B06/22

GOVERNANCE REVIEW

AUGUST 2022

CSSC honours and adopts the principles of Equality, Diversity and Inclusion (ED&I). We will ensure that people receive the best possible support whilst working, volunteering or as members of the organisation. By harnessing the commitment and enthusiasm of all our employees, volunteers and members, we will be an organisation that proactively pursues our ambitions for ED&I in all that we do.

Our Management Board will demonstrate leadership by promoting and adopting the principles of ED&I through its construct, its actions and its strategic approach. The Executive leadership will be accountable for ensuring that the management structures of our staff and volunteers represent the members we serve; creating an environment which is empowering and where diverse voices, experience and opinions are encouraged, supported and celebrated.

We commit to making continual improvements in our activities where necessary, to ensure that they are accessible to all and that they help cultivate communities and behaviours where every member feels they belong. We will learn lessons along the way, and we will regularly assess, review and take stock to make sure we're doing all we can.

(CSSC Board EDI Statement, April 2022)

'Organisations shall recruit and engage people with diversity of background, thought independence, skills and experience to take effective decisions that further the organisation's goals and best serve their communities, stakeholders and wider UK society'

(Code of Sports Governance, 2021)

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EXECUTIVE SUMMARY

1. CSSC was established in 1921 to **encourage and co-ordinate** the pursuit of all forms of sport for staff throughout the civil service. Today, our purpose has widened to incorporate all forms of leisure, fitness and wellbeing for the wider public sector, family and friends. In addition, CSSC now owns and runs two subsidiary commercial companies - Sports & Leisure Group and CSSC Properties.
2. In April 2022, the Board commissioned a Governance Review to examine our operating structure as well as the framework of rules, relationships, systems and processes by which CSSC is governed and to make proposals that will strengthen CSSC's ability to operate effectively in line with its legal obligations and objectives.
3. This review is based on a number of key principles that underpin CSSC's core purpose:
    a. **We recognise our history** and must ensure we do not lose links with our past, as we evolve to meet future needs.
    b. **Learn from commercial and membership organisations,** adopting good governance practices and learn from the Codes and behaviours that govern successful organisations.
    c. **Fit for purpose** – by developing a good governance system, appropriate for our needs, to ensure effective and considered decisions whilst leaving room for discretion.
    d. Recognise the importance of **voluntary effort** and altruism.
    e. **Collaboration** - bring people together to achieve a common goal whilst recognising varying interests and perspectives.
4. This review draws on best practice in governance from the public, private and third sectors. It provides an overview of what 'good governance' looks like and summarises the key themes from consultation meetings with the Board, senior leadership and advisers.

METHODOLOGY

5. For this review, eleven of the fifteen board members, two of the three Appointments Committee members and several Head Office representatives agreed to take part in semi-structured interviews.
6. Key CSSC governance documents were reviewed including the CSSC Rules and Regulations, Guidance for Board and Committee Meetings, Policy on the Conduct of Board Members, Board Quality Paper March 2018, Board Out of Committee Skills Audit 2018, an Extract of Advice on Constitutional Issues by Bates Wells Committee Remits, Sport and Leisure and Volunteer Committee Governance B26/20 Paper 1, Area & Region Governance & Funding Review B26/20 Paper 2, Review of Board Elections 2022.
7. Governance documents from the following organisations were reviewed:
    - Merlin Entertainment, Royal Mail, The National Grid, The National Trust, The Scouts, The Royal British Legion, St John's Ambulance and the Co-op.
8. Governance frameworks from the following organisations were reviewed:
    - Quoted Companies Alliance (QCA) Corporate Governance Code, National Governance Association, NCVO, The Charity Commission, UK Corporate Governance Code which applies

to listed companies, Sport England, The Co-operatives UK, The Sport & Recreation Alliance, and the Good Governance Institute.

9. Key findings and recommendations are designed to inform discussion at the Board meeting in September 2022. Key priorities are identified that will deliver a higher standard of governance.

INTRODUCTION

WHAT IS GOVERNANCE AND WHY IS IT IMPORTANT?

