

Cambridge Judge Business School

Governance for turbulent times

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The Plan

- Introductions
- Governance in context
- Board Directors, Advisors, Trustees etc etc
- Good Governance principles
- Recruitment
- Tools and resources

Chatham House Rule

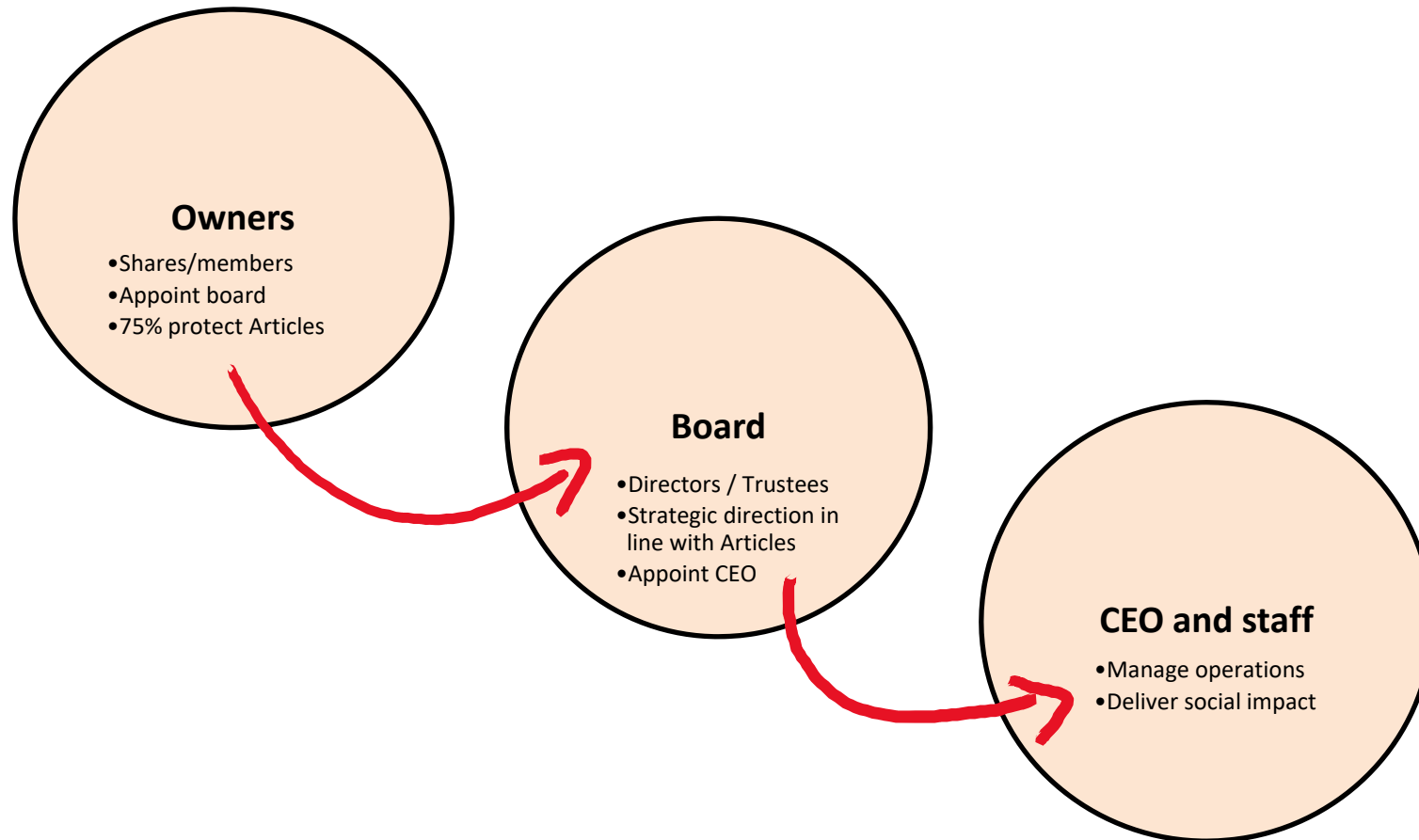
When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

