

Good Governance

Charity Accountants' Conference
Judith Miller
14 November 2024





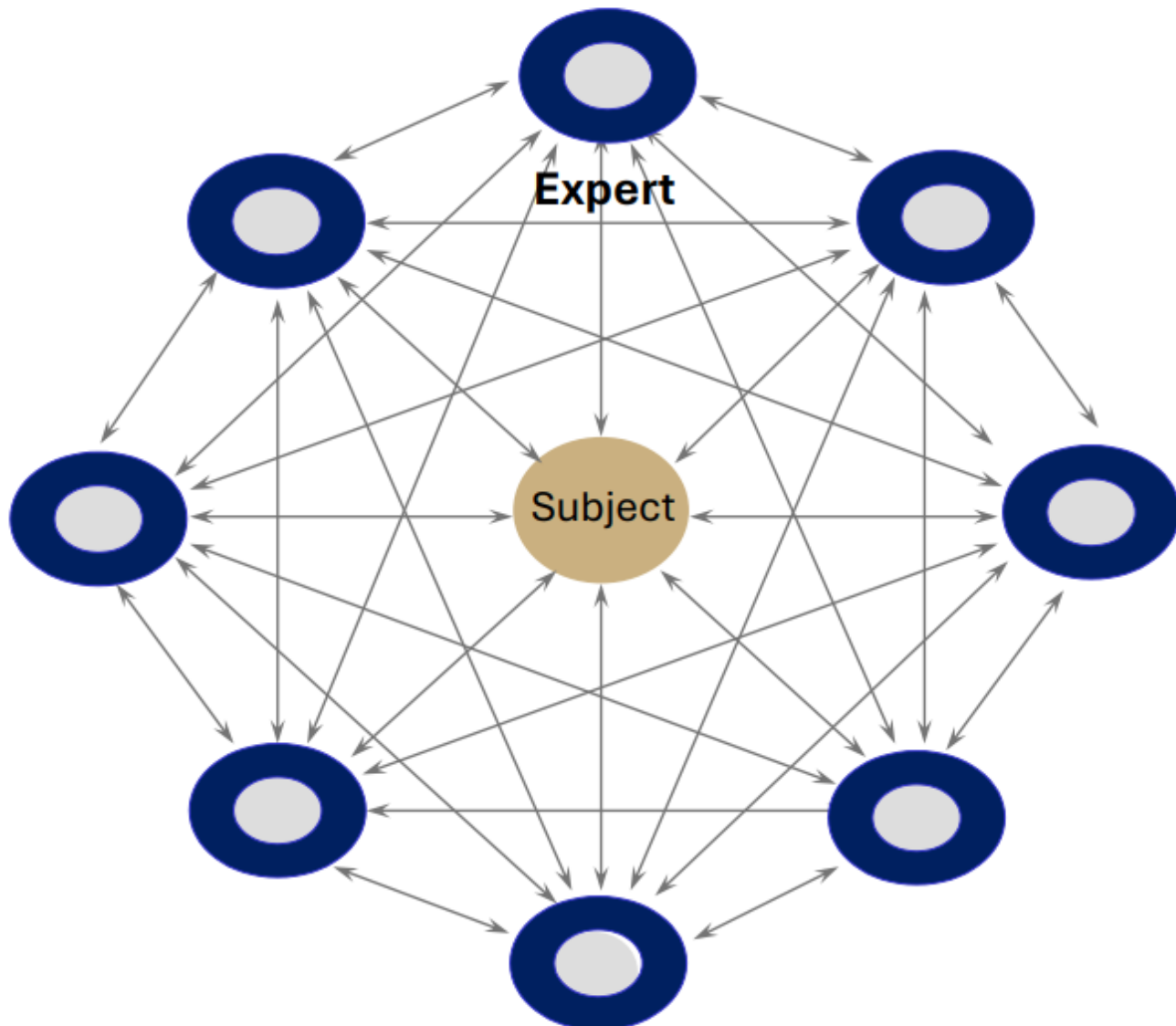
What we said this session would be about?

“Good governance is essential for an impactful and resilient charity

But what does good governance really look like?

&

How can a finance director help encourage it?”





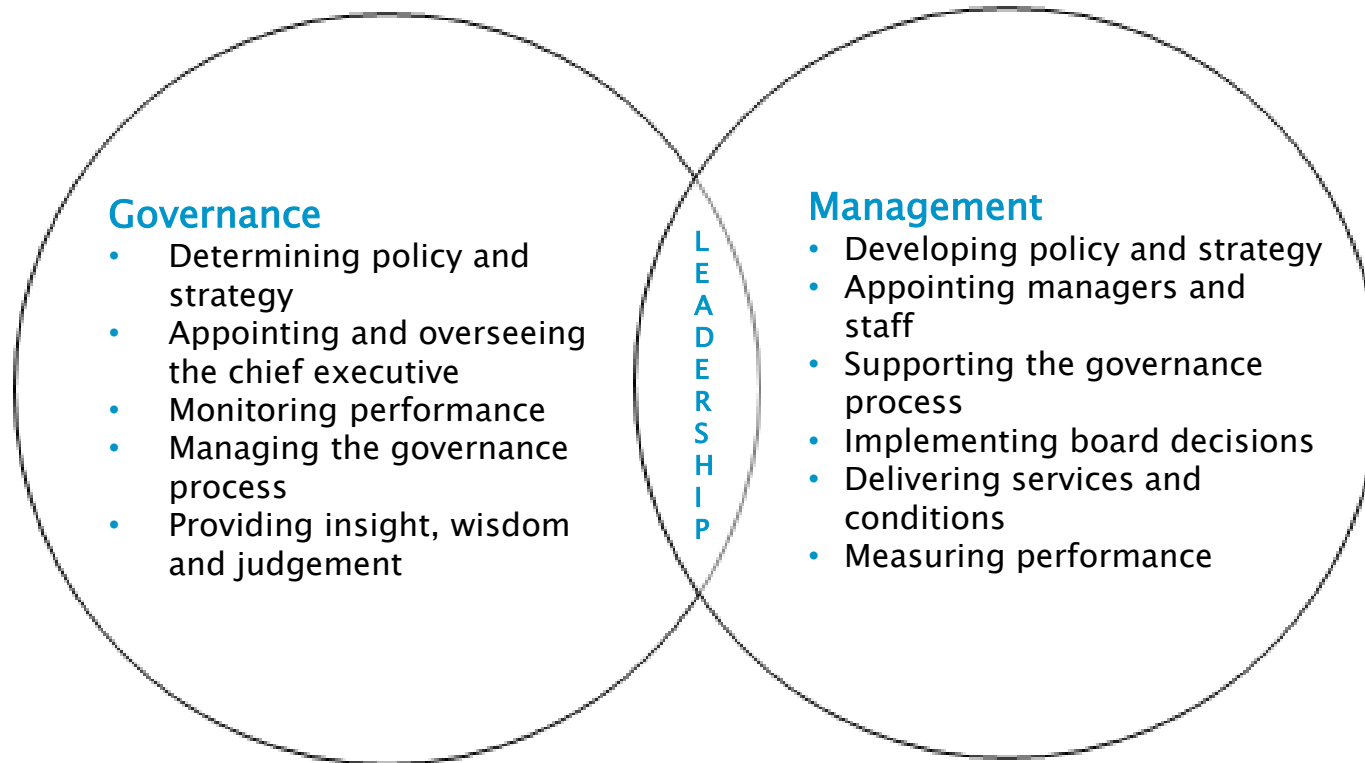
What do we mean by governance?

