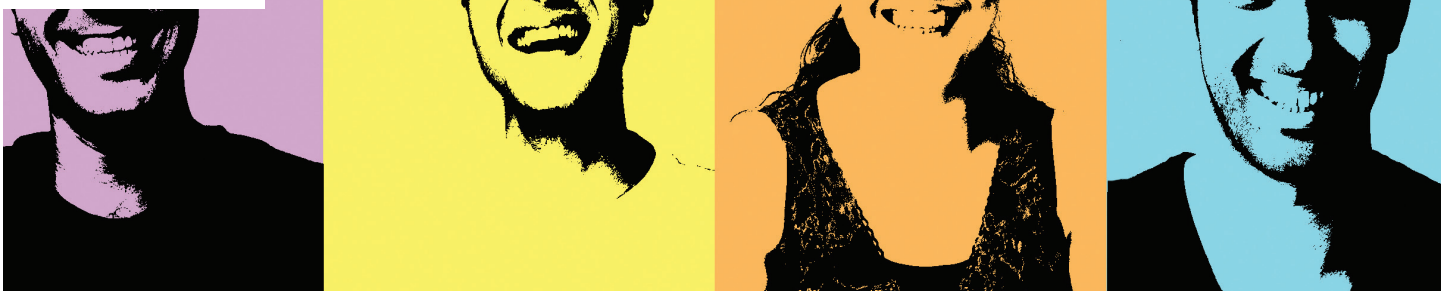




EXCELLENCE IN GOVERNANCE

CODE OF GOVERNANCE FOR HOUSING CO-OPERATIVES

2012



Revised by
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**NATIONAL
HOUSING
FEDERATION**



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The principles of good governance

All co-operatives should seek to embrace the Co-operative Values and Principles¹.

The foundation of good governance is that there should be an effective Governing Body² which leads and controls the co-operative and complies with its legal requirements. The Governing Body should ensure that the co-operative upholds the following principles:

1. Ethics

The co-operative operates according to high ethical standards, explicit values and the Code of Governance for Housing Co-operatives.

2. Accountability & Democracy

There is proper accountability to the co-operative's stakeholders, and democratic involvement of all members and residents.

3. Members First

Co-operatives should put the needs of their existing and potential members at the heart of business decisions and strategy.

4. Openness & Transparency

There is a spirit of openness, making full disclosure of governance matters and other information.

5. Diversity & Inclusion

There is fairness and equality of opportunity and recognition of diversity in all aspects of the co-operative's governance.

6. Review & Renewal

There are formal and open processes for the periodic review of the Governing Body's performance, and to ensure its renewal on an appropriate basis.

7. Clarity

There is clarity of roles and responsibilities between the co-operative's Governing Body, its membership, paid staff and Service Agencies.

8. Control

There are effective systems for internal delegation, audit, risk management and control. The Governing Body receives timely reports and advice to inform its decisions. The Governing Body has an effective relationship with auditors and regulators.

9. Structures

There are effective staffing, service and committee structures to support the Governing Body's work.

¹ As outlined by The Statement of Co-operative Identity which was established by the International Co-operative Alliance (ICA) in 1995 – see Appendix A

² Throughout this document we refer to the Governing Body. In most co-operatives this will be a Management Committee or Board although in some it will be a General Meeting

Introduction

Governance is about ensuring that an organisation complies with its constitution and the law. It is the task of defining the goals and standards of an organisation and ensuring that there are effective management and other structures that will enable it to achieve those goals and standards and be a viable business.

This Code of Governance aims to assist housing co-operatives put the principles of good governance into practice. Good governance is more than good practice – it is good business too. It is about organisational vision, mission, clarity of purpose and effectiveness. As such good governance enhances organisational reputation and ensures better results are achieved. This code does not attempt to reproduce good practice guidance which is contained elsewhere³.

The overall Code of Governance is split into the main principles and key provisions for each area. Housing co-operatives should consider the Code in full in a way that is appropriate to their size, profile and structure and provide a statement of compliance against the principles and provisions which should include a reasoned statement about any areas where they do not comply. This follows the 'comply and explain' approach adopted in 1992 by the *Combined Code on Corporate Governance* and re-emphasised in the *Co-operatives UK Corporate Governance Code of Best Practice 2004* and the *UK Corporate Governance Code 2010* revision.

Main principles

The main principles define each section and provide a guide to Governing Body behaviour and overall approach. They provide clarity on excellent governance for a wide range of housing co-operatives.