Introductions

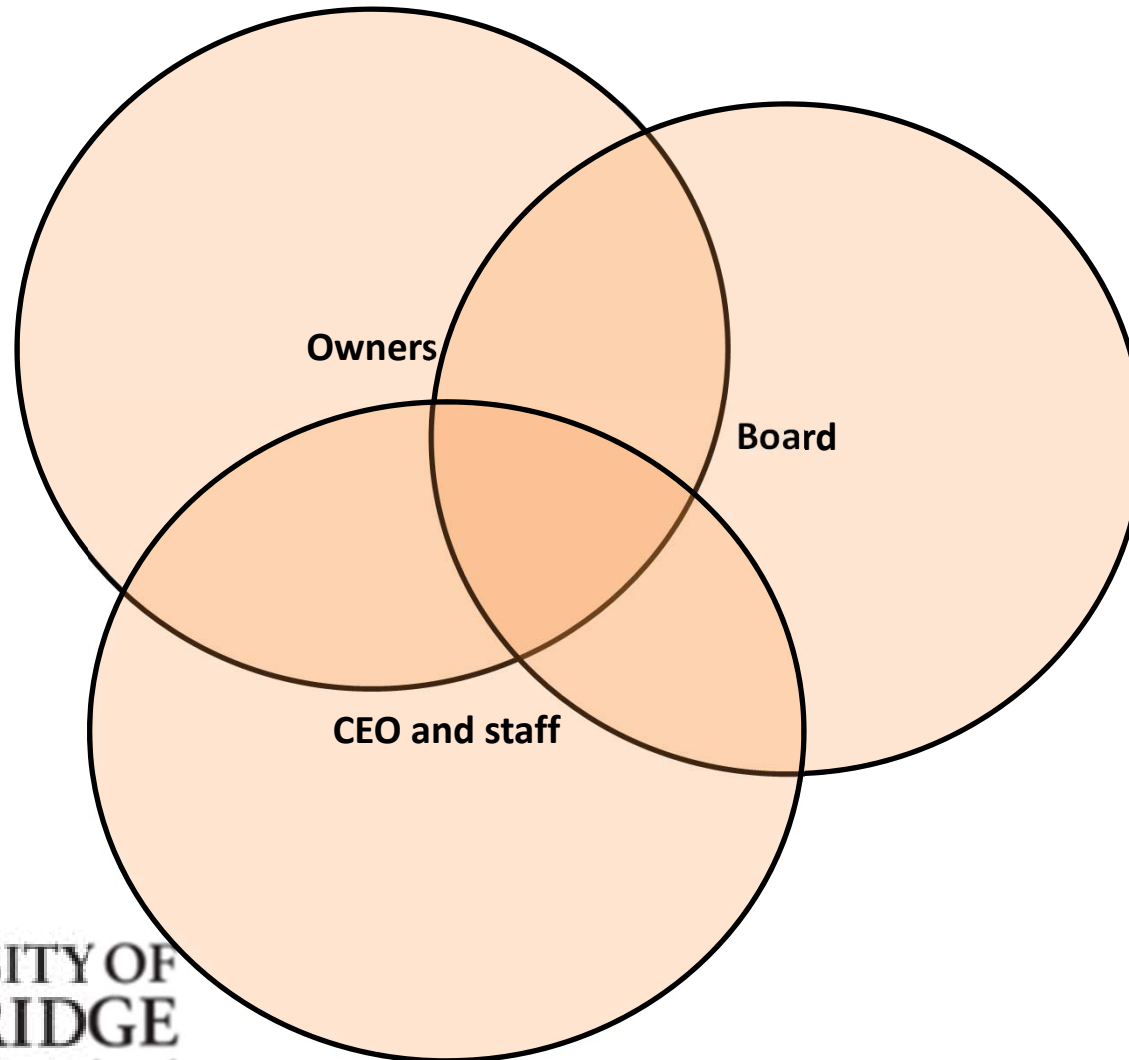
1. Name
2. Organisation
3. Role in Organisation

