

What is governance

And why does it matter?

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Cranfield Trust

We're an **independent charity** that works alongside other charities to offer **management advice, training and professional support**

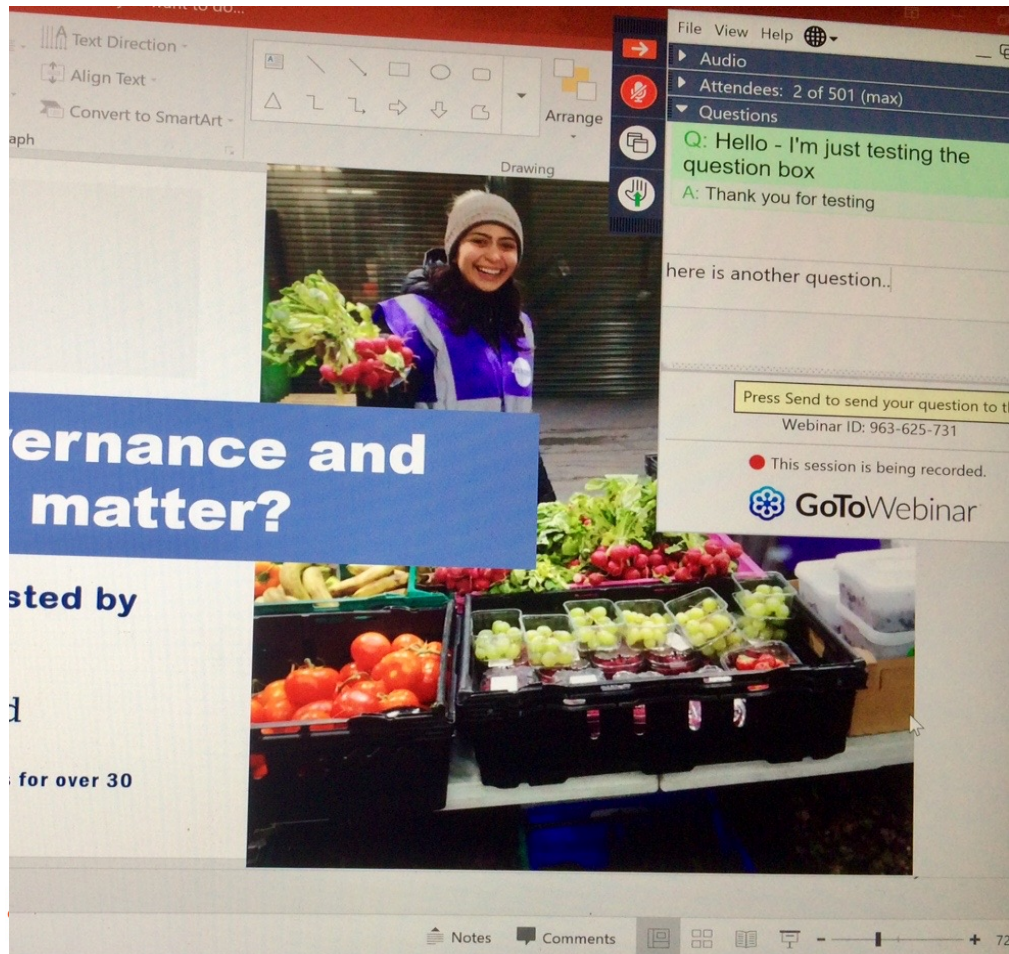
Our **purpose**

To empower charities with the confidence and capabilities to thrive

Our **values**

- We care and connect
- We learn and lead
- We focus on impact
- We meet the moment
- We raise the bar





This is a webinar where you can see and hear the presenters but we can't see or hear you.

There will be time at the end of the webinar for questions. Please post them in the Questions section.

We will send out recording, slides, and any other useful information after the event

Setting the scene

What I am going to cover today

- What is 'Governance' – A working definition
- Why does it matter (and to whom) – The \$64000 question!
- What GOOD governance looks like in a charity
- Where to spot “The good, the bad and the ugly!” – Some brief case studies
- How to create good governance in your charity – some immediate 'takeaways' to use
- Wrap up – How well do you think your charity is governed? (Scores on the doors!)

What is Governance?



What do you define as governance?

Hints:

- *Where would I look for governance in your charity?*
- *What would you show me/tell me?*

Working definition of governance

'A proportionate framework of people, policies and processes that keep your charity on track'

i.e. delivering value to its beneficiaries.

Unpacking this definition

- People – Roles/duties (and separation of duties)
- Policies – core principles (e.g. checks and balances, moral principles)
- Processes – Ways of doing things (legal obligations and how you do business)
- Proportionality – Scaled to the size of your charity

Why does governance matter?

- Why does it matter?
 - Hint – Could you live/operate without it?