What do we mean by management?





Trustee and Management roles



Source: Managing without Profit, Mike Hudson

Defining governance

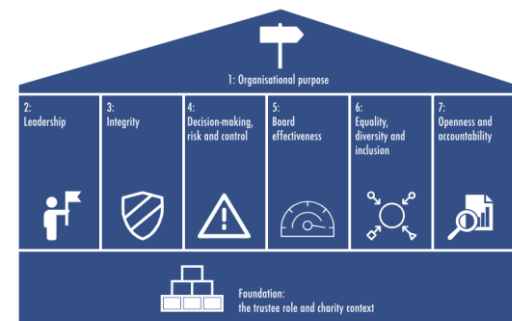
Governance is defined as:

The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation.

(The Governance of Voluntary Organisations, Cornforth 2003)

Good governance

Good governance is fundamental to a charity's success. It enables and supports a charity's compliance with the law and relevant regulations. It also promotes a culture in which everything works towards fulfilling the charity's vision.



**Greek origin kubernáo
“to steer” or “to pilot”**





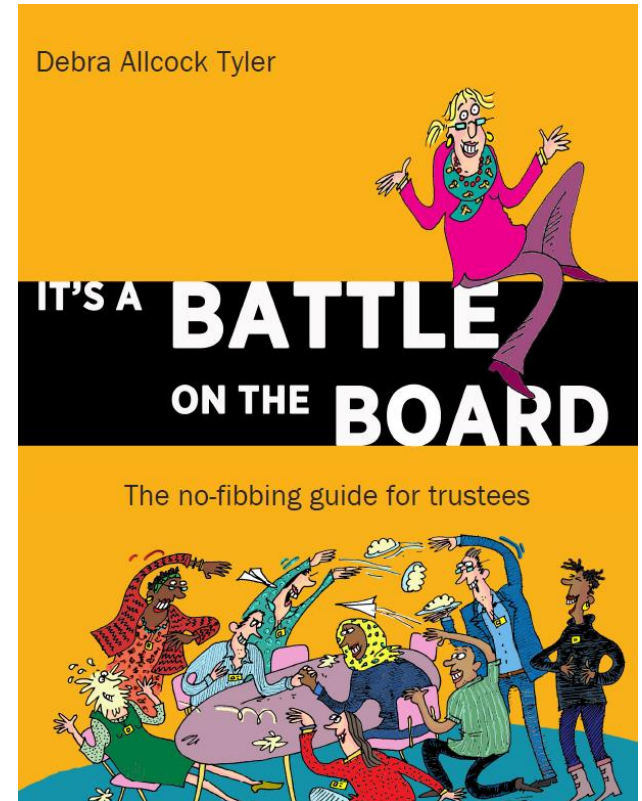
Thoughts



“Good governance is the art of putting wise thought into prudent action in a way that advances the well-being of those we serve”

Diane Kalen-Sukra

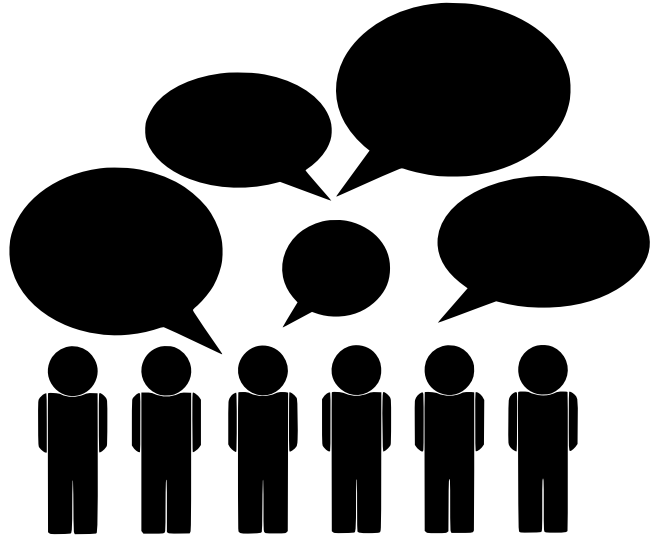
- Trustees are not there to be the experts – that is what management are for
- Trustees need to
 - Know objects
 - Have reached common understanding about how you will deliver
 - Ensure resources are focussed on this
- “here to govern, not to manage...but ensure great management is done”
- Trustees should be testing thinking
- Remember
 - Need the right governance framework
 - Relationships are key
 - We’re all Human



