities to commit to certain standards of board development and conduct, and in return they would get employers' endorsement of their staff's commitment as trustees. It gave the example of the organisation Arts and Business, whose 'Board Bank' service connects skilled professionals with not-for-profit arts organisations, and trains them in good governance, as well as helping them to understand their roles and responsibilities as trustees.¹⁵

Recruitment services

In *Board matters*, we noted that there is no simple and accessible system through which potential trustees can find charities or charities can find trustees. A lack of time and resources available to invest in getting recruitment right can also be a barrier to recruiting an effective board. In this section we will consider what has changed over the last year.

What's new?

Quite a lot! Over the last year, there has been an increase both in the number of trustee recruitment services, and resources to support recruitment.

[†]The *Helping Out* study was carried out by NatGen and the Institute for Volunteering Research, on behalf of the Office of the Third Sector within the Cabinet Office. It was designed as a follow-up study to the 2005 *Citizenship Survey*, to represent the general (adult) population in England.

Although the system still could not be described as simple, the **Charity Commission**, which re-developed its website earlier this year, has tried to create a single point of entry for charities or individuals thinking about trustee recruitment.

The Charity Governance section of the Charity Commission's website provides a 'start to finish' guide to recruiting new trustees and increasing the skills and experience on your board, called *Finding new trustees—What charities need to know*. The Charity Commission also provides a list of useful links to charitable services that provide trustee recruitment. These include NCVO Trustee Bank, Getting on Board, Charity Trustee Networks' Trusteefinder, and two new services that have been developed in the last year: Reach's TrusteeWorks and ICAEWjobs.com, the new recruitment portal from the Institute of Chartered Accountants in England and Wales (ICAEW).

However, the Charity Commission only lists trustee recruitment services run by charities, so it cannot provide a comprehensive guide to recruitment support. Commercial organisations, including a number of executive headhunters, continue to be active in this area, though their fees may be beyond the budgets of many charities.

In addition, **Russell-Cooke Solicitors** has produced a guide to *Where to Find Information about Finding Trustees*, which lists a range of organisations that charities can contact, including those with specialist interests such as the Bar Pro Bono Unit, the National Housing Federation, Charity Finance Directors' Group, the Council of Ethnic Minority Voluntary Sector Organisations (CEMVO) and the City Women's Network.

The **ICAEW** has developed a new initiative to improve charities' access to finance professionals through its 134,000 plus ACA (Associate of the Institute of Chartered Accountants in England and Wales) qualified members in the UK and internationally. ICAEWjobs.com now allows charities and other non-profit organisations to advertise volunteering positions to ICAEW's members free of charge. These do not only have to be financial or accounting roles—ICAEW members have experience across a variety of disciplines including HR, IT and risk management, all of which are valuable to charity boards.

TrusteeWorks is a new service from the skilled volunteering charity, Reach, which is working in partnership with the specialist recruitment consultancy Prospectus. Launched in October 2009, it aims to provide an 'end-to-end' service for trustees and boards. It currently offers a recruitment service that helps charities find trustees with the right skills and experience. It also provides broader support in helping boards to be more effective, such as a guide to carrying out a skills audit and advice on trustee inductions, plus links to useful resources. Further details can be found in the box below.

A new recruitment service called **Trustees Unlimited** was also launched in November 2009 by the specialist law firm Bates Wells & Braithwaite (BWB), in partnership with the NCVO and Russam GMS (a leading provider of interim managers to the charity sector). In terms of price, this service sits between TrusteeWorks and commercial headhunters, with fees ranging from £750 to £5,500. It offers three levels of service for charities seeking trustees: basic (for organisations with a turnover of less than £500,000); standard; and enhanced. People interested in becoming trustees can also register their interest.

The basic service involves a one-hour briefing conversation between the charity and consultants from Trustees Unlimited, who search their database and forward to the charity details of candidates who express an interest in the role. It is then the responsibility of the charity to decide how to proceed. In contrast, at the standard and enhanced levels, there is a more in-depth briefing process to define the job description and person specification. As well as searching its database, Trustees Unlimited will also interview and reference-check a longlist of candidates before presenting the charity with the shortlist and, potentially, assisting the charity with the final interviews. The enhanced services also offer additional benefits such as free places at a half-day trustee induction workshop and NCVO BWB/On Board Trustee Conference.

TrusteeWorks

TrusteeWorks, a service run by Reach in partnership with Prospectus, helps individuals and charities looking to find or fill trusteeship roles.

Skilled individuals interested in board-level volunteering can register with TrusteeWorks, which will send them a list of opportunities that have been personally selected based on their criteria. Individuals also have the opportunity to search TrusteeWorks's directory of opportunities themselves to explore other roles. Once individuals have selected which roles interest them, TrusteeWorks will let the charity know and pass on their contact details so they can meet directly.

Charities can choose between three levels of service, each of which is personalised to the needs of the individuals and organisations:

- *Managed service*: offers access to Reach's extensive register of skilled volunteers. It provides advice and support in defining the role, promotes the role to suitable candidates, and sends the charity details of interested candidates, which they can then follow up.
- *Premium service*: works closely with charities to understand their needs, define and publicise their roles, and actively search for, approach and shortlist candidates with suitable skills and experience on their behalf.
- *Bespoke service* (delivered by the specialist recruitment consultancy Prospectus): offers a full external search and selection facility for trustee roles, recruitment advertising in national, local or specialist press, and access to the full range of Prospectus resources and expertise. This tends to be used for senior board roles such as chair and treasurer.

