

COMMITTING TO GOOD GOVERNANCE

JANUARY 2019



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COMMITTING TO GOOD GOVERNANCE

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Acknowledgements

The Sport and Recreation Alliance would like to thank the following for their input, support and expertise in the development of this report:

- Richard Tacon, Lecturer in Management, Birkbeck
 - Dr Geoff Walters, Head of Department, Birkbeck
 - Gareth Parry, Sport Governance Consultant, Former Governance Lead at Sport Wales
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1. Foreword

At a time when organisations in every sector in the UK and abroad are under increased levels of public scrutiny we believe we can be confident that the sport and recreation sector in this country has responded well to the challenges this scrutiny has brought.

In saying this, we are not complacent, but we are also not ashamed to celebrate the progress that has been made by many of our members at the Sport and Recreation Alliance.

The two years since the publication of *A Code for Sports Governance* (the Code) have been marked by an inevitable focus on the governance of the sport and recreation sector and compliance with Sport England and UK Sport's new requirements.

This report marks an opportunity to look back over recent years, including but not limited to the time since the Code was introduced, to acknowledge the need for continued work in this area, but importantly to celebrate successes and the health of our sector's governance. We will also look forward with confidence to what we can do together to continue to drive improvements.

Our interest at the Alliance extends back far beyond the publication of the Code – with our own *Voluntary Code of Good Governance* (the Voluntary Code) published in 2011 – designed to improve the governance of our members and the sector.

More recently, we launched *The Principles of Good Governance for Sport and Recreation* (the Principles). We did this for several reasons: first, the application of the Code is far narrower than the huge breadth of our membership and the wider sector. Second, the Principles provide a useful stepping stone for organisations seeking to comply with the Code for funding or other reasons. Finally, and perhaps most importantly, we believe in the Principles because good governance makes good business sense. Creating an environment where business leaders can routinely make the best decisions goes far beyond compliance.

While the Code will continue to play a very important role in driving governance improvements, we will also continue with our wider and deeper interest in championing good practice within sport and recreation and in improving the essence of how sport is governed.

Speculating about future requirements and trends is not without its dangers, but we have taken this opportunity to highlight what we feel is a possible direction of travel. My contact with our members and the wider sector has shown a real demonstration of the high level of commitment to good governance that they have made as well as a high level of compliance with current regulatory requirements. Where I feel the greatest opportunities for future development may lie are in the cultural and behavioural elements of good governance and embracing the need to be well governed and the report highlights learning from our work in this area with Sport Wales.

The report also highlights other future issues – which include the need to make more progress towards diverse boards, making governance improvements sustainable and the challenges and potential pitfalls associated with driving governance changes down to the club, grassroots, local and community levels. I am not convinced that the arguments for good governance and the understanding of its importance are, as yet, well enough understood at the regional and local levels of our members and it will be a challenge for the Alliance and for the boards of our members to address this.

I hope you find this report useful as we look forward to continuing to support our members and our sector in the years ahead.

Andrew Moss, Chairman, Sport and Recreation Alliance

2. Introduction

This report reviews and explains the governance commitment made by the sport and recreation sector in recent years. It seeks to celebrate the success to date, highlight areas where work is ongoing and stimulate debate about the challenges ahead.

The report looks in detail at the commitment made by national governing bodies (NGBs) since the introduction of the Code by UK Sport and Sport England. It also examines the impact of the Principles, a resource published by the Sport and Recreation Alliance in spring 2017. We will scrutinize how the governance landscape has evolved, influenced and been supported by the requirements and guidance of both publications.

Governance and its direct influence on boards cannot be always accurately quantified but qualitative assessments can be helpful in determining the evolution of governance in the sector. The Alliance has been active in the governance space since the launch of the *Voluntary Code of Good Governance* in 2011, the predecessor to the Principles.

Home country sport councils subsequently developed their own governance requirements for their funded organisations reinforcing the standards set out in the Voluntary Code. Although both funded and non-funded organisations adopted governance principles in various forms, the sector had no common framework to follow and lacked consistency.

During 2015 several sport organisations came under scrutiny as media reports focused on suspected corruption and betting allegations. This increased the focus on existing governance standards and highlighted the requirement for those in charge of organisations – and in particular boards – to demonstrate a higher level of accountability. This was particularly the case for sport organisations in receipt of government funding.

As a response to these concerns *A Code for Sports Governance* was launched in October 2016 with the requirement that organisations in receipt of public funding comply with a set of governance requirements as a condition of receiving that funding.

Following the publication of the Code, compliance was high on the agenda for these boards. Although many sport organisations had maintained a good level of governance in the past, it was the case that the sector lacked consistency or a platform to disclose accountability and compliance. Introducing the Code has brought consistency around governance practices.

While this level of standardisation is good for organisations that receive public funding, non-funded organisations, who are the significant majority of members of the Alliance, still require a base code to develop their governance. The Alliance developed *The Principles* as a tool to help all organisations, regardless of their funding status, implement governance best practice.

3. Governance: a commitment by the sector

3.1 Impact of A Code for Sports Governance

Before we reflect on the impact the Code has had on sport organisations it is worth noting that the Code was only implemented at the end of 2016 and is therefore still relatively new. Many sport organisations have been spending time and resources changing statutes and internal processes to comply with the Code. It is consequently difficult to assess its medium or long-term impact, but we can examine the changes in process and behaviour which we've seen over the past couple of years.

