

# Good Governance & Effective Management

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Governance is about leadership and ensuring that an organisation is properly run.

There are twelve responsibilities based on principles of good governance. Good governance is the board's responsibility, but governance covers more than the board's duties and responsibilities – governance takes in how the board is appointed and supported and how it works to ensure decisions are taken properly and that the work of the charity is effective and furthering its purpose.

## The 12 Essential Board Responsibilities

### 1. Set and maintain vision, mission, and values

The trustee board is responsible for establishing the essential purpose of the charity as set out in the objects of its governing document. They are also responsible for guarding the ethos and values of the charity.

### 2. Develop strategy

Together, the trustee board (and chief executive officer where employed) develop a long-term strategy and ensure the organisation stays on track.

### 3. Establish and monitor policies

The trustee board creates policies to govern organisational activity. These cover guidance for staff and/or volunteers, systems for reporting and monitoring, an ethical framework for everyone connected with the organisation and the conduct of trustees and board business.

### 4. Ensure compliance with the governing document

The governing document is the rulebook for the charity. The trustees must ensure it is followed. In particular, the charity's activities must comply with the charitable objects in the governing document.

### 5. Ensure accountability

The trustees should ensure that the charity fulfils accountability to the following bodies as required by law: The Charity Commission, HM Revenue and Customs and the Registrar of Companies (if it is a company limited by guarantee). This includes publishing annual reports and accounts. The charity should also be accountable to other groups who are sometimes known as stakeholders: donors, beneficiaries, staff, volunteers, and the public.

### 6. Ensure compliance with the law

Trustees are responsible for checking that all the charity's activities are legal.

### 7. Maintain proper fiscal oversight

The trustees are responsible for effectively managing the charity's resources and funding so it



can meet its charitable objects. The trustee board secures sufficient resources to fulfil the mission, monitors spending in the best interests of the charity, approves the annual financial statement and budget, protects the charity against liability by providing insurance, seeks to manage risk for the charity and ensures compliance with the law.

## **8. Respect the role of staff and volunteers**

The trustee board recognises and respects the domain of staff and/or volunteer responsibility. At the same time, it creates policy to guide staff and/or volunteer activities and safeguard the interest of the charity.

## **9. Maintain effective board performance**

The board keeps its own house in order. It engages in productive meetings, effective committees with adequate resources, development activities and regular reviews of its role. The board is also responsible for overseeing trustee board recruitment.

## **10. Promote the organisation**

Through their own behaviour, their governance oversight, and their activities on behalf of the charity, trustees enhance and protect its reputation. They are good ambassadors for the charity.

**And, where staff are employed:**

## **11. Set up employment procedures**

The trustee board creates comprehensive, fair, and legal personnel policies that protect the charity and those who work for it. The policies cover recruitment, support, appraisal, remuneration and discipline.

## **12. Select and support the chief executive officer**

If necessary, the trustee board creates policy covering the employment of a chief executive officer. They also select and support the chief executive and review their performance.

## **Principles of good governance**

The Twelve Essential Responsibilities of Trustees are underpinned by Seven Principles of Good Governance, which are set out in the Code of Governance.

The code, originally drawn up in 2005 by several different support and membership bodies in the voluntary and community sector, set out a statement of best practice in governance. The second edition of the Code was published in 2010, following wide consultation with the sector.

They are:

### **1. Board leadership**

Every organisation should be led and controlled by an effective board of trustees which collectively ensures delivery of its objects, sets its strategic direction, and upholds its values

Supporting principles: The role of the board: trustees have and must accept the ultimate responsibility for directing the affairs of their organisation, ensuring it is solvent, well-run, and delivering the outcomes for which it has been set up.



Strategic direction: Trustees should focus on the strategic direction of their organisation and avoid becoming involved in day-to-day operational decisions and matters (except in the case of small organisations with few or no staff). Where trustees do need to become involved in operational matters, they should separate their strategic and operational roles.

## 2. The Board in control

The trustees as a board should collectively be responsible and accountable for ensuring and monitoring that the organisation is performing well, is solvent, and complies with all its obligations.

### Supporting principles:

**Compliance** – the board must ensure that the organisation complies with its own governing document, relevant laws, and the requirements of any regulatory bodies.