10. Governance is defined as the framework of rules, relationships, systems and processes by which organisations are governed. In simple terms, governance is the process of providing strategic leadership to an organisation. It involves setting direction, making policy and strategy decisions, overseeing and monitoring organisational performance and ensuring overall accountability.
11. Effective governance is integral to the success of an organisation. Governance is essentially a decision-making process, grounded in the principle that organisations can achieve the desired results by choosing appropriate courses of action. Governance and strategic leadership are about making informed organisational choices: about why we're here, what we want to accomplish, the best ways to achieve those results, the resources we'll need to do these things, how we will secure them, and how we will know if we are making a difference.
12. Effective governance is integral to the sustainability and long-term effectiveness of organisations operating in today's complex and competitive world.
13. The Governance landscape, particularly for sport has dramatically changed over the past 20 years. Many organisations have been discredited for their administrative and funding practices. There has been widescale accusations of racial, sexual abuse and discrimination. There is growing recognition of the impacts of mental health in sports and a commitment to stopping mental health discrimination. The UK has witnessed governance failures at some of its most high-profile and well known organisations. Consequently the Government has put forward regulatory frameworks.
14. The UK Government Sport's Strategy 'Sporting Future' was launched in 2015 to increase opportunities for a wider range of organisations to receive public funding but was set against much stricter governance requirements for those organisations in receipt of public funding. In 2016 Sport England and UK Sport published A Code for Sports Governance and the Sport & Recreation Alliance refreshed their Code in publishing The Principles of Good Governance for Sport and Recreation. While the subject focus may have been perceived as constraining, the point of good governance is that by putting frameworks in place, organisations are better able to achieve long term success and create value for its stakeholders.

FINDINGS

GOOD GOVERNANCE: A FRAMEWORK

15. The starting point for a governance framework is to have an organisational structure with clear roles, goals and reporting lines. This enables better decision making, accountability and responsibility. This should apply at all levels of an organisation. Within CSSC, the governance framework includes

Departmental Associations (DAs), Regions, Areas, Sports and Recreational Bodies (SRBs), National Organisers as well as the Board and Committee structures. All Areas, SRB's and most DAs are affiliated to CSSC. A balance of the skills distributed over the appropriate roles improves decision making, provides checks on power and ensures the proper balance of skills and experience.

16. A good governance framework consists of four parts:
    a. **Structure** – the organisation design and reporting structure, committee structure, their function and interdependencies.
    b. **Board oversight** and responsibilities, accountabilities and levels of authority.
    c. **Talent and culture** – the behaviours, activities and experience around the identification, appointment, management and development of the people in the governance framework.
    d. **Infrastructure** – policies, procedures reports, measures, KPIs, management capabilities, enablers, and drivers such as IT.

Table 1: Governance Operating Model: Source Deloitte

17. A study by GMI Ratings (2014) for the Wall Street Journal, reported that smaller boards had an average of 9.5 members. Larger boards 14 and the average **board size** was 11.2. Smaller boards were considered to regularly outperform larger boards, with 5-7 board members considered ideal. Factors determining the size of the board include:
    a. Diversity: how large (or small) does the board need to be to include a range of representative backgrounds and perspectives?
    b. Independence: How many directors does the board need to operate with autonomy?
    c. Functions: What business areas will the board be responsible for and how many directors do they need to cover these effectively?
    d. Skills, talents, abilities, areas of expertise: Which skills, abilities or experiences should be represented on the board?
    e. Representational/Regulatory requirements: Does the organisation or industry regulations have any specialist requirements for board directors?
18. Overall, the benefits of smaller boards include greater responsibility and accountability, less time in discussion and faster decision making. They are more likely to identify and act on poor performance,

have more time to tackle issues in greater detail and less chance of groupthink. There were few downsides of having smaller boards e.g. more work on individual directors and less room for the level of diversity required.

