



# **Citizens Advice Scotland - Independent governance review**

Final Report

The Board of Trustees  
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27 July 2016

Dear Board of Trustees

## Citizens Advice Scotland - Independent Governance Review

In accordance with our Engagement Letter dated 29 April 2016 (the 'Contract'), for an independent governance review (the 'Review') of the Board of Trustees (hereafter 'the Board') at Citizens Advice Scotland (hereafter 'CAS'), we enclose our Final Report dated 27 July 2016 (herein the 'Final Report').

The Final Report is confidential to CAS and is subject to the restrictions on use specified in the Contract. No party, except the addressee, is entitled to rely on the Final Report for any purpose whatsoever and we accept no responsibility or liability to any party in respect of the contents of this Final Report. Deloitte LLP will have no responsibility for any claim made against CAS in connection with this publication of the report. Further, **Deloitte LLP does not accept or assume any responsibility to any readers other than CAS in respect of its work for CAS**, this Final Report, or any judgments, conclusions, opinions, findings or recommendations that Deloitte LLP may have formed or made and, to the fullest extent permitted by law, Deloitte LLP will accept no liability in respect of any such matters to readers other than CAS. Should any readers other than CAS choose to rely on this Final Report, they will do so at their own risk.

This Final Report is prepared for the Board of Trustees as a body alone, and our responsibility is to the full Board and not individual Directors. We invited management and the project sponsors to review a Draft Report for factual accuracy. See Appendix 2 for further detail on the basis of this Review.

The Final Report must not, save as expressly provided for in the Contract (including, inter alia, in clauses 5.3 and 5.4 of the Terms of Business) be recited or referred to in any document, or copied or made available (in whole or in part) to any other person. The Board is responsible for determining whether the scope of our work is sufficient for its purposes and we make no representation regarding the sufficiency of these procedures for the organisation's purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to the organisation.

We have assumed that the information provided to us and management's representations are complete, accurate and reliable; we have not independently audited, verified or confirmed their accuracy, completeness or reliability. In particular, no detailed testing regarding the accuracy of the financial information has been performed.

The matters raised in this Final Report are only those that came to our attention during the course of our work and are not necessarily a comprehensive statement of all the strengths or weaknesses that may exist or all improvements that might be made. Any recommendations for improvements should be assessed by the organisation for their full impact before they are implemented.

Yours sincerely



Deloitte LLP

# Contents

1. Introduction and context	4
2. Executive summary	7
3. Key findings and recommendations	13
4. Appendices	28
– Appendix 1 – Summary benchmarking output	29
– Appendix 2 – Basis of this Review	31

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# Introduction and context

# Introduction and context

## Our scope and approach

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### Overview

CAS commissioned Deloitte to conduct an independent governance review of the current CAS Board, supporting committees and working group structures (the 'Review'). The Review's overall objective was to help CAS to embed best practice governance.

We stress the independent nature of our work. Our team comprised individuals with no conflicts with CAS or any other body involved in this Review. In line with our professional obligations and integrity, we confirm we have conducted our work objectively and have not been influenced in any way by any individual or party that would compromise this.

### Scope

As part of the Review we considered two broad themes as set out in the invitation to tender:

#### A. Structural review (Board composition)

This theme focused on the structure and operation of the Board, and whether this enables it to meet the requirements of the organisation, its funders and the service users.

#### B. Board competencies

Following the above, we were asked to look specifically at Board competencies and assess whether the current Board has the combined mix of skills and experience to deliver its obligations as identified under the structural theme.

We were also asked to consider information and assurance on the composition and competencies of the Board that allow it to provide:

- Strategic leadership of the services that CAS provides to Government, including the quality and consistency of services provided to users;
- Effective oversight of grants given to the organisation; and
- Proper consideration and mitigation of risks to the organisation.

### Approach

Our approach to delivering the project scope has consisted of:

1. Conducting a **desktop review** of a sample of **key governance documentation**, including CAS policies and procedures, strategy documents, management and financial information, minutes of Board and committee meetings and Terms of Reference;
2. Distributing an **online survey** to key stakeholders, to include funders and the **Member Bureaux**, which received 85 responses from approximately 127 potential respondents, from both funders and Member Bureaux;
3. Conducting 60 – 90 minute **non-attributable interviews** with all 13 **Board members** during May and June 2016;
4. Conducting 60 minute **non-attributable interviews** with approximately 25 **stakeholders** including: the Senior Management Team, professional advisers and funders;
5. Facilitating **three consultation events** with **Member Bureaux** in three different locations in Scotland, which comprised 75 Member Bureaux participants;
6. Undertaking a **focus group** with **CAS staff** in May 2016;
7. Attending a **meeting** of the Board for **observation** purposes on 8 June 2016;
8. Distributing and analysing a **360° peer survey** of all **Board members**; and
9. Conducting a **benchmarking exercise** to consider '**good practice**' **governance model options** in the charity and not-for-profit sector (see Appendix 1).

# Introduction and context

## CAS – overview and background to this Review

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### **Purpose of CAS**

CAS was established for “*the promotion of any charitable purposes for the benefit of the community in Scotland and elsewhere by the advancement of education, the advancement of health and the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.*” It is the national umbrella organisation which supports the Scottish Citizens Advice Bureau (‘CAB’) service across Scotland, the largest independent advice service in Scotland.

Its core function is to provide support, services and expertise to bureau in areas such as: management and fundraising; resource; information technology (‘IT’) support; learning; development and training; and information resources. Through this central support role CAS help bureaux to provide the very best service to the citizens of Scotland. CAS also helps to ensure that individuals can access the same high quality advice and guidance regardless of where they live, by carrying out a quality assurance and monitoring role across the bureau network.

CAS is also a direct provider of services to the communities of Scotland through the work of the Citizens Advice Consumer Service and the amalgamation of the Consumer Futures and Extra Helpline Unit into the organisation in 2014. These new functions mean that CAS has now strengthened its voice in supporting and assisting consumers across Scotland, as well as challenging government and industry policy in service delivery areas such as post, water and energy.

### **Political and consumer context**

There has been a changing political landscape in Scotland with periods of uncertainty in the run-up to the Referendum in 2014, through to the implementation of the cross party commitments regarding devolution to Scotland through the Scotland Bill. CAS as an organisation has also significantly changed through this time with a shift in both funding and services, including the launch of Pension Wise, and now the operation of a number of statutory functions noted above.

Alongside this changing political context, there have also been changes in the demographics of consumers and the way they access services, with a move towards accessing services online. Both the Scottish Government and UK Government have been promoting the use of digital services in the public sector. For example, the Scottish Government’s digital strategy published in 2012 seeks to increase digital participation and to deliver improved, user focused digital public services across all public sector organisations. Similarly, the UK Government launched a digital strategy in 2012, seeking to make services digital by default. These changes naturally bring strategic questions over how will CAS and the member bureaux will deliver services in the future.

In light of these changes in the political and consumer landscape, there is an even greater need to ensure that the governance arrangements of CAS are fit for purpose.

### **Significance of this Review**

CAS’s funders seek assurance that the organisation’s governance arrangements support the transparent and proper use of public funds. Continued funding for the organisation will be contingent upon both governments being satisfied that the Board accepts the issues identified in this Review and implements the associated recommendations. This context highlights the significance of this Review, and the need for the Board to consider this Final Report carefully.

It is important to note that as CAS operates within the wider network of its members and Citizens Advice England and Wales. Any changes that occur will impact the Member Bureaux as well as the wider Citizens Advice landscape. Members will be required to approve a number of key changes and will have a critical role in improving the overall governance of CAS.

# Executive summary

# Executive summary

## Key themes

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### Overview

This executive summary provides an overview of the key themes emerging from this Review. These key themes were also documented in a short report detailing the high priority recommendations which was presented to the Board on 6 July 2016.

During our Review we identified a number of positive attributes which we would like to acknowledge:

- CAS is served by dedicated individuals at all levels of the organisation, including the Board, who are passionate about, and committed to, their work. Despite the difficult circumstances surrounding this Review, this was clear. The Review team acknowledge this commitment to the organisation's charitable purpose and ultimately the clients served by CAS and the Bureaux. Similarly, the representatives of the Bureaux with whom we engaged as part of this Review care deeply about the clients they serve and strongly believe in the founding principles of Citizens Advice.
- The current Board has a good balance of non-profit and voluntary experience and strong knowledge and understanding of the principles of citizens advice and the Bureaux network. There are a range of skills and expertise which are valuable however, in light of the changes in scale and complexity of CAS, the Board now requires different skills and experience.
- The Board has been successful in securing additional funding and services, for example, Pension Wise and welfare reform.

