



RSPCA Governance Review
Key findings and recommendations
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Introduction and background

1. The RSPCA (the Society), as the largest animal welfare charity in the world, has a long and proud reputation for the work it undertakes. To help deliver its strategy and vision of working to prevent cruelty and alleviate suffering of animals the RSPCA is proposing to strengthen its governance structure. In recent years the RSPCA has experienced an increase in demand for its rescue services during a period of economic downturn, uncertainty and rapid change in the charitable sector. In this rapidly changing environment, the Society's trustees (the Council) wish to ensure that the governance structure is fit for purpose and best placed to face the challenges of the future. The Council of the Society commissioned Crowe Clark Whitehill LLP to review its governance. The review was carried out by Pesh Framjee, Head of Non Profits at Crowe Clark Whitehill.
2. This document is a summary of the key findings and recommendations that have been presented to the Council in a detailed report. The report also provides supporting information on best practice and guidance on the implementation of our recommendations.
3. At the outset, it is important to clarify that the Society, a complex and multifaceted organisation, is financially stable, is delivering on its important mission and has implemented procedures to manage risk and compliance. Some of the achievements and progress in these areas are highlighted below in the section 'Where is the Society now?' Council, management, staff and volunteers are working together to ensure that the RSPCA continues to meet its charitable objects.
4. When dedicated and passionate individuals come together, the managing of diverse views can be charged and emotional. The decisions made can, on occasions, give rise to conflict because these issues matter greatly to the individuals involved. Procedures and rules that worked well in the past can be seen to restrict the flexibility and choices that may need to be made in the future. All this can manifest itself in governance challenges and the Society has recognised the need to address these challenges and has taken the opportunity of ensuring it is keeping abreast of the evolving requirements and codes of best practice.
5. In the furtherance of its charitable objectives, the Society informs and educates the public and other parties, and also carries out campaigning and advocacy activities. Sometimes its stance puts it in conflict with other external interests and this can lead to negative publicity. By the very nature of what it is, what it does and how it does it, the Society will often be seen to make controversial decisions and take actions that will be questioned. There will inevitably be detractors and media comment. At times this will seem biased and a misrepresentation of facts. It is important to recognise that perceptions and external comment can sometimes impact on the trust and confidence in a charity. Notwithstanding this, it is worth noting that a number of the members that responded to our survey said that they liked it when they saw that the Society continued to stand firm to its aims and objectives despite negative comment.
6. A report of this nature focuses on the areas where current processes can be improved. Consequently the report might appear to be over-critical without acknowledging the efforts and initiatives that have been taken and are underway to improve practice. It is also important to note that there are many areas where the Society's processes, procedures and actions meet and even exceed good practice in the charity sector. However, inevitably our focus has been to highlight improvement opportunities, comparing the Society to 'best of class'. Many of our recommendations are based on best practice that we have observed in other organisations. It is also important to note that some of the views reported to us are based on perception and there are differences of opinion on some of these matters. However, perceptions should not be dismissed, as to deliver successful change it may be necessary to address / change perceptions.
7. The report to Council includes detailed analyses, explanations and guidance to support our findings and recommendations as well as other matters that may be useful in implementing the actions.

Approach

8. As part of our work we have reviewed many documents. These include previous reports (Sparrow and Wooler), the RSPCA Act, the rules and byelaws, terms of reference, relevant minutes, financial statements and various other documents covering policies and procedures. We have also reviewed media coverage. In shaping our recommendations we have taken account of the Charity Commission's publication 'Hallmarks of an Effective Charity' and the draft of the new Charity Governance Code.
9. We have also consulted extensively and have surveyed the Council, the Directorate and the Assistant Directors, branches and members. The members include many of the Society's staff who are also members of the Society. We have also spoken with many individuals, including trustees who have left recently. We have met on a number of occasions with the Governance Steering Group set up by the Society as well as also meeting with representatives from the Charity Commission. In addition we have also communicated with the external auditors and Union representatives.
10. We have listened and our review has been informed by these consultations but the findings and recommendations in this report are the conclusions of Pesh Framjee, the Head of our Non Profit Unit (who has been responsible for this review). We have had much cooperation from Council and management and we are very grateful for the time and effort of so many individuals who have shared their views and thoughts.
11. It was apparent that our review needed to provide more than an articulation of the apparent problems and suggested solutions to them. For the review to add real value, a number of underlying practices, procedures and cultural issues had to be addressed. Charities require forward-looking information, effective risk management and need to have in place good governance and financial controls. The profile of the Society, the nature of its work and its involvement with many stakeholders means that it has to ensure it meets best practice in all that it does. This report does not highlight the areas where it is meeting or indeed even exceeding sector best practice.
12. The Society has gone through challenging times and in such circumstances there is sometimes the expectation that people should be called to account. However, the view we have taken is that for our review to add value, we would look forward and avoid post mortems. We have not attempted to vindicate or validate an action or behaviour or to critically apportion responsibility; rather we have focused on highlighting a number of improvement opportunities and lessons to be learnt.
13. In any charity the trustees, senior management, staff, supporters, members, funders and regulators will sometimes have different perspectives. It is important to recognise the different perspectives, whilst appreciating that in some cases it will not be possible to meet all the different aspirations.
14. The overall aim of our work is to chart a course of action that is expedient in the interests of the Society and its charitable aims.
15. We considered suggested timings for implementation of our recommendations. We recognise that the timing of implementation is dependent upon the overall workload of the Council and management. As such we believe it is inappropriate for us to suggest timings. We have instead decided to give each recommendation an alphabetic weighting highlighting the relative urgency of our suggestions. These are as follows.
 - (A) Important issues that should be actioned as soon as possible.
 - (B) Major/medium term issues.
 - (C) Longer term issues.
16. Where it is agreed that a recommendation needs to be implemented, we believe that it is important for Council and management to agree a timescale and an individual who is responsible for overseeing the implementation process. There are many category (A) recommendations and some have been graded this way as they are "easy wins" which should not have significant resource implications.

