



# Making the grade: charity governance in Wales



## What trustees said in our survey

*The Board recognises that as an organisation set up for public good and in receipt of public funds and private donations, they are accountable for all aspects of the charity's activities to its stakeholders.*

*The board are conscious of the image and standing they have in the community and strive to ensure the reputation is upheld.*

*The board have identified the need to formalise their agreement that the board should seek professional assistance and advice on any matter that does not fall within the experience of the members of the board.*

*We need to have a more robust system in place that measures outcomes, assesses impact and enables the board to ensure we are delivering our purpose.*

*Through our quality management system we have already identified that we could be doing more in terms of stakeholder consultation and the monitoring and evaluation of outcomes.*

*Much has been done in the last year to ensure the expertise and experience of the trustees is made freely available to employed staff.*

*The charity regularly meets with partner organisations to ensure that the work we are doing is relevant and effective.*

*Regular meetings are held with the operational management team to ensure the organisation is meeting the needs of our service users, funders and stakeholders by providing the best possible service and achieving outputs set out by our funders.*

*Finding and recruiting new board members remains a challenge, particularly in trying to recruit new individuals with specific skills.*

*Given the distributed and diverse nature of the organisation, improve the understanding of the board members of the roles and relationships between staff, committees, board members and members and improve the lines of communication between them.*

*The charity audits the board and board governance on a yearly basis, through individual assessment as well as an overall board assessment.*

*We are in the process of improving our membership records and we can also improve how we seek our members' views and do more to encourage them to participate in the governance of the charity.*

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### A. Foreword

The Charity Commission's role as a regulator is to ensure that trustees comply with their legal obligations, thereby promoting public trust and confidence in charities. Good governance is key and this report includes the results of our first ever governance survey of charities in Wales.

Through our work, we come into daily contact with trustees and have been impressed by their dedication and the time they freely give. However, recent cases involving AWEMA and Plas Madoc Communities First have shown what can go wrong if governance is poorly managed, with the potential to damage not just the charity's reputation, but wider public trust and confidence in the sector. In response to this concern, we asked trustees to evaluate their own charities against the standards of the governance code and tell us what steps they are taking to put these principles into practice.

The importance of this is reflected in a recent letter to us from Carl Sargeant, Minister for Social Justice and Local Government **"I wholeheartedly endorse the Commission's ongoing work to promote due diligence and good governance"**.

This report also describes our wider Good Governance initiative that brings together statutory and voluntary organisations in Wales that fund, audit, regulate and advise charities to address this issue.

The positive results of the survey show the pride trustees take in their charities. This is balanced by the words of one trustee: **"Despite the undoubted success of the organisation, we are not complacent about the charity's future prospects or our own performance as a board and we will continue to critically appraise how we conduct ourselves."**

This is an approach we would commend to all charities to maintain the high standards of care and service which are the hallmarks of an effective charity.



Harry Iles  
Head of Charity Commission's Wales Office

## B. The Good Governance initiative

### B1. Why review charity governance?

With almost 8,000 registered charities in Wales and a sector income of approximately £1.9 billion, the importance of good governance is clearer than ever. Each and every trustee needs to embrace its values, and apply them to the particular needs and circumstances of their organisation.

*Good Governance - A Code for the Voluntary and Community* has been produced to help trustees achieve this.

Taking the Code as a starting point, the Charity Commission's Wales office developed a Good Governance initiative to highlight the importance of effective governance and to encourage trustees to review how they run their charities.

The first step was to contact all 1,100 charities in Wales with incomes over £100,000. We asked the trustees to conduct a detailed review of their governance and report the findings to us.

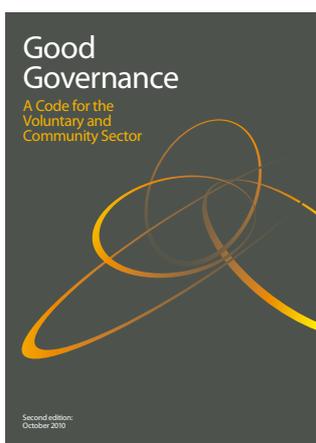
Almost half responded, accounting for a total income of over £1 billion, and over 90% agreed that the process of reviewing their governance against an accepted standard was useful to them.