19. In pursuing its purpose, The Institute of Directors (IOD) state that the Board faces a uniquely demanding set of **responsibilities** which can sometimes seem contradictory. The Board:
    a. must simultaneously be entrepreneurial and drive the business forward while keeping it under prudent control.
    b. is required to be sufficiently knowledgeable about the workings of the company to be answerable for its actions, yet able to stand back from the day-to-day management of the company and retain an objective, longer-term view.
    c. must be sensitive to the pressures of short-term issues and yet take account of broader, long-term trends.
    d. must be knowledgeable about 'local issues' and yet be aware of potential or actual wider competitive influences.
    e. is expected to be focused on the commercial needs of its business while acting responsibly towards its employees, business partners and society as a whole.
20. The IOD has defined wide-ranging **competencies** required for effective leadership at Board level. These include experience of finance and business strategy, decision-making and strategic thinking, IT and digital, communication, analysis and use of information, leadership and stakeholder relations and other specific business-related areas i.e. property management.

GOOD GOVERNANCE: KEY PRINCIPLES

21. Principles are beliefs which govern behaviour. The major **principles** found to characterise good governance are:
    - accountability
    - leadership capabilities
    - strategic skills and capabilities
    - meeting stakeholder needs
    - a relevant strategy and business model aligned to its purpose
    - a well-balanced, diverse and functional board
    - evaluation of board performance based on clear and relevant objectives and continuous improvement
    - effective risk management
    - a culture based on ethical values and structures and processes that support good decision making.

TOP COMPANIES FOR GOOD GOVERNANCE

22. It was difficult to compare CSSC to another organisation for governance purposes. **There is no immediate comparator**. The National Trust are considered to have exemplar governance arrangements. They have a board with eight Trustees, four of which are chosen by the National Trust and the other four are Member Nominated trustees (MNTs) and chosen by members. Member

representation at board level is becoming increasingly common particularly within voluntary and community organisations. In theory, this approach ensures that the Board's decisions reflect the will of stakeholders, and the Board are accountable for its actions to the stakeholders.

23. The Scouts Good Governance Code also exemplifies the core principles indicated in the diagram below. They have a robust framework based on their strategic vision and plan, board effectiveness, efficiency and sound policies and procedures.

Table 2: The Scouts Governance Principles

24. Organisations such as schools, which are subject to external audit by Ofsted, were found to have exemplar governance policies. The majority have adopted the National Governance Association **Governance Code** which has a robust framework.
25. Merlin Entertainment, Royal Mail and the National Grid were all identified by the IOD as companies with exemplar governance frameworks (Good Governance Report 2018).
26. Royal Mail have adopted the UK Corporate Governance Code. This includes an annual board evaluation with director development and induction supplemented by visits to key business locations and meetings with key personnel. Independent non-executive directors are encouraged. Their Board promotes diversity in its broadest sense, including education, skills, age, gender, social and ethnic diversity. It is recognised that a diverse Board with different backgrounds and viewpoints in decision-making ultimately benefits the Group's stakeholders through better business performance. This is backed-up by a Board Diversity Policy with key objectives, monitoring and reporting. Their equivalent of CSSCs Appointments Committee annually reviews the impact and application of the Diversity Policy and report on the progress made by the Board towards achieving its objectives.
27. A governance code or framework helps the Board get a sense of how well they are governing; whether they have an organisational structure with clear roles, goals and reporting lines which enables better decision making, accountability and responsibility. Currently, CSSC does not have a Governance Code and is not obliged to adopt any formal governance arrangement. CSSC is registered with the Financial Conduct Authority, however this is purely a registering body interested in whether it is meeting its legal requirements for registration. It does not give feedback on CSSC governance arrangements. Consequently, the Board is not accountable to any independent external evaluation that identifies what needs to improve.
28. In conclusion, evidence from other organisations and businesses suggests that CSSC will benefit from adopting a Governance Code to provide structure to Board business and guide the development and implementation of good governing practices.

