Submission to House of Lords Select Committee

About the Association of Chairs

1. The Association of Chairs was launched in October 2013 to provide support and challenge for Chairs of charities and other non-profits and thereby raise the bar of good governance. It was founded by a small group of experienced Chairs, CEOs and governance consultants in recognition of the lack of support for Chairs. AoC provides opportunities for Chairs to come together and learn from their peers; events and resources specifically for Chairs and Vice Chairs; a regular enewsletter; research, insight and analysis.

2. We have achieved a welcome from the sector and a positive response: we now have just under 400 members and a database receiving our e-newsletter of about 3,600. The two main guides we have published so far have been well received and downloaded nearly 6000 times.

Our key points

3. Our comments centre on charity governance and in particular on the role of Chairs. We have focussed our response on the questions where we feel the Chair's perspective is most needed and where we believe we have the most distinctive contribution to make. First however we want to make some key points that underpin our response.

The non-executive perspective is under-represented

4. A lot of what is written and said is from an executive perspective. This is of course very valuable but it's important to recognise that in the charity sector primary accountability rests in law with the non-executives. Furthermore the overwhelming majority of charities have no paid staff at all. We need to hear more of the non-executive's voice and distinctive perspective. Chairs in particular need to be involved in diagnosing problem areas and creating and implementing workable solutions. Lack of resources and organisations representing trustees and Chairs has made it hard for them to have a collective voice.

More recognition and respect for unpaid effort

5. There is a disturbing train of thought that assumes unpaid effort is inferior – an attitude that does not fit well with a sector built on so much voluntary effort. In our experience payment is neither a pre-requisite nor a guarantee of professionalism. More important are the necessary attitude, competence and skills; and access to support and development when needed. Examples of voluntary professionalism are common: RNLI volunteers; CAB advisers; Samaritans and ChildLine counsellors; pro-bono lawyers, voluntary medics. Such successes are built on high standards, high expectations and the necessary support.

6. Of course there are examples of volunteers not performing well, and it's important to have agreed ways of dealing with such underperformance. Failure to deal with such problems can all too easily undermine respect and make life difficult for both staff and volunteers.

7. In our view it's important that trustees and Chairs feel valued and recognised as well as held to account. A blame culture is not helpful for recruiting, retaining or getting the best from trustees. Too much of the current tone of debate is harsh and judgmental, and in our view fails to appreciate, and build on the very substantial contribution that most trustees make.

Understanding the distinctive strengths as well as the weaknesses of the sector

8. At its best, this is a sector driven by altruism, self-help and voluntarism. It is able to mobilise millions of volunteers and voluntary donations. This means that approaches that would not be possible or prohibitively expensive in other sectors may be possible in the voluntary sector. Key to that is understanding the complex motivations and values that underpin the sector. In other cases voluntary organisations are addressing issues created by market or public sector failure.

9. It is important that any reforms build on the sector's unique strengths. So care needs to be taken in translating practice from one sector to another. Transactional approaches that work elsewhere may be profoundly counterproductive. For example, the relationship between motivation and payment is not straightforward. Nor is it clear how the public on whom much of the sector depends for support, will respond. It is also worth acknowledging that governance failures have occurred in all sectors, arguably the most egregiously in the private sector where extrinsic rewards are greatest.

There is no simple quick answer to good governance

10. In our view, there is no single magic bullet that will transform charity governance. The reality is that it takes sustained effort and investment to build good governance. It is a long term endeavour and is as much about culture as it is about resources.

11. We also need to recognise the diversity of our sector and be wary of applying one solution to all. Flexibility and proportionality are needed.

A need to recognise and support the unique role of the Chair

12. Trustees have shared collective responsibility and in law Chairs have no additional powers, unless granted by the governing document. This has led to the Chair's role and impact being undervalued. In practice however Chairs have greater responsibility and more is expected of them. Chairs play a central role in the effectiveness or otherwise of charity boards. They set the tone and shape the culture. This needs to be acknowledged and appreciated more. It is critical to invest in their training and development. The reality however is of scarcely any investment; not by charities themselves; not by sector bodies, not by donors nor by Government. We say more about this in response to question 5.

In turn, Chairs should recognise their skills gaps and development needs

13. Every Chair should acknowledge the importance of continually developing their skills and be willing to take up development opportunities. They may arrive in their new role with huge experience but not of chairing a charity board. Each will have some skills or knowledge gaps. Indeed, many of our Chairs tell us that the role is far more demanding and complex, and often lonely, than they anticipated. Peer exchange and networks can help and our work has identified an appetite for that.

The Select Committee's questions

Question 4 What skills are required to lead and manage a charity?

14. We focus here on the characteristics needed by non-executives for the governance of the organisation as opposed to those needed for executives (or front line volunteers) charged with the day to day management of the organisation.