91% of charities who responded said the governance review had been helpful

### B2. What is the Good Governance code?

Developed by the sector, for the sector<sup>1</sup>, the Code focuses on six key principles that trustees should follow to help them provide strong leadership, enhance their decision-making and demonstrate their accountability.



#### Good Governance Code: 6 key principles

An effective board provides good governance and leadership by:

1. understanding their role;
2. ensuring delivery of organisational purpose;
3. working effectively both as individuals and a team;
4. exercising effective control;
5. behaving with integrity;
6. being open and accountable.

<sup>1</sup> The Code Steering Group provides stewardship for the Code. It is made up of representative of the original founders, the Association of Chief Executive Officers (ACEVO), Small Charities Coalition (SCC), the Institute of Chartered Secretaries and Administrators (ICSA), the Wales Council for Voluntary Action (WCVA), the National Council for Voluntary Organisations (NCVO) with support from the Charity Commission and an independent chair.

### B3. What happened next?

Encouraged by the positive response to the survey, we organised two workshops attended by trustees of 47 charities from across Wales.

These provided an ideal opportunity for trustees to get together and share their experience and expertise.

The publication of this report continues the work of the initiative, bringing to a wider audience the importance being placed on charity governance and the responsibilities of trustees.

The Charity Commission is also committed to an ongoing partnership with sector funders, regulators, auditors and advisors to ensure that good governance remains in the spotlight.

*If I'd have known just how much would be expected of me as a trustee, I'd never have agreed to it ... but I'm glad I did!*



Trustees at the governance workshop in Rhyl

## C. What charities have told us

### C1. What does the survey tell us?

With over 500 charities responding (48.3% of the total surveyed) the positive results demonstrate a sector that has great confidence in its standards of governance. **On average, almost 90% of trustees scored themselves as performing extremely or very well in all six principles.**

What's also clear from the results is that integrity and accountability are the characteristics the trustees feel most strongly about with 94% and 93% of trustees scoring themselves as performing extremely and very well against principles five and six respectively.

However, in analysing this to get a picture of the sector in Wales, we should acknowledge two factors:

- the trustees were responding to the charity regulator and will have wanted to show how well they are governed
- over half did not respond. It is likely that the non-responders would include charities that are less confident about their standards of governance

#### How charities feel their trustee board performs



### C2. Do the results match with other independent surveys of the sector?

In a recent survey of the largest 500 charities (by the Compass Partnership [www.compasspartnership.co.uk](http://www.compasspartnership.co.uk)) 89% rated their boards as either 'extremely' or 'very' good at discharging their legal and regulatory duties. 80% said the board worked well as a team and 62% that the board had all the required skills and experience. This is comparable with our survey results.



62% said that the board had all the required skills and experience

### C3. Are these results supported by our experience and contact with trustees?

Since the Charity Commission opened its Wales office in 2004 we've had contact with a large number of trustees. Our overwhelming impression is of their sincerity and commitment to their charity. It's important to note that the majority have incomes under £10,000 and we recognise that the level of expertise varies greatly with the size of the charity. The Commission takes a proportionate approach, with increasingly greater expectations of larger charities. Our experience shows that standards of governance have risen for all charities and this has been greatly supported by the work of the WCVA, CVCs and umbrella groups.

Often we deal with charities going through change that have not handled things well or are subject to complaints. The trustees' primary focus is on the work of the charity and they may not put sufficient time into, or have sufficient understanding of their governing document or charity law. Common issues we encounter are: dominance of the CEO/founder; lack of involvement and proper scrutiny by the trustees; poor decision-making and disputes. Our aim is to explain the legal framework and work with the trustees to address shortfalls in governance.

Whilst we know that most charities are well run, the very positive results of the survey should not lead us to forget that a number of charities still need to improve and some will be operating with poor standards of governance.

### C4. Emerging themes from the survey

The survey also provided trustees with an opportunity to tell us about the steps they've taken to improve the running of their charity. From the sheer volume and breadth of additional comments (nearly 2,000 in total) it's clear trustees have given their governance, and our survey, serious consideration. A number of charities who weren't able to complete the survey in time have also contacted us to let us know they are using it as a basis to review their governance.