These services vary in price, starting at £75 for the managed service.

Many charities will not be able to afford to pay for external recruitment support. In recognition of this, in May 2010 the **NCVO** produced a new online resource on *Trustee Recruitment for Small Organisations*. This is designed to guide small charities through the recruitment process step by step, from working out whether they need to recruit and defining the role, to welcoming new trustees and supporting board development. Practical tools are provided for each step of the process, such as templates for a trustee recruitment plan and trustee eligibility declaration to promotional ideas and advice on 'how to write a killer advert'.

Our view

The range of different services available to support trustee recruitment can still seem confusing, and, ideally, it would be good to have a system that is easier to navigate for people who are new to the charity sector. That said, there is certainly a case for having a hybrid market. After all, the charity sector is made up of organisations of all shapes and sizes, so it needs recruitment services that can work at these different levels and cater for a range of needs. It seems positive that there are more mid-market offers, such as TrusteeWorks and Trustees Unlimited, to support charities through the recruitment process. Given that over half of voluntary organisations in the UK have an annual income lower than £10,000,¹⁶ and in view of the current state of the economy, it is also important that free support, such as NCVO's Trustee Bank and guide for small organisations, and CTN's Trusteefinder, continue to be available to help charities that cannot afford to pay for specialist support.

Finally, we would flag up to funders that they can make a valuable investment by helping a charity with recruitment. Trustees are a vital and low-cost resource to charities. But, whether or not a charity uses a specialist recruitment service, finding good trustees requires a substantial commitment of time and effort up front. In a climate where resources are going to be tighter

than ever, funders should think carefully about a charity's governance needs. They should consider whether the board needs a skills audit to identify any gaps and clarify the roles of new trustees, and whether there is a case for funding a charity to use a recruitment service. They might also consider giving charities the sort of core funding they need to enable management to spend time searching for, selecting, and supporting high-quality trustees.

Supporting boards

In *Board matters*, we identified a number of ways in which support could be improved for boards once they are in place. For instance, we highlighted that induction of new trustees is rarely done well, but can make a big difference to their understanding of their role and performance. We also suggested that, while there is a great deal of guidance for trustees, marketing and distribution of this guidance could be improved, and there should be more opportunities for trustees to learn from each other.

The last year has seen the development of new resources and services that improve support for boards. In particular, a revised version of *Good Governance: A Code for the Voluntary and Community Sector*,¹⁷ has been produced, outlining the general principles of good governance.

Revised Code of Good Governance

What's new?

In 2008, a report by nfpSynergy found that the Code of Good Governance (which was originally published in 2005) had been used by 42% of charities surveyed, and another 29% were aware of it.¹⁸ The steering group behind the Code, which consists of ACEVO, the NCVO, Charity Trustee Networks, and the Institute of Chartered Secretaries and Administrators (ICSA), with support from the Charity Commission and an independent chair (Lindsay Driscoll from the specialist law firm, Bates, Wells & Braithwaite), has since held a consultation process to explore how the Code could be developed to make it more useful and increase its impact.

Following this consultation, the steering group has produced some refashioned principles for good governance, which are designed to be easier to understand and relevant to charities across the sector. These were published in May 2010 and can be read on the Charity Commission website (see below for the high-level principles). A revised version of the full Code, which will include good practice guidance and supporting materials, should be available from August 2010.

NPC's conversations with members of the steering group suggest that the revised Code will take a less prescriptive, 'check-list' style approach than the original. A second version of the Code aimed at small organisations without staff, which rely on trustees for day-to-day management, will also be produced in recognition of the different types of governance challenges they face. The Code steering group is also keen that the Code should be adapted for specific groups. Some national charities such as Oxfam have already developed their own codes of good governance, and the Code steering group will encourage infrastructure organisations (representing and supporting particular groups of charities) to produce their own tailored versions of the Code.

Our view

The refashioned Code of Good Governance should provide a useful resource that is relevant to charities of all shapes and sizes, and we hope to see infrastructure bodies adapt it to meet the needs of particular groups of charities.

One of the challenges with the revised Code will be to ensure that it is disseminated as widely as possible within the charity sector. The original Code was supported by government funding through the National Hub of Expertise in Governance, but this organisation, and the accompanying funding, no longer exist. Consequently, the organisations involved in the steering group have had to volunteer their time and will use their own networks to publicise the

refashioned Code. For funders with a specialist interest in trusteeship, supporting the distribution of the revised Code and its adaptation for particular groups of charities could be a valuable contribution.

Key principles of good governance

The refashioned Code of Good Governance has six high-level principles. These are designed to be universal and applicable to all voluntary and community organisations, although the practice and procedures may vary depending on the size and type of organisation.

The principles state that an effective board will provide good governance and leadership by:

1. Understanding their role
2. Ensuring delivery of organisational purpose
3. Being effective as individuals and a team
4. Exercising control
5. Behaving with integrity
6. Being open and accountable

Underlying each of these is the principle of ensuring equality, diversity and equality of treatment for all sections of the community.

Full details about the points underpinning these principles are available from the 'Key Principles of Good Governance' page on the Charity Commission website.

Specialist resources and support

In the last year, new resources and services have emerged to support boards to become more effective. Some of these are tailored to particular types of organisations, such as smaller charities, while others aim to address particular issues, such as the implications of the economic downturn.

What's new?