Despite the above, the current governance arrangements are not fit-for-purpose and there is a need for fundamental change in a number of areas. Presently, the Board, in its current composition and structure, is failing its Members, CAS staff and Funders. There are a number of weaknesses in the Board's current structure, skills and capabilities, behaviours and operations. These weaknesses inhibit the Board from functioning as a high-performing strategic Board overseeing the use of public funds effectively for the betterment of the citizens of Scotland.

Stakeholders participating in this Review believe there is a lack of recognition amongst some Trustees as to the severity of the situation that the Board and CAS are currently in. Consequently, they are sceptical about whether this Review will lead to demonstrable and positive change. The Board have however, agreed the high priority recommendations, which indicates a desire to effect change.

Further, the governance and leadership of CAS has featured in the media spotlight for some time, with considerable negative coverage at a national level. This negative attention is damaging the reputation of CAS, and there is a very real risk that it will permeate to the Bureaux which currently have an excellent reputation. There is no doubt that the media will continue to scrutinise CAS given the increased focus and interest in governance in the charity sector. This further reinforces the importance of the Board positively responding to our Review.

We have reported the key themes under the following headings:

### A. Structural review

- Board structure
- Selection and election of Trustees
- Chair's leadership
- Induction, training and development
- Board behaviours and dynamics
- Engagement and relationships
- Board roles and responsibilities
- Meeting processes, agenda and forward planning
- Board reporting and management information
- Committee structure and operation

### B. Board competencies

- Board skills and capabilities

### C. Other

- Effecting change and additional observations

# Executive summary

## Key themes (continued)

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### A. Structural review

#### Board structure

- The Board has a majority of Bureau Trustees which creates a number of limitations from a skills perspective and a perception that some Trustees are 'self-interested' and overly focused on CAB interests (including the interests of particular Bureau), rather than the interests of clients and other key stakeholder groups. Whilst we appreciate the importance of knowledge and experience of Bureaux and the value Bureau Trustees can bring, External Trustees provide independent and objective views, different perspectives, additional skills and experience and credibility. The majority of stakeholders indicated their preference for CAS to have a Board that has a balance of External Trustees and Bureau Trustees.

#### Selection and election of Trustees

- There should be a consistent, competitive selection and election process for both Bureau and External Trustees. Currently Bureau Trustees are not appointed on the basis of their skills and experience in the context of the strategic direction of the organisation and existing skills on the Board. Further, once elected, after standing down after 6 years Trustees are allowed to offer themselves for re-election at the next Annual General Meeting. This effectively creates a loophole which enables Trustees to serve a tenure beyond what is considered good practice.

#### Chair's leadership

- The Chair of CAS resigned on 28 June 2016. His style and approach received criticism during our Review, with stakeholders describing him as not "strategic" and lacking the leadership qualities for the role of Chair at an organisation of CAS' scale and complexity. During our review, we noted that he did not discharge a number of responsibilities we would expect from a Chair, such as conducting individual director assessments and leading the annual review of the effectiveness of the Board and its committees. Stakeholders expressed views that an independent Chair, with no previous connection or involvement with CAS, would benefit CAS.

### Induction, training and development

- Although the Board has some form of induction for new Board members and engaged an external facilitator to provide governance training and undertake Board development work in 2014, we would expect a more formal approach to induction, training and development. Further, the Board does not currently review the effectiveness of the Board or its committees on an annual basis.

### Board behaviour and dynamics

- The CAS Board has exhibited dysfunctional dynamics and inappropriate behaviours driven by cliques and personal interests. Individuals used terms such as "tension" and "unprofessional" when referring to Board behaviours and dynamics, with meetings described as "getting out of hand". Board decision-making has been slow with decisions revisited occasionally. There is currently no mechanism for the Board to remove Trustees in situations where they are breaching the Code of Conduct or terms of appointment.

### Engagement and relationships

- The Board and the Senior Management Team ('SMT') currently do not have a cohesive relationship. There is a clear lack of trust and scope for more regular engagement between the two groups. Similarly, the Board's engagement with Member Bureaux could be enhanced. Members expressed views that the Board does not communicate effectively with Bureaux and that there is a lack of transparency on key actions and decisions taken by the Board.

# Executive summary

## Key themes (continued)

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### **Board roles and responsibilities**

- There are examples of good practice regarding the Board discharging its responsibilities, such as holding management to account on matters such as budget oversight and contractor spend, as well as being successful in securing additional funding and services, for example, Pension Wise. However, the Board does not spend sufficient time developing, reviewing and monitoring the implementation of strategy and receives limited information on finance and updates from the Development Committee. In light of these findings, it is unclear if the Board is effectively assured that CAS is delivering its stated purpose and aims and the finances on a periodic basis are in order. (We note that a review of finance and risk management has recently been undertaken.)

### **Meeting processes, agenda and forward planning**

- Board meetings have been lengthy, lacked structure and, on occasion, have focused on operational matters. There have been a number of changes initiated to try and improve this, such as the introduction of a revised standard agenda. Further enhancements to the agenda and Board forward plan are required to aid meeting efficiency and ensure that the Board is spending sufficient time on strategy, oversight of public funds and providing stewardship to CAS.

### **Board reporting and management information**

- Although there have been some improvements regarding the structure and timeliness of information being presented to the Board, there is room to enhance the quality of the information and ensure that papers are strategic rather than operational.

### **Committee structure and operation**

- The committee structure is larger and more complex than we would expect for an organisation of CAS' scale. Concerns were raised in relation to the appropriateness of the remit and composition of a number of the committees. There is a lack of transparency and visibility around the work and decision-making of some committees, with inconsistent reporting to the Board. Similar to the selection and election of Trustees, committee

membership is not based on a minimum criteria relevant to that committee and subject to a consistent and competitive appointment process.

### **B. Board competencies**

#### **Board skills and capabilities**

- As an organisation CAS has grown and taken on responsibility for a number of functions. The Board composition has not evolved alongside these changes and lacks the skills, experience and capabilities to provide effective oversight and stewardship of an organisation of the scale and complexity of CAS. Whilst we recognise that voluntary experience and knowledge of Bureaux are essential, there is a need to have a more diverse Board with additional skills in strategy and business planning, change management, organisational development and digital technology, as well as wider policy development expertise and broader Board governance experience.

### **C. Other**

#### **Effecting change and additional observations**

- Following the Board's failure to effect substantive change following previous governance reviews, there are some concerns that the current Board will not be able to correct the present situation and take the recommendations in this Final Report forward through to the Members. We acknowledge that the Board have however, agreed the high priority recommendations, which indicates a desire to effect change.
- While CAS has some of the relevant governance documentation in place detailing its governance framework which we would expect for a charitable organisation, the quality of this documentation and practical use of this varies. The formal documentation could be enhanced to ensure accountability and ensure that it is in line with good practice.

# Executive summary

## List of high priority recommendations

We set out below the high priority recommendations which were approved by the Board at the Board meeting on 6 July 2016, subject to minor modifications. It should be noted that a number of these recommendations will be subject to approval of Members and require a change in the Articles of Association ('Articles').

