



Best practice framework

Charity version

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Forward

So, what is good governance? Firstly it's about directing the affairs or strategy of the organisation to accomplish its mission. Secondly it's about monitoring management to ensure that their activities are in keeping with the mission, strategy and values of the organisation.

Charity boards are made up of "social networks" or teams of "volunteers" with varied experiences and skill sets; who offer their time to help govern the charities they are legally responsible for.

Despite the introduction of the Code of Good Governance in 2005 for voluntary and community groups, it is becoming increasingly clear that there is still a big gap between good practice and what is happening within charity boards.

If we are to see a step change increase in the performance of charity boards, they must demonstrate that they are not only reviewing the performance of the management team, but also their own performance, both as a board and as individual members of the board.

The Charities Act 2006 has underlined the importance for charities to demonstrate not only public benefit but also openness in their communications with their stakeholders. It is with these considerations in mind that the Investing in Governance has been developed; to enable charities to account to their stakeholders for their decision-making and to demonstrate that they are truly fit for purpose.

Investing in Governance provides a framework for charities to assess both the "hard and soft factors" which make up an effective board. The hard factors include effective structures, systems, policies and strategies, and the soft factors include openness, integrity, trust and mutual confidence, all of which should be built from a shared common team ethic and purpose.

Investing in Governance builds on the collective wisdom and experience from international best practice Codes of Governance, including UK stock market listed companies, the

Organisation for Economic Cooperation and Development (OECD), the "Cadbury Code" the "Combined Code" and of course the Code of Good Governance for Charities.

Demonstrating that your organisations board practices are aligned with the Investing in Governance framework demonstrates that your board is using best practice: which means it is working effectively and collaboratively as a team, making decisions on the future strategic direction of the organisation whilst monitoring the management team's implementation of the strategy.

It demonstrates that all the members of the board are able to contribute effectively to discussions and decision-making and can see that their contributions are listened to and valued by the Chair and other board members.

It also demonstrates that the board is working in partnership with the management team whilst upholding the values of diversity, equality, trust, prudence and duty of care in leading the charity forward.

Investing in Governance enables the board to demonstrate that they are shaping the direction of the charity and monitoring their progress towards achieving the agreed vision and mission.

Finally, it demonstrates that the board is working in partnership with its stakeholders through consultation and communication with its funders, donors, employees, volunteers, community and beneficiaries.

What makes Investing in Governance different?

It's an approach which takes a holistic approach to governance: it accepts that governance will always be "work in progress." It means that a board meeting culture which enables openness, discussion and challenge is as important as the board's structures, systems and policies.

Investing in Governance introduces a number of new concepts to charitable organisations including developing a Corporate

Policy, which sets out the ethos, values and strategy of the board towards its stakeholders.

In a number of cases charitable boards will need to discuss the merits of making changes to their constitutional documents as they adopt best practices.

Should trustees be appraised?

In short yes! As the lead body which piloted Investing in Volunteers, the UK quality mark for the management of volunteers, we believe that volunteers work best when they are recognized and valued, and that means supervision and performance management.

What Next?

Once you have started making changes to your board practices you will begin to see improvements in your board meetings. You can use these improvements as an agenda to gaining external accreditation with the Investing in Governance Quality Mark. See the website for more details.

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How to use this framework

Investing in Governance is designed to be used as a self assessment framework for boards of trustees to compare their governance **practices and processes** against best practice, identifying gaps and then prioritising actions and plans to implement change.

To assess your board's **compliance** with each **governance practice**:

e.g. for indicator 1.1.

If you think that your governance practices **meets** with the indicator practice for Indicator 1.1. :-

"There is a systematic and planned procedure for the recruitment and selection of new trustees" and that you would be able to provide "evidence" to substantiate this, then score "1" in the "**Compliance Rating**" column.

But, if you think that your governance practice only **partially meets** with the governance practice in Indicator 1.1, then mark "0.5" in the "**Compliance Rating**" column.

If you think that your governance practice **does not meet** with the governance practice for Indicator 1.1, then mark "0" in the "**Compliance Rating**" column.

Use the "**evidence**" column as a list of options, choosing whichever policy or document is most appropriate as evidence of achieving each practice for your charity. You do not need to achieve each evidence for each practice, only the most relevant.

Continue to rate your governance practices against the framework for the remainder of Indicator 1 and add the ratings in the Total column for Indicator 1. Repeat this for the rest of the indicators.

