

**Community  
Housing  
Cymru**



# **Code of Governance**

**for Community Housing Cymru's  
Members** (a consultation)

*March 2018*

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## About the Code

***Good governance is fundamental to the success of all organisations.***

An organisation is best placed to achieve its ambitions and aims if it has effective governance and the right leadership structures. Skilled and capable board members will help an organisation to attract resources and put them to best use. Good governance enables and supports an organisation's compliance with relevant legislation and regulation. It also promotes attitudes and a culture where everything works towards fulfilling the organisation's vision. The board leads on governance, but good governance involves the whole organisation from top to bottom.

As a sector, we owe it to those we serve, stakeholders and the wider community, to demonstrate exemplary leadership and governance. This Code is a practical tool to help board members achieve this.

The Code sets the principles and recommended practice for good governance and is deliberately aspirational; some elements of the Code will be a stretch for many organisations to achieve. This is intentional as we want the Code to be a tool for continuous improvement towards the highest standards.

# Using the Code

## Who is the Code for?

This Code is intended for use by Community Housing Cymru (CHC) members.

The Code's principles, rationale and outcomes are universal and apply equally to all organisations, whatever their size or activities.

The recommended good practice to meet these principles will vary. Governance practice can look significantly different depending upon an organisation's size, income, activities or complexity.

## How it works

This Code is designed as a tool to support continuous improvement. Boards that are using this Code effectively will regularly revisit and reflect on the Code's principles.

Compliance with the law is an integral part of good governance. This Code does not attempt to set out all the legal requirements that apply to organisations and board members, but it is based on a foundation of board members' basic legal and regulatory responsibilities. The seven Code principles build on the assumption that organisations are already meeting this foundation.

The Code sets out principles and recommended practice. Each principle in the Code has a brief description, a rationale (the reasons why it is important), key outcomes (what you would expect to see if the principle were adopted) and recommended practice (what an organisation might do to implement the principle).

## Apply or explain?

It is important that board members discuss the Code's principles and recommended practice and make well-considered decisions about how these should be applied in their organisation.

An organisation should explain the approach it takes to applying the Code, so that it is transparent to anyone interested in its work. We call this approach 'apply or explain'. All board members are encouraged to meet the principles and outcomes of the Code by either applying the recommended practice, or explaining what they have done instead or why they have not applied it.

Organisations that adopt the Code are encouraged to publish a brief statement in their annual report explaining their use of the Code. We anticipate that this statement will be a short narrative rather than a lengthy 'audit' of policies and procedures.

**This code is based on the Charity Governance Code for Larger Charities, which is issued by the Charity Governance Code steering group. It has been adapted with their kind permission to meet the needs of CHC members.**

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**The original Charity Governance Code can be seen at:**

**[www.charitygovernancecode.org](http://www.charitygovernancecode.org)**

# The principles

There are seven principles which make up this Code. These seven principles build on the assumption that an organisation is meeting its legal and regulatory responsibilities as a foundation.

## 1. **Organisational purpose**

The board is clear about the organisation's aims and ensures that these are being delivered effectively and sustainably.

## 2. **Leadership**

Every organisation is led by an effective board that provides strategic leadership in line with the organisation's aims and values.

## 3. **Integrity**

The board acts with integrity, adopting values and creating a culture which help achieve the organisation's purposes. The board is aware of the importance of the public's confidence and trust, and board members undertake their duties accordingly.

## 4. **Decision-making, risk and control**

The board makes sure that its decision-making processes are informed, rigorous and timely and that effective delegation, control and risk assessment and management systems are set up and monitored.

## 5. **Board effectiveness**

The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

## 6. **Diversity**

The board's approach to diversity supports its effectiveness, leadership and decision-making.

## 7. **Openness and accountability**

The board leads the organisation in being transparent and accountable. The organisation is open in its work, unless there is good reason for it not to be.

# **Foundation: The board member role and context**

It is the Code's starting point that all board members:

1. are committed to their organisation's cause and have joined its board because they want to help it to deliver its purpose most effectively.
2. recognise that meeting their organisation's stated purpose is an ongoing requirement, and understand their roles and legal responsibilities.
3. have read their governing documents.

# Principle 1: Organisational Purpose

## Principle

The board is clear about the organisation's aims and ensures that these are being delivered effectively and sustainably.

## Rationale

Board members have a responsibility to understand the environment in which the organisation is operating and to lead the organisation in fulfilling its purpose as effectively as possible with the resources available. To do otherwise would be failing those they serve, stakeholders and the wider community.

The board's core role is a focus on strategy, performance, and assurance.

