Toolbox Guidance Note: Governance.

The term Governance is widely used across the voluntary and community sector, but what does it mean, and how best can organisations effectively *govern* their operations…?

This Toolbox Guidance Note provides you with basic information about Governance, with some handy hints and tips to get the most from your Governance framework. It is not exhaustive, and organisations should constantly seek out new information and new ways of developing their Governance model. The guide includes information on:

- What is Governance?
- Definitions of a trustee.
- The Governance Structure.
- Why is good Governance important?
- The ingredients of effective Governance.
- Lead trustees.
- Appointing a chair.
- Board Diversity.
- Board Performance Reviews.
- When communication becomes a problem.
- Board meetings – attendance.
- Board meetings – making them work.
- Board meetings – team working.
- Research.
- Additional Resources.

What is Governance?

Put simply, Governance is a term used to describe the trustees' role in:

- The long term direction of the charity, including its objectives or purpose.
- Implementing policies and activities to achieve those stated objectives.
- Complying with legal requirements.
- Accounting to those with an interest or 'stake' in the charity.

The trustee board is responsible for good governance but they rely on many different people to be able to govern well: These include staff, volunteers and advisors.

Definitions of a trustee:

Trustees have overall control of a charity and are responsible for making sure it's doing what it was set up to do. They may be known by other titles:

- Directors.
- Board members.
- Governors.
- Committee members.

Whatever they are called, trustees are the people who lead the charity and decide how it is run.

Why is good Governance so important?

Good governance lies at the heart of all successful organisations and institutions.

Good governance will help protect your organisation from poor decisions and exposure to dangerous risks.

Good governance can transform your organisation's performance.

Make sure that any Governance structure works for your particular organisation and the Trustees. Trustees, the CEO and staff have to be comfortable with any Governance arrangement.

And conversely:

Poor governance could have a major negative impact on the future existence of any organisation and may expose individual board members, chief executives, company secretaries and other directors to the threat of personal liability and loss of reputation.

Many organisations have ignored the importance of good governance or never really understood what good practice is and have paid the price for their failure. Poor governance has contributed to spectacular failures for banks, multinational companies and some charities.

The Ingredients of effective Governance:

It is widely accepted that there are 4 determinants of effective governance: These are:

- Structures
- Processes
- Meetings
- Behaviours.

The Compass – Cass Governance Model below illustrates these 4 strands.

Compass-Cass Governance Model

The determinants of effective governance include:

Governance

Structures	Processes	Meetings	Behaviours
• Governance structure • Board size • Terms of office • Term limits • Representation • Committee types • Committee size • Task and advisory groups • Subsidiaries • Members from nations and stakeholder groups • Vice chairs	• Succession plans • Recruitment • Appointment • Diversity • Induction • Remuneration • Skills/experience • Chair selection • Committee selection • Strategy and performance • Risk Governance • CE Performance • Performance of governance	• Frequency • Duration • Attendance • Agenda Planning • Meeting management • Quality of papers • Consent item • CE's/ Managers presence • Away days	• Use of board member skills • Listening • Team Working • Praise/ challenge • Openness/ trust • Strategic focus • Outside meetings • Conflicts of interest • Chair- CE relationship • Experience of other boards

Some Top Tips:

Lead trustees:

Lead trustees are members of a board who take particular responsibility for an area of work such as finance or campaigning. Some boards are more comfortable if a member with relevant experience takes on such responsibilities, and it can strengthen relationships between the board and management.

However, there are also some arguments against lead trustees including the ever-present danger of lead members becoming complicit with management and losing their objectivity.

When there is a clear role and holders are aware of the dangers, lead trustees can be valuable. Otherwise, all board members should give their full attention to all aspects of governance and not rely on a few colleagues to shoulder particular responsibilities.

Appointing the chair:

The appointment of a chair is a critical moment in the life of any organisation. A good appointment can bring invigoration and application. Recruiting both externally and from among existing trustees can be energising, but also costly and time-consuming. Trustees need to agree the overall approach to recruitment and designate who will be responsible for driving the process of finding the right chair. Involving the chief executive is critical. A confident chief executive will want a chair who is both challenging and supportive in equal measure.

Regular feedback for the chair:

Being a charity chair is a demanding role that requires skill, judgement and energy. Constructive feedback is one of the best ways of helping chairs to be more effective, regardless of their level of experience.

Chair feedback is an excellent precursor to performance feedback for all board members. It should be done in a systematic way. All board members should be invited to respond to questions such as 'what has the chair done well' and 'what should he or she do differently in future?'

The information should be gathered, summarised and given face-to-face to the chair by someone with skill in giving feedback. Ideally, this is a role for the vice-chair, but it can be carried out by another board member or an independent person.

Constructive feedback should be seen as a gift from the charity to the chair - a contribution to his or her personal development and a reward for all the time and effort that goes into performing the role effectively.

Diversity matters:

The great value of diverse boards is that their members bring a range of perspectives. These include perceptions brought about through differing ages, genders, employment, religion and race.

These should not be *tokenistic* appointments. The best boards include people who bring great skills, and who come from a wide variety of backgrounds.