Criteria for the Society's governance framework

17. Good governance flows from a shared ethos or culture, as well as from systems, structures and policies. It cannot be reduced to a sterile set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.
18. Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life. Known as the Nolan principles, these are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are stated in the Society's Code of Conduct. The tone at the top is all important and the Council and management should ensure they meet the Society's Code of Conduct, living up to the Nolan principles.
19. Council members and management should demonstrate through their behaviour that they are focusing on their responsibilities to the Society and its stakeholders. The Council should take the lead in establishing and promoting values and good behaviour at all levels in the Society
20. The Society's strategic plan explains organisational values and these are important. However, in addition to these there are values of conduct and behaviour. These values should be over and above legal requirements and should build on the Nolan principles. They should reflect stakeholder and public expectations about conduct and behaviour. The Council and management should keep these values at the forefront of their thinking and use them to guide their behaviours.
21. Having considered the Society's circumstances and best practice guidelines, we identified a number of key governance criteria (some of which are already satisfied) that would best deliver the governance structure to meet the Society's needs. These are stated below (not in order of importance):
 - 1) The RSPCA should have a clearly identifiable governing body (the Council) who are genuinely in control of decision making and properly understand and accept full responsibility for the strategy and activities of the organisation.
 - 2) The Council must be of a size and composition and meet often enough to enable it to discharge its obligations effectively.
 - 3) As a membership organisation, the purpose, mission, vision, values and strategic direction of the Society should be informed by members.
 - 4) The Society must be governed in a way that allows it to make timely decisions and respond to change – empowering management while ensuring the Council retains effective oversight in line with its responsibilities as trustees of the Society. This means that the relationship between the Council and management should be complementary and the structures and delegations should underpin the rationale of partnership and teamwork, where the Council both supports and has oversight over management.
 - 5) In addition to the relevant representation the Council should include individuals with the aptitude, experience and inclination to address the business and commercial imperatives that face the Society as a £140 million organisation.
 - 6) There should be a way of engaging with and harnessing the talent of accomplished individuals who can make useful contributions but do not have the time, inclination or aptitude to be a trustee.
 - 7) The Council should be underpinned by the right subcommittees working to agreed delegations and accepted terms of reference. Whilst bearing in mind duties of the Council, the functions and deliberations of the subcommittees need not be duplicated at Council level.
22. We have made a number of recommendations which are critical enablers and will help deliver against these governance criteria. The time commitment required to be a Council member is considerable and we have made recommendations that will reduce this and make the role of trustee more accessible.

23. We have segregated our recommendations into those that require changes to the RSPCA rules and those that do not need rule changes. This is because those that require rule changes need to be first considered and approved by the Council and then approved by members at the AGM. Pesh Framjee facilitated a discussion about the proposed rule changes at the Council meeting on 7 June 2017. We are pleased to report that after careful consideration they were all accepted by Council to be put before the members at the 2017 AGM. The other recommendations in this report will be considered by Council at future meetings.

Amending the Rules

24. The terms of reference for our work stated that “proposals arising from this comprehensive review should all be capable of implementation within the existing framework of the RSPCA Acts and should not require change by Act of Parliament or Parliamentary scheme. However, proposed changes to the Society’s Rules by revocation, alteration or variation via AGM or EGM would be considered by Council”.
25. The detailed administrative provisions of the Society’s constitution are set out in the Rules of the Society which may themselves be altered, amended or revoked in accordance with section 10 of the RSPCA Act 1932. The Act and the rules can be found on the RSPCA website¹.
26. Section 10 of the Act allows the rules to be amended in two ways:
- 1) Amendments that do not affect, either directly or indirectly, the funds of the Society can be made by passing resolutions at a general meeting of the members.
 - 2) Other amendments will not be valid or effectual until they have been confirmed by an order of the High Court of Justice or a judge thereof or by an order of the Charity Commissioners.
27. In all cases, no such alterations or amendments shall be repugnant to the provisions of the Act or the general law. The application of this section was unclear and in 1999 Justice Lloyd ruled on its interpretation. The Society has amended a number of rules and these amendments have been “ratified” by the Charity Commission.
28. As part of our review, we have tried to consider where our recommendations will require changes to the rules and have also considered constraints that are imposed by the Act. The fundamental principle that the Council is elected by the members is enshrined in section 9 of the Act and is not to be changed. However, there are other amendments that we propose to the rules that in our view would be permitted under Section 10 through a general meeting resolution.
29. The Society is a £140 million business and we use the word business advisedly. In addition to being the UK’s largest animal welfare charity, with diverse operations, it has many commercial and business imperatives. By this we mean that although it does not distribute surpluses, it has to generate them to build financial reserves and deliver on its important charitable aims. This requires commercial and business thinking in many areas. Recognising that, like many other organisations in the post 2008 era, it was facing financial difficulties, the Society implemented a difficult and challenging plan to focus on its core services. This plan has led to a turnaround in the financial position but the task of setting priorities will remain as difficult as ever, matching the demands to satisfy short term needs against pressure for the resources required to achieve longer term solutions.
30. The focus of the electorate is inevitably on animal welfare credentials and this can lead to other skills and experience being underrepresented. There was widespread view that the composition, mix and representation of the Council and its committees need to change to reflect the Society’s changing needs. The concern that the business and governance skills of managing a large and complex charity were not properly represented was held by many Council members and senior management. This is not to imply that the existing Council has not been focusing on these areas, and it is telling that the Society is delivering on its financial and mission related goals.

¹ <https://www.rspca.org.uk/whatwedo/howwework/rules>

31. Many charities with a fully elected board have had to take action to address similar issues and have realised that the vagaries of a fully election driven system cannot always be relied on to deliver the right mix of skills and experience. We believe that there is a need to balance election and selection to ensure that the Council meets both the requirements of the RSPCA Act and also the imperative to have the right blend of skills and experience on Council and its committees.
32. There are a number of ways that the Council can use to try and elect/select candidates to meet specific needs and we have recommended all of the following.
 - 1) Change the rule that requires that only Council members can be committee members. Also allow Committee members to be nominated by Council for election at a general meeting without the individual having to have been a member for five years.
 - 2) Reinstate the rule that allows co-option (up to 3) and then also allow co-opted members to be nominated by Council for election at a general meeting without the individual having to have been a member for five years.
 - 3) Actively use Rule IX which allows the Council to fill casual vacancies (for non-regional members).
 - 4) Provide better information to members so that they can make more informed choices.
33. None of these recommendations are prescriptive but should be seen as enabling the Council to appoint additional individuals with relevant skills and experience to Council and committees. Making the rule changes is one thing but using the powers to enable real improvement needs recognition that the status quo is not the best option.