## Key outcomes

1.1 The board has a shared understanding of and commitment to the organisation's purpose and can articulate these clearly.

1.2 The board can demonstrate that the organisation is effective in achieving its purpose and agreed outcomes.

# Recommended practice

## 1.3 Determining organisational purpose

1.3.1 The board periodically reviews the organisation's purpose, and the external environment in which it works, to make sure that the organisation and its purpose stay relevant and valid.

1.3.2 The board leads the development of, and agrees, a strategy that aims to achieve the organisation's purpose and is clear about the desired outputs, outcomes and impacts.

## 1.4 Achieving the purpose

1.4.1 All board members can explain the organisation's purpose and objects.

1.4.2 The board evaluates the organisation's impact by measuring and assessing results, outputs and outcomes.

## 1.5 Analysing the external environment and planning for sustainability

1.5.1 The board regularly reviews the sustainability of its income sources and business models and their impact on achieving organisational purpose in the short, medium and longer term.

1.5.2 Board members consider the benefits and risks of partnership working, merger or group structure if the organisation's viability is uncertain, or changes would benefit those it serves.

1.5.3 The board recognises its broader responsibilities towards communities, stakeholders, wider society and the environment, and acts on them in a manner consistent with the organisation's purpose, values and available resources.

# Principle 2: Leadership

## Principle

Every organisation is headed by an effective board that provides strategic leadership in line with the organisation's aims and values.

## Rationale

Effective leadership helps the organisation adopt an appropriate strategy for delivering its aims. It also sets the tone for the organisation, including its vision, values and reputation.

## Key outcomes

2.1 The board as a whole, and board members individually, accept collective responsibility for ensuring that the organisation has a clear and relevant set of aims and an appropriate strategy for achieving them.

2.2 The board agrees the organisation's vision, values and reputation and leads by example, requiring that anyone representing the organisation reflects its values positively.

2.3 The board makes sure that the organisation's values are reflected in all its work, and that the ethos and culture of the organisation underpin the delivery of all its activities.

# Recommended practice

## 2.4 Leading the organisation

2.4.1 The board and individual board members take collective responsibility for its decisions.

2.4.2 The chair provides leadership to the board with prime responsibility for ensuring that it has agreed priorities, appropriate structures, processes and a productive culture and has board members and senior staff who are able to govern well and add value.

2.4.3 In the case of the chief executive, the board makes sure that there are proper arrangements for their appointment, supervision, support, appraisal, remuneration and, if necessary, dismissal.

2.4.4 The board's functions are formally recorded. There are role descriptions defining responsibilities for all board members that differentiate clearly those of the chair and other officer positions and outline how these roles relate to staff.

2.4.5 Where the board has agreed to establish formally constituted subsidiary organisation/s, it is clear about the rationale, benefits and risks of these arrangements. The formal relationship between the parent and each of its subsidiaries is clearly recorded and the parent reviews, at appropriate intervals, whether these arrangements continue to best serve the organisation's purposes.

2.4.6 The parent board controls the activities of all parts of the group, and satisfies itself that group members are meeting statutory and regulatory requirements, as well as ensuring that their affairs are being conducted in accordance with the overall vision of the group. The parent board understands the areas where a subsidiary could expose the group to financial or reputational risk.

## 2.5 Leading by example

2.5.1 The board agrees the values, consistent with the organisation's purpose, that it wishes to promote and makes sure that these values underpin all its decisions and the organisation's activities.

2.5.2 The board recognises, respects and welcomes diverse, different and, at times, conflicting board member views.

2.5.3 The board provides oversight and direction to the organisation and support and constructive challenge to the organisation, its staff and, in particular, the chief executive.

2.5.4 The board, through its relationship with the chief executive, creates the conditions in which the staff are confident and enabled to provide the information, advice and feedback necessary to the board.

## 2.6 Commitment

2.6.1 All board members give sufficient time to the organisation to carry out their responsibilities effectively. This includes preparing for meetings and sitting on board committees and other governance bodies where needed. The expected time commitment is made clear to board members before nomination or appointment, and again on acceptance

# Principle 3: Integrity

## Principle

The board acts with integrity, adopting values and creating a culture which helps achieve the organisation's purpose. The board is aware of the importance of the public's confidence and trust in organisations, and board members undertake their duties accordingly.

## Rationale

Board members, individually and collectively, have ultimate responsibility for the organisation's funds and assets, including its reputation. Board members should maintain the respect of those they serve, other stakeholders and the public by behaving with integrity, even where difficult or unpopular decisions are required. Not doing this risks bringing the organisation and its work into disrepute.

