

Charity Governance Code Infographic

The Principles and their Rationales

Principle 1: The board is clear about the charity's aims and ensures that these are being delivered effectively and sustainably.

- Charities exist to fulfil their charitable purposes. Trustees have a responsibility to understand the environment in which the charity is operating and to lead the charity in fulfilling its purposes as effectively as possible with the resources available. To do otherwise would be failing beneficiaries, funders and supporters. The board's core role is a focus on strategy, performance and assurance.

Principle 2: Every charity is headed by an effective board that provides strategic leadership in line with the charity's aims and values.

- Strong and effective leadership helps the charity adopt an appropriate strategy for effectively delivering its aims. It also sets the tone for the charity, including its vision, values and reputation.

Principle 3: The board acts with integrity, adopting values and creating a culture which helps achieve the organisation's charitable purposes. The board is aware of the importance of the public's confidence and trust in charities, and trustees undertake their duties accordingly.

- Trustees, and the board members collectively, have ultimate responsibility for the charity's funds and assets, including its reputation. Trustees should maintain the respect of beneficiaries, other stakeholders and the public by behaving with integrity, even where difficult or unpopular decisions are required. Not doing this risks bringing the charity and its work into disrepute.

Principle 4: The board makes sure that its decision-making processes are informed, rigorous and timely, and that effective delegation, control and risk-assessment, and management systems are set up and monitored.

- The board is ultimately responsible for the decisions and actions of the charity but it cannot and should not do everything. The board may be required by statute or the charity's governing document to make certain decisions but, beyond this, it needs to decide which other matters it will make decisions about and which it can and will delegate. Trustees delegate authority but not ultimate responsibility, so the board needs to implement suitable financial and related controls and reporting arrangements to make sure it oversees these delegated matters. Trustees must also identify and assess risks and opportunities for the organisation and decide how best to deal with them, including assessing whether they are manageable or worth taking.

Principle 5: The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

- The board has a key impact on whether a charity thrives. The tone the board sets through its leadership, behaviour, culture and overall performance is critical to the charity's success. It is important to have a rigorous approach to trustee recruitment, performance and development, and to the board's conduct. In an effective team, board members feel it is safe to suggest, question and challenge ideas and address, rather than avoid, difficult topics.

Principle 6: The board's approach to diversity supports its effectiveness, leadership and decision making.

- Diversity, in the widest sense, is essential for boards to stay informed and responsive and to navigate the fast-paced and complex changes facing the voluntary sector. Boards whose trustees have different backgrounds and experience are more likely to encourage debate and to make better decisions. The term 'diversity' includes the nine protected characteristics of the Equality Act 2010 as well as different backgrounds, life experiences, career paths and diversity of thought. Boards should try to recruit people who think in different ways, as well as those who have different backgrounds.

Principle 7: The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be.

