

# *Review of the Charity Governance Code: Using the Code to champion better governance*

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# *Governance - in turbulent times*



- What is 'governance'?
- 'In these difficult times, the need for clear leadership, strong governance and effective decision-making based on reliable information is stronger than ever' (FRC)
- 'Good governance in charities is fundamental to their success. It enables and supports a charity's compliance with the law and relevant regulations. It also promotes a culture where everything works towards fulfilling the charity's vision' (CGC)
- Reminder from the Charity Commission:
  - Alert for charities - the importance of transparent and accountable governance June 2020 - issued to leaders of large or complex, service-providing charities following its Inquiry into RNIB

*'Good' governance hopefully avoids this.....*





- **Charity Governance Code** - developed 'by the sector, for the sector'
- Tool for 'continuous improvement towards the highest standards' – a governance 'journey'
- Not a legal or regulatory requirement, hence 'apply or explain' not 'comply or explain'
- CGC draws upon, but is fundamentally different to, the Charity Commission's guidance
- The Code's Principles, Rationale and Key Outcomes apply to all charities, although the Recommended Practice to meet the Principles will vary for all charities
- CGC reflects slightly different Recommended Practice for smaller / larger charities – 2 versions
- CGC available as a pdf, and the online Code includes has links to **downloadable 'diagnostic tools' (Word templates)**

# *Why was a consultation needed?*

- Public consultation Nov 2019 – Feb 2020 on the July 2017 version of the Code, with the refreshed Code launched on 8 Dec 2020 (*4<sup>th</sup> edition*)
- In line with the Steering Group’s original promise – 3 year review
- NCVO Ethical Principles and ICSA (now CGI) guidance
- Safeguarding, the ‘right to be safe’ and ‘ethics’ - needed more emphasis within the CGC
- Address accusations of sector bullying
- Organisational culture
- Developments in other Codes
- ‘Future-proofing’

[refreshing-the-charity-governance-code-1.pdf](#)

## Refreshing the Charity Governance Code

Summary of consultation responses

**85%** of respondents agree with ‘refresh only’

“A considered approach”

“Change takes time”

“Give charities time to embed the current version”

“Avoid unnecessary disruption”

“The Code is still generating awareness and gathering traction”

“The Code is still up to date and relevant”

“Yes, but more practical guidance and case studies would be helpful”

“It’s still aspirational for many charities”

“Major changes could be counter-productive”

“Keep changes to a minimum”

“A regular review is helpful for ensuring it reflects the sector’s operating environment”

“Root and branch change not required – too disruptive”

## *CGC Consultation - key findings*

- Steering Group ‘delighted’ with the range and depth of responses to the Consultation – challenge was to ‘consider suggestions and implement changes in a balanced and measured manner’
- Focused on changes to be made immediately - **Principle 3 (Integrity) and Principle 6 (Diversity – now renamed). More later**
- ‘Genuine calls for more help’ - case studies, templates and further support and signposting
  - how best can this be provided given what already exists, and the range / diversity of the charities using the Code?
  - is it the Code, and the Steering Group's, role to fill that gap?
  - balance with the resources available to fill that need
- Principle 4: Decision-making, risk and control – too large and other issues, but no change at the moment as that would have resulted in a fundamental overhaul of the entire Code

# *CGC Consultation - other feedback and suggestions*

- Structure, tone, language and length of the Code needs to be more accessible, friendly, less prescriptive
- Reduce repetition and maintain proportionality, esp. for smaller charities; currently too much overlap between the two versions
- Consider the relationship with other Codes, such as the Scottish Governance Code, and the UK Corporate Governance Code
- Include more guidance on the CEO's role in delivering good governance in a charity, but also cover issues about holding the 'executive' to account
- Update to reflect the requirements relating to s172 of the Companies Act for large 'company' charities (stakeholder reporting)
- Amend the 'apply or explain' approach to 'apply and explain' to reflect desire to demonstrate the value of good governance in practice
- Consider placing the Code on a firmer regulatory standing, or other way to encourage compliance
- Consider the longer term, future direction of the Code via a proposed 'roadmap'
- **For further consideration and a more wide-ranging review – but not until 2023 / 2024. Check CGC website and NCVO resources:**

[Updating the Code — Charity Governance Code](#)

[NCVO webinar: An update on changes to the Charity Governance Code - YouTube](#)

# Charity Governance Code

## The principles - more relevant than ever in the current circumstances

There are seven principles which make up this Code. These seven principles build on the assumption that a charity is meeting its legal and regulatory responsibilities as a foundation.