## Key outcomes

3.1 The board acts in the best interests of the organisation and those they serve. The board is not unduly influenced by those who may have special interests, and places the interests of the organisation before any personal interest. This applies whether board members are elected, nominated, or appointed. Collectively, the board is independent in its decision making.

3.2 The board safeguards and promotes the organisation's reputation and, by extension, promotes public confidence in the wider sector.

3.3 Members of the board and those working in or representing the organisation are seen to

be acting with integrity, and in line with the values of the organisation.

## Recommended practice

### 3.4 Maintaining the organisation's reputation

3.4.1 Board members adopt and adhere to a suitable code of conduct that sets out expected standards of probity and behaviour.

3.4.2 The board considers how the organisation is perceived by other people, by other organisations and the public. It makes sure that the organisation operates responsibly and ethically, in line with its own aims and values.

3.4.3 The board ensures that the organisation follows the law. It also considers adherence to relevant non-binding rules, codes and standards.

### 3.5 Identifying, dealing with and recording conflicts of interest/loyalty

3.5.1 The board understands how real and perceived conflicts of interests and conflicts of loyalty can affect an organisation's performance and reputation.

3.5.2 Board members disclose any actual or potential conflicts to the board and deal with these in line with the organisation's governing document, and a regularly reviewed conflicts of interest policy.

3.5.3 A register of interests, hospitality and gifts is kept and made available for inspection in line with the organisation's agreed policy on disclosure.

3.5.4 Board members keep their independence and tell the board if they feel influenced by any interest or may be perceived as being influenced or having a conflict.

# Principle 4: Decision-making, risk and control

## Principle

The board makes sure that its decision-making processes are informed, rigorous and timely, and that effective delegation, control, risk-assessment, and management systems are set up and monitored.

## Rationale

The board is ultimately responsible for the decisions and actions of the organisation but it cannot and should not do everything. The board may be required by statute or the organisation's governing document to make certain decisions but, beyond this, it needs to decide which other matters it will make decisions about and which it can and will delegate.

Board members delegate authority but not ultimate responsibility, so the board needs to implement suitable controls, assurance, and reporting arrangements to make sure it oversees these delegated matters. Board members must also identify and assess risks and opportunities for the organisation, and decide how best to deal with them, including assessing whether they are manageable or worth taking.

## Key outcomes

4.1 The board is clear that its main focus is on strategy, performance, and assurance, rather than operational matters, and reflects this in what it delegates.

4.2 The board has a sound decision-making and monitoring framework which helps the organisation deliver its purpose. It is aware of the range of financial and non-financial risks it needs to monitor and manage.

4.3 The board promotes a culture of sound management of resources, but also understands that being over-cautious and risk averse can itself be a risk and hinder innovation.

4.4 Where aspects of the board's role are delegated to committees, staff, or contractors, the board keeps responsibility and oversight.

## Recommended practice

### 4.5 Delegation and control

4.5.1 The board regularly reviews which matters are reserved to the board and which can be delegated. It collectively exercises the powers of delegation to senior managers, committees or individual board members, staff or volunteers.

4.5.2 The board puts in place a clear framework of delegation including financial regulations, standing orders, terms of reference of the board and its committees, and procedures for dealing with decisions between meetings. Systems are in place to monitor and oversee how delegations are exercised.

4.5.3 The board makes sure that its committees have suitable terms of reference and membership and that:

1. the terms of reference are reviewed regularly
2. the committee membership has the appropriate skills, is refreshed regularly and does not rely too much on particular people

4.5.4 When the organisation is using third party suppliers and contractors it aims to ensure that any work is carried out in line with its values, particularly when it is being directly provided to those it serves.

4.5.5 The board regularly reviews the organisation's key policies and procedures to ensure that they continue to support, and are adequate for, the delivery of the organisation's aims.

## 4.6 Managing and monitoring organisational performance

4.6.1 Working with senior management, the board ensures that operational and financial plans are in line with the organisation's purpose, agreed strategic aims and available resources.

4.6.2 The board regularly monitors performance using a consistent framework and checks performance against delivery of the organisation's strategic aims, operational and financial plans. It has structures in place to hold staff to account and support them in meeting these goals.

4.6.3 The board agrees with senior management what information is needed to assess delivery against agreed plans, outcomes and timescales. Information should be timely, relevant, accurate and provided in an easy to understand format.

4.6.4 The board regularly considers how the organisation can improve its services and provide value for money.

4.6.5 The board regularly considers feedback from residents on the organisation's services and makes sure that services to residents are subject to continuous review and improvement.

## 4.7 Actively managing risks

4.7.1 The board retains overall responsibility for risk management and discusses and decides the level of risk it is prepared to accept for specific and combined risks.