Late 2009 saw the emergence of a new player on the scene, **KnowHow NonProfit**, which is providing 'end-to-end' guidance for boards. Launched by The Cass Centre for Charity Effectiveness at City University in 2009, KnowHow NonProfit allows people in the charity sector to learn and share their experience with others. The 'governance' section of its website provides information and links to useful resources on a whole range of governance issues, including: accountability; knowledge and networks; stewarding resources; board effectiveness; mediation; and chairing. It also runs its own online governance forum where people can share experiences and views.

A range of resources have been developed by other organisations to provide specialist guidance on specific issues, such as the recession. The **Charity Commission** has produced a new resource to help trustees support their charities through the economic downturn: *The economic downturn—15 questions charities need to ask* (June 2009). This is designed as a practical checklist reflecting good practice that charities should use when reviewing the way they operate. Although not all questions will be relevant to every charity, it can be used as a template to adapt to individual charities' circumstances.

Charity Trustee Networks (CTN) has also published recession resources. These include its *Recession Busting Top Tips*, and links to advice and resources to help charities survive the downturn, including specialist advice for charities considering mergers or collaborative working, which is one of the questions it suggests trustees consider.

The NCVO, in partnership with the law firm Bates, Wells & Braithwaite and the communications agency Society Media, also launched a new **Get Legal** website in July 2010. Designed as a free online reference tool, it provides specialist information and guidance on governance and legal structures for charities, social enterprises and co-operative organisations, and their advisors, including a decision tool and standard legal documents.

New resources have been produced for specific groups as well. The **Charity Commission** has published guidance on *Involving young people in running a charity*. As it notes, young people are under-represented on boards: fewer than 4,500 of the trustees in England and Wales—less than 1%—are under 25.¹⁹ Yet young people can bring charities valuable experience, enthusiasm and a fresh perspective. The guidance discusses a variety of ways in which young people can be involved in governance—for instance, as advisors or representatives of users—and notes that a tokenistic approach to diversity should be avoided. The Charity Commission is also due to publish further guidance on *Volunteering as a trustee—awareness and understanding of the role amongst young people, barriers experienced and motivations for considering trusteeship* in September 2010.

Linda Laurance & Associates, the governance consultancy, has launched a service called There4Chairs providing specialist support for board chairs. While resources and guidance for trustees has been improving, Linda Laurance & Associates felt that there was still a lack of support and guidance for chairs, beyond the resources and networks produced by the Governance Hub and Charity Trustee Networks. They therefore set up a new service that can provide one-to-one support for chairs, or work with the chair and the chief executive, with the chair and the rest of the board, and with groups of chairs. This includes support on a range of issues, such as induction, presentation skills and media training, CEO and board appraisal, coaching and mentoring, and facilitation and mediation.

A new report, published in January 2010, for the **NCVO** and **Charity Trustee Networks** also explored what makes chairs of governing bodies effective. This report aimed to address the lack of research into the leadership role of chairs and was based on an online survey of board chairs and other key people they work with by academics in the UK, US and Canada. The survey found, among other things, that it is often softer inter-personal and leadership skills that distinguish effective from ineffective chairs. It concluded by outlining the practical implications for the recruitment and development of chairs,²⁰ which can be read here.

Our view

The provision of new user-friendly guidance and resources on specific issues or specific groups is welcome. However, information on its own has its limitations. Some of the key factors that influence board performance, such as the quality of induction, remain an issue. This is not for lack of guidance—it is because, ultimately, it is the responsibility of the individual charity and depends on board members having the inclination, time and resources to invest in running a good induction process.

How might these issues be addressed? One way might be by raising awareness of the importance of good induction, perhaps through initiatives like Trustees' Week, and providing opportunities for trustees to learn from each other and share their experience. The networks, seminars, conferences and workshops run by organisations such as the NCVO, Charity Trustee Networks and ACEVO, continue to play an important role, and the new interactive governance forum run by KnowHow NonProfit could contribute to this as well.

We think that it would be worth revisiting another suggestion made in *Board matters*—that there should be greater transparency about charities' boards. We noted that a charity's annual report has to contain some basic information about its board, such as who the trustees are and how much money was spent on governance. Requiring, or encouraging, charities (particularly those above a certain size) to explain in more detail what induction trustees receive, or when the board last evaluated its performance, could incentivise them to improve. However, given that the Charity Commission's resources are being reduced, this initiative might have to be driven from within the charity sector, by charities and funders, rather than enforced from above.

As the impact of the economic downturn and public spending cuts kicks in, specialist advice on particular problems may also be welcome. More charities will have to deal with difficult issues, such as losing contracts and making redundancies. HR expertise is likely to be at a premium. Last August, the Chartered Institute of Personnel and Development (CIPD) published an introductory guide to board-level volunteering on its website, provided by Getting on Board. Now seems like a good time for it to build on that and encourage its members to volunteer their expertise as trustees or by providing guidance or support.

Evaluating board performance

It is widely recognised that reviewing boards' performance can help them to address strengths and weaknesses and identify how to improve their impact. However, anecdotal evidence suggests that board evaluation, either internal or external, is not a regular process for many charities.

Ideally, evaluation should entail the whole board reviewing its performance, and reviews of each trustees, including the chair, but this process obviously takes time and money, particularly if the board brings in an external evaluator. Trustees who give up their time for a charity may also feel reluctant to have their volunteer work assessed, and boards may be concerned about uncovering issues that will be difficult to address.

What's new?

