

# Good Governance

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A Code for the Voluntary  
and Community Sector

First edition: June 2005

ACEVO, Charity Trustee Networks,  
ICSA, NCVO on behalf of  
The National Hub of Expertise in Governance

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## Introducing the code

Charities exist to create a better society. They operate for a vast range of purposes, and in many different ways, but each is united by a commitment to voluntary action and a desire to make the world a better place

The size and complexity of the charity sector, and its relationship with both the state and its citizens, is changing at an ever-increasing pace.

One of our jobs as regulator to the sector is to encourage charities to adopt good practice in governance. Adopting good practice can help charities keep pace with the changes and make them more effective where it really counts – in helping the people they were set up to benefit. We have worked with our voluntary sector partners to develop this code of governance. It has been produced by the sector, for the sector and for the sector. The code provides a flexible and proportionate framework for charities; there are common standards to which all charities should aspire, with higher expectations of larger charities.

We shall watch with interest to see how charities meet the challenge of complying with the code.

**Geraldine Peacock**  
**Chairman, Charity Commission**

# introduction

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## Why a code of governance?

Governance is high on the agenda in all sectors – public, private and voluntary. As voluntary and community organisations working for public benefit, we are increasingly expected to demonstrate how well we are governed. Good governance is a vital part of how voluntary and community organisations operate and are held accountable.

Other sectors have already developed Codes in recent years. Housing associations have a detailed Code prepared by the National Housing Federation. Co-operatives UK have the Corporate Governance Code of Best Practice. In the public sector, there is the new Good Governance Standard for Public Services. And the private sector has its 2004 Combined Code on Corporate Governance, which builds on the work of the Cadbury, Greenbury and Higgs Inquiries over the last decade or so. Action in our sector is overdue.

This Code arises from directly expressed needs in the voluntary sector. These came from organisations which needed guidance to clarify the main principles of governance and to help them in decision-making, accountability and the work of their boards. In response to these demands, a group of voluntary sector infrastructure associations, with the Charity Commission, came together and decided to work towards developing the Code. Vitally, the Code has thus been developed by and for voluntary and community organisations.

This first edition is aimed at the entire voluntary and community sector. After it has been in operation for some 18 months, we intend to carry out a major and open review of its effectiveness, so that we can refine it to better meet the sector's needs. See Appendix 10 for details of the review, and of how to comment.

## Terminology

For simplicity, we refer throughout to 'the board' and 'trustees', but recognise that many different terms are in use for the people in these roles. Similarly we refer to the 'chief executive' to mean an organisation's most senior member of staff.

## What is 'governance'?

One writer on governance in our sector has helpfully defined governance as being:

“the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation.”<sup>1</sup>

In our sector, trustees take ultimate responsibility for the governance of their organisations. However, governance is not a role for trustees alone. More, it is the way trustees work with chief executives and staff (where appointed), volunteers, service users, members and other stakeholders to ensure their organisation is effectively and properly run and meets the needs for which the organisation was set up.

<sup>1</sup> From *The Governance of Voluntary Organisations*, Cornforth 2003

Behind good governance must lie principles. In our Code, we have set out some principles of good governance, tailored for the sector. Others have done the same for their sectors, and we reproduce some examples in the Appendices.

It is worth referring here to the “Nolan Principles”, set out by Lord Nolan while chairing the Committee on Standards in Public Life. Although these were originally established for individuals involved in public and government positions, they are seen as having wider relevance, including for the trustees of voluntary and community organisations. Many organisations have found the Nolan principles a useful basis for understanding the individual role of a trustee, and they often appear in trustee job descriptions or codes of conduct. The principles are set out in full at the appendix, and are: **Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.**

We recognise that the language of governance and performance will be more familiar to larger organisations. In practice, the way organisations ‘govern’ will be different depending on the circumstances. These circumstances can include the size of an organisation, how long it has been in existence, and the culture and values it possesses. One distinctive factor is size and here are a few examples of how an organisation’s understanding of governance may differ:

- In a small community group governance might be about getting things in place, making sure it’s clear who is doing what and making sure that all concerned are working together to a common cause.
- In a local or county-wide service providing organisation, governance might be more focused on the relationship between the trustees and staff team, and ensuring good service delivery.
- In a larger national or regional organisation, governance might be about the need to demonstrate how the organisation delivers on its mission through quality service provision, its accountability to the public and stakeholders, and always ensuring that the board’s structure is ‘fit for purpose’.

The Code is written to be applicable in all such circumstances, but clearly each organisation will need to interpret and apply it according to its particular needs and circumstances.

## About this Code

This code is primarily aimed at the trustees of voluntary and community organisations, who have ultimate governance responsibilities. It will help them to lead their organisations through example, and to achieve excellent governance. It is also aimed at chief executives, who provide the bridge between trustees and staff, and have a central role in ensuring good governance.

We hope that it will also be more widely useful. For staff, volunteers, members and service users, it will help them to understand what they can expect from a well-governed organisation. It will also be relevant to those with a wider involvement in the governance of the sector; such as: funders; donors; the general public; professional advisers; consultants; trainers; and regulators.

The Code aims to help enhance the effectiveness of voluntary and community organisations by:

- clarifying what effective governance looks like and how governing bodies can govern effectively;



- reassuring an organisation's stakeholders about the way organisations are governed; and
- maintaining and enhancing public confidence in organisations and in the voluntary and community sector

The Code is applicable except where there exists an approved code by an existing regulator or representative body. This first version has been developed and endorsed by the following voluntary sector infrastructure bodies, and also by the Charity Commission:

- National Council for Voluntary Organisations (NCVO);
- Association of Chief Executives of Voluntary Organisations (ACEVO);
- Charity Trustee Networks (CTN); and
- Institute of Chartered Secretaries and Administrators (ICSA).

The Code has also been endorsed by The National Hub of Expertise in Governance (the Governance Hub), which will now take on the responsibility for future work on the Code. The Hub will thus lead on future reviews and updating of the Code, and will develop supplements for different types of voluntary and community organisation if required. This means that the views and feedback of organisations using the Code are vital. In Appendix 9, we explain in more detail how you can help us to refine and develop the code to its next stage. Please do take up the opportunity to contribute.

## Using the Code

The main principles of the Code are intended to be relevant to all sizes and types of voluntary and community organisation. Some of the additional guidance and suggestions may be more or less relevant to your organisation depending on your circumstances, for example your size, legal structure or aims and objectives. This is inevitable because of the size and diversity of the voluntary and community sector. There will be supplements created for different types of organisation where it has been recognised, through consultation, that there are differing needs.

The Code is compliant with legal and regulatory requirements, including those relating to charities. It links closely with other codes and standards. These include the self-regulation of fundraising and the draft National Occupational Standards for Trustees and Management Committee Members. For registered charities, it is intended that the Code should complement the Charity Commission's *The Hallmarks of an Effective Charity* and the new booklet *The Essential Charity Trustee*.

The Code is based on the principle of 'comply or explain'. This means that it is not a legal or regulatory requirement. Organisations using it should be able to either 'comply' with the main principles of the Code, or 'explain' why they don't apply in the particular circumstances.