Once you have completed your ratings, copy your **"Total"** ratings for each indicator onto the **Board Review Summary** (see Appendix), highlighting priority areas for **"Actions"** you wish to make to your governance practices.

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Indicator 1: **there is a clear process for the recruitment of trustees**

Practices	Evidence	Compliance Rating
1.1. There is a systematic and planned procedure for the recruitment and selection of new trustees.	Trustee recruitment policy, Memorandum and Articles/ Constitution, Board Skills audit; trustee task description, person specification, role risk assessment	
1.2. There is a delegated subcommittee tasked with responsibility for trustee recruitment	Nomination committee terms of reference; minutes of meetings, Memorandum and Articles of Association	
1.3. Trustee positions are advertised externally where possible & relevant skills and diversity is encouraged	Advertisements in local/national media, websites	
1.4. Diversity is encouraged within the trustee recruitment process	Advertisement copy, equal opportunities policy	
1.5. Trustees are selected on the basis of ability to match the person specification and time commitment to	Selection panel minutes, board minutes and equal opportunities monitoring data	

fill specific roles including subcommittees if appropriate; and candidates are recommended to the board		
1.6. There is a clear checking process for Trustees to declare "duality" or conflicts of interest including CRB checks and identity checks as necessary	Trustee recruitment policy, Declaration of Interests Policy, identity references, CRB references	
1.7. There is a clear monitoring process to ensure that the majority of trustees are "independent" of the charity i.e. not beneficiaries or linked to management in anyway.	Trustee recruitment questionnaire, minutes of board meetings, conflict of interest statement	
1 .8. There is a clearly defined period of appointment for all trustees (typically three years) & a maximum period, typically six years.	Letter of appointment, memorandum and articles of Association	
1 .9. There is a clear re-election process for Trustees subject to	Constitution, board minutes, trustee performance evaluation policy	

a successful formal performance evaluation.		
Total rating (max 9)		

Indicator 2: there is a clear process for the induction of all trustees

Practices	Evidence	Compliance Rating
2.1. There is a systematic and planned induction programme for all new trustees.	Board Policy, Trustee's induction programme	
2.2. A Trustee letter of appointment sets out the time commitment and board work plan.	Letter of appointment	
2.3. Trustees are provided with an induction pack containing: strategic plans, policies, human resources, financial and operational information on the	Trustee induction pack containing: strategic plan, policies, human resources, financial and operational information on the organisation, board structure and	

organisation, board structure and meetings timetable of the board, constitution, and minutes of meetings.	meetings timetable of the board, constitution and previous board minutes	
2.4. Trustees are offered a personal trustee mentor for their induction period.	Letter of appointment	
2.5. Trustees are offered an opportunity to meet the operational staff and volunteers particularly where there are multiple sites etc.	Letter of appointment; Trustee induction plan.	
Total rating (max 5)		

Indicator 3: there is a clear process for the review of individual trustee performance

Practices	Evidence	Compliance Rating
3.1. There is a planned annual appraisal (or feedback) of the individual performance of each	Minutes of board meetings, board work plan, trustee board appraisal policy.	

trustee on the board.		
3.2. The performance and commitment of each trustee is appraised by self, peer or by the Chair using an appropriate and agreed appraisal template. The Chair would be typically appraised by the Vice Chair.	individual trustee appraisal minutes Individual annual appraisal	
3.3. Results of individual performance appraisals e.g. peer-to-peer, are collated and assessed by the Chair and shared with the board as appropriate.	Report from the Chair, board minutes	
3.4. Recommendations on performance appraisals are made by the Chair and include trustee training, support and removing individual trustees as appropriate.	Report from the Chair, board minutes	
3.5. There is an ongoing programme of trustee learning	Board Policy, board training programme, board work plan	

and or professional development		
3.6. There is a public statement of the reasons for trustee resignations made in the annual report (in line with indicator 12).	Annual report, exit interviews	
Total rating (max 6)		

Indicator 4: there is a regular and planned review of the overall performance of the board

Practices	Evidence	Compliance Rating
4.1. There is a planned annual evaluation of the board's performance; and a three-yearly evaluation using a best practice framework such as Investing in Governance.	Minutes of board meeting, annual board work plan, Board Policy	
4.2. The annual evaluation of the board's performance takes place using an appropriate template	Corporate review of performance identifying weaknesses and opportunities to develop	
4.3. Board performance evaluation reveals	Board performance evaluation report	

strengths and weaknesses		
4.4. There is a work plan agreed to develop greater board performance	Board performance work plan, minutes of board meetings	
Total rating (max 4)		

