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The Charity Governance Code

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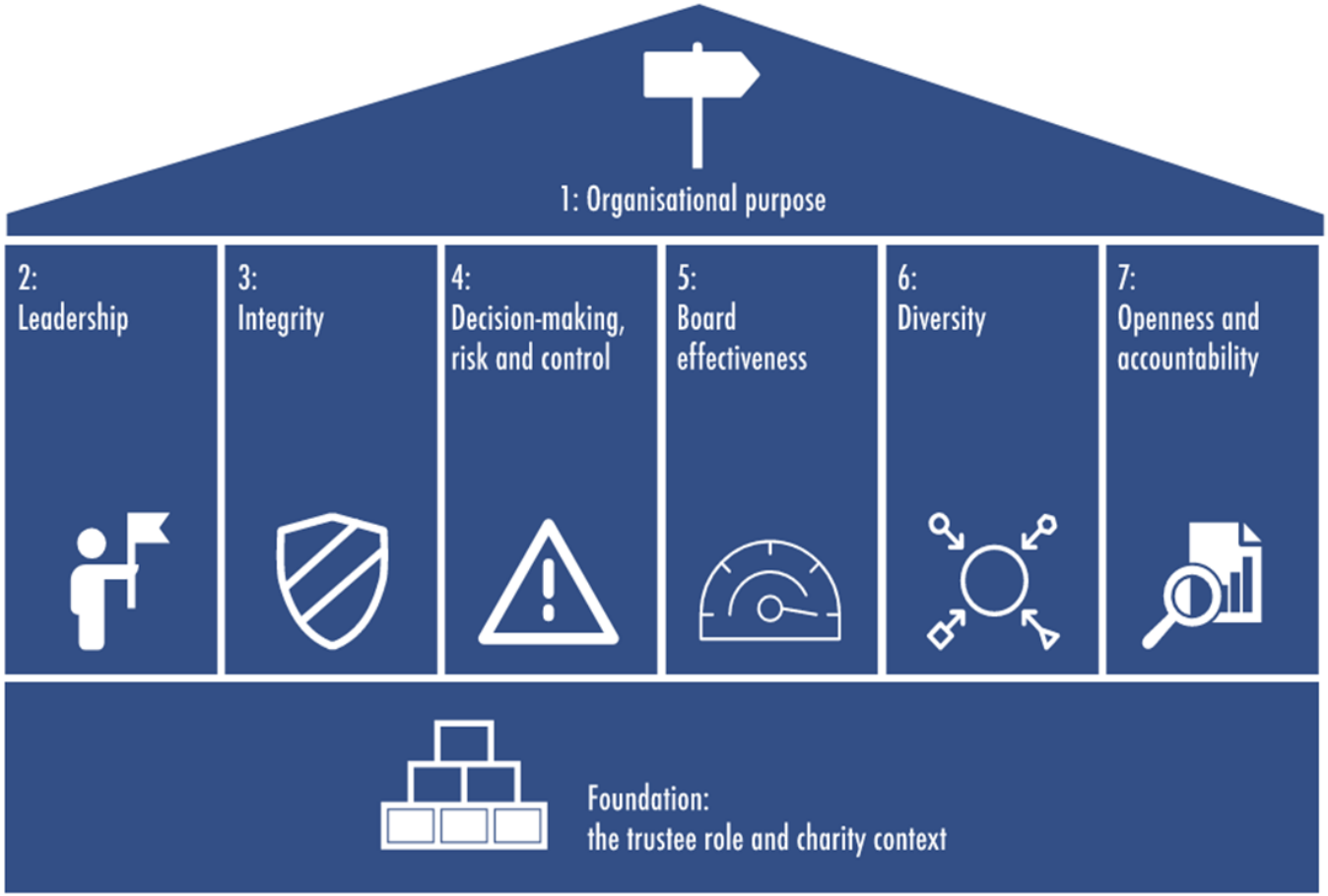
Governance Code for the voluntary and community sector



https://www.charitygovernancecode.org/en

- The Code lays out principles for seven key areas of governance together with recommended practice for each principle
- Fulfilling charitable purposes in an effective way requires a solid framework to shape and inform decision making.
- Good governance is not about bureaucracy, but it is a way for charities to keep their focus on their purposes

Apply or explain

- Each principle in the Code has a description, a rationale (the reasons why it is important), key outcomes and recommended practice to help meet the principle.
- How a charity uses the Code's principles and governance practices is something which will develop and mature, particularly where the charity is growing and changing.
- While not all elements of this Code apply to every charity, all trustees are encouraged to meet the spirit of the Code, by either applying the recommend practice or explaining what they have done instead.
- Larger, more complex, charities that adopt the Code are also encouraged to publish a statement, in their annual report, saying how they apply the Code and explaining their alternative approach in the areas where they do not follow the Code's recommended practice.