CSSC CONSULTATION MEETINGS – KEY THEMES

29. WHAT'S WORKING WELL

a. The current strategic leadership capability provided by the Chair and Vice Chairs.
b. Elements of the current Committee Structure i.e. Resources Committee, Sports & Leisure and Volunteer Committees are working well e.g. policy setting and the level of oversight provided.
c. The most recent board election process generated a good number of candidates from diverse backgrounds.
d. The number of enthusiastic and passionate elected board members who possess a varied range of skills and experience. They are open to change, recognise the lack of board diversity and are committed to developing strength in the board and a sound governance framework.

30. AREAS FOR DEVELOPMENT

a. **Organisational Structure**

I. Civil Service departments are being centralised into regional hubs with a large concentration of employees in one geographic location or area. The hubs are part of a new hybrid working policy that also offers efficiency in estate management. Local Authorities and public sector departments are also spread geographically throughout the UK. It follows that the CSSC governance and operational structure must reflect the external operating environment.

II. A need to simplify CSSC's complex organisational structure which is a mixture of a functional (i.e. the Board, Executive Team, Staff, Volunteer, Employers and DAs) and matrix structure (i.e. geographic and product based) e.g. Areas, Regions, National Organisers, SRBs.

b. **Measuring Impact, Accountability, Funding and Reporting**

I. Systems to be put in place to enable the Board to measure organisational impact.

II. The need for greater accountability and management of affiliate organisations including:

- The need to update the constitutions of affiliates e.g. AAs, DAs to establish and ensure good governance.
- Systems to be put in place to ensure due diligence prior to funding of affiliates, organisations and members e.g. money is spent in the way agreed and will deliver the impact described in the application.

c. **Role and Responsibilities**

I. There are two contrasting views about the role of board members and the required skills, knowledge and experience to fulfil the role. The first view is that a '**functional board**' is needed with the skills and strategic capabilities to lead the organisation. They should have experience of leadership and board-level decision making, broad experience of good governance and overall they should have knowledge and experience of key business areas. The second view is that board members should be drawn from the existing affiliate structure. They should have prior knowledge of CSSC and preferably experience of volunteering within an Area, Region, Departmental Association, Sport & Recreational Body or as a sports organiser. Their primary role is to **represent** their affiliate or area of interest. Clear definition of a Board member's primary responsibility needs to be agreed.

II. Overall, there is agreement that board members should act in the 'best interests' of CSSC and its members. There should be representation from different **backgrounds** and perspectives and must have a strong **passion** for CSSC.

III. However, the type of board required has not been made clear e.g. functional, representative and striving to become diverse. Also, the role of board member has never been defined, and the level of knowledge, skills and experience needs to be agreed. Consequently, the existing board structure does not deliver an appropriate balance of skills and experience.

IV. There is an electoral college that has one vote in respect of each board vacancy. However, there is no visible or transparent consultation with the membership prior to the vote being cast. This suggests that the board composition is not 'representative' of member[1] interests.

V. In the future there is a need to ensure that Board members clearly understand their roles and responsibilities and the key skills needed to operate at the Board level and that these requirements form part of selecting, appointment and governance arrangements. The CSSC Board needs the right balance between elected and appointed Board members.

VI. To review the role and purpose of the Sub-Committees (e.g. the Discipline and Complaints Committee) to enable more flexibility and with Committees aligned to the challenges facing CSSC.

d. The Election Process

I. The voting process displays a form of nepotism and fails to elect members based on meritocracy or specific skills.

II. Ensuring talent is secured from the widest possible pool of skills, expertise and diversity.

e. **Board Composition, Effectiveness, Diversity and Evaluation**

I. The need to fill specific capability gaps in the skills and experience of the board e.g. finance, marketing, property management, digital skills to ensure the board has the very best balance of skills and experience to ensure it achieves its strategic objectives.

II. The strategic and leadership understanding and capacity of the board.

III. Ensuring that board members are recognised for their skills and capabilities.

IV. The need to bring in representatives who can bring experience and a fresh perspective from outside CSSC.

V. Board evaluation, succession planning and tenure - ensuring the current board is refreshed as CSSC develops and confronts new opportunities and challenges.

f. Affiliate Structure and Governance

I. Ensure each voting member has one vote in respect of each board vacancy and not multiple votes if they have more than one CSSC Officer role.