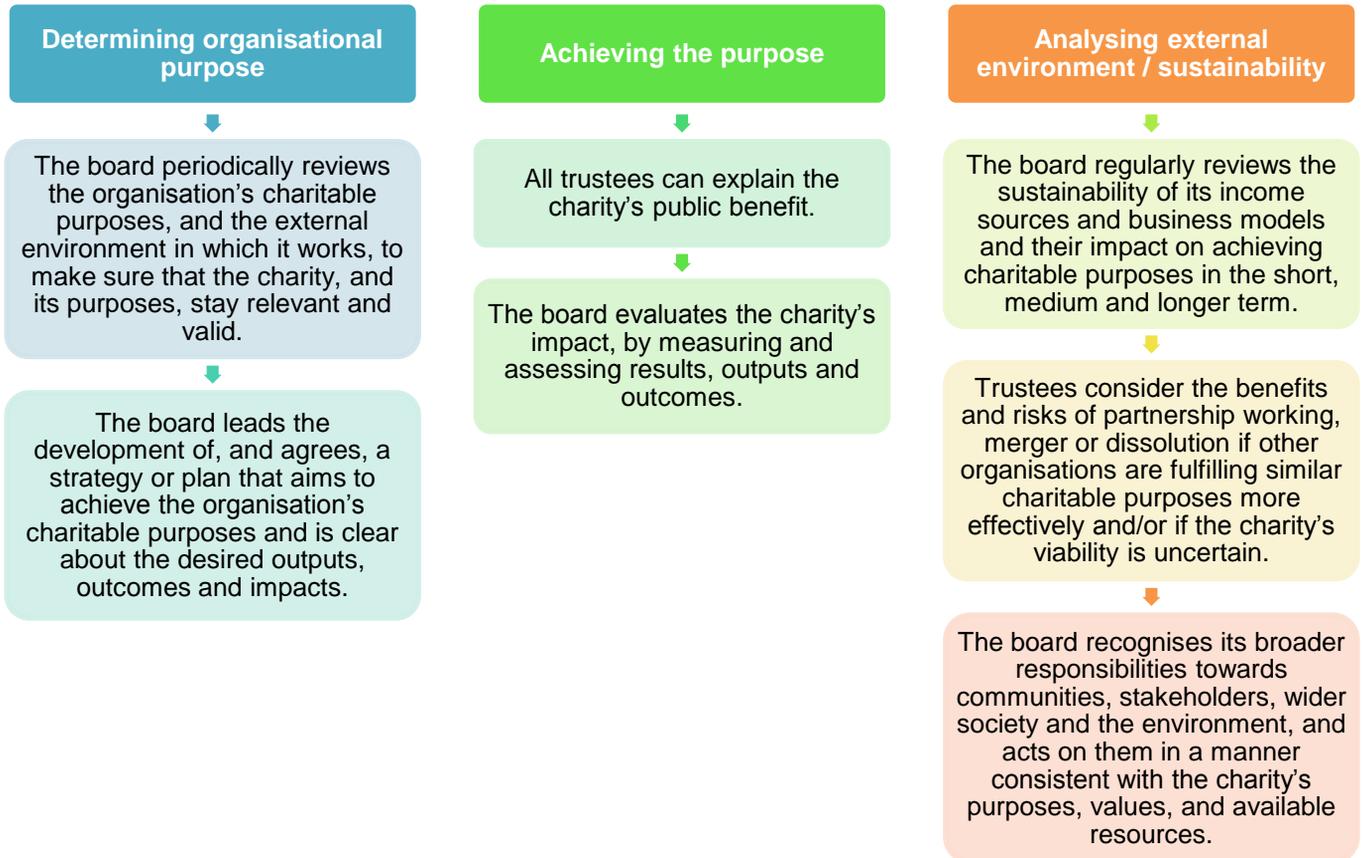
- The public's trust that a charity is delivering public benefit is fundamental to its reputation and success, and by extension, the success of the wider sector. Making accountability real, through genuine and open two-way communication that celebrates successes and demonstrates willingness to learn from mistakes, helps to build this trust and confidence and earn legitimacy.

Principle 1: Organisational purpose

Principle: The board is clear about the charity's aims and ensures that these are being delivered effectively and sustainably.

Outcomes:

1. The board has a shared understanding of and commitment to the charity's purposes and can articulate these clearly.
2. The board can demonstrate that the charity is effective in achieving its charitable purposes and agreed outcomes.



Principle 2: Leadership

Principle: Every charity is headed by an effective board that provides strategic leadership in line with the charity's aims and values.

Outcomes:

1. The board, as a whole, and trustees individually, accept collective responsibility for ensuring that the charity has a clear and relevant set of aims and an appropriate strategy for achieving them
2. The board agrees the charity's vision, values and reputation and leads by example, requiring anyone representing the charity reflects its values positively.
3. The board makes sure that the charity's values are reflected in all of its work, and that the ethos and culture of the organisation underpin the delivery of all activities.

Leading the charity

The board and individual trustees take collective responsibility for its decisions.

The chair provides leadership to the board with prime responsibility for ensuring it has agreed priorities, appropriate structures, processes and a productive culture and has trustees and senior staff who are able to govern well and add value to the charity.

In the case of the most senior member of staff (e.g. CEO) the board makes sure that there are proper arrangements for their appointment, supervision, support, appraisal, remuneration and, if necessary, dismissal.