Provisions

These are the areas that, along with the main principles, housing co-operatives must assess themselves against and provide a statement of compliance. They underpin the main principles and provide the evidence to members; if excellent governance can be achieved by other means, an explanation of non-compliance with the provision should be given.

Constitutions

Co-operatives should adopt constitutions, legal instruments, financial regulations, standing orders and other governance frameworks which support and enable their implementation of the Code. These should be kept up to date and be mindful of current company, industrial and provident society law and other statutory and regulatory provisions.

³ Housing co-operatives should reference 'The Accreditation Framework for Housing Co-operatives' for detailed good practice guidance

The Code of Governance

A Constitution and composition of the Governing Body

Main Principle

The Governing Body must be effective in leading and controlling the co-operative and acting wholly in its best interest. Governing Body members must ensure that the interests of the co-operative are placed before any personal interests.

Provisions

- A1** The primary purpose of the Governing Body is to determine strategy, direct, control, scrutinise and evaluate a co-operative's affairs. Operational management of the co-operative must be delegated to officers, sub-groups, staff members or Service Agencies as appropriate.
- A2** All members of the Governing Body share the same legal status and have equal responsibility for decisions taken that affect the success of the co-operative. Each must act only in the interests of the co-operative and not on behalf of any constituency or interest group.
- A3** It is up to the co-operative to decide on the best Governing Body composition. Where the Governing Body is a Management Committee or Board it should have at least five members and ideally no more than twelve, including co-optees.
- A4** The roles of Chair (and Vice Chair if there is one) of the Governing Body and Sub Committees (see H1) must be held by a member.
- A5** Governing Bodies must consider any potential conflicts of interest and adopt appropriate policies.
- A6** Where conflicts of interest arise, these must either reflect provisions made by relevant legislation or they must be recorded and the individual concerned excluded from the discussion or decision.

B Essential functions of the Governing Body

Main Principle

Each Governing Body must be clear about its duties and responsibilities and those of its Chair, Secretary and Treasurer. These must be set out and made available to all existing and potential Governing Body members.

Provisions

- B1** The essential functions of the Governing Body must be formally recorded in the co-operative's constitutional documents, terms of reference, standing orders or financial regulations.
- B2** All Governing Bodies must have a set of core responsibilities. These will include as a minimum:
- Ensuring compliance with the values, vision, mission and strategic objectives of the co-operative as directed by the general membership

- The appointment and if necessary the dismissal of the Senior Staff Member and the approval of their salaries and terms of employment or in the case of a Service Agency the approval of their fees and management agreement
- Satisfying itself as to the integrity of financial information, approving each year's budget and business plan and annual accounts prior to publication
- Establishing, overseeing and reviewing annually a framework of delegation and systems of internal control
- Establishing and overseeing a risk management framework in order to safeguard the assets of the co-operative

B3 The Governing Body, through its terms of reference, must draw up a schedule of significant matters specifically reserved for the Governing Body's decision, which cannot be delegated to individual members, staff, Service Agencies or Sub Committees.

C Induction and information

Main Principle

All Governing Body members should receive appropriate induction on joining and should regularly refresh and update skills. The Governing Body must be supplied in a timely manner with information in a form and quality appropriate to enable it to discharge its duties.

Provisions

- C1** All Governing Body members should participate in training programmes that enable them to be effective in their roles.
- C2** Governing Bodies must receive up-to-date, clearly presented and accurate information to enable them to make decisions.

D Recruitment, renewal and review

Main Principle

Recruitment to Governing Body vacancies must be open and transparent. The Governing Body must undertake an annual appraisal of its members and of the Governing Body as a whole.

Provisions

- D1** While the contribution of experienced Governing Body members is important, Governing Bodies also need to involve newer members who can provide a fresh challenge to long-standing practices and thinking and should have a policy for involving such members. The co-op should establish a succession plan for Governing Body involvement and link this to training programmes for members. Maximum terms of office should be considered, where appropriate and in the best interests of the co-operative.
- D2** The Governing Body must carry out an annual appraisal of its own performance and of its individual members including the Chair.
- D3** If the co-operative is paying Governing Body members, it must ensure that it has a mechanism for establishing payment levels that are independent of the Governing Body, possibly through a Remuneration Committee, an independent advisor or by using published guidance and industry norms. Payments must be disclosed to all members and be proportionate to the co-operative's size, complexity and resources and be linked to the carrying out of specified duties against which performance will be reviewed.

E Responsibilities of the Chair

Main Principle

The Governing Body must appoint a member to act as Chair who is aware of his or her duties and the clear division of responsibilities between members and officers, staff and Service Agents.

