

Vine Co-op Code of Governance

Agreed MC March 2015

Introductory notes for members:

Why do we need a code of governance?

The Confederation of Co-operative Housing has produced a model code of governance for Co-ops, which our accountant, Simon Erskine, has advised us that we need to adopt and follow to ensure the Co-op is seen to be running properly. It will also provide us with a framework for reassuring ourselves that we are doing everything we need to do to work effectively and within regulations and rules, both external and internal.

What is governance?

The CCH says: 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 organisation.

In more everyday terms, governance is about how the Co-op runs itself, what values it prioritises, how decisions are taken, how people in the Co-op are held accountable for the Co-op's direction of travel and day to day actions. So for example, according to our rules and practices, all decisions taken by the MC and GM are notified to the whole membership in advance of the meeting which is taking the decision. Identifying this as good practice and making sure it is really happening is a governance issue. Another example is our financial standing orders, whereby limits on the spending of any individual or body in the Co-op are clearly identified.

These are examples of our governance structures, and the Code sets out to demonstrate that we have all the structures we need to run effectively, and that we stick to them. In an organisation like a co-op where responsibility is diffused across different groups and structures, who is accountable isn't always clear-cut, not always explicit and is often shared. The Code is designed to help us identify areas where we might be falling short and rectifying these, not just once, but continuously.

What is this draft based on?

The CCH has produced a model Code of Governance, after much consultation, which meets the requirements for most Co-ops titled **Excellence in Governance**, Code of Governance for Housing Co-operatives 2012, revised by Blase Lambert & Nic Bliss. This model code includes elements of what as a co-op we should do, what we must do, what we will do, and what we can do.

However, our way of working is not the same as many Co-ops because not all our decisions are made and implemented by a Management Committee. We give significant responsibilities to sub-groups and the General Meeting. Therefore this draft has adapted the model to our own situation.

What do we have to do?

We have to **comply** with a code of governance which aligns with the CCH model - or explain why not. A separate list of the points which we do not comply with appears at the end as a **Statement of Compliance**.

We have to discuss and agree to abide by our version of the Code, and then take steps to actually do what it says in those areas (not very many) where we don't already do so. The draft code should go to the MC and GM and then, afterwards, a few more specific policies will need to be developed.

Vine Co-op Code of Governance (March 2015)

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The principles of good governance

Vine Housing Co-operative embraces the Co-operative Values and Principles,

The foundation of good governance is that there should be effective Governing Bodies which lead and control the co-operative and comply with its legal requirements.¹ In Vine Housing Co-operative, governance is multi-layered, with a Management Committee, a General Meeting, and a number of subgroups all of which have governance responsibilities.

The Governing Bodies ensure that the co-operative upholds the following principles:

1. Ethics

The co-operative operates according to high ethical standards, explicit values and this Code of Governance.

2. Accountability & Democracy

There is proper accountability to the co-operative's stakeholders, and democratic involvement of all members.²

3. Members First

The co-operative puts 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

¹ Statement of Compliance Note 1.

² Statement of Compliance Note 2.

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

7. Clarity

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

8. Control

There are effective systems for internal delegation, audit, risk management and control. The Governing Bodies receive timely reports and advice to inform their decisions. The Governing Bodies have an effective relationship with auditors and regulators.

9. Structures

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

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 organisation.

This Code of Governance aims to assist Vine Housing Co-operative put the principles of good governance into practice. Good governance is more than good practice. 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 elsewhere.³

The overall Code of Governance is split into the main principles and key provisions for each area. Vine HC has considered the Code in full in a way that is appropriate to our size, profile and structure and has provided a statement of compliance against the principles and provisions which includes a reasoned statement about any areas where we 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, Vine HC has assessed itself against and provided 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 has been given.

Constitutions

Vine HC has adopted constitutions, legal instruments, financial regulations, standing orders and other governance frameworks which support and enable the 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 'The Accreditation Framework for Housing Cooperatives' provides detailed good practice guidance.

