

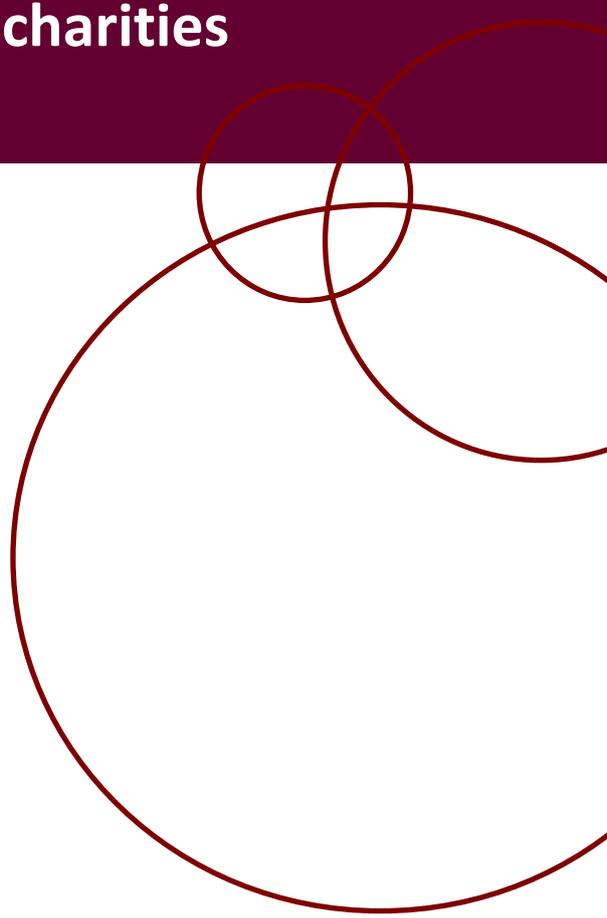
# Delivering Effective Governance

Insights from the boards of larger charities

**Mike Hudson**

**Jacinta Ashworth**

**Compass Partnership**



In association with  
**Centre for Charity Effectiveness,  
Cass Business School**

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His book, *Managing Without Profit* (Third Edition, DSC, 2009), has sold 20,000 copies, been translated into three languages and published in an Australian edition. Mike is a member of the Board of the Leadership Foundation for Higher Education, Chair of its Audit Committee and a member of the Editorial Board of *Civil Society Governance* magazine.



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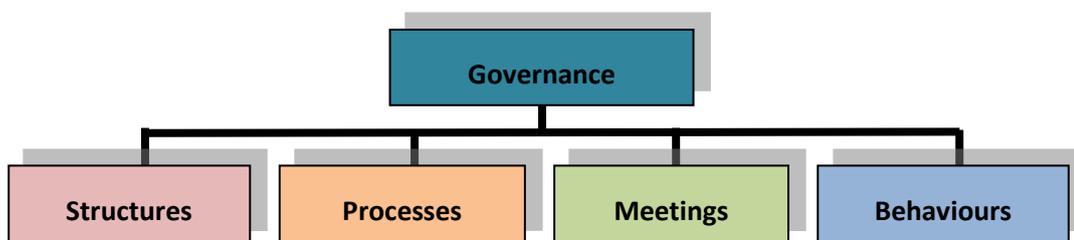
# Executive Summary

## Chapter 1 Introduction

This report gives an overview of the **characteristics** of the governance of the UK's largest charities and describes how Chair's, Chief Executives and governance managers rate governance **performance**. It identifies possible **drivers** of governance performance and highlights actions that should be taken to achieve the greatest improvements in governance.

The research is based on detailed research into the **largest 500 charities**, which account for 46% of the estimated income of charities in the UK.

Governance is a **complex ecosystem**. Our research suggests that 50 different characteristics need to be brought together to deliver effective governance. We have structured these characteristics into four groups: structures, processes, meetings and behaviours and called the resulting arrangement of the characteristics the Compass Cass Governance Model.



## Chapter 2 Governance structures

On average, **boards** had 14 members. The largest boards wanted to reduce their size and the smallest wanted an increase. Terms of office were usually three years, with a maximum of two or three terms.

Boards typically had four permanent **committees** that had on average six members, two of whom were not board members. Committees had 180 different names. When grouped into similar categories the most common were Audit and Risk, Finance, Governance, Remuneration, Policy and Property.

Almost 100 of the charities worked in more than one of the **UK's nations**, and nearly three in ten of these had no representation from the nations in their governance structure. When they did, dialogue between the chair of the board and nation representatives was fairly infrequent.

## Chapter 3 Governance processes

Four in ten organisations used an agreed skills grid for **succession planning**, whilst nearly three quarters only considered skill requirements as each position arose. One in twelve had no succession plan. The most effective recruitment methods were reported to be board and staff contacts, followed by public advertisements.

The composition of **boards** was, on average, 32% women, 22% representatives of beneficiaries, 22% donors, 14% active fundraisers, 9% representative of volunteers, 9% from an ethnic minority and 6% disabled. 10% of participants remunerated board members; many of these were housing and care organisations.

Two thirds of participants were extremely or very confident that their board was sufficiently **diverse** and four fifths felt that their board had the skills and experience needed to provide excellent governance.

**Board member induction** typically included at least five different activities including a reading pack, briefings from the chair, chief executive and other staff, site visits and identification of training needs.

The most common **recruitment methods for chairs** were board and staff contacts, public advertisements and private sector recruitment agencies.

The **chair's time** commitment varied widely with a third giving no more than 20 days per year, around a third giving 21 – 40 days and a third giving over 40 days.

Most boards **tracked performance** with summary Key Performance Indicators, had plans that clearly specified targets and timescales and reviewed the chief executive's performance annually. Half reviewed their risk register annually and half more frequently.

Half reviewed the **performance of governance** annually; only 10% never reviewed it. Half reviewed **individual performance**, a third did so annually; 41% said they never did so.

Suggestions for improving processes focussed on desires to fill skill gaps, improve diversity and strengthen induction and board member development.

### **Chapter 4 Governance meetings**

Boards typically **met** between three and six times per year, for less than five hours per meeting, and achieved 80-90% attendance. Those that stated expectations achieved higher attendance.

Two thirds of boards regularly discussed **plans for future meeting agendas**. Most judged that board members were extremely or very satisfied with the quality of information provided to the board.

Most spent some time meeting **without executives present**. Over half met with the chief executive alone and two thirds met with no executives present.

Three quarters were confident that board meetings **delivered excellent governance**.

Suggestions to improve meetings included better strategic focus, agenda planning, board papers and delegation to committees.

80% thought that their **committees** were extremely or very effective. Suggested improvements included realigning committees to reflect the charity's direction, clearer terms of reference and delegation, a better skills mix and better training for members.

### **Chapter 5 Governance behaviours**

Board members were slightly better at **listening** to each other than **team working** and slightly better at providing **robust challenge** than **praising management**.

Most felt that they worked in an atmosphere of **openness, trust and confidence**, but were somewhat less convinced about their ability to stay focused on **strategic issues**.

Nearly three quarters had had to deal with a potential **conflict of interest** in the last 12 months. In 37% a board member absented themselves from part of a meeting at least once in the last year.

Chairs and chief executives were in **regular contact**; 57% were in email contact at least three times a week; 61% spoke at least weekly and three quarters met at least monthly.

80% of chairs and 72% of chief executives sat on at least **one other board**.

The vast majority of chairs and chief executives reported extremely or very good **working relationships**; chief executives were slightly more positive about this relationship than chairs.

Suggestions to improve chair – chief executive relationships included more regular meetings and greater readiness to **give and receive feedback** and **provide constructive challenge**.

### **Chapter 6 Overall performance of governance**

The overall performance of governance was assessed against 12 key governance roles. Boards were reported to be **most effective** at ensuring the economic viability of the organisation, discharging legal and regulatory duties and agreeing the mission, objectives and strategy.

Over a quarter felt that they were not good at tracking organisation performance, managing the process of governance or managing risk.

The roles that boards performed **least effectively** were understanding stakeholders, resolving stakeholders' different interests and bringing novel or creative views to the organisation.

We linked the performance of governance with those characteristics of governance which the board could change. This suggests that the key drivers of effective governance are, in order of importance:

- Good team working
- High quality board meetings
- Having the right skills and experience
- Focussing on strategic rather than operational matters
- Having openness and trust
- Being a diverse group of people.

We looked at the proportion of organisations that **achieved the threshold** needed for 'good performance' on the **top twenty key drivers** of governance performance. The key drivers that were most frequently in place, starting with the most, were:

- A good relationship between the chair and chief executive
- The quality of information provided to the board
- The skills and experience needed to provide excellent governance
- Openness and mutual trust
- The effectiveness of committees
- Awaydays.

The key drivers that were least frequently in place, starting with the least, were:

- Individual board member performance reviews
- Formal reviews of the performance of governance
- Reviewing the performance of board members before re-election
- Focussing on strategic rather than operational matters
- Working as a team
- Praising management
- Boards being sufficiently diverse
- Chair and chief executive having frequent dialogue.

## Delivering Effective Governance

The characteristics which were least frequently in place are those where improvement efforts are likely to have greatest impact on the quality of governance across large charities as a whole.

We looked at the proportion of organisations displaying **stronger governance**. It was higher among:

- Charities with higher income
- Charities with medium sized boards of 11-15 members
- Housing and social care providers, leisure and recreation organisations, arts and culture organisations, health providers, leisure and recreation, social welfare providers and funders.

These findings can be compared with the **top innovations** introduced by charities in the last two years.

The innovations were, in rank order:

- Changes to the committee structure
- Undertaking a formal governance review
- Changes to the board composition
- Carrying out board appraisal or board effectiveness review
- Reporting innovations (e.g. reporting framework, KPIs, clearer or more concise board papers)
- Doing a skills audit or enhancing skill sets
- Use of an external consultant or facilitator.

They can also be compared with the **top actions** that participants would like to take in future. They were, in rank order:

- Carrying out a board appraisal or board effectiveness review
- Greater strategic focus
- Broadening the skill sets of board members or conducting a skills audit
- Creating boards with greater diversity and more balanced membership.

### **Chapter 7 Conclusions**

Large charities have made huge improvements to their governance in recent years and plan to make further improvements in the future. Although there is no magic bullet, our research suggests that charities should focus on the strongest drivers of effective governance.

The changes which charities have made to date may have been necessary pre-requisites for improving their governance. Our evidence suggests that in future greater attention should be given to the behavioural characteristics such as conducting formal individual and board performance reviews, ensuring greater focus on strategic topics at board meetings and team working. These changes are likely to be more difficult to implement but may yield greater benefits than further changes to the structures and processes of governance.

# 1 Introduction

## 1.1 Context

Governance in the charity sector has been defined as the systems and processes concerned with ensuring the overall direction, effectiveness, supervision, and accountability of an organisation.<sup>1</sup>

The attention given to the governance of charities has risen dramatically over recent years, driven by greater press and public scrutiny, better understanding of the distinctive roles of boards and a strong desire from board members themselves to deliver top quality governance.

Until now the evidence about how large charities are governed has been mainly anecdotal. There has been little research into the structures, processes and behaviours that are required to deliver effective governance or into how the UK's largest charities are governed in practice.

This research programme sets out to fill that gap. It aims:

- to provide detailed insights into how large charities are governed at present
- to allow boards and managers to compare their governance structures, processes and behaviours with similar charities
- to identify the most important drivers of effective governance
- to pinpoint characteristics of governance that large charities perform well and those where improvement is needed.

The top 500 charities are an extraordinarily diverse group of organisations. Our 20 years of consultancy experience suggests that the governance of these large organisations has common and distinctive features that set them apart from the many thousands of smaller charities in the sector. Clearly there is a spectrum and no absolute cut off point between large, medium sized and smaller charities. Indeed all require clear missions, economic viability and careful management of risk.

However, the special challenges for the UK's largest charities are that:

- their governance and management structures are likely to be more complex
- they need trustees with substantial experience of governance who can operate at the highest levels
- they face greater levels of public, media and parliamentary interest
- the consequences of mistakes and errors can be both wide ranging and long lasting.

The top 500 charities had an income of £27 billion in 2011<sup>2</sup>. The 500<sup>th</sup> had an income of almost £15m. These charities account for 46% of the estimated income of £59 billion per year of charities in the UK<sup>3</sup>.

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<sup>1</sup> Development of a Governance Strategy for the Voluntary and Community Sector, Foundation for Good Governance, 2004

<sup>2</sup> Charities Direct website Oct 2011

<sup>3</sup> Total income of charities in England and Wales in 2010 was £52.5 billion (Charity Commission fact sheet), £5.5 for Scotland (OSCR) and approximately £600m in Northern Ireland

## Chapter 1 Introduction

They are an extraordinarily diverse group including organisations that are well understood to be the core of the charity sector such as social welfare providers, disability organisations and international aid agencies. They also include charitable organisations that are not widely perceived to be part of the sector such as colleges, research and examination bodies and, more controversially, independent schools.

This research focuses on the characteristics that are most critical to the effective governance of large charities.

It assumes that many of the basic practices of good governance (such as agreeing the mission, setting strategy, delegating clear authority to the chief executive and meeting regulatory requirements) are already in place. It sets out to identify 'cutting edge' practices that the boards of these organisations should be striving to adopt.

Compass Partnership and the Centre for Charity Effectiveness at Cass Business School teamed up to do this research because we wanted to combine Cass CCE's academic rigour with Compass Partnership's experience of working with more than 800 organisations over the last 30 years. The research has been funded by Compass Partnership as one element of its contribution to gathering and disseminating good practices in the leadership, management and governance of civil society organisations. We have been greatly assisted by twenty chairs, chief executives, consultants and academics who gave wise advice on the questionnaire and various drafts of this report (listed in the Appendix).

We passionately believe in the extraordinary contribution that charities make to civil society in the UK. We want to ensure that they can continue to raise the standards of their governance and so have an even greater impact. In the spirit of co-operation and dialogue that pervades the charity sector, we would welcome comments on this report, which should be sent in the first instance to [demerson@compassnet.co.uk](mailto:demerson@compassnet.co.uk).

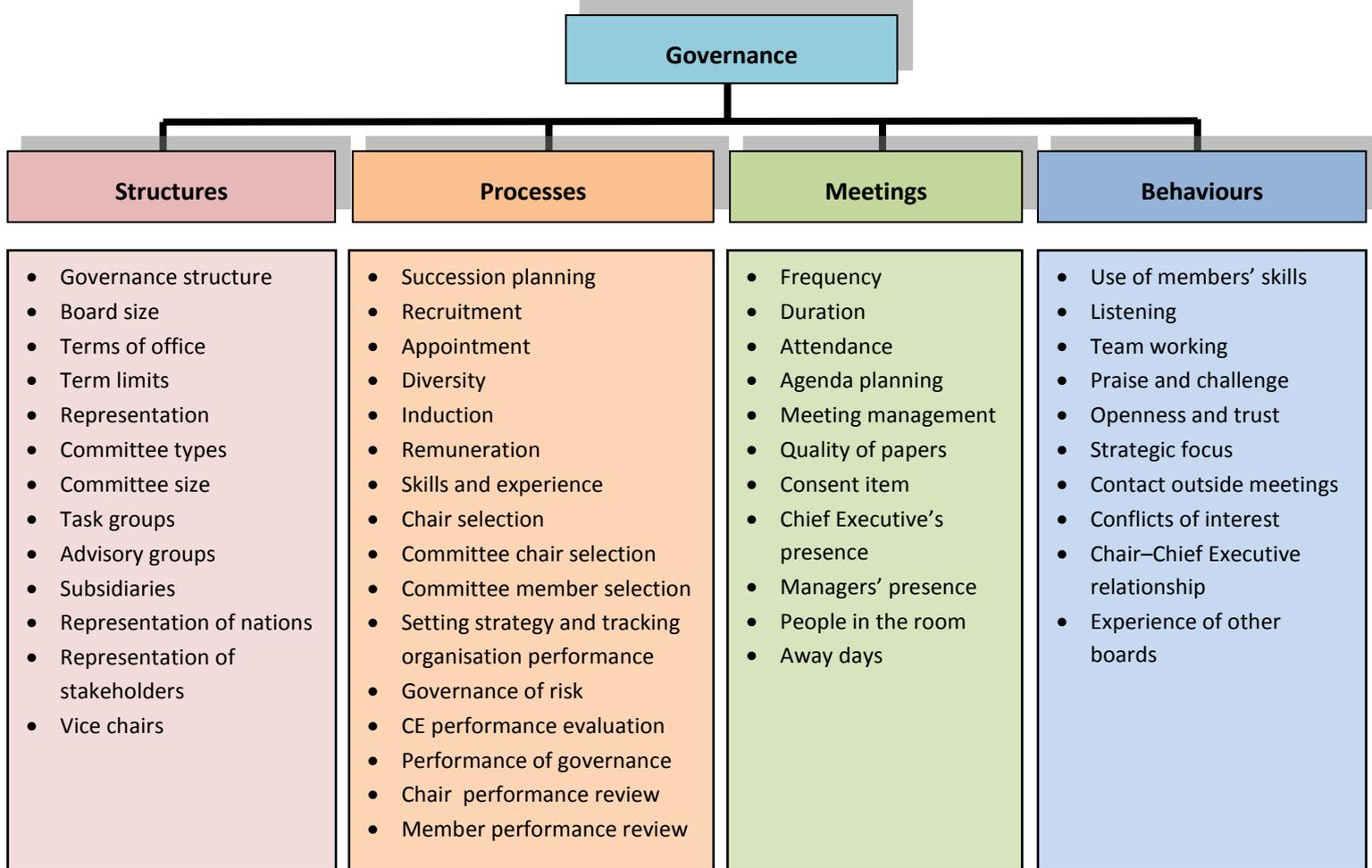
### **1.2 Characteristics of governance**

The report sets out the characteristics of the governance of large charities, and the relationships between these characteristics and participants' views of the effectiveness of their organisation's governance.