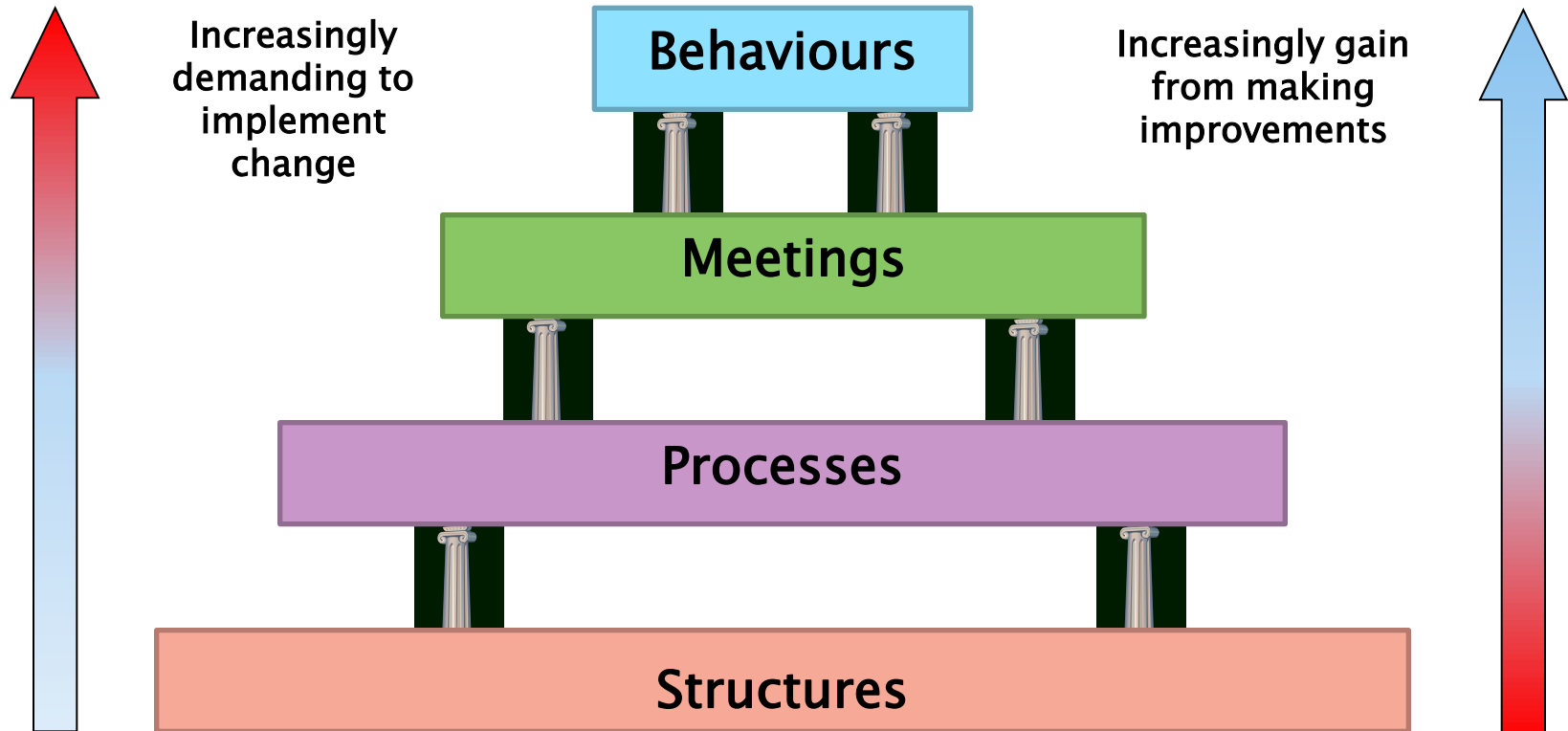


What examples do you have of good governance?

What tip might you have for the wider group?

