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A The Need for Good Governance

1 The need for good governance is a common factor for all voluntary institutions. Consistently over the last 10 years the inspectors appointed by the Inspections Working Party have referred in their annual report to the need to improve the quality of the governance of our institutions.

2 In a complex society that demands high standards of accountability from those who hold any kind of office and with a demanding regulatory environment it often requires those charged with the guidance of institutions to have, or know how to have, access to specialist knowledge and advice.

3 Governing bodies have sometimes consisted largely of representatives of stakeholders and an assortment of gifted amateurs, while lacking the range of skills, experience and expertise now needed. This paper is intended to assist the process of identifying the qualities required in an effective governing body in the light of good practice and current law.

B Where to find guidance on Good Practice for Trustee Bodies

4 The Charity Commission have produced a range of guidance that can help trustee bodies to ensure that they comply with appropriate standards in the way their governing bodies function.

5 This information can be found at their website <http://www.charity-commission.gov.uk/>. Amongst the information which trustees will find especially helpful is the publication *Hallmarks of an Effective Charity CC60*. A fuller list of their publications to assist trustees is set out in Appendix 1

6 Of particular relevance to organisations operating within the field of higher education is the guidance published by the Committee of

University Vice Chairmen: *Guide for Members of Higher Education Governing Bodies in the UK - Governance Code of Practice and General Principles* which can be found at the HEFCE website <http://www.hefce.ac.uk/lgm/governance/> in both full and summary form.

7 Reference should also be made to the recent publication on *Good Governance* by ACEVO Charity Trustee Network, ISCA, and NCVO on behalf of the National Hub of Expertise in Governance, which is available on The National Hub of Expertise in Governance, which can be found at <http://www.governancehub.org.uk>. On this website you will find both detailed and summary guides to good practice.

8 There is also wealth of guidance on the National Council of Voluntary Organisations website which can be found at <http://www.ncvo-vol.org.uk/askncvo/trustee/>

C The key principles that Governing Bodies should seek to ensure are present

- 1 The work of ACEVO Charity Trustee Network, ISCA and NCVO¹ has identified seven key principles:
 - i. Governing Body leadership
 - ii. The Governing Body in control
 - iii. The high performance Governing Body
 - iv. Governing Body review and renewal
 - v. Governing Body delegation
 - vi. Governing Body and trustee integrity
 - vii. Governing Body openness.

The guidance below sets out in detail how these principles might be worked out in practice.

D How might these apply to our training institutions?

1 Governing Body Leadership

(1) The Governing Body of Trustees or Governors have a collective responsibility

(a) To deliver the objectives of the institution.

To see that the theological education and training offered is in harmony with the founding trust deed, or the Memorandum and Articles of Association, and in accordance with the validation of the academic and formational principles agreed with the validating bodies.

(b) To set the strategic direction of the institution.

Trustees/Governors must resist the temptation to become involved in the day-to-day operational decisions that are the responsibility of the Principal

¹ Good Governance

and staff of the institution. If the governors need to become involved they should take steps to ensure that there remains a clear separation of operational and strategic thinking and guidance.

(c) To uphold the values of the organisation.

This is a key responsibility of the Governing Body. It is through the setting and upholding of the values and ethos of the organisation that the Governing Body gives its strategic leadership.

(2) The Governing Body in control

(1) The Governing Body is collectively responsible for ensuring that the organisation complies with its statutory, legal and other obligations.

The Governing Body should establish a sound system for monitoring and reporting all aspects of the institution. The Governing Body should set defined systems of delegation and internal regulation of authority.

The Governing Body should delegate areas of authority in the life of the institution to specific sub committees of Governors or staff but the Governing body remains responsible for all acts that are carried out for or in the name of the institution.

(2) The Governing Body needs to ensure that the following areas of responsibility are properly and adequately evidenced.

i. Compliance with its own governing documents, and the requirements of any regulatory body.

The Governing Body should regularly review its governing documents (satisfying itself that it complies with their requirements). It should also regularly review its statutory responsibilities and the systems that have been established to ensure that the institution meets these obligations. This requires that the Governing Body contains within its membership appropriate skills and experience to offer appropriate and timely advice.

ii. Internal Control.

The Governing Body should on a regular basis review how the internal controls established to safeguard the assets, reputation and performance of the organisation are functioning. This will involve regular reviews of specific

areas of activity and regular reporting by or questioning of those responsible for specified areas.

Whilst some reliance can be placed upon third parties within this framework, such reliance cannot remove the Governing Body's responsibility.

Thus, for example, in the case of financial control it is not sufficient to rely upon the annual audit to detect weaknesses or actual fraud. In the case of the quality of educational and formational provision, whilst support will be received from the work of the Inspectors and Moderators these cannot remove the responsibility of the Governing Body in these areas.

iii. Prudence.

The Governing Body should ensure that controls are in place to protect the institution, its assets, and other property (including intellectual property and to ensure that they are used to deliver the charitable objectives of the institution.