As we analysed the findings it became increasingly clear that 50 characteristics drive the effectiveness of the governance of large charities. We organised them under four headings and called this the Compass Cass Governance Model.

Our model attempts to summarise the key characteristics of effective governance. We see 'structures' as the relatively fixed architecture that supports the other elements of governance. 'Processes' are the methods organisations use to populate their structure, to hold management to account and to review their own performance. The characteristics of 'meetings' have been brought together because their conduct is so central to the delivery of governance, though we recognise that these characteristics could have been divided across the other headings. 'Behaviours' are concerned about the way people relate to each other and how they contribute to governance.

**The Compass Cass Governance Model**



Our research identified relationships between these 50 characteristics of governance and the resulting quality or 'performance' of governance, as reported by respondents. This enabled us to identify which of these 'drivers' of governance performance are most important and should therefore receive greatest attention when organisations strive to improve their governance.

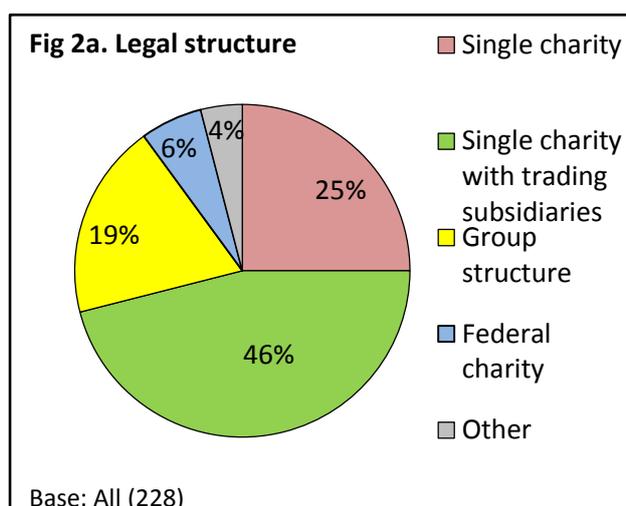
We also looked at the proportion of organisations that already implement these key drivers to see where efforts to improve governance across the all large charities might best be focussed.

## 2 Governance structures

Governance structures are concerned with the overall framework of the board and its committees. This chapter covers:

- Overall governance structures
- Board size and board members’ terms of office
- Committee types and size
- Control subsidiaries
- Representation of the nations
- Vice chairs.

### 2.1 Governance structure



A quarter of participating organisations were a single charity, whilst nearly half were a single charity with one or more trading subsidiaries. A fifth had a group structure (with a group board and a number of subsidiary charities or companies) and the rest were federal charities (with branches that are separate legal entities).

Three quarters of all charities (74%) had wholly owned subsidiaries:

Number of wholly owned subsidiaries	% of charities
None	24%
1	32%
2 – 5	35%
More than 5	7%

Just under a quarter (22%) had merged with another organisation in the last five years:

Number of organisations merged with	% of charities
None	77%
1	14%
2	4%
3	1%
4 or more	3%

## Chapter 2 Governance structures

On average, boards had 4 permanent committees:

Number of Committees	% of charities
1 – 3	43%
4 - 6	44%
7 - 9	6%
10 or more	6%

Larger boards typically had more committees:

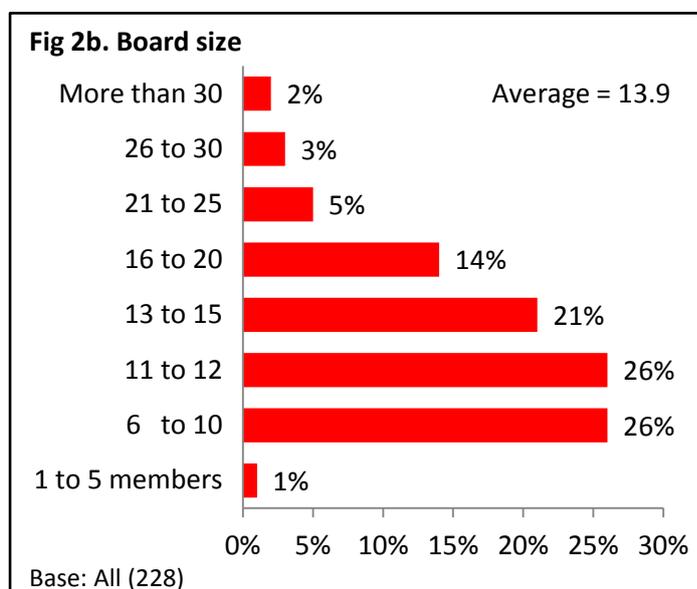
Board size	Average number of committees
1-10 members	3.2
11-15 members	4.0
16+ members	5.2

Almost a quarter had an assembly, advisory council or other similar body. Half of boards had no task groups; 44% had 1-3 task groups and 6% had four or more. Larger organisations, with over 100 staff were more likely to have task groups than those with fewer than 100 staff; as were boards with more than 10 members than smaller boards.

### 2.2 Board size

The boards of participating charities had an average of 14 members. They fell into three groups:

- 27% Small boards with 10 or fewer members
- 47% Medium sized boards with 11-15 members
- 24% Large boards with 16 or more members.



Organisations with less than 100 staff were more likely than others to have boards of fewer than 10 members.

Organisations with income over £50m were more likely to have larger boards of 16 or more members.

## Chapter 2 Governance structures

Average board size varied by type of organisation:

Average board membership, by charity type					
Smaller boards		Medium sized boards		Larger boards	
Education and research organisations	10	Environment and animal welfare organisations	13	Colleges and universities	17
Funders	11	Leisure and recreation	13	Arts and culture organisations	17
Aid agencies	11	Disability organisations	13	Schools and groups of schools	17
Housing and care providers	11	Social welfare providers	13	Religious and spiritual organisations	20
Health providing organisations	12	Training, employment and examination providers	14	Intermediary and Other bodies	20
				Professional associations	35

Participants were asked ideally how many members they would like to have on their board; the average response was 13. 30% ideally wanted 10 or fewer member, 50% 11-15 and 15% 16 or more members.

We compared the ideal number of board members with current board size:

- 42% said their current board size matched their ideal size
- 30% said they would ideally like their board to be smaller than it is now
- 28% said they would ideally like their board to be larger than it is now
- All of the smallest boards with five or fewer members wanted to be larger
- The majority of the largest boards with over 20 members wanted to be smaller.

### 2.3 Terms of office and term limits

Terms of office for a typical board member were most usually three years:

Terms of office of board members	% of charities
1 year	0.5%
2 years	3%
3 years	64%
4 years	17%
More than 4 years	10%
Unlimited number of years	5%

The maximum number of terms a board member can serve was usually either two or three:

Maximum number of terms	% of charities
1 term	1%
2 terms	41%
3 terms	32%
More than 3 terms	4%
Unlimited number of terms	21%

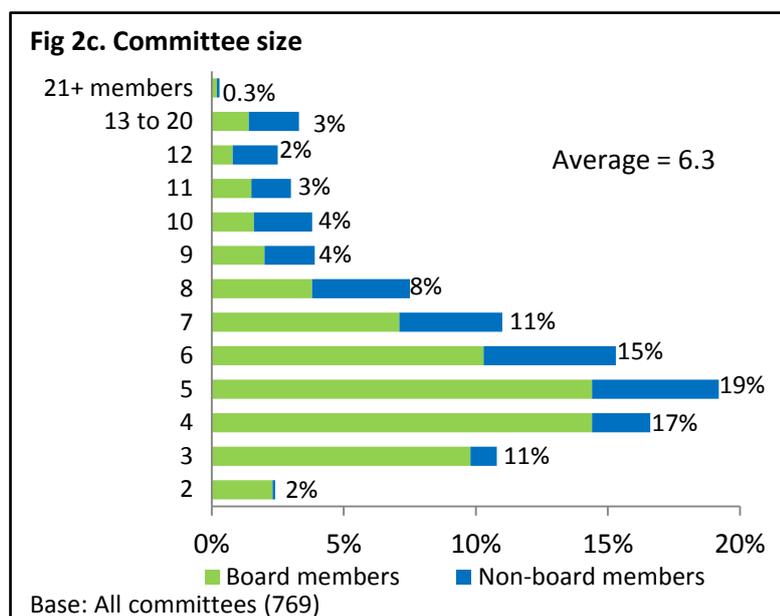
## Chapter 2 Governance structures

Two thirds of board members were restricted to serving nine or fewer years. A fifth had unlimited terms of office:

Maximum time board members could serve	% of charities
3 years	1%
6 years	23%
8 years	14%
9 years	27%
More than 9 years	12%
Unlimited number of years	21%

In 11% of charities the chief executive was a full voting member of the board i.e. a trustee of the charity. This proportion was higher among schools and groups of schools (18%), arts and culture organisations (25%), universities and colleges (57%), and zero for disability organisations, intermediary organisations, professional associations, religious organisations and training providers.

### 2.4 Committee size and types



The average committee had 6.3 members, 2.3 of whom were typically *not* board members.

They fall into three groups:

- 14% Small committees with 3 or fewer members
- 62% Medium sized committees with 4 – 7 members
- 24% Large committees with 8 or more members.

Participants were asked for information on their five most important board committees. They cited 770 committees with 180 different names involving over 4,800 people, 63% of whom were board members and 37% were non-board members.

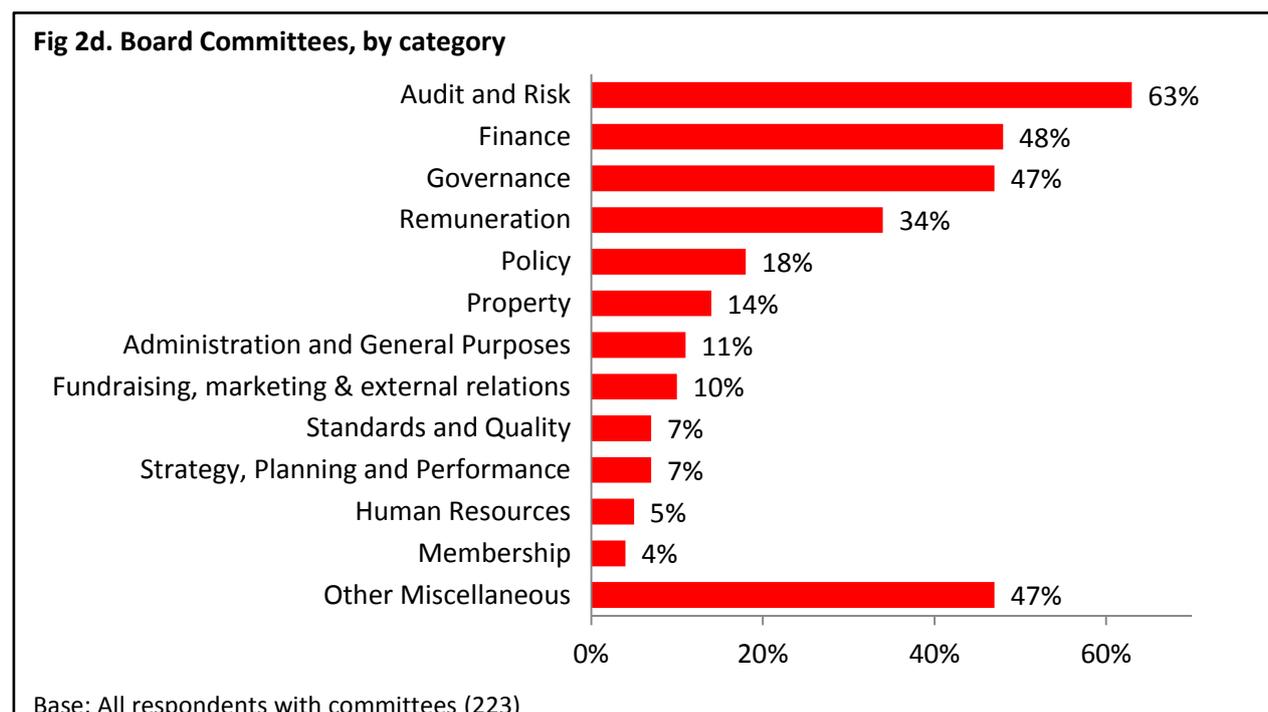
There was a bewildering array of different committees - 127 distinct committee types were analysed. Committees were therefore bundled together into 12 broader categories (fig 2d):

- Audit and Risk includes 12 different committee titles within it, including 'Audit', 'Audit and Risk' and 'Audit and Finance' among others.

## Chapter 2 Governance structures

- Finance includes 23 different committee titles: 'Finance' being the most common, followed by 'Finance and Audit', 'Finance and General Purposes' and 'Resources'.
- Governance includes 18 different committee types within it, the most common being 'Nominations', 'Governance' and 'Board Development'.

The four most common categories of committees were Audit and Risk, Finance, Governance and Remuneration. The most common word across all committee titles was 'Audit' with 72% of organisations having this as part of the title of any committee.



The average proportion of non-board members across all committees was 30%. The proportion of non-board members increased as committee size increased.

Committee size did not vary with size of the charity by income or staffing. However larger boards (of 16 or more members) tended to have larger committees, of more than 8 members.

Average size varied widely by committee type from 4.3 to 9.4 members, as did the proportion of non-board members sitting on committees which varied from 9% on Remuneration Committees to 57% on Membership Committees.

The smallest committees tended to be Remuneration; Governance; Audit & Risk; and Standards & Quality.

The largest committees tended to be Administration & General Purposes; Membership; Policy; and Strategy, Performance and Planning.

The average proportion of non-board members was lowest among Remuneration, Governance and Standards & Quality; and highest among Policy, Property, Membership and other miscellaneous committees.

## Chapter 2 Governance structures

The average proportion of non-board members was higher in the minority of committees where members were elected by another body or bodies.

### 2.5 Control of subsidiaries

Almost two thirds of charities (64%) had one or more subsidiaries.

Of these, the overwhelming majority (92%) had cross membership between the main board and subsidiary boards:

- 47% had one or more board members sitting on all subsidiary boards or vice versa
- 45% had senior managers sitting on subsidiary boards
- 35% had a main board member sitting on some subsidiary boards or vice versa
- 12% had subsidiary board chairs sitting on the main board
- 8% had a board member with responsibility for each subsidiary.

Only 8% of charities with subsidiaries had no cross representation on boards.

### 2.6 Representation of UK nations and stakeholders

Although 97 charities were working in more than one of the UK's nations, only 71% of them had representation from those nations in their governance structure. Representation took many different forms:

- 55% had one or more people from those nations on the board
- 18% had advisory committees for those nations
- 13% had cross membership between committees in nations and the main board
- 11% had separate legal entities for those nations
- 10% had full board committees for those nations
- 5% had a strategic alliance with a separately branded organisation in a different nation.

Among organisations working in more than one of the UK nations, larger boards were more likely to have representation of those nations in at least one of the ways listed above.

Where organisations *did* have representation from the devolved nations in their governance structure, there was fairly infrequent dialogue between the chair of the main board and nation colleagues:

Frequency chair of the main board formally met or spoke 1:1 with the senior representatives of each nation	% of charities
Once a month	10%
Once a quarter	23%
Twice a year	14%
Once a year	16%
Never	22%
Not stated	14%
Base: All charities with representation from devolved nations in their governance structure (69)	

## Chapter 2 Governance structures

Just under a quarter (24%) of charities had an assembly, advisory council or other similar body, which performed the following roles:

- 62% were consulted on important policy and strategy issues
- 58% represented stakeholder views to the board
- 36% had the power to hold the board to account
- 9% had committees that contribute to governance.

### **2.7 Vice chairs**

71% of charities had a vice chair. 50% of small boards with 11-10 members had a vice chair, as compared with 80% of boards with 11 or more members.

In the organisations with a vice chair, the most valuable roles performed by them were:

- Chairing meetings when the chair is unavailable (87%)
- A 'sounding board' for the chair (71%)
- A communications channel to the chair on sensitive issues (45%)
- Preparation for becoming the next chair (17%).

### **2.8 Discussion**

Three of the characteristics of governance structures deserve comment.

It is noteworthy that 10% of boards have more than 20 members and a quarter have more than 16 members, although many of these did say that they wanted to reduce their board size. The trend of large organisations wanting to reduce board size has been identified in previous studies (e.g. Cornforth, 2001). This appears to be linked to the increased demands on governance and the consequent need for boards to have tighter discussions and for all board members to have sufficient 'air time' to be fully engaged and feel responsible for ensuring top quality governance.

Similarly, it is notable that over a fifth of large charities do not have limits on the number of terms members can serve. It is widely accepted that term limits help to ensure that boards regularly refresh themselves and make it much easier to retire people who are no longer adding high value. None of the participants mentioned this as an improvement they wished to make in the future.

