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Governance Committee Update

Author of paper

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Purpose/Summary

The Board is asked to:

- **Note** the update from the Governance Committee on its meeting of 8 May 2019, including the key issues identified by Chairs of National Councils (Appendix 1).
- **Note** the update from the Governance Committee in relation to Remuneration Oversight and Reporting relating to Executive Group pay, particularly the People Committee's recommendation for the Chief Executive salary to be ratified by the Board.
- **Note** the timescales for the implementation of an external Board Effectiveness Review during 2019, and **note** the rationale for the organisation recommended to conduct the MS Society's external Board Effectiveness Review (Appendix 2).

Details

1 National Councils

- 1.1 The Governance Committee was provided with copies of all recent minutes of National Councils (available on request) and discussed the key issues previously identified by chairs of National Councils and attached as **Appendix 1**.
- 1.2 The Governance Committee also received documentation relating to work previously undertaken by the committee in 2014, as part of a wider exercise updating the Authorities to Acts and role descriptions attributed to the National Councils, and to resolve some questions about the interaction of councils with committees, which clearly articulates the role and purpose of National Councils (available upon request).

2 Remuneration oversight and reporting

- 2.1 A paper concerning the governance of pay, and our approach to pay in general, was discussed at both the Governance Committee and People Committee meetings on the 8 May 2019. These discussions focused particularly on what action should be taken by the Executive Director of People and the People Committee on issues raised previously concerning Executive Group pay, particularly the Chief Executive's salary.
- 2.2 Both the People Committee and the Governance Committee accepted the recommendations outlined in that paper, which were that the Executive Director of People produce a report, with recommendations, working with the Executive Group and the People Committee, for discussion with the Governance Committee in September and the People Committee in November.

The report will include:

- Public, Private and Third Sector comparisons.
 - An examination of the current approach to incremental scales.
 - An examination of how pay, and any subsequent pay awards, are decided upon at different levels.
 - An examination of the most appropriate governance arrangements
 - An examination of how pay should be reported.
- 2.3 The Governance Committee further recommended that the People Committee approves Chief Executive pay and Executive Group pay, and for the People Committee's recommendation on Chief Executive salary to be ratified by the Board. This will be included in the recommendations within the September report.

3 Charity Governance Code – assessment and action plan

- 3.1 At its meeting in May 2019 the Governance Committee considered and approved the individuals and/or committees identified against the list of actions/areas for improvement within its assessment of the MS Society's progress against the Charity Governance Code. Furthermore, the committee also agreed requested an annual update on progress against the action plan.
- 3.2 The current summary of the Governance Committee's assessment and action plan, which identifies those individuals and/or committees against actions/areas of improvement, is available upon request.
- 3.3 In addition to individual specific actions listed within this action plan the Governance Committee agreed to prioritise the following during 2019:
- To continue to embed work on diversity, and carry out work on skill-sets annually.
 - To give weight to making sure existing "good" things are maintained, but also positively enhanced by insights of Nick Moberly as the new CEO (who has joined since original assessment carried out) and the New Head of Governance – rather than the current way of doing things being locked in for the sake of it, or accidentally dropped as the member of the staff team who did these automatically (former Head of Governance) is no longer in post.

4 External Board Effectiveness Review

- 4.1 At its meeting in March 2019 the Governance Committee disagreed with the Executive's Groups recommendation to postpone the external Board Effectiveness Review beyond 2019. This was on the basis that the Charity Governance Code recommends that Charities carry out an external Board Effectiveness Review every three years and, as the last one was undertaken in 2015, the committee did not feel comfortable delaying this by a further year.
- 4.2 The Board was notified at its last meeting in March that budgets had been re-aligned for the purpose of ensuring an external Board Effectiveness Review be implemented during 2019.
- 4.3 The same working group (Nick Winsler, Christine Gibbons and Ceri Smith) which were originally involved in reviewing proposals received back in 2018, before the decision to postpone the external review following the news of Michelle Mitchell's resignation as Chief Executive, resumed this process.
- 4.4 All organisations approached as in 2018 were contacted to submit proposals by the end of May. Following this deadline three of the six organisations who submitted proposals ("Compass Partnership", "Halpin" and "Independent Audit") were shortlisted by the working group, with interviews arranged for the 18 June. One of the organisations not shortlisted could not make this interview date.
- 4.5 Following interviews the panel has recommended the MS Society used "Independent Audit" to conduct its external Board Effectiveness Review. The working group's rationale for its recommendation is attached at **Appendix 2**.
- 4.6 It should be noted that during the shortlisting and recommendation process Christine had declared an interest in "Halpin" and Ceri in "Independent Audit" having used these organisations to conduct external Board Effectiveness Reviews elsewhere.
- 4.7 This external review will involve one to one discussions with trustees, council chairs and a small number of members of staff, in addition to observation of Board and committee meetings. The timeframe for this review is July – December 2019 with a final report being brought to the December Board meeting.

