

Board and Governance Review

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Mark Goodridge

OE Cam LLP

1. Introduction

Organisation Effectiveness Cambridge (OE Cam LLP) is pleased to set out our findings to the Review of Effectiveness of the Board and Governance.

The City & Guilds Group is a social enterprise, devoted to changing people's lives through skills. Its purpose is to help people, organisations and economies develop their skills for growth. The origin of the Group goes back to 1878 when the City of London corporation and 16 livery companies established The City and Guilds of London Institute. It received its royal charter in 1900.

We have set out our findings against the Charity Governance Code. It is currently a consultation document. Given the composition of the City & Guilds Group we have supplemented these criteria of Board effectiveness with our own framework and where appropriate drawing from the financial Reporting Council's guidance.

The context of charity governance is changing. The Charity Commission is becoming more assertive in their oversight of charity governance. The direction of travel is towards establishing the principal tenets of public company governance in the charity sector. We have sought to reflect this in our analysis.

We were given generous time and support by everyone we met for which we thank both Trustees and Executives.

2. The purpose and scope of the review

Purpose:

To undertake a Board effectiveness review:

- To meet the requirement for the annual governance report;
- To identify capability gaps;
- To provide a robust platform for individual and team development.

Scope:

Sanity check on governance processes and structures.

Overall Board effectiveness:

- Added-value, right issues, right depth, right detail;
- Role clarity;
- Data, papers;
- Decision-making;
- Interfaces with Executive/Council/Country Committees;
- Interfaces with Board Committees.

Board Committee effectiveness:

- Audit and Risk;
- Remuneration;

Board behaviours:

- Challenge;
- Accountability;

- Transparency.

Balance of Board skills:

- Own contribution, knowledge and capability gaps;
- Invitation to reflect on Chair and Chief Executive roles and contributions;
- Invitation to reflect on colleague contributions.

3. Executive summary

It is the view of all members of the Board that the effectiveness of the Board has improved considerably in recent years. The Board has embraced an ambitious strategy for the Group. Whilst much has been achieved there are opportunities for further development and improvement to strengthen governance and accountability.

The Group has enjoyed a period of business success that has built the Board's confidence in the Executive Team.

Key strengths are:

- The Board works well and has continued to develop;
- The proceedings of the board are open and constructive;
- There is a strong buy-in to the purpose and direction of the Group;
- The culture is supportive of good governance;
- Governance processes and structures are largely in place;
- Performance, quality and risk measurement are developing;
- The Board is respected;
- Good balance of the Board's work between transformational change and business as usual;
- Board meetings are effectively Chaired;
- The CEO is seen as rigorous and in command.

4. Recommendations

From our analysis of the information we have collected in this study we set out below our summary of the key issues we have identified and recommendations to further improve Board effectiveness.

Issue conclusion	Recommendation
<p>The assertiveness of the Board</p> <p>The Board works well on many dimensions but it is relatively passive and accepting. Against the criteria we have used the evidence of a Board that is actively driving direction and governance is limited.</p> <p>We don't feel that it is sufficient to rely on the charity's performance to justify this position given the increasing demands being placed of charity governance.</p>	<ul style="list-style-type: none"> • Be more explicit about those matters reserved to the Board • Agree levels of data and argument required to assure members of decisions and their implementation • Instigate more regular strategy formation sessions that examine the landscape and the Group's response to it • Be more explicit about the requirement for decision-making • Instigate more regular operating unit performance sessions • More explicit risk identification and mitigation.
<p>Governance definition and reporting</p> <p>Practice on the whole is good. However, in our world of process conformity more needs to be done to be able demonstrate good practice.</p>	<ul style="list-style-type: none"> • Establish the standards that you wish to work towards • Review Governance reporting and communication.

<p>Board skills and capabilities</p> <p>Trustees recognise that there will be changes in Board memberships as key individuals retire and this does provide the opportunity for a more deliberate and effective selection and development of future Trustees.</p>	<ul style="list-style-type: none"> • Develop a strong pipeline of candidates • Agree Trustee capability profile • Board development • Encourage more active engagement in decision-making by members moving from passive acceptance (noting) to active agreement.
<p>Individual Trustee development</p>	<ul style="list-style-type: none"> • Provide an active programme of individual Trustee development.
<p>Board team development</p>	<p>This review highlights several areas where the Board would benefit from a programme of development to build that greater degree of assertiveness set out in the first recommendation.</p>

**THE CITY AND GUILDS OF LONDON INSTITUTE
TRUSTEE BOARD AND GOVERNANCE REVIEW 2016
RESPONSE & ACTION REPORT – JANUARY 2017**