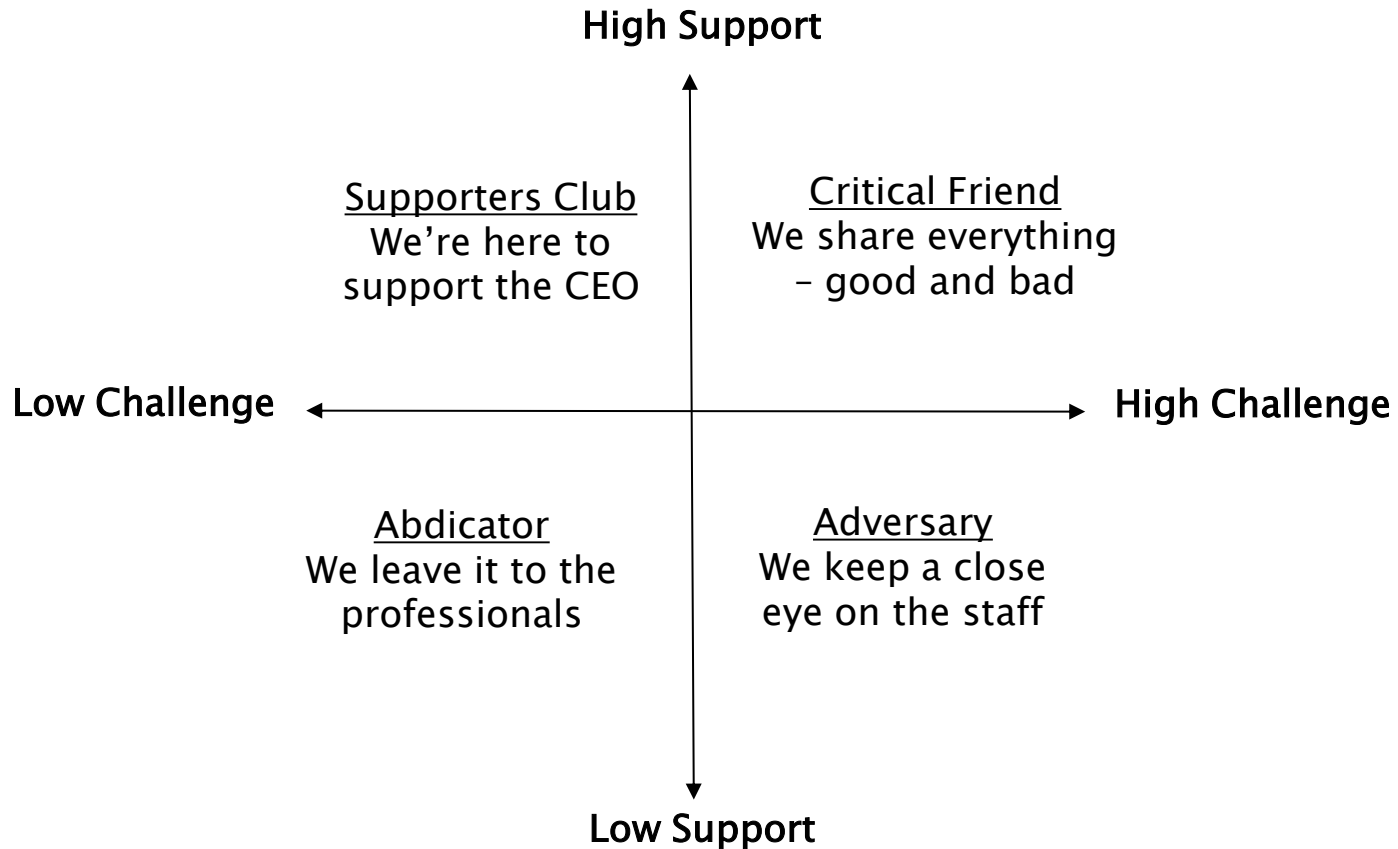


Hierarchy of governance improvement

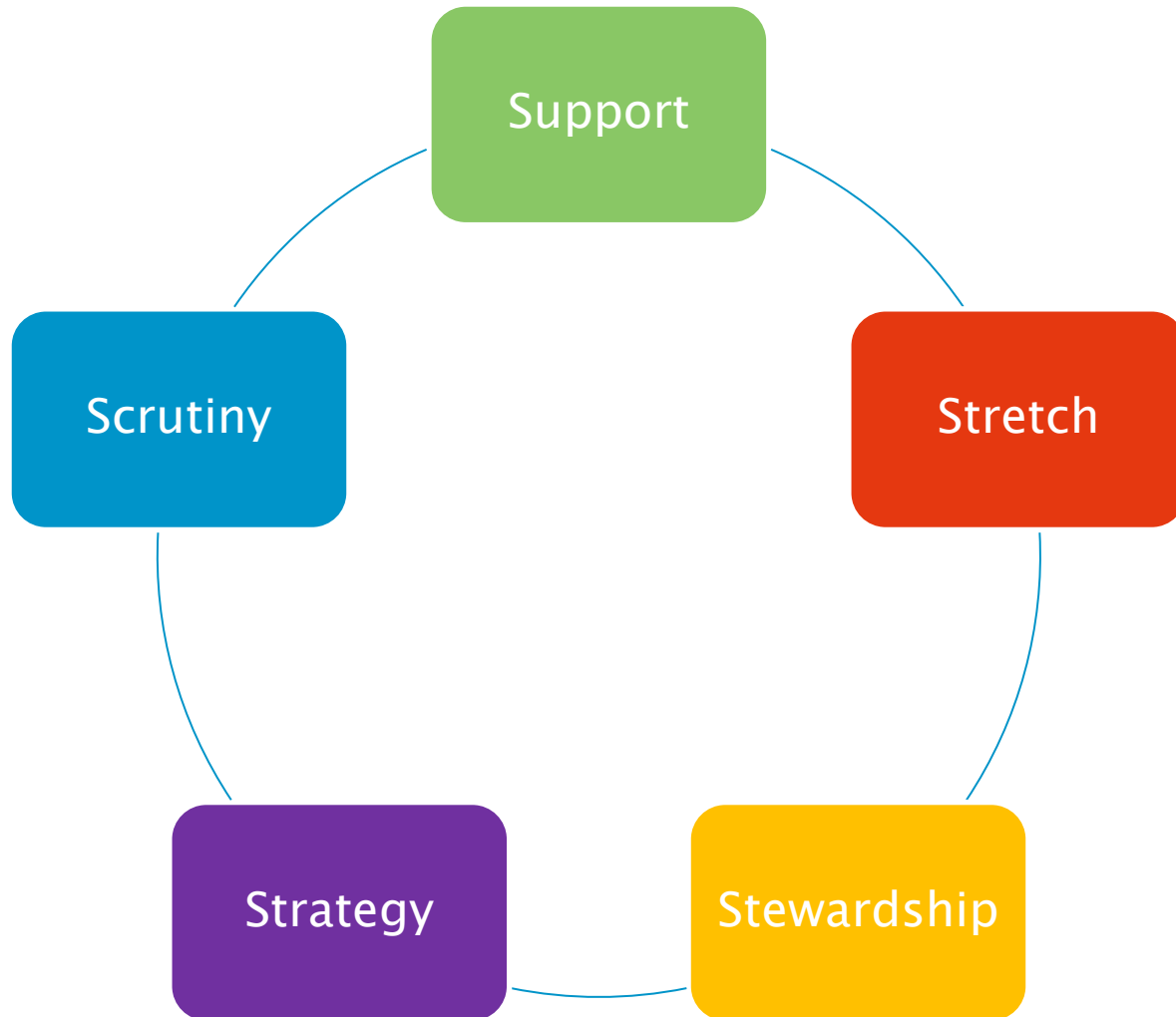


Support vs. Challenge

Dorothy Dalton



Julia Unwin's 5 modes of governance





Good Governance



PRECONDITIONS



IMPACTFUL



RESILIENT

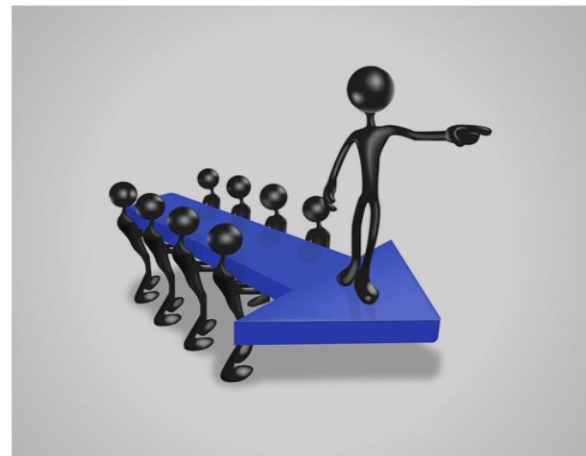


Preconditions

- How is finance doing?
- How is it viewed in your organisation?
- How do you see your leadership role?
- What could be different?

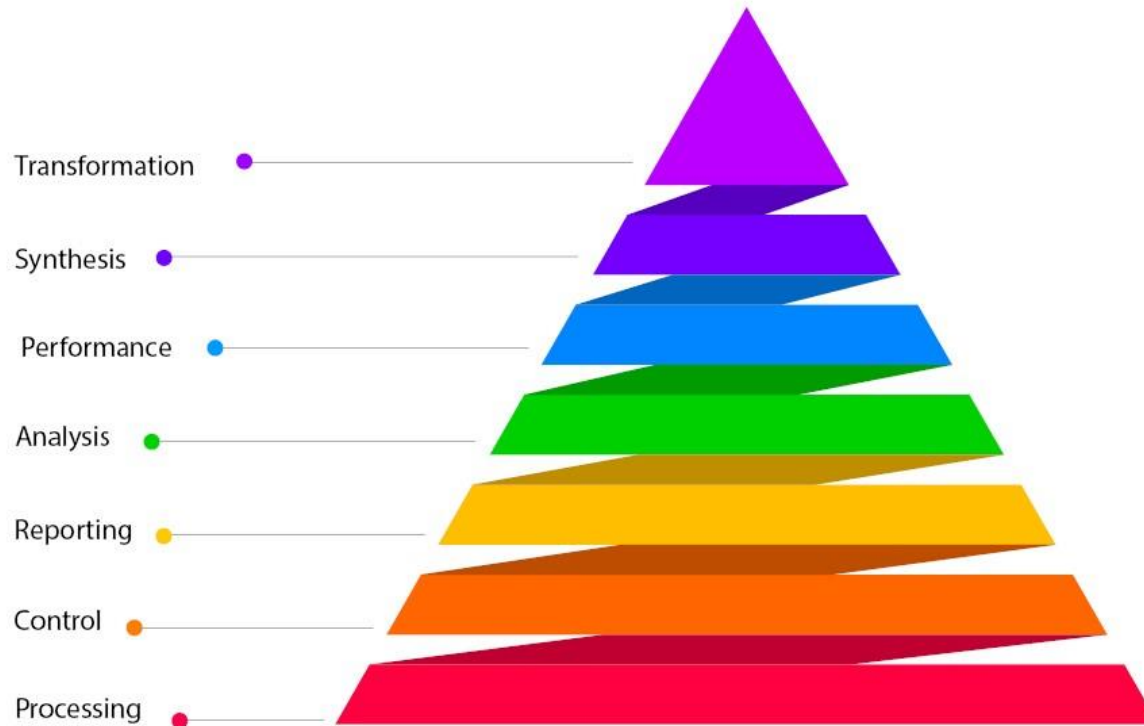
Leadership
of Finance

Leadership
from Finance





Preconditions Your Finance Journey





Preconditions Your Finance Journey





Good Governance



PRECONDITIONS



IMPACTFUL



RESILIENT



Preconditions

- Passionate & engaged trustees
- Prepared to ask “stupid” question
- Diverse – perspectives, experience, skills enabling constructive challenge/conflict
- Collective ownership
- Commitment to and support for continuous learning
- Being present
- Effective succession planning