Finally, we note that whilst almost three quarters of large charities had a vice chair, this role has received little attention in previous studies or the literature. It can be a valuable role and sometimes has similarities with the Senior Independent Director role in companies and NHS Foundation Trusts. It is known to be a delicate role that needs to be clearly defined and delivered with great sensitivity. The skills required are not the same as those needed by chairs, and some experience suggests that it should not necessarily be seen as a stepping stone to becoming a chair. A clearer understanding of the value and use of this role may be an area of charity governance that deserves further investigation.

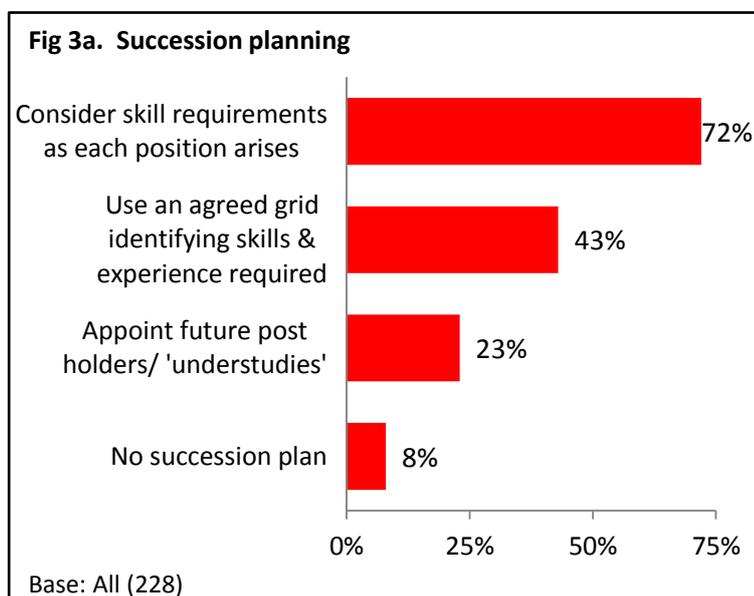
## 3 Governance processes

This chapter covers:

- Succession planning and recruitment of board members
- Diversity
- Induction and remuneration
- Appointment and evaluation of the chair
- Selection of committee chairs and members
- Overseeing organisation performance
- Reviewing chief executive performance
- Reviewing governance performance.

### 3.1 Succession planning

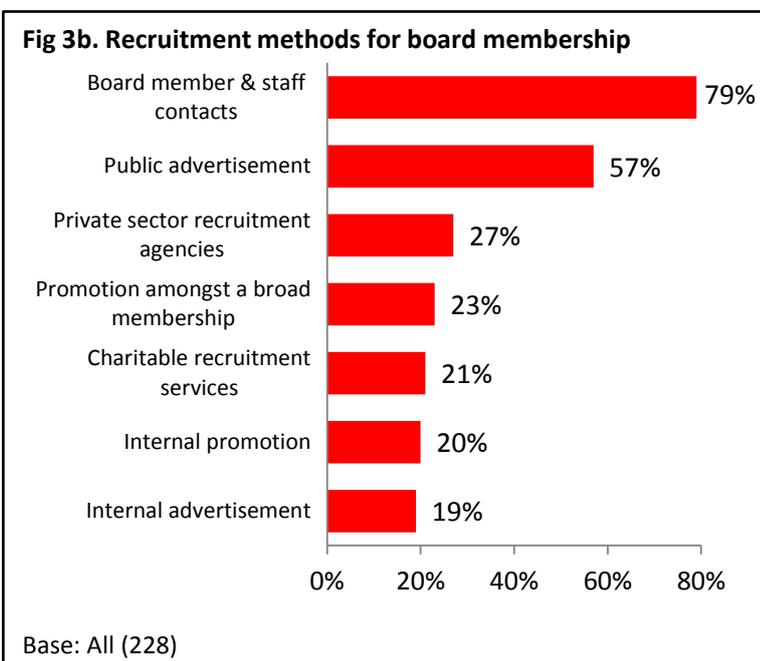
We asked about the arrangements boards had for succession planning. In most boards (72%) it consisted of considering the skills required as each position arises.



Four in ten used a pre-agreed grid identifying skills and experience of members required in future years. Around a quarter appointed future post holders and/or understudies for key positions on the board.

8% of charities had no arrangements for succession planning in place; this proportion rose to a fifth among the largest charities (with income over £100m) and 13% among the largest boards (of 16 or more members).

### 3.2 Recruitment

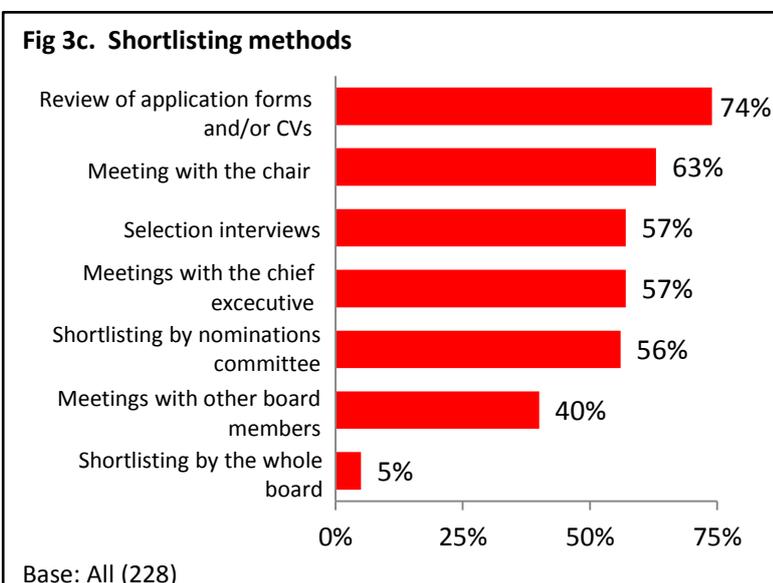


The most effective methods of recruiting candidates for board membership were reported to be board member and staff contacts and public advertisements.

86% used any internal methods<sup>4</sup> and 68% any external methods.

28% used only internal methods and 10% used only external methods.

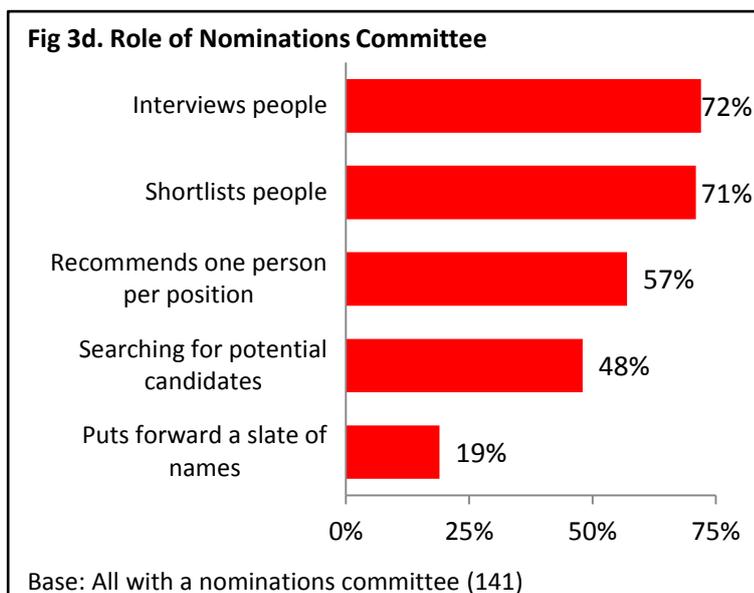
There were also variations in the recruitment methods adopted by charity size. Those with income over £50m were more likely to use public or internal advertisements, or private sector recruitment agencies. Smaller charities tended to rely more on board member and staff contacts.



Reviewing application forms and meeting the chair were the most common shortlisting methods.

Smaller charities (income under £25m) were more likely than larger charities to shortlist through meetings with the chair or chief executive. Larger charities (income over £50m) were more likely to shortlist by a nominations or similar committee.

<sup>4</sup> Any internal methods included "internal advert" or "board member and staff contacts" or "internal promotion" or "promotion amongst a broad membership".



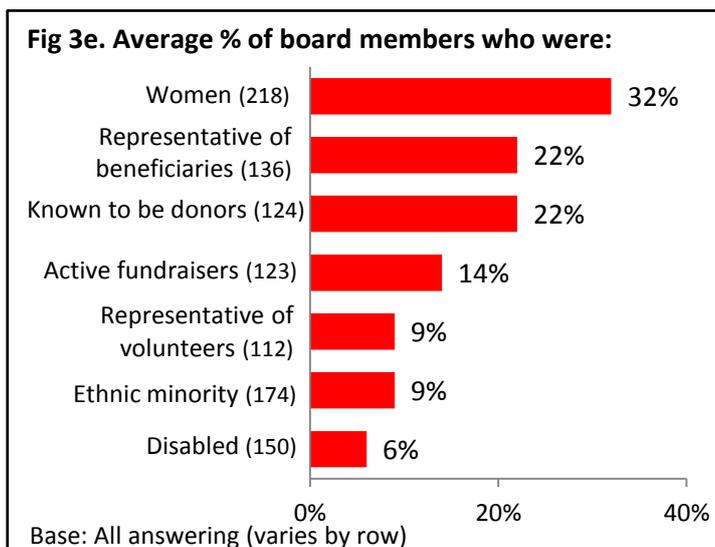
Boards that had a nominations or similar committee were more often involved in interviewing and shortlisting candidates, than in searching for candidates or recommending them. Only a fifth of nominations committees put forward a slate of names for the board to choose from.

Charity constitutions determine how board members are chosen. In two thirds of participant organisations board members were elected or selected by the board itself. The rest were chosen in a range of different ways.

How board members are finally chosen	All respondents
Elected or selected by the board itself	67%
Elected by the wide membership of the organisation	18%
Elected by a Council or Assembly	15%
Co-opted	14%
Appointed by other organisations	11%
Elected by the branches of the organisation	3%
By a committee or panel (spontaneous)	2%
Other (spontaneous)	2%

### 3.3 Diversity

Participants were asked how many board members fell into different demographic categories and the proportion of the total board membership with each characteristic was calculated.<sup>5</sup>



Proportion of board members that are female	% of charities
0%	1%
1% - 10%	4%
11% - 20%	20%
21% - 30%	26%
31% - 40%	25%
41% - 50%	16%
51% - 100%	9%

Women were under represented on large charity boards - on average, only 32% of board members were women. This did not vary significantly by size of organisation or size of board.

Religious and spiritual organisations, leisure organisations and professional associations had fewer women on their boards.

Overall, a quarter of charities had 20% or fewer women on their boards.

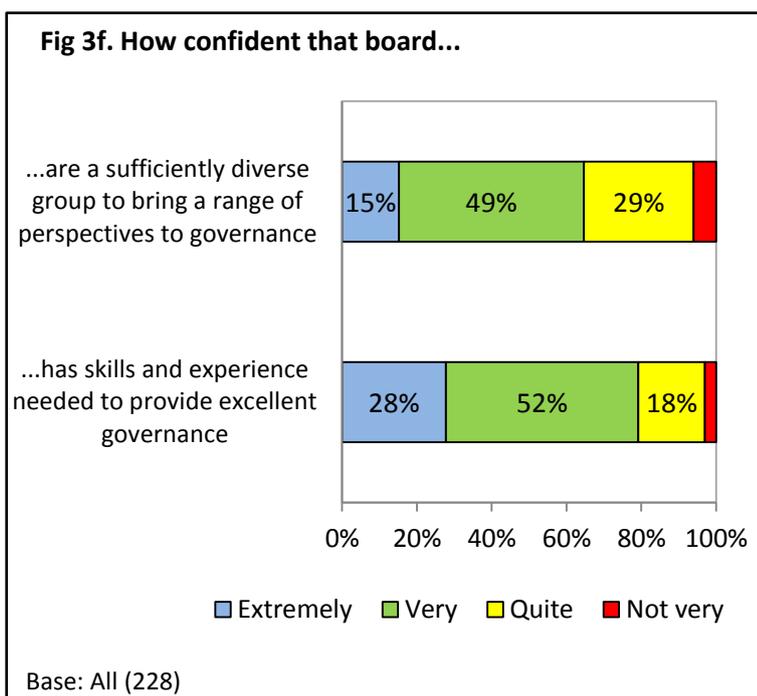
Women were even less well represented as chairs, with only 26% being female.

The proportion of women board members was higher among:

- boards that used an agreed skills and experience grid (34% women) than among boards with no succession planning (24%)
- boards where board members were elected by a council or assembly, or the board itself, rather than by the wider membership.

As board size increased, so too did the average proportion of members who were specifically appointed from beneficiaries, service users, their families or carers, and volunteers.

<sup>5</sup> Only 4% of respondents did not answer the question on gender. For the remaining diversity variables, the proportion not answering was between 25% and 50% of respondents.



Participants felt less confident about the diversity of their board than of its range of skills and experience: 64% were ‘extremely’ or ‘very’ confident that their board was sufficiently diverse to bring a range of perspectives to governance, whereas 80% were ‘extremely’ or ‘very’ confident that their board had the skills and experience needed to provide excellent governance. On both these measures chairs were more confident than chief executives. The level of confidence in the board’s diversity and skills/experience was significantly higher among organisations that had arrangements for succession planning in place, and among organisations that remunerated their board members.

### 3.4 Induction

New board member induction typically included at least five different elements from among those listed below.

Induction activities	% of charities
An induction pack of background reading	96%
Briefing from the chief executive	93%
Briefings by other staff	79%
Briefing from the chair	74%
Site visits to meet front line staff	66%
Identification of training or development needs	54%
Support from a board member ‘buddy’	28%
Meetings with beneficiaries	18%
Opportunities to ‘shadow’ management meetings	9%

### 3.5 Remuneration

One in seven or 14% said that chairs were remunerated, of whom half were paid less than £15,000 and half more than £15,000. Almost a third of these were housing and care providers and a few social welfare providers and funders were remunerating their chairs. No aid agencies, arts organisations, or colleges remunerated their chairs.

## Chapter 3 Governance processes

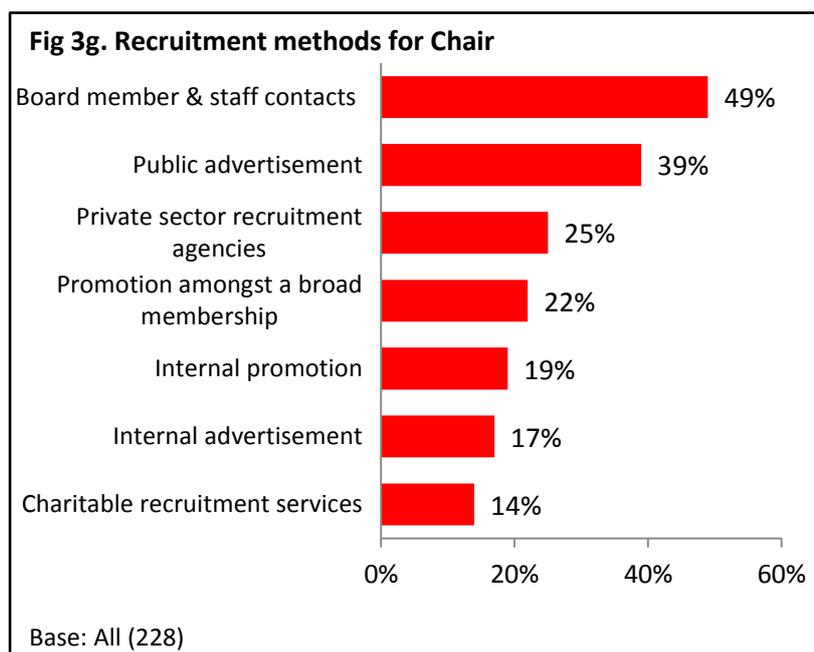
The proportion who said their chair was remunerated increased with increasing charity income: 7% among charities with income up to £25m, 14% among charities with income £25m - £100m, rising to 30% among those with income over £100m.

Only 10% of charities had other board members who were remunerated (excluding payment of expenses), including 4% who said *all* board members were remunerated. Remuneration levels varied widely from below £5,000 pa to more than £15,000. Remuneration of board members was found only among funders, housing and care providers, leisure and recreation organisations, religious or spiritual organisations, health providers, education and research organisations, social welfare providers and schools.

The proportion who said some of their board members were remunerated was higher among charities with income in excess of £100m. These charities were also more likely to say *all* their board members were remunerated.

Remuneration was linked to higher levels of attendance at board meetings. 91% of charities that remunerated board members achieved over 80% attendance levels in the last 12 months; compared with 70% of charities that did not remunerate board members. It was also linked slightly to higher overall performance of governance.

### 3.6 Appointing the chair



Boards typically used three or four of the methods opposite to recruit candidates for the role of chair of the board. Half relied on board member and staff contacts.

Chairs were more likely to be recruited through advertising or promoting internally than advertising or recruiting externally.

71% used internal methods<sup>6</sup> and 47% external methods.