Home

About the Code ▾

Foundation: the trustee role and charity context

1. Organisational purpose

2. Leadership

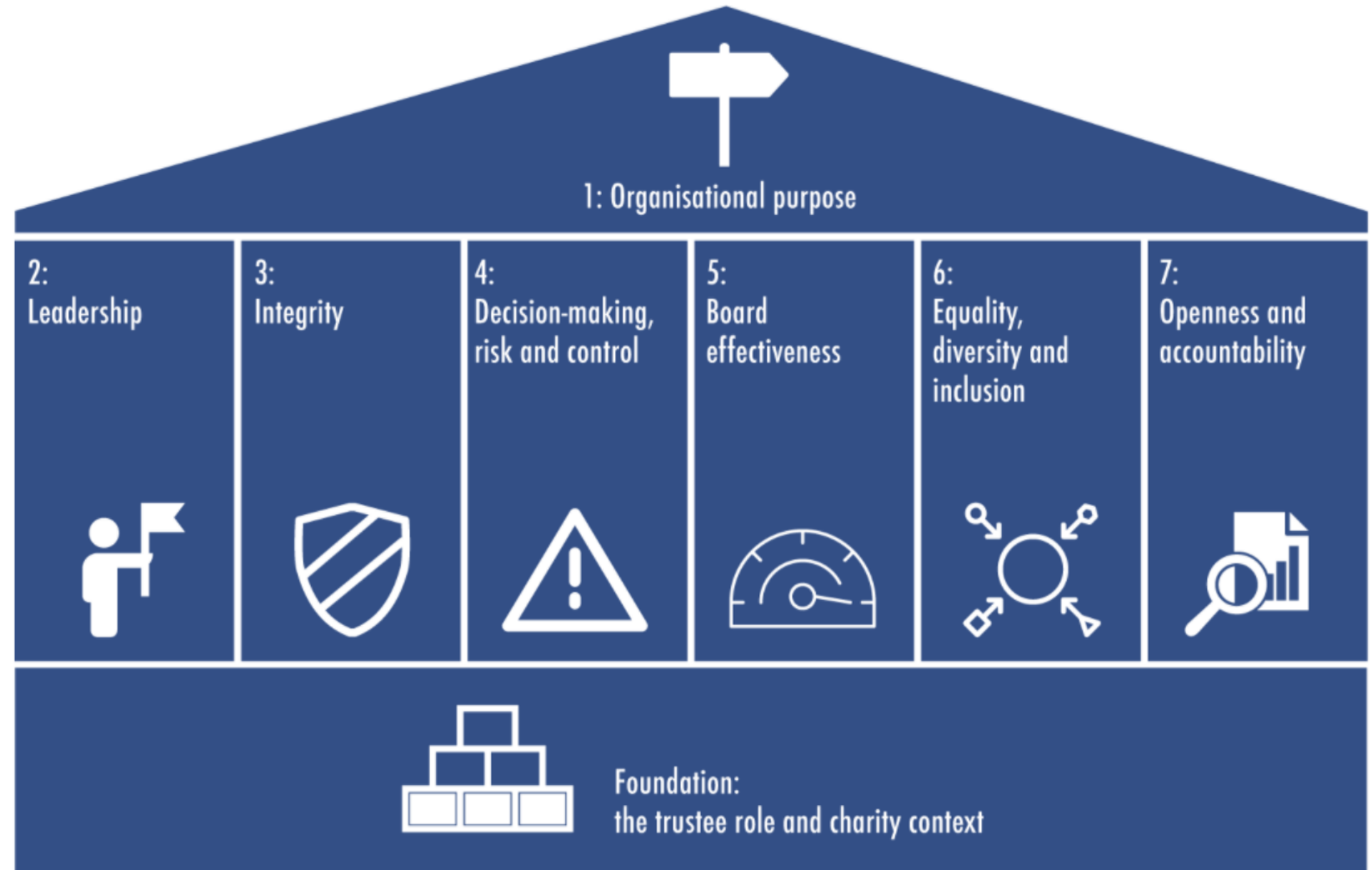
3. Integrity

4. Decision making, risk and control

5. Board effectiveness

6. Equality, diversity and inclusion

7. Openness and accountability



<https://www.charitygovernancecode.org/en>





# The Governance Jigsaw – The Essential Trustee (CC3)



## It's about knowing:

- what your charity can and can't do within its purposes
- how your charity is fulfilling its purposes and benefiting the public
- what difference your charity is really making