<p>Code of Practice Criterion</p> <p>(Individual clause reference numbers from the code have been retained for ease of cross-referencing)</p>	<p>SUMMARY FINDING</p>	<p>RESPONSE TO THOSE ITEMS MARKED AS 'IMPROVEMENT OPPORTUNITY' IN THE 2016 GOVERNANCE REVIEW</p> <p>ACTIONS ARE SHOWN IN BOLD</p>
<p>It is the Code's starting point that all Trustees:</p> <ul style="list-style-type: none"> • are committed to their charity's cause and have joined its Board because they want to provide leadership, helping the charity deliver its purposes most effectively for public benefit • understand their roles and legal responsibilities, and, in particular, have read and understood: <ul style="list-style-type: none"> ○ the Charity Commission's guidance The Essential Trustee (CC3) ○ their Charity's governing document • are committed to good governance and want to contribute to their charity's continued improvement • are prepared to challenge, and be challenged, in a constructive way. 		

1. Organisational purpose and direction

The Board has a shared understanding and commitment to the organisation's charitable purposes and can clearly articulate these.

PRACTICE	SUMMARY FINDING	RESPONSE/ACTION
1.2.1 The Board periodically reviews the organisation's charitable purposes and makes sure they stay relevant and valid.	<p>Trustees tend to have different views depending on the time they have been on the Board. For the more recently appointed there is not the sense that purposes are reviewed.</p> <p>The more longstanding Trustee feels that purpose is well established.</p>	<p>Trustees agreed that the review of the strategy in 2016 and the subsequent paper from the Group CEO "£200M by 2020" confirmed the validity and continued relevance of the Institute's charitable purpose. However, it was noted that a periodic review should be undertaken.</p>
1.2.2 The Board leads the development of, and agrees to, a strategy that aims to achieve the organisation's charitable purposes.	<p>The formation of strategy is a key dimension in Trustees' minds. The more recently appointed have yet to be engaged in a strategy discussion.</p> <p>The Board sees itself as approving strategy rather than leading. More recently appointed Trustees feel insufficiently engaged in strategy formation.</p>	<p>Trustees are happy that the annual calendar provides a clear framework for major decisions and that the CEO and Mgt. Board are primarily responsible for the development of strategy, subject to review with the Trustee Board.</p> <p>It was acknowledged that greater use of workshops to explore issues would be beneficial.</p>

<p>1.3.2 The Board evaluates the charity's impact, measuring and assessing results, outputs and outcomes.</p>	<p>To a certain extent. For some Trustees there needs to be developed a stronger set of impact measures.</p> <p>We were not able to evidence a published impact report. The brochure goes someway towards establishing impact.</p>	<p>Trustees agreed that the publication of its annual report should focus more on impact. This would be addressed with the 2016 annual report. Trustees are pleased that activities such as the Skills Development Fund have commissioned Cranfield University to undertake a benefit and impact study.</p>
<p>1.4.1 The Board regularly reviews the external environment in which the Charity works, and assesses whether the charity is still relevant.</p>	<p>Each of the operational units regularly reviews their respect environments.</p> <p>Trustees have in the past been involved (approx. 3 yrs ago) in workshops that have examined the external environment.</p>	<p>Trustees believe that the standing agenda item on Strategy provides suitable opportunity for this to be considered and for further work to be undertaken when required.</p>
<p>1.4.3 The Board ensures a sustainable strategy that, consistent with the Charity's purposes, recognises and acts on broader organisational responsibility towards communities, wider society and the environment.</p>	<p>The Board and the Council are engaged as set out under 1.4.2</p>	<p>See 1.4.1 above.</p> <p>The Trustees believe that the discretionary charitable activities such as Bursaries, Skills Development Fund, and Princess Royal Training Awards provide adequate evidence of its responsibility to the wider society.</p>

4. Decision making, risk control

The Board is clear that its primary role is strategic, rather than operational and reflects this in the matters it delegates. A sound decision making framework which delivers the charitable purposes. The Board is assured about, and can defend, the integrity and robustness of the Charity's decision-making, financial, reporting, control and risk management systems.

PRACTICE	SUMMARY FINDING	RESPONSE/ACTION
4.4.1 The Board regularly reviews what matters are reserved to the Board and which can be delegated. It understands and collectively exercises the powers of delegation to Senior Managers, Committees or Individual Trustees, staff or volunteers. The Board describes these matters in a document that gives enough detail and clear boundaries so the delegations can be clearly understood and carried out.	A governance working group (2016) has set out the operating principles for the Board. This includes a statement as to the matters reserved to the Board. We are unclear as to the status of this particular appendix as it was not cited by Trustees in our discussions. Delegations are established between the Board and the Chief Executive and between the Chief Executive and his direct reports.	Trustees last reviewed the delegation of authority in September 2016.
4.4.4 The Board reviews all key policies regularly.	We did not find evidence in either sets of papers we examined (8/12/16). However, the whistleblowing policy has been regularly reviewed.	Trustees have reviewed the Conflicts of Interest and Anti Bribery policies and compliance with the Modern Slavery Act.