The board's functions are formally recorded. There are role descriptions defining responsibilities for all trustees that differentiate clearly those of the chair and other officer positions and outline how these roles relate to staff.

Where the board has agreed to establish a formally constituted subsidiary organisation/s, it is clear about the rationale, benefits and risks of these arrangements. The formal relationship between the parent charity and each of its subsidiaries is clearly recorded and the parent reviews, at appropriate intervals, whether these arrangements continue to best serve the organisation's charitable purposes.

Leading by example

The board agrees the values, consistent with the charity's purpose, that it wishes to promote and makes sure that these values underpin all its decisions and the charity's activities (see also Principle 1).

The board recognises, respects and welcomes diverse, different and, at times, conflicting trustee views.

The board provides oversight and direction to the charity and support and constructive challenge to the organisation, its staff and, in particular, the most senior member of staff.

The board, through its relationship with the senior member of staff, creates the conditions in which the charity's staff are confident and enabled to provide the information, advice and feedback necessary to the board.

Commitment

All trustees give sufficient time to the charity to carry out their responsibilities effectively. This includes preparing for meetings and sitting on board committees and other governance bodies where needed. The expected time commitment is made clear to trustees before nomination or appointment and again on acceptance of nomination or appointment.

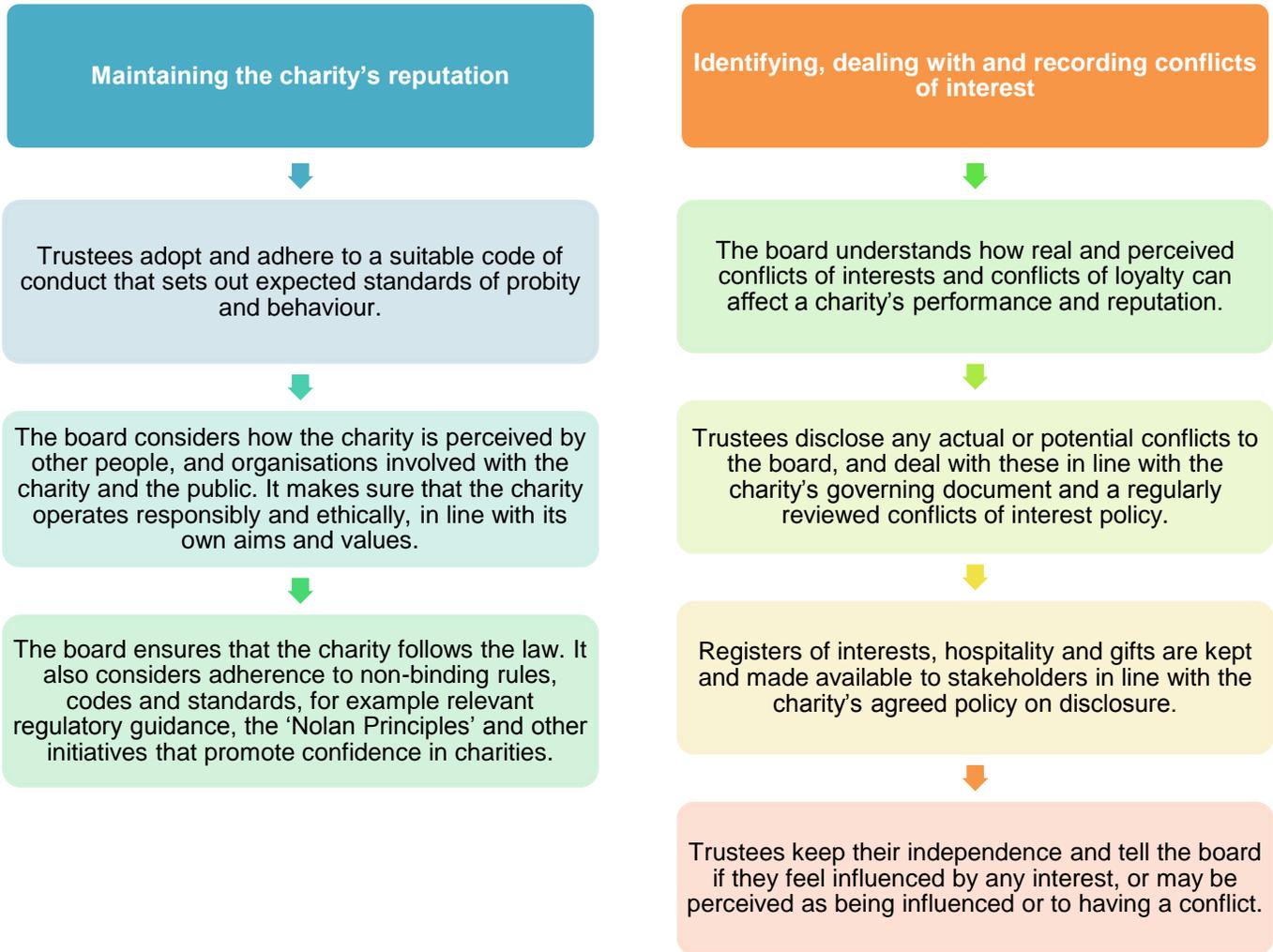
Where individual board members are also involved in operational activities, for example as volunteers, they are clear about the capacity in which they are acting at any given time and understand what they are and are not authorised to do and to whom they report.