Indicator 5: the board periodically reviews its overall structure

Practices	Evidence	Compliance Rating
5.1. The board and subcommittee structure, responsibilities and powers are set out clearly in the constitution including limitations on the personal benefit for Trustees e.g. consultancy fees etc	Organisational constitution, memorandum and articles of association, board structure policy, delegation of authority policy	
5.2. There are clear terms of reference for the audit/finance subcommittee.	Audit/finance subcommittee terms of reference	
5.3. There are clear terms of	Annual review of corporate structure	

reference for other subcommittees.	including subcommittees	
5.4. There is process for the regular reporting of subcommittee meetings to the full board.	Minutes of board meetings.	
5.5. There is a regular review of board structure including subcommittee terms of reference, e.g. every three years.	Minutes of board meetings, trustee work plan, terms of reference	
5.6. There is an action plan in place following the review to improve board and subcommittee effectiveness	Minutes of board meetings, board /governance action plan	
Total rating (max 6)		

Indicator 6: there is a clear process for the overall recruitment, selection support and performance review of the chief executive

Practices	Evidence	Compliance Rating
6.1. There are clear recruitment and selection	CEO job description and person specification,	

criteria for the chief executive post.	documented chief executive evaluation process.	
6.2. There is a clear division of responsibilities between the chair and chief executive (see 8.1).	Role description for the chair, role analysis exercise minutes. Minutes of meetings between chair & chief executive as appropriate.	
6.3. A named person e.g. the Chair is be responsible for supporting and appraising the chief executive.	Selection criteria for CEO: job description and person specification, selection panel; support and supervision and annual performance review including remuneration, continuous professional development plan	
6.4. A subcommittee of the board (nomination committee or specified named trustees) is tasked with assessing the remuneration of the chief executive and making recommendations to the board	Minutes of subcommittee meeting	
6.5. A delegated subcommittee of the board is tasked with responsibility	Disciplinary policy, Subcommittee minutes	

for disciplining and or dismissing the chief executive in line with the disciplinary policy of the organisation.		
Total rating (max 5)		

Indicator 7: the board is in receipt of sufficient information to enable effective decision-making

Practices	Evidence	Compliance Rating
7.1. There are timely management information reports sent to the board	Board reports, minutes of board meetings, board performance review assessment, e-mails, management reports etc	
7.2. Management information is of sufficient quality to enable effective board decision making	Minutes of board meetings, board performance review assessment, management reports etc	
7.3. There are timely subcommittee reports to enable effective decision-making	Minutes of board and subcommittee meetings, board performance review assessment, board and subcommittee work plan	
7.4. There is	Minutes of board	

effective delegation of decision-making to subcommittees and the chief executive where appropriate	meetings, defined delegation of authority policy	
7.5. The focus of board decision making is on matters of sufficient substance and strategy.	Minutes of board meetings, board performance review assessment, board meeting agendas	
7.6. Trustees have reasonable access to senior management, information, internal and external advice sources as appropriate and vice versa.	Board Performance review assessment	
7.7. Board meetings are conducted in an open trusting environment where trustees are able to challenge peers and management without fear of retribution and vice versa.	Board performance review assessment, individual trustee review.	
7.8. There is a policy which enables all trustees to declare their interests on a register, which	Declaration of Interests Register, minutes of board meetings, trustee conflict of interest statements	

is reviewed regularly.		
7.9. There is effective monitoring of management performance in relation to the strategic plan/budget and or balanced scorecard.	Board meeting minutes, subcommittee meeting minutes, strategic plan, performance versus budget	
Total rating (max 9)		

Indicator 8: there is a term of reference which defines the board and management boundaries

Practices	Evidence	Compliance Rating
8.1. There is a term of reference which sets out the board's responsibilities and management's responsibilities and clearly defines the boundaries. (see 6.1)	Board and management terms of reference, board policy, delegation of authority policy	
8.2. There is a regular process for reviewing the terms of reference for the board management	Board work plan, minutes of board meetings	

boundaries (see 6.1)		
Total rating (max 2)		

Indicator 9: there is a clear process for developing the policy and strategy of the organisation