The Governing Body should act responsibly and carefully at all times and should ensure that it takes the necessary advice and exercises appropriate caution in the direction of the institution.

iv. Managing risk:

The Governing body must set in place an appropriate system to ensure that the potential risks to the institution are properly recognised and that appropriate steps are taken to minimise the potential loss or harm to the institution.

As a part of the requirements for SORP 2005 the Governing Body is required to carry out a risk review of all areas of activity. This must be a regular part of the agenda of the Governing Body.

This may involve the governors receiving an annual report or discussing on an annual basis the steps that have been put in place to mitigate potential risks to the institution through operations.

v. Equality and diversity.

The Governing bodies of publicly recognised charities have an obligation to ensure that the institution provides open and fair access from all sections of the community which it serves.

In the case of our theological institutions this may require access for those with disabilities and from minority ethnic communities.

3 The High Performance Board

- (1)** The way in which the institution meets its objectives and functions will be directly correlated to the way in the Governing Body discharges its responsibilities.

This will require that the Governing Body operates to the highest standards and that the Governors understand their role and responsibilities within the institution and undertake the necessary training and updating in trust, company, and statutory requirements to fulfil that task.

- (2)** The role of the Chair of the Governing Body within the Governing Body is essential in guiding and shaping the work of the Governors in order to achieve high standards.

The Chair should ensure that (s)he is fully aware of the issues affecting the institution, has regular contact with the chairs of any sub committees of the Governors and with the Principal.

The Chair should ensure that there is proper and timely debate and discussion of the issues before the Governing Body and should ensure that the business of the Governing Body is structured so that all areas of the institution's life are kept under regular review.

- (3)** The Governing Body should plan their work and agendas as a to ensure that effective use is made of the time and skills of the Governors.

The Governors should identify any gaps in the knowledge and skills of the Governor and should ensure that the knowledge and skills of the Governors are used appropriately.

- (4)** In making decisions the Governing Body needs to ensure that it has the best quality advice and information on which to make its decisions.

This may mean seeking external advice from time to time or by ensuring that appropriate skills are available amongst the governors. It will be appropriate to review the necessary skills base whenever there is a vacancy on the Governing Body.

(5) The Governors should ensure that:

- i. They understand their responsibilities and duties.

The Governing Body should develop a clear statement of their role and expectations. They should also indicate in clear terms any tasks or roles delegated to sub committees, the Chair, or individual governors and staff.

- ii. Where sub committees are established the scope and role of the committee must be properly defined.

The Governing Body should through a proper system of reporting ensure that the functions delegated to sub committees are properly fulfilled.

Where decision-making functions have been delegated to a sub committee, the Governing body should refrain from seeking to revisit the work of the sub committee although it will retain the responsibility for the decisions that have been made.

(6) New Governors should be offered and undertake specific training and induction into the role within the Governing Body.

New Governors should familiarise themselves with all aspects of the operation of the institution and should ask for and receive any information considered necessary.

It is appropriate for existing and continuing governors to refresh their knowledge from time to time.

(7) The Role of the Principal should be clearly defined setting out the responsibilities and expectations that the Governing Body has of the Principal.

There should be proper arrangements for the supervision, support, and appraisal of the Principal on a regular basis by the Chair of the Governors

The Governing Body should likewise ensure that similar arrangements are in hand for all staff members within the institution, especially those whose employment or service with the institution is part time or casual.

4 Governing Body Review and Renewal.

1. The Governing Body should regularly review and appraise its own performance and effectiveness, and the performance and effectiveness of any sub-committees and the organisation as a whole.

This should be achieved by having a regular timetable of review with members of the Governing Body being asked to look at specific areas outside their normal areas of responsibility.

2. Key points that the Governing Body should address are:
 - i. Performance appraisal.

The Governing Body must have a regular timetabled system of appraisal of its own work with sufficient time given within the agenda to hold proper discussion.

- ii. Renewal and Recruitment.

Members of the Governing Body should serve for fixed terms and there must be limits to the overall length of service that is permitted.

The Governors should have a strategy to ensure that the skills base of the Governors is maintained and extended.

Where outside bodies hold the right of appointment they should be asked to nominate or elect people with the appropriate skills.

Where the Governing Body issues invitations to serve then there should be an open system of appointment perhaps utilising the Nolan² principles for appointment to public bodies

- iii. Strategic review should be an essential part of the life of every Governing Body.

Such reviews must look at every aspect of the work of the institution and produce specific objectives that can be measured and evaluated.

5 Delegation

- (1) It is essential that there exist clear guidelines for delegated authority to all sub committees, officers of the Governing Body and the Principal, and staff.