Some organisations may not comply with certain statements because they are in the process of working towards them, and thus aspire to them. Alternatively, they may exceed the standards outlined in this guidance, or it may be that aspects of this Code do not easily relate to the circumstances of a particular organisation.

# parttwo

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## Good governance: a code for the voluntary and community sector

### The key principles of good governance

The key principles set out below have been used in the drawing up of this Code, and provide the main headings for its sections. They are set out here not as a part of the Code, but to set the context, and to help with interpretation.

Underlying each of these is the additional principle of equality – that of ensuring equity, diversity and equality of treatment for all sections of the community. We see this as fundamental to the work of all voluntary and community sector organisations; rather than creating a separate 'Equality' section, the principle has been used to inform all sections of the Code.

**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.

**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.

**The high performance Board** The Board should have clear responsibilities and functions, and should compose and organise itself to discharge them effectively.

**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.

**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.

**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.

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

# A | Preamble

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- A1** This Code contains guidance for the good governance of voluntary and community organisations. It is intended to help and support their Board members in the important and rewarding work that they carry out. Because voluntary and community organisations vary greatly in terms of size and activity, not all of the Code will apply to all of them. But all such organisations are invited to consider all parts of the Code, and take the action that suits their circumstances in the light of the principles set out.

## Complying with this Code

- A2** This Code is not mandatory, and sets out best practice. Organisations that comply with the Code are invited to state this in their annual report and other relevant published material.
- A3** Where an organisation does not comply with a specific part of the Code, it is invited also to record this fact, and to set out the reasons for non-compliance.
- A4** Where an organisation's governing document does not allow the organisation to adopt one or more recommendations of this Code, then the governing document must take precedence.
- A5** Organisations using this Code are advised to review their governing document, standing orders and other documentation, and consider amending them as necessary to enable their implementation of the Code.
- A6** Smaller organisations with limited resources and with few or no staff are invited to focus on the principles set out in the Code, and to state their compliance with the principles rather than the detail of the Code.
- A7** This Code has been prepared primarily to meet the needs of organisations working in England; organisations working in other parts of the United Kingdom are welcome to make use of it as they see fit.
- A8** Where voluntary and community organisations are already covered by existing Codes of Governance prepared by their representative bodies or regulators, the existing Code should take precedence. Where more than one such Code might apply, the organisation should seek advice as to which one should take precedence.

## Terminology

- A9** In this Code, we refer to:
- (a)** an organisation's governing body as a Board, and its members as trustees; in practice, various other equally valid terms are also used, such as committee members, governors or directors;
  - (b)** the senior member of an organisation's staff team as the chief executive, although again there is a range of job titles in use; and

- (c) the organisation's main constitutional document or instrument as being its governing document; this may in practice be referred to as its Constitution, Charter, Memorandum and Articles, Trust Deed, Rules or other term.

This Code is intended to apply regardless of the terms used.

- A10** Where we use the word 'must', this refers to legal requirements or obligations on trustees. The word 'should' is otherwise used throughout, to indicate the requirements of this Code.

## Using the Code

- A11** This Code is organised in sections which follow the key principles of governance as set out on the previous page. Each section starts by restating the key principle, and then sets out a number of supporting principles. Each of these is then covered in clearly headed sub-sections. In the sub-sections, readers will find practical ways for Boards to comply with the relevant principles.
- A12** This is the first edition of this Code, and those using it are invited to comment on its application, and on any amendments they wish to suggest for future revision of the Code (see Appendix 10 for details).

# B | Board Leadership

**The key principle:** 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 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.

## The role of the Board

Trustees have and must accept 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.

- BI** The Board should have a statement of its strategic and leadership roles, and of key functions which cannot be delegated. These should include as a minimum:
- (a)** ensuring compliance with the objects, purposes and values of the organisation, and with its governing document;
  - (b)** setting or approving policies, plans and budgets to achieve those objectives, and monitoring performance against them;
  - (c)** ensuring the solvency, financial strength and good performance of the organisation;
  - (d)** ensuring that the organisation complies with all relevant laws, regulations and requirements of its regulators;
  - (e)** dealing with the appointment (and if necessary the dismissal) of the organisation's chief executive;
  - (f)** setting and maintaining a framework of delegation and internal control; and
  - (g)** agreeing or ratifying all policies and decisions on matters which might create significant risk to the organisation, financial or otherwise.

- B2** The Board must ensure that the organisation's vision, mission and values and activities remain true to its objects.
- B3** Trustees are bound by an overriding duty, individually and as a Board, to act reasonably at all times in the interests of the organisation and of its present and future beneficiaries or (in the case of a membership organisation) members.
- B4** All trustees are equally responsible in law for the Board's actions and decisions, and have equal status as trustees.
- B5** Each and every trustee must act personally, and not as the representative of any group or organisation; this applies regardless of how that person was nominated, elected or selected to become a trustee.
- B6** The trustees must ensure that they remain independent, and do not come under the control of any external organisation or individual.

## 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.

- B7** Where an organisation employs staff, the chief executive has responsibility for maintaining a clear division of responsibilities between the Board and the staff team. She or he should provide an effective link between Board and staff, informing and implementing the strategic decisions of the Board.
- B8** Trustees should not seek to become directly involved in decisions which have been properly delegated to staff. Instead, they should hold staff to account through the chief executive.
- B9** In the case of smaller organisations, where some trustees may be directly involved in operational decisions and matters, those concerned should make a clear distinction between their trustee role and their operational work.

# C | The Board in control

**The key principle:** 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 and 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.

## Compliance

The Board must ensure that the organisation complies with its own governing document, relevant laws, and the requirements of any regulatory bodies.

- C1** The Board must ensure that the organisation complies with:
- (a)** its own governing document;
  - (b)** the requirements of its regulators and relevant legislation, and in particular that it submits annual returns, reports and accounts as required by law;
  - (c)** any statutory or regulatory requirements relating to maintenance of financial records, and external audit of its accounts; and
  - (d)** the requirements of all other statutes, authorities and regulations governing its work (see C2 below).
- C2** Depending on their size, the nature of their activities and the type of their governing document, organisations must ensure compliance with any of the following that apply to them:
- (a)** charity law and the requirements of the Charity Commission;

- (b) company law and the requirements of Companies House;
  - (c) Industrial and Provident Society law, and the requirements of the Financial Services Authority;
  - (d) employment law;
  - (e) health and safety legislation;
  - (f) data protection legislation;
  - (g) legislation against discrimination on grounds of race, disability, gender and other factors; and
  - (h) any other legislation which may apply to particular organisations, such as that relating to fundraising, the protection of children or vulnerable adults, the provision of health or care services, the provision of financial advice, housing and tenancy law and others.
- C3** The Board should have policies, procedures and reporting mechanisms in place to ensure compliance with applicable legislation.
- C4** Organisations which fundraise should comply with the relevant self-regulatory code (see Appendix 2 for further details).

## Internal controls

The Board should maintain and regularly review the organisation's system of internal controls, performance reporting, policies and procedures.