All 57 funded NGBs are currently fully compliant with the Code. This has required significant reform for many of these organisations but in all cases the board is now the ultimate decision-making body. Councils cannot override the board; council members and directors are now subject to term limits; boards cannot exceed 12 members; all organisations have 30% of each gender on the board; and at least 25% of the board must be independent non-executive directors (INEDs).

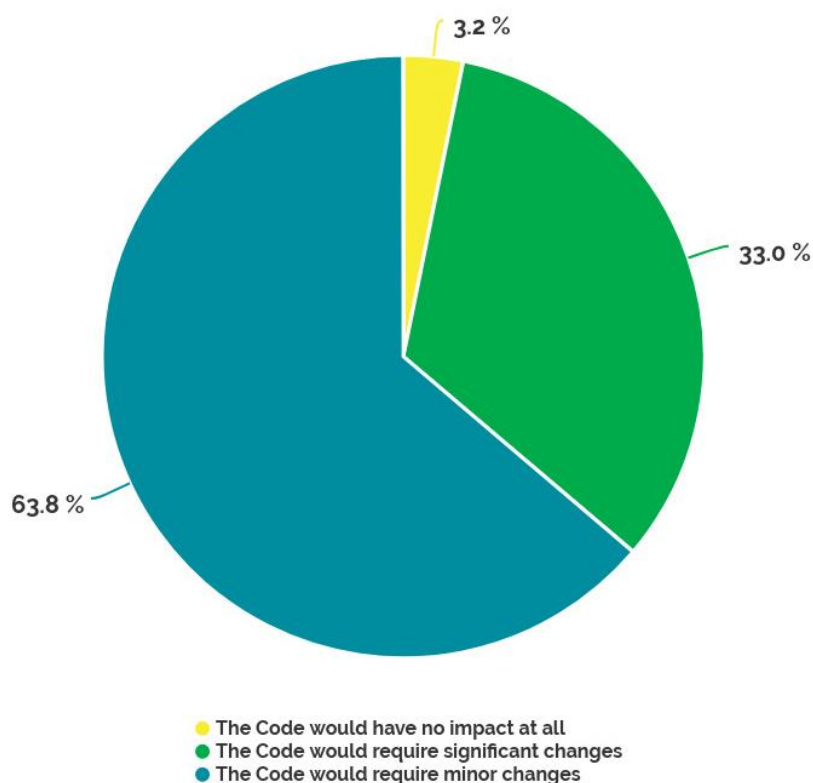
Organisations are now required to report on how they comply with the Code, which while challenging for some, also provided the opportunity to overhaul existing practices. The requirements of the Code means that the funded part of the sector is now adhering to UK corporate governance standards; board sizes are proportionate to their structure; and boards will accept independent directors and chairs.

Two recent studies by Birkbeck Sport Business Centre have sought to understand the impact of the Code through board member perceptions. The first project, undertaken in partnership with Moore Stephens, analyses the Code requirements, based on the input of 102 individual board members from 56 organisations.

The second piece of work, undertaken by a postgraduate student in the summer of 2018, focused on how NGB board members perceived the Code and the changes that their organisations had been required to make to become compliant. 16 senior executives of NGBs, including chairs, chief executives and independent non-executive directors were interviewed.

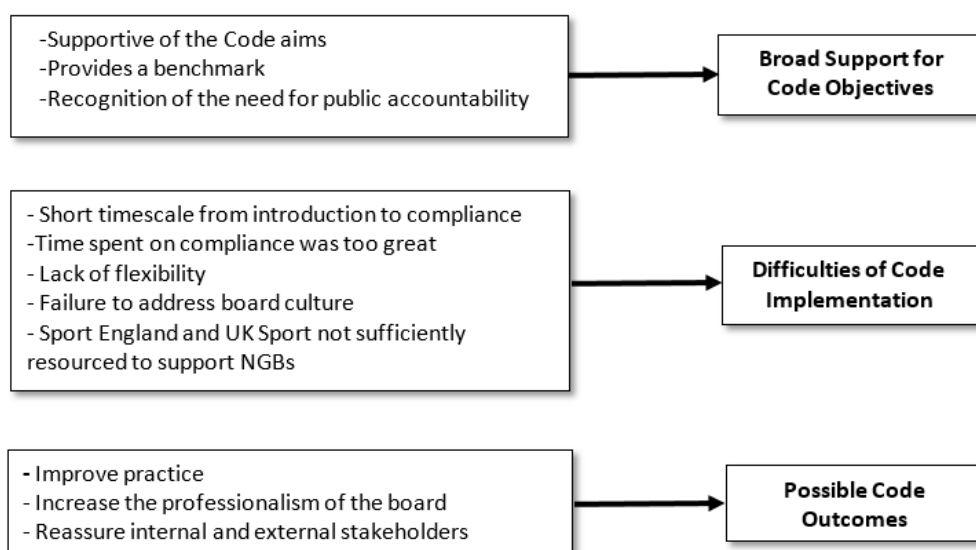
The first project found that 92% of respondents were aware of the Code. Of these, the majority felt that the Code would impact upon their organisation with 64% stating it would require minor changes and 33% believing it would require major changes (see chart below).