The issue of board evaluation has been in the public eye over the last year. The 2009 Walker review of corporate governance in UK banks and other financial industry entities recommended that boards should undertake formal and rigorous evaluation of their performance, with external facilitation of that process every second or third year. It suggested that the evaluation statement should be either included as a dedicated section of the chair's statement, or as a separate section of the annual report, signed by the chair. It also recommended that, where an external facilitator has been used, details should be included in the statement.²¹

This principle seems equally applicable to charity boards, although obviously they are likely to have fewer resources at their disposal. Few in the charity sector would quibble with the suggestion that regular reviews can improve board effectiveness, and there are a number of consultants and organisations that will conduct board reviews. Nevertheless, as far as we are aware, the number of boards undertaking regular evaluation is still quite limited. There has not been the proliferation of services and resources that we have seen in recruitment, but the lack of evaluation does not seem to be due to lack of support. Rather, it seems to stem from a lack of inclination and resources.

On its governance pages, **KnowHow NonProfit** asks its readers why governing bodies do so little assessment of their own effectiveness, and how we can change this. It also asks people to submit examples of great chairs and poor value board meetings, and to let them know which resources they have found most useful for measuring board member effectiveness. Providing opportunities for people to share experience and views is certainly useful, and NPC hopes it finds some answers.

Our view

Evaluation is ultimately the responsibility of the individual charity, and it is important to persuade boards, and particularly chairs, of the benefits of evaluation. Incorporating an expectation of evaluation into trustee recruitment and induction might help. As we noted in *Board matters*, another way of incentivising more evaluation would be to make board reviews a criteria for governance reporting in charities' annual reports.

More broadly, funders and government could help by encouraging boards to report on, and talk about, their evaluations, and rewarding boards that do so, for example through awards schemes. Cost can be a major barrier to evaluation, so it is also important to raise funders'

awareness of the benefits of board evaluation, and the costs involved, so that they understand the value of supporting it.

The issue of cost is particularly pertinent given the current economic climate. At NPC's recent seminar on 'How boards can maximise their own effectiveness', Tesse Akpeki, governance expert and consultant for Bates Wells & Braithwaite's On Board service,[‡] shared a practical idea for getting round this. Tesse noted that she has recently worked with charities that have made an agreement with another charity working in a different field to do a peer evaluation. This involves a 'trustee swap' with a trustee of one charity attending a board meeting of the other charity as an external observer, and vice versa. The process needs to be handled carefully—both charities need to be committed to completing the evaluation thoroughly and with sensitivity. However, if done well, the boards of both charities can benefit from a fresh pair of eyes at no additional cost.

Charities that do not have the resources to pay for external evaluation might also like to revisit NPC's simple self-assessment tool, *Ten questions to ask yourself and your board*, which can be found in Appendix 2 and on NPC's website.

[‡]On Board is a consultancy that offers governance development, training and support to charities and social enterprises, from leading charity consultants Tesse Akpeki and David Carrington and law firm Bates Wells & Braithwaite.

3. Ongoing issues

Through the course of conversations with governance experts, charities and trustees over the last few months, it has become clear that, as well as positive developments, there are some ongoing and inter-related issues with trusteeship. Not all of these fit neatly into the categories above, so we highlight a few of the key themes below.

Improving diversity on boards

The issue

Diversity is important to boards, as Carol Lake noted in the case study at the start of this briefing. A board should include people with a mix of experience, skills and perspectives that fosters constructive debate and enables the board to act as both a support and a critical friend to the management team. But it should not become a tick-box exercise: diversity should mean different things for different organisations. Each charity should think carefully about its individual needs and carry out an audit to identify skills and experience that may be lacking from its board.

As we highlighted in *Board matters*, there is a lack of diversity on charity boards in the UK, particularly in terms of age. All too often, trusteeship is seen as an activity for retired middle class people: nearly half of trustees are aged 60 or over,²² and the Charity Commission notes that less than 1% of trustees in England and Wales are under 25.²³ Representation of black and minority ethnic groups on boards seems to be less of an issue.* Charities also complain that it is difficult to recruit trustees with legal, financial or fundraising skills. Charity Commission research showed that 66% of large and 72% of very large charities found it difficult to attract new trustees with the right skills.²⁴

The limited diversity of charity boards is not surprising. Retired people have more time available than people in full-time employment, may be more aware of the opportunities, and may be more confident of their skills than younger people. Similarly, professionals with skills in demand on charity boards, such as lawyers and accountants, often have high pressure jobs that make it difficult to take time off work. Issues with recruitment also contribute to lack of diversity: approximately 81% of charities rely on word-of-mouth and personal recommendation as a method of attracting new trustees.²⁵

Our view

The lack of diversity does not seem to be due to a lack of guidance and resources to support under-represented groups. For instance, the Charity Commission has published new guidance on *Involving young people in running a charity* and new 'Easy Read' guidance for trustees with *learning disabilities*, and the NCVO has previously published a handbook on *Involving young people*. There are also good examples of charities that have effectively engaged under-represented groups in their governance (see box below).

If the guidance on its own is not enough, and we know that diversity is achievable, what can be done encourage it? Working to raise awareness of the importance of diversity, and to flag up where to find the existing advice, may be part of the solution. New initiatives such as Trustees' Week, and initiatives from professional associations such as the Institute of Fundraising and ICAEW should help encourage recruitment from a broader group of potential trustees as well.

*There is a perception that people from black and minority ethnic (BME) groups are under-represented on boards, but it is difficult to find evidence to support this. According to the NCVO Trustee Recruitment Challenge, 3.3% of trustees are African-Caribbean and 1.4% are Asian. This means that the proportion of African-Caribbean trustees is actually higher than the proportion of the population classified as Black or Black British (2%), but the proportion of Asian trustees is lower than the proportion of the population classified as Asian or Asian British (4%). (Census, April 2001, taken from National Statistics website.)

