



Charter for Good Governance: supporting guidance

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Charter for Good Governance

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Charter for Good Governance

Community Housing Cymru has developed this Charter to enable its members to demonstrate a visible commitment to good governance. It is supported by detailed guidance set out in the document **Charter for Good Governance: supporting guidance** which is available for CHC members to draw on as they develop and refine their governance policies, procedures and practice.

As a member of CHC, [name of organisation] commits to achieving the highest standards of governance, specifically to:

- put existing and potential service users at the centre of our work
- have in place practical mechanisms to achieve accountability to tenants, residents, potential tenants and residents, shareholders and all relevant stakeholders
- develop and maintain positive and constructive relationships with key stakeholders, including funders and regulators
- communicate openly about all aspects of the organisation, including strategic direction and purpose, values, standards, performance and how complaints can be made
- maintain and demonstrate organisational independence
- be clear about the roles and responsibilities of the Board, the Audit Committee, any sub committees, boards of any subsidiaries of group structures where relevant, and the Chief Executive and document these
- support Board members through provision of a job description, information, training and appraisal
- have in place mechanisms for regular Board review and recruitment
- have a transparent process for deciding the remuneration of the Chief Executive
- have in place mechanisms to improve services and ways of measuring when they have improved
- have in place practical ways to effectively manage risk
- develop and demonstrate effective means of financial management
- ensure value for money is achieved
- practically demonstrate a commitment to equality and diversity

Signed _____ Date _____
Name/role _____

1 Background and introduction

Background

As the new regulatory framework is implemented, housing association/community mutual governance arrangements are likely to be more closely scrutinised than has been the case in the past. The Essex Review¹ noted:

'We have responded to the appetite for a regime built around a stronger role for self assessment, but we have also recommended an upgrading related to finance and governance across the system'

However, it is also clear that, within this context, there is the potential for greater autonomy for the sector, again to quote the report of the Essex Review:

*'In applying the **Making the Connections**² model, housing would be aligning itself with other policy changes in public service delivery taking place within Wales. This would see:*

- *housing associations being given more freedom to release resources, develop and innovate but within a clearer, risk and performance based regulatory framework'*

Welsh Assembly Government circular RSL 33/09 **Self Assessment – guiding principles for Housing Associations in Wales**³ notes that self assessment should cover three areas – service delivery, financial viability and management and overall corporate governance. The fundamental question that housing associations/community mutuals should ask themselves in relation to governance is:

'Do we have effective governance in place to ensure that we meet our aims and objectives, that our services will improve and that we will remain financially viable?'

Community Housing Cymru believes that governance works best where there is shared understanding and ownership by all parties involved in running and directing the work of housing associations and community mutuals. The process of self assessment, which will have regard to national performance standards established by the Welsh Assembly, can assist in developing this shared understanding, as can board appraisal or board effectiveness reviews.

It is important to emphasise that effective governance is not an end in itself, but is a means to ensuring the sustainable delivery of quality services which citizens want.

¹ The Essex Review report is available online at

<http://new.wales.gov.uk/desh/publications/housing/essexreview/reporte.pdf?lang=en>

² A series of documents setting out the Welsh Assembly Government's approach to improving public services is online at

http://new.wales.gov.uk/topics/improvingservices/strategy/;jsessionid=hxPxLPnLw5Xc4YZCdhVxZv9FL75y_sxQCTCHmrhG5RNCdqBIQpkkh!461668963?lang=en

³ The circular is online at

<http://new.wales.gov.uk/topics/housingandcommunity/housing/social/management/circulars/rs13309/?lang=en>

This document

This document sits alongside Community Housing Cymru's **Charter for Good Governance**, launched in May 2010⁴. Both documents have been informed by consultation with housing associations and community mutuals across Wales. A written consultation exercise ended in early March 2010 and two consultation events were held in January 2010 jointly with the Welsh Assembly Government. Community Housing Cymru would like to take this opportunity to thank everyone for their contributions to the development of these documents.

Community Housing Cymru is the trade body for housing associations and community mutuals across Wales, all of which are not for profit organisations run by voluntary boards. It recognises the opportunity that exists for its members to set their own standards for governance. This document provides detail which individual housing associations and community mutuals may wish to consider as they further develop their work on governance. It takes account of the emerging regulatory framework in Wales and is intended to support Community Housing Cymru members to continue to follow the highest standards of governance, thereby maintaining and enhancing the reputation of the sector.

In late 2009, the Assembly consulted on a set of performance standards relating to governance and management⁵. Given the centrality of the Assembly's citizen-centred principles of governance to these standards, this document is structured around the citizen-centred principles which are set out at the start of Section 2. Ensuring sound financial management and viability is covered in Section 3.

The detail of this document draws on a range of good practice in governance from across the UK, as well as being firmly seated within the Welsh **Making the Connections** context which has at its heart the delivery of citizen-centred services⁶. Much of the detail will be familiar to board members and others, but some may be less so.