		An ongoing review of core governance policies will be introduced.
4.6.1 The Board retains overall responsibility for risk management and discusses and decides the level of risk it is prepared to tolerate.	<p>The Board has examined and determined risk appetite in the last 18 months.</p> <p>Risk is dealt with by the Risk Committee. Amongst Non-Committee Trustee members there did not appear to be a strong recognition of the risk register.</p>	<p>A verbal update is provided at all Trustee Board meetings that immediately follow the Audit & Risk Committee meetings. Minutes are also shared when finalised.</p> <p>An annual review of risk appetite and the risk register will be introduced.</p>
4.6.3 The Board regularly reviews the charity's individual significant risks and the cumulative effect of these risks. It makes plans to mitigate and manage these risks appropriately.	<p>The Audit and Risk Committee have oversight of the risk definition and reporting.</p> <p>The risk report is not sufficiently visible to Trustees not members of the Committee.</p>	See above
4.6.4 The Board maintains and regularly reviews its charity's process for identifying, prioritising and managing risks and, where applicable, the Charity's system of internal controls to manage these risks. The Board reviews the effectiveness of the Charity's approach to risk at least every year.	This is undertaken by the Audit and Risk committee. We did not find evidence of a systematic review of risk management on an annual basis.	See above.

<p>4.7.2 The Chair of the Audit Committee, the Chair is someone with recent and relevant financial experience and the Committee includes at least three Trustees. The Board, or Audit Committee, could meet with the auditors without paid staff present at least once a year.</p>	<p>The Audit Committee is chaired by a qualified accountant and has three additional Trustee members.</p> <p>The Committee have the opportunity to meet with auditors on their own without staff present.</p>	<p>A committee of four Trustee members will improve effectiveness as any current absence leads to the committee being non-quorate.</p>
<p>5. Diversity</p> <p>The Board ensures that the organisation upholds principles of equality and diversity in every activity, going beyond the legal minimum where appropriate. The Board's effectiveness is enhanced by a variety of perspectives, experiences and skills.</p>		
<p>PRACTICE</p>	<p>SUMMARY FINDING</p>	<p>RESPONSE/ACTION</p>
<p>5.3.4 The Board has a systematic and transparent process for recruiting trustees. It ensures that Trustee vacancies are widely advertised and it looks at how best to attract a diverse pool of candidates. It strives to achieve diversity in any trustee appointment panels.</p>	<p>The statutes that regulate the Group stipulate that Trustees are selected from the members of the Council.</p> <p>The selection process for the appointment of trustees is not well known or understood. Few sensed a rigorous selection process in their own appointment.</p>	<p>A more rigorous and transparent approach to Trustee recruitment and selection has been proposed to the Nominations Committee and will be adopted going forward.</p> <p>An immediate action of (1) reviewing current and future skills, experience and capability profile (2) developing a long list of potential Trustees to review and evaluate.</p>

<p>5.4 Encouraging inclusive and accessible decision-making.</p>	<p>All Trustees report they feel able to have their say and engage in discussions in the Board meeting.</p> <p>However, few feel confident in challenging the executive and several have found they can be more effective outside the meeting through informal face to face discussions with Executives.</p>	<p>Trustees and the Group CEO both acknowledged that there was greater opportunity to provide constructive challenge.</p>
<p>5.5.2 The Board publishes an annual explanation of what steps it has taken to address the Board's diversity and the organisation's leadership and explains which targets have not been met.</p>	<p>Not evidenced.</p>	<p>An explicit statement regarding organisational diversity and performance against external benchmarks is now included within the Annual Report.</p>
<p>6. Board effectiveness</p> <p>So far as as possible, the Board takes decisions collectively. All Trustees have appropriate knowledge of the charity and access to the work it does.</p>		
<p>6.5.2 The search for new Trustees is carried out, and appointments are made, on merit, against objective criteria and considers the benefits of diversity on the Board.</p> <p>Regular skills audits inform the search process.</p>	<p>See section on board skills and capabilities.</p>	<p>See above 5.3.4</p>

<p>6.6.3 The Board explains how the charity evaluates the Board in the Trustees' annual report.</p>	<p>The 2016 annual report does not mention Board evaluation.</p>	<p>The Trustees agreed to adopt the Charity Governance Code and will include an assessment of annual Board performance in the Institute's Annual report.</p>
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