II. The need to address the Conflict of Interest problem arising from a single individual holding multiple Officer Appointments. It has not been made clear that board members, however they are appointed, cannot sit in an executive role in any other element of the CSSC governance structure and that their focus is to be on CSSC Main Board business.

[1] A member is considered to be a customer of CSSC activities, services or savings and is not a volunteer or in any other CSSC role.

III. The need to improve and simplify the partnership working with existing affiliates and member organisations to review other forms of partnership working.

IV. To ensure there is a consistent governance framework across the entire organisation with clear roles, reporting lines, decision making, accountability and responsibility e.g. at regional and local level.

31. **OTHER AREAS OF CONSIDERATION**

I. A number of questions were posed about the type of organisation CSSC is and how it is defined? CSSC is a not-for-profit, commercial organisation that is member-led. There is the need to balance speedy and informed commercial and operational decisions with a heavily weighted electoral college. The key question is, does our governance document reflect how we want to practice governance in light of the new strategic direction and the need to be commercially minded?

II. The merits of registering with HMRC as a charitable organisation were reviewed. Legal advice was sought from our constitutional lawyers, Bates Wells. The advice is that CSSC is unlikely to qualify as a charitable organisation because not all of our activities further a charitable purpose.

III. The merits of other types of legal form were briefly discussed such as a Community Interest Company which is a non-charitable limited company, which exists to benefit a community. From a governance perspective, the legal advice was that changing the legal status would involve a large amount of legal work to achieve any transition with no identifiable benefit to CSSC.

SUMMARY

32. CSSC is at a pivotal time in its history. Having celebrated its 100-year anniversary it finds itself having to compete in a **volatile, uncertain and complex membership and commercial environment**. Whilst CSSC is in a good position, the demands of modern commercial management, with a complex operating structure are more ambiguous and challenging. Making decisions requires courage, experience, awareness and a willingness to learn from mistakes. There is a need to become more commercial, generate income, balance costs against benefits and risks against rewards.

33. The standards of good governance required of CSSC are clear and no different to those seen in other sectors. Well-governed organisations have **a Governance Code** which acts as a tool that help boards quickly get a sense of how well they are governing and fulfilling their roles. Well-governed organisations have the **organisational structure** with the skills and **capabilities** in their people at the top to deliver their strategic goals. The organisational capacity and capabilities are secured by drawing from the widest possible pool of talent with the skills, expertise and diversity required. Board **evaluation**, succession planning, and tenure are important to ensure the board is refreshed and evolving as the company develops and seeks new opportunities . The need to **balance the interests of stakeholders** with the professional skills and strategic capabilities needed at Board level is of

utmost importance. Good governance is responsive to the present and future needs of the organisation, exercises prudence in policy-setting and decision-making, and ensures that the best interests of all stakeholders are considered.

34. At the September 2020 Board meeting and following a partial Governance Review, it was agreed that a full Governance Review was appropriate. Now is an opportune time to ensure CSSC has a governance framework that is fit for the future. To succeed, CSSC must continuously renew the link between what we do, and the needs and interests of the stakeholders that we serve. We must ensure that we are providing the services needed, that are valued by our members and stakeholders and in ways that are consistent with their core values and principles. As we serve our members, governance must involve making judgments about how well or poorly we are doing, and then making choices about how we can be more effective.