Getting young people on board

Young people are under-represented on charity boards, and most people agree that more young people should be encouraged to become trustees. They can bring valuable skills, experience, enthusiasm and fresh perspectives to boards, although charities should think carefully about why they want to involve young people, what role they could play and whether they could support them adequately in that role. The board should be prepared to adapt and evolve to integrate young trustees, and it is very important to invest in good induction.

NUS (National Union of Students) and the 600 students' unions in further and higher education across the UK provide good examples of boards where young people play the key role. Although students' unions have long been charities, as exempt charities, they were not able to register with the Charity Commission until June this year. As a result of this change, during 2010/2011, hundreds of young, elected student officers, many of whom are in full-time paid sabbatical roles, in some cases of multi-million pound organisations, will become registered trustees. These officer trustees serve alongside elected student trustees (who are not student officers) and external trustees, who will be brought in for their skills, experience and knowledge, and for continuity.

Student officers are elected annually, and it is crucial that they get up to speed with their responsibilities as soon as possible. To support this, NUS is running accredited trustee training courses, developed in conjunction with the NCVO, as well as a range of events for student officers to help them understand their new roles as leaders of their organisations. As student officers can usually only serve as trustees for a limited time (a maximum of two years), students' unions have also adapted their board structures to ensure continuity. For instance, as the chair is usually the elected president of the students' union, who will only serve for one year, unions may recruit an external vice-chair to support the chair. This vice-chair can serve for longer and bring additional expertise to the board, for example in HR and finance.

More broadly, NUS recognises that it has an opportunity to raise awareness of trusteeship among young people. It encourages students to take on roles as trustees of other types of charities or as school governors, to build their skills and experience while at college or university. This year, it has also started to work with other organisations, including Trustees Unlimited and TrusteeWorks, to encourage student trustees to move on to trustee roles in other charities once they leave college or university. We look forward to seeing how this initiative develops over the coming year.

It is worth mentioning that specialist support is available to help other types of charity to involve young people in their governance. **Participation Works** is a consortium of six national children and young people's agencies that helps organisations to involve children and young people in work that affects their lives. This includes (among other things) the provision of training and resources for young trustees, introducing them to what it means to be a trustee and what they will need to do to fulfil their responsibilities.

However, it seems to us that the biggest barriers to diversity remain time and resources. Achieving diversity requires time, both on the part of the charity—for recruitment—and on the part of the potential trustee. So, as discussed earlier, we think that funders can make a valuable contribution by supporting recruitment. Meanwhile, government and employers can enable different people to become trustees by giving employees time off work for volunteering and developing incentives for becoming a trustee.

We have also heard people raise concerns that there is a tendency for charities to think too narrowly about diversity. Achieving diversity is not simply about having representatives of particular professions, communities or age groups on the board. Sometimes this may not be feasible or appropriate. Boards should think about other ways in which diverse views and skills

can inform their governance. This leads us to the next point, about taking more flexible approaches to governance.

Flexible governance

The issue

As we noted in *Board matters*, charities vary enormously in size, source of funding, nature of work and stage of maturity. However, governance is often seen in terms of one standard governance structure: a non-executive board of volunteer trustees that meets every few months, with a separate management team that is responsible for the day-to-day operations of the charity.²⁶

This is not the most effective structure for all charities. It may not be appropriate for membership organisations, for example, which have to balance the need for an effective board with the need to represent their membership. Where boards are predominantly elected from their charities' members, they can end up representing narrow interests rather than the interests of the whole charity, and can be large and unwieldy. The Charity Commission reports that a disproportionately large number of cases it sees involving internal disputes are from membership charities.²⁷

Small charities that are entirely reliant on trustees for day-to-day management face different issues again. How do they balance strategic board-level thinking with the minutiae of charity administration?

These issues are widely recognised and we have heard examples of charities that have developed more flexible approaches to governance that are more appropriate to their needs. For instance, in *Board matters*, we gave the example of Cancer Research UK, which went through a comprehensive review in 2007 following a merger. One of the key changes it made was to reduce the board size from 20 to 12 trustees, while retaining an equal balance of scientists and non-scientists. However, some of the retiring scientific trustees continued to contribute to the charity's work by joining the Research Strategy Committee.

Our view

It has been good to see the issue of governance structures gain more attention recently, particularly in the June 2010 report from the ACEVO Taskforce on Better Regulation on *Public Impact Centred Regulation for Charities*.

This report highlighted that governance is not just something the board does on its own—it is also about the relationship between the board and management teams. Charities should develop and evaluate their governance systems on an ongoing basis so that they ensure they address their changing needs. The Taskforce recommended to regulators, funders and government that *'The regulatory default option on governance should be that charities are best placed to determine the most appropriate board structure to meet their mission, providing it is publicly disclosed'*. It suggested that, given the plurality of the sector, a range of options should be open to charities including, potentially, providing remuneration for trustees or having members of the executive on the board in certain circumstances. It also noted that²⁸

This is something that the chief executive of the Charity Commission, Andrew Hind, has recently commented on as well. In a speech in July 2010 he noted that there are circumstances when it makes sense to pay trustees, particularly of larger charities, to ensure they have diverse boards with the right mix of skills. However, he recognised it may be less appropriate for other types of charities, and emphasised that charities should still need to get the Commission's express permission to pay trustees.²⁹

The Taskforce did not just make recommendations to the regulators. It also urged charities to ensure that their constitutional documents give them the power to use different governance options if they become appropriate, and recommended that they review, update and disclose

'the impact of their practices and plans for investing in the quality of their governance structure'.³⁰ The support of resources such as the new Get Legal website may come in useful here.