² Committee on Standards in Public Life

These guidelines should contain:

- I. Clarity as to the role and responsibility and should be in writing or otherwise noted in the minutes of the Governing Body.*
- ii. effective delegation that enables the sub committee, staff and volunteers to fulfil their roles. The limits of the authority need to be clearly set out and understood by all parties.*
- iii. a system of regular reporting to the Governing Body of the bodies or persons to whom authority has been delegated.*
- iv. The Governing Body should monitor the expected outcomes.*

6 Governing Body and trustee integrity

- (1)** The Governing Body of our institutions should seek to embody the highest standards of ethical behaviour.
- (2)** The members of the Governing Body should ensure that they are not subject to any conflicts of interest, which influence, or might be suggested to have influenced their decisions. Thus members of Governing Bodies:
 - i. Should not benefit from their position except if and to the extent that their governing document authorises them to do so. (Thus employees, for example, should not be members of the Governing Body unless they are authorised to act as such by the governing document or the Charity Commission.)*
 - ii. Should identify any potential conflict of interest that may arise from their own, or members of their close family's, interests in the matters being discussed or decided.*
- (3)** Where a conflict of interest has been disclosed the member should absent themselves from the governing body whilst the decision is taken and should not speak or seek to influence other members of the Governing bodies.
- (4)** There should be clear guidelines of the receipt of hospitality or gifts, which arise by virtue of the trustee's membership of the Governing Body.

7 Governing Body openness

- (1)** The Governors should be open, responsive, and accountable to stakeholders, users, beneficiaries, and others who have an interest in the work of the institution.

This means that the Governors should try to ensure that the Governing Body communicates regularly to these groups about the work of the Governors and the institution.

Appendix 1 List of Resources available from the Charity Commission.

How To Be An Effective Charity Trustee - Signposts To Our Published Guidance That Will Help You³

- [Trusteeship](#)
- [Charity Land](#)
- [Financial Management](#)
- [Charity Accounts, Annual Returns & Annual Reports](#)

Topics you need to know about

Where to find the appropriate guidance on the Charity Commission web site

Other Government sources of advice

Booklet

Trusteeship

Recruitment and selection, Appointment, Induction

[RS1](#)

Hallmarks of an Effective Charity

[CC60](#)

Responsibilities

[CC3](#)

Charities involving children – additional responsibilities

[Child Protection Department of Health Criminal Records Bureau](#)

Charities working internationally or overseas – additional responsibilities

[OG96 Charities Working Internationally](#)

Liabilities

[CC3](#)

Conflict of Interest

[Guide to Conflicts of Interest for Charity Trustees](#)

Trustee meetings

[CC48](#)

Nominee trustees and Custodian trustees

[CC42](#)

³ Charity Commission website

Corporate trustees	OG38
Incorporation of charity trustees	OG50
Users / Beneficiaries as trustees	CC24
Disqualification from acting as a trustee	OG41 OG42
Ending trusteeship	Trustee Responsibilities
Remuneration	CC11 OG 92
Payment of Charity Trustees Checklist	
Remuneration – Small Charities	OG205
Trustee Indemnity Insurance	OG100
	Frequently Asked Questions
Trustee Act 2000	OG86

Charity Land				
Acquiring land	CC33	OG86	Frequently Asked Questions	
Disposing of land	CC28	OG54	Frequently Asked Questions	
Disposing of land – Small Charities	CC44	OG204		
Role of the Official Custodian	CC13		Frequently Asked Questions	

Financial Management				
Internal financial controls	CC8		Frequently Asked Questions	
Borrowing and mortgages	CC33	OG22		
Reserves	CC19 RS3 & RS3A	OG43		
Reserves – Small Charities	RS5			
Insurance	CC49			
Permanent Endowment	CC38		Frequently Asked Questions	
Expenditure of capital – Small Charities	CC44			
Financial difficulties & Insolvency	CC12			
Risk Management			Charities & Risk Management	
Ex-gratia payments	CC7	OG11		
Electronic banking			Guidance on Electronic Banking	

Charity Accounts, Annual Returns & Reports				
Accounts – Overview	<u>CC61</u>	<u>OG15</u>	<u>Compliance Campaign</u> <u>Frequently Asked Questions (Accounting Requirements)</u>	
SORP 2000	<u>CC62</u> <u>CC66</u>		<u>Accounting Questions & Answers</u> <u>SORP 2000</u>	
Independent Examination	<u>CC63</u>	<u>OG15</u>	<u>Frequently Asked Questions (Accounting Requirements)</u> <u>Accounting Questions & Answers</u>	
Receipts & Payments Accounts	<u>CC64</u>	<u>OG15</u>	<u>Frequently Asked Questions (Accounting Requirements)</u> <u>Accounting Questions & Answers</u>	
Accruals Accounts	<u>CC65</u>		<u>Frequently Asked Questions (Accounting Requirements)</u> <u>Accounting Questions & Answers</u>	

Annual Returns			<u>The Compliance Campaign – Accounts Aren’t Optional</u> <u>Annual Returns</u>	
Annual Reports	<u>CC59</u>			