Theme	Category	#	Recommendation	Owner
Board structure	Board structure	1	The structure of the new Board should comprise a balance of External Trustees and Bureau Trustees* and an independent Chair.  <i>*This term may be subject to change as per recommendation 4.</i>	Transition Committee
		2	The requirements for Board size should include a minimum composition of 11 Trustees and maximum composition of 13 Trustees.	Transition Committee
	Selection and election of Trustees	3	All Trustee appointments should be based on merit and their skills and experience. There should be a robust and competitive appointments process established, whereby all Trustees are assessed against clear and objective criteria.	Transition Committee
		4	Members should consider if the distinction between paid and unpaid Bureau Trustees is appropriate.	Transition Committee
		5	Establish clear terms of office limits in line with good practice which do not allow any Trustee to serve for more than a 6 year period, to include consecutive or accumulated time. These terms limits should be strictly adhered to.	Transition Committee
	Chair's leadership	6	A new independent Chair with the skills and capabilities to lead an organisation of CAS' scale and complexity should be appointed in line with the selection process noted in recommendation 3.	Transition Committee
	Board behaviour and dynamics	7	Introduce a mechanism to hold a vote of no confidence to encourage an individual to resign as a Trustee where they are in breach of their Letter of Appointment or the Code of Conduct, or are underperforming in role. This should form part of the rules for removing a Trustee under the Articles which will make it legally binding.	Transition Committee

# Executive summary

## List of high priority recommendations (continued)

Theme	Category	#	Recommendation	Owner
Board structure	Board roles and responsibilities	8	CAS needs to clarify its purpose as an organisation and charity which provides central support to the Scottish Citizens Advice Bureaux across Scotland and is also a direct provider of services. This should be supported with the development of a new 5 year strategic plan prepared by the SMT and new Board, which is agreed with members at the 2017 AGM.	New Board
	Committee structure and operation	9	The new Board should review the structure of the committees, to include: remit, composition and reporting lines. (This will be subject to completion/progression of the above recommendation.)	New Board
Board competencies	Board skills and capabilities	10	CAS needs to create a new Board that has the relevant skills, experience and capabilities to provide strategic leadership and effective governance of the organisation, based on the potential skills gaps identified during this Review.  A General Meeting should be convened in early 2017 to appoint the new Board.	Transition Committee  Board  New Board
Other	Effecting change and additional observations	11	The Board should establish a sub-committee of the Board known as the Transition Committee. This committee will have responsibility for overseeing the preparation and implementation of the action plan in response to the recommendations in this Final Report.  This committee shall comprise a maximum of 7 members, to include the Interim Chair and a balance of External Trustees and Bureau Trustees. The COO will support the Transition Committee and attend all meetings. The remit, composition and reporting lines of the committee should be set out in writing.	Board
		12	The Board should convene an AGM/EGM in accordance with the Companies Act and the Articles to seek the Member approval on the key changes to the Articles alongside an updated version of the Articles for Member review and approval.	Board
		13	Engage an external third party to conduct a follow-up review in 9-12 months from the date of the Final Report. The purpose of this will be to check on progress against the recommendations during this period.	New Board & Transition Committee

# Key findings and recommendations

# Key findings and recommendations

## Overview

### Structure

This section of the Final Report summarises the key findings on the aspects of CAS governance considered within the scope of this 'Review', together with associated recommendations.

The key findings and recommendations section is split into two sections and structured according to the two broad themes covered:

- A. Structural review
- B. Board competencies

Each section comprises a description of our findings and observations along with suggested recommendations for improvement. We have also included an additional "other" section for matters which came to our attention during the 'Review'. The Final Report has been structured this way as it reflects the methodology applied and enables the reader to understand the evidence used to inform our findings and recommendations.

We have clearly set out whether these recommendations are high priority and have been approved by the Board, as well as details of who has responsibility for each recommendation (see key opposite).

Throughout this section of the Final Report we also include:

- **Survey results** – where relevant we have included quantitative analysis of the survey results; and
- **Good practice insights** - additional insight from working with other organisations and the benchmarking conducted as part of this Review.

### Key to classification of findings and recommendations:

#### Priority (P)

- **High priority** – implementation to be agreed immediately with a view to action, or agree action with Members, as soon as possible. These have been approved by the Board on 6 July 2016.
- **Medium priority** - implementation to be agreed immediately and actions implemented within 6 – 12 months.
- **Low priority** - implementation to be agreed immediately and actions implemented within 12 – 18 months.

#### Owner (O)

**B** = Board

**M** = Management/SMT

**N** = New Board

**TC** = Transition Committee

# A. Structural review

## 1. Board structure

**The Board has a majority of Bureau Trustees which creates a number of limitations from a skills perspective and a perception that some Trustees are 'self-interested' and overly focused on CAB interests (including the interests of particular Bureau), rather than the interests of clients and other key stakeholder groups. Whilst we appreciate the importance of knowledge and experience of Bureaux and the value Bureau Trustees can bring, External Trustees provide independent and objective views, different perspectives, additional skills and experience and credibility. The majority of stakeholders indicated their preference for CAS to have a Board that has a balance of External Trustees and Bureau Trustees.**

- The Board currently comprises 12 Trustees, including the Chairman. Under the Articles, the Board shall comprise a maximum 15 Trustees in total, including Honorary Officers and co-opted Trustees. Increasing Board size beyond 12 can impact objectivity and negatively impact Board dynamics, and requires careful consideration.
- There are three categories of Trustee within the Board structure: unpaid Bureau Trustees; paid Bureau Trustees (together known as 'Bureau Trustees') and External Trustees. According to the Articles, the Board shall consist of a maximum 6 unpaid Trustees, a maximum 6 Trustees who are paid staff of Member Bureau, and a maximum 3 External Trustees. Whilst we appreciate the importance of knowledge and experience of Bureaux and the value Bureaux Trustees can bring, having a majority of Bureau Trustees creates a number of limitations from a skills perspective:
  - The experience is typically gained in Bureaux organisations which are of a smaller scale to CAS. As a result, Bureau Trustees will not necessarily be equipped to deal with complex business decisions in an organisation of CAS' scale and complexity; and
  - It increases the similarity in backgrounds of Board members, which can create a predominance of certain skills, as well as increase the risk of group think.
- There is a perception that some Trustees are 'self-interested' and focused on CAB interests (including the interests of particular Bureau), rather than the interests of clients and wider stakeholder groups. Over half of the Member Bureaux representatives who participated in the survey disagreed that the Board structure allows for appropriate focus on all key stakeholders, for example clients, Member Bureaux and funders.
- External Trustees can provide independent and objective views, and have an ability to step back and analyse the views of all stakeholders in the interests of the organisation, helping to navigate competing interests where necessary. They also bring different perspectives, additional skills and experience, and credibility. A number of individuals commented positively on the CAS External Trustees in this respect. During our Review, the majority of stakeholders indicated their preference for CAS to have a Board that has a balance of External Trustees and Bureau Trustees. This includes the Member

Bureaux stakeholders involved in the Review, with over 50% of Member Bureaux survey respondents disagreeing that the current balance of External Trustees and Bureau Trustees is appropriate.

#	Recommendation(s)	P	O
1	The structure of the new Board should comprise a balance of External Trustees and Bureau Trustees* and an independent Chair.  <i>*This term may be subject to change as per recommendation 4.</i>		TC
2	The requirements for Board size should include a minimum composition of 11 Trustees and maximum composition of 13 Trustees.		TC

### Good practice insights

*Four out of seven of the organisations examined as part of our benchmarking exercise have a majority of External or 'independent' Trustees. This is increasingly common in the charitable sector and is standard practice in the wider public sector.*

# A. Structural review

## 2. Selection and election of Trustees

***There should be a consistent, competitive selection and election process for both Bureau and External Trustees. Further, once elected, after standing down after 6 years, Trustees are allowed to offer themselves for re-election at the next Annual General Meeting. Currently, Bureau Trustees are not appointed on the basis of their skills and experience in the context of the strategic direction of the organisation and existing skills on the Board. This effectively creates a loophole that enables Trustees to serve a tenure beyond what is considered good practice.***

- All Trustees are elected by Members at the AGM. At present there is a different process for electing External Trustees and Bureau Trustees and no minimum requirement for the skills and experience competencies for either roles. Bureau Trustees are nominated by a Member (it does not have to be their own Bureau) and a list of nominees are compiled. Following this, a vote of Members is taken at the AGM. There is no minimum criteria determined for Bureau Trustees, or requirement to undergo any form of assessment prior to election. According to the Articles, the Nominations Committee is tasked with identifying possible candidates for External Trustees by creating a person specification and undertaking a recruitment exercise to seek individuals who meet it. At the end of the nomination process, the Nominations Committee reports to the Board, proposing a range of suitable candidates for election at the AGM. Although a number of good practices for External Trustees were introduced, such as a skills matrix, the process is not formally documented. Further, a number of interviewees commented on the lack of clarity around the process for selecting and electing External Trustees. It is important that there is a clear and transparent process, which is consistent where possible, for both External Trustee and Bureau Trustee nomination and election respectively.
- As noted in Section A.1, the current Board structure provides for two categories of Bureau Trustees, paid and unpaid. To ensure that the Board has a diverse composition, Bureaux Trustees should be elected on the basis of their skills and experience, regardless of whether they are paid or unpaid.
- Overall, the majority of stakeholders indicated a desire to adopt a consistent, competitive selection and election process for both Bureau and External Trustees, to include: role descriptions; external advertising; a formal application process; panel interviews; and an assessment of the candidate's skills and experience against the role description and overall skills requirements for the Board.
- It is good practice for a Board to have clearly defined term limits which do not allow for a Board member to serve longer than 9 years. Under the current Articles, after standing down after 6 years, Trustees are allowed to offer themselves for re-election at the next Annual General Meeting.

