

Good Governance Guidance



Good Governance

Before we can begin to assess the quality of your project and what it will achieve we need to check that your organisation is both eligible to hold a grant and can demonstrate appropriate levels of governance to effectively manage public funds.

This brief guide seeks to highlight what we look for and identify further support you might find helpful. If you have any questions please call our funding helpline on 08458 508 508.

Eligibility

Before starting any application it is important you check your organisation is eligible to apply to Sport England. We will only fund organisations if they have a clear set of rules or constitution. The majority of Sport England funding is only available to not-for-profit organisations that exist for the benefit of their members or community and preclude the distribution of profits to members or shareholders. We would expect there to be a clear not-for-profit declaration and a charitable dissolution clause that stipulates that, upon winding up, any remaining assets after settlement of debts and liabilities should not be paid to members but shall be donated to another charitable organisation.

We will not fund individuals, sole traders and partnerships.

What is Governance?

Put simply, we consider governance to be the collective processes and systems employed by an organisation to ensure delivery of their objectives. Good governance is therefore establishing sufficiently robust and thorough processes to ensure that not only can those objectives be delivered but that they are delivered in an efficient, effective and transparent way.

Sport England has developed, in partnership with UK Sport, an on-line governance support tool called, **Things to Think About** which can be accessed at

http://www.sportengland.org/support_advice/governance_finance_control.aspx

The tool sets out the standards we assess in our core-funded sports bodies and provides prompts or Things to Think About in relation to the principles that support those standards. It also provides links to some other specialist websites, which may be of help to you and your organisation. We have highlighted below specific areas of the tool that may be of use to you.

Organisational Requirements

After we have checked your eligibility we will check whether your organisation demonstrates it has the appropriate levels of governance to manage an award of public funds. We will do this primarily through using the information contained within your governing document and would particularly look for the following:

- **Objects**

All governing documents must provide clear objects for the organisation, that is, that it explains why the organisation is established and the area of work it is involved in. This will often include the geographical location where the work will take place and the age range of the beneficiaries.

The governing document should also make it clear what trustees/directors /committee members have the power to do. In particular, whether they have the power to enter into contracts.

- **Application of income and Property**

For many of Sport England's programmes only organisations who stipulate they operate on a not-for-profit basis will be eligible to apply and thus the governing document should state how any excess funds should be utilised to further the objects of the organisation and not to be distributed to members or shareholders. We would usually expect to see governing documents exclude the payments to trustees/directors/committee members apart from reimbursement of reasonable expenses.

- **Democratic decision making**

To be classed as an eligible organisation you should show you have democratic decision making and should therefore have at least three unrelated/non-cohabiting people on your governing committee. The governing committee is the body with legal responsibility for the organisation and not simply those people who undertake the day to day running of the organisation. For organisations incorporated under the Companies Act these are the Directors listed with Companies House and for charities it is those registered with the Charity Commission.

All organisations should keep up to date records identifying who is responsible for governance of the organisation. In the rare circumstances that Sport England would need to take legal action against a grant holder it is those persons at the point of action who would be deemed responsible and not those at the time the application was submitted. Only incorporated organisations provide any personal protection from liability.

We would look to see if your governing document identifies frequency of meetings, how trustees/directors/committee members are elected and rules for calling Extraordinary General Meetings. It should also state how many members need to be present to make a decision (quorum).

More detailed guidance on good governance covering all of the above can be found in the 'Governance' section of 'Things to Think About'.



- **Financial Controls**

Organisations can protect themselves by ensuring they have appropriate controls in place to effectively manage any funds generated or awarded to them. Your governing document should identify measures that describe how finances are managed. The following are examples of statements to describe financial accountability measures:

- Monthly/quarterly financial reconciliation
- Bank statements being received by two committee members
- Cheques/payments authorised by two committee members

More detailed guidance on good financial controls can be found in the Finance section of 'Things to Think About'

- **Conflict of interest**

Organisations should be able to demonstrate they are getting best value through their procurement of goods and services and should demonstrate their commitment to this by ensuring there are no conflicts of interests of members that influence such decisions. Regulatory bodies such as Companies House and the Charity Commission stipulate that directors/trustees must declare any interest that may influence decision making and that organisations should have clear policies to manage this. An example of an unacceptable conflict is where a trustee/director of a not for profit organisation is also a director/owner of a for-profit enterprise. It would be inappropriate for the for-profit organisation to supply goods or services to the not-for-profit organisation where that trustee/director could personally gain.