Practices	Evidence	Compliance Rating
9.1. There is a clear process for developing the policy and strategy of the organisation	Board minutes, board work plan, strategic plan	
9.2. There is a clear process for reviewing the strategy of the organisation.	Board minutes, board work plan, strategic plan, staff consultation, away day agenda and minutes	
9.3. Board meetings focus on the strategic development of the organisation.	Board work plan, board minutes, business plan, but it	
9.4. There are clear guidelines for the assessment and management of risk across the organisation.	Risk policy, risk assessment, risk mitigation plan	
9.5. There are clear guidelines on	Corporate or Board Policy	

Corporate or Board Policy including the values, ethical and social responsibilities, conduct, integrity and image of the board.		
9.6. There is a regular process for reviewing the corporate or board policy of the organisation.	Board work plan, board minutes	
Total rating (max 6)		

Indicator 10: There is a clear work plan for the board

Practices	Evidence	Compliance Rating
10.1 The Board's Work Plan reflects a balance between strategic direction and monitoring management performance.	Boards work plan, minutes of board meetings	
10.2. The board meets a sufficient number of times each year to effectively direct and monitor the organisations	Minutes of board meetings, board work plan	

performance.		
10.3. The board periodically reviews (at least annually) its work plan in light of changing strategic priorities.	Minutes of board meetings	
10.4 The board periodically (e.g. annually) meets on its own (without management present) to strengthen peer relationships.	Board work plan	
10.5. There is a clear process which ensures that the board complies with its constitution, fiduciary, legal and regulatory responsibilities.	Board work plan, minutes of subcommittee meetings, minutes of board meetings, auditor's report and other relevant regulatory documents	
10.6. There is a clear process at board level for ensuring that there are adequate internal controls for operations, finance, marketing etc	Board work plan, minutes of subcommittee meetings, minutes of board meetings, quality standards policy	
10.7. There is a clear process for ensuring that the board is effective and adding value	End of board meeting evaluation form, annual evaluation form, board assessment	

	review	
Total rating (max 7)		

Indicator 11: There is a clear process for selecting, supporting and training the chair of the trustee board

Practices	Evidence	Compliance Rating
11.1. There is a clear process for the nomination and election of the chair, based on meeting a (job)task description & person specification	Constitution, memorandum and articles of association, board minutes, board policy	
11.2. The role and responsibilities of the chair is clearly defined	Task description and person specification for Chair of the board of trustees	
11.3. There is a clear process for identifying and meeting the support and training needs of the Chair	Trustee development policy, minutes of board meetings, meetings between chair and vice-chair	
11.4. There is clearly defined term of office and process for the re-	Board minutes, memorandum and articles of association,	

election of the Chair	constitution	
11.5. There is a clear process for removing the Chair if necessary	Constitutional document, memorandum and articles of association etc	
Total rating (max 5)		

Indicator 12: There is a clear strategy for communicating with stakeholders

Practices	Evidence	Compliance Rating
12.1. There is a clear strategy for maintaining "open" contact with major stakeholders	stakeholder management policy, board minutes, chief executives reports to the board	
12.2. General Meetings and board meetings are used to communicate with stakeholders, including employees	Annual general meeting agenda and minutes, evaluation of attendees	
12.3. There is a clear strategy for consulting with stakeholders which is used to guide the board's strategy and decision-making.	Minutes of board meetings, annual reports	
12.4. The annual report/review is effectively used to communicate with stakeholders and	Annual report/review	

service users		
12.5. The annual review includes a declaration of trustees' interests, expenses claimed, experience, number of meetings attended/missed & subcommittee membership.	Annual report/review, board minutes	
Total rating (max 5)		

Appendix: Board Review Development Plan:

Indicator	Best Practice	Your rating	Max rating	Priority high/low	Actions
1	Trustee recruitment		9		
2	Trustee induction		5		
3	Trustee performance review		6		
4	Board performance evaluation		4		
5	Board Structure		6		
6	Management of the Chief Executive		5		
7	Decision-making		9		
8	Management Board Boundaries		2		
9	Strategic & Corporate Policy		6		
10	Board Work Plan		7		
11	Board Leadership		5		
12	Stakeholder Communication		5		

Total s			69		
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Glossary

Indicator 1

Trustee recruitment policy: a policy or statement outlining the Board's policy and practices for recruiting trustees which could include: performing a board skills audit to identify needs, creating a task description for each post, together with a person specification and then carrying out a risk assessment of each post.

The policy should include details of the subcommittee or numbers of trustees delegated with responsibility for recruitment and selection. Additionally, the policy should set out details of the term of office, re-election criteria if any and outline any specific needs which the board feel are important.