Why governance matters

Obligations

- Natural/Moral/ethical obligation – You are doing what you are supposed to be doing
- Civil/Legal obligation – Demonstration that your charity fulfils its obligations to donors and beneficiaries – as required by law

Funding

- Assurance/Validation for funders/donors
- Quality of governance = reflection of 'quality of management' of funds and purpose – What I call "Investability" ...

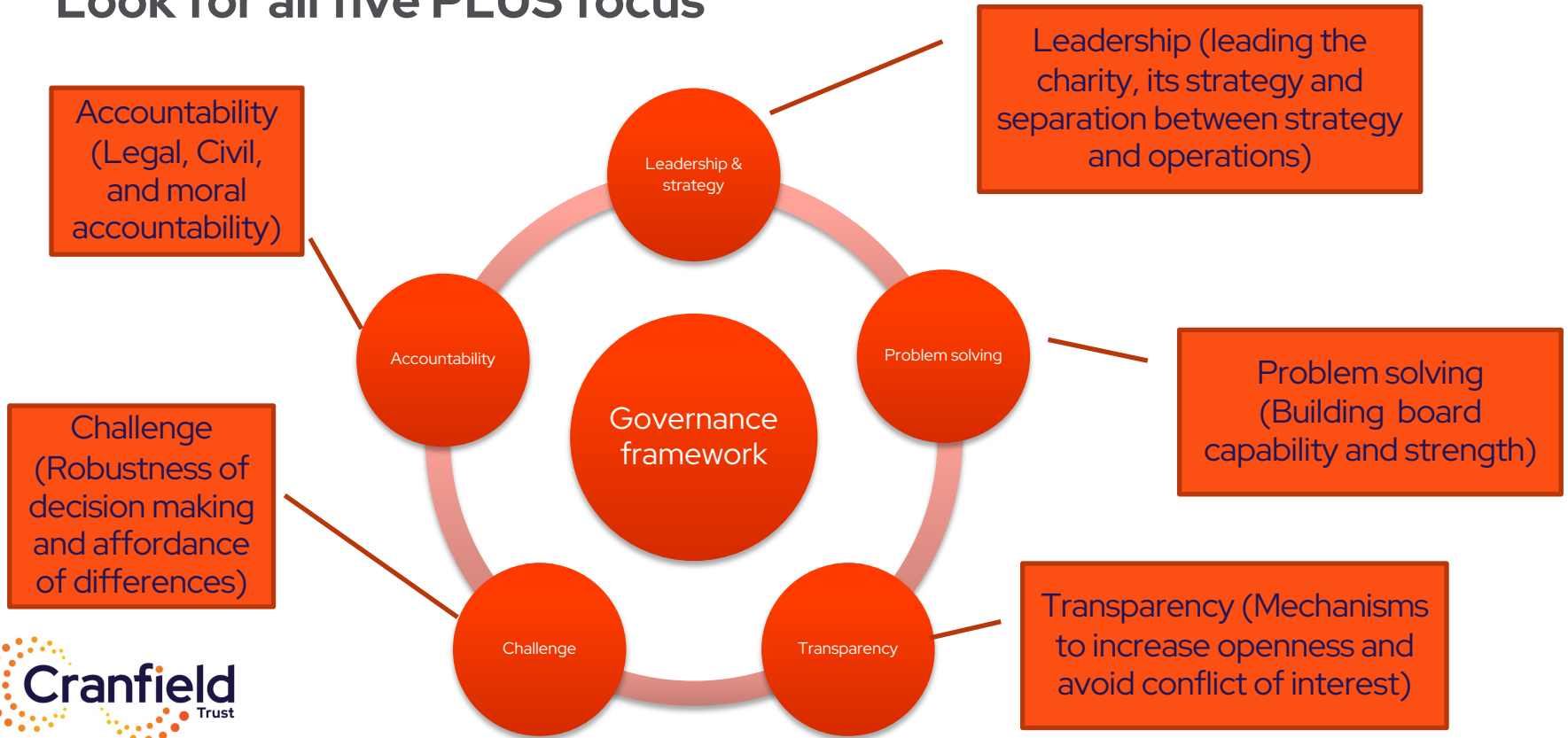
Governance as a funding 'hot topic'

Stephen's financial 'crystal ball'

- The “£'s pond” is shrinking and there are more fish in it!
- The 'irrational' will be rationalised or, eliminated
- Major funding landscape might be changing– from grants to social enterprise (from 'pay off' towards 'pay back')
- State centralisation Vs potential ambivalence towards 3rd sector – greater surveillance from state (e.g. procurement rules) of 3rd sector engagement
- Altruism/philanthropy won't die – It will change and become more conditional
- Changing/increasing demand will require greater agility in terms of getting funding – proactive and reactive