Board member perceptions on the impact of the Code for Sports Governance



For this report, we used the information from both Birkbeck studies to provide an overall picture of how board members perceive the Code. The analysis revealed 11 key issues, which are grouped into three overarching themes, namely 'broad support for Code objectives', 'difficulties of Code implementation' and 'possible Code outcomes'.

A Code for Sport Governance: Key themes



Broad support for Code objectives

The first theme relates to the broad aims and objectives of the Code. Analysis of the survey data and the interviews show that board members support the aims of the Code (i.e. to improve governance standards). The more general support for the Code objectives is perhaps linked to the fact that some board members believe it provides a benchmark for boards and a measurable framework for them to assess the extent to which they are adhering to best practice: *'The Code is a framework that will ensure consistency within sports governance. It is a simple and practical set of rules that make common sense when applied'*.

Several directors also mentioned the consistency across the sport sector which perhaps reflects that with this Code, sport organisations have one key document they can draw on. Interviewees also acknowledged and respected the need for their organisations to demonstrate public accountability and that the Code was another way for this to happen. One board member referenced a benefit of the Code being that it provides *'transparency and accountability given significant public funding'*.

There was little criticism of the general objectives of the Code. Instead board members accept the need to comply with it to achieve funding which enables them to deliver on the mission of their organisation.

Difficulties of Code implementation

The issues within this theme are focused on the changes that boards and organisations have had to make since the Code was launched. Mostly, the responses here were critical of the process and relate to the challenges that boards have faced in implementing the Code. The first issue is that the timescale from introducing the Code in October 2016, to complying in March 2017, was too short: *'It was introduced very quickly.... first there was no code and then there was a code and then the Code had to be implemented by a specific date and I don't really think planners at DCMS gave the sports sufficient time to manage the process'*.

These concerns have been borne out through a number of contacts with Alliance members and the extremely quick timescales carried a significant risk of quick compliance being valued over substantive change.

Related to this point is that board members felt they have had to spend a disproportionate amount of time on complying with the Code. This is understandable, given the timescale for compliance, but was also felt to have taken time away from other important issues facing sports. Another respondent to the survey stated that *'It seems like we are required to spend a significant amount of board and exec time on governance for the Code's sake, rather than to support and develop the sport'*.

It is to be hoped that this concern becomes somewhat less prominent, with the sector embracing and embedding good practice in future and not having to rapidly, and in some cases retrospectively, make significant changes to governance.

A further issue was the perceived lack of flexibility and that the Code is too prescriptive. Several boards expressed concern that the 'one size fits all' approach lacks flexibility and the mandatory nature of the Code is problematic. Several respondents suggested the Code should be broader to allow freedom and creativity and to avoid unintended consequences. One director commented, *'I understand why they've done it, and why they've done it the way they have. I think the difficulty is around the lack of flexibility. So, for example, they have a requirement for a nominations committee which must include the chair and must have a majority of independent directors, but circumstances could mean you end up with a nominations committee that doesn't have any member input.'*

Balancing a positive push for greater independence in decision making whilst retaining a genuine and meaningful connection to members has remained challenging for many organisations in the sector.

Other individuals identified that implementing the Code does not address board culture with a suggestion that that *'there is a danger of conforming to a template without improving underlying culture and values.'*

The final issue related to Code implementation was that individuals felt that Sport England and UK Sport lacked the resources to support NGBs. Criticism focused on the lack of guidance and support in relation to interpreting the Code and the poor quality of external support to enable compliance. This is coupled with a concern about duplication of support offered from sports councils and others, including by the Alliance.

However, these criticisms were underpinned by a belief that the two organisations (UK Sport and Sport England) did not have the resources to provide this support: *'I don't think UK Sport had the infrastructure to help those sports that needed it the most, and it almost became sports helping sports'*. There is also a view that collaboration between UK Sport and Sport England could be better and that greater cooperation should be facilitated among all NGBs, providing valuable support to each other and that the Sport and Recreation Alliance can play a valuable role in continuing to help with this.

Possible Code outcomes

The issues identified around Code outcomes reflect what board members feel will be the longer-term benefits of the Code. Board members believe the Code will improve practice through providing guidelines for the board to follow and in some cases, provide the stimulus for the board to conduct an internal governance review. As one director stated, *'It provides a focus on governance we may not have otherwise had, leading to improved governance'*.

The consensus is that the Code will increase the professionalism of boards. It was also felt that it is moving sport organisations towards a more business-like approach. For example, one respondent said, *'The Code is of huge benefit in attracting independent directors to sport who are professional business people that know how a well-led company and board should operate'*. This was supported by one survey respondent who stated that *'For too long some sports organisations have operated as an 'old boys club' - the new Code brings transparency and accountability'*. However, the move towards recruiting more independent board directors was also expressed as a weakness: *'there is a sense that control is moving away from the members/volunteers to external bodies/individuals with no background in the sport'*.

Board members also believe the Code will reassure internal and external stakeholders of the transparency and accountability of the organisation, *'It enables us to show our stakeholders we are aligned to 'good practice''*. This is critical given that many sport organisations are trying to increase commercial income and being able to demonstrate that the organisation is adhering to good governance standards through the Code is a way to reassure potential sponsors and commercial partners.

One final area of consideration is the need to balance compliance with commitment and ensuring that Sport England and UK Sport do not become unduly focused on 'tick box' compliance at the expense of driving real and lasting change.

