

What the new Charity Governance Code means for charities

A new Charity Governance Code was issued in summer 2017.



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Rachael Chapman and Tesse Akpeki consider what practical steps charities should be taking in light of the new code

The new Charity Governance Code was published in July 2017. The much-heralded code sets out a range of governance standards that charities should be aiming to comply with. It replaces the Code of Good Governance, which had not been updated since 2010. The Charity Governance Code builds upon the foundations laid down by the Code of Good Governance, but also introduces a range of new standards, many of which are more stringent and prescriptive. It represents an important development in charity governance.

The code has been developed by a steering group of charity umbrella bodies – the Association of Chairs; Acevo; ICSA: The Governance Institute; NCVO; the Small Charities Coalition; and the Wales Council for Voluntary Action – with an independent chair, Rosie Chapman. More than 200 charities, individuals and related organisations responded to the consultation on the draft code. The code's principles are intended to apply to all charities, regardless of their activities.

Status of the code – must charities comply?

The code is not in itself a legal or regulatory requirement, but is based upon a foundation of trustees' basic legal and regulatory requirements. To underline the importance of this new code, the Charity Commission has withdrawn its guidance on governance (The Hallmarks of an Effective Charity – CC10), and instead is referring organisations to the code.

The commission will expect trustees to be familiar with the new code and apply it to their charity, but does not expect that trustees will immediately be able to comply with all aspects of the code. The code is deliberately designed to be 'aspirational' – it sets out the best practice that all charities should aim to comply with.

The code adopts an 'apply or explain' approach – charities should explain their approach to applying the code, and if they are not applying recommended

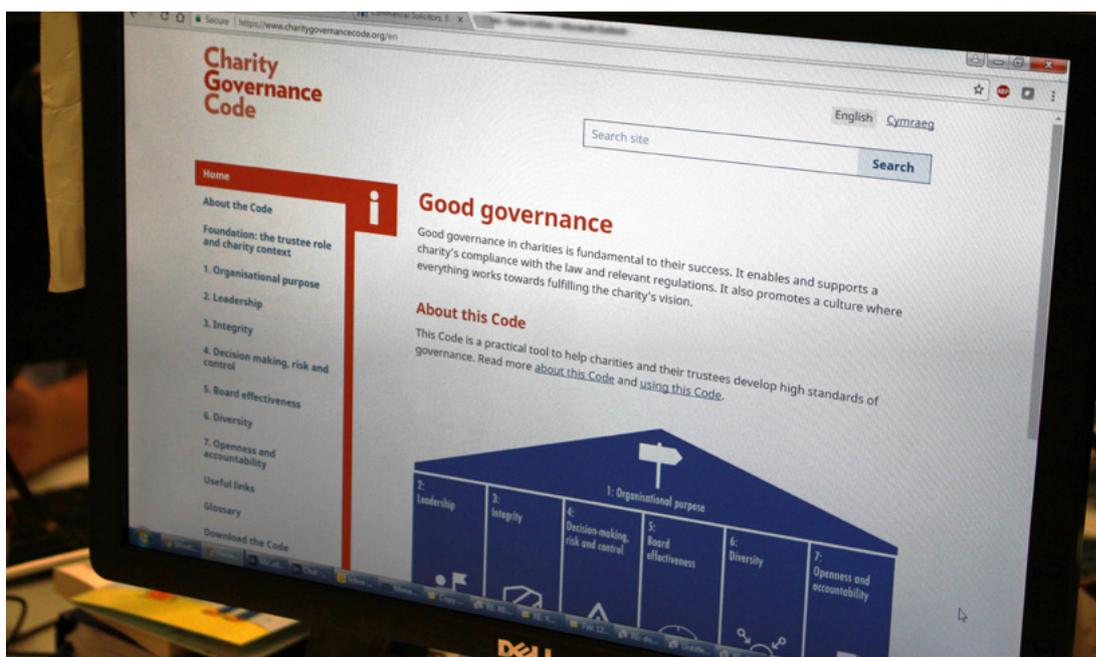
practice, should explain what they are doing instead. Charities are encouraged to publish a brief statement in their annual report explaining their use of the code.

There are two versions of the code – one for larger charities – those with a typical income of more than £1m a year and whose accounts are externally audited – and one for smaller charities – those below this threshold.

Content of the code

The code sets out seven principles, along with why they are important, some key outcomes that demonstrate that a principle is being adopted, and recommended practice – what a charity might do to implement the principle. The principles, and some key recommended practices, are summarised below:

1. **Organisational purpose:** Trustees must be able to articulate the charity's purposes, and demonstrate that these are being effectively achieved. The board should periodically review the organisation's purposes, its external environment and its key income sources. The board should also consider the benefits and risks of working with other charities, including merging.
2. **Leadership:** The board must accept collective responsibility for the work of the charity. The code puts particular emphasis on the role of the chair.
3. **Integrity:** This principle focuses largely on the reputation of the charity – trustees should adopt a code of conduct that sets out expected standards of behaviour, and should deal carefully with conflicts of interest.
4. **Decision-making, risk and control:** Recommended practice highlights the importance of the board retaining oversight of delegations to committees and staff. The board should create a 'delegations framework', which provides details and boundaries around any delegations, and ensure that committees have appropriate terms of reference.
5. **Board effectiveness:** This principle sets out a range of quite prescriptive measures that boards should aim to comply with. These include a recommendation that the chair should be planning the programme of work for the board, with the



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other board members and any staff; for larger charities there should be a vice-chair or similar.

The board should review its own performance. Larger charities should explain how the charity reviews or evaluates governance in the trustees’ annual report and should have an external evaluation of the board every three years.

The board should typically comprise between 5-12 individuals with a mix of skills. The code recommends that if a trustee has served for more than nine years, their reappointment should be subject to a rigorous review and explained in the annual report. Where trustees are elected by a wider membership, the charity supports the members to play an informed role.

6. **Diversity:** The board should make a positive effort to remove obstacles to people being trustees, should seek to recruit a diverse board, and should

publish a description of what it has done to address the diversity of the board (this should be annual in the case of larger charities).

7. **Openness and accountability:** The board should regularly consult with stakeholders, and develop a culture of openness within the charity. This includes dealing effectively with complaints, keeping a register of interests for trustees and publishing the process for setting the remuneration of senior staff (for larger charities, this should be on the charity’s website and in its annual report).

The above are only some of the key recommendations set out in the code: we would be happy to advise further on the content of the code. Please contact Rachael Chapman or your usual BWB contact.

Find out more

The Charity Governance Code is available at <https://www.charitygovernancecode.org/en>. Tesse Akpeki’s article on page 10 details some of the measures charities can take to improve their governance.