5 Recruitment Update

- 5.1 An interim update was given in relation to trustee and council member recruitment and advertising. Overall there appears to have been an upward trend in relation to expressions of interest for trustee roles, with the final number of trustee applications being almost double those received in previous years. The expressions of interest for National Council member vacancies is less clear at this point, but will be reported at a Governance Committee later this year, and supplementary to this within a future Governance Committee Update to the Board.
- 5.2 A fuller review will take place in due course. It is too early to provide a clear analysis of the reasons behind the significant increase in trustee applications. Social media (perhaps particularly paid Facebook advertising) seems to be one part, but does not account for it in its entirety. Other potential factors are National Council Chair videos being reused again this year, continued utilisation of the online recruitment system and a pro-active word of mouth approach. As with last year a diversion of spend from

traditional advertising to social media seems to have been effective (and certainly has done no harm)

6 Membership

- 6.1 The Governance Committee re-established its working group which seeks to resolve the governance related components of future membership changes. The committee also noted the key issues and considerations associated with these changes that need to be addressed by the working group including how we wish to choose trustees and council members, by who, the nature of elections, when, transition and accountability.
- 6.2 The working group will need to advance the work so that the Governance Committee and Board can include proposals on future governance models within the discussions about new engagement with the MS community in Q4 2019, as part of developing the engagement model prior to its finalisation and launch.
- 6.3 The Board previously agreed that we would bring a resolution that makes the changes to the legal membership structure to the 2020 AGM. As referenced in agenda item 12 a "matters arising update" will be included in the 2019 AGM booklet to convey the progress that has been made following last years "Growing the MS Society's Community" AGM resolution.

7 Miscellaneous

- 7.1 In March 2019 the Governance Committee recommended the adoption of NCVO's Charity Ethical Principles subject to discussion by the Executive Group on the practical implications of doing. These principles were developed in response to the publicity around issues at Oxfam, Save the Children and the President's Club which opened up questions about responsibilities of charities to their beneficiaries most prominently, but also to donors and the wider public. The Executive Group discussed this at their meeting on the 15 May and decided to include this within its compliance report, which is reviewed routinely by EG, and reported to the Audit Risk and Finance committee and the Board on an annual basis.
- 7.2 The Governance Committee received an articulation of the rationale for the MS Society's two subsidiary companies MS Society Trading ("Trading") and MS Society Nominees ("Nominees"). This rationale was originally requested by the committee to address a general lack of understanding concerning the activities of each subsidiary company. An articulation of each subsidiary company is attached as **Appendix 3**.
- 7.3 The Committee received a brief update in relation to the AGM, including location (MSNC). It is expected that AGM arrangements will be substantially the same as last year.

Appendix 1

National Council Key Issues

Northern Ireland Council (8 April 2019):

- Following on from the previous NI Council meeting, the council members were pleased to note the progress which has been made to restoring an active Group in the Foyle area.
- In the context of the Strategy discussion, the council members discussed how we can recognise when people are at times of particular vulnerability, and how the organisation can best support people who are vulnerable.
- Council members discussed the potential impact on the role of national Councils on foot of proposed changes to the membership offer. Council members reflected that their interaction with local Groups would be more significant to ensure the voice of people involved in Groups is heard across the organisation.

England Council (11 April 2019):

- The Council meeting was held at Aston University, Birmingham. We hope this will be the first of many council meetings held around England.
- The Council welcomed Nick Winsor, Chair of Trustees, to the meeting. Nick gave us an update on several projects currently in progress.
- The Council had a really interesting discussion around the lack of MS nurses and infusion nurses and the impact on the MS Community. Georgina Carr (Head of Campaigns and External Relations) gave us an update on the work the Society was doing in this area.
- The Council talked about the number of council member vacancies highlighted in the Governance document. We have 9 vacancies, 3 are currently without a council member, the other 6 have council members in place. Of these 6, 5 council members have indicated they will be standing again. Concerns were raised about the ease of finding the upcoming Council Vacancies on our website. A couple of council members tried during the meeting and expressed frustration at the process, you really need to know what you are looking for.