3.2 Impact of the Principles of Good Governance

We introduced *The Voluntary Code of Good Governance for Sport and Recreation* in 2011; a flagship governance code in the sport and recreation sector. Since then, we have developed the Voluntary Code twice and revised it into its current form, *The Principles of Good Governance for Sport and Recreation*.

While the core principles have remained consistent throughout its revisions, the content is now more tangible and includes guidance around ‘board behaviours’ and how to implement the Principles.

We’ve also developed an online benchmarking tool to help organisations sign up and build on the number of signatories pledging their commitment to good governance. The tool is an online assessment providing organisations with an oversight on their governance practices against the Principles recommendations. We developed this to help potential signatories gain a deeper understanding of their governance and promote the potential, positive impact of adopting the Principles. To date, 35 organisations have signed up to the Principles and we plan to evidence their success through a series of case studies.

Other support we provide in relation to the Principles has also become more widespread. We have established and continually built on numerous governance support services for the benefit of our members and the wider sector. Our Governance Training Programme offers organisations a variety of engaging workshops, including Director, and Unconscious Bias training, and is delivered year-round by sector experts.

We also provide extensive ‘in-house’ support to members, including one-to-one consultancy, topical webinars and up to date governance resources. Offering these over various channels has meant our support offer is more accessible and flexible.

The Voluntary Code was one of the main governance Code’s introduced in the sector and the home nations slowly followed suit, developing their own frameworks. By 2016, over 100 organisations had signed up to the Voluntary Code, driving significant governance improvements among both funded and non-funded organisations. The Alliance’s focus was on improving governance standards, as well as educating the sector on the importance and benefits of sound governance.

Following the launch of the Principles, we consulted with over 30 organisations on governance advice and support. This included large organisations such as the RFU and smaller ones such as Margaret Morris Movement International. Training and workshops are also a very important part of our service offering and we delivered a total of 11 workshops to more than 150 directors in 2018. To cater to as many organisations and individuals as possible our training and workshops are delivered in both a classroom setting and also online. As we recognise the financial challenges facing the sector, we design our training programmes to be cost effective – our webinars are free for our members and workshops are heavily discounted.

3.3 Importance of behaviour

Learnings from Wales

Governance structure, culture and behaviours are viewed as three important aspects of governance. Much of the work on governance over the years has focused more on the structure, policies and procedures of organisations, but it would be very hard for anyone to find a recent sports governance scandal that wasn’t ultimately down to an individual/collective’s choice and behaviour. The Governance and Leadership Framework for Wales (GLFW) which is a modified version of the Sport and Recreation Alliance’s *Voluntary Code of Good Governance*, was the first of its kind in Europe to explicitly reference expected behaviours of board members, and directly focus on “soft” governance.

Since the launch of GLFW in 2015, there has been a big focus on improving governance structures and behavioural governance within the sector. The sport sector in Wales has come a long way over the last four years and an informal governance network has been established between many of the NGBs to continue the drive towards improved governance.

There have been considerable improvements especially around Principle 4 of the GLFW “Skilled, Diverse and Balanced Boards”, with NGBs in Wales making excellent skills-based appointments over the last few years while also addressing gender inequality. Examples of training undertaken show the desire for further improvement within the sector, and there is a need to keep the momentum going using newly established governance advocates to not only consolidate governance as a day-to-day activity embedded into organisations but also to aspire to become leading examples of well-run, well-led organisations with ethical leadership and decision-making processes. Many NGBs now have effective structures in place, with the right people working within the right structures, mainly because of the support and training offered to the sector.

One of the biggest challenges, not just in Wales but across the sector, and most important in improving the culture within sports organisations is not creating over-bureaucratic and unrealistic demands on administrators. There are already complaints of them being over-worked, with governance seen as something else that stifles the development of sport, and this is especially the case for boards as most positions are filled by volunteers. The current sporting landscape is also becoming more commercial which brings with it additional partners and compliance. Therefore, the first challenge is to create systems/suggestions that are realistic, achievable and not too burdensome. Those organisations who understand the benefit of good governance will no longer see “governance” as an extra thing to do, but as a crucial element of their day-to-day work.

It takes considerable time to change culture. For Welsh NGBs, a review of culture started with boards filling in a behavioural questionnaire. This resulted in boards discussing behavioural governance in their meetings and allowed directors to voice their opinions and differences. Once the discussions about ‘soft’ governance began, boards saw improvements around boardroom behaviour and culture which resulted from further training and/or making relevant changes to their policies.

Areas for improvement

Although a lot of progress has been made since the introduction of GLFW there is also a lot of learning which has come out of delivery of the programme which will help organisations, both in Wales and beyond, further embed good governance into their DNA to help develop high performing organisations.

- ***Establishing the Culture***

Understanding the organisation’s own culture is important and time should be taken to consider the current culture of the organisation as well as what it ought to be. This exercise should include all of the organisation’s key stakeholders. It should also be communicated that the same culture is expected of the board as the wider organisation. This should be recorded, shared and embedded within the organisation.

- ***Recruitment***

Recruiting knowledgeable, values driven and ethical people into sports organisations is imperative. Interview and recruitment processes should have a clear focus on culture and behaviours, using scenarios and competency-based questions. If time allows, having more than one interview, including an informal chat in a more informal setting would be beneficial.