This document and the Charter are part of Community Housing Cymru's programme of work to support effective governance across the housing association and community mutual sector in Wales. This programme includes:

- a regular Board Members Briefing⁷
- Board Member seminars run in conjunction with Central Consultancy and Training⁸
- training courses for Board Members
- the annual Governance Conference⁹
- regional Board Member Networks
- the development of good practice examples featured on the good practice section of the Community Housing Cymru website

⁴ The Charter is included at Appendix 1

⁵ Welsh Assembly Government (2009) **Developing a modern regulatory framework for Housing Associations in Wales: Performance Standards 1st Phase Consultation**
<http://wales.gov.uk/docs/desh/consultation/091201housingperformanceen.pdf>

⁶ Appendix 2 sets out useful references and further sources of information

⁷ Online at <http://www.chcymru.org.uk/boardmemberbriefing.html>

⁸ Information at <http://www.chcymru.org.uk/products/training/boardtraining.html>

⁹ Information at <http://www.chcymru.org.uk/products/conferences.html>

Community Housing Cymru recognises that, while it can support good governance, much of the work will need to take place at the individual housing association/community mutual level and will link directly to the values and culture of individual organisations.

Parts 2 and 3 of this document contain recommendations from Community Housing Cymru. These issues are felt by Community Housing Cymru to be critical to effective governance. Further detail is provided as boxed text. The intention is that organisations use and adapt this detailed information as they see fit. In responding to the feedback received during the consultation period, we have tried to strike a balance between retaining detail for those who felt that it was useful, but avoiding being overly prescriptive.

Links to further information and good practice are also provided as relevant. Community Housing Cymru commits to including governance within its work on identifying and disseminating good practice, making relevant examples of good practice available to the sector.

Each housing association and community mutual will have a constitution, including a set of Rules or Memorandum and Articles and Standing Orders which guide the way in which the organisation works and to which they need to adhere. In order to facilitate improvements in governance, from time to time, it may be appropriate to make changes to these documents. Making such changes may be a response to:

- changes by the organisation such as a decision to broaden the objects of the organisation, form a group structure, or make changes to an existing group structure
- the results of a governance review of self-assessment concluding that current arrangements are not fit for purpose

A note on terminology

During the consultation, there was significant debate about the use of specific terms in this guidance, most particularly citizen (as opposed to tenant or customer) and public service values.

Given the rationale for this document to be aligned to the Welsh Assembly Government performance standards on governance and management which are in turn based around the Assembly's citizen-centred governance principles, it has been agreed that use of the word "citizen" is appropriate and therefore will remain in the document.

- Citizen is used as an all-encompassing term for tenants, residents and members of the community
- Public service values is used as this is an integral part of the performance standards on governance

However, Community Housing Cymru acknowledges that each housing association or community mutual will use its preferred terminology in any documents they produce to support high standards of governance (such as Codes of Governance, governance improvement plans etc).

The link to regulation

Welsh Assembly Government regulation will be focused around housing association/community mutual delivery against the Welsh Assembly Government's performance standards¹⁰. In their dialogue with housing associations/community mutuals, Welsh Assembly Government regulators will have regard to the application and implementation of Community Housing Cymru's Charter for Good Governance.

Reviewing this document

The regulatory framework is still in the process of being developed. At the time of writing, it is still unclear how judgements about housing association/community mutual performance will be made by the Welsh Assembly Government and there is a commitment to consult on board member payment at some point in the future. Given this, it will be necessary to regularly review the content of this document to ensure it continues to be aligned with the regulatory framework. Community Housing Cymru will review this document on an annual basis.

Community Housing Cymru contact

For more information about Community Housing Cymru's work on governance, contact:

Amanda Oliver, Policy and Research Manager
Community Housing Cymru, Fulmar House, Beignon Close, Ocean Park, Cardiff, CF24
5HF

amanda-oliver@chcymru.org.uk

029 2055 7404

¹⁰ Performance standards on governance and management and the activity standards.

2 Citizen-centred governance principles

The Welsh Assembly Government's citizen-centred governance principles are:

- **Putting the citizen first** – putting the citizen at the heart of everything and focussing on their needs and experiences; making the organisation's purpose the delivery of a high quality service
- **Knowing who does what and why** – making sure that everyone involved in the delivery chain understands each others' roles and responsibilities and how together they can deliver the best possible outcomes
- **Engaging with others** – working in constructive partnerships to deliver the best outcome for the citizen
- **Living public service values** – being a value-driven organisation, rooted in Nolan principles¹¹ and high standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership¹²
- **Fostering innovative delivery** – being creative and innovative in the delivery of public services – working from evidence, and taking managed risks to achieve better outcomes
- **Being a learning organisation** – always learning and always improving service delivery
- **Achieving value for money** – looking after taxpayers' resources properly, and using them carefully to delivery high quality, efficient services

These principles are underpinned by a straightforward definition of governance:

'the way in which organisations direct their business and engage with the communities they serve.'