- Although this represents a shift from the previous practice of having no limits in place, it effectively creates a loophole that enables Trustees to serve for considerable periods with a break. We are aware of some Trustees already having significantly long periods of tenure, in some cases for almost 15 years. The Board should have clear terms limits in line with practice which do not allow any Trustee to serve for more than an 6 year period, at any consecutive or accumulated time, which are strictly adhered to.

#	Recommendation(s)	P	O
3	All Trustee appointments should be based on merit and their skills and experience. There should be a robust and competitive appointments process established, whereby all Trustees are assessed against clear and objective criteria.	●	TC
4	Members should consider if the distinction between paid and unpaid Bureau Trustees is appropriate.	●	TC
5	Establish clear terms of office limits in line with good practice which do not allow any Trustee to serve for more than a 6 year period, to include consecutive or accumulated time. These terms limits should be strictly adhered to.	●	TC

### Good practice insights

- *Principle 3 of the Governance Code for the Voluntary and Community Sector (the 'Code of Governance') states that it is good practice for organisations to have a recruitment process based on a role description, wide advertisement of the role, and evaluation of the candidate's skills and experience against a skills matrix.*
- *Six of the seven organisations included in our benchmarking organisations have a competitive selection and appointment process in place.*

# A. Structural review

## 3. Chair's leadership

***The Chair of CAS resigned on 28 June 2016. His style and approach received criticism during our Review, with stakeholders describing him as not "strategic" and lacking the leadership qualities for the role of Chair at an organisation of CAS' scale and complexity. During our review, we noted that he did not discharge a number of responsibilities we would expect from a Chair, such as conducting individual director assessments and leading the annual review of the effectiveness of the Board and its committees. Stakeholders expressed views that an independent Chair, with no previous connection or involvement with CAS, would benefit CAS.***

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- The Chair of the organisation resigned on 28 June 2016 after serving as Chair for approximately 6.5 years. The Vice-Chair has been appointed as Interim Chair and will undertake the responsibilities of the Chair until a new Chair is elected.
- The previous Chair's style and approach received criticism during our Review. Views shared by interviewees included: the Chair was not "strategic" and perceived to lack the leadership qualities and dynamism required to act as Chair for an organisation of CAS' scale and complexity; and on occasions, he was considered to get too involved in the management of the business.
- There are a number of responsibilities we would expect a Chair to fulfil in their role, such as: conducting individual director assessments; leading the annual review of the effectiveness of the Board and its committees; managing Board meetings to appropriate timings; and challenging behaviours of Board members when necessary. During our review, we found limited evidence of the Chair discharging these responsibilities effectively. Further, consistent views were shared by both Trustees and attendees of Board meetings that the Chair does not effectively manage Board meetings, both from a timing perspective and managing debate and discussion.
- The majority of stakeholders expressed views that an independent Chair, with no previous connection or involvement with CAS, would benefit CAS. It was noted that this was particularly important in light of the current scrutiny of the governance arrangements, which would send a positive message externally.

#	Recommendation(s)	P	O
6	A new independent Chair with the skills and capabilities to lead an organisation of CAS' scale and complexity should be appointed in line with the selection process set out in recommendation 3.		TC

### ***Good practice insights***

*Four out of seven of the organisation's examined as part of our benchmarking exercise have an independent Chair. This included a number of organisations who have undertaken a governance review. Appointing an independent Chair is increasingly common in the charitable sector and is standard practice in the wider public sector.*

# A. Structural review

## 4. Induction, training and development

*Although the Board has some form of induction for new Board members and engaged an external facilitator to provide governance training and undertake Board development work in 2014, we would expect a more formal approach to induction, training and development. Further, the Board does not currently review the effectiveness of the Board or its committees on an annual basis.*

- The Nomination Committee has responsibility for ensuring that there is an appropriate induction plan in place for new members and the Board calendar includes induction as a standing item in April. Although details of the Board appointment policy and procedures are set out in the Articles and Operational Handbook, there is no formal documentation which sets out the induction process for new Board and Committee Members. It was noted by a number of interviewees that the induction process could be enhanced. It is important all new Board and Committee Members undergo a thorough and comprehensive induction process tailored specifically to CAS's business model and strategy. It is common for the company secretarial team and human resources ('HR') to provide the Chair with support in establishing and maintaining the relevant induction processes and procedures and note that to date, this involvement has been limited in CAS.
- It is positive to note that the Board engaged an external facilitator to provide governance training and undertake Board development work in 2014. From our review of documentation however, we note there is no formal Board training plan or individual personal development plans in place for either Board or Committee members. We would expect the Chair, with support from the company secretarial team and/or HR, to take the lead on these matters and ensure that these are updated at least annually.
- As part of Board development, there should be an annual evaluation of the Board, its committee and each individual Trustee, lead by the Chair of the Board (and Committee Chair for their respective committees). At present, this is not currently undertaken at CAS, with the exception of the Board development work noted above.

#	Recommendation(s)	P	O
7	Establish a formal induction pack and process for new Board and committee members. This should set out: the role of Board and Committee members; good governance in the charity sector; CAS business model; and services and understanding of the Bureaux network. In addition, it should include interaction with the SMT and staff and provide opportunities to engage with the organisation and CABs.	●	TC

#	Recommendation(s) (continued)	P	O
8	A formal framework for Board and Director development should be established by the Board and consist of two elements: <ul style="list-style-type: none"> <li>• A formal Board training plan, with specific focus on training relevant to CAS; and</li> <li>• This should be supplemented by individual personal development plans for each Board member.</li> </ul>	●	M TC N
9	Introduce a formal Board, committee and individual Board member assessment process that includes: <ul style="list-style-type: none"> <li>• Annual internal Board and committee assessments led by the Chair of the Board and Chair of the relevant committees, with support from the Secretary to the Board; and</li> <li>• The completion of a self-assessment (or peer assessment) by each Trustee on their contribution which is discussed during a one-to-one session with the Chair on an annual basis.</li> </ul> <p>The results of the above should be used to inform individual Board member and Board training plans.</p>	●	M TC
10	Review the responsibilities of the company secretarial team and HR in relation to induction, training and development and consider additional ways they can support the Chair, as appropriate.	●	M TC

# A. Structural review

## 5. Board behaviours and dynamics

**The CAS Board has exhibited dysfunctional dynamics and inappropriate behaviours driven by cliques and personal interests. Individuals used terms such as “tension” and “unprofessional” when referring to Board behaviours and dynamics, with meetings described as “getting out of hand”. Board decision-making has been slow with decisions revisited occasionally. There is currently no mechanism for the Board to remove Trustees in situations where they are breaching the Code of Conduct or terms of appointment.**

- The CAS Board has exhibited dysfunctional dynamics and inappropriate behaviours driven by cliques and personal interests. Although it was not alleged that all Board members display these behaviours, stakeholders pointed to the lack of capability, or inability, of other Trustees to stand up to the inappropriate behaviours and previous Chair to control them. Individuals used terms such as “tension”, and “unprofessional” when referring to Board behaviours and dynamics, with meetings described as “getting out of hand” and involving shouting. The term “bullying” was used on several occasions. It was felt that Trustee challenge is not always constructive and has strayed into bullying, with open criticism being seen as acceptable. It was noted by some interviewees that this culture is improving, with some of the individuals exhibiting these behaviours no longer serving on the Board. There is currently no mechanism for the Board to remove Trustees in situations where they are breaching the Code of Conduct or terms of appointment.
- There are mixed views on the management of conflicts of interest. Some interviewees expressed views that conflicts of interest are well-managed, with Trustees or Committee members, stepping out of the room during discussions. However, others suggested that some Trustees are ‘self-interested’ and focused on CAB interests. It was noted by a number of interviewees that Bureau Trustees from CAB management (paid) are more inclined to fall into this category than unpaid Bureau Trustees. At the Board meeting we attended, we observed dialogue that was dominated by the needs of Members and CABs.
- From a review of Board and Committee minutes, declarations of interest are included as a standard agenda item for the Board. There is mixed practice for including this declaration of interests at Committee meetings, with some formally including it as an agenda item and others not. Further, during our review of minutes, we noted a number of occasions whereby Trustees declared interest in a particular matter, however, it is not clear whether they left the room for these discussions, or were allowed to contribute to discussions. Minutes should provide clear evidence regarding the identification and management of conflicts of interest.
- There is limited guidance for Board-level conflicts of interest. Although Trustees have all signed a document declaring their interests, there is not a register of members’ interests document which is regularly reviewed by the

- Board. CAS does not have a conflicts of interest policy specifically for the Board.
- Board decision-making was described as poor and slow. Despite the lengthy time taken to reach some decisions, they were often revisited with the Board proceeding to go over old ground. This shows that the Board lacks a sense of collective responsibility.

