

Charity Governance Code 2017

Governance has become a hot topic for the charity sector in recent years, in particular since the Kids Company collapse in 2015. In response, the Charity Governance Code has been updated and is aimed at encouraging higher standards of governance and leadership across the sector.

The Code, the latest which was published on 13 July 2017, is not a mandatory requirement, however the Charity Commission and the steering group of charity umbrella bodies that developed the Code are strongly urging charities to embrace the Code's principles. To aid its use, the Code is broken down into seven principles, with a number of recommended practices outlined including more diversity within boards, a limit on the length of trusteeship, and a strong emphasis on the role of the chair.

The idea behind the Code is that it will be used on an ongoing basis and regularly revisited by charity boards to support continuous improvement. Though intended for charities registered in England and Wales, other not-for-profit organisations are encouraged to adapt the Code to reflect their situation and use it to achieve effective governance and leadership.

The seven principles of charity governance

The Code is broken down into seven principles that build on the assumption that the legal and regulatory requirements of the charity are already being met and that trustees are committed to good governance and want to contribute to the continued improvement of their charity. Further still, it recognises the differences in governance practices due to size and complexity of charities, therefore, has adapted each principle to reflect the difference between smaller, less complex charities and those larger and more complicated. This follows the idea that each organisation will adapt the Code to reflect their unique circumstances.

The seven principles are as follows:

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

The board's core role is to focus on strategy, performance and assurance. Therefore, you must have a shared understanding of your charity's aims and ensure the agreed outcomes are being effectively achieved.

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

Effective leadership is key to driving your charity's strategy and achieving its aims. As trustees, you must accept collective responsibility for the overall strategy and lead by example; ensuring those representing your charity (including yourself) reflect its values in a positive way.

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.

You have ultimate responsibility for your charity's reputation, so must ensure that you safeguard and promote it. Always act in your charity's best interests, putting them before your own, and be aware of improper influence by those who may have special interests.

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.

Though ultimately responsible, you can't do everything. Carefully delegate what is operationally possible, ensuring you oversee any delegated actions and shoulder overall responsibility. Your decision-making and monitoring framework needs to be rigorous in helping to deliver on your strategy, while recognising that being over-cautious can in itself be a risk and hinder innovation.

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

The tone that you set has a key impact on your success and whether or not your charity thrives. Ensure you and your fellow trustees have the appropriate skills and knowledge – and time – to be effective. An effective chair will create a culture within the board that allows for differences to be expressed and resolved, and for all trustees to collectively make decisions and unite behind them.

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

While facing fast-paced and complex changes in the sector, staying informed and responsive to these changes can be helped by encouraging diversity within the board, in order to benefit from the debate and decision-making that different backgrounds and experience can bring. Try to recruit those that think differently and have different backgrounds, so as to stimulate diverse ideas and visions.

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.

To help build public trust and confidence in your charity, celebrate success and willingness to learn from mistakes through genuine, two-way communication. Show that you take your responsibility as a charity seriously and that your interaction with stakeholders is guided by your values, ethics and culture.

Using the Code

The Code is easy to access via the dedicated website – www.charitygovernancecode.org – and can be used as an online tool or as downloadable pdf documents. The decision as to exactly how you adopt the Code is dependent on your charity's circumstances, but as a guide the 'larger charity' version is recommended for use if you have typical income of over £1m a year and your accounts are audited externally.

It is also anticipated that how you use the Code may develop over time, particularly if you are growing and changing. As a result, some of the recommended practice may only become appropriate at a future stage in your charity's life cycle. It is therefore important that you discuss the principles with your fellow trustees and, in-line with your values and aims, consider how the Code should be applied at your charity.

The Code represents a standard of governance and leadership that all charities should aspire to, so first things first; read it and ensure your fellow trustees do the same. It will then be a sensible next step to have a board meeting at which the Code is reviewed and you discuss the way forward in respect of following and embracing its principles. As a collective unit, decide upon how you will adopt the best practice within your governance, by reflecting on what is appropriate for your circumstances and taking into account your strategy and aims. Once this discussion is had, and differences are overcome, unite behind your decisions and begin implementing the best practice as appropriate. This whole process in itself is in-line with a number of the principles outlined in the Code, so you will already be on the way to high standards of effective governance.

Though all are encouraged to meet the principles of the Code, there may be some instances where it is decided to conduct your governance differently. If that is the case, an 'apply or explain' approach encourages you to 'explain' what the alternative is and why this is being adopted instead.

How we can help

Each of the seven principles is supported by a number of recommended practices making the code complex. We can help you to understand the principles of the Code and even help with your review as to how your charity implements them.

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