

DSC Response to revised draft of CC3

The Essential Trustee: What you need to know, what you need to do

June 2015

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We think this draft is a huge improvement, so we would like to congratulate and thank Neal Green for the hard work that has clearly gone into this. We also commend the huge effort undertaken in consulting the charity sector so widely on this important document. The Commission has listened to feedback from the sector and made constructive changes to the draft in light of that feedback. We have a few suggestions and points which we feel would be an improvement.

To summarise:

- 1. The tone strikes the right balance.**
- 2. Some advice still falls short and can be improved.**
- 3. The relationship between trustees and the executive needs to be illustrated.**
- 4. Some statements still misrepresent charities.**
- 5. Some other sections need clarification:**

1. The tone strikes the right balance:

- 1.1. The tone of this latest draft is a huge improvement on the first draft and we think that it gives a more accurate impression of trusteeship, without weakening the objective of this document: to provide solid guidance. This is the case from the very outset with the introduction giving a highly positive message about trusteeship being “an important role” that “contributes significantly to the... wellbeing of the country” and that it is “rewarding in many ways”. It is a welcoming tone - one that is deserving of the one million people that volunteer their time and effort to support charities as trustees.
- 1.2. It gives a balanced and informative approach stating that trusteeship is also “likely to be demanding of [ones] time, skills [etc]” and that it is vital that a trustee understands that they have to comply with the law. Contrasting this to the previous draft which, as we argued, presented a highly negative tone and, although it is not the purpose of CC3 to act as a recruitment aid, would surely have served to discourage current and prospective trustees. For example, we strongly agree with the decision to delete from the first line of the original draft the phrase “...good intentions alone are not enough”.
- 1.3. Whereas the previous draft suggested that being held personally liable was a common issue among trustees, we welcome the new phrasing that this is “extremely rare, but not impossible...” (part 10).

1.4. We especially approve of the way this draft reaffirms the collective nature of trusteeship. Whereas the previous version was directed at an individual, this draft focuses more on trustees as a team, repeating the phrase “You and your co-trustees...”. This, again, gives a more realistic picture of trusteeship. On a whole we feel it strikes an ideal balance and achieves its goal of providing guidance while promoting trusteeship as an attractive prospect.

2. Some advice still falls short and can be improved:

2.1. The amount of signposting to other helpful sources of information is an improvement on the initial draft. This makes the new draft of CC3 a far more effective document to help trustees govern.

2.2. We repeat the recommendations we made on the first draft relating to the advice given on “What to Consider when Recruiting Trustees” (3.3). There are four ‘things to consider’ which cover the prospective trustee’s skills, eligibility and whether they have “serious conflicts of interest”. We agree with all of these and understand that this is not meant to be an exhaustive list.

2.3. However we feel that omitting the importance of the prospective trustee’s passion and belief in the cause taken up by the charity is short-sighted. A trustee who is passionate about the work of the charity will be a more effective trustee. This is what motivates many people to volunteer as trustees, not self-interest. Importantly there are major regulatory advantages to this as a trustee who shares the same values and vision of the charity will be more likely to take decisions in the best interests of that charity and its beneficiaries. If a trustee is only involving themselves for career development reasons, perhaps to fulfil a professional requirement, they might have a lesser commitment to governing effectively and keeping the charity’s compliance and its beneficiaries foremost in mind

3. The relationship between trustees and the executive needs to be illustrated

3.1. We feel that more could be done in CC3 to better inform trustees about how they should work with their executive (if there is one). Section 9.3 discusses trustees’ roles in delegating and generally portrays their relationship with the executive as hierarchical. DSC has spent decades training trustee boards and have found that this relationship varies hugely between different organisations, often depending on size. The key thing for a trustee to understand in this context is their strategic role. Even if a charity is very small and the board is effectively the executive, then it still

needs to remember the strategic side not just the day-to-day tasks of running the organisation. It is important that trustees find out how they fit into an individual charity, what the scope of their involvement with the charity is. Most importantly, while we agree that “...trustees should set out... the limits of any delegated authority... [and] decide what decisions they will not delegate” (9.3), it is important to emphasise that involving the executive in this process is vital. Trustees must listen to and seek advice from their executive as the expert team that knows most about how the charity operates. The relationship is characterised by partnership. It is important to explain that the role of trustees is to support the executive

4. Some statements still misrepresent charities:

4.1. The sentence “Conflicts of interests... are quite common in charities” (6.3) has been carried over into this new draft and we feel, again, that it is a misrepresentation and presents charities in a negative light which is unwarranted. There is no evidence given to suggest that conflicts of interest are especially common in the charity sector and one cannot reasonably assume that such conflicts are more common than in any other type of organisation or sector. It is an anomalous statement which is unnecessary in the context of this document. Trustees should absolutely be aware of and avoid conflicts of interest, but it is difficult to see how this statement strengthens this message in any way.

5. Some other sections need clarification:

5.1. Part 8.2 states that “some larger charities employ their own professional advisors; most charities can only obtain advice externally”. It is unclear whether this means that most charities are forbidden from doing so or that most charities are small and simply lack the resources needed to employ their own advisor.

About DSC

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society.

Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide.

We are not a membership body. Our public commentary and the policy positions we take are based on clear principles, and are informed by the contact we have with these organisations. We also undertake campaigns on issues that affect them or which evolve out of our research.

We view our role as that of a 'concerned citizen', acting as a champion on behalf of the voluntary sector in its widest sense. We ask critical questions, challenge the prevailing view, and try to promote debate on issues we consider to be important.