4. Key question today

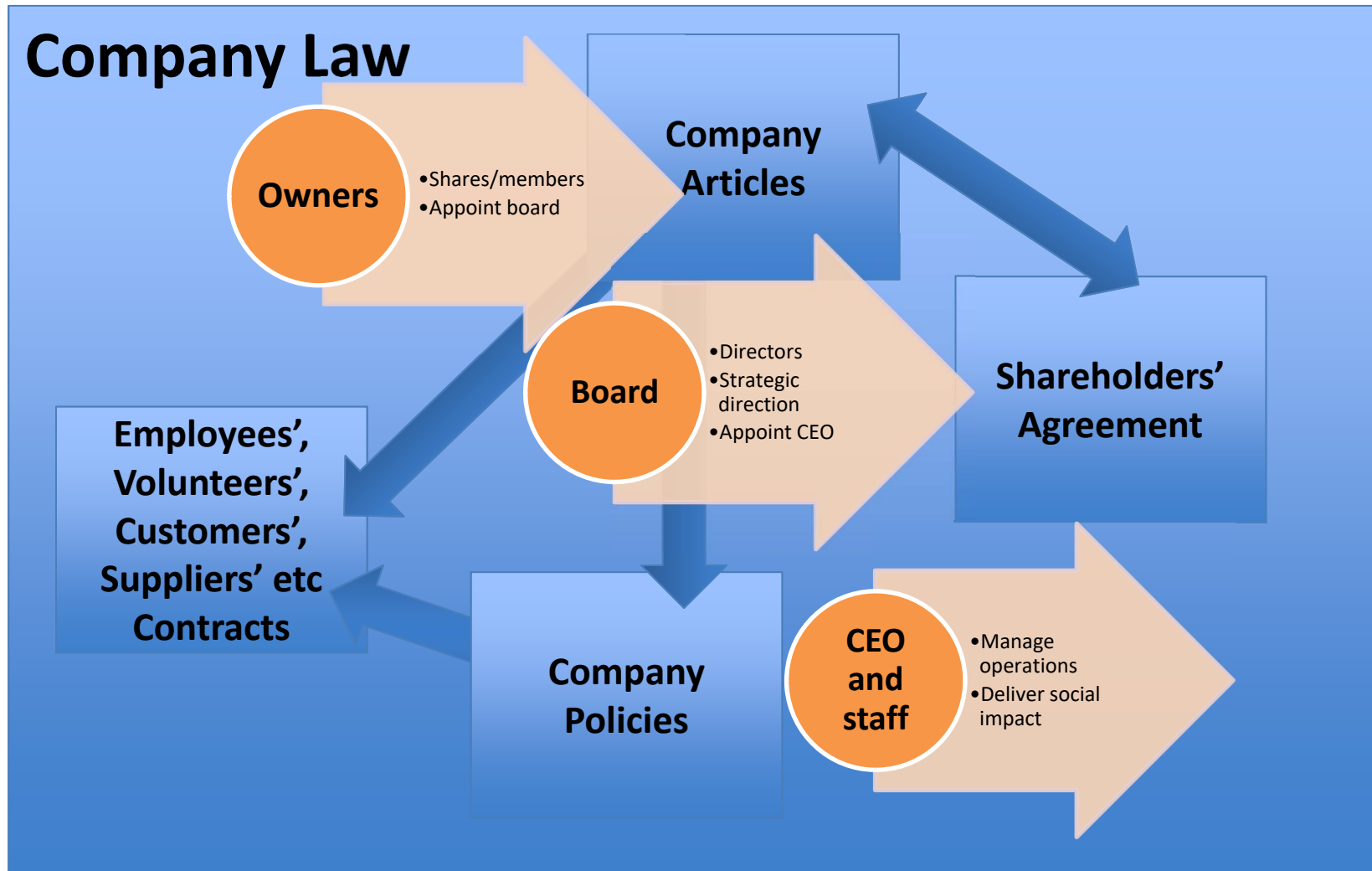
Governance in Context – slide 1



Manage the overlap



Governance in Context – Slide 2



Articles of Association

- Contain the key elements of an organisation
- Guide the Board
- Primarily defined by law but some variation allowed per organisation
- Check these issues in particular:
 - Objects & asset locks
 - Creation, definition, termination of any role especially directors, shareholders, members, chairs
 - Powers & authorities of defined roles
 - Decision making (majorities/vetoes/quora)
- Standard articles can be changed by 75% of shareholders or members agreeing to change them.

Board Directors, Advisors, Trustees, NXD, NED ?

- The Board is the collection of directors/trustees.
 - Legally responsible for company being sustainable
 - Listed with Companies House
- NED/NXD/Non Executive Director - all directors have equal responsibilities but NXD add independence
- Advisory boards – these are usually just advisors and have no legal role or responsibility for the company
- Charity directors (sometimes called trustees) cannot be paid and therefore do not usually include CEO/MD
 - Unitary board – board of charity with some directors being paid employees as well as directors
- Directors have to be people not corporates (unless a charity)

Good Governance Principles – slide 1

- Principle 1: Board leadership

Every organisation should be led and controlled by an effective Board of trustees which collectively ensures delivery of its objects, sets its strategic direction and upholds its values.