Proposed rule changes

34. The rule changes that we are recommending are discussed in more detail below: (Commensurate changes to byelaws will also be needed).
35. **Committee membership:** Rule IV.4A enables the Council to “establish and appoint Committees of the Council consisting of such members of the Council as the Council shall from time to time determine”. Rule IV.4A(a) goes on to state that “no person who is not a member of the Council shall be appointed as a member of any such Committee”.
36. We recommend a change to remove the requirement that all committee members shall be Council members. There can be stipulation that the majority of Committee members should be Council members. This rule change will reduce the work load of Council members and also bring new skills and experience to committees.
37. **Power to appoint co-optees to Council.** Rule V.2 which was revoked in 1997 stated that “the Council may at any time co-opt as a member of Council any member of the Society possessing special qualifications provided that the total number of such co-opted members shall not at any time exceed three. All co-opted members shall retire each year at the first Council meeting held after the annual general meeting but shall then be eligible to be again co-opted”.
38. We have considered the reason why this rule was revoked and we believe that the revocation was unnecessary. This recommended change is reinstating a power to co-opt rather than a requirement. Having said that we believe that the Society will benefit from actively using the option to co-opt. We recommend that the option to have co-optees should be reinstated with some changes to the text.
39. Most charities try to balance the democratic election process with the ability to select individuals. This should be used as a method of bringing individuals to the Council who have particular skills and experience. We do not think it is necessary that the selection is made only from the members as the previous rule indicated but a co-opted person should become a member as soon as possible.

40. In addition, we recommend that the Council should be able to nominate a co-optee to stand for election to the Council through the normal election process. In effect, this would allow co-optees to stand for election as against having to be co-opted. This option would permit a co-optee in the year following the year he /she is co-opted to either stand for election or be one of the three possible co-optees.
41. On the point in the old rule of co-opting individuals with “special qualifications” we read this to include particular experience (for example of large charity governance) and not necessarily a professional qualification. To be abundantly clear, the rule could say “special qualifications or experience”.
42. In addition Rule V.1 states “The Council shall consist of 25 members...”. We recommend a minor clarification that the 25 members are a maximum not a requirement and that this refers to elected members, allowing for three additional co-opted members. This sounds counterintuitive, as we are proponents of smaller boards and we have explained the constraints and rationale that have influenced our thinking in the ‘Size of Council’ section below.
43. **Candidates for election to Council:** Rule VI. 7 states “Candidates for election to the Council shall not be eligible unless they have been members of the Society for not less than five consecutive years immediately preceding nomination, and have been duly nominated as candidates”.
44. We understand that this rule was put into place as there was an “infiltration” concern that individuals who did not really support the Society’s mission, vision and values would become members so as to stand for Council. In our opinion, the vetting and selection process should be sufficient to address the “infiltration” concern. If co-optees are carefully selected and their contribution assessed, then we believe it could be beneficial for them to be put forward to stand for election to Council. Our recommendation is that co-optees to Council or co-optees to Committees can be nominated by Council to stand for election to Council even if they have not been members for five years.
45. **Honorary Officers tenure:** Rule V.4 states inter alia that “The Honorary Officers of Council shall retire from office at the conclusion of the annual general meeting of the Society next after the date on which they came into office but they may be re-elected subject to any limitation in the byelaws restricting the number of consecutive years the same person may be elected to the same office.”
46. We believe that a possible one year term does not allow sufficient time for an Honorary Officer to operate effectively. We recognise that in practice the Honorary Officers are in fact re-elected but we believe that the one year term should not be a stipulation. In addition, we have seen examples elsewhere where the concern about annual election may prevent the Honorary Officers from making unpopular decisions although they may be in the best interest of a charity. By stating this, we are not implying that this is what happens at the Society and in fact the implementation of the sustainability plan shows that difficult and sometimes unpopular decisions have been made in the best interest of the Society.
47. We therefore recommend that this rule is amended to allow Honorary Officers to act for a two-year term before they have to stand for re-election.
48. **Procedure for appointing Honorary Officers:** Rule V.4 also states “The Council shall at its first meeting after the annual general meeting of the Society elect from amongst its number a Chairman and Vice-Chairman of the Council a Treasurer and Deputy Treasurer of the Society who shall serve in their respective capacities as Honorary Officers of Council and shall constitute a Committee of the Council”.
49. We recommend a change to this rule which states that the Honorary Officers shall be appointed at the first meeting after the AGM. This is because we believe that it is important to first establish if there are suitable individuals from which to elect Honorary Officers. If there are not then the Council may wish to use its powers to co-opt individuals to take on Honorary Officer roles and we recommend that the rules clarify that a co-opted member of the Council shall be eligible for appointment as an officer of the Council.

50. Good succession planning should enable the Council not to be in the position that they have to be without any Honorary Officers. This requires the Council to think ahead so that it is possible to co-opt suitable candidates to fill a post. In addition, there should be arrangements in place to ensure that if the election process does not deliver the right candidates for Honorary Officers then the byelaws will provide for a transition arrangement until the right individuals are co-opted onto Council.

Other findings and recommendations not requiring rule changes

51. As summarised below in the section 'Where is the Society now?', the Society is in a strong position financially. It is delivering on its mission and has implemented procedures to manage risk and compliance. Many changes and improvements have been made and are ongoing. However, we believe that the current structures, systems and practices still leave the Society vulnerable to some of the governance challenges it has faced in the past. Our key findings identify a number of areas where improvements can be made. We appreciate that the Council and management are aware of a number of these development needs and a number of improved procedures are already being implemented. Notwithstanding this, we believe that there is more to be done.
52. There is clear evidence of good practice but some of these practices are carried out or implemented on an ad-hoc and intuitive basis and a more defined framework to ensure that necessary procedures and practices are consistently followed is necessary. In addition to the organisational and procedural changes, it is important that the need for cultural and behavioural change and the importance of more structured but enabling framework is recognised and embedded in the organisation.
53. As with many charities, the Society wants to foster a culture of empowerment. True empowerment requires an enabling environment and this means that the Society must ensure that those it is trying to empower (trustees, committees, senior management, staff, members and volunteers) have the core competencies and skill base to properly use relevant tools, methodologies and policies that must support both accountability and devolved decision making. True empowerment is only possible when suitably experienced individuals take decisions within their competence and adhere to an agreed framework that does not require constant reference to or follow up from others. In practice, this is only effective when individuals both follow and rely on agreed policies and procedures that set the parameters and framework for decision making.
54. As the recommendations in this review are implemented and capacity is developed, there will be increased delegation of activities and tasks. The correct balance will be achieved only when individuals or teams have a clear understanding of their responsibilities, the authority necessary to fulfil these responsibilities, and accountability for the consequences of what they have done or failed to do.
55. The Society is facing change and with any change effort there are often many sensitivities and tensions. Whilst we did not interview all those that are likely to be affected by the change, our impression from those we interviewed and spoke to, is that the governance review has generated high expectations. To capitalise on this to maximum advantage, positive action has to be taken as soon as possible. We believe that for the governance review to achieve its aims, the process of implementing it needs to happen positively, with full commitment from both the Council and management. All that we have seen so far indicates that there is a readiness and ability to take the necessary actions.
56. In the sections that follow we have discussed key issues that need to be considered and our report to Council provides further guidance on implementation.