## It's about being:

- familiar with your governing document
- up to date with filing accounts, returns and any changes to your charity's registration details
- aware of other laws that apply to your charity

## It's not about being:

- an expert - but you do need to take reasonable steps to find out

## It's about:

- making balanced, informed decisions
- recognising & dealing with conflicts of interest
- ensuring trustee benefits are allowed
- being prepared to question and challenge
- accepting majority decisions

## It's not about:

- preserving the charity for its own sake
- serving personal interests

## It's about:

- managing risks, protecting assets (reputation) and people
- getting the resources your charity needs
- having and following appropriate controls and procedures
- dealing with land and buildings
- responsibility for, and to, staff and volunteers

## It's about:

- using your skills and experience
- deciding when you need advice
- preparing for meetings
- getting the information you need (financial, management)
- being prepared in case something does go wrong

## It's about:

- meeting legal accounting and reporting requirements
- being able to show that your charity complies with the law and is effective
- being accountable to members and others with an interest in the charity
- ensuring that staff and volunteers are accountable to the board
- welcoming accountability as an opportunity not a burden



Foundation:  
the trustee role and charity context



1: Organisational purpose

**Principle:** The Board is clear about the charity's aims and ensures that these are being delivered effectively and sustainably.

- 'All Trustees can explain the charity's public benefit' – can they? Good test!
- Who are the charity's 'beneficiaries'?
- Analysing the external environment and planning for sustainability – how do trustees demonstrate this in practice?
- More focus on the *Board's role* in relation to the charity's purpose, outputs, *outcomes and impact*
- Importance of a Board-led strategy and appropriate KPIs

2:  
Leadership



**Principle:** Every charity is headed by an effective Board that provides strategic leadership in line with the charity's aims and values.

- Leading by example and setting the tone – applies to the Chair and to the Board as a whole
- Balancing diversity of view, constructive challenge with collective decision-making
- The role of the Chair and also the Chair's relationship with the CEO (or equivalent) is the 'linchpin' to making this work
- Also crucial is the Board's wider role with the Executive / senior staff team - how is this developed and sustained?
- What about situations where the CEO is also a Board member?
- Formal recording of the Board's functions, and Trustee / Officer role descriptions
- 'The charity's staff are confident and enabled to provide the information, advice and feedback necessary to the Board' – how do you know?

## 3: Integrity



## Integrity (1)

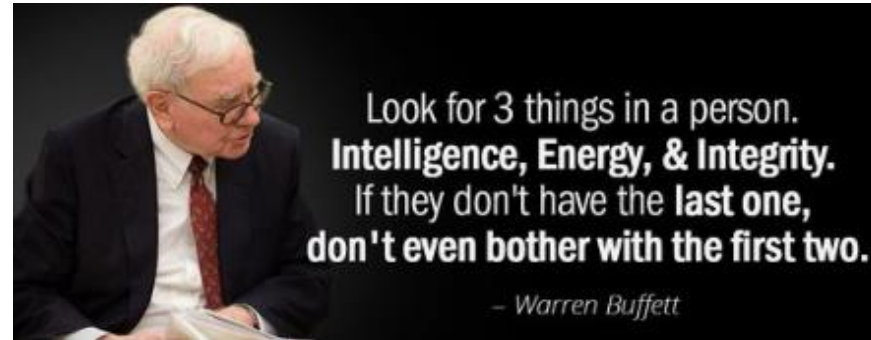
**Principle:** The board acts with integrity. It adopts values, applies ethical principles to decisions and creates a welcoming and supportive culture which helps achieve the charity's purposes. The board is aware of the significance of the public's confidence and trust in charities. It reflects the charity's ethics and values in everything it does. Trustees undertake their duties with this in mind.

