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The Code of Good Governance

Putting the code into practice

NPC and The Clothworkers' Company recently held a seminar for charity trustees based on *Good Governance: a Code for the Voluntary and Community Sector*. We discussed the code's six key principles that describe how an effective board provides good governance and leadership, and heard from a charity that has put the code into practice.

This report highlights the key themes discussed during the seminar, looking at issues that often arise when putting the code's six principles into practice.

The seminar was chaired by **Tris Lumley**, Head of Development at NPC, who is a trustee of Student Hubs. The panellists were:

- **Lindsay Driscoll**, a consultant at solicitors Bates Wells & Braithwaite and Chair of the Good Governance Code steering group.
- **Janette Abbott-Donnelly**, Deputy Chief Commissioner of Girlguiding Anglia.

Introduction

Good governance: A Code for the Voluntary and Community Sector was first published in 2005 as a living document, with a commitment to update it as a result of feedback from organisations that used it. The second edition was published in October 2010. It contains six principles of good governance, relevant to the entire voluntary and community sector:

The code says that an effective board will provide good governance and leadership by:

1. **understanding their role;**
2. **ensuring delivery of organisational purpose;**
3. **working effectively both as individuals and as a team;**

4. **exercising effective control;**
5. **behaving with integrity; and**
6. **being open and accountable.**

In her foreword to the code, the chair of the Charity Commission, Dame Suzi Leather, writes:

'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 their organisation ... This code is drafted by the sector, for the sector. It therefore carries genuine authority and authenticity.'

There are three versions of the revised Code of Good Governance:

- Summary edition
- Full edition
- Edition for smaller organisations

All three can be downloaded from www.governancecode.org



The Clothworkers' Company

Principle 1: An effective board will provide good governance and leadership by understanding their role.

One of the issues that Girlguiding Anglia (see box) faced was that its trustees, some sitting on several committees, did not all clearly understand the role they were supposed to play, in part because that role had never been defined clearly.

The charity's Deputy Chief Commissioner, Janette Abbott-Donnelly, explained, *'Strategic issues were inadequately dealt with, because strategy was being mixed up with operational issues, and important strategic decisions were left to the one or two people who "knew what they were talking about" rather than the board members fulfilling their remit as trustees. There was inadequate support and training for trustees and little review and renewal of the organisation.'*

Prompted by the first principle in the Code of Good Governance, Girlguiding Anglia has introduced better induction and training for its trustees, and is looking to bring in board evaluation. The different committees also have a clearer understanding of their role, with a clearer remit.

Points to consider

- In many smaller charities, where trustees may help to deliver services, it is particularly important to define roles and responsibilities clearly.
- Decent feedback on trustees' performance can help trustees to understand their role. However, in lots of charities, there is nervousness here. A strong chair of trustees should enable a culture of feedback.
- Where there are committees and advisory panels working alongside a charity's board, it is crucial for all participants to understand their roles, to avoid those who are not trustees thinking that they have a governance influence.
- To promote a good understanding of roles, new trustees may be sent a letter of appointment, which sets out a realistic estimate of what will be involved, including the time commitment required.

Principle 2: An effective board will provide good governance and leadership by ensuring delivery of organisational purpose.

The board is responsible for the charity's vision and goals, and needs to make sure that they are achieved.

The experience of Girlguiding Anglia

The Anglia arm of Girlguiding UK has 80,059 members and supporters and covers nine counties. The charity has trustees at several levels—each county being subdivided into divisions and districts with their own committees of trustees. Until recently the main board (the Region Executive Committee) had an appointed chair (Chief Commissioner) and members consisting of the chairs of the county committees, several other region committees and advisory panels as well as some individuals.

Girlguiding Anglia was delivering excellent services, but its governance arrangements were unwieldy and often ineffective. As the Deputy Chief Commissioner, Janette Abbott-Donnelly, put it: *'The structure and processes were in need of a radical overhaul if the organisation was to remain effective and deliver its public benefit.'*

Girlguiding Anglia used the Code of Good Governance and its accompanying toolkit to direct a two-year change management process to identify and plan for a radical overhaul of the charity's governance and constitution.

Through consultations and forums, using the framework of the principles in the code, the charity came up with a new way forward, including a simpler governance structure and a new constitution ratified by Girlguiding UK.

Lessons from Girlguiding Anglia's experience are described throughout this briefing.

According to the Code of Good Governance, it can do this by developing and agreeing a long-term strategy, agreeing and monitoring operational plans and budgets, and assessing outcomes and impact.

One change that Girlguiding Anglia made was to simplify its governance structure, putting new subcommittees and forums in place to carry out the charity's work more effectively and efficiently. It also identified better mechanisms for monitoring performance.

According to Janette Abbott-Donnelly, *'Overall the code has enabled us to be better positioned to achieve our aims, to deliver the public benefit for which we exist.'*

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Principle 3: An effective board will provide good governance and leadership by working effectively both as individuals and as a team.