4.7.2 The board regularly reviews the organisation's specific significant risks and the cumulative effect of these risks. It makes plans to mitigate and manage these risks appropriately, and gains assurance that these plans are working.

4.7.3 The board puts in place and regularly reviews the organisation's process for identifying, prioritising, escalating and managing risks and, where applicable, the organisation's system of internal controls to manage these risks. The board reviews the effectiveness of the organisation's approach to risk at least every year.

4.7.4 The board describes the organisation's approach to risk in its annual report and in line with regulatory requirements.

## 4.8 Appointing auditors and audits

4.8.1 The board agrees and oversees an effective process for appointing and reviewing external and internal auditors, taking advice from the audit committee.

4.8.2. The board appoints an audit committee with relevant skills and experience including at least three board members. The chair of the audit committee must not be the chair of the board or an employee of the organisation.

4.8.3 The board, or audit committee, has the opportunity to meet the auditors without

employees of the organisation present at least once a year.

4.8.4 Arrangements are in place for a body, such as the audit committee, to consider concerns raised in confidence about alleged improprieties, misconduct or wrongdoing. This includes concerns raised by whistle blowing. Arrangements are also in place for appropriate and independent investigation and follow-up action.

# **Principle 5:** **Board effectiveness**

## **Principle**

The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

## **Rationale**

The board has a key impact on whether an organisation thrives. The tone the board sets through its leadership, behaviour, culture and overall performance is critical to the organisation's success. It is important to have a rigorous approach to board member recruitment, performance and development, and to the board's conduct. In an effective team, board members feel it is safe to suggest, question and challenge ideas and address, rather than avoid, difficult topics.

## **Key outcomes**

5.1 The board's culture, behaviours and processes help it to be effective; this includes accepting and resolving challenges or different views.

5.2 All board members have appropriate skills and knowledge of the organisation and can give enough time to be effective in their role.

5.3 The chair enables the board to work as an effective team by developing strong working relationships between members of the board and creates a culture where differences are aired

and resolved.

5.4 The board takes decisions collectively and confidently. Once decisions are made, the board unites behind them and accepts them as binding.

## Recommended practice

### 5.5 Working as an effective team

5.5.1 The board meets as often as it needs to be effective.

5.5.2 The chair, working with board members and staff, plans the board's programme of work and its meetings, making sure board members have the necessary information, time and space to explore key issues and reach well-considered decisions, so that board time is well-used.

5.5.3 Board members regularly discuss the board's effectiveness and its ability to work together as a team, including individuals' motivations and expectations about behaviours. Board members take time to understand each other's motivations to build trust within the board and the chair asks for feedback on how to create an environment where board members can constructively challenge each other.

5.5.4 Where significant differences of opinion arise, board members take time to consider the range of perspectives and explore alternative outcomes, respecting alternative views and the value of compromise in board discussions.

5.5.5 The board collectively receives specialist in-house or external governance advice and support. The board can access independent professional advice, such as legal or financial advice, at the organisation's expense, if needed for the board to discharge its duties.

### 5.6 Reviewing the board's composition

5.6.1 The board has, and regularly considers, the mix of skills, knowledge and experience it needs to govern, lead and deliver the organisation's purpose effectively. It reflects this mix in its board member appointments, balancing the need for continuity with the need to refresh the board.

5.6.2 The board is big enough that the organisation's work can be carried out and changes to the board's composition can be managed without too much disruption. A

board of at least five but no more than fifteen board members, including co-optees, is considered good practice.

## 5.7 Overseeing appointments

5.7.1 There is a formal, rigorous and transparent procedure to appoint new board members to the board.

5.7.2 The search for new board members is carried out, and appointments or nominations for election are made, on merit against objective criteria and considering the benefits of diversity on the board. Regular skills audits inform the search process.

5.7.3 Board members are appointed for an agreed length of time, subject to any applicable constitutional or statutory provisions. It is expected that no board member will serve for longer than nine years. If in exceptional circumstances a board member has served for more than nine years, their reappointment is:

1. subject to a particularly rigorous review and takes into account the need for progressive refreshing of the board
2. explained in the board's annual report.

5.7.4 If an organisation's governing document provides for board members to be nominated and elected by a wider membership, or elected by a wider membership after nomination or recommendation by the board, the organisation supports the members to play an informed role in these processes.

5.7.5 If the organisation is paying board members, there is a mechanism for establishing payment levels that is supported by independent advice, and agreed payment levels are proportionate to the size and complexity of the organisation. Payment is linked to carrying out specific duties against which performance is reviewed.