To help charities think through the structure appropriate to them, we think that there is scope, and need, for more guidance and discussion of how governance structures can be adapted to the requirements of individual organisations.

Dissemination of case studies could be helpful, for example. We have heard anecdotal evidence of charities that have reformed their boards and developed new governance structures, but these rarely seem to be written up and published. Events, online forums and networks could also provide opportunities for charities to learn from each other and share experiences and strategies for ensuring their board structure and processes work well.

There is also a gap in the research base. A recent paper on *Challenges and Future Directions for Third Sector Governance Research* noted that most research has focused on the boards of unitary organisations (those with a single governing body or board). The paper argued that little attention has been paid either to the wider governance systems beyond the board, or to the complex, multi-levelled governance structures that have developed in some organisations,³¹ and the challenges and opportunities these present.

We think that research into the barriers to innovation in governance could also be useful, so we can understand why making changes might be difficult, how regulation affects innovation, and how these barriers might be removed.[†]

Refreshing boards

The issue

Improving governance structures sometimes has to go hand-in-hand with renewing the composition of boards. It is widely accepted that charities periodically need to review and renew their boards. The Charity Commission's guidance, *The Essential Trustee: What you need to know*, recommends that it is best practice to have a set term of office. Its guidance for charities on *Choosing and preparing a governing document* notes that terms of office are usually one to five years, and that it may make sense to provide for staggering the terms of office so that trustee appointments do not always end at the same time.

Sensitive situations can arise if a trustee is not fulfilling his or her responsibilities, or is acting in a way that disrupts the effective functioning of the board. Poor performance or bad behaviour obviously need to be dealt with on a case-by-case basis. In the first instance, it should be the responsibility of the chair to manage any problematic behaviour from trustees. However, what should charities do if they do not have a strong chair? The charity Beat, discussed in the box above, was fortunate to have a funder that was willing to help the charity overhaul its board. What should charities do if they do not have this type of external support?

Our view

There are no simple answers to this question. However, NPC's experience suggests that trustees value opportunities to share their experience and strategies for coping with difficult situations—discussions that might otherwise be confined to their board room or conversations with governance consultants. Providing forums for discussion and capturing trustees' recommendations could be one area for future development.

[†] NPC and ACEVO are interested in doing joint research on this topic. If you are interested, please contact Clare Yeowart: cyeowart@philanthropycapital.org.

Beat: how board renewal helped a charity to change

At a recent NPC seminar, Susan Ringwood, chief executive of the eating disorders charity Beat, told participants how a complete overhaul of her board had helped the charity move forward.

When Susan became chief executive in 2002, she inherited a board that was holding the organisation back. It had 16 trustees who were drawn entirely from the charity's membership, had a limited mix of skills and experience, and were all directly affected by eating disorders. The chair knew change was needed, but felt unable to achieve it. The board met six times a year in London (despite the fact that the charity was based in Norwich) and lacked a business plan, aims and objectives.

In order for the charity to professionalise, it needed to refresh its board, but doing so would never be easy. Fortunately in 2004 the venture philanthropy funder Impetus Trust made board development part of their broader support for the charity and provided Beat with funding to employ a recruitment agency to look for a new chair. The rest of the board has also changed considerably since then, and Susan emphasised that the executive has had to raise its game as well.

Beat's board now has proper governance systems and processes, with three-year set terms for trustees and week-day meetings in Norwich. Trustees are selected on the basis of their skill-set, as well as their understanding of eating disorders. The board now has several trustees with financial and commercial expertise, and the ability to fundraise through contact with major donors. Other skills on the board include HR, media, and well-connected individuals in the education and medical sectors. Although it is less influenced by former sufferers, most of the current board members do still have a personal connection with eating disorders; indeed it is difficult to engage trustees (and donors) without a direct connection. Beat also draws on research and feedback to ensure that sufferers' needs are used to inform the development of its services.

This process of renewal has enabled Beat to grow stronger and achieve a greater impact. Its annual income has increased from just over £400,000 in 2002 to over £900,000 in 2009 and it has a strategic plan and succession plans in place. It has also re-branded, moving from the Eating Disorders Association to become Beat, a brand that is designed to be more accessible and appealing to the core age group affected by eating disorders (girls aged 12-20). Since changing its name to Beat, the charity has seen a 200% increase in the number of young people contacting it, and it now has direct contact with 160,000 people per year through its helplines, self-help network and training, and indirect contact with a further 750,000 through information requests, publications and unique visitors to its website. The turnaround took four years, but without it, the charity would not be where it is today.

NPC's full analysis of Beat is available on our website.

Board behaviour

The issue

Trustees' behaviour and their relationships with each other, and with the executive, have a crucial influence on how effective a board can be. Ensuring the quality of interaction is partly about recruiting the right mix of people. However, it also depends on whether the right people are in the right roles, how the chair manages the relationships between board members, and with the executive, and how active and engaged board members are.

