

Governance Code

About the Code

Good governance in charities is fundamental to their success.

A charity is best placed to achieve its ambitions and aims if it has effective governance and the right leadership structures. Skilled and capable trustees will help a charity attract resources and put them to best use. Good governance enables and supports a charity's compliance with relevant legislation and regulation. It also promotes attitudes and a culture where everything works towards fulfilling the charity's vision.

This Code has been developed by a steering group whose members are:

- ACEVO: Charity Leaders Network
- Association of Chairs
- ICSA: The Chartered Governance Institute
- NCVO: National Council for Voluntary Organisations
- Small Charities Coalition
- WCVA: Wales Council for Voluntary Action.

The Charity Commission is an observer on the group.

The principles

There are seven principles which make up this Code. These seven principles build on the assumption that a charity is meeting its legal and regulatory responsibilities. Each principle in the Code has a brief description, a rationale (the reasons why it is important), key outcomes (what you would expect to see if the principle were adopted) and recommended practice (what a charity might do to implement the principle).

Foundation: the trustee role and charity context

It is the Code's starting point that all trustees:

- are committed to their charity's cause and have joined its board because they want to help the charity deliver its purposes most effectively for public benefit
- recognise that meeting their charity's stated public benefit is an ongoing requirement
- understand their roles and legal responsibilities, and, in particular, have read and understand:
 - the Charity Commission's guidance The Essential Trustee (CC3)
 - their charity's governing document
- are committed to good governance and want to contribute to their charity's continued improvement.

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1. Organisational purpose

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

Rationale

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.

Key outcomes

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

Recommended practice

- 1.3 Determining organisational purpose
 - 1.3.1 The board periodically reviews the organisation's charitable purposes, and the external environment in which it works, to make sure that the charity, and its purposes, stay relevant and valid.
 - 1.3.2 The board leads the development of, and agrees, a strategy or plan that aims to achieve the organisation's charitable purposes and is clear about the desired outputs, outcomes and impacts.
- 1.4 Achieving the purpose
 - 1.4.1 All trustees can explain the charity's public benefit.
 - 1.4.2 The board evaluates the charity's impact, outputs and outcomes on an ongoing basis.
- 1.5 Analysing the external environment and planning for sustainability
 - 1.5.1 The board regularly reviews the sustainability of its income sources and their impact on achieving charitable purposes in the short, medium and longer term.
 - 1.5.2 Trustees consider the benefits and risks of partnership working, merger or dissolution if other organisations are fulfilling similar charitable purposes more effectively and/or if the charity's viability is uncertain.
 - 1.5.3 The board recognises its broader responsibilities towards communities, stakeholders, wider society and the environment, and acts on them in a manner consistent with the charity's purposes, values, and available resources.

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2. Leadership

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

Rationale

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.

Key outcomes

- 2.1 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.
- 2.2 The board agrees to the charity's vision, values and reputation and leads by example, requiring anyone representing the charity reflects its values positively.
- 2.3 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.

Recommended practice

- 2.4 Leading the charity
 - 2.4.1 The board and individual trustees take collective responsibility for its decisions.
 - 2.4.2 The chair provides leadership to the board and takes responsibility for ensuring the board has agreed priorities, appropriate structures, processes and a productive culture and has trustees who are able to govern well and therefore add value to the charity.
 - 2.4.3 If the charity has staff, the board makes sure that there are proper arrangements for their appointment, supervision, support, appraisal, remuneration and, if necessary, dismissal.
 - 2.4.4 If the charity has volunteers, the board makes sure there are proper arrangements for their recruitment, support and supervision.
 - 2.4.5 The board's functions are formally recorded. There are role descriptions that define trustees' responsibilities for all trustees that differentiate clearly between the responsibilities those of the chair and other officer positions and outline how these roles relate to staff or volunteers where they exist.
- 2.5 Leading by example
 - 2.5.1 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).
 - 2.5.2 The board recognises, respects and welcomes diverse, different and, at times, conflicting trustee views.
 - 2.5.3 The board provides oversight and direction to the charity and provides support and constructive challenge to the organisation and where they exist staff and volunteers.

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2.5.4 The board supports any staff or volunteers to feel confident and able to provide the information, advice and feedback necessary to the board.

2.6 Commitment

2.6.1 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.

2.6.2 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.

3. Integrity

The board acts with integrity. It adopts values, applies ethical principles to decisions and creates a welcoming and supportive culture which helps achieve the charity's purposes. The board is aware of the significance of the public's confidence and trust in charities. It reflects the charity's ethics and values in everything it does. Trustees undertake their duties with this in mind.