Governance model for charities

Look for all five PLUS focus



Creating good governance in your charity

Immediate checkpoints

- ✓ **Board composition** – WHO is on your board, why – what do they bring?
 - Skills, involvement, capacity, capability, size of your board
- ✓ **Board meetings** – How often and what do you discuss/actions
 - Frequency, 'tone', subject matter, actions coming out of them
- ✓ **Leadership & strategy**
 - Doesn't need to be Gung Ho BUT, is there a strategy, a plan, sense of coherence? Does it resonate with your donors – would they see it?
- ✓ **Processes** – HOW is business transacted in your charity – especially reporting
 - What people, do what things and why – and how do you know? Following the £'s/key decisions is usually a good start point
- ✓ **People**
 - Is there some sort of 'glue' between everyone in the charity
- ✓ **Power!**
 - Who has 'voice' in decision making and why? Compelling leadership Vs Dictatorship Vs poor followership. How is challenge and conflict handled?

Board composition

My observation – a No. 1 recurrent weakness!

- Historical reasons – ‘friends of the founders’/been there for ages/“dated contribution”
- Lack of understanding WHY you need a capable board – ‘making up the numbers’
- The big hitters – Belief that having a big hitter on the board =success
- The ‘field of eligible Vs field of available’ – It is difficult to find decent board candidates!

Remedies

- Aim for balance on your board – experience, questioning ability, insights
- Think about whose ‘voice’ needs to be heard on the board
- Augment permanent seats with visitors if you are struggling
- Build in rotation – keep it fresh

Board meetings

My observation – Too often ill structured and miss the point

- Muddle up strategic Vs operational issues
- Focus on the wrong/inappropriate topics – wrong level/wrong tone
- Become a black hole of effort(100 point agenda) ...or, worse, have no agenda!

Remedies

- Think WHY you are meeting as a board – what NEEDS to be aired at that level?
Purpose Vs appearance
- Keep your agenda living – focus moves over time(e.g. risk, opportunity)
- Keep the 'tone' at the right level – STRATEGIC not operational
- Look at the balance between internal and external matters discussed

Processes

My observations – *vacillate between 'a process for everything' and 'none at all*

- Historical reasons – never needed them
- Over egging it – 'world of processes' – something for every situation
- Failure to grasp why board level processes and reporting are necessary
- Unable to marry the necessary processes to board and corporate functioning

Remedies

- Revisit WHAT reporting/processes you need– think about what you are trying to manage – e.g. risk, transparency, accountability, performance
- Look for gaps in your board processes/reporting based on WHAT comes up at the board meetings or what is missed – dynamic check on sufficiency
- Scale these processes to be proportionate to your charity – sufficient and no more (You don't need 10 committees when 3 will do)

People

My observations – *Board either too deeply embedded or too remote*

- Staff/people in the charity have a disconnect from the board – board focus too close or too far
- No obvious linkage between board action and HOW this affects staff/donors/beneficiaries
- Its tends to be a 'growing pains' symptom – becomes bigger problem as you grow

Remedies

- Focus on the 'big stuff' at the board – governance not minutiae
- Look for connects between board action and donor/staff action – NOT to say 'tell all' but, have SOME form of communication between board action and the rest of the world!

Power

My observation – *A minefield BUT, even minefields have maps*

- Power can be inequitably shared on boards
- Where problematic – it is ALWAYS a symptom of other issues (board composition, board meetings, people issues etc)
- Failure to tackle this is a significant risk – lack of challenge/ideas/accountability

Remedies

- Not an easy one to solve –revisit board composition and leadership/strategy
- Tackle it using external facilitation /board development.....how to handle challenge
- Be mindful of it – It doesn't go away on its own

Summary – What good looks like

- A board that has skills, insights and currency – Reflects strategic challenges facing charity. Has diversity in all its forms!
- Board meetings – right “tone”, split between strategy and operations, balanced agenda, ‘living agenda’
- The ‘Pillars’ of data/information to support the board agenda/drive discussion and decision making – e.g. risk management, financials, transparency
- A ‘golden thread’ between board operations and the donors, staff and beneficiaries
- A board ‘in development’ – growing in strength, sense of coherence, shared accountability – a ‘board in ascent (not decline!)

The wrap up - checklist

- Board composition – people, people...people
- Board function! – Tie up income/strategy/risk/decisions/action/effect – Need a 'golden thread' going through these things
- Be proportionate – Enough and no more!
- Don't be afraid to look at others and see what they are doing ...and why. Peer to peer review/outside help
- Don't ignore governance!

Some useful links

- www.cranfieldtrust.org LOADS of helpful info on governance
- The governance jigsaw for trustees -
<https://assets.publishing.service.gov.uk/media/5a80ddf940f0b62305b8d98d/Jigsaw.pdf>



Thank you!

We're here to help:
TalkToUs@cranfieldtrust.org
or call us on 01794 830338