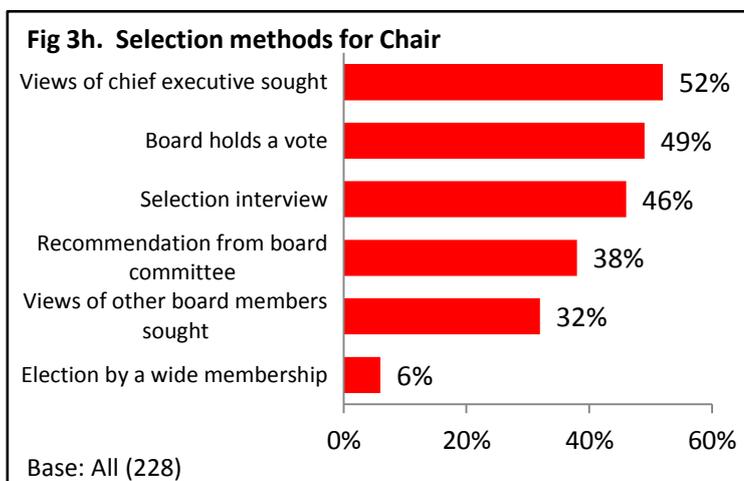
38% used only internal methods and 15% used only external methods.

<sup>6</sup> Any internal methods included "internal advert" or "board member and staff contacts" or "internal promotion" or "promotion amongst a broad membership".

Boards typically used two of the methods below to select the chair of the board. Around half sought the views of the chief executive, conducted a selection interview, or held a vote among the board.

30% of chairs had not been a board member prior to their appointment. The remaining 70% included:

- 10% who had been on the board for less than a year previously
- 12% who had been a board member for 1-2 years
- 11% who had been a board member for 2-3 years
- 7% for 3-4 years
- 30% for more than 4 years.



A third (33%) of participants said their current chair had served for up to 2 years, 36% had served for 2-4 years and 30% had served for 4 years or more.

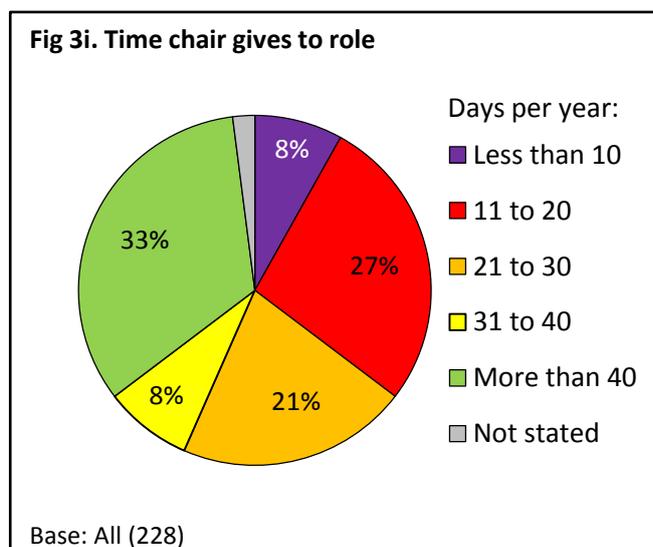
**Time chair gives to the role**

There was considerable variation in the number of days per year that chairs gave to the role:

- 35% gave up to 20 days
- 29% gave 21-40 days
- 33% gave more than 40 days.

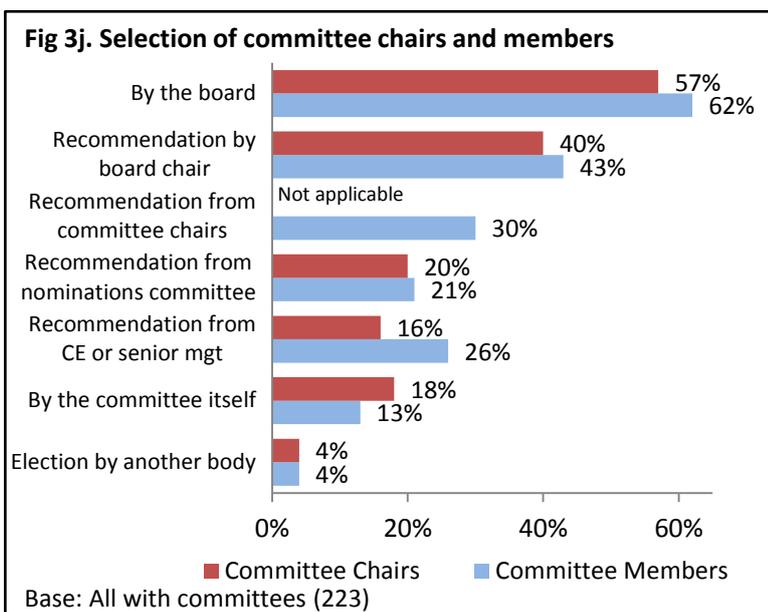
On average <sup>7</sup> chairs gave 29 days to the role per year.

Chairs of charities with higher income and chairs of larger boards (with more than 16 members) typically gave more time to their role. Over half of chairs of the largest charities with income over £100m, and over half of chairs of large boards with 16 or more members devoted more than 40 days per year.



<sup>7</sup> The average calculation used midpoints and a value of '45 days' was applied to the top category.

### 3.7 Selecting committee chairs and members



Committee chairs and committee members were chosen by similar methods. The most common ways of selecting both were by the board and by recommendation of the board chair. Committee chairs also played a significant role in selection of their committee members. Nominations committees or recommendations from the chief executive or senior management were used less frequently to determine committee membership.

### 3.8 Overseeing organisation performance

Boards tracked the organisation’s overall performance against plans through a variety of means; most cited three or four of the five listed below:

Ways in which board tracks organisation’s overall performance against plans	% of charities
The board reviews regular summaries of Key Performance Indicators	79%
Plans clearly specify targets and timescales	78%
The board receives text based reports of progress	70%
The performance summary highlights actions to be taken	57%
Use “traffic lights” to highlight performance against plans	55%

90% used at least one of: regular reviews of KPI summaries, traffic lights or performance summaries highlighting actions to be taken. The use of KPI summaries and traffic lights was higher among charities with higher income.

Participants were asked what actions they would like to take to improve the monitoring of their organisation’s performance; a third suggested actions. The two main themes emerging were:

- Enhanced reporting – with various suggestions including better IT, dashboards, exception reporting, high level reporting, more evidence-based reporting.
- Key Performance Indicators - establishing or reviewing the use of KPIs, or introducing clearer, more systematic KPIs (linked to the risk register).

Fewer mentioned strategic focus or enhanced planning/objective setting. The main suggestion around strategy was to make clearer links between the strategy and plans and targets.

### 3.9 Reviewing risk registers

Frequency of reviewing risk register	All
More often than quarterly	6%
Once a quarter	23%
Twice a year	22%
Once a year	46%
Never	1%

Only three organisations in our sample never reviewed their risk register.

Almost half of charities reviewed their risk register annually.

Smaller boards of 1-10 members reviewed their risk register more frequently than larger boards.

### 3.10 Reviewing chief executive performance

Over three quarters (79%) of charities reviewed the performance of their chief executive annually. 10% reviewed chief executive performance more than once a year, and 7% less than once a year. 3% said the chief executive’s performance was never reviewed.

The chief executive’s performance was most often reviewed by the chair (80% of cases). Minorities used various other methods: 22% reviewed the chief executive through a board committee, 15% involved the whole board, 14% reviewed him or her using more than one board member and 6% used a third party.

The performance of the chief executive was most often evaluated using evidence they provided themselves, supplemented by information from others. The chief executive’s performance was reviewed:

- With his/her own report of achievements against objectives (82%)
- With written input from the chair (49%)
- With verbal or written input from trustees (47%)
- With input from members of the senior management team (31%)
- With information gathered by an independent person (7%).

### 3.11 Reviewing performance of governance

Half (49%) of charities reviewed the performance of governance annually:

Frequency of reviewing performance of governance	% of charities
Annually	49%
Every 18 months	3%
Every other year	14%
Less frequently	22%
Never	10%

All of the largest charities with income over £100m carried out governance reviews, compared with 86% of charities with income below this threshold.

The smallest charities, with income below £25m, were slightly less likely to hold reviews annually (44% did so), than were charities with income over £25m (51%).

## Chapter 3 Governance processes

Two thirds (65%) of boards spent less than 3 hours per year discussing governance performance. A quarter (24%) spent longer and 8% spent no time at all:

Time spent discussing governance performance in last 12 months	% of charities
None	8%
Less than 1 hour	16%
1 -2 hours	31%
2-3 hours	18%
3-4 hours	6%
More than 4 hours	18%

Governance performance reviews were most often carried out through questionnaire or through informal discussions amongst board members – half used each of these methods. More formal interviews of board members and reviews at the end of board meetings were less common. Minorities spontaneously mentioned other approaches:

Methods used regularly to review the performance of governance	% of charities
A questionnaire based approach	49%
Informal discussions between the chair and board members	48%
Interviews of board members	25%
Brief reviews are held at the end of meetings	15%
External facilitator/ consultant/ working group review (spontaneous)	9%
Other ways (e.g. board or a committee)	9%
Don't regularly review the performance of governance	15%

38% of organisations only used one of the methods above; 25% used two and 21% used three or more.

If an interview based approach was adopted, interviews were usually carried out by the chair (65% of cases) or an independent person (40%), rather than by a board member (11%) or member of staff (9%).

### 3.12 Reviewing chair performance

The performance of the chair was most often evaluated as follows:	% of charities
As an integral part of the board evaluation	33%
By seeking the views of board members confidentially	25%
Through 1:1 feedback sessions with each board member	21%
By seeking the views of board members in writing	14%
Through a 360° appraisal	4%

Two thirds evaluated chair performance by at least one of the methods above (or another way); whereas in a third of charities no evaluation of the chair’s performance was carried out.

### 3.13 Reviewing individual performance

Half of organisations formally reviewed the performance of individual board members: 35% did so annually, 8% every other year, and 9% less frequently. 41% said they never reviewed individuals’ performance.

Participants reviewed individual board member performance, through at least one of the following ways:

Methods used to review the performance of individual board members	% of charities
The chair has an informal discussion with each board member	38%
The review includes a formal 1:1 meeting with the chair	28%
The chair informally seeks the views of other board members	16%
The chair uses written evidence from other board members	7%
The review includes a formal 1:1 with another board member	3%
Other (e.g. 360 degree appraisal/ external consultant)	9%
Don’t review individual board member performance	36%

Larger charities were more likely to hold formal 1:1 meetings between the chair and individual concerned or have informal discussions between the chair and each board member.

When asked how systematically reviews of individual performance are conducted before board members stand for second or subsequent terms of office:

- 45% said the performance of all members is reviewed before re-election
- 12% said the performance of some members is reviewed before re-election
- 30% said that individual performance is never reviewed before re-election.

### 3.14 Strengthening board membership

Participants were asked what actions they would like to take to strengthen the membership of the board. Over half suggested actions and these were mainly around the dual themes of diversity and skills followed by succession planning.

The top responses were to:

- Review, identify and plug particular skills gaps, which often required specialist knowledge.
- Improve diversity generally, or on particular dimensions especially ethnic minorities, women or younger people.
- Improve induction, training and development opportunities.
- Improve succession planning generally, or specifically to replace retiring personnel or increase the turnover of board membership.

### 3.15 Discussion

A few points deserve comment.

The processes for appointing board members are not generally delivering diverse boards that fully represent the demographics of the UK. Women are clearly under represented on large charity boards. Almost half of the trustees of all charities are women<sup>8</sup>, so at 32%, large charities are not as good as the rest of the sector on gender diversity. However, it is worth noting that they are considerably better than the boards of large private sector organisations where women account for only 16% of board members of FTSE 100 companies and 10% in FTSE 250 companies<sup>9</sup>.

Ethnic minorities are also under represented as they constitute 12.5% of working age people<sup>10</sup> but only 9% of large charity boards. Similarly, disabled people constitute 14% of working age people<sup>11</sup> but only 6% of large charity boards.

It is somewhat surprising therefore that 64% of participants were 'extremely' or 'very' confident that their boards were sufficiently diverse to bring a range of perspectives to governance. This may be because their interpretation of diversity included diversity of professions, geographic location and other variables. However, the finding may still be significant as we will show later that diversity is an important driver of effective governance.

Perhaps the fact that less than half used a 'skills grid' (which generally includes diversity) points to a starting point for making further improvements in this area.

Although the findings suggest that remuneration of board members can lead to improvements in some of the characteristics of governance, we recognise that remuneration raises the much broader issue of public trust and confidence in the charity sector. The link between remuneration and the performance of governance is only weak. This suggests that the presumption against remuneration should remain and approval by the Charity Commission for payment should continue to be required in circumstances where there is a genuine case for making payments.

Overall, there are many governance processes that a high percentage of charities have in place including use of a wide range of induction methods, appraisal of the chief executive and governance of risk.

There are also some that are used by a relatively small proportion of charities. We note that almost half allow more than two years to pass without a formal review of governance and a quarter spends less than an hour per year discussing their performance. Given that some form of performance review is needed for boards to know how well their governance is working this is an area with significant potential for improvement.

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<sup>8</sup> 48% according to the NCVO Almanac, NCVO website, 2012, which also found women were under represented in the largest charities.

<sup>9</sup> The Female FTSE Board Report, Cranfield University School of Management, 2012.

<sup>10</sup> Labour force survey 2010, <http://www.dwp.gov.uk/emag/what-we-do/background/ethnic-minorities-in-the-labour/>. We recognise that a more comparable figure would also include some retired people from minorities.

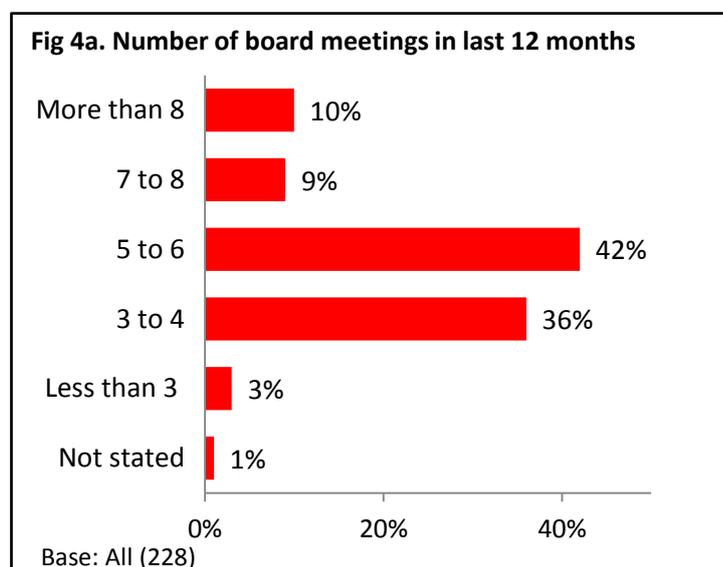
<sup>11</sup> Department for Work and Pensions website. Similarly, a more comparable figure would also include some retired disabled people.

## 4 Governance meetings

Board meetings are the place where many aspects of governance come together for a short but crucial period of time. This chapter covers:

- Meeting frequency and duration
- Attendance levels
- Planning of meetings
- Meeting management
- Meeting quality.

### 4.1 Frequency and duration of board meetings



Boards typically met between three and six times per year.

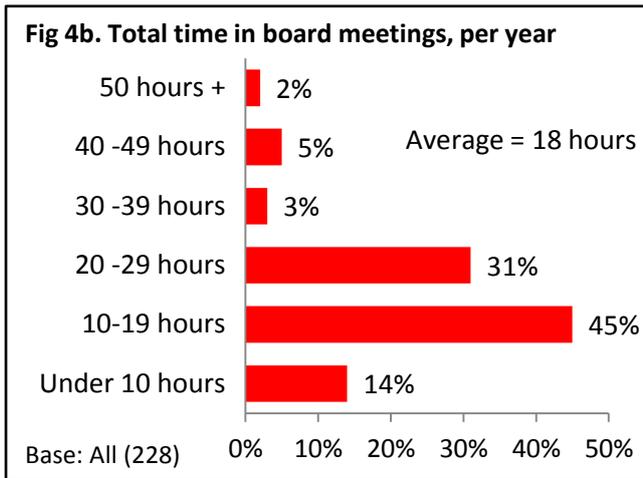
Smaller boards (fewer than 10 members) were more likely to meet more than 8 times per year than were medium sized boards (11-15 members) or large boards (16+ members).

Over three quarters of boards made use of 'away day' type meetings that allow for more extensive discussion of big topics such as longer term strategy and improving governance:

Number of 'awaydays' in last 12 months	% of charities
None	21%
1	55%
2	19%
More	4%
Not stated	1%

Board meetings normally did not last more than 5 hours:

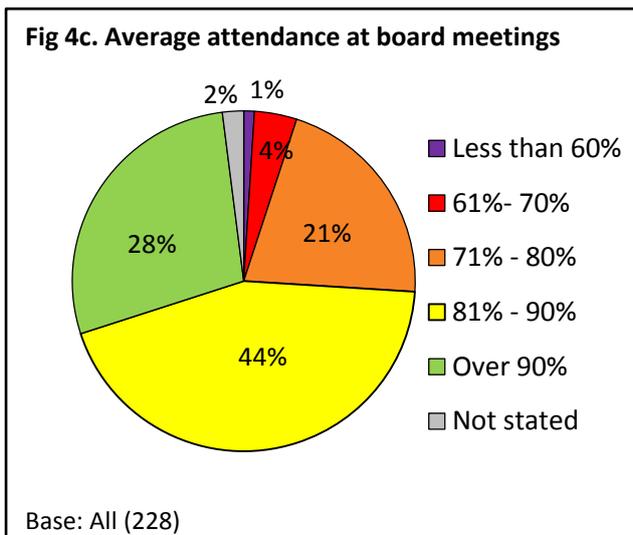
Board meeting length	% of charities
Less than 3 hours	46%
More than 3, up to 5 hours	42%
More than 5, up to 7 hours	7%
More than 7 hours	2%
More than a day	3%



Boards met for an average of 18 hours in the last year (excluding awaydays).

