The Charity Governance Code

The new Charity Governance Code is essential reading for all trustees. The Charity Commission has supported and endorsed the code since its inception and the latest edition has raised the bar in response to the challenges that the sector has faced over the last two years. The Code is a practical tool to help charities and their trustees develop high standards of governance.

The Code is not a legal or regulatory requirement. It draws upon, but is fundamentally different to, the Charity Commission's guidance. Instead, the Code sets the principles and recommended practice for good governance and is deliberately aspirational: some elements of the Code will be a stretch for many charities to achieve. This is intentional, since the Code is intended to be a tool for continuous improvement towards the highest standards.

There are two versions of the Charity Governance Code: one for larger charities, which is recommended for charities that typically have an annual income of over £1m a year and whose accounts are externally audited, and one for smaller charities with an income below this level. However, the Code's principles, rationale and outcomes are universal and apply equally to all charities, whatever their size or activities.

Following good governance practices is more than ticking the boxes. It's about attitudes and culture, and about whether a charity puts its values into practice. It's about how trustees make decisions and how well they understand what's going on. Everything in good governance should point to your mission and your strategy for achieving it.

The Principles of Good Governance

Foundation: the trustee role and charity context

The Code's starting point is the 'foundation principle', which states that all trustees should understand their legal duties, and be committed to their cause and good governance. In practice this is not always the case.

The Seven Principles

Seven principles then build on the assumption that a charity is meeting its legal and regulatory responsibilities as a foundation. They are:

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

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

3. **Integrity:** The board acts with integrity, adopting values and creating a culture which help 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.

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.

5. **Board effectiveness:** The board works as an effective team, using the appropriate

balance of skills, experience, backgrounds and knowledge to make informed decisions.

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

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.

Principles 2-7 all underpin Principle 1, which covers organisational purpose. Many of the principles are also key drivers of trust and confidence, and can help to demonstrate to beneficiaries, funders and donors that a charity is trustworthy.

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). How they play out in terms of applying recommended practice will depend on the size and shape of your charity.

The bottom line is that good governance is no longer an optional extra. It is essential to a charity's effectiveness and probably its survival too. Charities need to be able to demonstrate that they take it seriously, allowing it to change the way they operate.

The Charity Governance Code represents a standard of good governance practice to which all charities should aspire. We encourage all charities to read, follow and apply it proportionately to their circumstances. And if you sign up to the code, go public about it on your website or your annual report. Be prepared to stand up and be counted, and see the difference that makes.

Getting further support

Full information on the Charity Governance Code can be found at: www.charitygovernancecode.org/en

Further information regarding Good Governance can be found on the Charity Commission's website: www.charitycommision.gov.uk.

NCVA has access to a wide range of resources to help your board/management committee become more effective. Visit www.northumberlandcva.org.uk/resources or, for further information, advice and support email enquire@northumberlandcva.org.uk or call 01670 858688.