More detailed guidance on managing conflicts of interest can be found in the governance section of 'Things to Think About' at:

http://www.sportengland.org/support_advice/governance_finance_control/governance/2_board_and_committees/supporting_outcome_27.aspx

- **Dissolution/Winding Up**

All eligible organisations must have, within their governing document, a charitable dissolution clause. This stipulates where remaining assets, upon paying all debts and liabilities, should be payable to. This can be a similar club in the community or to the National Governing Body of your sport. For Community Interest Companies the remaining assets are passed to what is known as an asset lock body but this must also be a similar not-for-profit organisation to make the applicant organisation eligible.

- **Membership**

We would expect applicant organisations to take all reasonable steps to ensure it is accessible from all sections of the community. We are unlikely to fund any organisation that excluded specific parts of the community without clear justification. Clear reasons for refusing membership must be given to any

applicant requesting it. Rules for sustaining membership and conduct as a member should also be included.

- **Delegation**

Decision making powers can be delegated to officers or other suitably qualified persons but care should be taken in doing so, in particular for non incorporated organisations where liability of the governing committee is not limited. For incorporated organisations a clear process for delegation should be identified as failure to do so could be construed as negligence which weakens the protection offered by being a company.

More detailed guidance on delegating decision-making powers can be found at:

http://www.sportengland.org/support_advice/governance_finance_control/governance/2_board_and_committees/supporting_outcome_25.aspx

- **Record Keeping/Minutes**

Rules for keeping relevant information should be clear, not just minutes of decisions but invoices for expenditure. All our awards are subject to minimum retention periods where financial and project information should be available for inspection if required.

The key principles of good governance

Sport England's 'Things to Think About' tool sets out the standards we assess in our core-funded sports bodies and provides prompts or Things to Think About in relation to the principles that support those standards. It also provides links to some other specialist websites, which may be of help to you and your organisation. It can also be used by non core-funded sports bodies, at all stages of development, to help you build up your governance, finance and wider control frameworks. It can be found at http://www.sportengland.org/support_advice/governance_framework_tool.aspx

The Charity Commission in partnership with a range of leading voluntary and community sector organisations have developed a code for good governance which can be view in full by following this link.

www.changeup.org.uk/documents/governance/GoodGovernanceCodeVCS.pdf

It establishes several key principles which help understand the context of good governance all of which are reflected in the Governance section of our 'Things to Think About' tool.

Board leadership

Every organisation should be led and controlled by an effective Board of trustees which collectively ensures delivery of its objects, sets its strategic direction and upholds its values.

The Board in control

The trustees as a Board should collectively be responsible and accountable for ensuring and monitoring that the organisation is performing well, is solvent, and complies with all its obligations.

The high performance Board

The Board should have clear responsibilities and functions, and should compose and organise itself to discharge them effectively.

Board review and renewal

The Board should periodically review its own and the organisation's effectiveness, and take any necessary steps to ensure that both continue to work well.

Board delegation

The Board should set out the functions of sub-committees, officers, the chief executive, other staff and agents in clear delegated authorities, and should monitor their performance.

Board and trustee integrity

The Board and individual trustees should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.

The open Board

The Board should be open, responsive and accountable to its users, beneficiaries, members, partners and others with an interest in its work.

Further information

There are a number of more detailed sources of information available which you may find useful including:

- Sport England's 'Things To Think About' tool at http://www.sportengland.org/support_advice/governance_finance_control.aspx
- The Hallmarks of an effective charity as set out by the Charity Commission can be found at: www.charity-commission.gov.uk/Charity_requirements_guidance/Charity_essentials/Hallmarks.aspx