Council and management

57. Striking the right balance between the roles of management and trustees has long been seen as one of the most important and also most challenging aspects of charity governance. It is recognised as an area requiring improvement at the Society. The role of a trustee is fulfilling and satisfying but it is a task that requires care and attention.

58. The legal definition of a trustee as a person “having the general control and management of the administration of the charity” can be confusing because of the concept of it involving management and administration. In a charity such as the Society, with professional executive management Trustees need not actually carry out the management and administration but must be responsible for the management and administration. They support management and are also required to make the appropriate level of challenge and ensure effective decision making on key issues.
59. It is important that the Council, as well as management, understand this and getting the balance right can be difficult. There are invariably times when staff will believe that the Council is over involved and times when they believe that it is not involved enough. The key is to be involved at the right level. This means that the Council and management will have to agree on the approach they want to follow and also the key issues that require Council consideration. The Council must strike the right balance between the roles of governance and management. This is easier said than done and we have discussed this key issue in greater detail in the report we have presented to Council.
60. The Society has many procedures, protocols, terms of reference and rules in place to help manage the relationship between the Council and management. However, it is important to recognise that this is not enough and the behaviours, culture and personalities can work, and in the Society case, is sometimes working, in a way that undermines the trust and candour that is necessary for the board and management relationship to work in the best way possible.
61. There is no doubt that through a joint effort between the Council and management, much has been achieved in the last few years in stabilising the Society’s financial position and in delivering the charitable objectives but more needs to be done to really deliver the culture and behaviours that are necessary. This will require careful consideration and a real will for all Council members and management to look forward, rather than dwell on the past, focussing on the future to implement necessary change.
62. Good governance requires all concerned to be clear about the functions of governance, their own and others roles and responsibilities. Individuals must behave in ways and take decisions that are consistent with those roles. The Society should set out a clear statement of the respective roles and responsibilities of the Council and management and its approach to putting this into practice.
63. Fundamental to this is that the Council needs to work with management in agreeing the strategic plan, measures of success, key performance indicators, milestones, timescales and resource implications. It then has to work with management to ensure that the Society is on track to deliver against them. This requires decision making at the right level and a framework for monitoring performance, achievements and risk.
64. It is vital that those appointed to Council and its committees have the time availability, skills, experience and interest to discharge the duties of a charity trustee. If Council believe that the existing structures, skill mix and working practices do not allow them to properly discharge their duties, or if they are unsure if they have sufficient knowledge to accept their responsibilities they, must reassess the position. When considering skills mix, it is important to recognise that existing skills within both the Council and management should be assessed and should be complementary but not necessarily duplicated.
65. Some individuals who might want to work with the Society may rather not have the Council role. It is not uncommon for such individuals to focus on their core competencies and interests through subcommittees or ad-hoc advisory groups that are called together to deal with specific matters. The governance structure should allow this and recognise that in time these individuals might be both suitable to and also want to join the Council.
66. We also heard that some of the mistrust has stemmed from leaks of confidential material. This has led to information being withheld and we were also told that there is no effective mechanism to sanction those who regularly flouted the rules.

67. There are many policies and procedures already in place but not everyone was aware of what these were and some were seen to need updating.
68. **We recommend that:**
- 1) the Code of Conduct is reviewed and that all Council members sign up to the Code and ensure that they abide by it in substance and in form. We say this because some of the behaviours that we have heard about are clearly contrary to the code and its supporting principles (A)
 - 2) the Society should exercise appropriate sanctions where the Code of Conduct is breached. This may require reviewing the existing sanctions to ensure that they can be proportionately applied (A)
 - 3) all Council members, senior leadership and Committee members should be reminded of the confidentiality clauses and should sign appropriate Non-Disclosure Agreements. (A) We recommend this because there has been concern about leaks and inappropriate sharing of confidential matters
 - 4) policies and procedures that underlie the Code of Conduct such as the whistleblowing policy, anti-harassment and bullying policy, confidentiality policy, conflicts of interest policy, scheme of delegations etc should be updated (B)
 - 5) the Society should bring the key documents together in a governance manual. (B) Consideration should be given to making this available on the Society's website
 - 6) the Council should ensure that mechanisms are in place for regular reviews of the Council's performance and Trustee appraisals by self-assessment (C)
 - 7) short bios of the Council and senior management should be available on the Society's website. (A)

Tenure of Council members

69. We compared the Society with wider sector practice and also canvassed the views of the Council and senior management. We presented our findings and analyses in our report to Council. We recognise that it is seen as good practice to limit tenure mostly as a means to refreshing trustee boards and also to assist with succession planning. The Draft Charity Governance Code indicates that a maximum uninterrupted tenure of nine years is seen as best practice.
70. The Society's byelaws refer to a three year term for Council members but there is nothing to restrict the number of times that Council members can stand for re-election. We reviewed length of time current Council members have been on Council. This shows that the median or middle value of this data set is eight years. Although there are eight individuals who have served uninterrupted terms of more than nine years.
71. The analysis also shows that:
- in the past 3 years (since 2014) there have been 5 new trustees
 - in the past 6 years (since 2011) there have been 7 new trustees
 - in the past 9 years (since 2008) there have been 12 new trustees.
72. Working on the basis of 19 serving trustees. This means that:
- 26% have changed in the last 3 years
 - 37% have changed in the last 6 years
 - 63% have changed in the last 9 years.