During the seminar, four key points were considered crucial in enabling trustees to work together effectively:

- First, effort needs to be put into recruitment to make sure there is a good mix of skills on the board and to make sure that service users are heard. One idea when recruiting professionals or those with particular skills might be to approach companies that have CSR policies that encourage trusteeship.
- Second, induction is vital for new trustees, and the principles covered in induction can be kept fresh through training and reviews.
- Third, the strength and capability of the chair is critical to lead the team. A good chair can challenge an assertive chief executive and help to compensate for a weaker chief executive, although the chair should avoid undermining the chief executive.
- Fourth, it is important for the team to get to know each other and not just see each other at board meetings. This can be done through working lunches and social events, for example, and can also be encouraged when different trustees lead on different issues.

Principle 4: An effective board will provide good governance and leadership by exercising effective control.

Two key aspects of exercising effective control are efficiencies and risks.

On efficiencies: trustees should always be conscious of where they can make savings and cut costs, and can be imaginative about the efficiencies they make—for example, by sharing office costs with other organisations. However, they should not cut costs to the detriment of their services, and the priority should always be to help

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service users in the best possible way, within the charity's means.

On risks: trustees are typically (or stereotypically) risk-averse, and this is not necessarily a bad thing. After all, their priority should be to protect and strengthen their organisation for the benefit of the people they help. But being cautious of risk is one thing; being averse to change is another, and trustees should remain open to change rather than being tempted to keep things the way they are because that is how they have always been.

Openness to risk depends on the type of organisation and the people involved. For example, a family foundation might be more able to take risks than a big brand name charity, depending on potential gains and potential losses. Trustees with a gung ho chief executive might want to be more cautious of risk than trustees with a wary chief executive.

On the whole, trustees tend not to spend enough time on risk management. One solution might be for a member of the board to take responsibility for a risk register. In a larger charity, this might be too much detail for the trustees, but they should nevertheless keep the key risks in mind, and make sure they have the right skills to look into particular risks.

Principle 5: An effective board will provide good governance and leadership by behaving with integrity.

The principle of integrity is one that is easy to agree with but difficult to pin down: how does a trustee behave with integrity in practice? According to the Code of Good Governance, it includes factors such as safeguarding and promoting the organisation's independence, acting according to high ethical standards, and maintaining independence of decision making.

The need to behave with integrity is particularly clear when it comes to dealing with loyalty and conflicts of interest. One problem is 'founder-itis', where the charity is overly reliant on a long-serving, energetic member of staff or trustee. If it is time for that person to move on, for the benefit of the charity, the founder may be reluctant to leave, and the board may be reluctant to push the matter because they feel loyal to the founder. Another problem comes when particular trustees are protecting their own interests—for example, perhaps they work for a company that is bidding to provide a service for the charity they are a trustee of.

To behave with integrity in matters of loyalty and conflicts of interest, the board should:

- hold a register of interests;
- have a conflicts of interest policy to clarify decision-making processes;
- declare any relevant interests at the start of each board meeting.

Lindsay Driscoll, Chair of the Good Governance Code steering group, pointed out that boards need to remember that they are not there to further their own interests. *'Where there is conflict of loyalty, emphasise the legal point: trustees need to act in the best interests of the charity.'*

Principle 6: An effective board will provide good governance and leadership by being open and accountable.

An important part of openness and accountability is about considering stakeholders and making sure that those stakeholders are involved in decision-making. As Lindsay Driscoll says, this is easier for membership charities, which have a ready, defined audience of stakeholders, than it is for non-membership charities, which need to set up alternative structures for engaging people who have an interest in the charity.

One way to do this might be through a formal or informal advisory panel, distinct from the trustee board, perhaps including people who use the organisation's services.

For Girlguiding Anglia, stakeholder engagement is key to the running of the charity and not just a token gesture. According to Janette Abbott-Donnelly, *'As an organisation for girls and young women, the girls' opinions are really important. Indeed, "Girls in the lead" is a strapline of the organisation. Better communication with all our members means that we now access the view of our grassroots members more easily and we make sure that the young people's voice gets through in all strategic decision making.'*

Final thoughts

By aligning themselves with the Code of Good Governance, boards find themselves being more efficient and effective, and governing an organisation that makes

more of a difference in people's lives.

For Janette Abbott-Donnelly and Girlguiding Anglia, *'Discovering the code was a light bulb moment! Reading it through gave us hope and a way forward. Having started on changes to our constitution, it became clear that the knock-on effect to other parts of our governance, structure and processes was huge. It was obvious we needed to align ourselves with the code and the rest would fall in line.'*

Girlguiding Anglia learned several lessons that are pertinent to all organisations when reviewing their governance:

- Consultation—not just communication—is the key.
- It is a team effort. You have to bring everyone with you.
- You need a champion to steer the change through.
- You need to reiterate issues often—people need constant reminders of what it is all about.
- Don't rush it—build in a lot of time.
- Keep focused—differences in perception can lead you to be distracted from achieving your vision.
- Keep the debate open and continue learning. Constantly challenge the way you do things.

Finally, as Janette reminded us, *'The process is important, because it's about people. It's a journey.'*

Further reading

To find out more about the issues raised in this briefing, read NPC's report, *The benefits of trusteeship*, published in March 2012.

www.philanthropycapital.org/publications/improving_the_sector/trusteeship

See also the Good Governance website, www.governancecode.org



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