Principle 3: Integrity

Principle: The board acts with integrity, adopting values and creating a culture which helps achieve the organisation's charitable purposes. The board is aware of the importance of the public's confidence and trust in charities, and trustees undertake their duties accordingly.

Outcomes:

1. The board acts in the best interests of the charity and its beneficiaries. The board is not unduly influenced by those who may have special interests and places the interests of the charity before any personal interest. This applies whether trustees are elected, nominated, or appointed. Collectively, the board is independent in its decision making.
2. The board safeguards and promotes the charity's reputation and, by extension, promotes public confidence in the wider sector.
3. Members of the board and those working in or representing the organisation are seen to be acting with integrity, and in line with the values of the charity.



Principle 4: Decision making, risk and control

Principle: The board makes sure that its decision-making processes are informed, rigorous and timely, and that effective delegation, control and risk-assessment, and management systems are set up and monitored.

Outcomes:

1. The board is clear that its main focus is on strategy, performance and assurance, rather than operational matters, and reflects this in what it delegates.
2. The board has a sound decision-making and monitoring framework which helps the organisation deliver its charitable purposes. It is aware of the range of financial and non-financial risks it needs to monitor and manage.
3. The board promotes a culture of sound management of resources but also understands that being over-cautious and risk averse can itself be a risk and hinder innovation.
4. Where aspects of the board's role are delegated to committees, staff, volunteers or contractors, the board keeps responsibility and oversight.

Delegation and control

The board regularly reviews which matters are reserved to the board and which can be delegated. It collectively exercises the powers of delegation to senior managers, committees or individual trustees, staff or volunteers

The board describes its 'delegations' framework in a document which provides sufficient detail and clear boundaries so that the delegations can be clearly understood and carried out. Systems are in place to monitor and oversee how delegations are exercised.

The board makes sure that its committees have suitable terms of reference and membership and that:

- the terms of reference are reviewed regularly; and
- the committee membership is refreshed regularly and does not rely too much on particular people.

Where a charity uses third party suppliers or services – for example for fundraising, data management or other purposes – the board assures itself that this work is carried out in the interests of the charity and in line with its values and the agreement between the charity and supplier. The board makes sure that such agreements are regularly reviewed so that they remain appropriate.

Managing and monitoring organisational performance

Working with senior management, the board ensures that operational plans and budgets are in line with the charity's purposes, agreed strategic aims and available resources.

The board regularly monitors performance using a consistent framework and checks performance against delivery of the charity's strategic aims, operational plans and budgets. It has structures in place to hold staff to account and support them in meeting these goals.

The board agrees with senior management what information is needed to assess delivery against agreed plans, outcomes and timescales. Information should be timely, relevant, accurate and provided in an easy to understand format.

The board regularly considers information from other similar organisations to compare or benchmark the organisation's performance.