¹¹ The seven Nolan principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership

¹² Public Service Management Wales has published a series of documents on key themes including engaged leadership. These are online at <http://wales.gov.uk/psmwsubsite/psmw/newseventpubs/publications/sowingseeds/?lang=en>

2(A) Putting the citizen first

A1 Citizen focus

Community Housing Cymru acknowledges that putting people first and involving them in the design of services is central to achieving improvement. Real improvements can be delivered by engaging people in shaping and scrutinising services.

Practical issues for consideration by Community Housing Cymru members will include:

- being clear about which citizens they serve, eg tenants, leaseholders, applicants for housing, people who are homeless
- regularly keeping in touch with what the citizens they serve want, and what they think about the services they receive
- changing how they do things to meet the expectations of the citizens they serve, or explaining why such changes cannot be made
- involving citizens at an early stage in shaping their services and reviewing performance on an ongoing basis
- treating citizens with dignity and respect
- providing accessible systems for requests for information, complaints to be made and for people to seek redress
- providing feedback on what has been changed as a result of people providing their views about services

A2 Accountability

Community Housing Cymru members need to be accountable in different ways to a wide range of stakeholders, including tenants, residents, service users, potential tenants and residents, shareholders, local authorities, regulators, funders and other community and neighbourhood interests. Accountability through appropriate structures is a fundamental principle of governance, but is only one part of an overall approach to accountability.

Steps that any Community Housing Cymru member can take to contribute to improving accountability may include:

- identifying the range of stakeholders to which it is accountable and ensuring that each group has appropriate ways of being informed and informing, influencing, or getting involved in planning and decision making

- ensuring that a range of mechanisms are in place to inform and engage with tenants and residents and develop and publish policies for communicating with, and involving, tenants and residents
- in relation to shareholding members/members (as appropriate), defining the role and purpose of the membership and reviewing policies for admission to membership taking into account issues of equity, equality and accountability. In practical terms, the overall approach is likely to be set out in the organisation's Rules
- clarifying and, where appropriate, enhancing the role of shareholding membership in governance
- ensuring that the way in which the shareholding membership/membership is chosen is appropriate to the aims of the organisation and realistically and effectively serves that role
- ensuring that there is a procedure for appropriate dialogue with shareholding members/members, including providing them with regular information on the organisation's work, achievements and challenges, as well providing them with an opportunity to raise their concerns
- having a clear policy on shareholding members/members who are nominees of other organisations and employees or board members of other housing providers

A3 Independence

Community Housing Cymru members will wish to maintain and demonstrate organisational independence (other than subsidiaries in a group structure).

2(B) Knowing who does what and why

Clarity about the different parts of the governance structure within housing associations/mutuals, and their roles, is essential.

Community Housing Cymru **recommends** that housing associations/community mutuals consider the information, training and support that they provide to board members and others in order to ensure clarity about who does what within each organisation and why.

B1 Role and function of the board

The board has ultimate responsibility for the governance of the organisation and ultimate control over all aspects of the organisation's work to ensure that its financial, legal and service obligations are properly fulfilled.

The purpose of the board is to:

- set strategic direction
- define policies
- identify appropriate resources to put strategy and policy into practice
- ensure effective systems for evaluating the work of the organisation, internal control, risk management and communication and engagement with service users and stakeholders, (including in relation to setting strategic direction), are in place

All members of the board have equal responsibility for decisions that affect the success of the organisation. Each has a duty to act only in the best interests of the organisation and not on behalf of any constituency or interest group. Board members also have a role in promoting the success of the organisation.

Essential functions of the board will be set out in the organisation's constitutional documents (rules), terms of reference, standing orders and/or financial regulations.

Community Housing Cymru **recommends** that members consider the following as essential functions of the board:

- defining and ensuring compliance with the organisation's values and strategic objectives
- establishing a framework for approving strategies, policies and plans to achieve those objectives
- satisfying itself as to the integrity of financial information and approving annual budgets and accounts and business plans
- establishing and monitoring a framework for delegation and systems of internal control which are reviewed annually

- establishing a framework for the identification, management and reporting of risk
- taking decisions and agreeing policies on all matters that might create a significant financial or other risk to the organisation or that raise significant issues of principle
- establishing mechanisms for communication and receiving feedback from the organisation's stakeholders and shareholders
- monitoring the organisation's performance and taking timely corrective action if required
- taking overall responsibility for self-assessment
- appointing, managing and dismissing the chief executive. In group structures as relevant, appointing and dismissing other Corporate or Managing Directors
- satisfying itself that the organisation's affairs are conducted lawfully and with probity
- following the organisation's constitution in appointing and removing the chair of the board
- establishing a code of conduct for the board
- assuring the effectiveness of governance on a regular basis

Within its terms of reference, the board will identify a list of significant matters that cannot be delegated to staff or committees.