To nurture professional relationships, key appointments should not be rushed as once a person has been appointed it is much harder to remove them from the organisation. All key staff and board directors should undergo a “fit and proper persons test” before starting any duties and then should be supported through an effective induction programme.

- ***Succession planning***

Once an organisation has been successful in recruiting the right people it is important that plans are put in place to keep these people as long as term limits permit and replace them with equally suitable candidates. To do this and maintain the positive culture within an organisation, good succession planning is essential, whereby key people do not leave at the same time, meaning there is always continuity, allowing the culture of the organisation to remain intact.

- ***Reviewing policies***

When reviewing their policies, organisations should consider whether there are any restrictions to allowing people to behave in an ethical/moral way. Are decision making and election processes suitable and democratic? What procedures are in place regarding engagement with all stakeholders and members? Do the statutes and by-laws of the organisation insist that key decisions and financial information is made available to the public following board meetings or annual general meetings? Are sanctions strong enough to deter individuals or a group of individuals from conducting illicit behaviour?

A prime example of this would be an organisations whistleblowing policy, and the support arrangements put in place for anyone willing to disclose illicit behaviour within an organisation. Other internal regulations that could help improve culture within an organisation include a Code of Ethics / Code of Conduct (preferably the organisation would also establish an independent Ethics Commission), Conflict of Interest policy, Disciplinary Regulations, and the Gifts and Hospitality policy.

3.4 The next generation

We published *Young Board Members* in partnership with the Youth Sport Trust in June 2018. The report built an awareness of the benefits of youth boards and encourages organisations to establish their own. When young people are empowered to act as decision makers in an organisation, this can contribute to objectivity, accountability, fresh perspectives and creativity.

The report provides tangible learnings and best practice and you can [read it here](#).

Our findings helped show the value of youth boards, regardless of organisational structure, including their strategic contribution and ability to develop talent pipelines. Moving forward, we at the Alliance will be working with our partners to deliver impactful activity around three core areas of activity:

1. Creating a Staff Forum

The Staff Forum will provide an online networking space for those working with current youth boards to engage with one another. We expect the forum to promote experiential learning and help to strengthen current engagement practices. The forum will be flexible, reactive and open to new members, and will help us monitor learning needs surrounding young stakeholder engagement.

2. National Networking Event

We are coordinating a one-day networking event with England Athletics in the summer of 2019 for youth board representatives to attend.

We expect that the event will gather members of youth board's and development officers from across the sector, providing a space for learning and sharing best practice. Core themes will focus on areas of

governance, leadership, engagement and participation on youth boards, while drawing upon current experiences from within the sector.

3. Youth Advisory Panel

In Spring 2019 we will announce the first cohort of our Youth Advisory Panel. This panel will represent a variety of young stakeholders, aged 16-23, who are engaged in leadership roles from within and outside of the sport sector.

Valerie Copenhagen, Head of Participation at UK Deaf Sport will work with the Alliance to help facilitate the panel's discussions. As the 'voice' of the sector, we want to emphasise the importance of the young persons 'voice' in our own work. The Youth Advisory Panel will help us achieve this through helping to inform our strategic objectives around children and young people and drive activation around our #RightToBeActive campaign.

4. Future challenges for boards

Governance is always evolving, and organisations should look to continually improve. Governance works best when people in positions of power are curious and committed about the future and how best to achieve their ambitions through being well run and inspirationally led. The question we are often asked is what will come next? Will it be a new quota, a list of requirements, new areas in which compliance will be monitored or a different emphasis or form of monitoring?

All of these things will probably become requirements of one kind or another in the years to come.

However, this question misses the point somewhat and we believe that the real questions for our members and the wider sector should be 'what can I do to make my organisation and my sport the best it can be? How can I embed inspirational leadership? What can I do to ensure that our culture is modern, inclusive and enabling growth to achieve our strategic goals?'

The ideal end point is one in which organisations are well ahead of any new requirements that come in, with compliance not seen as a backstop but a much greater sense of commitment to driving change coming from within.

Change and increasing expectations around governance are inevitable. Sport does not exist in a vacuum and the inescapable social, political and media pressure for greater transparency, greater inclusivity and accountability to members and the public as a default will all have consequences for us. Sport has done well to significantly improve its governance in recent years. We are a sector now leading the way in many respects, but we will not stay ahead without continuing to work hard.

The Code is likely to continue evolving and there are a few areas where we can expect to see specific change.

At the moment the Code has a requirement to have a minimum of 30% of both genders on all boards which in most cases has meant increasing the number of women on boards. This shift in the sports sector has been consistent with what has been happening in the wider environment and the success in achieving this target means that the sector is better placed than many others, including the wider corporate sector. To some extent it is perhaps time to become tired of having to continually make the case for gender diversity on boards. There is plenty of evidence, anecdotally and empirically, about the

benefit of better gender balance and many of our members have embraced this and worked hard to make their organisations more attractive and more welcoming to – usually – women.

Going forward we can expect to see more of an emphasis on gender parity which is an aspiration of the Code at the moment. However, any tougher targets will need to maintain a degree of flexibility because with a board of 10-12 members, a change in one appointment can mean a 7-12% shift in the gender balance of the board and if there are an uneven number of board members (either permanently or temporarily) then exact parity will not be possible. In addition, any new requirements would need to address how to manage individuals who do not identify with a specific gender for all or part of the time, which is a complex and sensitive area.