Knowledge - of legal and regulatory duties, of the organisation and its context

Skills - The Chair has a leadership role (shared with the CEO (where there is one). The skills needed, regardless of the scale and complexity of the organisation, are the ability to

- ensure the organisation has clear direction and is achieving its aims.
- harness the skills, experience and energy of the board team to its common purpose
- ensure a myriad of different relationships are working so that the organisation delivers. The relationships between Chair and CEO and the board and executive are particularly key.
- steward the decision making process to ensure sound decisions are made. Information is appropriately interrogated, trustees have the necessary understanding e.g. to read a balance sheet, P&L accounts, cashflow.

To achieve this, a Chair needs not just experience and expertise but strong empathy and emotional intelligence. They need to be self-aware and willing to be flexible in their role and relationships.

Behaviours and relationships - time and time again across all sectors failures in governance stem from behaviour and relationships. Trustees need to combine effective challenge and enquiry with support and encouragement. They need to be able to deal constructively with conflict, admit when they don't know things, be willing to change their mind, to listen and to learn. A skilled Chair encourages these behaviours and steps in when necessary to establish appropriate norms and behaviours and the all- important ingredients of openness, trust and mutual respect. In larger charities a good working relationship between trustees and the senior management team and especially between Chair and CEO is crucial and as the title of our guide to that relationship notes, is a question of balance.

Motivation – Motivations will be diverse, but for trustees and Chairs, it is essential they include altruism and the willingness to put public benefit ahead of your own.

Values - It is important that the Chair and trustees share the core values of the charity.

Question 4a - How can these skills be gained?

15. The key point we would make here is that this is about leadership development and not simply about a publication or a one off training course. Chairs and trustees need access to high quality, structured development activities on an ongoing basis. They need access to peers and mentors from whom they can learn, and access to practical and accessible support. Opportunities for personal development will also attract people with an appetite to learn. We would certainly be happy to discuss this further with the Committee and share our experience in working with Chairs. We also think we can learn from the support provided in other sectors e.g. to school governors and to university Chairs.

Question 4b - What support exists to develop these skills within the charitable sector?

16. Despite there being c 800,000 trustees, quite simply there is not enough support for trustees and Chairs. There is a striking asymmetry between support for paid staff and support for trustees. The table overleaf indicates the relative size and resources of key organisations who support individuals in the sector.

17. NCVO supports organisations rather than individuals- but has useful resources for trustees- notably its Trustees' handbook, governance e-newsletter and its annual conference for trustees. Others providing support include councils for voluntary service, REACH, Pilotlight, professional advisers such as lawyers and accountants, commercial providers. Some of the federated charities provide training and conferences for trustees and Chairs in their networks.

18. From 2008-2011 Charity Trustee Networks provided services for trustees, before merging into the Small Charities Coalition (SCC) in 2011 as a result of funding pressures. SCC's support to trustees - includes a part-time governance helpline.

Organisation	Focus	2014-2015 income	Number of staff	Founded
Institute of Fundraising	*supports fundraising staff*	*£4.6 million*	*38 staff*	*1983*
ACEVO	*supports Chief Executives*	*£1.7 million*	*20 staff*	1987
Charity Finance Group	*supports Charity Finance professionals*	*£1.8 million*	*17 staff*	1987
Small Charities Coalition	Support charities with income of under £1 million (staff and trustees)	*£ 0.15 million*	*3 staff*	*2008*
Hon Treasurers Forum	Support Hon Treasurers (trustees)	*£ 0.03 million*	Part time CEO	2004
Association of Chairs	Support Chairs and Vice Chairs of charities and non-profits (trustees)	*£ 0.1 million*	*1.2 staff*	*Launched as a charity in 2013*

Source: Charity Commission register and charities' annual reports.

19. We formed the AoC in October 2013, tin recognition of the lack of support for Chairs- despite the critical role they play in ensuring charities are well led and governed. We undertake research, produce resources such as publications and enewsletters, hold events for Chair and Vice Chairs and a forum for exchange of views.

20. Even with our limited resources we have made contact with around 1600 Chairs - but we know that is a mere 1% of the chairing community. We are keen to reach more Chairs and to work with them to provide the support they find most helpful. The early feedback from our members is encouraging: 85% would recommend membership to a Chair they know; 74% said they have new knowledge that helps them be a better Chair or Vice Chair; 64% reported that they are doing things differently because of the Association of Chairs.

21. In February we surveyed Chairs we are in contact with, a sample likely to be more engaged than is typical. Among the 360 who responded, good governance is a high priority., but they have little support. Apart from publications, fewer than 50% had accessed any kind of development support in the last 12 months. Many restricted themselves to free sources of support. 37% had accessed training - two-thirds were funded by the organisation, a third paid for themselves. 16% had had mentoring or coaching. Just 38% of Chairs received expenses. 46% of boards have no budget for board development; only 19% had a formal allocated budget; while the balance address development on a case by case basis. Perhaps more surprisingly only 34% of Chairs had had an induction, arguably the most basic form of support.