The importance of board behaviour has been thrown into sharp relief by recent failures of corporate governance in the financial sector. The problems seem to have stemmed as much

from the boards' behaviours, and their failure to question, or to ask the right questions. The 2009 Walker review of corporate governance in UK banks and other financial industry entities noted, *'Board confirmity with laid down procedures such as those for enhanced risk oversight will not alone provide better corporate governance overall if the chairman is weak, if the composition and dynamic of the board is inadequate and if there is unsatisfactory or no engagement with major owners'*.³²

The role of the chair is critical. If there is a problem with the board's behaviour, it should be spotted by the chair and chief executive, who should work out how to address it. The risk that they do not spot or address the problems is another reason why external reviews are valuable, as they can highlight issues that would otherwise go unremarked.

The recent research for the NCVO and Charity Trustee Networks on what makes chairs effective reinforces this. The survey found that 'it is the softer interpersonal and leadership skills that distinguish effective from ineffective chairs'. It therefore suggested that these skills should be given equal, or possibly more, weight than skills such as problem-solving or strategic thinking during recruitment processes. The research also found that chairs who were seen as 'fair, open to ideas, focused on building high quality relationships with others and encouraging team work' were thought to have a considerable impact on the effectiveness of the board, the chief executive and the organisation.³³

All about behaviour

The importance of a good relationship between the chair and chief executive was one point highlighted in NPC's seminar on how boards can maximise their own contribution, held at Clothworkers' Hall in June 2010.

The key message from the morning was that relationships and the behaviour of boards are as important as structures and systems. As Belinda Vernon, NPC's Head of Research, commented, 'It's about getting the right people on the bus', quoting the management guru Jim Collins.

This message was backed up by the other speakers, Dame Mary Marsh, Director of the Clore Social Leadership Programme; Tesse Akpeki, governance expert and consultant for Bates Wells & Braithwaite's On Board service; and Ken Olisa, award-winning chair of the homelessness charity Thames Reach.

Akpeki called for more candour and honesty from board members, claiming 'It's not just about the skills of the board, it's about the quality of the interaction.' Marsh described exactly what the role of 'critical friend' really means when being a trustee. And Olisa offered a first-hand account of what he thinks makes a good chair, emphasising the need for 'respect, trust and a shared sense of what the organisation is trying to achieve'. He added 'The human element of the role must be important or they would just get computers to do the job of trustees!'

NPC will be publishing a report on our seminar series for trustees later in 2010.

Our view

As the impact of the economic downturn makes itself felt, the quality of governance relationships will become more important than ever. Many boards will have to have difficult conversations and make difficult decisions about issues like financial cutbacks, redundancies and, in some cases, the potential for mergers and collaboration. These are not comfortable times and boards must not shy away from issues that are critical to the welfare of their charity and, more importantly, its beneficiaries.

What can be done to help boards ensure their behaviour is as supportive and constructive as possible? Forums, both real and virtual, could be valuable in providing opportunities for

trustees to share their experiences and strategies for coping with the issues thrown up by the economic downturn, and for informal coaching and mentoring. Perhaps initiatives like Trustees' Week could provide an opportunity to do this.

Ultimately, it may be a question of getting trustees to stop and question the quality of their interaction. Time and space needs to be set aside for this—for instance, through review and appraisal processes—otherwise there is a danger that it will not happen.

Final thoughts

The last year has seen a range of developments in the world of trusteeship, including the launch of new recruitment services and resources for trustees, and greater collaboration between charities and professional associations. No doubt there are ongoing issues that still need to be addressed, but the opportunities and mechanisms for addressing them seem to be improving.

That said, there are difficult times ahead. Charities and those they help are going to be hard hit by public spending cuts. This means that it will be important than ever that charities receive the support they need from their trustees, and that boards are as effective as possible. Good governance requires time and effort, and private funders could make a significant contribution by providing support for this in times when charity budgets will be tighter than ever.

The Government's vision for 'the Big Society', which is receiving large amounts of media attention, provides an opportunity to showcase why trusteeship is such a valuable form of volunteering. Charities, professional associations and funders should make the most of this opportunity, for example, through Trustees' Week and their own campaigns. However, government and employers could also take concrete steps to remove barriers to volunteering—giving employees a certain amount of paid time off for volunteering and creating incentives for them to become trustees.

We hope that Trustees' Week will provide a platform for raising awareness not only about the benefits of trusteeship, but also about what effective governance means, how trustees, charities and funders can support it, and how boards can help their charities manage the pressures and strains that public spending cuts will bring.

Over the coming year, we would also like to see charities and funders taking the initiative to increase transparency and sharpen the focus on board effectiveness. If charities publish details of their own induction and review processes in their annual reports, and funders reward those that do so, it should encourage debate and promote a culture of transparency about how well boards are working.

Next year, we plan to revisit some of these issues and see what progress has been made. We believe that good governance is an essential component of effective charities, and we would love to hear your feedback and suggestions for future events and research that you would find useful.

Please contact Clare Yeowart with any comments: cyeowart@philanthropycapital.org.

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Individuals are listed under the primary organisation they are associated with in respect of this research; many are also trustees or staff of other organisations.

| | |
|--------------------------------------------------------------------|-----------------------------------------------------|
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Appendix 1: Characteristics of an effective board

NPC's *Board matters* report (2009) identified particular features that are characteristic of good boards, which we thought were worth republishing here.*

1. Trustees understand their role and responsibilities

In order to be good trustees, it is crucial that trustees understand their role and responsibilities. This includes understanding:

- the legal duties, responsibilities and liabilities the board has;
- that, as well as such compliance responsibilities, their role is to provide strategic leadership for the charity, to be a 'critical friend' of management;
- that they are, as trustees, not supposed to manage the charity directly (though in small charities, it may be the same people who are trustees as are managers);
- that the board is collectively responsible for decisions made by its members and sub-committees (eg, that each member is as responsible as the treasurer for financial oversight); and
- the workings of the charity and the sector it operates in.