Rationale

Delivering the charity's purposes for public benefit should be at the heart of everything the board does. This is true even when a board's decision might be unpopular. Everyone who comes into contact with a charity should be treated with dignity and respect and feel that they are in a safe and supportive environment. Charity leaders should show the highest levels of personal integrity and conduct.

To achieve this, trustees should create a culture that supports the charity's values, adopt behaviours and policies in line with the values and set aside any personal interests or loyalties. The board should understand and address any inappropriate power dynamics to avoid damaging the charity's reputation, public support for its work and delivery of its aims.

Key outcomes

3.1 The board safeguards and promotes the charity's reputation by living its values and by extension promotes public confidence in the wider sector.

3.2 Trustees and those working for or representing the charity are seen to act with honesty, trustworthiness and care, and support its values.

3.3 The board acts in the best interests of the charity's purposes and its beneficiaries, creating a safe, respectful and welcoming environment for those who come into contact with it.

3.4 The board makes objective decisions about delivering the charity's purposes. It is not unduly influenced by those who may have special or personal interests.

This applies whether trustees are elected, nominated, or appointed. Collectively, the board is independent in its decision making.

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- 3.5 No one person or group has undue power or influence in the charity. The board recognises how individual or organisational power can affect dealings with others

Recommended practice

- 3.6 Upholding the charity's values

3.6.1 The board ensures that all of its decisions and actions are consistent with the charity's values.

3.6.2 Trustees regularly check whether there are inappropriate power imbalances in the board or charity. Where necessary, they address any potential abuse of power to uphold the charity's purpose, values and public benefit.

3.6.3 Trustees adopt and follow a suitable code of conduct that reflects the charity's values and sets out expected standards of ethics, probity and behaviour.

3.6.4 The board considers how the charity is seen by the people and organisations who are involved in its work and by the wider public.

3.6.5 The board ensures that the charity follows the law. It also considers following non-binding rules, codes and standards, for example regulatory guidance, the 'Nolan Principles' or Charity Ethical Principles and other good practice initiatives that promote confidence in charities and create a supportive environment.

- 3.7 Ensuring the right to be safe

3.7.1 Trustees understand their safeguarding responsibilities and meet the legal minimum to promote a culture in which everyone feels safe and respected.

3.7.2 Where appropriate:

- the board makes sure that there are appropriate and regularly reviewed safeguarding policies and procedures
- as part of a charity's risk-management process, the board checks key safeguarding risks carefully and records how these are managed
- all trustees, staff, volunteers and people who work with the charity have information or training on the safeguarding policy, so they understand it, know how to speak up and feel comfortable raising concerns.

- 3.8 Identifying, dealing with and recording conflicts of interest/loyalty

3.8.1 The board understands how real and perceived conflicts of interests and conflicts of loyalty can affect a charity's performance and reputation.

3.8.2 Trustees disclose any actual or potential conflicts to the board and deal with these in line with the charity's governing document and a regularly reviewed conflicts of interest policy.

3.8.3 Registers of interests, hospitality and gifts are kept and made available to stakeholders in line with the charity's agreed policy on disclosure.

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3.8.4 Trustees keep their independence and tell the board if they feel influenced by any interest or may be perceived as being influenced or to having a conflict.

4. Decision making, risk and control

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.

Rationale

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.

Key outcomes

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 Where aspects of the board's role are delegated to committees, staff, volunteers or contractors, the board keeps responsibility and oversight.

Recommended practice

- 4.5 Delegation and control
 - 4.5.1 The board regularly reviews which matters are reserved to the board and which can be delegated. It collectively exercises the powers of delegation to committees or individual trustees, or staff and volunteers if the charity has them.
 - 4.5.2 The board describes its 'delegations' framework in a document which provides sufficient detail and clear boundaries that the delegations can be clearly understood and carried out.

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- 4.5.3 The board makes sure that its committees have suitable terms of reference and membership and that:
- the terms of reference are reviewed regularly
 - the committee membership is refreshed regularly and does not rely too much on particular people
 - committee members recognise that the board has ultimate responsibility.
- 4.5.4 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 to make sure they are still appropriate.
- 4.5.5 The board regularly checks the charity’s key policies and procedures to ensure make sure that they still 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; where needed, good employment practices and encouraging and using volunteers; key areas of activity such as fundraising and data protection.
- 4.6 Managing and monitoring organisational performance
- 4.6.1 The board makes sure that operational plans and budgets are in line with the charity’s purposes, strategic aims and resources.
- 4.6.2 The board regularly monitors performance using a consistent framework and checks performance against the charity’s strategic aims, operational plans and budgets.
- 4.6.3 The board agrees what information is needed to assess delivery against agreed plans, outcomes and timescales. Trustees share timely, relevant and accurate information in an easy to understand format.
- 4.6.4 The board regularly considers information from other similar organisations to compare or benchmark the organisation’s performance.
- 4.7 Actively managing risks
- 4.7.1 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.
- 4.7.2 The board regularly reviews the charity’s specific significant risks and the effect of these risks added together. It makes plans to mitigate and manage these risks appropriately. Trustees consider risk that relates to their situation and where they work. For example, working with young people or vulnerable adults look at risks relating to safeguarding.