- C5** The Board should set and maintain standing orders, systems of financial control, internal control, performance reporting, and policies and procedures.
- C6** The Board should ensure that there is a system for the regular review of the effectiveness of its internal controls.
- C7** Larger and more complex organisations should set up an audit committee, and should also consider the use of an internal audit service.
- C8** Organisations providing services to users should consider adoption of an appropriate quality assurance system, or of other forms of accreditation (see Appendix 1 for examples of relevant schemes).

## Managing risk

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. The Board must regularly review the risks to which the organisation is subject, and take action to mitigate risks identified.

- C9** The Board must avoid undertaking activities which might place at undue risk the organisation's service users, beneficiaries, volunteers, staff, property, assets or reputation.



- CI0** The Board must exercise special care when investing the organisation's funds, or borrowing funds for it to use, and must comply with the organisation's governing document and any other legal requirements in doing so.
- CI1** Trustees should understand the risks facing the organisation and how these are managed and minimised. The Board should undertake a full risk assessment (either periodically or on a rolling basis) and take appropriate steps to manage the organisation's exposure to significant risks.
- CI2** The Board should obtain advice from professional advisors or others on all matters where there may be material risk to the organisation, or where the trustees may be in breach of their duties.
- CI3** The Board should take ultimate responsibility for dealing with and managing conflicts that may arise within the organisation. This includes conflicts arising between trustees, staff, the chief executive, members, volunteers or service users.
- CI4** The Board should have a whistleblowing policy and procedures to allow confidential reporting of matters of concern, such as misconduct, misuse of funds, mismanagement, and risks to the organisation or to people connected with it. The policy and procedures should:
  - (a)** be accessible and open to all staff, volunteers, trustees and agents of the organisation;
  - (b)** provide for those who are not confident about raising a concern with their line manager or a senior manager to have direct access to a trustee, an independent person or a regulatory body;
  - (c)** assure people who raise such concerns in good faith that they need have no fear of reprisals or other adverse consequences;
  - (d)** ensure that all such concerns will be properly assessed and investigated in a way that is fair to the whistleblower and others involved; and
  - (e)** provide for appropriate action to be taken where a concern is shown to be well founded.

## Equality and 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.

- CI5** The Board should ensure that its organisation upholds and promotes equal opportunities and diversity in all areas of its work, including:
  - (a)** the identification and assessment of needs to be met;
  - (b)** allocation of resources, making of grants or provision of services;
  - (c)** membership of the Board and any sub-committees;
  - (d)** staff recruitment, selection, training and conditions of service;
  - (e)** communication with stakeholders and the public;

- (f) accessibility of meetings and communications; and
- (g) the buying of goods and services.
- C16** The Board should set strategies for and receive regular reports on the organisation's work to achieve equality and diversity, against clear targets where practicable. These reports should be used to help develop the organisation's overall strategies.
- C17** Where the organisation is set up to serve a specific section of the community, this should be clear and the above principles should be interpreted and applied as appropriate.

# D | The high performance Board

**The key principle:** The Board should have clear responsibilities and functions, and should compose and organise itself to discharge them effectively.

## Supporting principles:

**Trustee 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 the time, skills and knowledge of trustees.

**Information and advice** Trustees should ensure that they receive the advice and information they need in order 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** The Board should make proper arrangements for the supervision, support, appraisal and remuneration of its chief executive.

## Trustee duties and responsibilities

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

- D1** All trustees should be asked to sign and return a statement or letter setting out their duties and responsibilities, and the expectations of the organisation on trustees.
- D2** The letter should, as a minimum, include obligations to:
  - (a)** uphold the values and objectives of the organisation;
  - (b)** give adequate time and energy to the duties of being a trustee; and
  - (c)** act with integrity, and avoid or declare personal conflicts of interest.
- D3** Individual trustees must not act on their own on behalf of the Board, or on the business of the organisation, without proper authority from the Board.

## The effective Board

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

- D4** The Board should meet regularly, and ensure that its work is focused on delivering its strategic role.
- D5** Within the terms of its governing document, the Board should ensure that it has enough trustees to provide the skills and experience needed, without becoming so large that decision-making becomes unwieldy.
- D6** The Chair of the Board should ensure that all trustees can contribute at meetings, and that the proceedings are not dominated by particular trustees.

## Information and advice

Trustees should ensure that they receive the advice and information they need in order to make good decisions.

- D7** The Board should ensure that it conducts its work efficiently, and receives the information and advice it needs to make good decisions. Board papers should be timely, well-presented, circulated well in advance of Board meetings, and should make clear recommendations to the Board.
- D8** The Board should take professional advice where necessary before making important decisions and should not rely excessively or exclusively on a single source.

## Skills and experience

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

- D9** The trustees should collectively provide a mix of skills, experience, qualities and knowledge appropriate to the organisation and its beneficiaries' needs, and so that the organisation can respond to the challenges and opportunities it faces.
- D10** Depending on the organisation's size and the nature of its activities, the experience of trustees should, as appropriate, cover the following areas:
  - (a)** providing effective strategic leadership, and working as a team;
  - (b)** direct knowledge of the organisation's beneficiaries and users, and of their needs and aspirations, whether gained through life or work experience;
  - (c)** governance, general finance, business and management;

- (d) human resources and diversity;
  - (e) the operating environment and risks that exist for the organisation; and
  - (f) other specific knowledge required, such as fundraising, health, social services, property or legal.
- D11** The Board should aim to have a diverse group of trustees, broadly representative of the community and membership it serves.
- D12** The Boards of organisations providing services to beneficiaries or users should be open to trustee membership from these groups unless there are clear legal or other reasons why this is not practicable.
- D13** Staff of the organisation may only become trustees where this is permitted by law and by the organisation's governing document. It should also be agreed by the Board as being demonstrably in the interests of the organisation, and as not creating unacceptable conflicts of interest. A staff trustee should not chair the organisation; staff trustees should be in a minority on the Board.

## Development and support

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

- D14** The Board should have a strategy for the support and personal development of all trustees, so that each trustee can keep up to date with the knowledge and skills they need to carry out their role.
- D15** All new trustees should undergo a full induction, in which they receive all the information and support they need to carry out their new role, and can meet key staff, users and beneficiaries, and other stakeholders.
- D16** Implementation of these strategies may be delegated by the Board to the organisation's chief executive or secretary.

## The Chief Executive

The Board should make proper arrangements for the supervision, support, appraisal and remuneration of its chief executive.

- D17** The Board should ensure that formal arrangements are set up for the regular supervision, appraisal and personal development of their chief executive. This may be carried out by the chair, another trustee or by a small group of trustees.
- D18** The Board should ensure that there is a formal mechanism for setting the remuneration of the chief executive, which should be ratified by the Board.

- D19** The remuneration package for the chief executive should:
- (a)** be adequate to attract and retain the quality of staff required, but no more;
  - (b)** be openly disclosed in the organisation's accounts, including pension and other benefits; and
  - (c)** where there is a performance related element, be linked to the achievement of measurable targets.
- D20** The Board should seek independent expert or professional advice when required concerning sensitive matters relating to the chief executive's employment.