Actively managing risks

The board retains overall responsibility for risk management and discusses and decides the level of risk it is prepared to accept for specific and combined risks.

The board regularly reviews the charity's specific significant risks and the cumulative effect of these risks. It makes plans to mitigate and manage these risks appropriately.

The board puts in place and regularly reviews the charity's process for identifying, prioritising, escalating and managing risks and, where applicable, the charity's system of internal controls to manage these risks. The board reviews the effectiveness of the charity's approach to risk at least every year.

The board describes the charity's approach to risk in its annual report and in line with regulatory requirements.

The board regularly reviews the charity's key policies and procedures to ensure that they continue to support, and are adequate for, the delivery of the charity's aims. This includes: policies and procedures dealing with board strategies, functions and responsibilities, finances (including reserves), service or quality standards, good employment practices and encouraging and using volunteers, as well as key areas of activity such as fundraising and data protection.

Appointing auditors and audits

The board agrees and oversees an effective process for appointing and reviewing auditors, taking advice from an audit committee if one exists.

Where the charity has an audit committee, its chair has recent and relevant financial experience and the committee includes at least two trustees.

The board, or audit committee, has the opportunity to meet the auditors without paid staff present at least once a year.

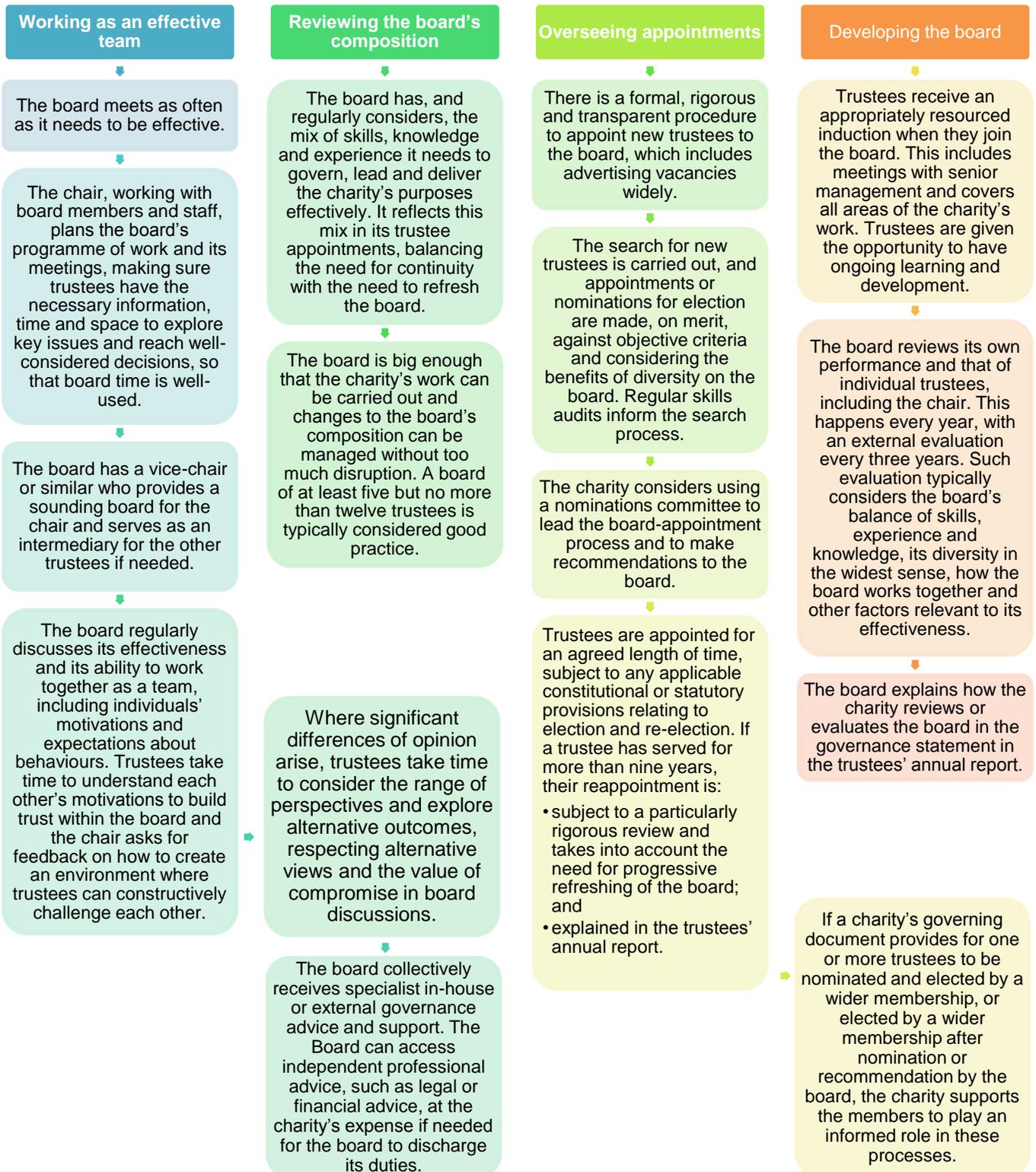
Arrangements are in place for a body, such as the audit committee, to consider concerns raised in confidence about alleged improprieties, misconduct or wrongdoing. This includes concerns raised by 'whistle blowing'. Arrangements are also in place for appropriate and independent investigation and follow-up action.