CONCLUSION

35. In order to be responsive to the present and future needs of the organisation, three **key priority areas** have been highlighted which will enable a more balanced board, to achieve effective decision making, based on a breadth of views and good standards of governance:
    - **Accountability**
    - **Board Representation and Diversity, and**
    - **Leadership, Skills and Experience**
36. **Accountability**
    a. Voluntarily adopt a Code of Governance e.g. the Principles of Good Governance for Sport and Recreation by the Sport & Recreation Alliance. Ensure measures implemented are proportionate and manageable and make a positive impact (**see Appendix B).**
    b. Consider publishing a Corporate Governance report in the Annual Report following adoption of a Code of Governance.
    c. Ensure the Board is supplied with clear and sufficient management information to support informed decision making.
    d. Change the board structure and composition (i.e. the board size of **no more than 12** members in total), to ensure the right experience and talent is available at the Board level, enable effective collaboration, accountability, ownership and decision making.
    e. Change the rules on how conflicts of interest are managed so that Board Members **must not** hold any other or multiple Officer Appointments throughout CSSC.
    f. Review the Affiliate governance and structure (Regions, Areas, DAs, SRBs). Ensure there is a good governance framework and organisational structure in place with clear roles, goals and reporting lines. This will enable better decision making, accountability and responsibility at all levels of CSSCs governance structure.
37. **Board Representation and Diversity**
    a. Widen the role and scope of the Appointments Committee to assist with the election process and diversity objectives.

b. Adjust the Board Election process to i) ensure each member of the electorate has just one vote in respect of each board vacancy and not multiple votes if they have more than one role and ii) ensure the Board is well balanced with the appropriate mix of skills, experience, independence and knowledge to enable responsibilities to be conducted appropriately.
c. Maintain the influence of stakeholder groups (and representation) at Board level whether by the formation of a revised electoral process, an advisory group or directly appointed.
d. Introduce 'Member Representation' onto the Board structure.
e. Continue targeted recruitment, including the use of specialist external agencies to address gaps in experience and diversity.
f. Develop a Board Diversity Policy to provide visibility and transparency concerning objectives, actions and outcomes.
g. Reduce the term of appointments to ensure the Board is refreshed as new opportunities and challenges are presented.
h. Review the sub-committee structure to provide flexibility and alignment with the current challenges.

38. **Leadership, Skills and Experience**

a. Improve the level of **strategic and commercial capabilities** at board level.
b. Conduct a regular **skills audit** to understand the skills gaps against current and future strategic needs and capabilities.
c. Develop a **list of qualities and experience** regarded as essential or important for Board and Committee roles. Ensure these requirements form part of governance selection.
d. Widen the scope of the Appointments Committee to lead an **annual board evaluation**, and individual board assessments which should be developmental and positive.
e. Offer **robust induction and development** of new and existing Board members including regular visits to meet key personnel.
f. Increase the number of Executive Directors that form part of the Executive Team to provide support to the Board.

RECOMMENDATIONS

39. The Board is requested to:

a. **Note** the overall areas for development (see section 30).
b. **Appoint** a **Working Group** (WG) with delegated authority from the Board to oversee the Governance Change process. Led by the Head of Strategic Insight (to build on the work already started), two board members and an external support representative with experience of Board Governance. Supported by our Constitutional Lawyer. This would enable **independent, external, expert input** and support.
c. **Acknowledge** that there should be a focus on the **three priority areas** i.e. accountability, board representation and diversity, and leadership, skills and experience.
d. **Agree 'in principle'** the rationale for change in the **three priority areas**.

e. **Agree** a programme of change for implementation over the next five years based on the recommendations made in sections 36 – 38.

f. **Acknowledge** that a Board member potentially has a conflict of interest if they fill multiple Officer appointments at different levels of the CSSC Governance structure.

g. **Agree** that a Board member:

   i. should not be permitted to hold another Officer appointment either within an affiliate, on a regional board or as a national organiser:

   ii. and that until the Rules are changed to enforce this, Board members shall voluntarily resign any other posts within CSSC within 24 months and Board Election 2023 candidates, upon appointment to the Main Board.

h. **Agree** to promote and adopt the principles of ED&I by committing to:

   i. pursue diversity on merit within Board roles; and

   ii. appoint an ED&I representative to the Main Board by 2023 AGM.

i. **Agree** to draw up criteria to be applied in assessing candidates for election to the Board in 2023, after consulting with the Appointments Committee.

j. **Agree** to a Mandate of Governance Change to implement the recommendations made in sections 36-38 which will be put to the 2023 AGM.

40. The appendices provide an overview of the recommendations and a copy of the Principles of Good Governance by the Sport & Recreation Alliance.