# E | Board review and renewal

**The key principle:** 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.

## 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.

- E1** The Board should ensure that:
- (a)** at least every two years, it sets aside time to reflect on its own performance and functioning as a team;
  - (b)** the performance of individual trustees is regularly assessed and appraised, either by the chair or another trustee, or by using external assistance;
  - (c)** the performance of the chair is likewise assessed and appraised, either by another trustee, the Board as a whole, or using external assistance; and
  - (d)** the performance of sub-committees, standing groups and other bodies is similarly appraised and reviewed.
- E2** The results of these appraisals should be used to make necessary changes and improvements, to inform the creation of appropriate training programmes, and to guide trustee renewal and recruitment.

## 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.

- E3** The Board should have a strategy for its own renewal, with succession planning arrangements in place to ensure timely replacement of trustees resigning or reaching the end of their terms of office; particular attention should be given to succession planning for replacement of the chair and other honorary officers.
- E4** The Board may wish to delegate implementation of this strategy to a sub-committee or panel.
- E5** Trustees must be recruited and appointed in accordance with the organisation's governing document, and with relevant legislation.
- E6** The Board should consider setting maximum terms of office to ensure a steady renewal of trustees; these may be set out in standing orders or in the organisation's governing document.
- E7** Before new trustees are appointed, the Board should determine what new attributes and knowledge are needed, and write them down in the form of a role description, or role profile.
- E8** The Board should ensure that the recruitment process is open to all sections of the community, and should consider open advertising and a range of other recruitment methods to attract a wide range of candidates.
- E9** Candidates should, where the organisation's governing document permits, be interviewed formally, and appointed on merit.
- E10** In the case of organisations where the trustees are nominated by an external body, or elected by a wider membership, the Board should work in partnership with the organisations or people concerned to ensure that they are aware of the specific skills and experience required from new trustees.
- E11** Where permitted by the organisation's governing document, using co-options should be used where necessary to recruit individuals with particular skills, experience and qualities that are not fully provided by existing trustees.
- E12** The Board should ensure that the procedures for joining and leaving the Board are clearly understood by all trustees and others involved.



## 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.

- E13** To remain effective, the Board should periodically conduct strategic reviews of all aspects of the organisation's work and functioning, to ensure that:
- (a)** the needs for which the organisation was set up still exist, and its objects as set out in the governing document remain relevant to those needs;
  - (b)** the organisation is continuing to meet those needs, and remains fit for purpose; and
  - (c)** the needs are being met in the most effective way.
- E14** Reviews should include the areas covered in this Code, including the organisation's:
- (a)** governing document, standing orders, purposes, mission and vision;
  - (b)** Board and trustees – their functioning and effectiveness;
  - (c)** staffing and volunteer structures, working methods, and operational policies and procedures;
  - (d)** mechanisms for internal control and performance reporting;
  - (e)** mechanisms for planning and budgeting;
  - (f)** sub-committees, working groups and advisory bodies; and
  - (g)** relations with stakeholders, and arrangements for communication and consultation with them.
- E15** The Board should use the results of such reviews to:
- (a)** generate a creative and innovative approach to the organisation's development;
  - (b)** inform its strategic planning;
  - (c)** make changes and improvements to its operational activities; and
  - (d)** initiate collaborative work with other organisations to deliver the best possible outcomes for users, beneficiaries and members; and
  - (e)** create a positive impact on the overall effectiveness and governance of the organisation.
- E16** Where possible, the Board should be open with stakeholders about the results of such reviews, indicate clearly what steps they intend to take in response, and give explanations concerning actions they have decided not to take.

**The key principle:** 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-committees, standing groups, advisory panels, etc.

**Monitoring** All delegated authorities must be subject to regular monitoring by the Board.

## Clarity of roles

The Board should define the roles and responsibilities of the chair and other honorary officers, in writing.

- F1** The Board should define and write down the role of the chair, and that of other honorary officers such as vice-chair, treasurer and the secretary to the Board; it should be noted that for companies the role of secretary is partly defined by the relevant legislation.
- F2** The role of the chair should include, as a minimum, to ensure:
- (a)** the efficient conduct of business at the organisation's Board and general meetings;
  - (b)** that the organisation's business is efficiently and accountably conducted between Board meetings;
  - (c)** that the organisation complies generally with this code;
  - (d)** specifically that the appraisal and remuneration of the organisation's chief executive is conducted in accordance with this Code;
  - (e)** that the employment of the chief executive complies with employment legislation and good practice; and
  - (f)** that the appraisal of board and trustee performance is conducted in accordance with this Code.

- F3** Where the Board has delegated specific roles to honorary officers or to other trustees, ultimate responsibility rests with the Board as a whole. In such situations the trustee(s) concerned should separate the specific roles from their wider trustee role.

## 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.

- F4** In all but the smallest organisations, the Board will need to delegate parts of its work to others in a clear, practical and legal manner. Delegations may be made to individual trustees, sub-committees (see below), the chief executive, other staff, volunteers or agents and consultants.
- F5** Delegations must comply with the terms of the organisation's governing document and any relevant legislation.
- F6** Where there is a chief executive, delegations to other staff and volunteers should normally be through that individual.
- F7** Delegations should always be in writing, and should set clear limits on matters such as expenditure, authority and decisions that can be made. Delegations may be written in Board minutes, terms of reference for sub-committees, staff job descriptions, or in a separate list.

## Terms of reference

The Board should set clear terms of reference for sub-committees, standing groups, advisory panels, etc.

- F8** The Board may wish to set up sub-committees, advisory groups, panels or other bodies to assist its work. Such bodies should have clear written terms of reference in addition to any delegated authority.

## Monitoring

All delegated authorities must be subject to regular monitoring by the Board.

- F9** The Board must remain in ultimate control of all delegations:
- (a)** Honorary officers and other trustees should report back to the Board promptly on any use of delegated authority;

- (b)** the Board should receive regular reports and minutes from all sub-committees etc; and
- (c)** the mechanisms established for internal control and performance reporting should be used to monitor use of delegated authority by the chief executive, or other staff or volunteers (see C5-C8).

# G

## Board and trustee integrity

**The key principle:** 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 interest affecting them.

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

### 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.

- G1** Trustees must be scrupulous to avoid gaining any private benefit from their position, whether financial or other, except:
  - (a)** as permitted by law and the organisation's governing document; and
  - (b)** where this is agreed by the Board as demonstrably in the interests of the organisation.
- G2** Where the law and the organisation's governing document permit payment of trustees, this must not exceed the prescribed limits, and it should be demonstrably in the interests of the organisation to make the payment.
- G3** No trustee should be involved in setting their own remuneration. Mechanisms for setting the level of payment to trustees should be set up to avoid conflicts of interest, including where appropriate making use of independent advice.
- G4** Full disclosure of any payments made to trustees is required by law for some organisations, in the organisation's annual accounts and annual report. All organisations should do the same, even where not required by law.
- G5** The organisation should have procedures for trustees to claim legitimate travel and other expenses incurred while carrying out the organisation's business; trustees should not be out of pocket for the work they carry out for the organisation.