2. A strong chair

The chair's role is to organise the board and be a conduit of information between the board and the staff. Everyone agrees that having a good chair is vital to a board performing effectively.

The chair sets the framework for how the board operates, allowing good governance to flourish. For example, the chair arranges meetings, setting their timing and arranging board papers to share information ahead of the meetings. At the meeting, the chair sets the tone for the board—he or she can encourage trustees to think critically but contribute positively and politely. Personal conflicts, such as one trustee trying to dominate meetings, seem to be the cause of a significant proportion of board issues. Having a healthy atmosphere is important, and the chair can do much to create one.

A poor chair can be the source of many problems. If he or she does not understand his or her role, does not encourage other members to contribute, or is too close (or too hostile) to the chief executive, the board will not be able to work effectively.

3. Good relationships

Good relationships within the board, and between the board and the staff (particularly the chair and the chief executive), are fundamental for a board to do its job well. A board can have all the correct procedures and systems in place—'tick all the right boxes'—but if the people on the board do not work well together, it could still be dysfunctional. This makes it difficult for an external observer (such as a funder or trainer) to assess how good the board is unless he or she knows the board well.

*For further information, readers should refer to guides about good trusteeship and trustees' roles and responsibilities, such as: *Good Governance: A Code for the Voluntary and Community Sector*, the Charity Commission's *The Essential Trustee* and *The Hallmarks of an Effective Charity*, and the NCVO's *the Good Trustee Guide*.

4. Appropriate skills

Given the range of a trustee board's responsibilities, it is important that the board has a variety of relevant skills, and that the trustees use their skills. For example, if a charity employs a large number of staff, it is good practice to have some human resources skills on the board. Having a relevant mix of skills is probably even more important for small charities with very few or no staff. For example, if a small community centre has only a general manager as an employee, it is crucial that a trustee can help with fundraising.

On the other hand, because the board is collectively responsible, it should not rely on one member's skills in a particular area. The greatest risk lies with financial skills, where one departure could potentially leave the board ignorant of the charity's financial situation.

In NPC's experience of analysing charities, many say it is difficult to find trustees with relevant financial, legal and human resources skills.

5. Fit for purpose

It is important that the board is appropriate for the organisation it governs. It should have good processes and enthusiastic trustees, but the importance of these may vary. A small, local charity's board may not have the formal systems and skills of the board of a regional charity, but it may make up for this in energy, passion and commitment. What works in one organisation may not work in another.

One aspect that will vary is the size of the board: very small charities with no staff may only have a few trustees, whereas national membership bodies may have over 20. Most people believe that if a board is too large, it may limit how effective it can be.

6. Evaluate performance

An important element of good trusteeship is being able to evaluate the performance of the charity and the board. A good board encourages the charity to produce high-quality information about the organisation's impact and progress so that it can hold the management team to account. It may also consider its own performance. NPC encourages charities to be more transparent about their impact and outcomes in order to understand and improve their performance. This equally applies to boards. NPC has developed a simple tool to help boards to think about their performance. The tool is contained in Appendix 2.

7. Add value

The underlying idea of good trusteeship is that a board should add value to the organisation and make a positive difference to it and its beneficiaries, otherwise it is not clear what its purpose is, especially if there are skilled paid staff.

This is an important element of good trusteeship, and it is self-fulfilling: trustees are most likely to be enthusiastic and engaged when they feel that their skills are being used well and are making a difference. However, if trustees focus on detailed issues where they can only have a negligible impact, they will lose enthusiasm.

Appendix 2: Ten questions to ask yourself and your board

1. Do we have the resources we need on our board?

- Do we have the right skills? Are they being applied?
- Do our board members have enough time to do the job properly?
- How diverse are we?

2. Does every board member understand his/her role and responsibility as a trustee generally?

- Do they understand the contribution expected of them for this charity?

3. Does the board do what it should?

- Does it ensure compliance with regulation?
- Does it try to improve the long-term performance of the charity?
- Does it, where possible, avoid discussing operational detail?

4. How good is our induction process?

- Does every board member receive an induction?
- Is it comprehensive?

5. How open and constructive are our inter-personal relationships?

- What are relationships like among board members?
- What is the relationship like between the board and the management team?

6. Do we have the best governance structure?

- Does the board delegate appropriately?
- Does the board benefit from expert advisors where possible?
- Does every member of the board understand the basis for all board decisions?

7. How well are board meetings run?

- Are they held regularly enough with full attendance?
- Are board papers prepared in good time and to high standard, with useful information about the charity's achievements and challenges?
- Are all members able to make a full contribution?
- Are decisions made collectively?

8. How well do we plan and manage recruitment and succession?

- Do we use the best recruitment method for finding the type of trustees we are looking for?
- Do we have succession plans?

9. Do we know how well we are doing?

- Do we review our individual performance?
- Do we evaluate the performance of the board as a whole?

10. Are our board processes, decisions and impact transparent to staff and outsiders?

- How do we communicate our impact with others?
- What do others say about our board?

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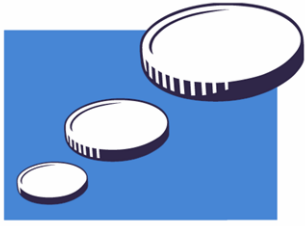
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New Philanthropy Capital

New Philanthropy Capital (NPC) is a consultancy and think tank dedicated to helping funders and charities to achieve a greater impact.

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