



Using the Principles

Charity Investment Governance Principles

Using the principles

The Principles are intended to be used by those involved in charity governance in England and Wales, in particular trustees, staff and committee members.

A range of external providers can be involved in a charity's investments, for example investment managers, investment advisers, banks and property experts. The Principles illustrate how these relationships can be conducted and overseen within a strong and effective governance structure.

The Principles are not a legal or regulatory requirement and do not attempt to set out all the legal requirements. The Charity Commission's 'Investing charity money: guidance for trustees (CC14)' provides advice on the legal and regulatory expectations of charities in England and Wales in relation to investments. The Principles build on CC14, enabling trustees and staff to explore investment governance in the charity's context, and setting out examples of how to tackle governance challenges. If users are not already familiar with CC14, they are advised to review this prior to embarking on the Principles.

Whilst the Principles are targeted at charities in England & Wales, it is hoped they will also be a useful resource for charities in Scotland, Northern Ireland and further afield.

The Principles complement the Charity Governance Code so can be used alongside or independently of the Code.

The Principles also aim to support charities to explore applying the outcomes of the Butler-Sloss case; asking trustees to consider how investments might be in conflict with the charity's purposes and how investments might impact on a charity's reputation.

The Principles do not need to be used sequentially; users can head straight for the section most relevant to their needs.

Each Principle 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). The Principles also contain additional resources to help charities to implement the Principles, including explainers, checklists, links to examples from other charities and sources of further help.

Some charities will already be enacting a majority of the recommendations, for others some of the recommended practice will be aspirational. Users should view the Principles as a tool for improvement and encouragement.

Your charity's circumstances

The Principles are intended to be useful to charities of all sizes, although it is recognised that there are different governance challenges depending on the size of the charity's investments and how those investments are held. The Principles do not focus on functional assets owned to directly deliver the charity's purposes (eg operating premises, almshouses) although some of the Principles may helpfully apply in these circumstances.

The Principles deal with how any reserves are invested and how those investments are overseen, not with developing a reserves policy (which the Charity Commission provides guidance on within CC19).

Tailoring the Principles to the charity's circumstances

Must (M) – practice which is required by law and/or the Charity Commission for England & Wales
Recommended (R) practice which is recommended
Consider (C) – opportunities for deeper work

The Principles can be filtered based on:

Charities with under £1mn in investments, will likely want to focus on practice for 'smaller' charities. Smaller charities which mainly hold cash (eg in a bank account) should see the resource titled 'smaller charities that mainly invest cash' and may not need to explore the broader Principles.

Charities with over £20mn in investments, in particular those with endowments or investment portfolios which include investments beyond cash and cash-like investments, will likely want to focus on practice for 'larger' charities.

Charities with between £1mn-£20mn in investments may focus on 'smaller' or 'larger' practice, depending on the charity's staff and trustee capacity.

Users can select Principles relevant to their context:

- charities at an early stage of examining their practice or 'smaller' charities with limited staff and trustee capacity, may want to focus on Must and Recommended practice
- charities keen to undertake further strengthening of their practice can work through practice to Consider

Trustees, staff and committee members

Throughout the Principles the terms 'trustees' or 'board' are used to refer to those individuals with control over, and legal responsibility for, the charity's management and administration. Trustees are responsible for deciding how the charity's purposes are delivered. Trustees may also be known as board members, directors, governors and by other terms.

Although ultimate and collective responsibility for a charity's investments sits with the trustee board, in practice there may be a range of individuals internally who have a delegated role in overseeing governance of the charity's investments.

This might include:

- members of staff such as a CEO, head of finance or head of investment
- a sub-committee of the board, for example the 'Finance and Investment Committee', or a treasurer, who is usually a trustee.

Trustees may also take advice on the charity's governance arrangements from independent paid advisers (see Principle 4).

The Principles therefore make clear where 'all trustees' should be involved and where it might be a smaller subset of 'trustees/staff/committee members', with each charity determining who these individuals are in its context.

The Principles also indicate where a 'broad range' or 'broad cross-section' of staff or trustees might be involved, in particular for discussions relating to the charity's purposes.

Where any activities or decision-making are assigned to particular trustees, or to individuals who are not trustees (such as staff or committee members), this should be recorded in the delegation framework (see Principle 2).

Where activities relating to the investments are delegated externally (for example to an investment manager or investment adviser) this is made clear.

Disclaimer

The Charity Investment Governance Principles, and all of the related content, whether published on this website or elsewhere, are for information and general guidance only. The Principles and related content do not constitute investment advice or any other form of advice. Charity investors applying the Principles remain responsible for their own decisions and should consider whether to seek investment or other professional advice in relation to their specific circumstances.