#	Recommendation(s)	P	O
11	Introduce a mechanism to hold a vote of no confidence to encourage an individual to resign as a Trustee where they are in breach of their Letter of Appointment or the Code of Conduct, or are underperforming in role. This should form part of the rules for removing a Trustee under the Articles which will make it legally binding.	●	TC
12	Following the establishment of the new Board, hold a workshop on effective Board dynamics and culture that explores Board relationships, constructive challenge and contributing effectively to Board meetings. This should also be provided to new Board members as part of the induction process.	●	N M
13	Introduce comprehensive guidance on conflicts of interest, such as a conflicts of interest policy, that sets out: processes to identify and manage actual or perceived conflicts of interest; meeting procedures; personal responsibilities of Members; and procedures regarding breaches. This should also include details of case studies that reflect on situations that have arisen, or could arise.	●	TC M

### Good practice insights

*Principle 5 of the Code of Governance states that an effective board will provide good governance and leadership by behaving with integrity. This includes: identifying, understanding and managing conflicts of interest and loyalty; maintaining independence of decision making; and delivering impact that best meets the needs of beneficiaries. Most organisations have a standalone conflict of interest policy for the Board.*

# A. Structural review

## 6. Engagement and relationships

**The Board and the Senior Management Team ('SMT') currently do not have a cohesive relationship. There is a clear lack of trust and scope for more regular engagement between the two groups. Similarly, the Board's engagement with Member Bureaux could be enhanced. Members expressed views that the Board does not communicate effectively with Bureaux and that there is a lack of transparency on key actions and decisions taken by the Board.**

- The Board's relationship with the SMT was described as "unhealthy", "tense" and "poor" during our Review, with a clear lack of trust between the two groups. There has been a breakdown in relationships, and a high turnover of CEOs and senior staff which is perceived to be symptomatic of deeper issues in the relationship between the Board and SMT. From our review of minutes, Trustees appear to be focused on challenging the SMT and need to balance this with the provision of advice, support and guidance.
- There were also some views shared that the SMT have not been providing sufficient information, or information of appropriate quality to support effective decision making. This factor has contributed to the lack of trust.
- A number of mechanisms for communication with Members have been used, such as the provision of minutes on the website and the AGM. The majority of Member Bureaux representatives involved in this Review expressed views that the Board does not communicate effectively with, or have good engagement with, Member Bureaux. Approximately 70% of Member Bureaux survey participants felt that the key actions and decisions taken by the Board are not transparent, with minutes not always clear or circulated in a timely manner. Others suggested that CAS could be more innovative and make better use of technology to enable faster communication. It was also noted that the AGM is not the most effective use of Member time and more could be done to use this time better to engage the Board and Members in discussions on governance and strategic matters and allow the Members to effectively hold the Board to account for their performance. Further, views were expressed that the quality of information provided to Members could be enhanced to ensure that they are appropriately informed when making decisions at the AGM.
- The lack of engagement between the Board and Bureaux was also noted by other stakeholders who referred to a general lack of engagement between CAS and the CABs and cultural issues, referring to an "us and them" culture, with CAS viewed with suspicion from the Bureaux. This perception is not helped by the perceived self-interest and lack of collective responsibility – CAS needs Trustees who will promote the organisation's purpose and vision and engage effectively with the Bureaux to support a healthy culture.

#	Recommendation(s)	P	O
14	Formally document the Board's relationship and ways of working with the SMT, to include: <ul style="list-style-type: none"> <li>• Defining levels of interaction outside of the boardroom, including spending informal time together as a group;</li> <li>• Structure and frequency of meetings, for example, bi-annual informal one-to-one meetings between the SMT and Trustees;</li> <li>• SMT responsibilities in relation to pro-actively briefing Board members;</li> <li>• Trustees providing support, advice and guidance to the SMT; and</li> <li>• Respectful and professional behaviour.</li> </ul>		TC M
15	Clarify the frequency and mechanism for Board communication with Members. Examples could include: a summary report from the CEO or Chair on the Board meeting, highlighting key matters discussed and decisions made, webcasts etc. As part of this, the Board should seek to determine the responsibilities of CABs to communicate all relevant information within their Bureaux, as appropriate.		N M
16	Review the approach and format of the AGM and consider ways to use this as a forum to effectively engage with Members. Following the changes to the governance structure resulting from this Review, Members will require enhanced information to inform their decision-making in advance of voting at the AGM. This could include: <ul style="list-style-type: none"> <li>• A report from the Chair on the work of the Board;</li> <li>• Details of Member biographies and a summary of their contribution to the Board in their role as Trustee; and</li> <li>• High quality information on matters requiring Member approval.</li> </ul>		N M

# A. Structural review

## 7. Board roles and responsibilities

*There are examples of good practice regarding the Board discharging its responsibilities, such as holding management to account on matters such as budget oversight and contractor spend, as well as being successful in securing additional funding and services, for example, Pension Wise. However, the Board does not spend sufficient time developing, reviewing and monitoring the implementation of strategy and receives limited information on finance and updates from the Development Committee. In light of these findings, it is unclear if the Board is effectively assured that CAS is delivering its stated purpose and aims and the finances on a periodic basis are in order.*

- The role and responsibilities of the Board are set out in the Operational Handbook and Scheme of Delegated Authorities. There is no standalone schedule of matters reserved for the Board, which sets out clearly the matters which must be approved by the Board.
- As part of this Review, we considered whether the structure and set-up of the Board enables it to discharge its key roles and responsibilities, namely:
  - **Strategy** - strategic leadership of the services that CAS provides and whether the Board is clear on the aims and objectives of CAS (including as deliverer of public services) and regularly reviews its ability to achieve them;
  - **Risk** - proper consideration and mitigation of risks to the organisation;
  - **Oversight of public funds** - effective oversight of public funds; and
  - **Holding to account** - whether the SMT is held sufficiently to account by the Board and by extension to external funders and Member Bureaux.

We consider each of the above Board responsibilities in detail below.

### **Strategy**

- The Board is not considered strategic or forward-looking by the majority of stakeholders. From our review of documentation, the Board does not spend as much time focusing on strategy as we would expect and could add more value through providing strategic guidance and discharging their stewardship role. This stewardship role can be defined as shaping the organisation, helping to guide strategy and supporting management. While there are some recent examples of strategic topics being taken to the Board, such as the Channel Strategy and Media Strategy, as well as the IT strategy which has been tabled at the Board several times, the Board does not have an annual strategy away day to discuss the long-term strategy. Further, the Board is not explicitly considering the organisation's capacity and capability to achieve the strategy.
- A review of Board minutes shows that challenge can be focused on operational detail and impact on Bureaux, as opposed to wider strategic challenge and contribution. In addition, some topics presented to the Board encourage operational discussion, such as project updates. Further, some matters, such as volunteer awards scheme and request to conduct employee engagement surveys, would not normally require Board discussion or

approval. There is a risk that the Board is getting too involved in management matters and the impact of decisions on Members to the detriment of other stakeholders such as staff and funders.

- During the Review, it also emerged that there is a lack of clarity on the purpose of CAS and no shared understanding of what it does amongst stakeholders. Now is a critical time for CAS, and the new Board needs to focus on ensuring clarity on CAS' purpose and strategy. It should be considering the impact of changes to services and how CAS can move forward in light of the changing consumer landscape, taking into account other developments such as digital disruption and innovation.

### **Risk**

- We observed a number of good practices in relation to risk oversight, namely the inclusion of the risk register as a regular item on the Board agenda and the separation of the Finance and Audit and Risk Committees to allow more focused discussions on risk at committee level. Despite this good practice, from our review of Board minutes there is limited reference to risk during Board discussions. It is important that the Board also has sufficient consideration of risks at each Board meeting in relation to key proposals being put forward, as well as a more detailed discussion on the effectiveness of the risk management framework once a year. (We note risk management is currently being reviewed.)
- There were some concerns raised by stakeholders that the Board did not grasp the seriousness of the risks to the organisation of funding being withdrawn, or the impact of the current media scrutiny on the reputation of the organisation. While we note the former is included on the risk register and the latter received some Board discussion, it is important that this is given sufficient attention.