73. We understand that that there will be at least three new members joining Council this year and, if our recommendation on co-optees is accepted and actioned, this year there should be a significant injection of new blood. This means that the tenure mix post the 2017 election can only increase and improve the percentage of newer members in the analyses shown above.
74. Therefore, although we recommend that tenure of Council members is reviewed in the future with an intention of stipulating maximum terms we are not recommending that this is a priority at present. All in all, we believe that it is possible to take the view that the draft Charity Governance Code's requirement for progressive refreshing of the Board is being met.
75. If the draft Charity Governance Code is finalised as it stands the Society will need to explain in its annual report why it does not impose a maximum term of nine years.
76. **We recommend that:**
 - 1) the proposals of the finalised Charity Governance Code are considered and that actual tenure is kept under regular review to ensure that there is a true refreshing of the Council (B)
 - 2) consideration is given to providing information on the Society's web site that shows that the Council is being refreshed. (B)

Size of Council

77. We are strong advocates of smaller trustee boards. We discuss the advantages of this in our report to Council. We also compared the Society with data from the wider sector which indicates that although there are many charities with large (>15) trustee boards the trend is to have smaller boards.
78. However, in the Society's case the constraints of the election requirements in the RSPCA Act and rules regarding the composition of the Council, (in particular the need to retain the ratio and procedure for electing national and branch representatives) lead us to accept the status quo. With 10 regional representatives the number of national representatives need to be 15 to maintain the ratio. In addition, in our opinion reducing the number of Council members whilst maintaining the election requirements and the stipulated ratio would not achieve the important aim of having the best mix of skills and experience on Council.
79. Therefore, although we started with the intention to reduce the size of the Council, having considered the position of the Society we have on balance decided not to recommend a reduction in Council size at present.
80. Combining the need to have adequate representation and duties of a trustee body in the governing body is seen by many to be unwieldy as it requires greater numbers and does not necessarily play to individual strengths and aptitudes. At the same time the option of delegating key responsibilities to a smaller group of the trustees can lead to perceptions of separation of responsibility and authority. It can also be seen to create inner cabals and trustees who are seen as first amongst equals. Other charities have recognised that mixing representation tasks with governance can lead to it being increasingly difficult for either to be discharged effectively.
81. The separation of the two roles is often seen as the answer to the dilemma. This model requires that the roles and responsibility of trustees reside with a smaller group, with the setting up of a larger group that is often seen to hold the trustees to account in a way that a larger more apathetic membership might not.
82. The larger group is more akin to a general assembly but is not the full membership of the charity. This group is seen to represent members and act as a sounding board and source of ideas assisting with matters relating to future direction and high level policy and strategy. We have explained how this works in our report to Council.

83. **We recommend that:**

- 1) as soon as possible, consideration is given to reducing the size of the elected Council members to 20. (B) To maintain the 3:2 ratio the Council would be made up of 12 National and 8 Regional members. At present this would be problematic as there are 10 Regions but we understand that this could be achieved if there was a review of the regional structure
- 2) in addition, consideration is given to the option adopted by a number of membership bodies of having a smaller board with a larger assembly. (C)

Election to Council

84. There is widespread recognition that the present election model does not always deliver the right mix of skills and experience. We have already explained our recommendations on rule changes that would help address this issue.

85. The Draft Charity Governance Code recognises that it is often difficult for members of a charity to make informed decisions when voting for people to become trustees. They usually do not have the information to understand what skills and experience are on the board and what is needed at a particular time. The Code states “If a charity’s constitution provides for one or more trustees to be directly elected by a wider membership, the charity supports the members to play an informed role in the trustee elections”.

86. We believe that there is scope to improve the election process and procedures and to provide better support to the members to make informed choices. We have discussed these issues in more detail in our report to Council.

87. **We recommend that:**

- 1) a Council and committee skills audit should be carried out. (A) We have provided some guidance on essential skills and how to do this in our report to Council
- 2) the pack of information that is sent out to members to support the election process is reviewed and changed to provide more useful information. It should include a brief summary of what the Council is trying to achieve in terms of skill gap or succession and the information provided by candidates should specifically address this (B)
- 3) the candidates evidence their responses and where necessary this is checked. This will usually not be necessary but if there are specific concerns they should be addressed (B)
- 4) consideration should be given to allowing or even requiring potential candidates to have a preliminary meeting prior to them putting themselves up for election (B)
- 5) consideration should be given to a procedure where Council nominates or endorses particular candidates. (B) A number of charities use this process to indicate that the trustees believe that the candidate has the skills and experience they are looking for. This is not to be seen as unfair bias but rather the Council considering what it needs and who best meets those needs. Over 60% of members that responded to the members’ survey have said that they entirely or somewhat agree with this concept
- 6) consideration is given to spreading the net more widely, perhaps though advertising, when the Society is looking for individuals to join Council and/or its committees (B)
- 7) consideration should be given to whether the five year Society membership requirement for a candidate standing for Council is reduced to three years (B)

- 8) consideration be given to ways of making trusteeship more accessible. This could be done by reducing the workload of Council members and we have made recommendations that will help this. In addition, meetings could be held at evenings and on the weekends to help individuals who find it difficult to spare the time during the working day. (B)