Three quarters of boards spent between 10 - 30 hours in meetings per year. Those boards that met for longer than average tended to have longer meetings rather than having more meetings.

#### 4.2 Attendance levels



Participants typically achieved 81% - 90% attendance at board meetings.

Only around a quarter reported an average of over 90% attendance at board meetings during the last 12 months. A fifth only managed 71% – 80% attendance. A residual 5% had less than 70% attendance at meetings.

The average attendance was reported to be 85%.

## Chapter 4 Governance meetings

Three quarters of organisations gave board members expectations about levels of attendance. Generally full attendance was expected (46%) and smaller proportions cited other arrangements:

Expectations given about attendance at board meetings	% of charities
Full attendance is expected	46%
No expectation is given formally	19%
Cannot miss two meetings in succession without good reason	9%
Acceptable to miss one meeting per year	8%
Missing more than two meetings must be explained to the chair	6%
Other (e.g. minimum attendance cited)	5%

Those that did not give expectations about attendance were more likely to be large charities or charities with large boards.

When expectations were given about attendance at meetings, it tended to lead to higher levels of attendance: 10% more charities achieved over 80% attendance:

Average attendance at board meetings	All (228)	Expectations given about attendance	
		Yes (168)	No (43)
Less than 60% attendance	1%	1%	2%
61% – 70% attendance	4%	2%	9%
71% – 80% attendance	21%	22%	21%
81% – 90% attendance	44%	43%	44%
Over 90% attendance	28%	30%	19%

### Publication of attendance

Only 29% of charities published details of board member attendance levels at board meetings.

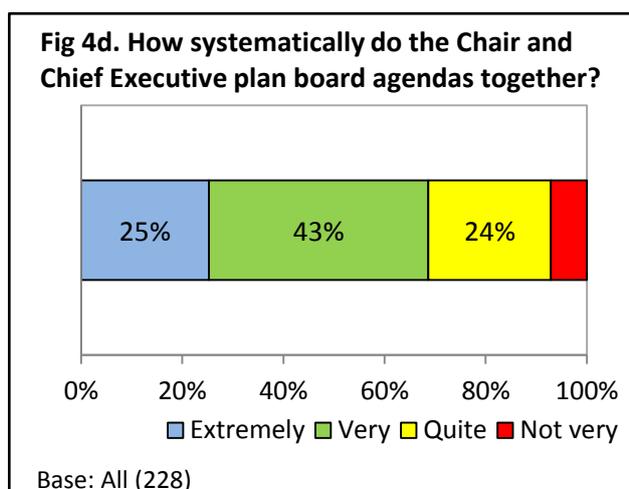
A variety of means were used to publish these data:

How organisation publishes details of board member attendance	% of charities
Individual attendance reported at the year-end in board papers	13%
Individual attendance is published in the Minutes of meetings (spontaneous)	6%
Report individual attendance in Annual Report	5%
Summarise attendance in Annual Report	4%
Attendance reported to a specific committee	2%

Boards that did publish details of board member attendance had higher attendance levels – 81% of them achieved over 80% attendance compared with only 69% of those who did not publish the information.

### 4.3 Planning of meetings

Two thirds of participants said that chairs and chief executives plan board agendas together either ‘extremely’ (25%) or ‘very’ (43%) systematically. The other third were less positive saying their agenda planning was only ‘quite’ (24%) or ‘not very’ (7%) systematic. Chairs were more positive on this issue than were chief executives.



Chairs and chief executives were more likely to plan board agendas together well in larger charities; the proportion who planned agendas together ‘extremely’ or ‘very’ systematically was:

- 77% in charities with income over £50m
- 68% in charities with income of £25m-£50m
- 57% in charities with income up to £25m.

Frequency of discussing future agendas	All
Never	15%
1-2 times per year	57%
3-4 times per year	8%
At every meeting	18%
Not stated	2%

Two thirds (65%) of boards discussed a forward plan of items for future meetings at regular intervals: either once or twice a year (57%) or 3 - 4 times per year (8%).

Smaller boards with fewer than 10 members were more likely than others to have discussion of future items at every meeting (24% did so), whereas larger boards of 16 or more members were more likely to say it was never discussed (22%).

Most participants (81%) judged that their board members were satisfied with the quality of information provided for the board: 16% ‘extremely’ satisfied and 65% ‘very’ satisfied. 18% were only ‘quite’ satisfied and 1% was ‘not very’ satisfied.

#### 4.4 Management of meetings

Boards typically had between 16 - 20 people in the room during normal board meetings, (when the most people were in the room).

Number of people in the room in board meetings	% of charities
6-10	7%
11-15	19%
16-20	49%
More than 20	24%

Over half (56%) of boards had met with the chief executive alone, for all or part of a meeting, during the last year.

Two thirds (65%) of boards had met with no executives present, for all or part of a meeting, during the last year.

Frequency of board meetings in last 12 months ....	with the chief executive alone	with no executives present
None	43%	35%
1	20%	34%
2	13%	10%
3	9%	8%
More	14%	13%

Over half (55%) of boards had taken a formal vote on a decision at least once during the last year:

Frequency of taking a formal vote on a decision, in last 12 months	% of charities
None	44%
1-5 times	37%
6 – 10 times	7%
More than 10 times	11%

The frequency of taking a formal vote increased as board size increased.

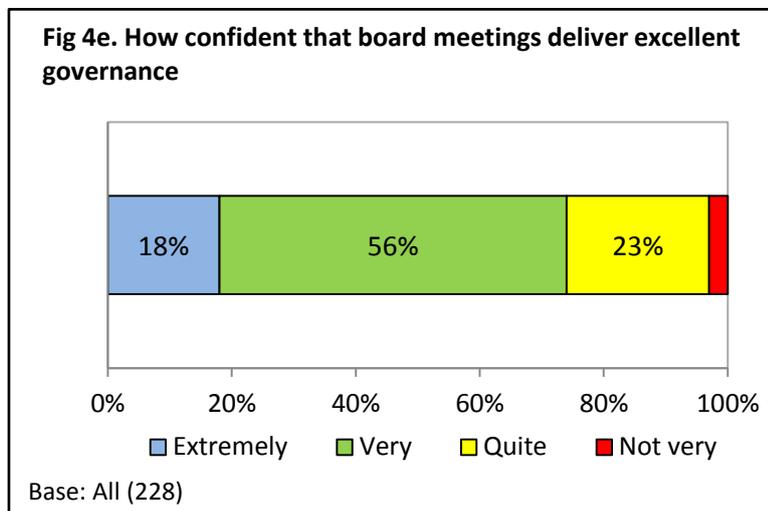
A third (33%) of boards had used a 'consent' item on board meeting agendas to agree a block

of regular issues without discussion unless a member has raised a concern in advance of the meeting:

Frequency of using a 'consent' item on board meeting agendas	% of charities
Never	68%
1-2 times per year	6%
3-4 times per year	4%
At every meeting	23%

Large boards with 16 or more members were more likely to use a consent item and routine usage of a consent item also increased as board size increased.

**4.5 Quality of meetings**



Three quarters of participants were confident that their board meetings delivered excellent governance.

Chairs were more confident (23% 'extremely' so) than were chief executives or governance managers (16% 'extremely' so).

There was a clear association between the level of confidence that board members are sufficiently diverse to bring a range of perspectives to governance and confidence that board meetings deliver excellent governance.

In other words, boards with better diversity were also thought to have more effective meetings:

Similarly, when participants were more confident that their board had the necessary skills and experience to govern well, then they also had higher confidence in the quality of the board meetings.

In other words, boards with better skills and experience were also thought to have more effective meetings.

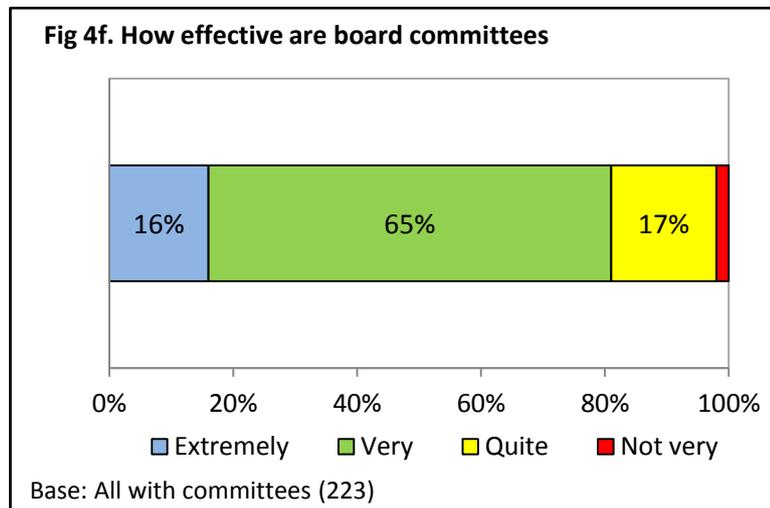
Participants from boards that met more frequently were more likely to be 'extremely' confident that their meetings delivered excellent governance. The optimum was considered to be 7-8 board meetings per year.

The level of confidence that boards deliver excellent governance was considerably higher among participants from:

- boards that discuss a forward plan of items for future meetings
- boards that did *not* use a 'consent' item on board meeting agendas to agree a block of regular issues without discussion
- boards that held at least one 'awayday' in the last 12 months
- boards where members spent time together outside board meetings.

### 4.6 Effectiveness of committees

80% thought that their committees were either 'extremely' or 'very' effective.



The perceived effectiveness of committees was:

- higher among committees with fewer non-board members
- not affected by the size of committees.

### 4.7 Improving meetings

When asked what actions should be taken to improve board meetings, the top responses were:

- sharper strategic focus
- better agenda planning (including preparation, structure, cyclical agendas, consent items)
- improved quality of board papers
- clearer delegation to, and better reporting from committees.

When participants were asked what actions they would like to take to strengthen the contribution made by committees there was a wide range with no one theme dominating. The top responses were:

- structural changes, such as realigning committees to reflect their charity's direction
- clearer terms of reference
- clearer delegation
- a more balanced membership or better skills mix
- better training for committee members
- better reporting to the board.

### 4.8 Discussion

Three of the characteristics of meetings deserve comment.

The findings on attendance should be treated with a little caution because we allowed participants to estimate it, if the actual figures were not readily available. Even if they are not entirely accurate, a small number reported attendance of less than 70%, and they tended to be charities that did not make attendance expectations entirely clear. Our consulting experience is that most board members have good attendance records, but that poor attendance by a small number of people pulls the overall attendance record down.

## Chapter 4 Governance meetings

Some charities are striving to be more transparent about attendance with a small but growing number of charities reporting individual attendance in their annual reports. This may persuade the few people with poor records to improve their attendance.

The second characteristic deserving comment is agenda planning. It is known that effective meetings are dependent on having really carefully planned and prepared agendas. These should allow boards to have a wide ranging discussion on 'big issues' at an early stage of their evolution and focussed consideration when these items return for final decision. It is worrying that almost a third of participants report that agenda planning is only 'quite' or 'not very' systematic.

It is not always easy to be totally clear about the objectives of agenda items, the level of preparation required and the time each should be allocated. Indeed, sometimes boards can add high value when they move away from the planned agenda and 'freewheel' on a topic. Nevertheless, our results suggest that some organisations could significantly enhance their governance by putting greater effort into agenda planning.

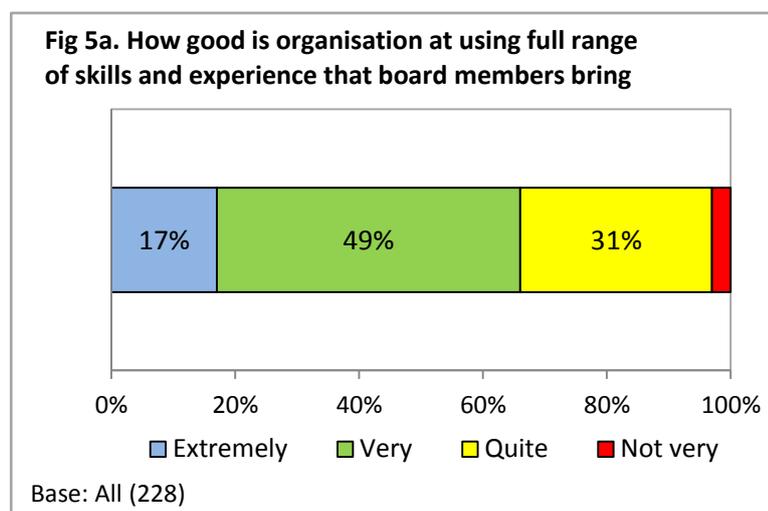
Finally, it is surprising that confidence in the delivery of excellent governance is higher amongst boards that did not use a 'consent' item. This item is often used as a way of encouraging boards to focus on the most strategic issues and to make the most effective use of board time. Our finding suggests that it may lead to reduced confidence which may be a cause for concern as our experience is that use of the device is growing.

## 5 Governance behaviours

The behaviours of everyone involved in governance are crucial to the delivery of excellent governance. This chapter reports on ways board members behave in and outside meetings covering:

- Use of a full range of board member skills and experience
- Listening to each other and team working
- Challenging and praising
- Openness, confidence and trust
- Focussing on strategic issues
- Contact outside meetings
- Managing conflicts of interest
- Chair – chief executive relationships
- Experience of other boards.

### 5.1 Use of skills and experience

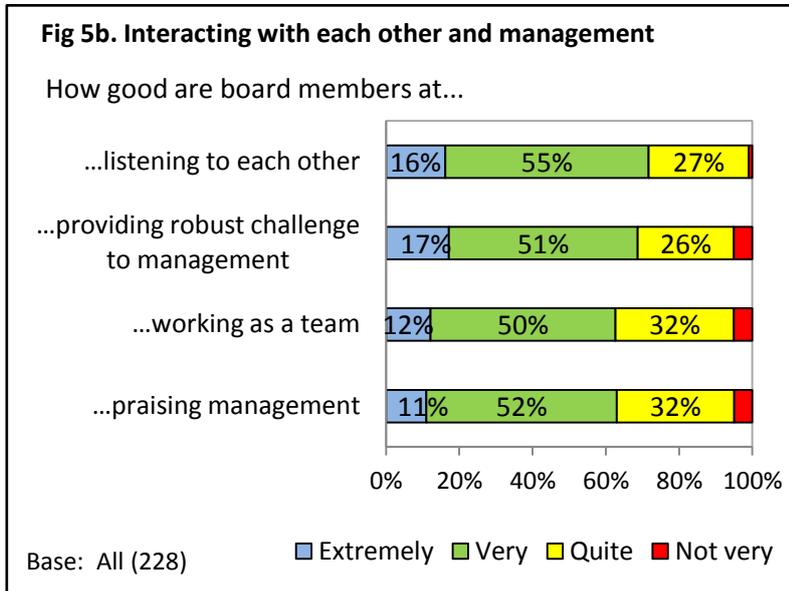


Two thirds of participants thought their organisation was either ‘extremely’ good (17%) or ‘very’ good (49%) at using the full range of skills and experience that board members bring. The remaining third thought their organisation was only ‘quite’ good or ‘not very’ good at this.

Board size	‘Extremely’ or ‘very’ good at using board members’ full range of skills and experience
Row percentages	
10 members	69%
11-15 members	66%
16 or more members	60%

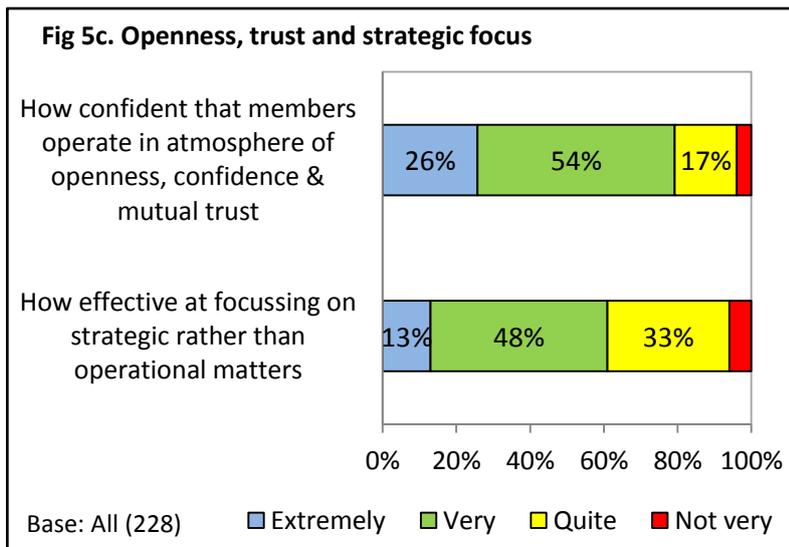
Smaller boards were thought to be slightly better at utilising the full range of skills and experience that board members bring.