Principle 5: Board effectiveness

Principle: The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

Outcomes:

1. The board's culture, behaviours and processes help it to be effective; this includes accepting and resolving challenges or different views.
2. All trustees have appropriate skills and knowledge of the charity and can give enough time to be effective in their role.
3. The chair enables the board to work as an effective team by developing strong working relationships between members of the board and creates a culture where differences are aired and resolved.
4. The board takes decisions collectively and confidently. Once decisions are made the board unites behind them and accepts them as binding.

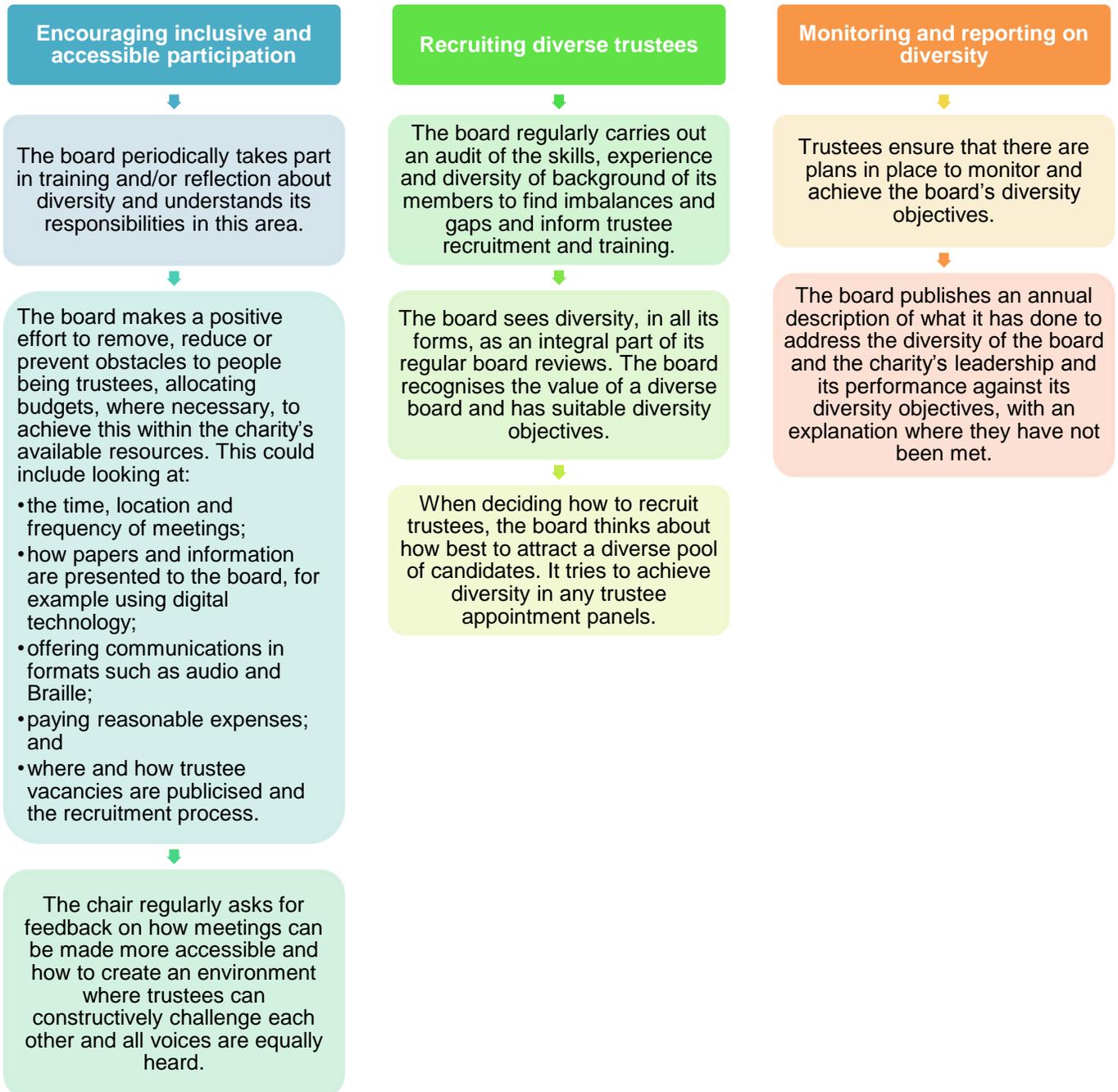


Principle 6: Diversity

Principle: The board's approach to diversity supports its effectiveness, leadership and decision making.

Outcomes:

1. The board is more effective if it includes a variety of perspectives, experiences and skills.
2. The board ensures that the charity follows principles of equality and diversity, going beyond the legal minimum where appropriate.



Principle 7: Openness and accountability

Principle: The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be.

Outcomes:

1. The organisation's work and impact are appreciated by all its stakeholders.
2. The board ensures that the charity's performance and interaction with its stakeholders are guided by the values, ethics and culture put in place by the board. Trustees make sure that the charity collaborates with stakeholders to promote ethical conduct.
3. The charity takes seriously its responsibility for building public trust and confidence in its work
4. The charity is seen to have legitimacy in representing its beneficiaries and stakeholders.

Communicating and consulting effectively with stakeholders

The board identifies the key stakeholders with an interest in the charity's work. These might include users or beneficiaries, staff, volunteers, members, donors, suppliers, local communities and others.