The only specific requirement in the code in relation to diversity is around gender. There is a requirement to “demonstrate a strong and public commitment to progressing towards achieving greater diversity generally on its Board, including, but not limited to, Black, Asian, minority ethnic (BAME) diversity, and disability” (A Code for Sports Governance, page 26). Beyond the words in the Code, there is a moral obligation and an obligation to the future sustainability and growth of the sector to look beyond those requirements. We want all of our members to be having regular, honest conversations at Board level and beyond about whether they are genuinely doing all that they can to promote diversity.

At the time the Code was published there was commentary about whether it should have been more prescriptive in other areas and whether an opportunity to progress change had been missed. This opens up the question of the role of quotas versus targets and there are compelling arguments for and against both. The challenge about setting specific targets or quotas for lots of different protected characteristics is in part related to the size of boards where there is a danger in having a long list of characteristics that have to be included within a relatively small number of people.

Building on themes reflected elsewhere in this report, we would suggest that it may be more impactful to have a focus on the process and approach of boards in relation to recruitment, rather than only judging the representation of legally defined protected characteristics in the resultant board. If an organisation is for example more transparent about the current make up of its board (and wider organisation), which actively seeks to reach out to a wide variety of communities and stakeholders, is able to demonstrate how it can change the way it operates to accommodate the needs of new members it is likely to become more attractive to a wider range of people and will then benefit from their knowledge and experience.

We know from discussions with our members that there is already a strong awareness and appreciation of the benefits of diversity (in its broadest sense) around the Board table. We need to ensure that future mandatory requirements do not create unintended consequences of focussing on specific measures which undermine the behavioural changes that are more important for longer terms sustainability. That said we also know that some of our members find it hard to turn their desire to further increase the diversity of their boards into practice.

We would welcome any efforts that the Sports Councils can make to provide practical support and guidance building on the planned investment that Sport England are making to build a pipeline of board ready candidates from more diverse backgrounds. We have also been pleased to support the work that our member Sporting Equals has been doing about upskilling potential BAME NEDs to make them Board ready. We need to continue to work hard to ensure that the sector is aware of and able to tap into the talent which exists across all of our communities and we hope that the development of our own ‘potential NED’ database will play a part in this. We do not underestimate challenges of addressing diversity issues and we are proud to play our part in working with colleagues from across the sector.

More broadly we can also expect future iterations of the Code to include a greater focus on requirements in relation to safeguarding, duty of care, organisational culture and mental health and wellbeing.

There will be numerous opportunities for organisations across the sector to develop world class governance practice and we'd expect to see several trends emerging in the coming years, including:

- A far better integration of governance into organisational strategic planning and an end to seeing governance as a siloed, standalone activity;
- For the sport sector more generally to take ownership of governance and pride in being the best, with a much more positive focus and tone;
- Greater involvement of younger people, participants, athletes and 'service users';
- For more creative practice around driving best practice in inclusion and stakeholder engagement;
- A move away from seeing a seat around the Board table as the only or the best way to influence and shape an organisation.

We know that many organisations recognise the need to take their member bodies and regional and local structures with them on the governance journey. This is important for a number of reasons including the fact that as member organisations many of them have member representation on their Boards, and so if they want to improve the diversity of the board as a whole, the diversity of the pipeline of potential member representatives is equally important as the ability to appoint candidates from diverse backgrounds.

However, our members also recognise that these bodies are themselves independent legal entities who can and should make their own decisions. They cannot (and should not) be able to compel them to act in a particular way and the task is therefore one of influence and persuasion rather than compulsion.

Despite the promotion of the wider benefits of improving governance, the introduction of the Code has in some sports become linked to the continuation of public funding, not least because the threat of withdrawing this funding is the biggest stick that the Sports Councils have to implement the requirements. Some of our members have reported that this has made it difficult to get their constituent bodies to see the value of the changes in themselves, and independent of the link to funding. They therefore have identified that making the case for change, in and of itself, has to be a first step. This again reinforces why the focus on commitment over compliance is so important and is another area where imposing a mandatory target or requirement on constituent bodies may not be a helpful future development.

5. Conclusions

The future of the way we organise, lead and run our organisations and our sector is for us to define. The Code and statutory requirements, with the Alliance's own Voluntary Code before it and now our Principles have all moved the sector on significantly in terms of its governance knowledge and practice. The next decade should be one defined by proactivity, leadership and being as serious about being world class in our governance as we are in our performance.

The sector has made significant progress in improving its awareness and implementation of governance standards. It is particularly pleasing to hear organisations talk about their commitment to governance and their wish to deepen that. At the same time, we should not underestimate the scale of the changes – and the impact, sometimes negative, they have had.

The spirit of *A Code for Sports Governance* was to deliver gold standard governance and reporting which promotes confidence in boards, enabling them to be fit for the future. Two years on, a small minority of boards still consider the Code a tick box exercise and believe the mandatory nature deters them from making progress, but a clear majority of boards have accepted the Code.

Despite the challenges highlighted in this report, all funded sports have implemented the Code and are deemed compliant with the requirements and it is safe to say that the Code has enhanced the quality of governance in the sector.