22. 54% of Chairs spend 4 days or more per month on their chairing role.

23. We would be happy to share more details of our survey with the Committee. We think it is the first research among Chairs for many years.

5. What role should trustees play in the performance and effectiveness of a charity?

24. We endorse the principles set out in the Voluntary Sector Code of Good Governance. For us key aspects are:

Being stewards of the charity's mission and values Trustees have a key role to play in ensuring that the charity is steadfastly focused on the best interests of current and future beneficiaries. They need to be fearless but not reckless in their pursuit of the charity's purposes. It is important that they put the charitable purpose above both their personal interests and those of the charity.

Accountability Trustees are accountable for the charity's performance to those they serve, those who fund them, to the regulator and to wider society. They safeguard the charity's reputation and it is important they are respected. They hold the executive to account. In our view their largely voluntary status is one of the sector's distinctive features that enhances their moral authority.

Long term vision and strategy A key role of non-executives is to take a longer term and more strategic perspective; and to balance opportunity and risk.

Agreeing boundaries with staff A key task is agreeing appropriate boundaries between trustees and staff. Where that boundary is drawn will vary according to the changing circumstances of each organisation and needs constant attention

See also our comments in paragraph 15.

5a- How can trustees be best equipped, enabled and supported to fulfil their responsibilities?

25. We suggest a dual track approach is needed

i) **Addressing poor governance.** Governance risk can be reduced significantly simply by addressing gaps in knowledge and basic 'must do's. Investment in simple training and support could reduce some of the most common governance issues. This training should focus on Chairs to begin with but be rolled out to all trustees. At the very least all trustees should have an induction.

ii) **Achieving good governance is a more complex task.** It requires an ongoing structured approach and opportunities to learn from peers and mentors. It should focus on more subtle factors that affect good governance like culture and behaviour e.g. team building, dealing with disagreement and conflict. This too should first be focused on Chairs given their central role.

Over time we need to create clear expectations and a framework of standards. We are happy to discuss this with the Committee.

5b- What, if any, changes might this mean for current arrangements?

26. As noted earlier we do not believe there is a simple single solution. A range of things are needed. We propose:

27. **Recognition of the important role of Chair.** Trustees have shared collective responsibility and in law Chairs have no additional powers, unless granted by the governing document. In practice however Chairs have greater responsibility and more is expected of them in leading the board, and managing the relationship with the chief executive (where there is one). This needs to be acknowledged and appreciated more, and dedicated support and guidance provided.

28. **Every Chair should have access to an induction and information about the role**

29. **Access to a national programme of support and training..** We need to learn lessons from other areas for example the programme of support provided to school governors or to NHS boards. Well-structured and well-resourced central resources have been used very effectively to train and support these key roles and improve performance.

30. **A cultural shift in expectations of and by Chairs** Every Chair should acknowledge the importance of continually developing their skills and be willing to take up development opportunities. Similarly charities, funders and the Charity Commission should all expect to be investing in and supporting Chairs and trustees, and providing developmental opportunities.

31. **More research to understand what helps Chairs be effective**. We believe it is important to act based on evidence of what works. However, research into what helps Chairs be effective is limited. Given this, we favour an action research model, testing out through programmes what is wanted and taken up by Chairs and what difference it makes to their practice.

Question 9 What should the role of Government (and the Charity Commission) with the sector?

32. **The role of Government.** We believe the Government should have an ongoing commitment to providing support to trustees and Chairs in particular, directly, through the Charity Commission and through support bodies. This should include an overarching role to promote the value to the individual and society of the trustee role and encourage wider take-up – the more so after the negative publicity of the last 12- 18 months.

33. **The role of the Charity Commission.** The Charity Commission does not provide any specific guidance or support for Chairs and we believe it should, something which umbrellas bodies including ourselves could then build on. We understand the Charity Commission does not currently maintain a list of Chairs that it could use for mailing or emailing – it would be helpful if it did.

34. If we are to support Chairs effectively it is important we understand them. We think it would be helpful if the Charity Commission could do more to enable its data to be more easily used for research for the benefit of the sector.

35. The Commission's preventative role, in our opinion, is as important as its policing role. Promoting public trust and confidence is best achieved by ensuring that all charities are well informed and well equipped to achieve good governance, rather than being a tough regulator, even though that is required from time to time. The Commission produces a considerable amount of advice and guidance and it would be good to better understand how that is used, what impact it has and how it can reach more widely into every corner of the sector.

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On behalf of Association of Chairs
8 September 2016