APP哲 on Charities and Volunteering: What next for charity governance?
10:00-12:00 CR 18, Tuesday 12 September

AGM
- Officers elected as a block:
  - Co-chairs: Susan Elan Jones MP (Labour), Jeremy Lefroy MP (Conservative), Baroness Pitkeathley (Labour), Lord Hodgson of Astley Abbotts (Conservative)
  - Vice-chair: Martin Docherty-Hughes MP (SNP)
  - Treasurer: Lord Shinkwin (Conservative)

Baroness Pitkeathley, chair of the House of Lords select committee on charities
- The committee’s report is intended as a milestone for the sector, to be used a roadmap to strengthen charities and increase the sector’s confidence in itself.
- Many of the recommendations of the report were for government, but they have not yet responded, due to the general election. Baroness Pitkeathley is seeking a meeting with the new minister for civil society, and a debate in the House of Lords about the report. Many of the recommendations must now be pushed for individually.
- Recommendations for the sector focused on leadership, diversity, evidencing impact and lack of progress on acquiring digital skills. The sector has started to use the recommendations to further aims, and NCVO and ACEVO are collaborating to make the proposals a reality.
- The committee balanced recommendations for small and large charities, and small charities welcomed the report’s focus on the importance of grant funding over contracts. There are many views on social investment, and the committee feels it is not suitable for all organisations.
- Public trust in charities has been knocked, but it is improving, and levels of probity and transparency must be monitored to facilitate this.
- Baroness Barker, who also sat on the committee, added that the sector’s slow uptake of digital may be costing it its historic advantage - that it knows people and communities better than the private sector.

Naa Acquah, former chair of the University of Manchester Students’ Union (UMSU)
- UMSU’s board didn’t reflect its students, hindering their ability to represent them. They had a very diverse student body, but undiverse board. They have now diversified their board and students are more confident in UMSU, because they can see how and why decisions are made.
- Good governance is about being as close to beneficiaries as possible – no number of policies or codes can help if you are not connected to beneficiaries. UMSU undertook massive polling, asking students what they wanted from UMSU, resulting in promises to their members.
- Students’ unions naturally have a younger board, and students’ unions are able to build skills and opportunities for younger people, meaning trusteeship is natural in later life. UMSU proactively sought trustees to represent international students.
- Students’ unions boards also have external trustees - and this requires a special type of person who wants to support students to do what they want, without taking over.

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Andrew Pepper Parsons, head of policy at Public Concern at Work (PCaW)

- Charities make up 5% of enquiries PCaW receives a year. Largest share, 1/5, are about financial malpractice, followed by working practices and ethical issues such as nepotism. This is broadly reflected across all sectors.
- Whistleblowing should be seen as an early warning system for organisational issue – where the regulator or employer receive a ‘gift of information’.
- People often don’t want to hear the information being provided. Organisations must shift their mindset so they see whistleblowing as part of risk management, not as a threat. Regulators need to see the bigger picture, not as an issue between an employer and their employee.
- There are universal principles that organisations can follow that treat whistleblowers without unpleasantness or a tribunal. This can be lighter touch for smaller organisations, as long as there is a culture of accepting concerns, and a way for people to raise concern above line manager.
- Organisations need to audit effectiveness of their arrangements – outcomes and impact on complainant, through discussion with staff and unions. Staff need to trust that concerns will be dealt with, and no one will be victimised otherwise future whistleblowers won’t come forward.

Rosie Chapman, chair of Charity Governance Code steering group

- The code is voluntary, with no levers behind it, and has been around since 2005. There is a ‘badge of honour’ in being a charity, they have that status because they deliver a public ‘good’ or ‘benefit’. The Code seeks to help trustees as custodians of that public good to take their responsibilities seriously.
- The code is built on seven principles, with universal principles that are deliberately stretching in some places. There are different recommendations for large and small organisations.
- The code has been welcomed by the Lords committee, and endorsed by the Charity Commission, who have now withdrawn their ‘Hallmarks’ guidance in favour of the Code. Now it needs to be disseminated as widely as possible, with the Steering Group chair hoping that organisations making up the Code steering group will be public in their early adoption.
- Consultation brought up that charities are interested in diversity, but unsure how to realise it. There aren’t diversity quotas in the code, as it imagines a broad sense of diversity.
- Many charities struggle with board dynamics. The code recommends a review of how well the board works every three years. This needn’t be paid-for, and could be two non-competitor charities mutually assessing each other’s arrangements.
- One of the code’s principles is a presumption that charities will be open unless there is good reason not to be. The code explicitly mentions publishing senior executive pay. Many charities disagree and think this will push up pay. Baroness Armstrong added that holding down pay in the charity sector disproportionately affects women.

Q&A

Discussing whether charities can be encouraged to cooperate further, as the military sector has recently done, there was agreement that more should be done to bring to people’s attention to competitor organisations. The code puts an obligation on trustees to consider mergers and dissolution of an organisation’s work is done. The principle that anyone ought to be able to start a charity is one dearly held in the sector, and that consortia are very resource intensive, and require organisations to make sacrifices. Students’ unions are run as consortia, sharing one supply chain, cutting waste and reducing prices for service users.
There was agreement that the sector shouldn’t overreact in proving it has learned from bad practice, at the risk of putting off trustees due to increased bureaucracy. The decision to prosecute the Kids Company trustees could put off volunteers.

Asked about the support young trustees need, NA said most have had early engagement with trusteeship. There is a need to let more people know about trusteeship as a growth opportunity. If the youth sector brings more young trustees on board, hopefully the wider sector will follow.

The panel disagreed that unitary boards are required, stressing that a good and effective CEO, with a trusting relationship with their chair, is much more important than the board structure. Boards shouldn’t be too large, and advisory groups can be formed to bring in specialist expertise if needed.

The panel did not support payment of trustees. The Lords committee said that there are some circumstances in which it is OK, but time off for trustee duties is more important. A more generous Charity Commission interpretation of expenses, to include travel and child care, was also supported. There was a question of whether non-payment of trustees excludes those who can’t afford to take time off, reducing diversity, and whether CC guidance could should allow for carers, service users and young trustees to be paid if required.

On the subject of excluding charities from VAT on services between charities, to encourage cooperation and outsourcing, Baroness Armstrong said that commercial services should be able to achieve economies of scale and compete regardless. The real issue with outsourcing functions is the lack of oversight the trustees retain.

The panel agreed that retaining trustees is not easy, and that trustees leave if they are not an appropriate match, and their needs aren’t met. There needs to be time set aside to build relationships between the board members, and for regular appraisals.

The panel was concerned that funding for core costs is scarce, as this is where governance costs sit – otherwise it is pushed on to overstretched staff. BP said that, while the charity shouldn’t overreact to examples of mismanagement, funders do take notice when there are high profile cases of things going wrong, and see the need to invest. Trustees have a responsibility not to push staff to deliver more.

The committee had raised concern about the CC’s resources, and the mismatch of a dual role of regulator and supporter of growth. Baroness Barker suggested the CC should centralise resources the sector produces for trustees and to prioritise the confidential advice phoneline. There was agreement that charities need to better understand the business case that complaints are useful for moving forward, as the private sector understands.

Responding to a suggestion that all charities should have a digital trustee, the panel agreed that digital skills are lagging in the sector, and that many don’t realise they have an issue. There was hope that the government will do something to address digital skills in the sector, as the GDPR changes could be an opportunity to change behaviour.