### **Effective oversight of public funds**

- Ensuring effective oversight of public funds is a key responsibility for the Board of a charitable organisation. Some examples of Board challenge and focus on this area evident in the minutes, such as challenging areas such as budget oversight and contractor spend. It is also positive to note that the Board have been successful at securing additional funding and services, for example, Pension Wise and welfare reform. The CAS Board typically receives

# A. Structural review

## 7. Board roles and responsibilities (continued)

### **Effective oversight of public funds (continued)**

a report from the Finance Committee or Audit & Risk Committee in relation to finance matters, rather than a standalone report and update from the finance team. We would expect the Board to receive a financial report at each Board meeting from the Head of Finance which provides a clear picture on the financial health of the organisation, in addition to updates from the Committees. This would not only inform decision-making during the Board meeting, but also provide all Board members an opportunity to challenge this area. We understand that this area is currently being reviewed.

- The Development Committee is responsible for allocating approximately £0.5 million in funding on behalf of the CAS Board. This committee does not consistently provide the Board with a written report of its activities or details of how funding is allocated. In order to ensure effective oversight of public funds, it is important that the Board has clear transparency on the work of this committee and is provided with consistent reporting in this regard.

### **Holding to account**

- The Board provides challenge to management and holds them to account for performance across a number of areas. Examples noted in the minutes include: Pension Wise, use of consultants, CAS reserves and the outcomes of training and development plans. As discussed in sections A.5 and A.6, it is important this challenge is appropriate, constructive and balanced with support.
- However, in light of the above findings and our review of management information discussed in section A.7, it is unclear if the Board is effectively assured that CAS is delivering its stated purpose and aims; the finances on a periodic basis are in order; and the interests of all stakeholders, not only Bureaux, are being considered.
- In addition to Board roles and responsibilities, we note that the levels of delegated authority to the SMT have been vague and, on occasion, removed which has rendered management unable to act and take decisions. This, alongside the Board's tendency to focus on operational detail rather than challenge strategically, has exacerbated the issue. While the Board would benefit from enhanced documentation to clarify the levels of delegated authorities, ultimately trust needs to be rebuilt and the behaviours addressed.

#	Recommendation(s)	P	O
17	<p>Review the role of the Board and consider strategic areas the Board can focus on to add value to the organisation to enhance their stewardship role and support management. In addition, following the Finance and Risk Review consider any updates required to the finance and risk responsibilities of the Board (as distinct from the Finance Committee and Audit and Risk Committee) and information required.</p> <p>Following this, the Board should establish a formal schedule of matters reserved for the Board which sets out the key matters requiring Board approval. (There are a number of recommendations in relation to the agenda, forward plan and management information discussed in sections A.8 and A.9, which will enable the Board to effectively discharge its responsibilities.)</p>		N M
18	<p>CAS needs to clarify its purpose as an organisation and charity which provides central support to the Scottish Citizens Advice Bureaux across Scotland and is also a direct provider of services. This should be supported with the development of a new 5 year strategic plan prepared by the SMT and new Board, which is agreed with members at the 2017 AGM.</p>		N

### **Good practice insights**

*A number of Boards align each of their Non-Executive Directors or Trustees to a strategic initiative based on their skills and experience. For example, they may be aligned to a product, business unit, or particular risk areas such as cyber, or aligned to a more broader strategic objective such as diversity etc. This enables both the director and the Board to have a better understanding of this area which can enhance their ability to hold management to account.*

# A. Structural review

## 8. Meeting processes, agenda and forward planning

**Board meetings have been lengthy, lacked structure and, on occasion, have focused on operational matters. There have been a number of changes initiated to try and improve this, such as the introduction of a revised standard agenda. Further enhancements to the agenda and Board forward plan are required to aid meeting efficiency and ensure that the Board is spending sufficient time on strategy, oversight of public funds and providing stewardship to CAS.**

- A number of interviewees commented on the poor management of Board meetings which resulted in lengthy Board meetings, which have lasted over 8 hours. Some stated that this was due to focus on operational detail or a lack of discipline, while others noted that there was no clear agenda. A number of changes have been put in place to try and improve this, to include the introduction of a revised standard agenda which sets out items for decisions at the start of the meeting, followed by items for discussion and items for information. Additional enhancements to the agenda which would aid efficiency include providing details of the presenter and allocating a time for each item.
- As noted in section A.7, the Board needs to ensure that it is spending sufficient time on strategy, oversight of public funds and providing stewardship to CAS. The current agenda does not support discussion in these areas. Whilst we acknowledge there is no CEO at present, the Board agenda should include a report from the COO at every Board meeting during the interim period. This should be provided at the beginning of the Board meeting to provide an overview of current performance and key issues, in advance of the Board approving key decisions. Further, as noted the agenda should also include a finance report as a standing item.
- The board currently meets approximately five times a year. While consider this appropriate for an organisation of CAS' scale and complexity, we would suggest this is reviewed to consider if additional meetings will be required to enable the new Board to understand the current issues. Further, we would suggest the inclusion on an additional Board meeting or annual strategy away day to provide more focus on strategy as part of developing the revised strategic plan.
- Additional meetings are scheduled throughout the year as and when required. It was noted that these additional meetings require additional resources, both from a staff and SMT perspective, as well as incurring expenses which have not been provided for within the budget. Whilst we recognise the Board has gone through a period of instability, going forward the Board should be mindful of the implications of additional meetings on staff and SMT resources. Further, they should also consider the use of technology to conduct ad-hoc meetings remotely to save on costs, where this is considered appropriate given the agenda for discussion.

- There is a rolling plan of Board of Trustee meetings (forward plan) which outlines the date of meetings and items to be covered, which is good practice. In light of our recommendations in relation to the Board roles and responsibilities, this should be updated accordingly. It is also good practice to establish forward plans for all committees, to ensure they are focusing on the right matters at the right time.

#	Recommendation(s)	P	O
19	Update the structure of the agenda to include details of the presenter and allocate appropriate timings for the topics being discussed.	●	M
20	Review the frequency of meetings to determine if additional meetings will be required. As part of this consider SMT resources, meeting budgets and the use of technology for ad-hoc meetings.	●	N
21	Update the forward plan: <ul style="list-style-type: none"> <li>• To include an additional meeting or away day to focus specifically on strategy. This should cover CAS's capability, capacity and culture to execute the strategy (to include both human resources and financial resources);</li> <li>• To ensure that it covers all Board responsibilities following the revisions to the scheduled of matters reserved for the Board throughout the year.</li> </ul> Similarly structured forward plans should be prepared and maintained for each committee.	●	N M

### Good practice insights

*An emerging trend is the inclusion of a Chair's report at the beginning of each meeting. This allows the Chair to indicate to the Board the areas of focus for the meeting, which in turn can assist Board members in their preparation. Although this approach is more common where the Chair has a significant time commitment, we are seeing more Chairs of smaller organisations adopt this practice.*

# A. Structural review

## 9. Board reporting and management information

*Although there have been some improvements regarding the structure and timeliness of information being presented to the Board, there is room to enhance the quality of the information and ensure that papers are strategic rather than operational.*

- Good quality Board papers are essential to enable the Board to make informed decisions. To assist effective decision-making, directors must receive good quality financial and non-financial information on how the business is performing in a timely manner. The majority of Board members noted some improvements regarding the structure and timeliness of information being presented to the Board. However, overall it was felt that there was room to enhance the quality of the information. A number of Board members described the finance and risk information as poor quality, which is limiting their ability to effectively scrutinise in these areas.
- Examples of good practice we noted during our review of Board papers included the use of action logs to track actions arising from Board meetings and the inclusion of an annual plan performance report which provides a Red Amber Green ('RAG') status for actions relating to the strategic plan.
- We consider that there is room for further improvement to Board packs, both in terms of structure and content and highlight below a number of observations and potential enhancements:
  - A number of interviewees expressed views that some papers were too operationally focused and should not be presented to the Board. From our review of documents we noted a number of examples, to include a paper requesting approval to conduct an employee engagement survey which included an implementation plan, information management strategy – implementation plan (we would expect this to be considered at the IT Board and the Board to review the strategy itself, rather than detailed plan) and shared services project meeting/highlight report. This is potentially due to the lack of clarity on delegated authority, which results in too much information going to Board.
  - There is inconsistent use of appendices. Some packs contain lengthy documents which are not essential reading. For example, the April 2016 pack contained a 30 page document from the Charity Commission which set out guidance on Trustee expenses and payments.
  - Although steps have been taken to standardise the presentation and format of papers presented to the Board, not all reports include a coversheet with an executive summary. Information presented in this way provides Trustees with summary information which clearly “sign-posts” the key issues and facilitates quicker distillation of key messages.
  - As noted in section A.7, the Board should receive a financial report at every Board meeting.
- It is good practice for the Board to have a discussion on the quality and quantity of information, with Board members requesting any relevant changes to management. While Board members have expressed views on the information and requested further information, going forward this process should be formalised. The information needs of the Board considered in light of its roles and responsibilities set out earlier in this report, to ensure that papers are strategic rather than operational.