5.2 Board member behaviours



Board members were better at listening to each other and providing robust challenge to management than they were at team-working and praising management.

Chairs and chief executives had similar views on board members listening to each other; chairs thought they were slightly better at providing robust challenge. Chairs were slightly more positive about board members working as a team and providing robust challenge, and significantly more positive than chief executives about the board praising management.



Confidence was generally very high that board members operate in an atmosphere of openness, confidence and mutual trust.

Participants were somewhat less convinced about their board's ability to stay focused on strategic issues: only 61% thought their board 'extremely' or 'very' effective at focusing on strategic rather than operational matters.

In the largest boards, members were less good at operating in an atmosphere of openness, confidence and mutual trust, listening to each other, or providing robust challenge to management.

Charity income	Board members 'extremely' / 'very' good at praising management
Up to £25m	74%
£25.1m - £50m	62%
£50.1m - £100m	57%
Over £100m	47%

Medium sized boards (of 11-15 members) were slightly better at focussing on strategic matters than either larger or smaller boards.

As charity income increased, members were less good at praising management.

There was a clear association between ratings on the various board member behaviours and perceptions of both board diversity and board skills. The more diverse and the better skilled boards were considered to be, the higher the ratings on board members’ openness and trust, listening and team working, focus on strategic issues, praising and challenging of management.

The evidence suggests that boards with a higher proportion of women performed somewhat better on various behaviour dimensions especially listening and providing robust challenge to management. Similarly, boards with more women performed some governance roles more effectively including maintaining a strategic focus, risk management and upholding the values of the organisation.

### 5.3 Managing conflicts of interest

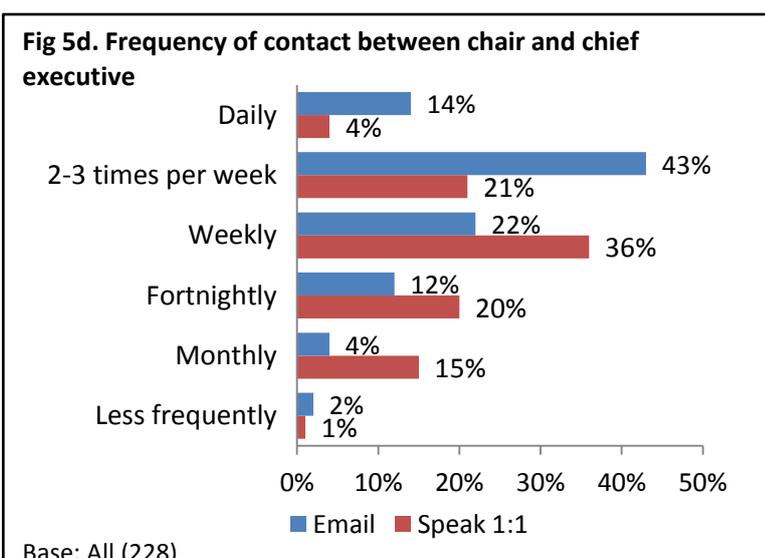
Nearly three quarters (73%) of boards had had to deal with a potential conflict of interest situation at least once in the last year. 30% had conflicts of interest raised on three or more occasions.

The proportion that had had to deal with a conflict of interest was higher amongst funders (79%), disability (81%), arts and culture (81%), education and research (89%), training employment and examination providers (100%). It was lower in colleges and universities (43%), intermediaries (50%), leisure and recreation (50%) and aid agencies (58%).

Number of times a potential conflict of interest raised by board members, in last 12 months	% of charities
None	25%
Once	22%
Twice	21%
Three times	8%
More than three times	22%

37% of boards had a member absent themselves from part of a meeting because of a conflict of interest, at least once in the last year (including 21% where this happened just once and 16% where it happened twice or more).

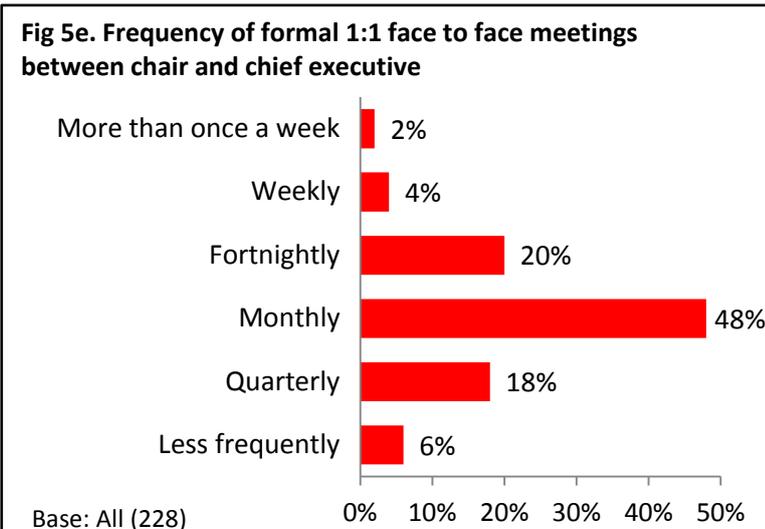
### 5.4 Chair – chief executive relationships



Most chairs and chief executives were in regular contact:

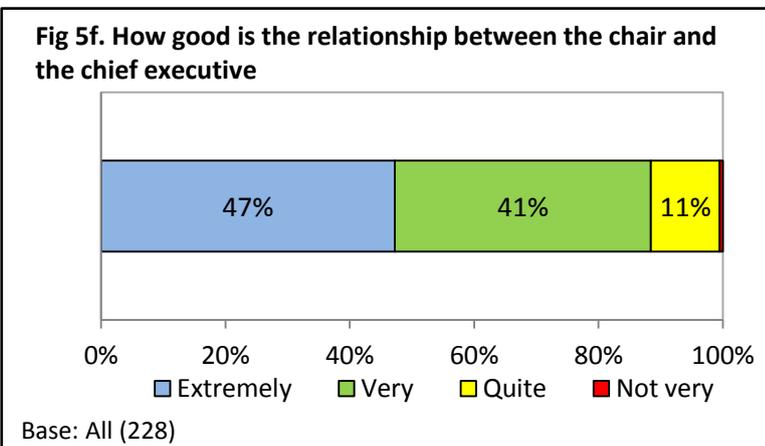
- 57% were in email contact at least three times per week
- 61% spoke 1:1 at least weekly.

The typical frequency of email contact for all participants was 2 - 3 times per week and speaking to each other once per week.



Formal 1:1 face to face meetings between the chair and chief executive took place less frequently, typically once a month.

As board size and charity income increased, so frequency of contact between the chair and chief executive, by email, phone or face to face increased.



88% of chairs and chief executives had 'extremely' or 'very' good working relationships. Chief executives were slightly more positive than chairs about the quality of their relationship:

- 90% of chief executives rated their relationship with the chair as 'extremely' or 'very good'
- 84% of chairs rated their relationship with the chief executive as 'extremely' or 'very good'.

Participants in larger charities were more positive about the chair: chief executive relationship. Charities with income between £50m - £100m were the most likely to rate the chair: chief executive relationship as 'extremely' good; whilst all of the charities with income over £100m gave a rating of either 'extremely' or 'very' good.

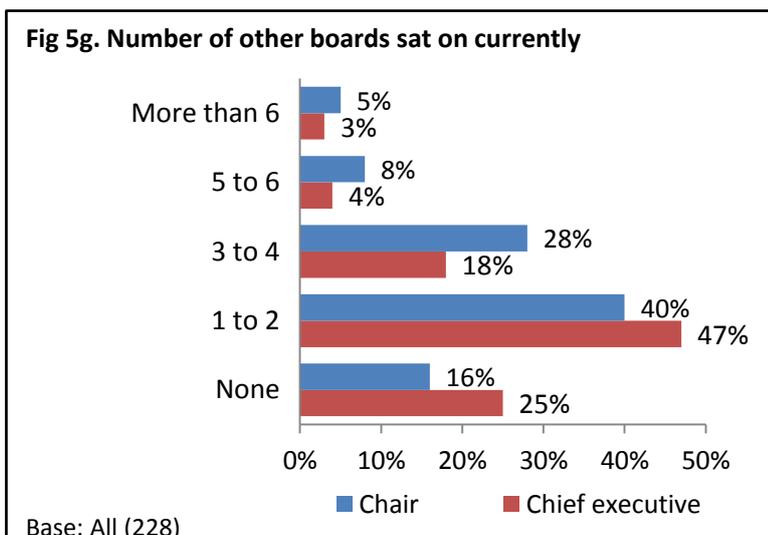
Chairs and chief executives had a better working relationship when they were in more frequent contact:

Relationship between chair and chief executive Row percentages	% 'extremely' or 'very' good
All participants	88%
<b>Frequency of email contact:</b>	
Daily or 2-3 times per week	95%
Weekly or fortnightly	83%
Monthly or less often	64%
<b>Frequency of speaking 1:1:</b>	
Daily or 2-3 times per week	95%
Weekly	93%
Fortnightly or monthly	83%
<b>Frequency of formal 1:1 face to face meetings:</b>	
Weekly	100%
Fortnightly or monthly	91%
Quarterly	88%
Less often	57%

The relationship between chair and chief executive was strongest when the chair gave between 21-30 days per year to the role, and dipped among the minority of organisations where chairs gave less than 10 days per year to the role:

Relationship between chair and chief executive Row percentages	% 'extremely' or 'very' good
<b>Amount of time chair gives to the role:</b>	
More than 30 days per year	87%
21 – 30 days per year	98%
11 – 20 days per year	87%
Less than 10 days per year	74%

### 5.5 Experience of other boards



80% of chairs and 72% of chief executives sat on at least one other board at present (including charity, corporate or public sector boards).

Chairs sat on a higher number of other boards than did chief executives.

### **5.6 Actions to improve chair – chief executive relationships**

Participants were asked about the most valuable action they had taken to ensure a good chair – chief executive relationship. Three quarters responded and the top three answers were:

- good and regular communication generally (cited by over a quarter)
- openness and transparency (cited by over a fifth)
- regular face to face meetings (cited by close to a fifth).

Other actions, cited by fewer participants, included among others: clear division of roles and responsibilities, honesty, trust, addressing difficult or sensitive issues, pre-planning board meeting agendas together, shared strategic planning and investing time and effort to get to know each other well.

When asked what they would like to do to improve the relationship between the chair and chief executive, a quarter made suggestions. The top two responses were more regular meetings and greater readiness to give and receive feedback and constructive challenge. Other ideas included offering greater support to each other, clearer delineation of roles, more long term strategic discussions and the chair to either have greater insight into the charity's operations, or to stay out of management decisions.

### **5.7 Discussion**

There is a widely held perception that poor relationships between chairs and chief executives are a common problem. Our research refutes that perception, with the overwhelming majority (88%) reporting 'very' or 'extremely' good relationships. Perhaps some chairs and chief executives were tempted to give their relationship a more positive rating. Even if this were the case it seems that relationships, amongst large charities at least, are generally remarkably good.

Second, whilst the majority reported good behaviours, around a third reported behaviours that were either 'quite' or 'not very' good. This is higher than the percentage reporting poor performance in processes or meetings. Areas with greatest opportunity for improvement in behaviours include:

- using the full range of board members' skills and experience
- staying focussed on strategic issues
- working as a team
- praising management
- chairs and chief executives who are in less regular contact.

Working as a team presents particular challenges when it only meets a few times per year and when its membership can change every year. This suggests that an ability to engage quickly with a board team and to contribute insightfully and constructively should be a characteristic sought in new board members.

Our experience is that it is considerably more demanding to make improvements in all these 'people' topics than it is to address the more 'practical' issues of changing governance processes or meetings. Making improvements in this area can flow naturally from a governance review that leads into a board discussion about the behaviours that will enable the board to be most effective. They can also be part of 1:1 performance reviews, where chairs can have to have 'difficult' conversations with board members who are not felt to be behaving in ways that add greatest value. Although chairs might not look forward to this role, they are often the only person in the governance system with the legitimacy required for such conversations. Clearly, a high level of trust and openness is a pre-requisite for all these types of conversations.

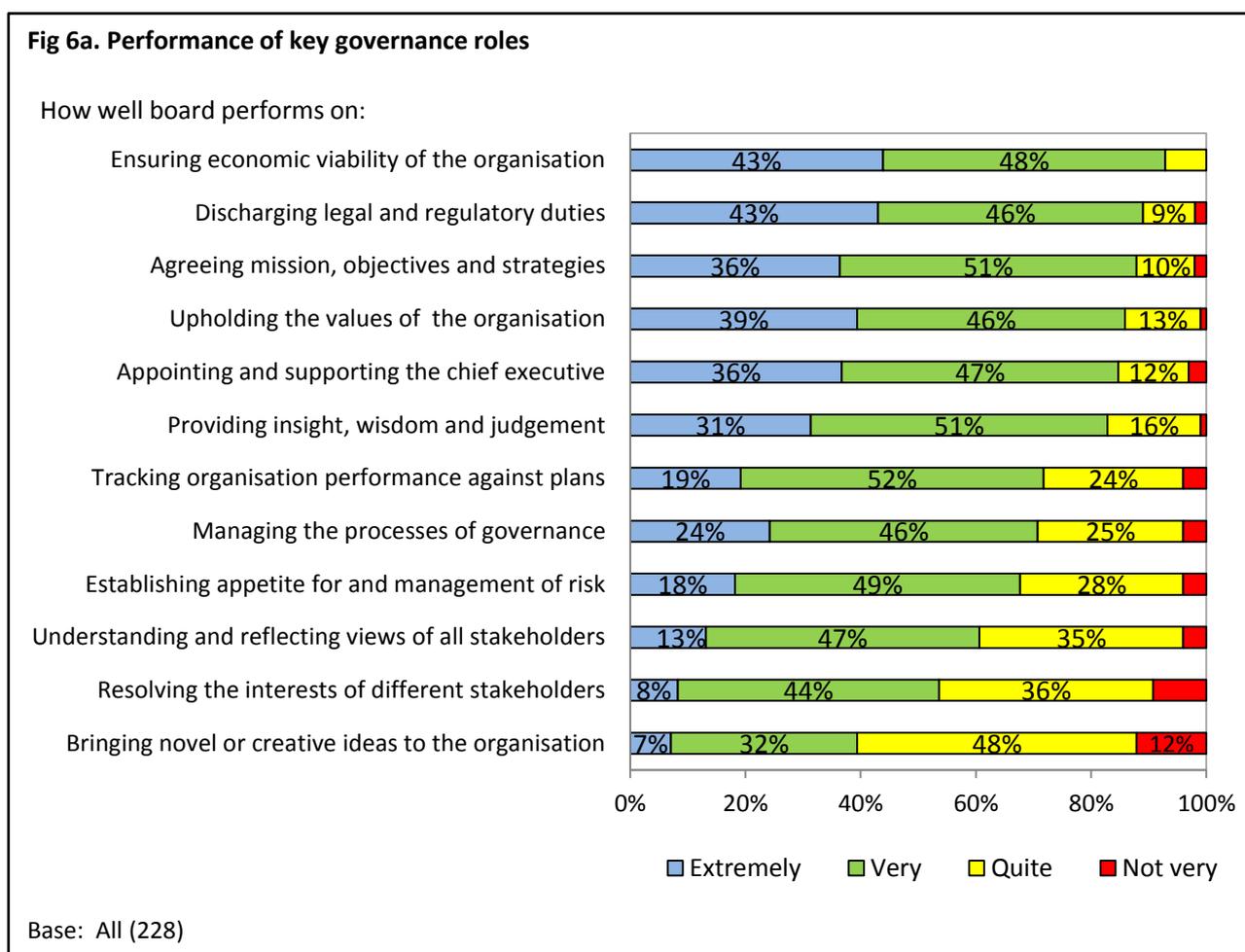
## 6 Overall performance of governance

This chapter covers:

- The performance of key governance roles
- Possible drivers of effective governance
- Participants’ performance on the key drivers
- Actions to further improve governance
- Key issues for the future.

### 6.1 Performance of governance roles

Participants were asked how well their board performed 12 key governance roles. They felt that their boards were most effective at ensuring the economic viability of the organisation, discharging legal and regulatory duties and agreeing the mission, objectives and strategy. They thought their boards were least effective at understanding stakeholders and resolving their different interests and bringing novel or creative views to the organisation.



## Chapter 6 Overall performance of governance

Over a quarter felt that they were only 'quite' or 'not very' good at tracking organisation performance, managing the process of governance and managing risk.

Overall, chairs were slightly more positive than governance managers who were in turn slightly more positive than chief executives.

We explored relationships between performance on the governance roles discussed above and other behaviours and opinions, to see whether any were associated with higher performance. The following connections were found:

**Ensuring the economic viability of the organisation** – higher ratings when:

- the board had a finance committee of medium size (4 - 8 members)
- non-board members accounted for half or fewer of the finance committee.

**Agreeing the mission, objectives and strategies** – higher ratings when:

- the board was also considered to be more effective at focusing on strategic matters
- the board had away days.

**Appointing and supporting the chief executive** – higher ratings when:

- the chief executive's performance was reviewed at least annually
- the chief executive's performance was reviewed by a board committee or an independent third party, or with input from the senior management team
- information was gathered by an independent person, or using 360 degree appraisal.

