Key principles and structures for good governance
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Introduction

The purpose of this paper is to set out the key principles and structures for the governance of a trustee or charitable body. This the papers draws on the Charity Governance Code for Larger Charities.

Key Governance Principles

Trustee bodies exist to fulfil their Royal Charter and/or charitable objects. Those objects usually require the body to have a purpose that benefits society at large. The ICE's Royal Charter and charitable object is to 'foster and promote the art and science of Civil Engineering'. It could not achieve this object without its members, which is why it is described as an international membership organisation.

Trustees have a responsibility to understand the environment in which the charity is operating and to lead the charity in fulfilling its purposes as effectively as possible with the resources available. To do otherwise would be failing society, beneficiaries, funders and supporters. The board's core role is a focus on strategy, performance and assurance.

Sound governance arrangements are essential for the effective leadership, management, accountability and continuous improvement of the organisation, and the members and stakeholders it serves.

There should be seven principles to sound governance:
1. Organisational purpose
2. Leadership
3. Integrity
4. Decision-making, risk and control
5. Board effectiveness
6. Diversity
7. Openness and accountability.

1. Organisational purpose

Having a clear understanding of the purpose of ICE is vital if all decisions are to help the organisation meet its objectives. It is essential that all trustees act on the basis of what is best for the organisation as a whole.

The first principle covering organisational purpose therefore makes absolute sense in attempting to remind board members of what they are there for.

Key activities board members might want to implement or continue to support this include:

- Ensuring there are visits by board members to the ICE Regions and International Areas, so they can ascertain what is happening at the grassroots by hearing the compliments and concerns of staff and stakeholders.

- Bringing the stories and experiences of those that use ICE's services to the boardroom – perhaps as a standing agenda item before the formal work of the board.

- Introducing regular updates to board members on the external environment relevant to the activities of ICE.

- Tabling discussions about ICE's impact and how to measure its progress in achieving its objectives and discussing whether current work plans remain valid/appropriate in a changing environment.

- Offering additional training and development to assist with board members understanding of the business plan and funding arrangements, and the risks inherent in each.

- Ensuring strategy sessions cover whether ICE operates in the most effective way, and asking whether partnership or collaboration would deliver more for stakeholders.

2. Leadership

Strong, ethical and visible leadership is the second of the seven principles, with a supporting rationale that the tone and culture of an organisation comes from the top.

To assist in promoting strong leadership, board members could consider:

- Introducing to board agendas and reports a regular item that reviews decisions made in the light of values agreed by the board, and not just of legal and regulatory requirements.

- Regularly discussing whether the agreed vision, values and culture are the right ones, and are evidenced at every level.

- Ensuring matters reserved to the board, schemes of delegation, terms of reference and other documents, especially those outlining the role and duties of the board and senior management, are regularly reviewed and updated.

- Creating a corporate calendar that sets out the main work of the board and establishes regular board meetings that balance historical and compliance matters with forward-looking strategic items.

3. Integrity

The third principle promotes the importance of board members acting with integrity in order to support the public's trust in ICE.

Reputation is a precious asset for any organisation and without the ongoing support of those empathetic to ICE's aims, its sustainability and ability to make a difference are endangered.

Board members could discuss:

- Implementing a code of conduct and introducing board standards to which board members can sign up.

- The Board's values, ethos and culture should be clear in such a document and should underpin delivery of all its charitable activities.

- Improving the board's understanding of conflicts of interests and loyalties, updating the board's conflicts of interests policy and register of interests, gifts and hospitality. This should be done at the same time as updating the same documents covering staff, to ensure consistent messages, practices and culture.

- Introducing reports to the board that highlight the themes of comments, concerns, complaints and compliments received to better understand how ICE is viewed externally.

4. Decision-making, risk and control

Many of the traditionally 'meaty' governance issues can be found under principle four. This principle reinforces the point that the board is ultimately responsible for ICE's decisions and actions, or failure to decide and act, but that it should not be involved in operations.

Key actions the board members could initiate, with the approval of the chair, include:

- Board agendas and papers that focus discussions on strategy, performance and assurance rather than operational matters.

- A discussion on ICE's risk appetite, and an assessment of its risk register and risk management arrangements.

- Ensuring that a thorough debate of all KPIs takes place to cover any possible harmful impact on ICE's culture and values.

- Placing the auditor's management letter at the top of a board agenda to ensure the trustees are aware of its contents and implications.

5. Board effectiveness

If the board is to help the ICE achieve its objectives, board members must be keen to be at the top of their game. Board effectiveness is a key aspect of many governance codes.

To assist this, the board members should consider:

- The rigour and effectiveness of board member recruitment, induction and retention practices, with a view to bettering them.