The Code of Governance

A Constitution and composition of the Governing Bodies

Main Principle

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

Provisions

- A1** The primary purpose of the Governing Bodies is to determine strategy, direct, control, scrutinise and evaluate a co-operative's affairs. Operational management of the cooperative can be delegated to officers, sub-groups, sub-committees staff members or Service Agencies as appropriate.
- A2** All members of each of the Governing Bodies share the same legal status within that body, 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** Vine Housing Co-operative has decided that the best governing body composition is a multi-layered one, as outlined in the Co-operatives Rules and standing orders. One of these bodies is a Management Committee, which has at least five members and no more than twelve, including co-optees.
- A4** The roles of Chair, Deputy Chair and Convenor of the Governing Bodies and Sub Committees must be held by a member. Other officers of the Co-op must also be members.⁴
- 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 or Convenor, Secretary and Treasurer. These are set out and made available to all existing and potential Governing Body members.

Provisions

- B1** The essential functions of the Governing Bodies must be formally recorded in the cooperative's constitutional documents, terms of reference, standing orders or financial regulations.
- B2** All Governing Bodies have a set of core responsibilities. These include as a minimum (depending on the level of the body):
- Ensuring compliance with the values, vision, mission and strategic objectives of the co-operative as directed by the general membership. This applies to all three levels of governance in Vine HC.

⁴ Statement of Compliance note 3.

- 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. In Vine HC, the Management Committee and General Meeting are responsible for this.
- Establishing, overseeing and reviewing annually a framework of delegation and systems of internal control. This is the responsibility of the General Meeting in Vine HC.
- Establishing and overseeing a risk management framework in order to safeguard the assets of the co-operative In Vine HC, this is the responsibility of the Finance Subgroup and the Management Committee.

B3 The Governing Bodies, through their 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 Bodies must undertake an annual appraisal of their 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 has established 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.⁵
- D2** The Governing Bodies must carry out an annual appraisal of their own performance and of its individual members including the Chair or convenor.
- 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,

⁵ Statement of Compliance note 5.

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 Chairs and Convenors

Main Principle

The Governing Bodies must appoint a member to act as Chair or Convenor 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 Chairs and Convenors have particular duties and responsibilities. These must be formally agreed and recorded.

F Conduct of the Governing Bodies' business

Main Principle

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

Provisions

- F1** The Governing Bodies and any sub committees 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

This section has been deleted as it is not relevant to Vine.

H Sub Committees

Main Principle

Sub Committees may be established where the Governing Bodies determines that they will provide expertise, enable them 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 Bodies must operate 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 Bodies must publish an annual report of the cooperative'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 Bodies must demonstrate commitment to equality, diversity and inclusion as outlined in the Equality Act 2010 across all its activities.

Provisions

- J1** The Governing Bodies must comply with current legislation and keep its policies under review.
- J2** The Governing Bodies must provide clear strategies on how the cooperative 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 Bodies 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 Bodies 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** Vine HC co-operative has effective internal controls.
- K2** The co-operative's external auditors are independent and effective.

- K3** The co-operative has 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 can be found in the Co-op'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 has a Confidentiality Policy that outlines how it will handle such information and comply with relevant legislation.

Statement of Compliance

Vine Housing Co-op complies with the provisions of the CCH Model Code of Governance with the following exceptions:

1. The principles of good governance

In Vine Housing Co-operative, governance is multi-layered, with a Management Committee, a General Meeting, and a number of subgroups (the number is determined by the General Meeting), all of which have governance responsibilities. Therefore the Code refers to Governing Bodies in the plural throughout.

2. Accountability & Democracy

Difference from CCH Code: Residents have not been included as having democratic involvement because Vine is a fully mutual housing co-op. However, residents who are not members are recognised as stakeholders.

3. A4: All officers and roles in Vine Housing Co-op must be held by members, and an additional point has been added to clarify this.

4. **B2: Bullet point 2:** This does not currently apply to Vine HC.

5. **D.1** Maximum terms of office have been considered, and are not currently seen as appropriate or in the best interests of the co-operative. This decision is regularly reviewed.

6. **D3** The co-operative policies do not allow for the payment of Governing Body members. Therefore it has not developed a mechanism for establishing payment levels that are independent of the Governing Body.

7. **G. The Senior Staff Member or Service Agency**

This section does not apply to Vine HC which does not employ a Director or other senior staff member, or make use of a Service Agency. Due to its limited size and long experience of managing itself, it is unlikely to do so for the foreseeable future.