**Providing insight, wisdom and judgement** – higher ratings when:

- there was greater confidence in the board's diversity.

**Tracking organisation against plans** – higher ratings when:

- the board performance used 'traffic lights' to highlight performance against plans
- performance summaries highlighted actions to be taken.

**Managing the processes of governance** – higher ratings when:

- formal reviews of the performance of governance were held more frequently
- the performance of governance was reviewed using brief reviews at the end of board meetings, interviews of board members, or a questionnaire-based approach
- interviews of board members to review performance were carried out by an independent person
- more time was spent discussing the performance of governance
- the performance of *individual* board members was reviewed.

**Establishing appetite for and management of risk** – higher ratings when:

- the board reviewed the organisation's risk register more frequently.

**Understanding and reflecting the views of all stakeholders** – higher ratings when:

- there was greater confidence in the board's diversity.

**Bringing novel or creative ideas to the organisation** – higher ratings when:

- boards had away days, especially if they had two or more away days per year.

### 6.2 Key drivers of effective governance

An **overall performance of governance score** was computed for each participant, by *averaging* the scores across the 12 governance roles presented in fig 6a above<sup>12</sup>. 23% had an overall performance of governance score of 'extremely good', 36% 'very good', 27% 'good', 14% 'quite good' and none scored 'not very good'.

The proportion with an overall performance of governance of 'extremely' or 'very' good was then examined to determine how this varied with different characteristics of governance. Whilst an association does not necessarily prove a causal relationship, it is suggestive of it.

Characteristics are listed below in order of the strength of the association so those with the strongest relationship with overall performance of governance are at the top of the list (called stronger drivers), followed by the medium strength drivers. These 20 stronger and medium strength drivers are considered to be the **key drivers** of overall performance of governance.

#### On structural characteristics

There were no strong or medium strength associations between structural characteristics and the overall performance of governance. There was a weak association with boards that had limited terms of office for board members, smaller boards and boards with less than 10 committees.

#### On processes characteristics

The overall performance of governance was reported by participants to be higher among:

##### *Stronger drivers*

- boards considered to have the requisite skills and experience
- boards considered to be sufficiently diverse
- boards where members were given a broader induction package involving more different activities.

##### *Medium strength drivers*

- boards that spent more time discussing the performance of governance
- boards that held more frequent formal reviews of governance
- boards that reviewed all board members' performance before re-election
- boards that held more frequent formal reviews of individual board member performance.

#### On meetings characteristics

The overall performance of governance was reported by participants to be higher among:

##### *Stronger drivers*

- boards that were more confident in the *overall* quality of their board meetings
- boards where committees were more effective.

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<sup>12</sup> Each of the 12 roles presented in fig 6a was assigned a scale of 4 to 'extremely' well, 3 to 'very' well, 2 to 'quite' well, 1 to 'not very' well. Then the "overall performance of governance score" was computed for each participant, as the *average* score across all 12 dimensions (on a scale of 0 to 4); scores of 3.5 or more were defined as 'extremely good', 3.0-3.49 'very good', 2.5-2.99 'good', 1.5 – 2.49 'quite good' and less than 1.5 'not very good'. The average "overall performance of governance" score for the whole sample of 228 respondents was 2.96, which is equivalent to 'good'.

## Chapter 6 Overall performance of governance

### *Medium strength drivers*

- boards that had more ‘awaydays’
- boards where members were more satisfied with quality of information provided to the board
- boards where average attendance at meetings was higher than 70%
- boards where the chair and chief executive were more effective at planning board agendas together systematically.

### **On behavioural characteristics**

The overall performance of governance was reported by participants to be higher among:

### *Stronger drivers*

- boards that worked well together as a team
- boards that were better at focussing on strategic issues
- boards where members operate in an atmosphere of openness, confidence and mutual trust
- boards that were better at praising management
- boards that were better at providing robust challenge to management.

### *Medium strength drivers*

- boards where the chair and chief executive had a better working relationship
- boards where the chair and chief executive spoke 1:1 with each other more frequently.

In summary, cutting across structures, processes, meetings and behaviours, the strongest drivers of effective governance are, in order of importance:

- Good team working
- High quality board meetings
- Having the right skills and experience
- Focussing on strategic rather than operational matters
- Having openness and trust
- Being a diverse group of people.

### **6.3 Performance on the key drivers**

Having pinpointed the 20 key drivers of overall performance of governance, we then explored how well organisations performed on each of these specific characteristics. They were classified on a two way criterion of ‘good’ or ‘poor’ performance.<sup>13</sup>

We then looked at the proportion of organisations that achieved the threshold needed for ‘good performance’ on each of the key drivers. The table overleaf lists the 20 key drivers of governance performance, ranked in order of importance (i.e. those most closely related to effective delivery of the

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<sup>13</sup> The definition of performance varied on each dimension, according to how the characteristic was measured. In some cases it was whether they did the activity or not; on others it was the *frequency* of undertaking the activity; and on others it was the participant’s judgement of how effective their organisation was at performing the particular governance role.

## Chapter 6 Overall performance of governance

key governance roles at the top of the list). It shows for each driver of performance the proportion of organisations that met our criterion for good performance and therefore have the key driver firmly in place.

Key drivers of the performance of governance, in order of importance	% of organisations with good performance
<b>An effective board:</b>	
1. Works well as a team	63%
2. Ensures meetings deliver excellent governance	74%
3. Has the required skills and experience	80%
4. Focuses on strategy	61%
5. Operates with openness and trust	80%
6. Has sufficient diversity	64%
7. Praises management	63%
8. Provides robust challenge	69%
9. Uses committees effectively	79%
10. Gives thorough induction	70%
11. Has strong chair /chief executive relationships	89%
12. Holds at least one away day per year	79%
13. Spends time discussing performance of governance	75%
14. Has high quality of board papers	82%
15. Achieves high attendance levels	74%
16. Holds formal reviews of governance	51%
17. Requires chair and chief executive to plan agendas together	68%
18. Reviews performance of members before re-election	54%
19. Has chair / chief executive who speak 1:1 frequently	64%
20. Reviews individuals' performance	50%

The key drivers that we found were most frequently in place were:

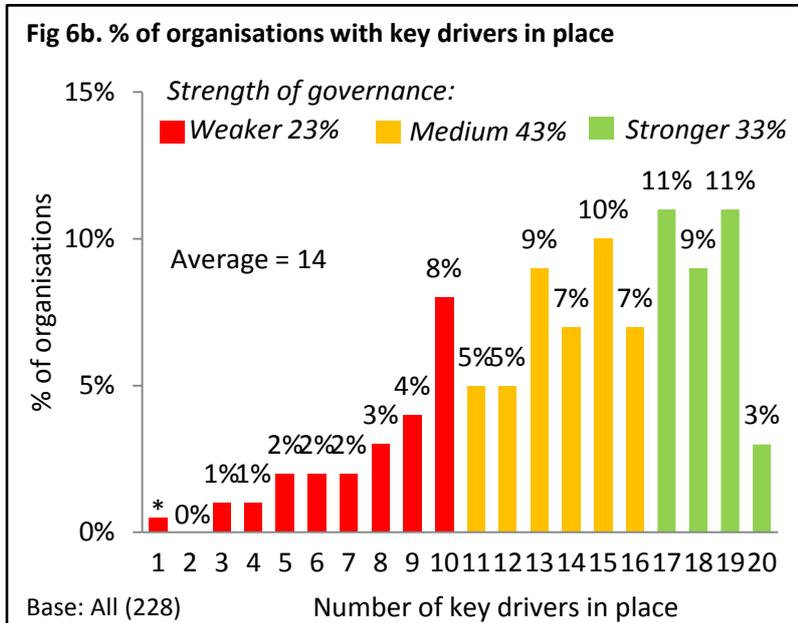
- A good relationship between the chair and chief executive
- Quality of information provided to the board
- The skills and experience needed to provide excellent governance
- Openness and mutual trust
- Effective committees
- Away days.

The key drivers that were least frequently in place were:

- Individual board member performance reviews
- Formal reviews of the performance of governance
- Reviewing the performance of board members before re-election
- Focussing on strategic rather than operational matters
- Working as a team

## Chapter 6 Overall performance of governance

- Praising management
- Boards being sufficiently diverse
- Chair and chief executive having frequent dialogue.

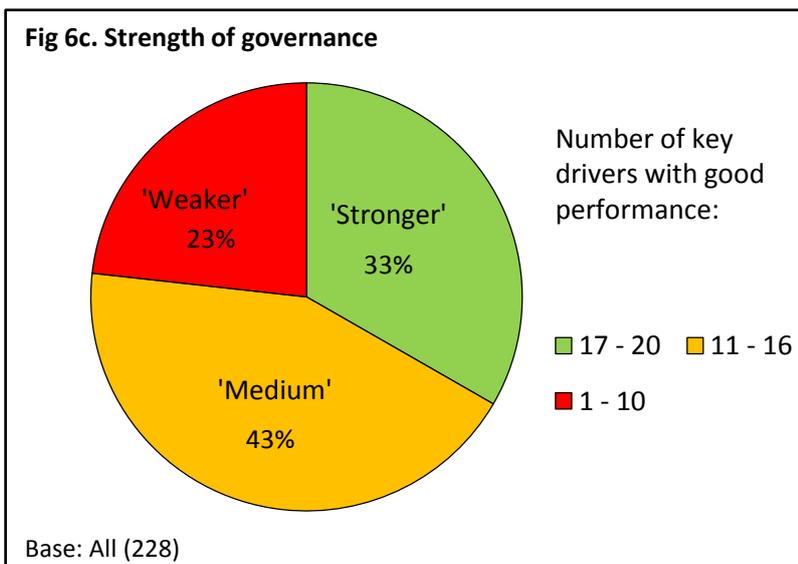


Viewed graphically, it is clear that the majority of organisations had a large number of the key drivers of effective governance in place.

On average, organisations had 14 of the 20 key drivers in place.

A third had 17 or more key drivers in place.

However, there was also a lower quartile of organisations that had 10 or fewer of the key drivers in place.



So the overall picture is one where there was a top third of organisations with 'stronger governance' that exhibited good performance on 17 or more of the 20 key drivers.

Just under half of participants had between 11 and 16 of the key drivers in place.

There was a bottom quartile of organisations with 'weaker governance', that exhibited good performance on 10 or fewer of the 20 key drivers.

In the final step of our analysis we investigated *which* charities had 'stronger' governance. The proportion of organisations displaying stronger governance was higher among:

- charities with higher income: 28% of charities with income under £25m, rising steadily to 53% of charities with income over £100m
- charities with medium sized boards of 11-15 members (41% did so).

There were also variations by charity type, although these results should be treated with caution due to small numbers of organisations responding in certain categories. The proportion of organisations displaying "stronger governance" was higher than average among housing and social care providers, arts

## Chapter 6 Overall performance of governance

and culture organisations, health providers, leisure and recreation organisations, social welfare providers and funders.

The proportion of organisations displaying “stronger governance” was lower than average among religious and spiritual organisations, professional associations, aid agencies, environment and animal welfare organisations, schools and groups of schools, education and research organisations, disability organisations, intermediary and other bodies, colleges and universities.

### **6.4 Actions to further improve governance**

Participants were asked what innovations have they introduced in the last two years that have produced the greatest improvements in governance; three quarters cited innovations. The top specific innovations introduced in the last two years were, in rank order:

- changes to committee structures and terms of reference (18%)
- undertaking a formal governance review, board appraisal or board effectiveness review (16%)
- changes to the board composition (12%)
- reporting innovations e.g. reporting framework, KPIs, clearer board papers and minutes (6%)
- undertaking a skills audit and developing members’ skills (6%)
- use of external auditor, consultant or facilitator (5%)
- introducing innovations to board meetings e.g. starred agenda items, focus topics, timed agendas, consent items, conducting part of meetings without executives, trailing issues prior to decision and reviewing meeting effectiveness (5%)
- improving appraisals e.g. more rigour, 360 degree, appraisals for those seeking re-election (5%).

They were also asked what future actions they would like to take to further improve the governance, and nearly two thirds made suggestions. The top actions that participants would like to take were:

- carrying out board appraisal, board effectiveness review, or formal governance review (11%)
- achieving greater strategic focus (6%)
- broadening the skill sets of board members and conducting a skills audit (6%)
- creating boards with greater diversity and more balanced membership (5%)
- improving trustee induction, training and development (4%).

### **6.5 Key issues for the future**

Finally, participants were asked what they saw as the main governance issues facing the UK’s top 500 charities in the next few years. Two thirds made predictions and the responses were grouped by theme.

The top specific issues raised were, in rank order:

- Ensuring financial viability or sustainability in a difficult and competitive economic climate
- Attracting, recruiting and retaining high calibre trustees with diverse backgrounds and skills
- Understanding appetite for and management of risk
- Growing regulation and restrictions placed upon charities
- Finding board members who can devote sufficient time to the role
- Remunerating trustees and the difficulties of recruiting without remuneration
- Responding to a modernising society and tumultuous times.

## 7 Conclusions

1. The UK's largest charities are very aware of the importance of effective governance. Our research points to huge improvements made over recent years and shows that efforts to strengthen governance are continuing. Most large charities have made further improvements in the last two years and most are planning to make more improvements in the future.
2. Our research suggests that from all the characteristics of governance, the key drivers of effective governance include:
  - team working
  - great meetings
  - people with the required skills and experience
  - a sharp focus on strategy.

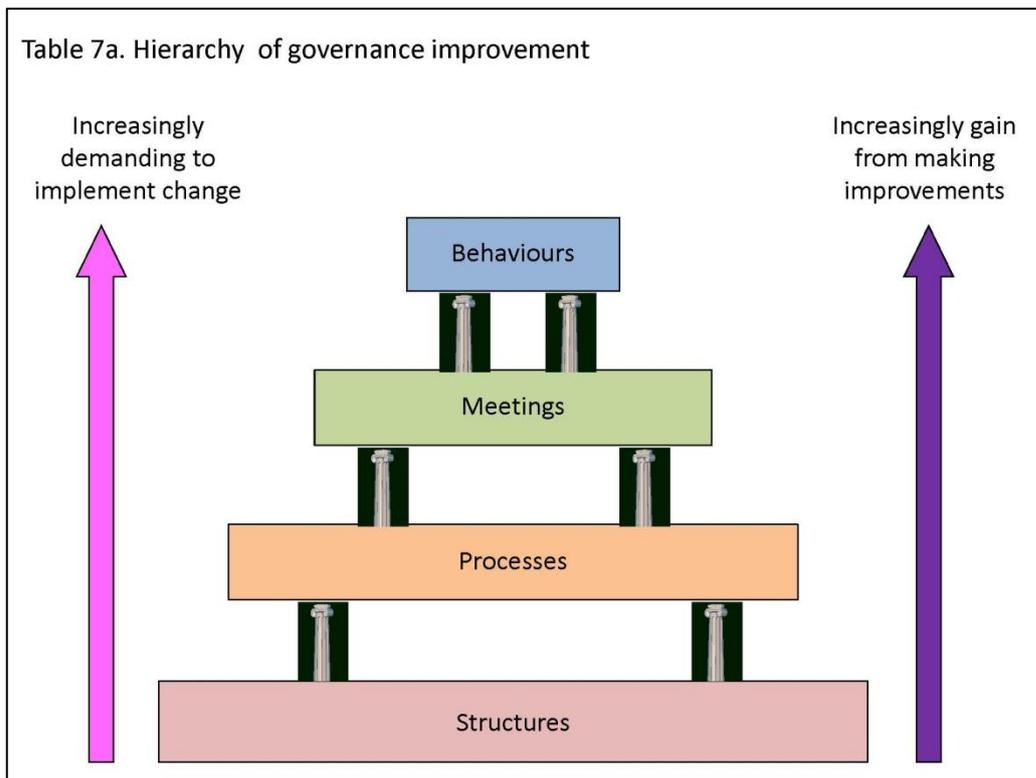
The majority of the UK's large charities have these characteristics in place.

### **Making improvements to governance**

3. Tracking the performance of governance is crucial in the charity sector because indicators of poor performance, such as reduced profitability in the corporate sector, are less obvious and can take longer to emerge in charities.
4. A crucial pre-requisite for making further improvements will be a willingness to acknowledge that the board, and in particular chairs, are ultimately responsible for the quality of an organisation's governance. They are best placed to catalyse actions from both the board and the management. The starting point for chairs is to ensure that board members and managers are committed to strengthening governance, that there are effective processes for monitoring the quality of governance and that the priorities for making improvements are carefully chosen.
5. A concern is sometimes voiced that time spent reviewing the performance of governance is time not spent on the business of governance. Our research suggests that this is not the case. Those organisations that regularly review their arrangements rate their resulting governance more highly. Moreover, no participant suggested that governance would improve if their board spent less time working on its own performance.
6. There is no magic bullet for improving governance. A majority of the 50 characteristics of governance in the Compass Cass Governance Model need to be in place for organisations to recruit the calibre of people required, organise them in effective ways, build strong relationships and encourage supportive behaviours. The more of these characteristics that organisations have in place, the more confidence they can have in their governance.