Community Housing Cymru **recommends** members consider the following as significant matters that cannot be delegated by the board to staff or committees:

- expansion of operations into new activities or geographical areas
- decisions to cease a material part of the organisation's operations
- changes to corporate structures, including the establishment of subsidiaries
- approval of resolutions to be put by the board to general meetings
- changes to the structure, size and composition of the board
- approval of committee membership and terms of reference
- appointments to the boards of subsidiaries
- appointment or removal of any officer (chair, vice-chair) of the board
- oversight of major capital projects

- ensuring adequate succession planning for the board and senior management appointments
- approval of key policies
- changes to the schedule of matters reserved for board decisions

B2 Composition of the board and responsibility of board members

Boards need to be of an appropriate size for the organisation to carry out business effectively and they need to work effectively as a team. Consideration of board composition can form part of board review processes which may be externally facilitated.

Boards as a whole will need to have, or acquire, a diverse range of skills, competencies, experience and knowledge. It is also important that board members commit themselves to the values and strategic objectives of the organisation.

It is up to each organisation to identify what skills and experience are needed around the board table in order to fulfil its business objectives and achieve its future strategy.

Community Housing Cymru members may wish to consider the following areas as required skills and experience for the board:

- leadership, team working and communication skills
- strategic thinking skills
- direct knowledge of the needs and aspirations of the communities and people served by the organisation
- general business, financial and management skills
- knowledge of the external environment in which housing associations/community mutuals work, e.g. financial, political, regulatory, policy environment
- relevant specialist knowledge and skills, e.g. financial, legal, risk management, health, social services, property management, housing development, commercial etc

Board members need to be clear about their role and responsibilities. One practical way of helping this is for there to be a board member role profile or job description. It is also common for organisations to have some sort of formal agreement setting out board members obligations which is signed by board members, eg a Code of Conduct, Code of Governance or Service Statement.

Community Housing Cymru **recommends** that members consider the following as responsibilities of board members:

- understanding and upholding the values and strategic objectives of the organisation
- understanding and upholding the organisation's core policies
- ensuring that they understand the constitutional and legal framework as it applies to the organisation and act within its powers
- ensuring that they are adequately informed about the organisation's affairs
- contributing to, and sharing responsibility for, board decisions
- preparing for and attending meetings, training sessions and other events in order to keep up to date with changes in the operating environment for housing associations/community mutuals
- actively participating in board effectiveness or governance reviews and individual board member appraisal (where this is undertaken)
- representing the organisation as appropriate
- declaring relevant interests and not taking part in associated discussions and/or decisions
- respecting confidentiality of information, policies and decisions
- upholding the organisation's code of conduct

A number of the above are legal duties as set out in the UK Companies Act 2006¹³.

B3 Committees

Housing associations/community mutuals may establish standing or other committees to oversee specified areas of work. Committees may have specific delegated responsibilities or be consultative. Housing associations/community mutuals may have regional, area or local committees.

Community Housing Cymru **recommends** that any committee:

- has clear terms of reference approved by the board
- has agreed reporting mechanisms to the board
- be clear about its delegated authority and procedures for reporting on the exercise of this authority
- has procedures for its meetings

¹³ The full Act is online at www.opsi.gov.uk/acts/acts2006/ukpga_20060046_en_1

- has its purpose, terms of reference and delegated authority regularly reviewed

In the case of any dispute, the decision of the board must over-ride any committee.

B4 Board business

Board business should be conducted in an open and transparent manner.

Specific issues that Community Housing Cymru members may wish to consider include:

- ensuring board decisions are, wherever possible, based on full agendas and documents that are circulated to board members well in advance of meetings
- clearly identifying points for decision within papers
- ensuring decisions and the main reasons for them are recorded in the minutes
- having in place arrangements for making urgent decisions between board meetings. These will be set out in the standing orders of the organisation
- recording conflicts of interest and in these instances, ensuring that the individual(s) concerned are not involved in the discussion or decision
- having clear procedures in place for the removal of board members, e.g. in instances where conflicts arise that cannot be resolved. Where board members are elected, this needs to be taken into account
- ensuring the company secretary has a direct line of communication with the chair

B5 The Chair

The responsibilities of the chair should be formally set out to ensure clarity and transparency.

Community Housing Cymru **recommends** that members consider the following as responsibilities of the chair:

- ensuring the efficient conduct of board business and of the organisation's general meetings
- ensuring that appropriate standards of behaviour are maintained and that all board members are given the opportunity to express their views
- ensuring that the organisation provides appropriate induction, training, development opportunities and support for all board members

- establishing a constructive relationship with, and providing support for, the chief executive and ensuring the board as a whole works constructively with senior staff
- in conjunction with other board members, ensuring an appropriate system of appraisal for the chief executive and arrangements to determine the remuneration of the chief executive and other senior staff, is in place
- ensuring that the board delegates sufficient responsibility throughout the organisation to enable the business to be carried on effectively between meetings of the board and ensuring that the board monitors the use of these delegated powers
- ensuring that the board seeks and receives professional and independent advice when needed
- representing the organisation as appropriate
- taking decisions delegated to the chair
- taking the lead on board effectiveness reviews and board member appraisal where implemented
- ensuring the board agrees the role and responsibilities of any vice-chair

B6 The Chief Executive

Clear working arrangements between the board and the chief executive are a key element of effective governance. Clarity of their distinct and complementary roles is essential.