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4.7.3 The board puts in place and regularly checks 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.

4.8 Appointing external examiners or auditors

4.8.1 The board agrees and oversees an effective process for appointing and reviewing its external examiners or auditors if they are required.

5. Board effectiveness

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

Rationale

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.

Key outcomes

5.1 The board's culture, behaviours and processes help it to be effective; this includes accepting and resolving challenges or different views.

5.2 All trustees have appropriate skills and knowledge of the charity and can give enough time to be effective in their role.

5.3 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.

5.4 The board takes decisions collectively and confidently. Once decisions are made the board unites behind them and accepts them as binding.

Recommended practice

5.5 Working as an effective team

5.5.1 The board meets as often as it needs to be effective.

5.5.2 The chair, working with board members and where they exist staff, plans the board's work and meetings, making sure trustees have the information, time and space they need to explore key issues and reach well-considered decisions.

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- 5.5.3 The board regularly discusses its effectiveness and its ability to work together as a team, including individuals' motivations and expectations about behaviours. Trustees take time to understand each other's motivations to build trust within the board and the chair asks for feedback on how to foster an environment where trustees can constructively challenge each other.
- 5.5.4 Where significant differences of opinion arise, trustees take time to consider the range of perspectives and outcomes, respecting all viewpoints and the value of compromise in board discussions.
- 5.5.5 The board collectively can get independent, professional advice in areas such as governance, the law and finance. This is either on a pro-bono basis or at the charity's expense if needed for the board to discharge its duties.
- 5.6 Reviewing the board's composition
- 5.6.1 The board has, and regularly considers, the skills, knowledge and experience it needs to govern, lead and deliver the charity's purposes effectively. It reflects this mix in its trustee appointments, balancing the need for continuity with the need to refresh the board.
- 5.6.2 The board is big enough that the needs of the charity's work can be carried out and changes to the board's composition can be managed without too much disruption. A board of at least five but no more than twelve trustees is typically considered good practice.
- 5.7 Overseeing appointments
- 5.7.1 There is a formal, rigorous and transparent procedure to appoint new trustees to the board, which includes advertising vacancies widely.
- 5.7.2 The search for new trustees is carried out, and appointments or nominations for election are made, on merit, against objective criteria and considering the benefits of diversity. The board regularly looks at what skills it has and needs, and this affects how new trustees are found.
- 5.7.3 Trustees are appointed for an agreed length of time, subject to any applicable constitutional or statutory provisions relating to election and re-election.
- 5.8 Developing the board
- 5.8.1 Trustees receive an appropriately resourced induction when they join the board that includes meetings with other members and staff (if the charity has staff) and covers all areas of the charity's work.
- 5.8.2 The board reviews its own performance, including that of the chair. These reviews might consider the board's balance of skills, experience and knowledge, its diversity, how the board works together and other factors that affect its effectiveness.

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5.8.3 Trustees can explain how they check their own performance.

6. Equality, diversity and inclusion

The board has a clear, agreed and effective approach to supporting equality, diversity and inclusion throughout the organisation and in its own practice. This approach supports good governance and the delivery of the organisation's charitable purposes.

Rationale

Addressing equality, diversity and inclusion helps a board to make better decisions. This requires commitment, but it means that a charity is more likely to stay relevant to those it serves and to deliver its public benefit. Recognising and countering any imbalances in power, perspectives and opportunities in the charity, and in the attitudes and behaviour of trustees, staff and volunteers, helps to make sure that a charity achieves its aims.

All trustees have the same responsibility for the charity, so they must have equal opportunity to contribute to decision making. Board diversity, in the widest sense, is important because it creates more balanced decision making. Where appropriate, this includes and centres the communities and people the charity serves. This increases the charity's legitimacy and impact. Equality and diversity are only effective and sustainable if the board works to be inclusive, ensuring that all trustees are welcomed, valued and able to contribute.

