

Good Governance: A Code for the Voluntary and Community Sector

Introduction

The central importance of good governance to all sectors of the economy is now clearer than ever. The crisis that beset our financial system has highlighted how dangerous a tick-box approach can be. Truly good governance has to be lived. Each and every trustee and board member needs to embrace its values, and apply them to the particular needs and circumstances of the organisation.

Good governance is acknowledged to be essential for the success of any organisation. Members of boards play a vital role in serving their causes and communities and bring passion and commitment as well as skills and experience to the organisations they lead.

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They provide long-term vision and protect the reputation and values of their organisations. To make a difference a board needs to have proper procedures and policies in place but it also needs to work well as a team and have good relationships within the organisation. The purpose of these principles is to assist board members to enhance their decision making, increase their accountability and enable them to provide strong leadership. This will in turn assist the people and causes their organisations were set up to benefit.

The principles set out good practice but these are closely linked with the responsibilities of charity trustees and other legal requirements that may be imposed on board members.

The six high level principles are designed to be universal and applicable to all voluntary and community organisations. It is the practice and procedures which will vary according to the type and size of the organisation. Underlying each principle is the additional principle of equality - that of ensuring equality, diversity and equality of treatment for all sections of the community. We consider that this is fundamental and it is embedded in all the principles.

In the Code we have used the term "the board" to mean the organisation's governing body. In your organisation it may be called the board (or board of directors or board of governors) the trustees, the management committee or some other name. It is the body with overall responsibility for governing the organisation, overseeing and controlling its management.

The Principles

"An effective board will provide good governance and leadership by"

1. Understanding their role
2. Ensuring delivery of organisational purpose
3. Being effective as individuals and a team
4. Exercising effective control
5. Behaving with integrity
6. Being open and accountable

Principle 1

An effective board will provide good governance and leadership by understanding their role.

Members of the board will understand their role and responsibilities collectively as a board and as individual trustees in relation to:

- their legal duties
 - their stewardship of assets
 - the provisions of the governing document
 - the external environment
 - the total structure of the organisation
- and in terms of
- setting and safeguarding the vision, values and reputation of the organisation
 - overseeing the work of the organisation

- managing and supporting staff and volunteers, where applicable.

Why?

Board members have a duty to act within the legal and regulatory frameworks that apply to them and the organisation. A full understanding of their role and responsibilities, the purpose and structure of the organisation itself and the external environment will help them to fulfill their legal duties and to lead and govern the organisation effectively.

The board should consider how it will set the culture of the organisation.

They should lead by example, ensuring that individuals representing the organisation in any capacity do so in a way that positively reflects its values. The ethos and culture of the organisation should underpin the delivery of its activities or services and the achievement of its objects.

Principle 2

An effective board will provide good governance and leadership by ensuring delivery of organisational purpose.

The board will ensure that the organisation delivers its stated purposes or aims by:

- ensuring organisational purposes remain relevant and valid
- developing and agreeing a long-term strategy
- agreeing operational plans and budgets
- monitoring progress and spending against plan and budget
- evaluating results, assessing outcomes and impact
- reviewing and/or amending the plan and budget as appropriate

Why?

The organisation's aims or purposes are its reason for existing; it should aim to secure the optimum means of fulfilling them. To do otherwise would be failing its beneficiaries, funders and supporters. If board members are committed to the organisation's purpose, this should drive them to aim to do better for the organisation's beneficiaries or service users. The board should always bear this in mind, and make decisions in the best interests of the people or cause it aims to help. The board must also ensure that the organisation remains focussed on delivering its purposes and avoids "mission drift".

Principle 3

An effective board will provide good governance and leadership by working effectively both as individuals and as a team.

The board will have a range of appropriate policies and procedures, knowledge, attitudes and behaviours to enable both individuals and the board to work effectively. These will include:

- finding and recruiting new board members to meet the organisation's changing needs in relation to skills, experience and diversity
- providing suitable induction for new board members
- providing all board members with opportunities for training and development according to their needs
- periodically reviewing their performance both as individuals and as a team.

Why?

To work in the best interests of the organisation and its beneficiaries, the board needs to recruit individuals who:

- together have a mixture of knowledge, skills and experience that is relevant to the organisation's circumstances and needs
- have the requisite characteristics and skills to work as a committed, effective and supportive team, whilst retaining independence of thought and the maturity and ability to challenge constructively
- embody diversity in its widest sense, strengthening decision making by bringing a broad range of backgrounds and perspectives

Principle 4

An effective board will provide good governance and leadership by exercising effective control.

As the accountable body, the board will ensure that:

- the organisation understands and complies with all legal and regulatory requirements that apply to it
- the organisation continues to have good internal financial and management controls
- it regularly identifies and reviews the major risks to which the organisation is exposed and has systems to

- manage those risks
- delegation to committees, staff and volunteers (as applicable) works effectively and the use of delegated authority is properly supervised

Why?

The board are ultimately responsible for the decisions and actions of the organisation. Board members need to be assured that everyone acting in the organisation's name is complying with the board's directions and the requirements of law or regulation. Boards should provide direction, leadership and oversight without inappropriate involvement in operational matters. Delegation needs to be effectively supervised and monitored.

Principle 5

An effective board will provide good governance and leadership by behaving with integrity.

The board will:

- safeguard and promote the organisation's reputation
- act according to high ethical standards
- understand and manage conflicts of interest and loyalty
- maintain independence of decision making
- deliver impact that best meets the needs of beneficiaries

Why?

The board, both individually and collectively, have ultimate responsibility for the organisation's funds and assets, including its reputation. They take the lead in setting and championing the values and ethos of the organisation (see Principle 1). It is vital, therefore, that they maintain the respect of beneficiaries, other stakeholders and the public at large, by behaving with integrity both when acting as trustees and more generally. To behave otherwise risks bringing the organisation and its work into disrepute

Principle 6

An effective board will provide good governance and leadership by being open and accountable.

The board will lead the organisation in being open and accountable, both internally and externally. This will include:

- open communications, informing people about the organisation and its work
- appropriate consultation on significant changes to the organisation's services or policies
- listening and responding to the views of supporters, funders, beneficiaries, service users and others with an interest in the organisation's work
- handling complaints constructively, impartially and effectively
- considering the organisation's responsibilities to the wider community, e.g. its environmental impact

Why?

Making accountability real, through genuine and open two-way communication that celebrates successes and demonstrates willingness to learn from mistakes, helps to build trust and confidence with stakeholders and to demonstrate legitimacy when representing them.