Creating the conditions



Finance role in inductions



Meeting scheduling



Agenda planning



Board and committee structure



Between meetings



Engaging, jargon free, joined up reporting



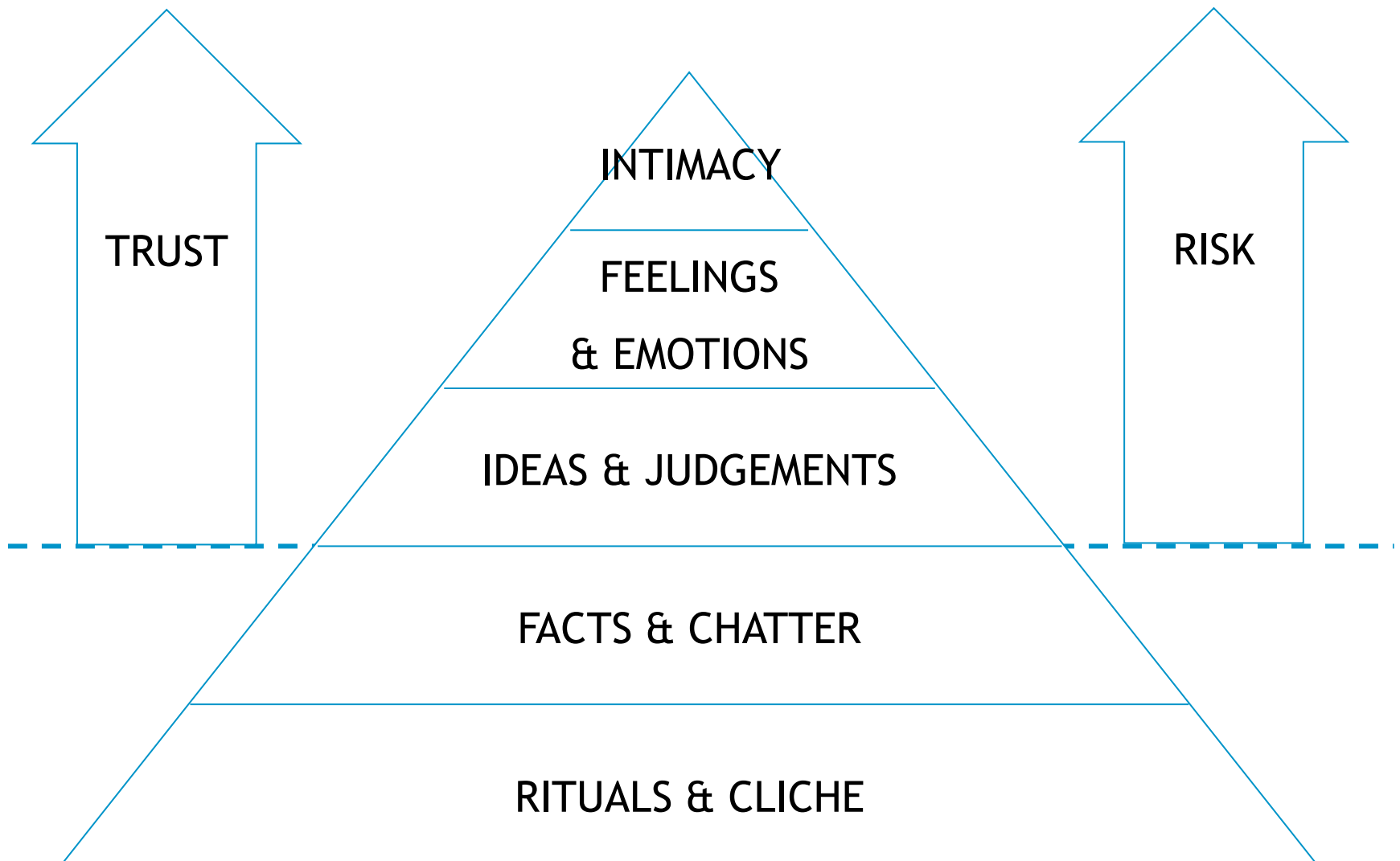
No surprises & provide assurance

How are relationships?



- How are their finance skills?
- How could you help them?
- What are the priorities for each relationship?
- How often do you need to engage with them and how?

The Communication Pyramid





Board finance lead

What do you need?

- Realist : Board financial conscience
- Enabler : Interpreter
- Emotional intelligence and comms skills
- So you can share the load



Things to try

Anticipate questions & answer them ahead of time

Effective summaries & direction

Glossary of terms

Tailor to them not what the system and you can produce

Not keep adding, ask what can be let go of

Make it “OK to ask”, encourage curiosity – not there to be experts but to “test thinking”

Put actions in place to build skills & confidence of others from the get-go

Signpost to guidance and training for trustees

Use your advisors

Do your meeting timing have to be reset

Think about training on trustee responsibilities for management team



How well are your meetings working?

Is this given enough time on agendas? Where are on the agenda is finance?

How diverse is your finance committee?

Is there a common understanding of the financial position? Are pre meets needed?

Is financial information circulated in advance?

How is your financial information serving you? is it relatable? too focussed on the detail and not strategic enough? Bogged down in jargon? Too many digits? Speak “human”

Is the finance part of routine conversations?

Seek feedback



Decision-making for charity trustees (CC27)
Improving your charity's finances (CC12)
This includes "Checklist to assess insolvency risks"

Charity Commission :
5-minute guides for charity trustees

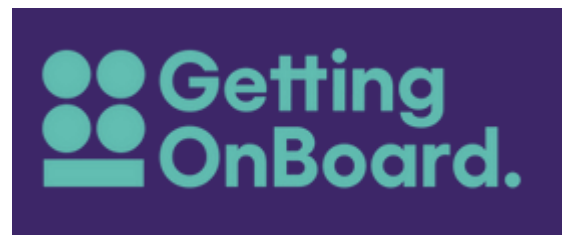
ICAEW Charity Community has [training](#)
for trustees



Trustee Training Modules

This course is free to access

ICAEW's online training modules provide an overview of charity trustees' legal and financial responsibilities and their strategic and operational considerations.



