

# Rural Action Yorkshire

## A guide to Governance

Whether you are a long serving member of a management committee or a newly elected trustee of a charity, understanding how to govern an organisation is crucial.

Organisations that are not well governed tend not to make the best of their opportunities or resources. In the worst case, a lack of good governance can put the entire organisation at risk.

This guide has been written to provide useful information for anyone carrying out a governance role within a voluntary or community sector organisation.

### Principles of good governance

“Good Governance: a Code for the Voluntary and Community Sector” sets out six high level principles of good governance. It states that an effective Board will provide good governance and leadership by:

- Understanding their role
- Ensuring delivery of organisational purpose
- Working effectively as individuals and as a team
- Exercising effective control
- Behaving with integrity
- Being open and accountable

In smaller organisations, Board members are often required to govern, manage and undertake the work of the organisation, in lieu of staff being employed. It is important to make a distinction between the governing role and other duties.

### What is Governance?

Governance is about the leadership, direction and supervision of an organisation; making sure it is doing what it was set up to do, in an appropriate manner. In real terms it means being responsible for the future of the organisation, guarding the values and reputation, being accountable for the actions and decisions and protecting the assets.

### The Governing Body

The Governing Body of an organisation may be known as the Board, the trustees, the management committee or some other term. For the purposes of this guide, we have used the generic term “Board” to refer to the Governing Body.



## **Understanding your role**

Board members have an overall responsibility for their organisation. Some of their duties are required by law, others may be laid out in the governing document, and some duties will be agreed at Board level. The organisation may provide an induction or training for board members to outline everything they need to know. If this is not the case, it is good practice to:

- Read the governing document (e.g. the constitution, memorandum and articles or trust deed) and the latest financial information
- Find out if the organisation has an agreed vision and values
- Find out if future plans exist and what they are
- Find out about the organisations members, volunteers, staff, customers, beneficiaries etc
- Read any role descriptions for board members that the organisation has produced

As a minimum, Board members must accept ultimate responsibility for the organisation, always act reasonably and in the organisations best interests, ensure the assets are safe and that the organisation is financially healthy and recognise and respect that by law all Board members are equally responsible. Additional individual and collective responsibilities will be required where the organisation is a charity, where the organisation manages or owns a significant asset, e.g. a building, where the organisation employs staff or where the individual has an additional role e.g. chair person or treasurer.

## **Is the organisation doing what it was set up to do?**

The board must:

- Make sure the organisations purposes remain relevant and valid
- Make plans for the future which pursue the objects of the organisation and develop a budget to match
- Monitor progress against the plan and expenditure against the budget
- Review and amend the plan and budget as necessary
- Evaluate the results the organisation delivers and the changes it brings

### **Are you in control?**

In order to maintain control the board must:

- Ensure the organisation complies with all legal requirements and regulations, including reporting arrangements
- Set appropriate financial management controls
- Set and maintain appropriate policies and procedures
- Regularly identify and manage major risks

### **Performance of the Board**

Boards need to *work effectively* as individuals and as a team for the benefit of the organisation, and in line with the governing document, e.g. the Constitution. In practice the board needs to:

- Make sure it has the necessary skills, experience and diversity and recruit new members appropriately
- Provide suitable induction and training for board members
- Hold regular planned meetings
- Maintain effective relationships
- Review the performance of the board periodically

Boards need to *behave with integrity* and adopt a code of conduct. As a minimum boards should:

- Protect and promote the organisations reputation
- Take decisions and actions based on ethical standards
- Identify and manage conflicts of interest
- Make decisions independently

Boards need to be *open and accountable*. This can be achieved by:

- Communicating openly and informing people about the organisation and what it does
- Listening and responding to the views of beneficiaries, supporters, funders etc
- Handling complaints effectively, impartially and efficiently
- Considering the organisations wider responsibilities



## Further help

Further support and guidance is available from the following organisations:

The Charity Commission – [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)  
Provides advice and a wide range of services and guidance to help charities run as effectively as possible. The full “Good Governance: a Code for the Voluntary and Community Sector” is available to download from the Charity Commission website.

Companies House – [www.companieshouse.co.uk](http://www.companieshouse.co.uk)  
The main functions of Companies House are to incorporate and dissolve limited companies examine and store company information delivered under the Companies Act and related legislation and make this information available to the public.

Your local CVS has a range of support materials available in relation to Governance.

## Contact Rural Action Yorkshire

Rural Action Yorkshire (RAY) is an independent charity which works with local communities to improve the quality of life for all people living and working in rural Yorkshire.

We have further guidance documents available on our website, as well as model constitutions and business plans, policies and procedures.

All of these resources are available free of charge to our members.

For more information, please call 0870 313 0270.