#	Recommendation(s)	P	O
22	<p>In light of the suggested changes to the operation of the Board set out within this Report, review the quality and type of information provided to the Board and determine the changes required. This should include:</p> <ul style="list-style-type: none"> <li>• Removal of operational matters from the agenda and associated papers;</li> <li>• The inclusion of a CEO/COO report upfront in the Board pack;</li> <li>• The introduction of a high quality finance report; and</li> <li>• Consistent reports from each committee.</li> </ul> <p>On an annual basis the Board should have a discussion on the quality and quantity of information, with Board members requesting any relevant changes to management.</p>	●	N M
23	<p>A consistent format is adopted for all reports presented to the Board to include a Cover Sheet with each paper presented to the Board which provides an executive summary to focus the Board’s attention on key issues and, where material decisions are required, includes an analysis of options in their Reports, including pros and cons, to facilitate debate.</p>	●	M

# A. Structural review

## 10. Committee structure and operation

*The committee structure is larger and more complex than we would expect for an organisation of CAS' scale. Concerns were raised in relation to the remit and composition of a number of the committees and whether this is appropriate. There is a lack of transparency and visibility around the work and decision-making of some committees, with inconsistent reporting to the Board. Similar to the Board selection and election process, committee membership is not based on the requisite skills and experience required for the role.*

- In contrast to the general consensus regarding the Board structure, there were diverging views amongst stakeholders in relation to the structure and operation of the committees. From our review of documentation, we also have a number of observations in this area. We set out below some of the key findings in respect of the committees.
  - With 8 committees in total, and a number of additional working groups below this, the CAS committee structure is larger and more complex than we would expect for an organisation of CAS' scale.
  - There were some views shared that an organisation of CAS' scale does not require a standalone HR committee at Board level. In our view, it is uncommon to have a HR committee as a sub-committee of the Board, with the Board, Nomination and/or Remuneration Committees typically covering key HR matters that require Board attention.
  - Concerns were raised in relation to the remit and composition of a number of the committees and whether both are appropriate, namely the Policy Forum, Development Committee and Membership Standards Committee.
  - The composition of the standing committees and sub-committees varies and consists of Members elected at the AGM, Trustees appointed by the Board and individuals co-opted by the Board. Similar to the selection and election of Trustees, committee membership is not based on minimum criteria relevant to that committee and subject to a consistent and competitive appointment process.
  - There is a lack of transparency around the work of some of the committees, with both Trustees and stakeholders being unclear about key decisions made. From our review of Board papers, we note that there is a Committee Minutes Report presented to the Board which sets out a summary of the issues raised, actions and decisions of certain committee meetings. While this is good practice, the report does not cover all committees and is not included in all Board packs. We would expect a consistent form of reporting from each committee to the Board, which is supplemented with a verbal update from the committee Chair.

- From our review of documentation, the terms of reference for all committees are brief and could be enhanced to ensure they are in line with good practice. We identified a number of gaps, for example: members' declaration of conflicts of interest; notice of meetings; and level of secretarial support. Furthermore, the duties and responsibilities listed for each committee are brief and not as detailed as we would expect.

#	Recommendation(s)	P	O
24	The new Board should review the structure of the committees, to include: remit, composition and reporting lines. (This will be subject to completion/progression of recommendation 18.)		N
25	All committees should provide the Board with a short summary report which sets out the key matters discussed, decisions made and decisions being put forward for Board approval. This should be supported with a verbal update from the relevant committee Chair.		M

### Good practice insights

*An informal trend that we are continuing to see in practice is the emerging role of the Nomination Committee within smaller organisations. Tasks such as diversity, succession planning and Board appointments are gaining more prominence and this committee is having more involvement, or taking the lead, on these areas. Further, in some organisations this committee is also taking on a key role in overseeing Board evaluations.*

## B. Board competencies

### 1. Board skills and capabilities

***As an organisation, CAS has grown and taken on responsibility for a number of functions. The Board composition has not evolved alongside these changes and lacks the skills, experience and capabilities to provide effective oversight and stewardship of an organisation of the scale and complexity of CAS. Whilst we recognise that voluntary experience and knowledge of Bureaux are essential, there is a need to have a more diverse Board with additional skills in strategy and business planning, change management, organisational development and digital technology, as well as wider policy development expertise and broader Board governance experience.***

- The current Board has a good balance of non-profit and voluntary experience, as well as a good understanding of the principles of citizens advice and strong knowledge of the Bureaux network. Key areas of expertise include: finance, accounting, HR, IT operations and project management. In addition, the Board also has some strategy, public relations ('PR') and government policy expertise.
- While we recognise these skills on the Board, a considerable portion of the skills and governance experience is based on experience at Bureau level, as opposed to a broad range of larger, more complex organisations. Knowledge and experience of Bureaux is essential, however, there is a need to create a more diverse and balanced Board that can discharge the responsibilities of the Board as set out in Part A.7 of this Final Report. As an organisation, CAS has grown in size and taken on responsibility for a number of functions. It is critical that the capabilities of the Board reflect these changes. The Board has not evolved alongside this change in business model and therefore lacks the skills, experience and capabilities to provide effective oversight and stewardship of an organisation of the scale and complexity of CAS. In particular, we believe the Board could benefit from additional skills in the following areas:
  - Strategy and business planning for a large national organisation;
  - Change management and organisational development;
  - Digital technology and design skills such as: data analytics; web development; mobile applications; digital product development; digital marketing; and social media;
  - Wider government and policy development expertise across local government, community, health, social services and education sectors; and
  - A range of Board governance experience across different sectors, to include large charities, public sector and private organisations.
- From our analysis of Board skills based on the Board member peer survey, the following skills gaps were identified:
  - Legal and compliance;
  - Outsourcing, supplier management and procurement; and

- Pensions.

In order not to restrict a Board appointment only to the above areas, these should be considered secondary skills. For example, pensions, wider wealth management and investment experience could be considered.

- In addition, there were a number of finance skills – namely statutory and management accounting, capital management and tax, which the Board could benefit from enhancing. We note that it is not common to have more than two Board members with strong expertise in these areas; however, in the absence of a Treasurer and given the importance of enhancing the quality of financial reporting at CAS, we believe the new Board should seek additional skills in this area. Further, following the separation of the finance and audit committee into two separate committees, it is important that there are sufficient members with the relevant skills to populate these committees.
- Stakeholders shared their perspectives on the skills and capabilities of the Board, and noted potential skills gaps in the following areas: strategy, commercial business, human resources; governance; finance; information technology and e-commerce; change management experience; and legal, as well as wider public sector and political understanding. Only 22% of Member Bureaux representatives who participated in the survey agreed that the Board has an appropriate balance of skills, experience and knowledge to effectively govern CAS. It is important that there is clear information on the skills and capabilities of the Board available to Members, such as through the CAS website, for transparency.