However, while diverse boards can be more creative and bring different viewpoints, they can also be more challenging to manage. Members need to have high emotional intelligence, good listening skills and be willing to change their minds having heard competing viewpoints.

Evidence from detailed research by *Compass Partnership* and the *Centre for Charity Effectiveness* suggests a clear relationship between greater diversity and more effective governance. It also shows that organisations with rigorous arrangements for succession planning tend to achieve more diverse boards.

Boards that want greater diversity need to have a clear understanding of both their *demographic* and the skills they require.

Board performance reviews:

It is widely accepted that trustees should regularly review the performance of the board. Performance reviews can range from a brief discussion amongst board members, to a rigorous review of every aspect of governance, usually delivered through a questionnaire or structured interviews by an independent person.

So where should your organisation be on this spectrum?

Large and high-profile charities should generally be at the more systematic end. These boards and their stakeholders need to be confident that every aspect of the board's performance is of the highest standard.

Such reviews can be time-consuming and costly, so many medium-sized and smaller charities opt for a *lighter-touch* approach. This could include a shorter questionnaire, conversations between the chair and individual members, or a well-prepared discussion at a board meeting.

The key to effective review include agreement on the performance approach to be taken, strong leadership from the chair (including feedback on his or her performance), recognition of what works well, and openness about what still requires attention.

When communication falters:

Most trustees are supportive, sensitive people who know how to work as members of a team.

However, sometimes communication can break down and as a result boards can enter a period of inertia.

All board members need to recognise that they share responsibility for finding ways to deal with communication issues. It is seldom in the organisation's best interest to avoid the issue.

The chair has particular responsibility for addressing mis-communication, usually in conjunction with the CEO.

Board Meetings – attendance:

Good attendance at board meetings is a prerequisite for effective governance. Most boards meet between three and six times a year, so missing one meeting leaves a considerable gap in information and discussion opportunities.

Members who do not attend a high proportion of meetings disrupt the flow of governance work and the continuity of teamwork on the board.

Research shows that most large charities achieve attendance of more than 80 per cent: However, a fifth of large charity boards do not have formal expectations, and those tend to have lower attendance rates than boards that state their requirements.

The chair is responsible for ensuring good attendance. Establishing clear expectations before members are appointed, and taking quick action when a member's attendance falls below the agreed threshold helps to maintain attendance rates.

Some charities have started to publish individual attendance in their annual report. These actions help to ensure the highest levels of attendance all year round.

Making board meetings work:

The heart of good governance is effective board meetings. Great meetings can bring foresight, new perspectives and wise judgements.

Attending to four basic disciplines brings great results. Rigorous agenda planning, done jointly by the chair and chief executive is essential. The majority of board time should be allocated to understanding key changes in the external environment, anticipating opportunities and exploring ways of achieving the stated organisational mission.

Agreeing regular matters in one 'consent' item (unless members have raised a concern before the meeting) helps to minimise time spent on routine reports. Points of detail should be dealt with outside of the structured board meeting.

Top quality board papers are also essential. Papers should be vetted by the chief executive and crucial ones by the chair, to ensure they pinpoint the key governance issues the board needs to debate.

Finally, setting the right tone is crucial. It should be focused and energised, always expecting members to make contributions of the highest possible standard. Boards that are on top of their meetings spend most of their time creating an inspiring future for their organisations.

Getting the board to work as a team:

Despite the best intentions of board members and staff, boards sometimes find they are not as productive as they could be.

This can often occur where board members do not know each other well enough to be open and honest, or where overly ambitious agendas have been set, or poor chairs lose sight of the overarching reasons for the meetings. How to improve team working should be a regular item on each agenda, and board away-days are crucial in building team spirit and harmony. A board performance review can also help to highlight any problems and possibly pinpoint the causes. Time spent talking about the team and how it can work most effectively is one of the best ways of making improvements.

Research:

Research undertaken by the Cass Business School and Compass NFPO concluded that there is no *magic bullet* for improving Governance: Governance requires development and hard work to ensure its effectiveness. The foundations of effective governance are appropriate board and committee structures: Organisations then need effective processes to recruit people from sufficiently diverse backgrounds, and with the required skills and experience.

Greatest gain

The research found that those organisations that had the best behaviours also had the most highly rated governance. It also found that whilst appropriate structures, processes and meetings were essential, the greatest improvements in governance could be achieved by working on trustee behaviours including team working, creating openness and trust, praising and challenging management and refining strategic focus.

Research concluded that the key drivers of effective governance are in order of importance:

- Good team working.
- High quality board meetings.
- Having the right skills and experience within the board.

- Focusing on strategic rather than operational matters.
- Having openness and trust between officers and trustees.
- Being a diverse group of people and bringing differing perspectives.

The key drivers for effective Governance were seen as:

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

Additional resources:

ACEVO have a full range of Frequently Asked Questions on the subject of Governance:

These can be seen here:

https://www.acevo.org.uk/advice-support/governance

NCVO have a number of publications on the subject of Governance and what it means. These can be seen here:

https://www.ncvo.org.uk/practical-support/information/governance

In addition, the Support Cambridgeshire partnership can provide 1-1 or group support on the subject: Simply contact:

 info@supportcambridgeshire.org.uk

Or Visit our website at www.supportcambridgeshire.org.uk