Community Housing Cymru members may wish to consider the following as essential duties of the chief executive:

- managing the affairs of the association in accordance with the vision, values and objectives of the association and the general policies and specific decisions of the board
- assisting and advising the board to determine the association's strategies, policies and business planning
- drawing the board's attention to matters requiring consideration and decisions and take actions to enable the board to undertake its duties
- ensuring that the board is given the information necessary to perform its duties and that it receives advice on matters concerning compliance with its governing instrument, the law and the need to remain solvent
- ensuring that proper systems of financial control, risk assessment and risk management and legal and regulatory compliance are established and maintained and that regular reports on these are provided, at least annually, to the board

- supervising, with the guidance of the chair, where necessary, the preparation of documents for consideration by the board
- helping the chair ensure that the business of the board is properly conducted
- ensuring that relationships between the senior staff and the board are positive and focus on the business of the organisation
- leading and managing the staff of the association and ensuring that their performance is appraised

Transparent systems should be in place for the appraisal of the chief executive and for making decisions about pay and other benefits.

Community Housing Cymru considers that it may be useful to apply the following principles to chief executive remuneration and appraisal:

- a remuneration package is sufficient to attract, retain and motivate the quality of chief executive required, but not be so generous as to bring the sector into disrepute
- there is full disclosure of all elements of the remuneration package, including salary, pension arrangements, periods of notice and compensation payable for loss of office
- remuneration decisions are clearly related to performance achievement, including over the long-term
- any performance-related elements of the remuneration package are linked to the achievement of specific and measurable targets reviewed on a regular basis, taking into consideration the need to balance long-term sustainable progress with annual achievements
- a robust system of appraisal is in place which is based on a full picture of performance
- the chief executive's contract includes procedures for monitoring performance and how complaints and disciplinary matters will be dealt with

B7 Group structures

The board of a parent organisation in a group structure has responsibility and power to direct the activities of its subsidiaries.

Community Housing Cymru **recommends** that the board of the parent organisation:

- controls the activities of all parts of the group and satisfies itself that all group members are meeting statutory and regulatory requirements and that their affairs are being conducted in accordance with generally accepted standards of performance, probity, financial prudence and good practice
- ensures that both parent and subsidiary organisations have a clear understanding of each other's vision, values and objectives

and that:

- representation from subsidiary boards to group boards ensures that there is a fair balance between the need to represent the interests of subsidiaries with the need for independence and scrutiny on group boards
- the powers, roles and relationships of each board are clearly specified in an appropriate document such as an intra-group agreement, and be well understood by all.

2(C) Engaging with others

The board has ultimate responsibility for ensuring the organisation develops positive and constructive relationships with its key stakeholders, including funders and regulators.

Community Housing Cymru **recommends** that boards satisfy themselves that:

- effective communication, reporting and feedback mechanisms are in place with the relevant range of stakeholders in the areas in which the organisation operates
- the organisation is appropriately engaged in partnership structures and working, in particular relating to local authorities in the areas in which it operates. Specifically, housing associations/community mutuals might expect to be engaged in:
 - the development and implementation of local authority statutory plans (the Community Strategy, Children and Young People's Plan and Health, Social Care and Well-being Strategy)
 - community-based strategic initiatives
- the partnership working in which the organisation is engaged has clear aims and responsibilities, is focused on providing better services, and there are mechanisms in place to evaluate the outcomes of partnership working. Such evaluation will assist organisations in demonstrating value for money

2(D) Living public service values

D1 Values

Community Housing Cymru **recommends** that:

- boards establish organisational values and ensure that these underpin the policies and operation of the organisation
- boards periodically review the values of the organisation, how the values are reflected by the work of the board (in its decision making, board behaviour etc) and whether working practices within the organisation reflect the values

Housing associations/community mutuals may wish to refer to the Good Governance Standard for Public Services, produced by the Independent Commission for Good Governance in Public Services, chaired by Sir Alan Langlands¹⁴.

D2 Conduct and probity

Housing associations/community mutuals have a reputation for high standards of conduct and probity. These standards are reinforced by legislation, regulation and the ethos of the not-for-profit housing movement, as well as by the provisions in organisations' constitutions. It is important that this reputation is maintained.