Cymru Council (13 April 2019):

- The Cymru Council meeting over the weekend was joined (by VC) by Georgina Carr (Head of Campaigns and External Relations) to provide an update on the MS Appeal, and Mital Pital (Head of Strategy and Impact) to discuss the strategy. The members of Cymru Council were really appreciative of staff from London giving up their time over the weekend, and always welcome the opportunity to hear from and meet staff from across the organisation.

- During the discussion on the strategy, the council discussed the importance of ensuring that the organisation doesn't forget the needs of family and friends, both in terms of services provided specifically for them, but also the positive impact that services for people living with MS can have indirectly for the wider family.
- We received the end of Year 2 Report and the Interim evaluation report for My MS, My Rights, My Choices. It was wonderful to celebrate the success of the project and to see (and be moved by) the digital story of one of the beneficiaries.
- Council members congratulated the Country Director for being shortlisted for the Institute of Directors (Wales) Awards, and wished her well. The Director is taking several volunteers to the awards lunch with her, it is a great opportunity to highlight the work of the Society to over 300 business leaders in Wales.

Scotland Council (24 April 2019):

- The Council agreed to take on a challenge later in the year to support the abolition of the 20 metre rule, potentially 'Challenge the 20 before 2020', details to be decided. During the meeting Council were reminded to support fundraising events as much as possible, and it was proposed by some council members that the Council should take part in the 5K part of the Edinburgh Marathon in May. Members of the Ratho team are also going to take part.
- The Council would like to support and promote Scotland members and PaMS to be Good Digital Citizens'. A member of Council lead an excellent discussion on this. Training would promote safety, engagement and confidence on line. It was noted that some people are unwilling or unable to use digital systems and must not be excluded.
- The reception for MS week at the Scottish Parliament on 23rd April was agreed to have been a great success with good attendance from members, groups, MSP's and Cabinet Secretaries. The work and plans of the MS Society in Scotland was acknowledged and more MSPs have pledged to support #STOPMS since the event.

Appendix 2

External Board Effectiveness Review – Rationale for Recommendation

After interviewing three companies (Compass Partnership, Halpin and Independent Audit) on the 18 June we are recommending to the Board that we appoint Independent Audit at the approximate cost of £33,500 (inclusive of VAT) to conduct our external Board Effectiveness Review.

Although this is £3,500 over the £30,000 budget allocated for this external review we feel that we can't reduce the scope of this review further to negotiate prices down. Furthermore, despite being the most expensive of the three the other two companies fell "below the line", and the price quoted by Independent Audit already reflects a significant discount of 50% to market rates, due to the MS Society's charity status, and as this work can be completed during Independent Audit's quietest period of the year between June to September.

Independent Audit had the most experience of conducting private company and charity Board reviews, and were the most engaging during interview. They had given a lot of thought to our charity and asked specific questions for clarification. One of the consultants is also a trustee of a large national charity and also has a close family member with MS.

Appendix 3

MS Society Trading and MS Society Nominees – articulating rationale

Articulation of rationale for MS Trading

MS Trading exists as a company as certain types of fundraising cannot be undertaken within the charity without the charity losing its tax-exempt status. For the MS Society this relates to the sale of Christmas cards, the sale of advertising in MS Matters and corporate sponsorship not covered by the HMRC fundraising exemption. The total turnover the MS Trading is £231k (2018). We try to keep administration in relation to the trading company to an absolute minimum, and the company's income and expenditure is included within the management accounts which go to the Board for approval.

Articulation of rationale for MS Nominees

The MS Society Nominees Limited ("Nominees") was established in 1997; this was prior to the MS Society incorporating and becoming a company limited by guarantee in 2011. The MS Society has the right to hold property itself however due to ease of administration and the financial cost of transfer the majority of the properties have been retained by Nominees. Nominees is the legal owner of the majority of our properties which they hold on behalf of the beneficial owner (The MS Society). Nominees carry out all the paperwork and other tasks associated with the documentation of the properties and arrange for necessary transfers when a property is purchased or sold, on behalf of The MS Society; they have the custody of the properties, as distinct from the management of the properties held by the Executive Group.