Committees

88. Most large charities have sub committees for special purposes bringing together individuals with key skill sets that enable them to assist the board in its governance and decision making role. Committees work under delegated powers to assist the trustees and to provide supervision and monitoring in these areas but the trustees cannot abdicate their responsibility. This balance between delegation and abdication can be difficult and requires trust and confidence.
89. The Society's Rules allow Council to establish and appoint committees and empowers Council to delegate to committees "such of the powers and duties of the Council, other than the appointment of the Chief Executive of the Society, as Council shall decide". Similarly, the Rules also allow for Council to establish committees that Council sees necessary to fulfil its responsibilities. Ultimately, the delegation of responsibilities to committees is to be taken by a decision of Council.
90. Generally, the Society has a committee structure that meets its needs and supports the Council. The committees operate under clear terms of reference.
91. In assessing the Society's committee structure we have taken account of sector practice as well as particular issues that are relevant at the Society. In making our recommendations we have also considered matters relating to the Council, in particular, the work load of Council members and the issue of bringing in new skill sets and experiences.
92. We have heard that some see the Honorary Officers Committee as a small inner circle. The risk is that a Council of 20-25 people can operate more as an information receiving body than an effective decision making body. If the trustee board is to stay this size there is some sense in having a smaller group that works closely with management. There is a view that if the Group is retained then the composition of this group needs to be extended. We have considered this carefully and would normally not see a need to extend an officers' group in this way, but given the particular circumstances at the Society have recommended that this group is extended.
93. We have heard concern from some Council members that at times key governance issues and matters regarding trustee behaviour are not properly addressed through the Council's own structure and deliberations. Others disagree with this. Regardless, there is in any case strong support for establishing a governance committee to include individuals independent of Council with demonstrable expertise and experience in large charity governance. The Governance Committee should form a part of the overall governance arrangements of the Society and can take responsibility for changes to governance structures and processes, nominations and succession planning considerations and for considering any failings in governance.
94. It seems somewhat counterintuitive that some committees comprise most of the Council. Reducing the size of committees will assist decision making and also reduce the work load of Council members.
95. We have already made recommendations regarding committees that would require rule changes. These relate to allowing individuals who are not Council members to be co-opted onto committees. We also think that committee membership can be a good route to Council.
96. The Society's rules enable the Society to intervene in the affairs of Branches in certain circumstances. There are various safeguards in the rules that govern the proper exercise of these intervention powers. The purpose of every such intervention is to protect the interests of the Society, the Branch or the Society and its Branches viewed collectively.

97. Although not operating as a Council committee, three of four national trustees are appointed to act as a temporary branch board when the Council exercises these powers. We believe that there is no need for the temporary branch board to be made up only of Council members as there may be other suitable individuals who can assist in fulfilling this role. This change will also reduce the time commitment for Council members.
98. **We recommend that:**
- 1) the size of the Committees where the membership is more than 8 should be reviewed (A)
 - 2) members of staff should be in attendance but should not be members of a Board Committee. (A)
 - 3) the Honorary Officers should not be used as a conduit or filter for information between the Directorate and Council. The responsibility for providing Council with the information they need to fulfil their duties rests with the Directorate (A)
 - 4) Council considers enlarging the Honorary Officers Group to six. It will then act more as a committee supporting management when needed (A)
 - 5) rather than start the two year recommended term for Honorary Officers in June 2017 Council should consider that as a transition measure, and to ensure continuity over the period of implementing and assessing the results of the governance review, no change is made to the Honorary Officers at the meeting following the 2017 AGM. (A). A six month review of the working of the enlarged group and the impact of the recommendations of this review should be carried out and the two year terms should commence after the 2018 AGM (B)
 - 6) a Governance Committee, with at least two independent members with relevant experience, should be set up as soon as possible (A)
 - 7) the Governance Committee takes responsibility for reviewing staff and volunteer governance issues and where necessary making appropriate recommendations to the Board. Where there are governance issues relating to Council members then the independent members of the governance committee should take the lead and ensure proper consideration of the issues (A)
 - 8) a Finance, Audit and Risk Committee is established by merging committees that are already in place (A)
 - 9) the terms of reference and the structure of committees is reviewed regularly to ensure that they best meet the Society's needs (B)
 - 10) the custom and practice that only Council members can be trustees of a branch that has been brought under the Society's control should be changed so that other suitable individuals can also be appointed to fulfil this role. (B)

Meetings, information and knowledge management

99. The Council, its committees and management need to meet and make decisions which require information and knowledge. As part of our work we discussed with Council and the Directorate matters relating to meetings, information and knowledge management. A common thread in many of our discussions was the feeling that there are too many meetings and that they are not always effective. We were also told that sometimes the conduct, tone and tenor at meetings needed improvement.

100. Due the size of Council and how this can impact the dynamics of meetings, information flows and decision making processes there are particular matters that need to be borne in mind. We have discussed our findings and explained how our recommendations could best be implemented in our report to Council. We have suggested procedures to streamline meetings and make them more effective and to provide information and knowledge that adds value.
101. There has been a high turnover in senior staff over the years and there is a real risk of knowledge loss. Organisational knowledge should be managed and skill transfer should be fostered. Knowledge management is the process of accumulating knowledge efficiently, administering the knowledge base and facilitating the sharing of knowledge so that it can be applied effectively throughout the organisation. We have discussed this and approaches to managing knowledge in our report to Council.
102. We have considered procedures and practices relating to meetings and the development and sharing of knowledge and have made the following recommendations. All these suggestions can be easily implemented and should have immediate benefit. Therefore, although most of them are not urgent, we have classified many as category (A).

We recommend that:

- 1) the code of conduct is enforced and care is taken to ensure that all meetings are conducted respecting different views and perspective (A)
- 2) the guidance we have provided on the conduct of meetings and the provision of papers should be considered and followed as far as possible (A)
- 3) information should be presented so that it is clear whether it is information for debate/decision making, monitoring information or incidental information (A)
- 4) there should be a reportable items protocol for matters of particular importance (A)
- 5) the Society should define what knowledge is needed by Trustees and management to fulfil their roles (A)
- 6) the information and knowledge management systems should then establish how this is provided (A)
- 7) a continuous knowledge management project is established. (B)

Governance models

103. We were asked about different governance models and in our report to Council we have discussed some of the models, their pros and cons and their relevance to the Society. There is no stereotyped governance model for all charities to follow. Charities need to adapt theoretical models after being clear about what the model they wish to adopt is and what it means in practice. We believe the key aim is to for trustees to work with management in a manner that balances support and oversight.

Change management

104. The Society is about to embark on a period of change and both organisational and individual transitions should be considered. It is important that necessary change is implemented whilst maintaining the momentum and clarity of purpose. How the change is implemented will determine the success of the change programme. We have discussed key matters to consider in a change enablement framework in our report to Council. We believe that there is a will to implement the key enablers to deliver the necessary change. There is organisational readiness and general acceptance of the case for change but in any change effort there are barriers to change and these should be identified, understood and carefully addressed. Care should be taken to ensure that concerns about the possible downsides and hypothetical risks in the implementation of our recommendations do not inhibit the need to act decisively and swiftly in making the necessary change.