Try their [YouTube Channel](#)

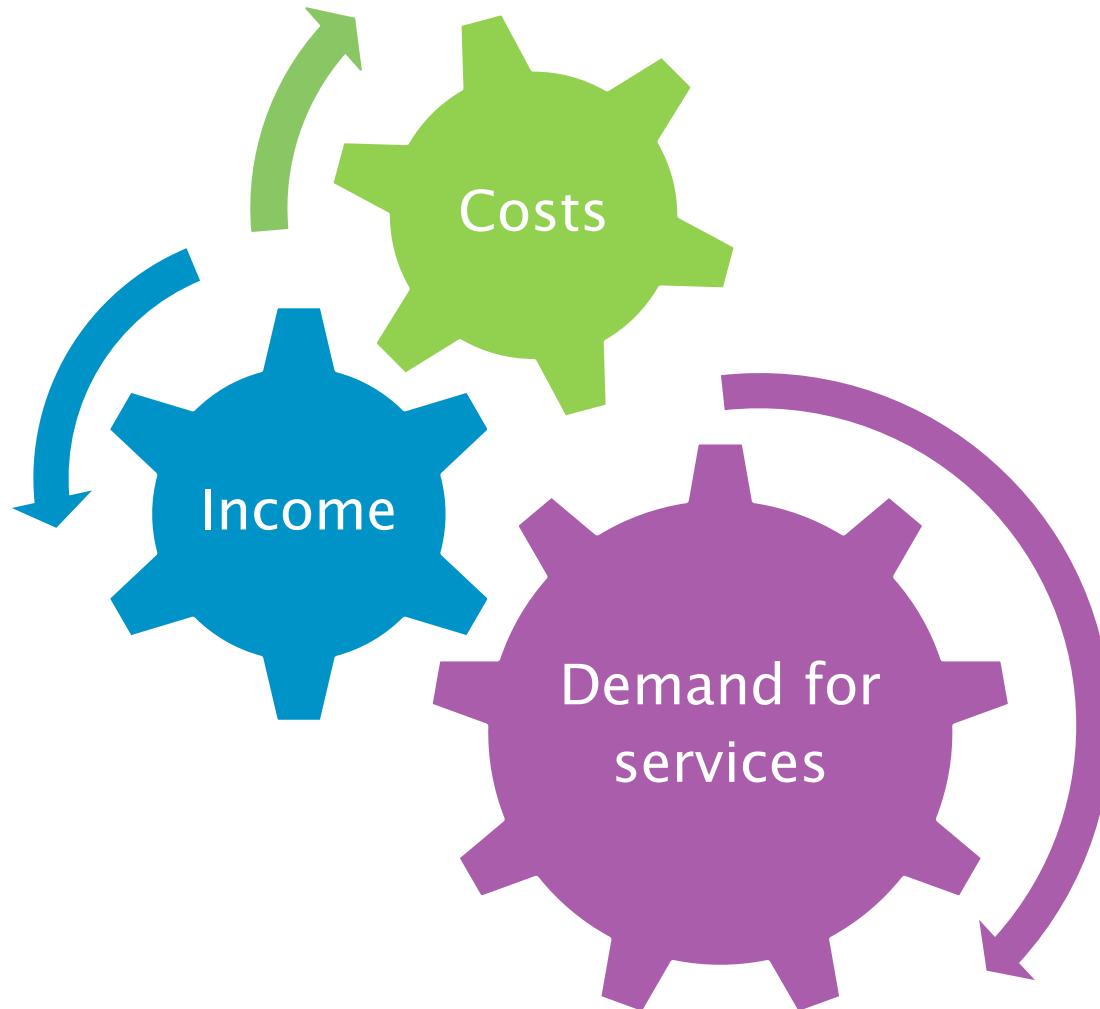


Impactful

- Do they understand your financial model?
- How well does your financial information help them understand how your money is helping you achieve your objectives?

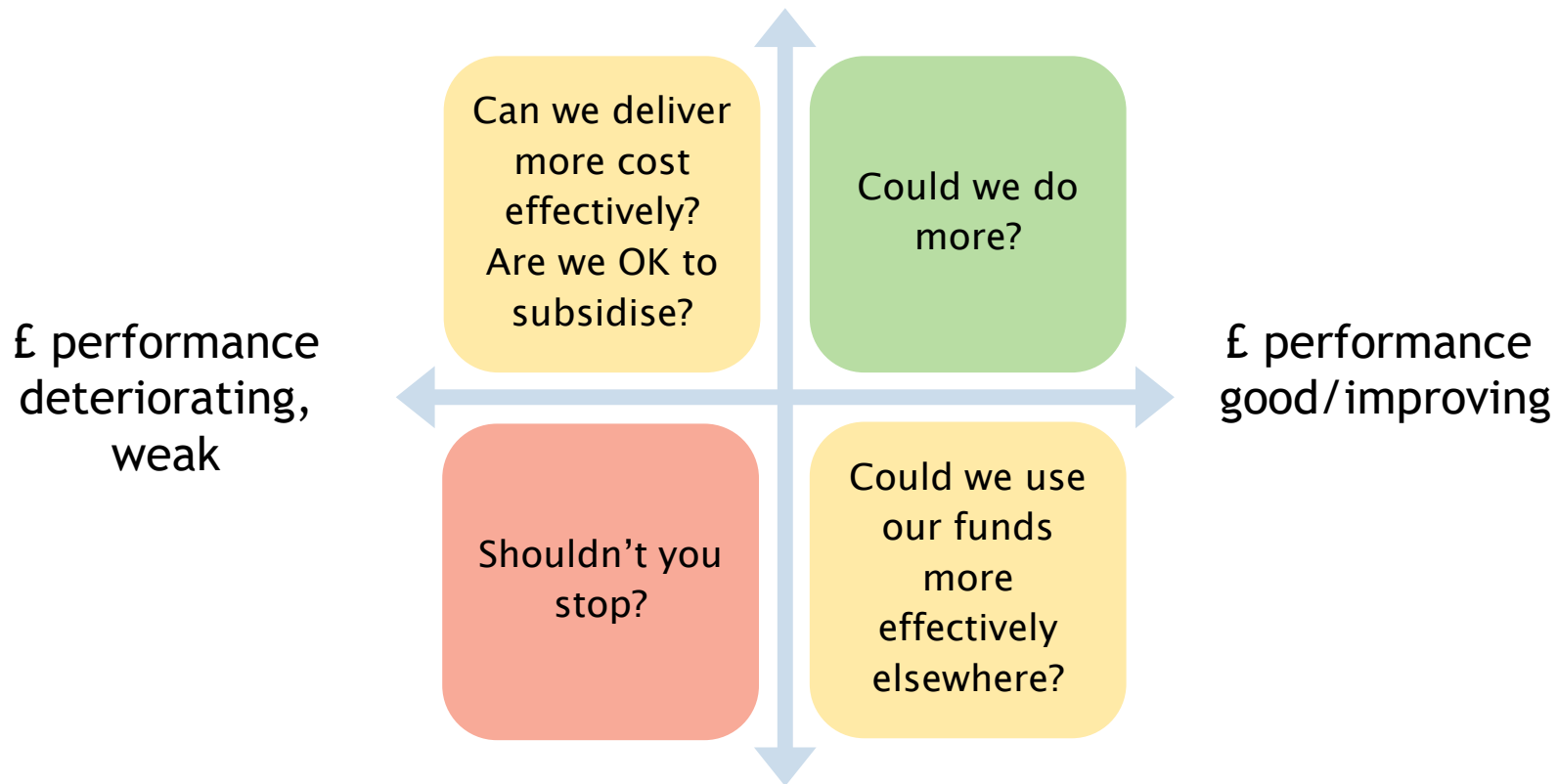
This does go for internal and external reporting