- Board members, through a sound induction process, should have a thorough knowledge of ICE[1].

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[1] This is especially important in a charity like the ICE which operates as a "group" and has a global membership and offices and interests overseas.

- Reviewing the governing document to ensure it enables ICE to recruit the best candidates from a wide pool and has fixed tenure terms.

- Updating the skills audit.

- Tabling a discussion about the competence of the board.

- Undertaking an independent board review.

6. Diversity

Boards with members of different backgrounds, skills, experiences and thinking are more likely to encourage debate and make better decisions. The board might wish to consider:

- Introducing board training and development on diversity matters.

- Assessing the diversity of board to find any obstacles given groups may face and how to overcome them.

- Using a range of methods to recruit board members, targeting particular groups with specific messages to help broaden interest in the role.

- Adopting diversity targets, which are monitored and reported against regularly.

7. Openness and accountability

Organisations, like good governance, cannot operate successfully in a vacuum. There has to be reasonable and meaningful accountability to ensure board members act in line with their duties and the best interests of ICE.

Board members might look at:

- Introducing a disclosure policy for ICE, covering those types of documents and information ICE will and will not release, following an agreed process.

- Encouraging board members to engage with stakeholders in a range of ways, as agreed in a stakeholder engagement policy.

- Ensuring key information is kept up to date on ICE's website and can be found easily – such as allowing executive pay details to be found within three clicks.

- A widely promoted compliments and complaints policy, with feedback monitored and presented to the board.

- Clear messaging about member engagement and involvement which members can access easily from the website.

Structure

Appropriate board structure is vital for ensuring good governance. Board structure refers to the size and composition of the board, including its independence, the presence of representative members and the balance of gender, racial, cultural and other forms of diversity, skills and experience.

1. Skills & Experience

A board operates most effectively when its members have different skills, knowledge and experiences. When determining composition and succession planning, consideration should be given to the:

- current performance of the board
- competency and experience mix of board members
- values of ICE, board and board members
- length of service of current board members
- diversity of current board members
- specified compositional requirements, including representative obligations
- availability of potential board members to fulfil requirements.

2. Appointments

The board should have a clear and trasnparent process for appointing members. An appropriate process should exist for board member succession, with emphasis on the timing required for replacement to maintain a balance between new and existing board members.

While boards may not have the ability to appoint their own members, they should ensure that a transparent and accountable process exists for any recommendations. Appointments to boards should occur on the basis of merit and transparency. For representative nominations, stakeholder groups should be encouraged to consider the merit of applicants in relation to the requirements of the board.

A board skills matrix is an important tool to assist a board to identify any gaps. In an immediate sense, this might mean that a board needs to look at professional development for members. In a strategic sense, a board skills matrix can be used as a tool to identify potential members for recommendation to address the identified skills gaps and longer-term board succession planning.

3. Independence

The board should have sufficient independence to discharge its responsibilities. Where permitted by legislation, the chairperson should be independent. A lack of independence can contribute to increased complexity in managing conflicts of interest and reduced efficacy of the board. Factors or relationships that may negatively impact on the independent management of issues should be identified at the commencement of the board meeting, and decisions made on actions to mitigate this impact.

4. Board committees

It is common for boards to delegate aspects of their work to committees of the board. This allows the board to distribute its workload and enables the subcommittee to perform a detailed analysis of important or sensitive matters before making

recommendations for the board to consider. The board, not the board committee, is accountable for all decisions.

When assessing its strategic priorities, the board should consider what types of committees it may require. It may have several 'standing' or permanent committees, such as a finance or an audit and risk committee, with other committees established as required. Board committees need to be established with:

- a specific charter, with clear terms of reference

- delegations that do not undermine the board's delegations to the CEO

- an appropriate number of directors, including a majority of non-executive directors, if allowed by the enabling constitution

- procedures for making and keeping agendas and minutes, and reporting to the board

- a clear expectation that the decision making responsibilities of the full board are not to be compromised by the activities of any board committee, and that significant issues will be reported to the board for the board to discuss and decide upon.

The board must continually monitor the activities of each committee as part of its duty of care, diligence and good faith. A committee's charter should be evaluated annually to ensure it is appropriately focused and that the committee is fulfilling its functions. If not, amendments should be made.

5. Quick review – Structure and composition

- Is the board aware of the process or requirements for board appointments?

- Does the board use a 'skills matrix' to ensure members have the necessary skills, experience and knowledge to enable the board to fulfil its purpose?

- Is there sufficient diversity on the board?

- Has the board developed a succession plan to identify the skills needed by the board?

- Are board members able to commit the time required to effectively undertake their role?

Action

The Commission is asked to note and comment on this paper.