105. **We recommend that:**

- 1) the Society should establish a structured change management framework. This should identify the barriers to change and the factors that help the change effort and those that hinder it (A)
- 2) a framework for monitoring and communicating progress should be established (A)
- 3) a change champion or group should be selected to help manage the change (A)
- 4) the mechanism for identifying, evaluating and managing change enablement risk should be reviewed and linked to the strategic plan and the change process. (B)

Hallmarks of an Effective Charity

106. The Charity Commission produced “The Hallmarks of an Effective Charity”² some years ago. At that time they explained that the Hallmarks set out the standards that they believe an effective charity and its trustees will try to uphold and the principles that the regulatory framework exists to support.
107. The Commission also clarified that “each of the six Hallmarks describes an overarching principle and not a legal requirement. Together they set out a framework for effectiveness that charities can work towards. The bullet-points under each of the Hallmarks suggest ways in which each might be achieved but will not be applicable to all charities. Some charities may find different routes to the same end. Although the principles on which the Hallmarks are based will be relevant for all charities, the way in which they can be achieved will vary with the size, income, complexity and activities of each charity”.
108. We asked Council and the senior leadership team to score the Society against the Hallmarks. We also asked the Society’s members to do the same against key assertions from the Hallmarks and in most areas the scoring showed that the majority of respondents agreed, or somewhat agreed, with the positive assertions in most areas. Our own assessment was in line with this. The areas that showed need for improvement have been addressed in our review.

Where is the Society now?

109. In this section we have discussed the Society’s current position as we think it is important to show the progress that has been made in a number of areas. As part of our review we also considered whether the Society makes this information easily available to its stakeholders. We have focused on the key areas of mission and impact, financial stability and regulation and compliance. We have also reported on the key messages from the members’ survey.

Mission and impact

110. The Society has recently published its new strategic plan³. This plan articulates the Society’s mission, vision and values and its theory of change. The 10 key outcomes and the four key aims for the period 2017 - 21 are explained. There is also a summary of the things that the Society plans to do to achieve the aims.
111. The Society’s Report and Accounts for 2016⁴ have also recently been published. This shows the achievements and performance in the year, the plans for the future and the key performance indicators.

² <https://www.gov.uk/government/publications/the-hallmarks-of-an-effective-charity-cc10>

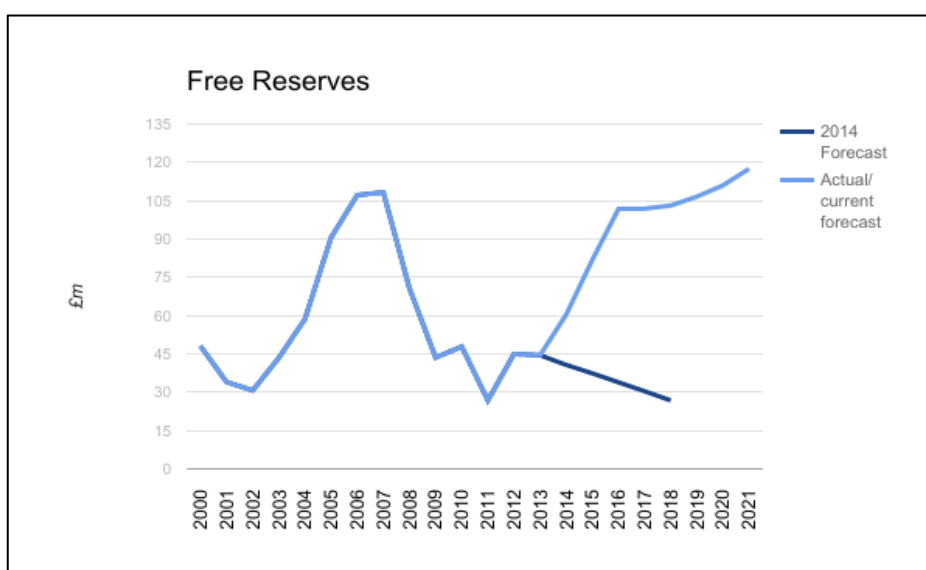
³ <https://view.pagetiger.com/2017-2021/RSPCAStrategy>

⁴ <https://www.rspca.org.uk/whatwedo/publications/reports>

- 112. The Society continues to operate its helpline 24 hours a day 365 days a year offering ambulance support for sick or injured animals and a lifeline for abused and neglected animals. It continues to prosecute the worst excesses of gratuitous cruelty while trying to educate those who fail to fulfil the basic needs of the animals in their care.
- 113. In 2016 the Society dealt with over a million calls to its helpline, rescued over one hundred thousand animals, improved the lives of hundreds of millions of food animals through its assurance scheme and continued to have the support and confidence of the British public and the British Government. Its expertise informed much improved legislation for horses and, hoped for changes in law to curtail the illegal puppy trade.
- 114. The Science team won an award for innovation in the area of addressing severe suffering in animal experimentation and won a prestigious prize for a published paper promoting a 'culture of care' across research establishments. They also engaged with industry to bring about large scale positive shifts in attitudes towards and practices involving animals.
- 115. Overall the Society can be seen to be delivering on its objectives and goals. It also provides this information in a way that can be accessed by different stakeholders.

Financial stability

- 116. A few years ago the Society was seen to be in a financially fragile position. Recognising the vulnerability of the Society's financial position in 2013/2014 a group of trustees and the Director of Resources planned and implemented the Sustainability Plan which has underpinned the recovery of the Society's financial position. Such restructuring is inevitably challenging and some of the issues that we are hearing about stem from matters that arose during this period.
- 117. Consolidated income for 2016 is up over 15% on 2015 figures and the balance sheet has strengthened. Free reserves have recovered and this is after a £5 million designation of funds to cover the costs of accommodating future fundraising changes required by new codes/regulations and changes to data protection legislation due in May 2018. A further £10 million has been designated to upgrade the infrastructure of the Society's animal centres, many of which are in need of repair and modernisation.
- 118. The historical, current and forecast free reserve position is shown below. The graph shows that despite a challenging financial climate the Society's finances are in a strong position and are forecast to become stronger.



- 119. In line with the practice adopted by both private and voluntary sector organisations the defined benefit pension scheme has been closed to future accruals. This was done with a 93% staff agreement.