Board effectiveness

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

- So far as is possible, the board takes decisions collectively.
- All trustees have appropriate knowledge of the charity and access to the work it does
- Mix of skills and experience (skills audit)
- At least five but fewer than 12 trustees is considered good practice.
- Refresh and renew board – explain if tenure more than 9 years
- Election / Selection issues
- Assessment

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Board effectiveness: Key new guidance

- Annual review of the performance of the board, the individual trustees and the chair each year, with for larger charities an external evaluation every three years
- Formal, rigorous and transparent procedures for appointing trustees to ensure that the board has the appropriate skills and diversity
- Specific reappointment procedures and reporting for any trustee who has served for more than 9 years
- Emphasis on the roles of the chair and vice-chair in providing leadership to the board and ensuring that it has agreed priorities, structures and processes
- A strategy for regular and effective communication with stakeholders with an interest in the charity's work with an opportunity to hold the board to account
- **Trustees receive an appropriately resourced induction when they join the board, including meetings with senior management and covers all areas of the charity's work. Trustees are given the opportunity to have ongoing learning and development.**

Board size

Research carried out in 2012 by Compass Partnership of the top 500 charities shows that in practice there are many different approaches.

The research shows that the Boards of participating charities had an average of 14 members and they fell into three groups:

- Small boards with 10 of fewer members (27%)
- Medium sized boards with 11 – 15 members (48%)
- Large boards with 16 or more members (25%)

Organisations with less than 100 staff were more likely to have boards of fewer than 10 members and larger organisations with income of over £50 million were more likely to have larger boards of 16 or more members. The research also showed that the majority of respondents with larger boards (>16) wanted their boards to be smaller and that only 15% wanted larger boards.

Tenure

Research carried by Compass Partnership of the top 500 charities in 2012 shows that in practice there are many different approaches. The research shows:

Terms of Office		Maximum number of terms		Maximum number of years permitted	
Number of Years	% of charities	Number of Terms	% of charities	Number of Years	% of charities
1 year	0,5%	1 term	1%	3 years	1%
2 years	3%	2 terms	41%	6 years	23%
3 years	64%	3 terms	32%	8 years	14%
4 years	17%	>3 terms	4%	9 years	27%
>4 years	10%	unlimited	21%	>9 years	12%
unlimited	5%			unlimited	21%

Diversity

The board's diversity supports its leadership and decision-making.

- The board ensures that the organisation upholds principles of equality and diversity in every activity, going beyond the legal minimum where appropriate.
- The board's effectiveness is enhanced by a variety of perspectives, experiences and skills.
- The search for new trustees is carried out, and appointments are made, on merit, against objective criteria and considers the benefits of diversity on the board. Regular skills audits inform the search process.

Organisational purpose and direction

The board is clear about the organisation's charitable purposes and is assured that these purposes are being delivered effectively and sustainably.

- The board has a **shared understanding and commitment** to the organisation's charitable purposes and **can clearly articulate** these.

- The board can **demonstrate that the charity is effective** in achieving its agreed purposes and outcomes

Do we know

- **Why are we here?** – mandate and mission
- **Where are we going?** – strategy and goals
- **How do we get there?** - plans and tactics
- **What might prevent us from getting there?** – risk management
- **Are we getting there?** – performance measurement

- ***Do others know?*** *- transparency and accountability*

Leadership

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

- The board accepts collective responsibility for the way the charity meets its purposes.
- The board agrees and champions the charity's vision, strategy, values and aims.
- 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

Integrity

The board acts ethically and in line with its agreed values and culture to 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.

The board accepts collective responsibility for the way the charity meets its purposes.

- safeguard and promote the charity's reputation.
- ensure that the charity is compliant with the law and consider adherence to non-binding rules, codes and standards
- act in the best interests of the charity and its beneficiaries and not special interests
- Ethical conduct in line with the values of the charity.

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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 systems are set up and monitored

- The board is clear that its primary role is **strategic**, rather than operational and reflects this in the matters it delegates
- A sound decision-making framework which delivers the charitable purposes.
- The board is assured about, and can defend, the integrity and robustness of the charity's decision-making, financial, reporting, control and risk management systems.

Policies and procedures

Include 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

- Codes of Conduct
- Delegations
- Performance measurement
- Risk management
- Whistleblowing
- Complaints
- Conflicts
- Appraisals
- Bribery Corruption and Fraud
- Volunteers

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Open 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.

- The board ensures that the charity's performance and interaction with its stakeholders is guided by the values, ethics and culture established by the board. Trustees make sure that the charity collaborates with stakeholders to promote ethical conduct and social and environmental responsibility.
- The charity takes seriously its responsibility for building public trust and confidence in its work.
- The charity is seen to have legitimacy in representing its beneficiaries and stakeholders

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