Provisions

- E1** The Chair has particular duties and responsibilities. These must be formally agreed and recorded.

F Conduct of the Governing Body's business

Main Principle

The Governing Body must act effectively, making clear decisions based on timely and accurate information.

Provisions

- F1** The Governing Body and its sub committees must have clear terms of reference in order that their conduct is transparent, effective and in the interests of the co-operative.
- F2** Governing Body decisions should be, wherever possible, based on full agendas and documents circulated to members sufficiently in advance of meetings. Decisions and agreed actions should be recorded in the minutes.
- F3** Urgent decisions between Governing Body meetings must be taken in accordance with predetermined arrangements as set out in the co-operative's constitution, standing orders, financial regulations or delegated authority.

G The Senior Staff Member or Service Agency

Main Principle

There must be clear working arrangements between the Governing Body and the Senior Staff Member or Service Agency and clear delegation of authority.

Provisions

- G1** The Senior Staff Member or Service Agency must be clear about the essential duties of the role and have clarity over their role, legal responsibilities, delegation of authority and relationship with members.
- G2** Like all employees, the Senior Staff Member must have a written and signed contract of employment; a Service Agency must have a written and signed management agreement.
- G3** The Governing Body must ensure that there is effective and transparent scrutiny of the Senior Staff Member or Service Agency and that this is reflected in decisions on the remuneration package for the Senior Staff Member or fee for the Service Agency; these costs must be disclosed in the annual financial statements in accordance with relevant accounting practice.

H Sub Committees

Main Principle

Sub Committees may be established where the Governing Body determines that they will provide expertise, enable it to scrutinise and deliver effective corporate governance and manage risk or for operational purposes.

Provisions

H1 Each Sub committee must have clear terms of reference approved and reviewed by the Governing Body on a regular basis.

H2 Paid employees or Service Agents must not chair Sub Committees or form the majority of the membership of these committees.

I Openness, transparency and accountability

Main Principle

The Governing Body must provide leadership in operating in an open and transparent manner, having satisfactory dialogue with members and must demonstrate democratic accountability to members and other key stakeholders.

Provisions

I1 The Governing Body must publish an annual report of the co-operative's activities and performance.

I2 The co-operative must have in place a strategy for ensuring the democratic operations of the co-operative and for communicating information about its work to its members.

I3 The co-operative should review its policies for admission to shareholding membership on a regular basis.

J Diversity and inclusion

Main Principle

The Governing Body must demonstrate leadership and commitment to equality, diversity and inclusion as outlined in the Equality Act 2010 across all its activities.

Provisions

J1 The Governing Body must comply with current legislation and keep its policies under review.

J2 The Governing Body must provide leadership and clear strategies on how the co-operative will meet the needs of diverse communities and the steps it will take, including through lawful positive action, to ensure in so far as it is able that it can reflect these communities in its governance structures.

J3 The Governing Body must ensure that the co-operative demonstrates, throughout all its functions, its commitment to the characteristics protected by the equalities legislation, and develop action plans to implement this commitment.

K Audit and risk

Main Principle

The Governing Body must establish a formal and transparent arrangement for considering how the co-operative ensures financial viability, maintains a sound system of internal controls, manages risk and maintains an appropriate relationship with external auditors.

Provisions

- K1** Every co-operative must have effective internal controls.
- K2** The co-operative's external auditors must be independent and effective.
- K3** The co-operative must have in place appropriate arrangements for discharging the internal and external audit functions and for enabling members to scrutinise performance in an independent manner.

L Conduct and probity

Main Principle

Co-operatives must maintain the highest standards of probity and conduct.

Provisions

- L1** Governing Body membership entails a particular responsibility to avoid any suggestion of impropriety. Matters such as conflict of interest, or acceptance of gifts or hospitality, are particularly sensitive. The required standards should be set out in the co-operative's Code of Conduct.
- L2** Governing Body members will from time to time become aware of personal data or information that should not be inappropriately disclosed. The co-operative should adopt a Confidentiality Policy that outlines how it will handle such information and comply with relevant legislation.

Appendix A - The Co-operative Values and Principles

The Statement of Co-operative Identity established by the International Co-operative Alliance (ICA) in 1995 agreed the following:

Values

In order to maintain their identity co-operatives should ensure that they are supporting the following co-operative values:

- Self-help and responsibility
- Democracy
- Equality, equity and solidarity
- Honesty and openness
- Social responsibility and caring for others

Principles

These are principles by which co-operatives put their values into practice. All co-operative should act in accordance with these following seven principles: -

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organisations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6th Principle: Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

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