**Focus of improvements**

- 7. The overall focus of governance improvement efforts in recent years has been mainly on structures and processes. These are often necessary pre-requisites for making other improvements. However, making further significant improvements will require organisations to give more attention to the behavioural characteristics of governance. These are harder to implement because they require honest and open conversations by boards as a whole and between board and committee chairs and their members.
- 8. Given that so many characteristics need to be in place, organisations wishing to make improvements will need to pinpoint those that most require attention. This research suggests that whilst the governance structures need to fit the circumstances, making improvements to these alone will not deliver stronger governance. More progress will often be achieved by working on processes and meetings. Once these are effective, our research suggests that the greatest impact results from attending to the behaviours of everyone involved in organisations' governance. In other words, there is a hierarchy of structures, processes, meetings and behaviours, each of which builds on the former and each of which has greater effect on the overall performance of governance.



- 9. Greater diversity also contributes to better delivery of governance roles (providing insight, wisdom and judgement, understanding the views of all stakeholders) and it is the sixth most important driver of effective governance. However, more diverse board membership also makes it harder to get the board working as a team, as they have different skills and experience and may not gel so easily as a group. These boards may therefore need to invest more time in getting to know each other and understanding each others' values and perspectives.

### Further research

10. Research inevitably answers some questions and raises others. Having completed the work, we think some of the characteristics of governance deserve further attention. These include:
  - the workings and effectiveness of Councils and Advisory Councils
  - the tenure of board and committee chairs
  - the roles and values of vice chairs and company secretaries
  - the demographic profile of board members
  - the total time board members serve and the time required from them
  - the types and extent of previous governance experience of chairs and board members and hence the 'career ladders' of board members and chairs
  - further analysis of our database by type of charity (e.g. arts, disability and aid) to gain insights into different practices in different types of large charities.
11. The overall findings present a positive picture of the governance of large charities. However, it is conceivable that board members, senior managers or external evaluators might be more critical of the performance of governance than the chairs, chief executives and governance managers who completed our questionnaire and are responsible for governance. Research amongst other board members and senior managers would also shed further light on their judgments.
12. It would also be valuable to make comparisons with governance in the private and public sectors. Comparisons with governance of organisations in other countries might yield different results. We might expect that, for example, private sector organisations would be better at governing finance and risk and the public sector organisations might be better at governing policy and political risk.
13. In our view the area of further work that would yield the greatest insights would be to investigate in more detail the behaviours of chairs, board members and chief executives that contribute most to the creation of effective governance and those that cause the greatest problems. This might include the time spent preparing for board meetings, the tone of contributions, their emotional intelligence, their capacity to challenge constructively and their ability to be open about the performance of the board and its members. Having a clear view of what the key behaviours are and how they can be improved could point to a rich vein of opportunities for large charities to take their governance to a new level of performance.

## Appendices

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### Glossary

Term	Definition
<b>Appointing members</b>	A generic term used to describe the process used to search for and either select or elect members of boards, committees and other governance bodies.
<b>Average</b>	This term is used for the arithmetic 'mean' response, throughout the report.
<b>Governance arrangements</b>	A generic term used to describe the combination of structures, processes, meetings and behaviours of governance.
<b>Governance behaviours</b>	The way people establish relationships and conduct themselves in meetings and when delivering other governance responsibilities.
<b>Governance processes</b>	The methods used to recruit, appoint and induct chairs and board members, chairs and members of committees, to manage risk and to evaluate the performance of the organisation, its chief executive and its governance.
<b>Governance structures</b>	The framework of the board and its committees, their size, composition and terms of office and the accountability of each element to the others.
<b>Organisation type</b>	A grouping of charities into categories according to the service they provide.
<b>Stakeholders</b>	People or other organisations who have an acknowledged interest in the organisation, including members, funders, purchasers, service users, board and committee members, managers, staff, volunteers and branches.
<b>Typical</b>	This term is used to describe the most frequently occurring response (the 'modal' response).

## Participating organisations

### **Aid agencies**

Concern Worldwide  
Disasters Emergency Committee  
Emerge Poverty Free  
HALO Trust  
International HIV/AIDS Alliance  
International Planned Parenthood  
International Rescue Committee UK  
Islamic Relief Worldwide  
Mercy Corps Scotland  
Merlin  
Oxfam  
Practical Action  
ShelterBox  
Sightsavers International  
Tearfund  
Voluntary Service Overseas  
WaterAid  
World Vision UK

### **Arts and culture organisations**

British Academy  
British Museum  
Creativity, Culture and Education  
Culture and Sport Glasgow  
English National Opera  
Historic Royal Palaces  
Imperial War Museum  
Museum of London  
National Foundation for Youth Music  
National Museum of Science and Industry  
Natural History Museum  
Royal Academy of Dance  
Royal Shakespeare Company  
Tate Gallery  
Trinity Laban Conservatoire of Music and Dance

### **Colleges and university colleges**

Ashridge (Bonar Law Memorial) Trust  
Harper Adams University College  
Newman University College  
Regent's College  
Trinity College London  
University College Chester  
University College Plymouth of St Mark & St John

### **Disability organisations**

Action for Blind People  
Action on Hearing Loss  
Camphill Village Trust  
Children's Trust  
Diabetes UK  
Guide Dogs for the Blind Association  
HF Trust  
Livability  
MacIntyre Care  
Motability  
National Autistic Society  
Royal Mencap Society  
Royal National Institute of Blind People  
Scope  
Sense - National Deafblind & Rubella Association  
Sense Scotland  
The Papworth Trust  
The Percy Hedley Foundation  
Treloar Trust  
United Response  
Walsingham

### **Education and research organisations**

Eduserv  
John Innes Centre  
National Centre for Social Research  
Orthopaedic Research UK  
Rothamsted Research  
Social Care Institute for Excellence  
The Higher Education Academy  
The Overseas Development Institute  
Workers' Educational Association

### **Environment and animal welfare organisations**

Blue Cross  
BTCV  
Cats Protection  
Dogs Trust  
Donkey Sanctuary  
Groundwork UK  
RSPB  
RSPCA  
Sustrans  
Woodland Trust  
World Society for the Protection of Animals  
WWF UK

## **Funders**

Adventure Capital Fund  
Arthritis Research UK  
British Heart Foundation  
Charities Aid Foundation  
Great Ormond Street Hospital Children's Charity  
John Lyons Charity  
Said Foundation  
Shell Foundation  
Stewardship Services (UKET)  
The ACT Foundation  
The Hospital Saturday Fund  
The Northern Rock Foundation  
Wellcome Trust

## **Health provider organisations**

Anthony Nolan Trust  
Barts and The London Charity  
Breakthrough Breast Cancer  
CLIC Sargent  
Macmillan Cancer Support  
Marie Curie Cancer Care  
MCCH Society  
Mind  
Nuffield Health  
Parkinson's Disease Society of the UK  
Royal Hospital for Neuro-disability  
St Andrew's Healthcare  
The Health Foundation  
The National Society for Epilepsy

## **Housing and care providers**

Anchor Trust  
Aspects and Milestones Trust  
Avante Partnership  
Care South  
Cheshire Peaks and Plains Housing Trust  
Cross Keys Homes  
Eastlands Homes Partnership  
ExtraCare Charitable Trust  
First Ark Group  
Gloucestershire Care Partnership  
Golding Homes  
Greensleeves Homes Trust  
Halton Housing Trust  
Helena Partnerships  
Hospital of St John and St Elizabeth  
MHA  
North Lincolnshire Homes  
Orders of St John Care Trust  
Peabody Trust  
Poplar Housing and Regeneration Community Association  
Saffron Housing Trust

Shelter  
Shoreline Housing Partnership  
Somer Housing Group  
St Mungo Community Housing Association  
Stafford and Rural Homes  
Sue Ryder Care  
Thames Reach  
The Guinness Trust  
Vale of Aylesbury Housing Trust  
Walsall Housing Group  
Weaver Vale Housing Trust  
Willow Park Housing Trust  
Wirral Partnership Homes  
Yarlington Housing Group

## **Intermediary and other bodies**

Business in the Community  
Dartington Hall Trust  
NHS Confederation  
Wales Council for Voluntary Action

## **Leisure and recreation**

Edinburgh Leisure  
YHA (England and Wales)  
Youth Sport Trust

## **Professional associations**

CIPFA  
Institution of Civil Engineers  
Institution of Engineering and Technology  
Royal College of General Practitioners  
Royal College of Surgeons  
Royal Institute of British Architects  
The Royal Society of Medicine

## **Religious and spiritual organisations**

Archbishops' Council of the Church of England  
Church Commissioners for England  
Diocese of Arundel and Brighton  
The Chelmsford Diocesan Board of Finance

## **Schools and groups of schools**

Bedford Charity  
Bolton School  
Bradfield College  
Dulwich College  
E-ACT  
Girls' Day School Trust  
Haberdashers' Aske's Federation Trust  
Highgate School  
King's College School  
Latymer Foundation At Hammersmith  
London Diocesan Board for Schools  
Methodist Independent Education Trust  
Sevenoaks School

Sherborne School  
St Bede's School Trust Sussex  
St Paul's School  
Stowe School  
The Corporation of Oundle School  
The Priory Federation of Academies Trust  
Wellington College  
Woodard Corporation

**Social Welfare providers**

Age UK  
Amnesty International Charity  
Bryson Charitable Group  
bss  
Catch22  
Citizens Advice  
Crime Reduction Initiatives  
Family Action  
Friends of the Elderly  
Girlguiding UK  
Jewish Care  
NACRO  
National Children's Bureau  
National Council of YMCAs  
Norwood  
NSPCC  
Prince's Trust

Rethink  
Royal British Legion  
Royal National Lifeboat Institution  
Salvation Army Trust  
Samaritans  
Scout Association  
SSAFA Forces Help  
St John Ambulance  
Terrence Higgins Trust  
The Avenues Trust Group  
The National Childminding Association  
Together Trust  
Turning Point  
Turning Point Scotland  
Victim Support  
Vinspired  
WRVS  
YMCA Training

**Training, employment & examination providers**

Careers Development Group  
CITB-Construction Skills  
City and Guilds of London Institute  
JTL  
Skills for Care

5 participating organisations asked to remain anonymous

## Research methods

We began our research by attempting to identify the most important ‘characteristics’ of governance that need to be in place for an organisation to be well governed. We used the literature on governance, previous research and our experience from many consultancy assignments to produce possible characteristics and we organised these into a questionnaire which was tested with experienced chairs, chief executives, academics and governance consultants.

After many revisions the resulting postal self-completion questionnaire was sent to both chairs and chief executives of the top 500 charities (by income) in the UK<sup>14</sup>, with an option for the manager responsible for governance to complete the questionnaire. We asked for one response only from each organisation.

We took the view that chairs, chief executives and governance managers are likely to have the widest overview of all aspects of their organisations’ governance. This approach gave us three different perspectives on the quality of governance and broadly speaking chairs, chief executives and governance managers’ views did corroborate with each other, though there was a slight tendency for chairs to take a more positive view than chief executives or governance managers.

Our research showed that a high proportion of chairs and chief executives had experience of the governance of a number of other organisations so were well placed to make comparative judgements about the quality of governance in participant organisations.

The final questionnaire contained 108 questions, 72 of which asked for facts about the organisation’s governance arrangements, 26 asked for opinions on a graded scale and 10 were open questions requiring a self-composed response.

A total of 228 charities completed the questionnaire giving a response rate of 46%. Having gained feedback from close to half of the top 500 charities, with a very good match between the profile of the top 500 and the 228 participants in terms of both organisation type and size (by income) means we can have reasonable confidence in the validity and broader applicability of the findings. However, there is a possibility that participants are more likely to have effective governance than those that did not respond (non-response bias). It is also possible that participants ‘over-rate’ their governance, having made many changes in recent years and not realising that there are further changes they could make.

The survey results gave us over 20,000 pieces of primary information about charity governance. When analysed, this produced 1,500 tables of data to evaluate. The most pertinent evidence is included in the main body of this report.

In this report, all percentages cited in tables are column percentages unless specified otherwise. Percentage responses in tables may not always add up to exactly 100%, due to rounding, or because more than one response was allowed (if more than 100%), or incomplete responses (if less than 100%). All income data cited are per year, unless specified otherwise. When the commentary refers to the ‘average’ this is the arithmetic mean.

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<sup>14</sup> The names of the top 500 were provided by Charities Direct, which up-dates its list quarterly.

## Profile of participants

### Charity size

The total annual income of the 228 charities responding to the survey was £13.0bn representing 48% of the total income of the top 500 (£26.9bn).

Reflecting the charity sector as a whole, the income of the sample was a skewed distribution with a small number of organisations representing a large proportion of the income. Two thirds (68%) of charities had income below £50m. A minority of very large charities, each with income over £100m, made up only 13% of the sample yet contributed nearly half (44%) of the total income.

The majority (86%) of charities employed over 100 staff and a quarter employed over 1,000.

### Types of organisation

The top 500 charities were categorised into sixteen types of organisation that reflected the activities that they delivered.

Top 500 charities, by type	Number of charities	% of charities	Number in our sample	% in our sample
Housing and care providers	71	14%	35	15%
Social welfare providers	62	12%	35	15%
Schools and groups of schools	62	12%	22	10%
Aid agencies	40	8%	19	8%
Arts and culture organisations	37	7%	16	7%
Disability organisations	36	7%	21	9%
Funders	33	7%	14	6%
Education & research organisations (excluding colleges/schools)	26	5%	9	4%
Health providing organisations	23	5%	14	6%
Environment and animal welfare organisations	23	5%	12	5%
Religious and spiritual organisations	22	4%	4	2%
Training, employment and examination providers	15	3%	5	2%
Colleges and university colleges	15	3%	7	3%
Intermediary and other bodies	12	2%	4	2%
Professional associations	12	2%	7	3%
Leisure and recreation	11	2%	4	2%
<b>TOTAL</b>	<b>500</b>	<b>100%</b>	<b>228</b>	<b>100%</b>

## **Activity of organisation**

Participants were asked to cite which of four activities best described their organisation, and to nominate a secondary activity if necessary. Service delivery was the main activity of over three quarters of participating charities. A tenth were grant giving trusts or foundations, with smaller numbers of intermediaries and campaigning organisations. Campaigning was the most common secondary activity cited by participants.

## **People involved in governance**

The 228 charities had over 3,000 board members between them, though the actual number of individuals will be slightly less as some people will sit on more than one top 500 charity board. In addition these organisations involved at least 1,800 people (excluding paid staff) who sit on their 770 committees and who were not members of their boards.

## **Respondent characteristics**

54% of respondents were chief executives, director generals or equivalent and 19% were chairs. The remaining 27% were people with responsibility for governance to whom the chief executives or chairs had delegated the survey completion task, such as Company Secretary, a senior Director or Governance Manager among others.

Two thirds (66%) of respondents were men and one third (33%) women. Three quarters (74%) of chief executives and chairs were men, whilst 52% of those in other roles were women. Chairs were older on average (62 years) than chief executives (55 years), or those in other roles (average 49 years).

## Summary of literature review

Efforts to systematically strengthen the governance of voluntary organisations in the UK began in 1992 with the publication of the 'Tumin' report entitled 'On Trust' (NCVO, 1992). The first survey of trustees was carried out for NCVO (Kirkland and Sargant, 1995) and was followed by a survey of trends in trusteeship (Chris Cornforth, 2001). Since then there have been many books and reports with normative descriptions of what constitutes good governance. 'Codes of governance' for all three sectors of the economy have also been published including 'Good Governance' for the voluntary sector, and some for sub-sectors such as housing associations and higher education bodies.

The characteristics of governance of nonprofit organisations in the USA have been tracked regularly since 1994, and those reports show significant improvements in governance over the last 16 years. Their most recent survey informed the characteristics we surveyed. However care is required in making comparisons between their results and ours as most organisations were considerably smaller than our sample - only 8% had an income of \$25m or more.

The most recent UK work is BoardsCount, involving 71 organisations of all sizes and 450 of their board members and senior staff. This research included completion of a 'fact-finder' questionnaire and board members and staff completed a shorter questionnaire gathering views on 12 key governance topics. Again care is required with comparisons as there were very few organisations with an income of over £15m (the size of the 500<sup>th</sup> largest charity) in their sample.

## Main references

### Governance Codes

Good Governance, A Code for the Voluntary and Community Sector, Second Edition, October 2010

Corporate Governance in Central Government Departments, Code of good Practice, H M Treasury and Cabinet Office, 2011

Guide for members of Higher Education Governing Bodies in the UK, Governance Code of Practice and General Principles, Committee of University Chairs, 2009

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### Surveys of governance

BoardsCount, Transform Management Consultancy, 2007

BoardSource Nonprofit Governance Index 2010, BoardSource, USA, 2010

The Behavioural Drivers of Board Effectiveness, A Practitioners' Perspective, MWM Consulting, 2010

The ACEVO Pay Survey 2011/12, ACEVO, 2011

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## Delivering Effective Governance

Excellent governance is now widely recognised as an essential ingredient of effective charities. At its best it ensures strong values, clear direction, effective delivery and a secure future.

While there have been pointers to what constitutes good governance, there has been little empirical evidence. Delivering Effective Governance puts this right.

Leading governance consultants, Compass Partnership, working with the Centre for Charity Effectiveness at Cass Business School, have surveyed over 200 of the country's largest charities and identified the key drivers of effective governance. Now boards and managers can use these findings to focus their efforts on the characteristics of governance that deliver results.

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