## Conflicts of interest

Trustees should identify and promptly declare any actual or potential conflicts of interest affecting them.

- G6** The organisation must have procedures for trustees to declare actual or potential conflicts of interest to the Board; such declarations should be made at the earliest opportunity. They should be recorded in Board minutes or in a register kept for the purpose.
- G7** Where a material conflict of interest arises at a Board meeting, the trustee concerned should not vote on the matter or participate in discussions. She or he should also offer to withdraw from the meeting, and the other trustees should decide if this is required.
- G8** Where a trustee has a major or ongoing conflict of interest, she or he should offer to resign from the Board.
- G9** Boards should have special procedures or standing orders to deal with conflicts of interest for trustees who are the organisation's service users, beneficiaries or members of staff.

## Probity

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

- G10** Trustees should declare all personal gifts received and hospitality accepted while on the organisation's business, or from people or organisations connected with the organisation; such declarations should be recorded in Board minutes or in a register kept for that purpose.
- G11** Trustees should not accept gifts with a significant monetary value or lavish hospitality; where this may be a frequent issue, the organisation should set a policy to define what is and is not acceptable.
- G12** Trustees should under no circumstances accept gifts or hospitality where this could be seen as being likely to influence the decisions of the Board.

# H | Board openness

**The key principle:** 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.

## 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.

- H1** The Board should identify those people and groups who have a legitimate interest in the organisation's work; these might include users, beneficiaries, members, partners, staff, volunteers, regulators, other government bodies and funders. We refer to these as 'stakeholders' in this code.
- H2** The Board should ensure that the whole organisation, and its stakeholders, have a clear understanding of the Board's role, and of the organisation's objects and values.
- H3** There should be regular and appropriate communication and consultation with stakeholders to ensure that:
  - (a)** their views are taken into account in the organisation's decision-making;
  - (b)** they are informed and consulted on the organisation's plans and proposed developments which may affect them;
  - (c)** there is a procedure for dealing with feedback and complaints from stakeholders, staff, volunteers and the public; and
  - (d)** the organisation's performance, impacts and outcomes are reported to stakeholders.

- H4** The Board must ensure that the organisation produces an annual report and accounts that comply with relevant legislation; these should provide a balanced and accurate assessment of the organisation's successes and failures.
- H5** Communication should be offered in formats accessible to the stakeholder audiences, for instance in plain language, translated into languages commonly spoken among the communities served, on tape/CD, or in Braille.
- H6** The organisation must hold an Annual General Meeting if required by the governing document or by law; this may be an opportunity to invite stakeholders.

## Openness and accountability

The Board should be open and accountable to stakeholders about its own work, and the governance of the organisation.

- H7** The Board should ensure that the organisation upholds a commitment to openness and accountability at all levels. This will mean:
  - (a)** being clear about what information is available, and what must remain confidential to protect personal privacy or commercial confidentiality;
  - (b)** complying with reasonable outside requests for information about the organisation and its work;
  - (c)** being open about the organisation's governance work, and its strategic reviews;
  - (d)** ensuring that stakeholders have the opportunity to hold trustees to account and know how to do this; and
  - (e)** ensuring that the principles of equality and diversity are applied, and that information and meetings are accessible to all sections of the community.

## 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.

- H8** The Board should ensure that the views of users, beneficiaries, staff, volunteers and other stakeholders are taken into account in the organisation's decision-making and strategic reviews. This will mean:
  - (a)** encouraging wide stakeholder engagement in the organisation's decision-making, and promoting activities that support that engagement; and
  - (b)** ensuring that users, beneficiaries, members and other stakeholders are involved in the most appropriate way, and that involvement is open to all sections of the community (see Equality and Diversity at C15-C17).



- H9** In organisations where the trustees are elected by a wider membership, the Board should ensure that it:
- (a)** has clear policies on who is and is not eligible for membership of the organisation, including users, beneficiaries and staff;
  - (b)** keeps the members informed about the organisation's work; and
  - (c)** uses the membership as a way of involving stakeholders in the organisation's governance.

# partthree

## Appendices

### Appendix I: Organisations offering quality assurance systems and/or accreditation for the voluntary and community sector

**NB: There are many systems in use, and this list gives a selection of the better-known ones.**

#### Quality First

**Birmingham Voluntary Service Council**  
138 Digbeth  
Birmingham B5 6DR  
**Tel** 0121 643 4343  
**Fax** 0121 643 4541  
**Email** [administration@bvsc.org](mailto:administration@bvsc.org)  
**Web** [www.bvsc.org](http://www.bvsc.org)

#### Excellence Model

**British Quality Foundation**  
32-34 Great Peter Street  
London SW1 P 2QX  
**Tel** 020 7654 5000  
**Fax** 020 7654 5001  
**Web** [www.quality-foundation.co.uk](http://www.quality-foundation.co.uk)

#### ISO 9000

**British Standards Institution**  
389 Chiswick High Road  
London W4 4AL  
**Tel** 020 8996 9000  
**Fax** 020 8996 7400  
**Email** [cservices@bsi-global.com](mailto:cservices@bsi-global.com)  
**Web** [www.bsi.org.uk](http://www.bsi.org.uk)

#### PQASSO

**Charities Evaluation Services**  
4 Coldbath Square  
London EC1R 5HL  
**Tel** 020 7713 5722  
**Fax** 020 7713 5692  
**Email** [enquiries@ces-vol.org.uk](mailto:enquiries@ces-vol.org.uk)  
**Web** [www.ces-vol.org.uk](http://www.ces-vol.org.uk)

#### Charter Mark Services

**First Cabinet Office**  
Horse Guards Road  
London SW1P 3AL  
**Tel** 020 7276 1755  
**Email** [Chartermark@cabinet-office.x.gsi.gov.uk](mailto:Chartermark@cabinet-office.x.gsi.gov.uk)  
**Web** [www.chartermark.gov.uk](http://www.chartermark.gov.uk)

#### Investors in People UK

7-10 Chandos Street  
London W1G 9DQ  
**Tel** 020 7467 1900  
**Fax** 020 7636 2386  
**Email** [information@iipuk.co.uk](mailto:information@iipuk.co.uk)  
**Web** [www.investorsinpeople.co.uk](http://www.investorsinpeople.co.uk)

#### Quality Mark

**Legal Services Commission**  
85 Gray's Inn Road  
London WC1X 8TX  
**Tel** 020 7759 0000  
**Web** [www.legalservices.gov.uk/qmark](http://www.legalservices.gov.uk/qmark)

#### Social accounting and auditing

**New Economics Foundation**  
3 Jonathan Street  
London SE11 5NH  
**Tel** 020 7820 6300  
**Fax** 020 7820 6301  
**Email** [info@neweconomics.org](mailto:info@neweconomics.org)  
**Web** [www.neweconomics.org](http://www.neweconomics.org)

## Appendix 2: Guidance on the self-regulatory Code for organisations which fundraise from the public

The Self-regulation of Fundraising Scheme will be open, on a voluntary basis, to all UK organisations engaged in public fundraising. Trustees will be required to ensure that the Donor's Charter and the Codes of Fundraising Practice are adopted and disseminated, and, as signatories to the scheme, to agree to adhere to the highest standards of fundraising practice and the scheme's complaints process. Organisations subscribing will be expected to:

- secure the understanding, buy-in and support of their trustees;
- ensure that their fundraisers have access to, understand and use the Codes of Practice;
- adopt a suitable complaints-handling procedure and evaluation procedure;
- publicise their commitment to the donors charter in their communications with donors; and
- carry the scheme's logo on all fundraising materials.

