

# A TRUSTEE'S ROLE AND RESPONSIBILITIES

## PART ONE TRANSCRIPT

### Trusteeship in context

Welcome to part one of this course on trustee role and responsibilities.

In this section we aim to offer you an introduction to the voluntary sector, its breath, how it's funded and how it's regulated.

We will take a look at the range of organisations and their activities, how they are funded and where the money is spent. We will explore the current challenges facing the sector as a whole and consider what trustees can do to address these. We will also take a look at the role of the Charity Commission as regulator.

The first thing to say is that there are lots of names for the voluntary sector, you may have heard: third sector, NGO, Not-for-profit, civil society, charity – you could be forgiven for being a little confused. They all have slight variations and overlapping definitions, but NCVO settles on 'voluntary sector' as an overarching term for all these types of organisation.

There is also a huge range of different organisational functions within the sector; some make grants, others do research, some provide services, others influence and undertake advocacy, and some provide support to other organisations. Some will do more than one of these things.

Just to give you a little more context for the sector it's helpful to consider some top line statistics before we go into specifics. We take these stats from NCVO's 2016 Almanac which looks at a number of data sources to provide a single definitive reference publication for the voluntary sector.

There are almost 163,000 organisations registered with the Charity Commission in England and Wales. And many more unregistered.

The voluntary sector employs around 827,000 staff – that's about twice as many as Tesco and half of the NHS – so it's a significant employer.

There are 21,800,000 volunteers who engage in formal volunteering with these organisations every year and almost a million trustees in the UK.

And the sector's income is very significant – £43.8bn.

It's helpful to consider the breakdown of funding across the voluntary sector to get a sense of its range and scale and to help get an idea of the challenges faced by smaller and larger organisations.

NCVO's Almanac – our main data site – separates out the number of organisations by the proportion of income. This data tells us that a huge group, 50% of organisations, operate on just 1% of the sector's income – these can be considered micro organisations, with annual incomes under £10,000.

Whilst at the other end of the spectrum super-major organisations with annual incomes over £100m, of which there are just 40, receive 18% of the sector's income.

If we think about the challenges facing micro organisations, we might identify:

- making very difficult decisions about where they can have an impact on a limited budget
- entirely voluntary organisations which rely on the good will of passionate people
- board members often taking on day-to-day operational responsibilities for the running of the organisation – which can make it difficult for those trustees to also make longer term strategic decisions.

On the other side of the scale, super-major organisations might be under pressure in other ways, such as:

- considerable scrutiny from funders and service users, and pressure to deliver on aims and objectives
- making sure that trustees are sufficiently informed about the charity's activity without providing too much information
- having the right mix of skills to deal with some really complex decisions.

Whilst it's helpful to reflect on the very big and very small – it's not just the micro and super-major organisations which face these types of issues of course.

- Consider where your organisation sits on this graph?
- What do you think this means for the types of decisions the board will need to make?

In addition to thinking about the spread of income across the sector, and your own organisation, it's helpful to examine the sources of where that money comes from.

The NCVO Almanac data breaks this down for us again. Individual giving is the biggest source of income for the sector, followed by government sources and grants from the voluntary sector.

In terms of spending, just over £30bn of the sector's £43.8bn income is spent on charitable causes, with other money being spent on grants, the cost of generating funds and governance.

This is the breakdown for the whole sector and it will of course vary depending on the business of the organisation. However trustees can use the accounts to understand what this breakdown looks like for their organisation.

The voluntary sector, like any, has its challenges. It's worth trustees being aware of these so that they can plan and mitigate against them for their own organisations. I am going to touch on four current challenges for the sector:

- The first challenge I will unpick is finance. It will be no surprise, that many organisations face financial challenges: that funding is very competitive; that voluntary organisations may be competing with private companies for contracts; that some boards are full of very talented, passionate people but may lack the commercial and financial skills.
- Linked to the first point. The second key challenge faced by the sector is demand. This is particularly acute in a time of austerity – where state services are being withdrawn, the voluntary sector plays a key role in filling the gap. This can mean that services are under pressure and that trustee boards need to make difficult decisions about who to help and how to have the biggest impact.
- Scrutiny is a further challenge. Voluntary organisations are held to high standards and the public rightly expect boards to make ethical decisions driven by their charitable purpose. Trustees need to be confident in the decisions they make and able to defend the work of the organisation externally.
- The final challenge is the use of technology – this could be to: promote services, raise organisational profile, and utilise data on members, stakeholders, funders and beneficiaries to inform decision making. This all requires knowhow at every level of the organisation, including the board, and significant financial investment.

Whilst I've outlined four key challenges, this is not an exhaustive list. It's worth signing up to NCVO's governance round-up to stay informed of changes and developments in the sectors governance. You can find details of that on the webpage of this course.

The Charity Commission is responsible for the regulation of all charities in England and Wales. Their job is to make sure that the public can support charities with confidence. They do this by:

- publishing regulations and guidance, such as the Essential Trustee Guide

- requiring all registered charities to submit annual reports outlining their work and how they have spent their organisation's money
- investigating when it appears that a charity may not have been compliant.

If you are thinking of joining a board, then it's worth visiting the commission's website and searching for the charity to take a look at its annual reports and financial history.

It's worth noting that not all voluntary organisations are charities, some may be exempt.

In this section we have offered you an introduction to the voluntary sector, its breath, how it's funded and how it's regulated.

The key questions that any trustee or prospective trustee should be asking are:

- What does the organisation exist to do and who does it serve?
- What's the income, how is it funded and what's the scale?
- How do national challenges impact on the organisation?
- What information does the Charity Commission hold on the organisation?

That's it for part one. Join me for part two, where we'll look at the role of trustees, explore how boards should operate and outline key legal responsibilities of trustees.