Board skills audit: an objective assessment of the skills, competencies and knowledge of trustees which can be performed by the trustees or by an external facilitator. The evaluation is reveal specific gaps which the board is then address in terms of its recruitment.

Trustee task description: a description of the tasks and responsibilities which need to be carried out for each individual trustee post, including time commitment.

Trustee person specification: an objective description of the knowledge, qualifications and skills and competencies which are essential and desirable for each trustee position.

Nomination committee terms of reference: a policy outlining the membership of the subcommittee responsible for trustee recruitment, including the roles and responsibilities of the members such as chair and secretary. This also should

include an indication of the scope and breadth of responsibility and how reports should be made back to the full board.

Declaration of interest's policy: a policy outlining the business and personal interests of trustees in a register which is maintained, for example, by the company secretary and open to scrutiny by members of the board. Trustees should exclude themselves from decision-making where there is a conflict of interest.

Trustee recruitment questionnaire: a preprepared set of standard interview questions which the nomination committee should ask all candidates interviewed for trustee posts in line with the organisations equal opportunities policy.

Letter of appointment: a letter from the chair of the board of trustees confirming the appointment of a new trustee to the board, setting out the role and responsibilities and term of office in reference to the task description and person specification for the post.

Indicator 2

Board policy: a policy or statement outlining the boards values, ethics and responsibilities towards the organisation including as appropriate: board membership criteria, selection of new trustees, resignation policy of trustees, trustee development, selection of chair, size of the board, meeting attendance, access to outside advisers, assessing the boards performance, ethics and conflicts of interest, confidentiality, board's interaction with external advisers etc, board access to senior management, selection of agenda items for board meetings, board committees, evaluation of chair and chief executive, succession planning, management development.

Trustee induction programme: a timetabled programme of relevant learning and meetings as appropriate for trustees to attend to gain an overview and depth of understanding of the organisation and its governing practices.

Trustee induction pack: a comprehensive information pack for trustees which provides an overview of their role and responsibilities and understanding of the organisation and including: board policy, strategic plan, constitution, role and responsibilities of trustees, staff structure, memorandum and articles, contact list etc

Indicator 3

Board work plan: a timetabled annual action plan outlining key decision-making priorities for the board, such as agreement of the strategic plan, financial accounts, reports of subcommittees etc.

Individual trustee performance appraisal: a planned review of performance of each board member by the chair, peer or self using a standard set of questions designed to evaluate individual performance which could include: satisfaction, learning needs, information needs, training needs, conflict to be resolved etc

Exit interview: a confidential interview between a resigning or retiring trustee and another member of the board such as the chair in order to evaluate the reasons for leaving and to incorporate any lessons learned in the future.

Indicator 4

Board performance review: a planned evaluation of the overall board performance to determine the effectiveness and efficiency of decision-making and identifying gaps such as learning and development to improve future board performance, which could result in the production of a **Board performance review evaluation report**.

Indicator 5

(Audit/finance) subcommittee terms of reference: a policy outlining the membership of the subcommittee responsible for audit and finance, including the roles and responsibilities of the members such as chair and secretary. This should include an indication of the scope and breadth of

responsibility including delegated authority, and how reports should be made back to the full board.

Indicator 8

Board & management terms of reference: a policy outlining the scope and responsibility of the board and the scope and responsibility delegated to the chief executive, including strategic responsibility and decision-making, financial management and decision-making. The aim is to make it clear as to where there is a dividing line between the responsibility of the board and the responsibility delegated to the chief executive and specifically where the chief executive would need to get approval from a board. This could be outlined in the **board policy**.

Indicator 9

Strategic plan: an objective review of the future strategic direction of the organisation over a three to five-year timeframe within the context of the external environment within which the charity operates. Typically this will include an assessment of external threats such as competitors and their likely strategies, opportunities for development and assessment of the strengths and weaknesses of the organisation.

Risk policy: a policy outlining the organisations attitude towards decision-making and risk, which could include an assessment of the external and internal risks posed to the organisation and ways in which the risks can be mitigated. This should result in a **Risk assessment**.

Corporate Policy: see board policy.

Indicator 11

Trustee development policy: a policy outlining the board's strategy for developing both individual trustees learning needs and the overall development needs of the board. This

policy could be incorporated as a statement within the **board policy**.

Indicator 12

Stakeholder management policy: a statement of the board's strategy for the management of and communication with its stakeholders, such as funders, donors, employees, community, volunteers and partners. This policy could be included in the organisations **board policy**.