Community Housing Cymru **recommends** that its members:

- have a code of conduct for board members and staff which supports high standards of probity and ethics and make this available for public inspection
- ensure that major decision making resulting in benefits to individuals or companies is based on objective factors and is not unduly influenced by personal relationships
- ensure that the board from time to time reviews:
 - the values of the organisation and how they are implemented in practice
 - the implementation of the Charter for Good Governance
 - the codes of conduct adopted by the organisation for its board members and staff
 - policies and procedure relating to accepting and recording of hospitality, and gifts, whistle-blowing, access to information and other matters of business ethics
- consider any potential conflicts of interest and adopt policies limiting the number of board members who are paid staff or board members of other housing providers
- maintain records of the declared interests of board members and staff
- establish a policy on the receipt of hospitality and gifts by board members and staff to ensure compliance with Schedule 1 of the Housing Act 1996 (and related Welsh

¹⁴ Available online at www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/goodgovernancestandardopm.pdf

Assembly Government circular¹⁵), to ensure that no gifts of a significant monetary value are offered or given and that all gifts and hospitality are formally recorded

- ensure that proper arrangements are in place for the referral and determination of cases raising issues of ethics or probity. This will include a whistle-blowing policy
- ensure that any concerns raised by board members as to how the organisation is run and reasons for board member resignations are recorded in the minutes of the relevant board meeting

D3 Openness and transparency

Housing associations/community mutuals need to operate in an open, transparent and accountable way in relation to tenants, residents, service users, local communities, local authorities, employees, lenders, regulators and other stakeholders.

Community Housing Cymru **recommends** that its members:

- account for their actions in an open manner, including having a policy about access to their information and documentation which covers when information will not be made available. Information should generally be made available unless there are good reasons of confidentiality or practicality.
- publish information about their performance in addition to prescribed reports on finances
- comply with outside requests for information wherever practicable and appropriate
- at board level, review the openness of the organisation's arrangements on a regular basis

D4 Equality and diversity

The promotion of equality and diversity is a core value for all Community Housing Cymru members which needs to be embedded within policy and practice.

Community Housing Cymru **recommends** that its members:

- demonstrate through all their functions their commitment to equality and diversity
- adopt and publish a policy for promoting equality and diversity which includes how the organisation will promote equality in relation to all equality strands and the Welsh language, covering all areas of work of the organisation, including:
 - identification and assessment of need

¹⁵ Welsh Assembly Government Circulars are online at <http://new.wales.gov.uk/topics/housingandcommunity/housing/social/management/circulars/?lang=en>

- allocation of housing and other services
 - provision of services
 - membership and operation of the board and any committees
 - staff recruitment, selection, training and conditions of service
 - purchasing of goods and services and contracting procedures
 - service user involvement
-
- implement practical means by which equality and diversity is implemented, e.g. equality impact assessment
 - train and support board members and staff to ensure they understand the requirements and obligations of the organisation in relation to equality and diversity
 - record and publicise their achievements and performance in relation to equality and diversity

2(E) Fostering innovative delivery

E1 Continuous improvement

The board has ultimate responsibility for ensuring the organisation embraces continuous improvement.

Community Housing Cymru **recommends** that boards satisfy themselves that:

- adequate arrangements are in place to secure continuous improvement
- they receive comprehensive and appropriate information about the performance of the organisation so that they can assess whether continuous improvement is being achieved and contribute to discussions on areas of the business which are not improving

E2 Board recruitment, renewal and review

Boards need to agree, publicise and implement board renewal and succession planning arrangements to ensure planned refreshing and renewal of skills and experience (acknowledging the constraints posed by board member elections where these take place). While continuity at board level is important, it needs to be balanced with planned and appropriate renewal to aid new thinking and constructive challenge and contribute to innovation

Community Housing Cymru **recommends** that:

- new board members are recruited, selected or elected on a systematic basis
- a maximum term of office is set for the chair

Community Housing Cymru members may wish to agree and publish policies for:

- how new members will be recruited, selected or elected. It is useful to consider a broad range of recruitment methods, including open advertising. It may be appropriate to establish a committee which oversees board member renewal and recruitment
- agreeing a board member job description or role profile and competency frameworks
- the preferred composition of the board, e.g. skill mix, proportion of tenants/residents on the board
- board renewal, including maximum terms of office for board members, chair and other officers (some organisations will specify maximum terms of office within their Rules). Within group structures, it may be appropriate for board members to move between members of the group after agreed lengths of time
- succession planning for the chair

- circumstances in which individuals would be excluded from becoming or continuing to be a board member

Board members need to ensure that they receive the necessary induction, training and ongoing support they need in order to effectively carry out the responsibilities of being a board member.

Training and support may include:

- induction training when they become a board member to ensure that they are aware of their responsibilities and the practical support available to enable them to effectively undertake their role
- ongoing support to develop their skills, experience and knowledge based on an analysis of their training and development needs
- ongoing provision of information so that board members can keep up to date with the operating environment of the organisation and with developments within the organisation itself
- board away days

Community Housing Cymru **recommends** that boards undertake regular reviews of their effectiveness resulting in a plan to support continuous improvement of the effectiveness of the board. Such reviews may include regular appraisal of individual board members and the chair.