*With a title, you should carry it as best as possible for the charity. The public in the local area know we are the trustees of the charity and we often get feedback or a complaint in the street which reminds you sharply of your role within the charity.*

Many have carried out some form of strategic review, perhaps in light of reduced financial circumstances, and the majority of the completed surveys talk about the need for better long-term planning. Linked to this, many of the comments refer to the need to diversify income streams and explore the idea of collaborative working.

*We recognise that the Board is ultimately responsible in all aspects surrounding the effectiveness of the charity. It is important that we do not become complacent in our activities and that we seek out improvements and learn from any failings.*

Almost all responses included details of trustee induction and training programmes already in place or being implemented. Along with the need for role descriptions, codes of conduct, registers of interest and performance reviews, these measures illustrate the sector's recognition of the increasing responsibility for trustees to be accountable. It also reflects the appreciation of how valuable a charity's reputation is and how this can be affected by trustee behaviour.

**Other recurring themes include:**

- Increasing communication with stakeholders and responding to feedback.
- Seeking professional advice (eg on HR, financial issues).
- Reviewing risk.
- Investing in new technology to improve communication (eg through social media/Skype conferencing).
- Establishing sub-committees to focus on governance issues.

Trustees were also honest about areas where they experience problems and what they need to address. Far and away the biggest issue for charities remains trustee recruitment. The need to attract younger people, people from diverse backgrounds or with specific skills is common across the sector.

*Succession planning could be improved, this has been found to be a difficult area for us. Providing time for reflection on the functioning of the board is a good idea for us to adopt.*

**Other areas to address include:**

- Formalising procedures such as complaints and whistle-blowing.
- Improving succession planning and board renewal strategy.
- Measuring impact and demonstrating value for money to stakeholders, funders and the public.

*We can try to do more to support constructive challenge and welcome different points of view.*

## D. Governance workshops

### What do you do when your membership and income halves but your expenditure doubles?

This was just one of the real-life governance challenges considered by trustees from 47 charities at workshops organised by the Charity Commission in north and south Wales. Seeking to harness trustees' expertise, we invited them to share their experiences, discuss the difficulties and develop a series of 'top tips' to help charities run more effectively.



Trustees at the governance workshops in Newport and Rhyl

Responsible for more than £75 million of charitable income, the attending trustees represented a diverse range of charities and enjoyed the opportunity to contribute their differing perspectives on common issues. It was clear from the lively discussions how seriously the trustees take their role.

As with the survey, the most widely recognised challenge is recruiting trustees with the right skills. It is difficult to strike the balance between ensuring trustees are fully aware of their responsibilities and not scaring off potential volunteers. Another common issue was managing the relationship between board members and senior staff. In particular, how involved should trustees be in the day-to-day running of the charity and how much should be delegated?

There was a strong consensus that reviewing governance needs to be done regularly. The survey and workshops had spurred the trustees to put good governance higher on the agenda. Many commented that they had picked up some good ideas and would be taking them back to their charities, including tips on improving induction programmes and arranging trustee away days.

Trustees are aware that there is no simple answer for good governance. However, all agreed that a good start is a board that is passionate about the charity and fully understands their responsibilities.

#### Top tips for trustees

- T**rain new trustees and ensure they spend time within the charity
- R**einvigorate trustee body by implementing succession planning
- U**nderstand trustee's role and commitment it involves
- S**et aside specific time to review governance and trustee performance
- T**ake advice when appropriate and make sure trustees have timely and accurate information to make good decisions
- E**ncourage positive enquiry, communicate effectively and be open and accountable
- E**nlist the right mix of skills, age and experience on the trustee body to match the charity's needs
- S**et out a clear strategic plan which all trustees have agreed and are fully committed to

## E. Working together across the sector

The Charity Commission has always been conscious that meeting our central objective “to increase public trust and confidence in charities” is dependant on successful partnership with other sector bodies.

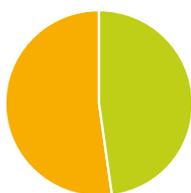
### E1. Who are we working with?

Throughout the Good Governance initiative, the Charity Commission has worked closely with a group of funders, regulators and auditors, including:

- Wales Audit Office
- Big Lottery Fund
- Welsh Local Government Association
- Wales Council for Voluntary Action
- Arts Council of Wales
- Wales Internal Audit Office
- Abertawe Bro Morgannwg University Health Board
- Swansea Council for Voluntary Service

These organisations play a key role in Wales, administering major funding to charities and monitoring the use of grants. Meetings have provided an excellent opportunity to share information about the way grants are awarded and discuss ways of strengthening governance in the sector to ensure that public money allocated to charities is properly managed and accounted for.