#	Recommendation(s)	P	O
26	CAS needs to create a new Board that has the relevant skills, experience and capabilities to provide strategic leadership and effective governance of the organisation, based on the potential skills identified during this Review. A General Meeting should be convened in early 2017 to appoint the new Board.		TC B N
27	Update the CAS website to include detailed information on the skills and experience of Trustees.		B N

## C. Other

### 1. Effecting change and additional observations

**Following the Board's failure to effect substantive change following previous governance reviews, there are some concerns that the current Board will not be able to correct the present situation and take the recommendations in this Report forward through to the Members. While CAS has some of the relevant governance documentation in place detailing its governance framework which we would expect for a charitable organisation, the quality of this documentation and practical use of this varies. The formal documentation could be enhanced to promote accountability and ensure that it is in line with good practice.**

- As noted in the executive summary, following the Board's failure to effect substantive change following the previous governance reviews, stakeholders have little confidence that the current Board will be able to correct the present situation. We acknowledge that the Board have however, agreed the high priority recommendations, which indicates a desire to effect change. To mitigate any potential risks of non-implementation, we have set out below a number of recommendations in relation to the implementation phase, and stress the urgency attached to the outcomes of this Review to ensure the future viability of CAS.
- CAS has some of the relevant governance documentation in place detailing its governance framework which we would expect for a charitable organisation. For example, operational handbook, committee terms of reference and various policies and procedures. However, the quality of this documentation varies and could be further enhanced to ensure that it is in line with good practice. In addition, we note that a number of documents are not in place, such as Board code of conduct, schedule of matters reserved for the Board and letters of appointment.
- While it may be suggested there is a risk of overburdening an organisation of CAS's size and scale with bureaucracy with this task, in order to ensure full accountability and transparency it is important that all governance arrangements are updated in line with the recommendations in this Final Report and formally documented. This can be in a single document or a suite of separate documents. Further, all governance documentation must be consistent and aligned with the Articles.
- The current Articles are poorly drafted with certain sections confusing. It is important that the rules setting out how the organisation is governed are clear and transparent to promote accountability.
- Under the current Articles, each Member Bureau is restricted to having no more than one Bureau Trustee. There are some concerns that the current Bureaux structure, with some locations having multiple Bureaux and others having one, along with the "one Bureau one vote" process is resulting in a disproportionate Board composition which is predominantly from the Central Belt. This is also perceived to enable particular regions, such as Glasgow, to have a stronger Member voice.

#	Recommendation(s)	P	O
28	The Board should establish a sub-committee of the Board known as the Transition Committee. This committee will have responsibility for overseeing the preparation and implementation of the action plan in response to the recommendations in this Final Report.  This committee shall comprise a maximum of 7 members, to include the Interim Chair and a balance of External Trustees and Bureau Trustees. The COO will support the Transition Committee and attend all meetings. The remit, composition and reporting lines of the committee should be set out in writing.		B
29	The Board should convene an AGM/EGM in accordance with the Companies Act and the Articles to seek the Member approval on the key changes to the Articles alongside an updated version of the Articles for Member review and approval.		B
30	Engage an external third party to conduct a follow-up review in 9-12 months from the date of the Final Report. The purpose of this will be to check on progress against the recommendations during this period.		N TC
31	Review and update all formal Board governance documentation in line with good practice, to include the following: <ul style="list-style-type: none"> <li>• Role profiles;</li> <li>• Board code of conduct/etiquette policy;</li> <li>• Articles;</li> <li>• Governance handbook; and</li> <li>• Committee Terms of Reference.</li> </ul>		M TC N
32	Undertake a review of the current Member Bureaux structure and voting system to determine if the current approach is fair and proportionate and in the interests of Members and CAS in 12 – 18 months. (This was approved by the Board and is considered low priority.)		N

# Appendices

# Appendix 1

## Summary of benchmarking analysis

### Overview

As part of our review, we were asked to bring insight into good practice governance model options in the charity and not-for-profit sector.

We have considered the seven organisations listed opposite. This includes a combination of citizens advice organisations who we consider CAS's "immediate peers" as well as a range of National charities and member model/partner organisations.

Specifically we have concentrated on Board composition and committee structures. Key areas of our analysis includes:

- Board size and structure;
- Balance of independence and representative members;
- Role of the Chair;
- Term limits;
- Number of committees; and
- Committee membership.

In addition, we have included qualitative insights derived from our bank of good practices throughout the Report where relevant. The information used was gathered through a combination of our publicly availability information and own insight from working with similar organisations.

A summary of the key findings from this benchmarking are set out on the next page.

### Organisations reviewed for benchmarking analysis

- Age UK
- Relate
- Citizens Advice Northern Ireland ('Citizens Advice NI')
- National Trust Scotland
- Co-op Group
- Samaritans
- Citizens Advice ('CitA')

# Appendix 1

## Summary of benchmarking analysis (continued)

Criteria	CAS	Samaritans	Age UK	Relate	Citizens Advice NI	National Trust Scotland	Co-op Group	CitA	Average
<b>Board Composition</b>									
Current Board Size	12	12	10	14	12	13	12	12	12
Maximum Board Size	15	15	12	14	12	15	12	12	13
Number of Independent or External Trustees	3	?	5	5	?	10	10	8	7
Number of 'Representative' Trustees (i.e. from a Bureau or partner)	9	3	0	?	?	2	4	3	4
Independent Chair	X	X	X	✓	?	✓	✓	✓	N/A
Term limits	6 years (2 x 3yrs)	?	8 years (2 yrs, + 2 x 3yrs)	9 years (3 x 3 yrs)	?	8 years (2 x 4 yrs)	6 years (2 x 3 yrs)	6 years (2 x 3yrs)	7
<b>Committee Structures</b>									
Total Number of Committees	8	4	5	4	?	5	3	8	5
Number of Committees with Representative Members	4	3	2	2	?	-	3	6*	3

### Key

? = unknown/not publicly available

N/A = not applicable

\* 2 out of the 8 committees have only been recently set up and the membership is not yet clear.

# Appendix 2

## Basis of this Review

The enclosed Final Report has been prepared principally from information supplied by and obtained from discussions with the Directors and management and a review of documentation pursuant to the scope of the work agreed in the engagement letter dated 29 April 2016. You are responsible for determining whether the scope of our work specified is sufficient for your purposes and we make no representation regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to you. This Final Report should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of this Final Report. You will appreciate that our work was not designed to identify all matters that may be relevant to you and this Final Report is not necessarily a comprehensive statement of all weaknesses which may exist in the governance of the organisation or of all improvements which may be made,

Our work, which is summarised in this Final Report, has been limited to matters which we have identified that would appear to us to be significant within the context of the scope. In particular, this Review will not identify all of the gaps that exist in relationship to the CAS's approach to governance; rather the review will seek to consider performance in the areas outlined in the scope and to identify the most material gaps or areas where insufficient evidence may give rise to the identification of material gaps in the future.

We have not undertaken a detailed review of the skills, competencies and expertise of individual Board and Committee Members. Further, we have not undertaken: a detailed review of the effectiveness or appropriateness of the governance structure or framework; management information; the level of company secretarial resources; the IT systems; or the appropriateness of any strategy or risk document.

This work does not constitute an internal audit in accordance with relevant UK Chartered Institute of Internal Auditors – UK and Ireland Standards and Guidance. As agreed with you in our engagement letter, unless otherwise stated in our Final Report, we have not sought to verify the information contained herein nor to perform the procedures necessary to enable us to express an audit opinion on any of the financial or non-financial information contained in this Final Report. Indeed, as you will appreciate, much of the additional, non-financial information contained in this Final Report cannot be subjected to audit or otherwise independently verified.

This Final Report has been prepared in accordance with the terms of our contract with the CAS dated 29 April 2016 (“the Contract”), and is subject to the restrictions on use specified in the Contract. No party other than the CAS is entitled to rely on this Final Report for any purpose whatsoever and we accept no responsibility or liability to any party other than the CAS in respect of the contents of this Final Report. Should you wish to make this Final Report available or communicate it to any other party you will require our prior written permission, which will not be unreasonably withheld. All copyright and other proprietary rights in the Final Report remain the property of Deloitte LLP and any rights not expressly granted in these terms or in the Contract are reserved. This Final Report and its contents do not constitute financial or other professional advice. Specific advice should be sought about your specific circumstances. To the fullest extent possible, both Deloitte LLP and the CAS disclaim any liability arising out of the use (or non-use) of the Final Report and its contents, including any action or decision taken as a result of such use (or non-use).

This Final Report is dated 27 July 2016 and may only be relied upon in respect of the matters to which it refers. In relying upon this Final Report, you agree that we have no responsibility to and we will not perform any work subsequent to the date of the Final Report nor to consider, monitor, communicate or report the impact upon governance arrangements of any events, circumstances or inaccuracies which may in future occur or may come to light subsequent to the date of the Final Report (“Subsequent Events”).

**Deloitte LLP will have no responsibility for any claim made against CAS in connection with the publication of this Report. Further, Deloitte LLP does not accept or assume any responsibility to any readers other than CAS in respect of its work for CAS, this report, or any judgments, conclusions, opinions, findings or recommendations that Deloitte LLP may have formed or made and, to the fullest extent permitted by law, Deloitte LLP will accept no liability in respect of any such matters to readers other than CAS. Should any readers other than CAS choose to rely on this report, they will do so at their own risk.**



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