Regulation and compliance

120. The Society has been in the press relating to the Information Commissioners Office's decision that it has breached certain regulations. Like many other charities in a similar position the Society decided not to contest the decision. The Society has published a statement about this on its website⁵. At the time a spokeswoman for the RSPCA said that, "There are many aspects of the ICO's decision which we disagree with, including the imposition of a monetary penalty. However, for a number of reasons, we have decided not to pursue an appeal. For example, we were concerned at the likely costs of an appeal, bearing in mind that (even if successful) the unrecoverable element of these costs might well be greater than the penalty itself".
121. The Trustees' Report 2016 also explains this and the Society has early adopted the new disclosure requirements explaining its fundraising practices and process for recording and responding to complaints.
122. The report, states that "The RSPCA or anyone acting on its behalf is bound by internal policies regulating fundraising. As a member of the Institute of Fundraising, the RSPCA follows their Code and ensures that anyone acting on its behalf follows this code. The RSPCA complies with specific legal requirements which apply when any third party fundraiser meets the definition of a professional fundraiser and meets the requirements of the Charity Commission fundraising guide (CC20)".
123. In 2016 the Society strengthened its policy on vulnerable people to ensure there is clear understanding and consent with any member of the public during any communications the Society is holding with them. Where this is not the case, it has arrangements to stop the communication and where relevant refund any monies. This policy is on the Society's website.
124. The Society has established a Risk Committee and recruited an Audit & Risk Manager and it has a co-sourcing arrangement with an external professional advisor to bring independent assurance to different compliance matters. A detailed assessment of the risks across the Society has also been completed.
125. The Society responded to calls for an independent review of its prosecutions department and is working towards adopting all the recommendations of the Wooler report⁶, which has transformed the Society's prosecutions culture and practice. The Society has a high success rate with its Welfare Improvement Notices in improving animal welfare without the need for prosecution. It has recently had an EFRA Committee investigation which subsequently led to the Government endorsing its role in prosecuting animal cruelty.

Members' survey

126. As part of our work we surveyed the members and there were over 200 responses. However, it should be noted that the Society has over 20,000 members and in our experience surveys are often not completed by the silent majority who may be content with the existing arrangements. Many included helpful comments and views. We asked them to consider the election process and how the Society might help support that process.
127. One of the series of questions was tailored around the Charity Commission's Hallmarks of an Effective Charity. The majority of the respondents thought that the Society is:
 - clear about its purposes, mission and values and uses them to direct all aspects of its work
 - seeking to improve its performance and efficiency, and to learn new and better ways of delivering its purposes

⁵ https://www.rspca.org.uk/whatwedo/latest/details/-/articleName/2016_12_06_NEWS_ICO_Statement

⁶ <https://www.rspca.org.uk/webContent/staticImages/Downloads/WoolerReviewFinalSept2014.pdf>

- explaining the extent to which it has achieved its charitable purposes in a way that people with an interest in the charity can understand
 - independent and recognises that it exists to carry out its purposes and not to carry out the policies or directions of any other body
 - accountable to the public and others with an interest in the charity in a way that is transparent and understandable.
128. In line with the responses from Council and senior leadership there were lower scores relating to the balance of skills and experience on Council and the policies and procedures. We have reviewed the comments associated with the lower scores and in the main they are related to concerns about policies and procedures for electing trustees and the need to have more business skills in addition to the strong animal welfare credentials.
129. We have addressed these matters in our review and made recommendations that we hope will help.

In conclusion



130. Whilst the present governance arrangements may have served the Society in the past there is recognition that there are opportunities for improving these arrangements. The highest standards of governance and stewardship are expected from the Society and it has to ensure best practice in all it does – in its animal welfare work, its campaigning and its advocacy, its educational activities, its income generation and in its governance. There is also the longer term perspective to consider and best practice, the law and systems for monitoring and evaluation are constantly evolving.
131. It is a world in which priorities may need to be reassessed. The environment requires a governance and management infrastructure and systems of operating which are not just robust but also nimble and support the effective decision making process. This is particularly important for a multimillion pound charity like the Society. Council and management must continue to ensure that there is an appropriate governance environment and this will include the establishment of clear policies in relation to general financial control, strategy and operational issues. This requires a documented organisation structure and clearly defined lines of responsibility and delegation of authority between the trustees, sub committees and management.
132. The Society is facing much change and with any change effort there are often many sensitivities and tensions to be aware of. It is clear from those we interviewed and spoke to that this Governance Review has generated high expectations and perhaps some nervousness. We believe that to maximise the benefits of this review positive action has to be taken as soon as possible. There is a perception that there has been little constructive action and poor follow through on past initiatives. Therefore, we believe that the process of implementing change needs to happen quickly and decisively but at all times considering the change enablement framework and the impact of the change.
133. The Charity Commission, has taken a keen interest in this review and has helped frame the Terms of Reference. In a letter to Pesh Framjee they have said:
- “The RSPCA is an important charity, providing a unique public service that is not replicated (at least not on the same scale) anywhere else in the public, private or voluntary sectors. It is therefore in the public interest for it to be an efficient, effective and respected charity, with strong strategic oversight. Further, as with all the largest charities, we expect the RSPCA (given the resources at its disposal) to be a leader and exemplar in the Sector.
- “Unfortunately, the long interregnum which occurred in the appointment of a CEO (the reasons for which we understand) brought the charity’s governance into the spotlight in addition to the recurring concerns (often unfounded) about its activities.

“In the case of prosecutions, the Wooler report (being an independent expert review) and the implementation of its recommendations, has helped to provide reassurance that the existing policy has been reviewed and is being reformed in line with the recommendations. Now, when the Commission receives complaints about prosecutions, it can point to this body of work. In the same way, an independent expert review of the RSPCA’s governance could help to draw a line under the perceived problems of the past and ensure that the charity has a modern governance structure that is fit for purpose for an organisation of its size and dynamics. This will give assurance to us as regulator, and the wider public, that the charity is well governed and the council has sufficient oversight and control”.

134. We draw attention to the phrase “draw a line under the perceived problems of the past”. Individuals must be ready to do this and move on, focusing on building the “modern governance structure”. This requires people to look forward rather than at the past and to put aside the issues of the past.
135. The tone at the top is very important and if the Society is to really benefit from this review Council must work together cohesively and accept differences of opinion, build trust and respect amongst its members and with management. Importantly, individuals must really adhere to the Society’s Code of Conduct in all they do.
136. We have considered all these matters in our thinking and in our discussions and we have addressed in this review the key issues that have emerged. We believe that the structural and governance recommendations that we have made are important for the Society if it is to deliver against expectations.



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