For more details, while the scheme is being set up during 2005, please contact The Institute of Fundraising on 020 7840 1000 or e-mail [info@Institute-of-Fundraising.org.uk](mailto:info@Institute-of-Fundraising.org.uk).

## Appendix 3: Organisations that can assist trustees

### Association of Chief Executives of Voluntary Organisations (ACEVO)

**Web** [www.acevo.org.uk](http://www.acevo.org.uk)

**Tel** 0845 345 8481

Represents third sector leaders and provides them with support, advice and development opportunities.

### bassac

**Web** [www.bassac.org.uk](http://www.bassac.org.uk)

**Tel** 0845 241 0375

The British Association of Settlements and Social Action Centres is a membership network of multi-purpose community organisations. It represents its diverse members at a national level and offers them strategic support.

### Black Training and Enterprise Group (BTEG)

**Web** [www.bteg.co.uk](http://www.bteg.co.uk)

**Tel** 020 7713 6161

Aims to achieve improvements for black people, in areas of employment, economic regeneration, education and enterprise.

### Board Builders

**Web** [www.boardbuilders.com](http://www.boardbuilders.com)

Based in America, working internationally to help non-profits reach a higher level of success, and to help board and staff achieve greater joy.

### Boardsource

**Web** [www.boardsource.org](http://www.boardsource.org)

USA-based resource for practical information, best practice, training, and leadership development for boards of nonprofit organisations.

### Centre for Effective Dispute Resolution (CEDR)

**Web** [www.cedr.co.uk](http://www.cedr.co.uk)

**Tel** 020 7536 6000

Encourages and develops mediation and other cost-effective dispute resolution and prevention techniques. NCVO, in partnership with CEDR, offer a mediation service for the voluntary sector. Contact NCVO Helpdesk on 0800 2 798 798 as a first point of contact.

### Charities Aid Foundation (CAF)

**Web** [www.cafonline.org](http://www.cafonline.org)

CAF is an international non-governmental organisation providing specialist financial services to charities and their supporters.

### Charities Evaluation Services

**Web** [www.ces-vol.org.uk](http://www.ces-vol.org.uk)

**Tel** 020 7713 5722

CES helps members of voluntary and community organisations to develop their own approaches to enhancing the quality of their services.

### Charity Commission

**Web** [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

**Tel** 0870 333 0123

The Charity Commission is established by law as the regulator and registrar for charities in England and Wales.

### Charity Finance Directors' Group (CFDG)

**Web** [www.cfdg.org.uk](http://www.cfdg.org.uk)

**Tel** 0845 345 3192

A membership organisation which specialises in helping charities to manage their accounting, taxation, audit and other finance related functions.

## Appendix 3: Organisations that can assist trustees (cont.)

### Charity Trustee Networks

**Web** [www.trusteenetworks.org.uk](http://www.trusteenetworks.org.uk)

**Tel** 01483 243327

Charity Trustee Networks helps set up and provides support to networks of charity trustees.

### Companies House

**Web** [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

**Tel** 0870 33 33 636

Incorporates and dissolves limited companies; examines and stores company information delivered under the Companies Act and related legislation; and makes this information available to the public.

### Community Matters

**Web** [www.communitymatters.org.uk](http://www.communitymatters.org.uk)

**Tel** 020 7837 7887

The nationwide federation for community associations and similar organisations.

### Directory of Social Change (DSC)

**Web** [www.dsc.org.uk](http://www.dsc.org.uk)

**Tel** 08450 777 707

Helps voluntary and community organisations to thrive through advice on: how to raise money; how to manage resources to maximum effect; what their rights and responsibilities are and how to plan and develop for the future.

### Ethnic Minority Foundation

**Web** [www.ethnicminorityfund.org.uk](http://www.ethnicminorityfund.org.uk)

**Tel** 0800 652 0390

Committed to extending opportunities to people from ethnic minority communities.

### The Governance Hub

**Web** [www.governancehub.org.uk](http://www.governancehub.org.uk)

**Tel** 0800 2 798 798 (*at the Accountable Body, NCVO*)

A partnership of voluntary and community sector associations, working to improve the quality of governance of voluntary and community organisations in England.

### Governance Institute

**Web** [www.governanceinstitute.com](http://www.governanceinstitute.com)

Based in America, conducts research studies and showcases best practice.

### Institute of Chartered Accountants in England and Wales:

**Web** [www.icaew.org.uk](http://www.icaew.org.uk)

**Tel** 020 7920 8100.

The largest professional accountancy body in Europe.

### Institute of Chartered Secretaries and Administrators (ICSA)

**Web** [www.icsa.org.uk](http://www.icsa.org.uk)

**Tel** 020 7580 4741

The professional body for Chartered Secretaries. A Chartered Secretary is qualified in company law, accounting, corporate governance, administration, company secretarial practice and management.

### Institute of Fundraising

**Web** [www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)

**Tel** 020 7840 1000

The Institute of Fundraising promotes the highest standards of fundraising practice.

### National Association of Councils for Voluntary Service (NACVS)

**Web** [www.nacvs.org.uk](http://www.nacvs.org.uk)

**Tel** 0114 278 6636

The network of over 300 Councils for Voluntary Service throughout England.

### NCVO

**Web** [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)

**Web** [www.askNCVO.org.uk](http://www.askNCVO.org.uk)

**Freephone HelpDesk** 0800 2 798 798

**Textphone** 0800 01 88 111

**Email** [trustee.enquiries@ncvo-vol.org.uk](mailto:trustee.enquiries@ncvo-vol.org.uk)

The umbrella body for the voluntary sector in England; has a dedicated Trustee and Governance Team.

## Appendix 3: Organisations that can assist trustees (cont.)

### **Public Concern at Work**

**Web** [www.pcaw.co.uk](http://www.pcaw.co.uk)

**Tel** 020 7404 6609

The charity that assists whistleblowers and advises organisations on whistleblowing.

### **Trustee bank**

**Web** [www.trusteebank.org.uk](http://www.trusteebank.org.uk)

Lists organisations which can help you fill trustee vacancies, or help you find a vacancy to become a trustee.

### **Voluntary Sector National Training Organisation (VSNTO)**

**Web** [www.voluntarysectorskills.org.uk](http://www.voluntarysectorskills.org.uk)

**Tel** 020 7713 6161

Supports learning and development for staff, volunteers, and trustees within the voluntary and community sectors.