5.7.6 Where employees of the organisation are full board members, the board agrees standing orders that specify when and how they are to be excluded from decision making.

## 5.8 Developing the board

5.8.1 Board members receive an appropriately resourced induction when they join the board. This includes meetings with senior management and covers all areas of the organisation's work. Board members are given the opportunity of ongoing learning and development.

5.8.2 The board annually reviews its own performance and that of individual board members, including the chair. This would typically consider the board's balance of skills, experience and knowledge, its diversity in the widest sense, how the board

works together and other factors relevant to its effectiveness. In addition, the board, periodically or at times of significant challenge, considers the use of independent external or peer support in its review.

5.8.3 The board explains how the organisation reviews or evaluates the board in the governance statement in the board's annual report.

# **Principle 6:** **Diversity**

## **Principle**

The board's approach to diversity supports its effectiveness, leadership and decision making. The board leads in supporting the wider diversity of the organisation as a whole.

## **Rationale**

Boards whose board members have different backgrounds and experience are more likely to encourage debate and to make better decisions.

Diversity includes the statutory protected characteristics, as well as different backgrounds, life experiences, career paths and diversity of thought. Boards should try to recruit people who think in different ways, as well as those who have different backgrounds.

## **Key outcomes**

6.1 The board is more effective if it includes a variety of perspectives, experiences and skills.

6.2 The board ensures that the organisation follows principles of equality and diversity, going beyond the legal minimum where appropriate.

# Recommended practice

## 6.3 Encouraging inclusive and accessible participation

6.3.1 The board periodically takes part in training and/or reflection about diversity and understands its responsibilities in this area.

6.3.2 The board makes a positive effort to remove, reduce or prevent obstacles to people being board members, allocating budgets, where necessary, to achieve this within the organisation's available resources. This could include looking at:

1. the time, location and frequency of meetings
2. how papers and information are presented to the board, for example, using digital technology
1. offering communications in formats such as audio and Braille

## 6.4 Recruiting diverse board members

6.4.1 The board regularly carries out an audit of skills, experience and diversity of background of its members to find imbalances and gaps and inform board member recruitment and training.

6.4.2 The board sees diversity, in all its forms, as an integral part of its regular board reviews.

6.4.3 When deciding how to recruit board members, the board thinks about how best to attract a diverse pool of candidates.

## 6.5 Monitoring and reporting on diversity

6.5.1 The board ensures that there are plans in place to monitor both the diversity of the board and of the organisation as a whole, and regularly reports on progress.

# Principle 7: Openness and accountability

## Principle

The board leads the organisation in being transparent and accountable. The organisation is open in its work, unless there is good reason for it not to be.

## Rationale

The public's trust in an organisation is fundamental to its reputation and success and, by extension, the success of the wider sector. Making accountability real, through genuine and open two-way communication that celebrates successes and demonstrates willingness to learn from mistakes, helps to build this trust and confidence and earn legitimacy.

## Key outcomes

7.1 The organisation's work and impact are appreciated by all its stakeholders.

7.2 The board ensures that the organisation's performance and interaction with its stakeholders are guided by the values, ethics and culture put in place by the board.

7.3 The organisation takes seriously its responsibility for building public trust and confidence in its work.

# Recommended practice

## 7.4 Communicating and consulting effectively with stakeholders

7.4.1 The board identifies the key stakeholders with an interest in the organisation's work. These will include those they serve, as well as staff, members, funders, suppliers, local communities and others.

7.4.2 The board makes sure that there is a strategy for regular and effective communication with these stakeholders about the organisation's purpose, values, work and achievements, including information that enables them to measure the organisation's success in achieving its purpose.

7.4.3 The board makes sure there is suitable consultation with stakeholders about significant changes to the organisation's services or policies.

## 7.5 Developing a culture of openness within the organisation

7.5.1 The board gets regular reports on the positive and negative feedback and complaints given to the organisation. It demonstrates that it learns from mistakes and errors and uses this learning to improve performance and internal decision making.

7.5.2 The board makes sure that there is a transparent, well-publicised, effective and timely process for making and handling a complaint and that any internal or external complaints are handled constructively, impartially and effectively.

7.5.3 The board keeps a register of interests for board members and employees which is made available for inspection in line with the organisation's agreed policy on disclosure.

7.5.4 The board publishes the process for setting the remuneration of board members and senior staff, and their remuneration levels, on the organisation's websites and in its annual report and financial statements

## 7.6 Member engagement

7.6.1 The board makes sure that the organisation:

1. has clear policies on who is eligible for membership of the organisation
2. is clear and open about the ways that members can participate in the organisation's governance, including, where applicable, serving on committees or being elected as board members.