Achieving impact



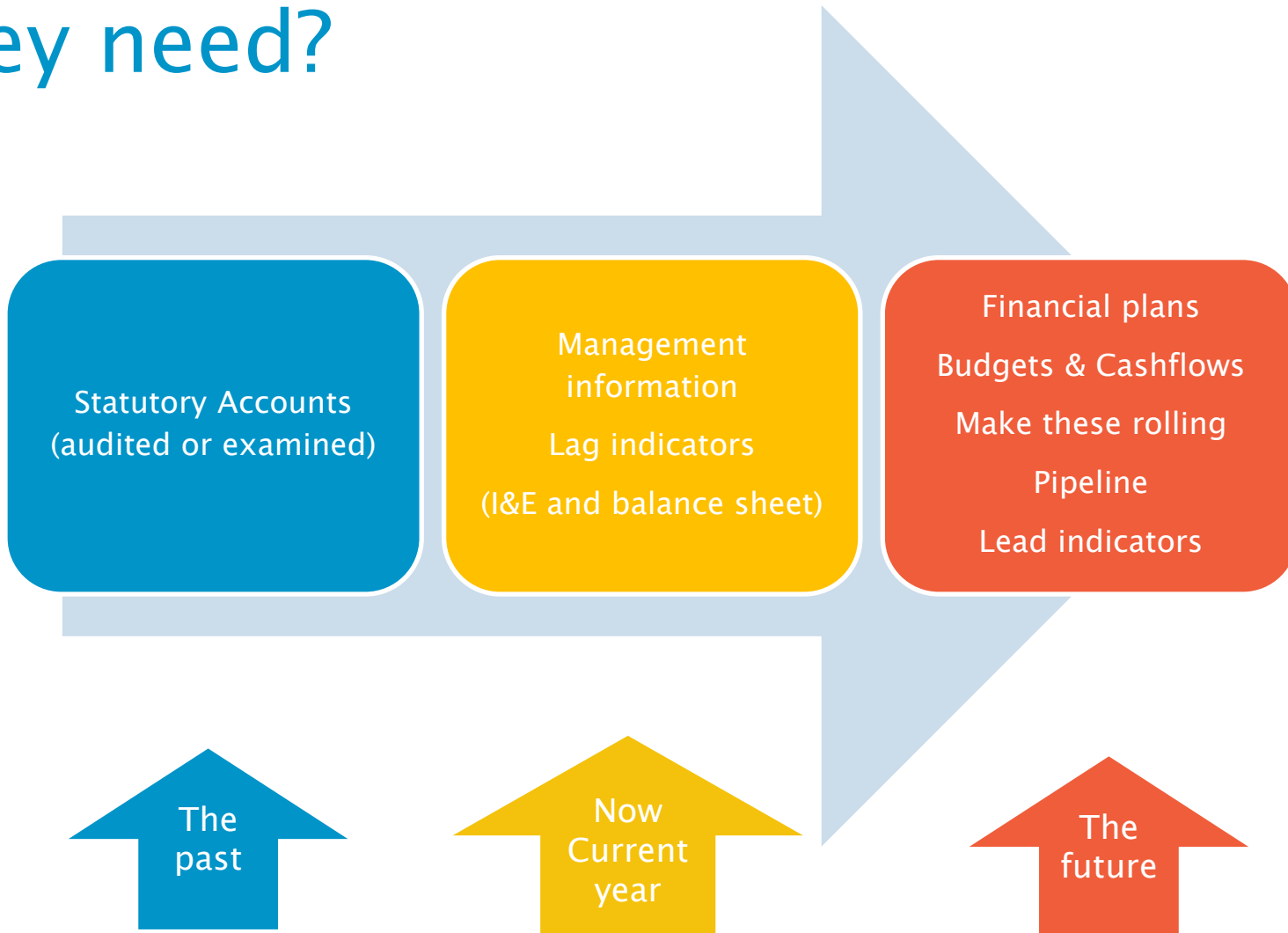
Are we doing the right things?

Delivers on our charitable purpose



Declining relevance to charitable purpose

Getting the financial info they need?





Management information

Schedule meetings that work with production of info

Circulate in advance – timely and regular

Give it time and right place on the agenda

Board pack needs to:

- Avoid too much detail – what are the headlines?
- Include a cashflow and income pipeline – make these rolling
- Include adequate narrative explanations and variance analysis
- Colours & graphics
- Must look forward as well as back
- Effective summary
- **Provide enough explanation to understand the position, potential decisions/actions – answer the question “SO WHAT?”**
- Any improvements that can be made to tie financial reporting into other board reports?
- Are board papers clear about what they are seeking to do – for information, for discussion, for decision?
- Do they all address financial consequences and financial risk?

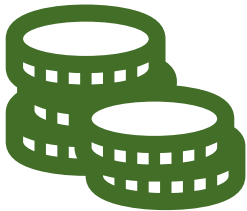


Resilient

- Reserves – how well are these understood & appetite for use
- Medium term planning – how far forward do you look
- Understand difference between “going concern” assumption for stat accounts purposes and “financial sustainability”
- Scenario planning – what if