We remain committed to joined up working across the sector, not just to ensure that trustees understand the importance of effective governance, but also that they are offered the right advice and support to achieve it.



48% of the charities that responded to us receive more than half their income from publicly-funded or grant-making bodies

## E2. What other support is offered?

There are 19 County Voluntary Councils across Wales offering a wide range of services to charities and voluntary organisations, including trustee training, help with funding applications and mediation services.

In addition to this local, hands-on support, Wales Council for Voluntary Action has recently launched a governance health check.

### **Anna Lewis, Legal Services Officer at WCVA, explains more:**

*At WCVA we appreciate that it is the trustees running Wales' 30,000+ voluntary organisations that are now under increased pressure to show that their organisation is well run and working towards the purpose for which it was established. We know that the majority of organisations in the third sector are doing a fantastic job, and we want to help trustees ensure that they are working in the best possible way, as this will help to reassure funders, stakeholders and the public at large.*

*WCVA's governance health check is a self-assessment tool which has been designed in accordance with the principles set out in [Good Governance: a code for the sector in Wales](#).*

*This self-assessment should help boards of any size to demonstrate their good governance practices to regulators, funders, beneficiaries and stakeholders.*

*At the moment we are piloting the health check, and we would encourage all trustee boards to complete it and then feedback to us how they found the process. While it is to be completed as a self assessment exercise, WCVA and your local County Voluntary Council or Volunteer Centre will be on hand to help with any governance points that the health check may have shown that you need to address. So what are you waiting for?*

*[Download your copy of the governance health check now.](#)*



## F. What happens next?

### F1. What have we learned?

The results of the survey gave us, for the first time, a detailed assessment by trustees of the way their charities are governed. The survey was also designed to stimulate an internal review. In the majority of areas surveyed, 90% of charities reported that they are operating 'extremely or very well', providing leadership, behaving with integrity, being open and accountable. Given the pressures on charities to demonstrate that they deliver value for money in an ever changing environment, no one will take these results as grounds for complacency.



90% of charities reported that they are operating 'extremely or very well'

The workshops gave trustees the opportunity to talk openly and honestly with other trustees, share knowledge and solutions. This reinforces the self-reliance of the sector and recognises that trustees are collectively responsible for running their charities.

The Good Governance initiative has demonstrated that trustees take governance seriously and recognise its importance. There will always be instances when things go wrong, but, overall, trustees are committed to ensuring their charities are well run for their beneficiaries. However, there is more work to do to ensure that good governance remains high on the agenda.

### F2. Future actions

The funders, regulators and auditors group meets again later in October to develop ideas on how funders could improve their assessment of a charity's governance.

Good governance is the theme of the Charity Commission's next public meeting on 22 November. Speakers include The Big Lottery Fund. For more information about the meeting see our website.

Also due in the Autumn is the Charity Commission's latest Back on Track report which covers themes and lessons learned from our compliance work.

Trustees' Week - the national campaign to raise awareness of charity trusteeship, encourage people to consider trusteeship and provide training takes place 5-11 November. Visit [www.trusteesweek.org.uk](http://www.trusteesweek.org.uk) for details.

The Good Governance survey will be repeated next year to again encourage charities to review and improve governance, and highlight the central role good governance plays in ensuring effectiveness.

## F3. Sources of guidance and information

*The Essential Trustee: What you need to know (CC3)*

*The Hallmarks of an Effective Charity (CC10)*

### **Charity Commission for England and Wales**

Website: [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

### **Wales Council for Voluntary Action (WCVA)**

Website: [www.wcva.org.uk](http://www.wcva.org.uk)

### **WCVA Trustee and Governance**

Website: [www.trusteewales.org.uk](http://www.trusteewales.org.uk)

### **Good Governance: A code for the voluntary and community sector**

Website: [www.governancecode.org](http://www.governancecode.org)

## Acknowledgement

The Charity Commission would like to thank all the charities who took the time to review their governance and complete the survey.

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