**Internal controls** – The board should maintain and regularly review the organisation’s system of internal controls, performance reporting, policies, and procedures.

**Prudence** – The board must act prudently to protect the assets and property of the organisation and ensure that they are used to deliver the organisation’s objectives.

**Managing Risk** – The board must regularly review the risks to which the organisation is subject and take action to mitigate risks identified.

**Equality & Diversity** – the board should ensure that it upholds and applies the principles of equality and diversity, and that the organisation is fair and open to all sections of the community in all of its activities.

## 3. The high performance board

The board should have clear responsibilities and functions and should compose and organise itself to discharge them effectively.

### Supporting principles:

**Trustees’ duties and responsibilities** – Trustees should understand their duties and responsibilities and should have a statement defining them.

**The effective board** – The board should organise its work to ensure that it makes the most effective use of time, skills, and knowledge of trustees.

**Information and advice** – Trustees should ensure that they receive the advice and information they need to make good decisions.

**Skills and experience** – The trustees should have the diverse range of skills, experience and knowledge needed to run the organisation effectively.

**Development and support** – Trustees should ensure that they receive the necessary induction, training and ongoing support needed to discharge their duties.

**The Chief Executive Officer** – The board should make proper arrangements for the supervision, support, appraisal, and remuneration of its Chief Executive Officer.

## 4. Board review and renewal

The board should periodically review its own and the organisation’s effectiveness and take any



necessary steps to ensure that both continue to work well.

#### **Supporting principles:**

**Performance appraisal** – The board should regularly review and assess its own performance, that of individual trustees, and of sub-committees, standing groups and other bodies.

**Renewal and recruitment** – The board should have a strategy for its own renewal. Recruitment of new trustees should be open and focused on creating a diverse and effective Board.

**Review** – The board should periodically carry out strategic reviews of all aspects of the organisation's work and use the results to inform positive change and innovation.

### **5. Board delegation**

The board should set out the functions of sub-committees, officers, the Chief Executive, other staff and agents in clear delegated authorities, and should monitor their performance.

#### **Supporting principles:**

**Clarity of roles** – The board should define the roles and responsibilities of the Chair and other honorary officers, in writing.

**Effective delegation** – The board should ensure that staff, volunteers, and agents have sufficient delegated authority to discharge their duties. All delegated authorities must have clear limits relating to budgetary and other matters.

**Terms of reference** – The board should set clear terms of reference for sub-committee, standing groups, advisory panels, etc.

**Monitoring** – all delegated authorities must be subject to regular monitoring by the board.

### **6. Board and trustee integrity**

The board and individual trustees should act according to high ethical standards and ensure that conflicts of interest are properly dealt with.

#### **Supporting principles**

- **No personal benefit** - Trustees must not benefit from their position beyond what is allowed by the law and is in the interests of the organisation.
- **Dealing with conflicts of interest** - Trustees should identify and promptly declare any actual or potential conflicts of interests affecting them.

There should ALSO be clear guidelines for receipt of gifts or hospitality by trustees.

Trustees who are directors must also comply with the rules of conflict of interest imposed by the Companies Act.

### **7. Board openness**

The board should be open, responsive, and accountable to its users, beneficiaries, members, partners, and others with an interest in its work.



### **Supporting principles:**

**Communication and consultation** – Each organisation should identify those with a legitimate interest in its work ('stakeholders') and ensure that there is a strategy for regular and effective communication with them about the organisation's achievements and work.

**Openness and accountability** – The board should be open and accountable to stakeholders about its own work, and the governance of the organisation.

**Stakeholder involvement** – The board should encourage and enable the engagement of key stakeholders, such as users and beneficiaries, in the organisation's planning and decision – making.

### **Getting further support**

Further information regarding Good Governance can be found on the Charity Commission's website: [www.charitycommision.gov.uk](http://www.charitycommision.gov.uk).

Northumberland Community Voluntary Action (Northumberland CVA) has access to a wide range of resources to help your board/management committee become more effective. For more information, advice and support email [enquire@northumberlandcva.org.uk](mailto:enquire@northumberlandcva.org.uk) or call 01670 858688.