The board makes sure that there is a strategy for regular and effective communication with these stakeholders about the charity's purposes, values, work and achievements, including information that enables them to measure the charity's success in achieving its purposes.

As part of this strategy, the board thinks about how best to communicate how the charity is governed, who the trustees are and the decisions they make.

The board ensures that stakeholders have an opportunity to hold the board to account through agreed processes and routes, for example question and answer sessions.

The board makes sure there is suitable consultation with stakeholders about significant changes to the charity's services or policies.

Developing a culture of openness within the charity

The board gets regular reports on the positive and negative feedback and complaints given to the charity. It demonstrates that it learns from mistakes and errors and uses this learning to improve performance and internal decision making.

The board makes sure that there is a transparent, well-publicised effective, and timely process for making and handling a complaint, and that any internal or external complaints are handled constructively, impartially and effectively.

The board keeps a register of interests for trustees and senior staff and agrees an approach for how these are communicated publicly in line with Principle 3.

Trustees publish the process for setting the remuneration of senior staff, and their remuneration levels, on the charity's websites and in its annual report.

Member engagement

In charities where trustees are appointed by an organisational membership wider than the trustees, the board makes sure that the charity:

- has clear policies on who is eligible for membership of the charity;
- has clear, accurate and up-to-date membership records;
- tells members about the charity's work;
- looks for, values and takes into account members' views on key issues; and
- is clear and open about the ways that members can participate in the charity's governance, including, where applicable, serving on committees or being elected as trustees.