### **Volunteering England**

**Web** [www.volunteering.org.uk](http://www.volunteering.org.uk)

**Tel** 0845 305 6979

The national volunteer development agency for England, with offices in London and Birmingham.

### **The Work Foundation**

**Web** [www.theworkfoundation.com](http://www.theworkfoundation.com)

**Tel** 0870 165 6700

Exists to inspire and deliver improvements to performance through improving the quality of working life. Previously part of The Industrial Society.

## Appendix 4: Selected further reading on the governance of the voluntary and community sector

### ***A Chair's first 100 days***

Tesse Akpeki, edited by Marta Maretich, NCVO, 2005.

### ***A Polished Performance***

Tesse Akpeki, NCVO, 2004.

### ***Action for effective boards: a guide for housing organisations and their board members***

National Housing Federation, 2001.

### ***Appraising the Chief Executive – an essential guide to performance review.***

ACEVO, second edition 2002.

### ***Being an effective board member***

Mike Hudson and others, Charity Management Consortium, 2003.

### ***Best Behaviour: Using trustee codes of conduct to improve governance practice***

Tesse Akpeki, NCVO, 2004.

### ***Boards that work***

David Fishel, Directory of Social Change, 2003.

### ***The Cadbury Report (1992), Greenbury Report (1995) and Hampel Report (1998)***

[www.ecgi.org/codes/country\\_pages/codes\\_uk.htm](http://www.ecgi.org/codes/country_pages/codes_uk.htm). Private sector governance reports.

### ***Charities and Meetings***

(CC48) Charity Commission.

### ***The Charities Manual: A Complete Guide to Voluntary Sector Management***

Jackie Reason, Malcolm Leatherdale, Douglas Osborne, David Prescott, ICSA Publishing Ltd, 2005.

### ***The Charity Trustee's Handbook***

Mike Eastwood, Directory of Social Change, 2001.

### ***Competence and Accountability 2004, Code of Governance***

National Housing Federation, 2004.

### ***Competence and Accountability: The Report of the Inquiry into Housing Association Governance***

National Housing Federation in March 1995.

### ***The Combined Code on Corporate Governance***

DTI, 2003. The latest and comprehensive code for private sector organisations.

### ***Governance codes from other countries***

[www.ecgi.org/codes/all\\_codes.htm](http://www.ecgi.org/codes/all_codes.htm).

### ***Getting Ready for Quality: learning from experience***

NCVO, 2004.

### ***The Good Governance Action Plan***

Sandy Adirondack, NCVO, 2002.

### ***The Good Governance Standard for Public Services***

Independent Commission on Good Governance in Public Services, 2005.

### ***The Good Trustee Guide***

Peter Dyer, ed. Liza Ramrayka, NCVO, 2004.

### ***The Governance of Public and Non Profit Organisations. What do Boards do?***

Chris Cornforth (Routledge Taylor & Francis Group) 2003.

### ***Governance Stories***

Shirley Otto and Jo Clifton, Russell House Publishing, 2005.

### ***The Hallmarks of an Effective Charity*** (CC60) Charity Commission.

### ***The Higgs Review (2003)***

together with full details of the research conducted for the Review and related information

[www.dti.gov.uk/cld/non\\_exec\\_review](http://www.dti.gov.uk/cld/non_exec_review).

The most recent private sector governance report.

### ***The ICSA best practice guide to guarantee companies***

ICSA, 2005.

## Appendix 4: Selected further reading on the governance of the voluntary and community sector (cont.)

***The ICSA best practice guide to the appointment and induction of charity trustees***

ICSA, 2005.

***The ICSA best practice guide to managing conflicts of interest in the not-for-profit sector***

ICSA 2005.

***Governance as Leadership: Reframing the work of Nonprofit boards***

Taylor, Ryan and Chait (John Wiley & Sons) 2004.

***Governing with Confidence***

Trustee & Governance Team, NCVO, 2004.

***In control: the manual for voluntary board members:***

National Housing Federation, 2005.

***Just About Managing: Effective management for voluntary organisations and community groups***

Sandy Adirondack, London Voluntary Service Council, 3rd Edition 1998.

***Leading the organisation – the relationship between Chair and Chief Executive***

ACEVO, second edition 2002.

***Losing your executive director without losing your way: The non-profit guide to executive turnover***

Carol Wiseman and Richard Globaum, Jossey-Bass, 2004.

***Living Policy: A complete guide to creating and implementing policy in voluntary organisations***

Becky Forrester, Tesse Akpeki and Marta Maretich, NCVO, 2004.

***Managing at the Leading Edge: New Challenges in Managing Nonprofit Organisations***

Mike Hudson, Directory of Social Change, 2005.

***Managing without Profit. The art of managing third sector organisations***

Mike Hudson, Directory of Social Change, 2002.

***Payment of Charity Trustees***

(CC11), Charity Commission.

***Recruiting a New Chief Executive: A guide for trustees and chairs***

NCVO, 2005.

***Recruiting and Supporting Black and Minority Ethnic Trustees***

Tesse Akpeki, NCVO, 2001.

***Responsibilities of Charity Trustees***

(CC3), Charity Commission.

***Rethinking Governance: The Results of the ACEVO Governance Inquiry***

(ACEVO) 2003.

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National Housing Federation, 2003.

***Users on Board: Beneficiaries who become trustees***

(CC24): Charity Commission.

***Voluntary but not amateur***

Jacki Reason and Ruth Hayes, London Voluntary Service Council, 2004.

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Sandy Adirondack & James Sinclair Taylor, Directory of Social Change, 2001.



## Appendix 5: The Nolan principles

**Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

**Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

**Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

**Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership:** Holders of public office should promote and support these principles by leadership and example.

*Reproduced with thanks to the Committee on Standards in Public Life*

## **Appendix 6: The principles of good governance from the Good Governance Standard for Public Services**

### **1. Good governance means focusing on the organisation's purpose and outcomes for citizens and users**

- 1.1 Being clear about the organisation's purpose and its intended outcomes for citizens and service users
- 1.2 Ensuring that users receive a high quality service
- 1.3 Ensuring that taxpayers receive value for money

### **2. Good governance means performing effectively in clearly defined functions and roles**

- 2.1 Being clear about the functions of the governing body
- 2.2 Being clear about the responsibilities of non-executives and the executive and ensuring those responsibilities are carried out
- 2.3 Being clear about relationships between governors and the public

### **3. Good governance means promoting values that underpin good governance and upholding these through behaviour**

- 3.1 Putting organisational values of good governance into practice
- 3.2 Individual governors behaving in ways that uphold and exemplify effective governance

### **4. Good governance means taking informed, transparent decisions within a framework of controls**

- 4.1 Being rigorous and transparent about how decisions are taken
- 4.2 Having and using good quality information, advice and support
- 4.3 Having effective controls in place, including managing risk

### **5. Good governance means developing the capacity of the governance team to be effective**

- 5.1 Ensuring that appointed and elected governors have the skills and experience they need to perform well
- 5.2 Developing the capacity of people with governance responsibilities and evaluating their performance
- 5.3 Striking a balance, in the membership of the governing body, between continuity and renewal

### **6. Good governance means engaging stakeholders and making accountability real**

- 6.1 Understanding formal and informal accountability relationships
- 6.2 Taking an active and planned approach to accountability to the public
- 6.3 Taking an active and planned approach to responsibilities to staff
- 6.4 Engaging effectively with institutional stakeholders

*Reproduced with thanks to The Independent Commission for Good Governance in Public Services*

## Appendix 7: The principles of good governance (from the National Housing Federation Code of Governance)

The foundation of good governance is that there should be a balanced, diverse and effective board which leads and controls the organisation. The board should ensure that the organisation upholds the following principles:

### **1. Standards**

It operates according to high ethical standards, explicit values and the Federation's Code of Governance.