Such reviews might take into account:

- how well the board performs its role
- the effectiveness of board relationships and how it operates as a team
- the effectiveness of the governance structure
- how the board is viewed by key stakeholders, e.g. regulators, funders, local authorities, tenant groups, staff etc
- the composition of the board and the skills, competencies and contribution of its individual members
- whether the board provides enough support, scrutiny and challenge to the senior management team

Board review processes can usefully go beyond self-assessment to ensure a robust external perspective is included. Practical ways of doing this include using an external

facilitator for board review, actively seeking stakeholder feedback as part of the process or adopting a peer review approach.

Community Housing Cymru's 2009 publication ***Supporting effective governance: Good practice guidance*** provides useful practical information and guidance on board recruitment, renewal and appraisal¹⁶.

¹⁶ Available for purchase from Community Housing Cymru

2(F) Being a learning organisation

Community Housing Cymru **recommends** that:

- boards are kept up to date with developments in the regulatory and business environment
- boards receive appropriate feedback on performance, for example through analysis of complaints and feedback from tenants/residents, to inform decision-making and setting of priorities
- feedback is sought from all relevant stakeholders as part of the self assessment process
- organisations ensure that the process of self assessment is understood at all levels of the business
- the process of self assessment involves constructive challenge from the board
- the evidence gathered for self assessment is used to inform operational and strategic planning
- a clear and explicit board development plan or training programme (and individual board member development plans as appropriate) are developed, monitored and updated on a regular basis (e.g. through board review or appraisal)

2(G) Achieving value for money

G1 Managing resources and risk

Community Housing Cymru **recommends** that boards satisfy themselves that:

- there is an agreed process to identify and manage risk and an agreed means of reporting risks to the board
- appropriate, effective and robust systems of financial, people and project management are in place
- the system(s) in place to achieve continuous improvement consider value for money
- the schedule of delegated authority is appropriate, is periodically reviewed and mechanisms are in place to monitor that delegated authorities are being adhered to
- appropriate procurement arrangements are in place to deliver cost-effectiveness and efficiency

G2 Audit/the audit committee

Effective audit is essential to good governance. This goes beyond traditional financial audit and will cover all aspects of the organisation's work. Standards of performance, service delivery and complaints will all be subject to some form of audit.

Community Housing Cymru **recommends** that:

- all housing associations/community mutuals ensure that the necessary systems and procedures are established to ensure that the organisation's work is appropriately audited

and that members observe the following principles in reaction to audit:

- external auditors are independent and effective. External auditors will not normally be judged to be independent if they also provide significant non-audit services to the organisation
- proper and transparent procedures for the selection and periodic review of the appointment of external auditors are in place
- effective internal controls are demonstrated and arrangements for the internal audit function are effective
- audit arrangements and procedures are reviewed regularly, along with an appraisal of the effectiveness of the audit committee and the outcome reported to the board

Roles for the audit committee will include:

- linking consideration of risk with areas identified for internal audit scrutiny
- playing a role in ensuring that the board receives adequate and timely financial and business management reports in order to effectively scrutinise the performance of the organisation
- ensuring the board receives information about the degree of assurance provided by internal controls

G3 Sustainability

Community Housing Cymru **recommends** that its members:

- consider the sustainability of their governance structures (board composition, skills, training, renewal and succession, policies and procedures)
- provide relevant information to the board so that board members can be mindful of sustainability in their decision-making, both in terms of environmental and community sustainability

3 Ensuring sound financial management and viability

It is the board's responsibility to ensure the organisation remains financially viable, that a comprehensive assessment of the organisation's financial position and associated risks is presented to the board on a regular basis and that a sound system of internal control is in place.

Board members have ultimate responsibility for directing the affairs of their housing association/community mutual, including financial aspects.

Community Housing Cymru **recommends** members include the following as board responsibilities in relation to sound financial management:

- ensuring that the organisation is financially viable, in the short, medium and long-term, having reference to the way in which the Welsh Assembly Government assesses viability
- ensuring that the organisation is financially sustainable
- maintaining and regularly reviewing systems of financial control and financial reporting
- ensuring clear and timely financial reports are regularly received and considered
- considering the financial impacts of decisions, including financial risks
- seeking appropriate external advice at an early stage if financial difficulties become apparent

Community Housing Cymru **recommends** that relevant training and support is provided to board members to enable good understanding of:

- the financial aspects of the organisation's business or corporate plan
- budget setting
- management accounts
- statutory accounts
- feasibility and financial appraisal
- financial risk
- the requirements of lender

