

Governing for success

The Charity Governance Code is a useful tool for achieving excellent governance, and for helping faith-based organisations to thrive.



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Leona Roche and Tesse Akpeki highlight its key principles

All faith-based organisations wish to succeed and see their vision fulfilled. A foundational building block for achieving this success is developing and maintaining high standards of governance. Faith-based organisations have a simple yet effective tool to help with this – the Charity Governance Code.

What is it?

The code sets out seven principles of good governance that all charities should aspire to. It explains why each principle is important – the 'rationale' – and gives examples of how that principle can be applied in practice.

Who developed the code?

Launched in July 2017, the code was developed by a steering group of charity umbrella bodies including the Association of Chairs, Acevo, ICSA: The Governance Institute, NCVO, the Small Charities Coalition, and the Wales Council for Voluntary Action. The code replaces and expands upon the Code of Good Governance, which was last updated in 2010.

Is it legally binding?

No, the code is not a legal or regulatory requirement. However, the Charity Commission does expect trustees to be familiar with the code and to apply it to their charity. The commission has underlined the code's importance by withdrawing its own guidance, The Hallmarks of an Effective Charity (CC10).

How to use the code

The first and obvious step is for trustees to read the code! It is fairly short, easy to read and very user-friendly. There are two versions – one for larger organisations and one for smaller organisations.

We would encourage trustee boards to read the code together and assess their charity's current performance against each principle and the recommended practice. The code takes an 'apply or explain' approach – boards should either apply the

recommended practice, or be able to explain why they have chosen not to and what they have done instead.

Trustee boards need not despair if they find that they are falling short of the code in certain areas. The code acknowledges that not all charities will be able to achieve all of the standards it sets. It is designed to be a tool for continuous improvement, setting standards that organisations can aspire to and work towards. Effective use of the code will mean that boards regularly revisit and reflect on the code's principles and how they are lived out in their organisation.

There is an emphasis on values throughout the code and it is the role of the board to set the tone for their particular organisation, including its vision and values. This principle is in keeping with the importance that faith-based organisations place on their values and beliefs, and on ensuring these are reflected by the board and in all of the charity's work.

It is recommended that charities publish a brief statement in their annual report explaining their use of the code.

What are the seven principles?

The principles, and some of the key recommended practices, are:

1. Organisational purpose

The board must be clear about the organisation's aims and ensure these are being delivered effectively and sustainably. The board's focus should be on strategy, performance and assurance.

2. Leadership

It is essential that charities are led by an effective board that can provide strategic leadership in line with the organisation's aims and values. It is very much in keeping with the code's emphasis on values that faith-based organisations require trustees to affirm an express declaration of faith or at least to confirm that they respect the organisation's values.

3. Integrity

The board should act with integrity, adopting values and creating a culture that helps achieve the

organisation's charitable purposes. Again, values are emphasised, and aligned with integrity and managing conflicts of interest.

4. Decision-making, risk and control

Trustees should ensure they are macro-governing and not micro-managing. This can be difficult in practice when trustees are also involved in a volunteer role. Trustees of faith-based organisations are usually active members of their faith community and often engaged in wider voluntary work in their charity. They need to be careful to distinguish between their roles as trustees and volunteers.

The code specifically recommends that boards should regularly review the matters that are reserved to the board and those that can be delegated.

5. Board effectiveness

The code stresses the need for the board to work together as an effective team, and to have the right mix of skills, experience and knowledge. A rigorous approach to trustee recruitment and development is key to this.

This is particularly important for faith-based organisations, many of which do not look beyond their existing personal networks when looking for new trustees. Being overly cautious to preserve the charity's distinctive faith ethos can make it difficult to find people with the optimal range of experience.

The code is clear that trustees should be appointed for an agreed length of time and not serve for terms of longer than nine years, unless exceptional circumstances apply. It is not uncommon for faith-based organisations to have trustees who have served for much longer than this; Boards should consider whether this is really appropriate, and if so they should explain the reasons in the trustees' annual report.

6. Diversity

The code recognises that diversity will enhance an organisation's good governance and lead to better board decisions. Diversity includes different backgrounds, life experiences and outlooks, as well as

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the protected characteristics in the Equality Act 2010. Again, this can be a challenge when faith-based organisations recruit new trustees informally from within their own faith community. While a shared faith may be at the core of the charity's work, boards should consider how their charity could benefit if the board had greater diversity in other ways.

7. Openness and accountability

The code upholds the importance of transparency and accountability. Making accountability real, celebrating success and demonstrating willingness to learn from mistakes builds trust and confidence. Member engagement is encouraged as the charity looks for values and takes into account members' views on key issues.

Being a good trustee means being committed to good governance and contributing to the charity's continued improvement and success – the code offers all trustees a tool to do this.

Find out more

The Charity Governance Code is at <https://www.charitygovernancecode.org/en> where there is detailed information on all the code's principles, and how to put them into practice.