The medium to long-term impact of the Code will be based on how well boards embed the requirements into their day-to-day business. We want future boards to evolve to be not just compliant but self-regulated with strengthened best practices. High performing boards will use strategies to support priorities such as attracting independent and diverse candidates, retaining the right talent and factors such as regular board elections, board independence and improved diversity will contribute to boards achieving the gold standard.

While the Code is having an impact within the funded NGBs, The Principles continue to influence and support the wider sector. The Principles make sure boards can implement minor governance changes, enabling them to be in control of how much governance work the organisation can sustain at one time. The biggest challenge for small and medium sized organisations has been to turn theory into a practical framework and this has been the focus of much of our governance training and wider support in recent years.

Although the sector is making good progress with implementing the Code and/or The Principles, the next challenge for boards is around improving board culture and board behaviors. The importance of board behaviors as a concept is gaining momentum in the sector, but boards need to decide what board culture and behavior looks like for their organisation.

It is clear that the sector has embraced the need for good governance, which will promote effective and constructive challenges in the boardrooms leading to well run and well managed organisations. Strengthened governance practices will only promote a business-like mentality in boardrooms and confidence among stakeholders.

Appendix: Case Studies

British Orienteering

Judith Holt reflects on the governance journey of British Orienteering

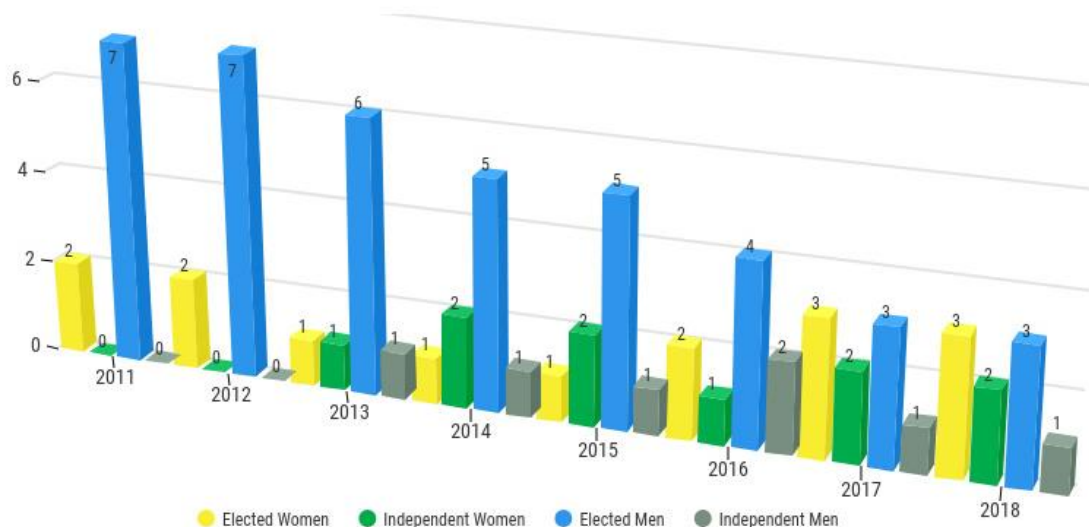
When I stood for election to the Board in 2011, I was typical of most of the people who had put themselves forward for the top tier of governance of orienteering in Britain – except for being a woman. I felt that I had strategic management skills acquired during my working life and retiring at 60 felt I had the energy to contribute these to the strategic development of the sport I loved and had been a major part of my life for 39 years. I felt I was credible to the membership because I was a competent and occasionally very good orienteer. I had become involved in coaching and club development, so I understood the orienteering landscape. How has the board changed in eight years?

At the time of election to my first term of office the board was relatively new (three years old). As in many sports British Orienteering had previously been governed by a Council of representatives. The new governance structure establishing the board of directors was formed in 2008. Elections of three directors each year phased in the elected board and was completed at the Easter 2010 AGM. During that time there were consistently two women to seven men on the board. This does not reflect participation of women in the sport which is more than 40%. It does reflect the participation of women in committees at regional association and club level where typically they take on roles of welfare officer, social secretary or membership secretary leaving the roles of chair and vice chair mainly to men.

The key factor in changes to the composition of the board was undoubtedly the pressure to comply with the *Voluntary Code of Good Governance* first published in 2011. At the AGM in 2013 two special resolutions were proposed to change the articles of association with the membership voting for a resolution to move from nine elected directors to six elected and three independent directors. A second vote on a requirement for gender balance on the board was not passed as it failed to exceed the minimum 75% vote in favour.

- Special resolution regarding Independent Directors - For 90%, Against 10%
- Special resolution regarding gender of board members - For 68.5%, Against 31.5%

That left the board with the challenge of achieving gender balance through other means. The chart below shows that we have to date succeeded.



Using standard good practice in advertising for and recruiting INEDS we have had no difficulty in achieving a minimum of one of each gender. For our elected directors we ensured our notices to members about vacancies make clear the skills, attributes and diversity we are looking for. We offered opportunities for informal discussion and observing a board meeting. In practice the most powerful action is to talk to obvious possible candidates to draw their attention to the possibility of standing for election. That involves board members networking with members who don't share their own characteristics. Through that process we currently have an even balance of gender among the elected directors.