- Principle 2: The Board in control

The trustees as a Board should collectively be responsible and accountable for ensuring and monitoring that the organisation is performing well, is solvent, and complies with all its obligations.

- Principle 3: The high performance Board

The Board should have clear responsibilities and functions, and should compose and organise itself to discharge them effectively.

- Principle 4: Board review and renewal

The Board should periodically review its own and the organisation's effectiveness, and take any necessary steps to ensure that both continue to work well.

Good Governance Principles – slide 2

- Principle 5: Board delegation

The Board should set out the functions of subcommittees, officers, the chief executive, other staff and agents in clear delegated authorities, and should monitor their performance.

- Principle 6: Board and trustee integrity

The Board and individual trustees should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.

- Principle 7: Board openness

The Board should be open, responsive and accountable to its users, beneficiaries, members, partners and others with an interest in its work.

- Subsidiary Boards

Best practice – 1/3 to 2/3 overlap between parent company and subsidiary

Board Recruitment

- Why do people go on boards?
- Do you have to pay directors?
- Board Audit
- Directors' Pack - advert
 - Job description
 - Person description
 - Organisational introduction
 - Application form including:
 - eligible to be a director
 - why they want to join your board
 - how they meet the requirements
- Directors' Pack – offer stage
 - Service agreement / letter
 - Business plan
 - Latest Summary Accounts
 - Memorandum & Articles
- Recruitment process including induction

Directors' service agreement / letter of appointment

- This should include:
 - any conditions
 - duties and responsibilities
 - fees and expenses
 - time requirements
 - Confidentiality
 - directors' obligations
 - arrangements for the return of company documents on termination of the contract.
- It may also include any specific provisions relating to conflicts of interest, induction, insurance or access to independent professional advice.
- Length of service – up to three-year contract with the potential to renew.

Board Audit Template

Organisational Name Director name **John Smith** Please indicate your level of proficiency in each of the following areas:

	Skills	Highly Skilled	Skilled	Some proficiency	No Expertise
1	CLS/CLG/CIC/Charity Experience				
2	Financial Acumen				
3	Fundraising /Business development				
4	Investment raising experience				
5	Mentoring / Talent Development				
6	Human Resources				
7	Legal Expertise				
8	IT Systems				
9	Capital Works				
10	Commercial Skills				
11	Marketing / Branding				
12	Social Media / Digital Communication				
13	Content Creation				
14	Impact Measurement				
15	Industry Knowledge				
16	Strategic Planning				
17	Diversity				
18	Management Skills				
19	Networking Skills				
20	Board Development / Management				

Resources

- [www.ncvo-vol.org.uk/ codeofgovernance](http://www.ncvo-vol.org.uk/codeofgovernance).
- www.cipd.co.uk/nedresource/information/roleofneds.htm
- A Guide to Appointing Nonexecutive Directors Business Information Factsheet BIF322 · August 2014
- UK Corporate Governance Code April 2016
- “The Fish Rots from the Head” Bob Garratt
- Board Audit template
- Dropbox folder with sample adverts and descriptions (please email me with a request to share this k.anderson@jbs.cam.ac.uk)



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Persons with Significant Control

- Companies are required to maintain a 'PSC Register' from January 2016 and cover these details:
 - direct / indirect ownership of +25% of a company's shares;
 - direct / indirect control of +25% of a company's voting rights;
 - direct / indirect right to appoint / remove a majority of the board of directors;
 - exercise / right to exercise significant influence or control over a company; and/or
 - exercise / right to exercise significant influence or control over activities of a trust or firm which itself meet one or more of the first four conditions.
- Might not have any PSCs - make a note to that effect in their register.
- An entry in the PSC register would be required if any of the following are part of the structure of the organisation:
 - Stakeholder control Sometimes a third party has rights to control a company's decisions, or to appoint or remove a majority of the board.
 - If a company has less than four members, they will all be PSCs.
 - A parent charity may have control of its trading subsidiary, or a subsidiary charity and would then be a PSC.
 - If the parent charity is a charitable trust or unincorporated association, it is likely that the individual trustees will need to be named in the PSC register, even if they hold shares in the subsidiary company via a nominee.
 - Joint ventures where charities or social enterprises collaborate through a bespoke company, they may be PSCs, depending on the circumstances.