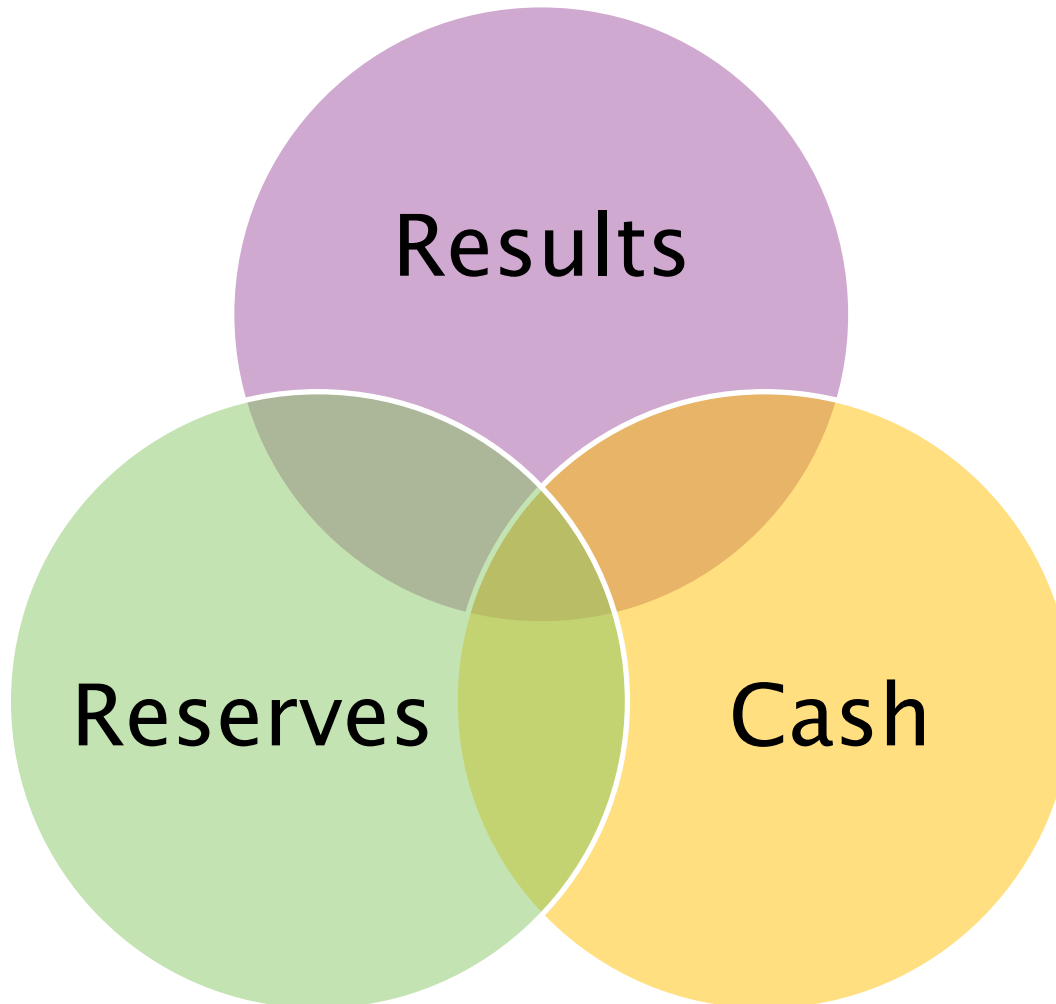
Increasing vulnerability





Financial health

Are you providing info on all three?





Role of reserves

Secure the on-going social impact/public benefit:

- Working capital in short term
- Manage financial risks/future uncertainty
- Strategic investment
- New opportunities/staying relevant

= Resilience

“to make sure that the charity, and its purposes, stay relevant and valid”

“trustees consider partnership working, merger or dissolution if other organisations are fulfilling similar charitable purposes more effectively and/or if the charity’s viability is uncertain”

“it’s not about preserving the charity for its own sake”



**Charity
Governance
Code**



- What were we set up to do?
- Are we using our resources in the best way to achieve this?
- Are we still relevant?
- Should it be us?
- Could we have more impact if we....

- Hope for the best, prepare for the worst
- Scenario plan
- What if the worst happened....
- What might be the triggers?
- How do we make sure we see this coming?
- What are our options?

- Collaborate
- Stick to our knitting
- Shrink & reinvent
- Merge/Transfer

Make it normal to talk difficult stuff

What's not working, change & endings

- How much time would we need?
- What liabilities would arise?

Don't wait

Explore options while the sun is shining



Good Governance



PRECONDITIONS



IMPACTFUL

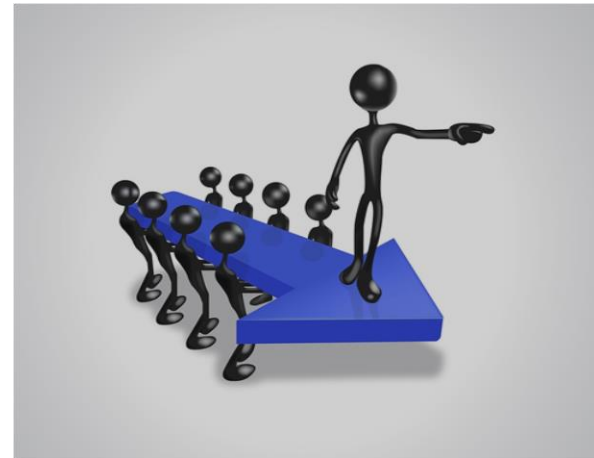


RESILIENT



Leadership
of Finance

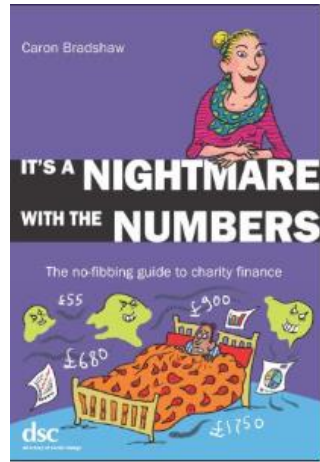
Leadership
from Finance



Relationships are key



- Be Human
- Trustees should “test thinking”
- Get to know them
- Create time and space
- It takes time



ICAEW webinar
Finance board pack
How to bring the numbers
alive using Excel
27 February 2024



SV Autumn 2024 webinars :

- 20 September – Regulatory update
- 4 October – Accounting systems
- 18 October – Assessing the VAT treatment of activities
- 1 November – Governance pit-falls
- 8 November – VAT recovery and charity reliefs
- 15 November – Accounting update
- 13 December – Maximise your fundraising ethically
- 8 March – Reserves policies
- 15 March – Trustee responsibilities





Judith Miller

judith.miller@sayervincent.co.uk

Partner, Sayer Vincent

0207 841 6360

www.sayervincent.co.uk

You can sign up for our
newsletter [here](#)



Thank you & #AskSV



Grow

What is your aim?
What is it you ultimately want to achieve?
How will you know when it is achieved?
What might be a short-term goal along the way/
When do you want to achieve it by?

Reality

What is happening right now?
What have you tried so far?
What happened as a result?
What stopped you from doing more?
What's missing in this situation?
What do you have that you're not using?
What's *really* going on here?

Options

What options do you have?
What else could you do?
What would you do if you had complete control?
What would you do if you had more time, money, resources...?
If you could only change one thing in this situation, what would it be?
What have you tried when you've been in a similar situation in the past?
What would an expert do?

Will

So, what are you going to do?
When are you going to do it?
Can you be specific?
What might stop you from doing it?
How will you avoid that from happening?
What support do you need?
How will you make sure that you get it?

Goal

What do you want?

Reality

Current situation?

Options

What could you do?

Will

What will you do?

Note for attendees we didn't end up using these, but you could use this GROW model to silently coach yourself, enable you to reflect - work through them methodically from beginning to end and write your thoughts - it will help you formulate actions - you can use it for anything you want to take action on.