### **2. Accountability**

There is proper accountability to, and involvement of, all the organisation's stakeholders, including its residents.

### **3. Openness**

There is a spirit of openness, making full disclosure of governance matters and other information.

### **4. Equality and diversity**

There is fairness and equality of opportunity in all aspects of the organisation's governance.

### **5. Review and renewal**

There are formal and open processes for the periodic review of the board's own performance, and to ensure its renewal on an ongoing basis.

### **6. Clarity**

There is clarity of roles and responsibilities between the organisation's board members, paid staff and shareholders.

### **7. Control**

There are effective systems for internal delegation, audit and control.

### **8. Information**

The board receives adequate and timely reports and advice to inform its decisions.

### **9. Structures**

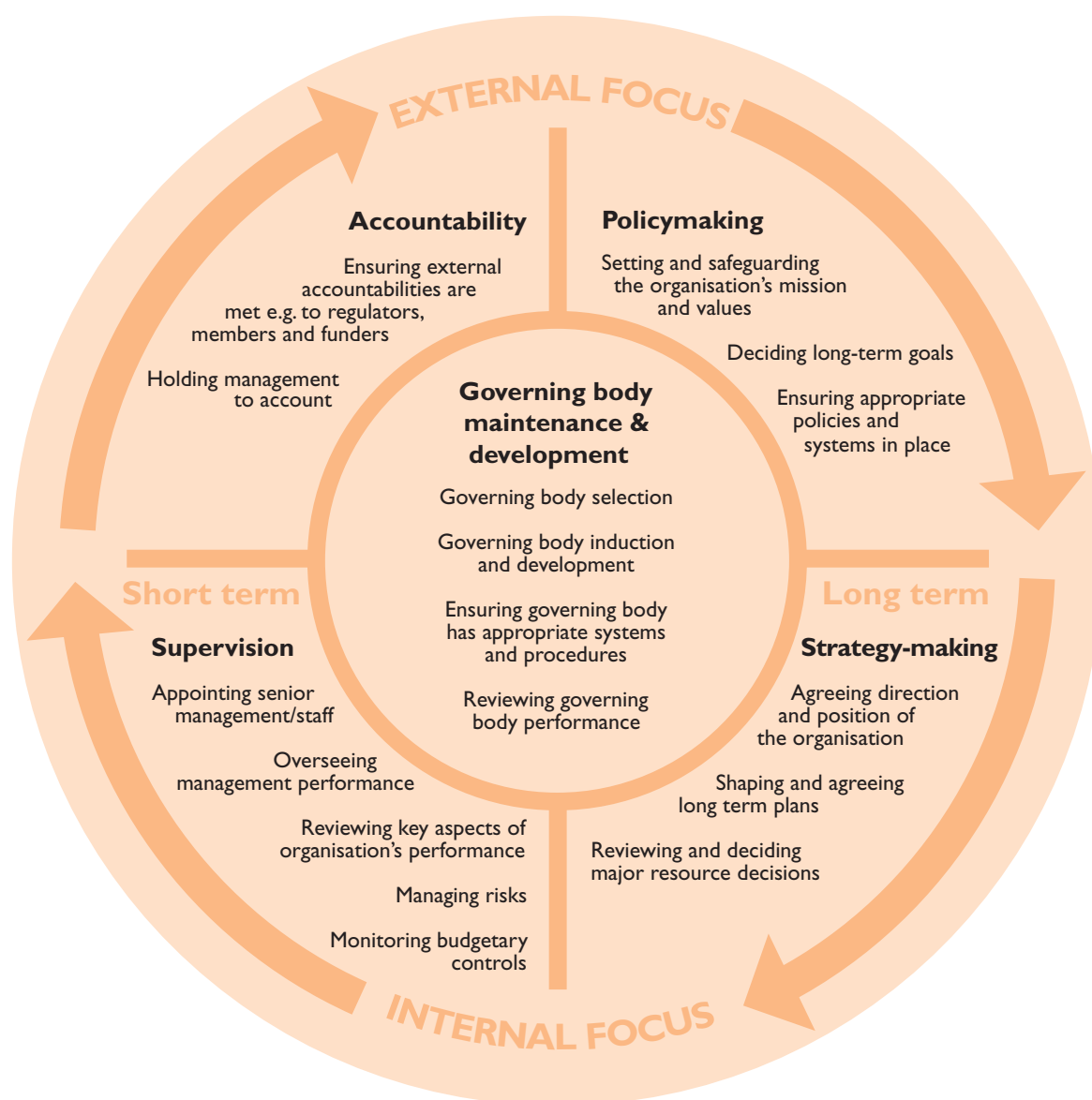
There are effective staffing and committee structures to support the board's work.

### **10. Audit**

There are effective and proper relationships between the organisation and its external auditors and regulators.

*Reproduced with thanks to the National Housing Federation.*

## Appendix 8: The Governing Body Cycle (from Co-operatives UK)



Reproduced with thanks to Cornforth, C.J. (2004) 'Governance: an overview',  
**Governance & Participation Development Toolkit**, Manchester: Co-operatives UK.

## Appendix 9: How to comment on this Code

We invite all people and organisations who have used this Code to provide us with comments. This will help us to refine and develop the Code, as we move towards preparing a second revised edition.

Our intention is to start work on a second edition after the Code has been in operation for eighteen months, and we would thus aim to publish a second version towards summer 2007. To ensure an objective approach, we intend to set up a Review Panel with a largely different membership to that of the Steering Group responsible for production of this first edition.

We may decide that special versions of the Code for particular types of organisation are needed before the formal review, and will consult with relevant organisations before publishing such additional Codes.

All comments are welcome, but we would especially like to know:

- Your name, organisation and capacity in which you are writing;
- Did you find the Code helpful to improve the governance of your organisation?
- Was the tone and layout of the Code appropriate and easy to use?
- Was the Code too demanding in its requirements, not demanding enough, or about right?
- What specific changes would you find it helpful to see in the next edition?
- Should we prepare special versions of the Code for particular sizes or types of organisation? If so, how should they differ from the main Code?
- Is there any support or information that you or your organisation will need to comply with the Code? If so, who would you wish to see providing that support?

Please visit [www.governancehub.org.uk](http://www.governancehub.org.uk) to comment or write to:

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This publication can be made available in large print and alternative formats on request.

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