Appendix: Useful resources/references

Acts of Parliament

Charities Act 2006

www.opsi.gov.uk/acts/acts2006/ukpga_20060050_en_1

Companies Act 2006

www.opsi.gov.uk/acts/acts2006/ukpga_20060046_en_1

Industrial and Provident Societies Act 2002

www.opsi.gov.uk/acts/acts2002/ukpga_20020020_en_1

Codes of Governance

Good governance - a code for the voluntary and community sector

www.acevo.org.uk/Document.Doc?id=39

Financial Reporting Council (2008) **Combined Code of Corporate Governance**

[www.frc.org.uk/documents/pagemanager/frc/Combined_Code_June_2008/Combined%20Code%20Web%20Optimized%20June%202008\(2\).pdf](http://www.frc.org.uk/documents/pagemanager/frc/Combined_Code_June_2008/Combined%20Code%20Web%20Optimized%20June%202008(2).pdf)

Governance reviews

DTI (2003) **Review of the Role and Effectiveness of non-executive directors** (Higgs Review)

www.berr.gov.uk/whatwedo/businesslaw/corp-governance/higgs-tyson/page23342.html

Good Governance Standard for Public Services (Langlands)

www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/goodgovernancestandardopm.pdf

The Seven Principles of Public Life (Nolan Principles)

www.publicappointmentscommissioner.org/Code_of_Practice/e0908a66106.html

The Walker Review Secretariat (2009) **A review of corporate governance in UK banks and other financial industry entities**

www.hm-treasury.gov.uk/d/walker_review_consultation_160709.pdf

Other good practice guidance

Central Consultancy and Training **Assessing Competence: A Framework for Board Members of housing, neighbourhood and community organisations**

www.centralconsultancy.co.uk

Charity Commission (2008) **Trustee expenses and payments**

www.charitycommission.gov.uk/publications/cc11.asp

Common Purpose (2006) ***How to be an even better chair: Sensible advice about chairing in the charity, not-for-profit and public sectors***
Available to purchase from booksellers

Financial Reporting Council (2008) ***Guidance on Audit Committees***
www.frc.org.uk/corporate/auditcommittees.cfm

NCVO (2007) ***Good governance: the Chief Executive's Role***
www.ncvo-vol.org.uk/products-services/publications/good-governance-chief-executives-role

Neville Bain (2007) ***The Effective Director: building individual and board success***
Available to purchase from booksellers

Community Housing Cymru publications

CHC (2009) ***Supporting effective governance: Good practice guidance***
Guidance on board member recruitment and renewal, board member appraisal and governance infrastructure.
Available to purchase from CHC

CHC ***Board Member Handbook***
Available to purchase from CHC

CHC ***Board Member Briefing***
Issued monthly

National Housing Federation publications

National Housing Federation (2009) ***Excellence in governance: code for members***
www.housing.org.uk/Default.aspx?tabid=983

National Housing Federation (2008) ***Governance – the small print***
www.housing.org.uk/Default.aspx?tabid=983

National Housing Federation (2007) ***Achieving excellence: board appraisal***
www.housing.org.uk/Default.aspx?tabid=983

National Housing Federation (2001) ***Action for effective boards: a guide for housing organisations and their board members***
www.housing.org.uk/Default.aspx?tabid=983

Welsh Assembly Government publications

Affordable housing in Wales: an independent report to the Minister for Housing (the Essex Review, 2008)
<http://new.wales.gov.uk/topics/housingandcommunity/housing/publications/essexreview/?lang=en>

Making the Connections

A series of documents setting out the Welsh Assembly Government's approach to improving public services is online at

<http://new.wales.gov.uk/topics/improvingservices/strategy/;jsessionid=hxPxLPnLw5Xc4YZCdhVxZv9FL75ysxQCTCHmrhG5RNCdqBIQpkkh!461668963?lang=en>

Welsh Assembly Government (various) RSL Circulars

<http://new.wales.gov.uk/topics/housingandcommunity/housing/social/management/circulars/?lang=en>

Public Service Management Wales

PSMW has published a series of documents on key themes including engaged leadership. These are online at

<http://wales.gov.uk/psmwsubsite/psmw/newseventpubs/publications/sowingseeds/?lang=en>

Welsh Assembly Government (2009) ***RSL 33/09 Self assessment Guiding Principles for housing associations in Wales***

<http://new.wales.gov.uk/topics/housingandcommunity/housing/social/management/circulars/rsl3309/?lang=en>

Welsh Assembly Government (2009) ***Developing a modern regulatory framework for Housing Associations in Wales: Performance Standards 2nd Phase Consultation***

<http://new.wales.gov.uk/consultations/housingcommunity/modernframework/?lang=en>

Welsh Assembly Government (2009) ***Developing a modern regulatory framework for Housing Associations in Wales: Performance Standards 1st Phase Consultation***

<http://wales.gov.uk/docs/desh/consultation/091201housingperformanceen.pdf>

Welsh Assembly Government (2009) ***Developing a modern regulatory framework for Housing Associations in Wales Consultation paper***

<http://wales.gov.uk/docs/desh/consultation/090427housingframeworken.pdf>

Organisations

Equality and Human Rights Commission www.equalityhumanrights.com

Institute of Chartered Secretaries and Administrators – produce a range of guidance on all aspects of governance www.icsa.org.uk