The challenge to get more women to stand for election to the board promoted discussions about wider issues of how the board reflects the membership and the wider community. That has led to us making clear the value of younger directors and discussing how arrangements for board meetings can facilitate

the participation of working people. We have reached a position where only three directors are over 60 which is a significant change.

The shift to becoming more skills focused in recruitment to the board is reflected in the profiles written by directors when they stand for elections. They all include a little something about orienteering, but the balance is much more towards the board skills they are offering.

The introduction of independent directors has been critical not just for the contribution of independent of thought that they bring. Their presence has supported elected directors to maintain focus on strategic matters rather than straying into executive functions.

My replacement as chair will be the first to be appointed by an open recruitment process. I will be leaving a board which is younger, has more women, is more clearly focused on strategic rather than executive matters and which is working to extend diversity on the board to achieve not just gender parity but greater diversity generally on the board.

England Athletics

Non-Executive Director Karen Neale explains the governance changes at English Athletics since the introduction of the Code

England Athletics did not have to make many changes to its governance when the Code became mandatory as it had previously carried out a governance review which picked up most of the minimum requirements in the Code. We had made a major change to our governance in 2013 when we introduced having two directly elected directors to the board, elected by England Athletics membership. This together with the annual consultation with the membership put us in a position where we have what is best described as 'healthy internal democracy'.

When the Code came into effect, the size of the board already conformed with the Code as were the number of independent non-executive directors and the gender ratio was already above 30%. When recruiting since the introduction of the Code, the nominations committee has been mindful of the target of a minimum of 30% of each gender and the need to have greater diversity on the board generally. Therefore, efforts were made when advertising the board vacancies earlier in the year to reach a greater range of potential candidates.

The only changes we needed to make are set out below. First, we had to make a change to the nominations committee which had previously been chaired by the Senior Independent Director and is now chaired by the Chair of the Board.

Secondly, the audit committee reviewed what information was disclosed in England Athletics accounts and some changes were made to make sure that the disclosures conformed with the Code.

Thirdly, the chair carried out annual evaluations with each director individually, which had not happened previously. There had previously been an external evaluation of the board and the chairman, but the individual directors had not been appraised. Since the Code has come into effect the board have in fact had another external evaluation which included a workshop on board effectiveness.

Finally, the board already had a directors' code of conduct but did not have a declaration of good character, which has now been introduced. Having this requirement in the Code was helpful when dealing with any questions about why changes were being made.

England Athletics also found that having Tier 1 requirements for all projects it funds was sensible as those requirements do not overly increase the administrative burden, whilst ensuring public funding is protected through good governance processes. It allowed England Athletics to update its terms and conditions for funding for various projects very easily as we just took the Tier 1 minimum requirements and included them. If any questions are asked, then it is very easy to explain why the provisions exist.

The only additional comment we have is that it is difficult when having a Code to accommodate legitimate, alternative approaches and address the fact that not all NBGs are the same in terms of their responsibilities and challenges. For example, England Athletics felt it was appropriate to have two directly elected directors on the board, who meet a minimum skills criteria but there is no mention in the Code about how this is a good example of engagement with stakeholders.

British Kickboxing Council

Secretary General David Jenkins explains how the Principles of Good Governance has helped the British Kickboxing Council improve how their board functions

The British Kickboxing Council (BKC) was one of the first organisations to sign up to the Voluntary Code of Good Governance back in 2011, now the Principles of Good Governance (the Principles). The BKC decided to restructure the board and therefore we focused on Principle 4 – Board Structure, to help guide us through the process.

As part of restructuring, we clarified the division between the board and the executive board to better enable decision making and to clarify roles and responsibilities.

- A board of directors - will include chair, treasurer, member body representatives (voting), non-executive directors (NEDs), invited executive members (non-voting) for voicing opinions and giving reports as appropriate. The board will make high-level decisions such as the overall direction of BKC;
- Executive board and committees - will include chair, vice-chair and other executives. The role of the executive board includes acting on the decisions made by the board of directors, taking ownership of tasks and managing day-to-day running of BKC. The executive board will have the same chairperson as the main board.

Making these changes allowed us to implement a series of strategic and operational improvements while also helping us to meet the requirements of A Code for Sports Governance regarding the need for a “fit for purpose” board with “continually developing skills”. By including clear division of responsibilities, the executive board can be flexible enough to expand or reduce its size based on the needs of the BKC, including hiring for specific skill sets or setting up specific committees.

The result of these changes are:

- Current board will continue to operate in a largely unchanged capacity;
- Board of directors will not be required to make smaller decisions, thus improving efficiency;
- Directors will rarely need to take actions themselves, freeing them up to continue with managing their own organisations;
- The board still has final say on actions taken by the BKC and can make committee appointments;
- Members of the executive board will be free to perform their specific roles (e.g. Chief Safeguarding Officer, Grassroots Development Officer etc.) within the parameters agreed by the directors.

This review into our processes completely reshaped the way the BKC is governed, bringing about a change which has already increased efficiency and brought new expertise to our board. In addition to the director/executive split, the biggest outcome of our restructure has been the formation of discipline specific committees, allowing for a greater focus of attention from our specialist teams, and resulting in more effective governance of each aspect of the sport. I would definitely encourage all governing bodies to undergo a review in relation to the *Principles of Good Governance*; like the athletes for whom we dedicate our time, we should always be striving to find ways to improve.