Boards that commit to equality, diversity and inclusion are more likely to set a positive example and tone for the charity by following an appropriate strategy for delivering its purpose and setting inclusive values and culture.

Key outcomes

- 6.1 The principles of equality, diversity and inclusion are embedded in the organisation and help to deliver the charity's public benefit.
- 6.2 Obstacles to participation are reduced, with the organisation's work designed and open for everyone included within its charitable purposes. This supports the charity to challenge inequality and achieve improved equality of outcomes.
- 6.3 The board is more effective because it reflects different perspectives, experiences and skills, including, where applicable, from current and future beneficiaries.

Recommended practice

- 6.4 Assessing understanding of systems and culture
 - 6.4.1 The board analyses and can define how equality, diversity and inclusion are important for the charity, its context and the delivery of its aims.
 - 6.4.2 The board assesses its own understanding of equality, diversity and inclusion. It considers how this happens in the charity and identifies any gaps in understanding which could be filled by discussion, learning, research or information.
 - 6.4.3 The board regularly assesses:

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6.4.4 the charity's approach to equality, diversity and inclusion, using available data and, where applicable, lived experience

6.4.5 its own practice including:

- the diversity of trustees' backgrounds and perspectives in its regular board skills audit to identify imbalances and gaps
- any bias in trustee recruitment and selection
- where applicable, how the communities and people that the charity serves are included and centred in decision making
- how meetings and board information can be made more accessible and how to provide resources to support this
- how to create a meeting environment in which behaving inclusively is the norm, all voices are equal and trustees can constructively challenge each other
- how the board demonstrates inclusive behaviours in its decision making and how it engages with staff (where they exist), volunteers, members, service users and beneficiaries.

6.5 Setting context-specific and realistic plans and targets

6.5.1 The board sets a clear organisational approach to equality, diversity and inclusion in line with the charity's aims, strategy, culture and values. This is supported by appropriate plans, policies, milestones, targets and timelines.

6.5.2 The board uses the findings from its assessments to make context specific and regularly reviewed plans and targets for:

- equality, diversity and inclusion training for board members
- inclusive boardroom culture, practices and behaviours
- removing, reducing and preventing obstacles to people being trustees
- attracting a diverse group of candidates for new trustee roles and providing an inclusive induction for new trustees
- recruiting a diverse board that addresses imbalances and any gaps that have been found
- promoting inclusive behaviours and cultures to the wider organisation.

6.6 Taking action and monitoring performance

6.6.1 The board ensures that there are appropriate arrangements and resources in place to monitor and achieve the organisation's equality, diversity and inclusion plans and targets, including those relating to the board.

6.6.2 The board creates and maintains inclusive cultures, practices and behaviours in all its decision making. It promotes and demonstrates inclusive behaviours and cultures to the wider organisation.

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- 6.6.3 The board regularly monitors and actively implements its plans and targets established under 6.5.2.
- 6.6.4 The board leads the organisation's progress towards achieving its equality, diversity and inclusion plans and targets and discusses updates on this.
- 6.6.5 The board periodically takes part in learning and/or reflection about equality, diversity and inclusion and understands its responsibilities in this area. It acts on any gaps in its understanding and looks at how board practice, culture and behaviour are affected by these gaps.
- 6.7 Publishing performance information and learning
 - 6.7.1 The board regularly publishes:
 - information on its progress towards achieving its equality, diversity and inclusion plans and targets, including challenges, opportunities and learning.
 - its plans to tackle any organisational or board inequalities and gaps that have been identified.

7. Openness and accountability

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.

Rationale

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.

Key outcomes

- 7.1 The organisation's work and impact are appreciated by all its stakeholders.
- 7.2 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.
- 7.3 The charity takes seriously its responsibility for building public trust and confidence in its work.
- 7.4 The charity is seen to have legitimacy in representing its beneficiaries and stakeholders.

Recommended practice

- 7.5 Communicating and consulting effectively with stakeholders
 - 7.5.1 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.

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- 7.5.2 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.
- 7.5.3 As part of this strategy, the board thinks about how to communicate how the charity is governed, who the trustees are and the decisions they make.
- 7.5.4 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.
- 7.5.5 The board makes sure it speaks to stakeholders about significant changes to the charity’s services or policies.
- 7.6 Developing a culture of openness within the charity
 - 7.6.1 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 uses this learning to improve performance and internal decision making.
 - 7.6.2 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.
 - 7.6.3 The board keeps a register of interests for trustees and agrees an approach for how these are communicated publicly in line with Principle 3.
 - 7.6.4 If a charity has staff, the trustees agree how to set their remuneration, and they publish their approach.

Document control

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Next review	