- Re-focus on the importance of the Trustees creating a *culture* that supports the charity's *values*. Trustees should adopt behaviours and policies in line with these values and set aside personal conflict or loyalties
- Reference to ensuring that no one person or group has undue power or influence in the charity
- 'The Board acts in the best interests of the charity's purposes and its beneficiaries, creating a safe, respectful and welcoming environment.....'
- **New sections:**
  - Upholding the charity's values (instead of focusing on 'maintaining the charity's reputation')
  - Ensuring the right to be safe – going beyond the legal minimum. Includes links to the Nolan Principles (as before) and the NCVO's Charity Ethical Principles (new)
- No change to the section on Identifying, dealing with and recording conflicts of interest / loyalty'. NB This is about each Trustee's and the *charity's* independence



# Charity Governance Code

## 3: Integrity



## Integrity (2)

‘Good governance, in any organisation, is more than having the right policies, procedures and protocols in place.....’

‘**Boardroom behaviours** – the people, personalities and conduct in the Boardroom – and the ethical practices, values and culture of the organisation established by its leaders, are of equal importance in a modern well-governed entity’

**Improving charity boardroom behaviours**  
– CGI / ICSA Guidance Note (July 2018)

**Defining charity ‘ethics’** – many differences in people’s understanding of ‘ethics’ with regards to individual charities and the sector as a whole. Below are ranked the different issues identified by several respondents in each case as part of the integrity question:

1. Safeguarding
- = 3. Fundraising and investments
- = 3. Behaviours
- = 5. Climate change and sustainability issues
- = 5. Conflicts of loyalty
6. Application of charity funds
7. Culture
- = 9. Whistleblowing
- = 9. Independence of thought
10. Public trust



4:  
Decision-making,  
risk and control



## Decision-making, risk and control (1)

**Principle:** 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.

- Key is to understand / document the matters reserved for the Board, and what can / should be delegated, and how
- Clarity of Board agendas and papers – what is expected of the Board?
- Clarity of language in Board / Committee minutes, and action tracking – what did we decide / do?
- Clear delegation framework – to committees, staff, third parties – and reporting mechanisms back to the Board (not just circulation of minutes)
- Demonstrate trust and have confidence – resist the temptation to re-open decisions which have been delegated
- Good opportunity to review committee structures, membership, meetings – are they fit for purpose? Periodically review and update terms of reference, role descriptions and agreements / contracts

### 4: Decision-making, risk and control



- Framework for monitoring (and benchmarking) organisational performance and accountability of committees / staff – and does the Board have the ‘right’ information?
- *Board’s responsibility to actively manage risk* - risk policy, tolerance, strategy and communication thereof:
  - Link risk to strategic objectives
  - Risk contagion
  - Probably more than just an annual review of the risk register
- Auditors – good practice points for appointment and regular review; review need for an Audit Committee (or equivalent)
- Whistle-blowing – deserves to be a separate point, and include other reporting to regulators, for example Serious Incident Reports (SIR) to CC
- SK view – Principle 4 requires streamlining and re-focus in next version of the CGC

5:  
Board  
effectiveness



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

- Role and effectiveness of the Chair – and a Vice-Chair or equivalent
- How is the Chair held to account?
- Developing the Board and reviewing its own effectiveness – how is this done?
- Review of individual Trustee contributions, motivations, expectations, ‘performance’
- Skills, expertise, experience needed – and how to acquire / develop it
- What is the optimum Board size and composition, and how long should Trustees serve?
- Keeping strategic / ‘big picture’ + developing an effective relationship with the Executive + understanding the charity’s work on the ground = fundamental

## Equality, diversity and inclusion (1)

6:

Equality,  
diversity and  
inclusion



**Principle:** The board has a clear, agreed and effective approach to supporting equality, diversity and inclusion throughout the organisation and in its own practice. This approach supports good governance and the delivery of the organisation's charitable purposes.

- Renamed and rewritten – to make it very clear that addressing equality, diversity and inclusion helps a Board to make better decisions, and is *fundamental* to ensuring the charity stays relevant to those it serves and delivers its public benefit
- 'Diversity' must be considered in far wider terms than the nine protected characteristics of the Equality Act 2010, and will be ***specific to each charity***
- All Trustees must have equality of opportunity to contribute to decision-making
- Recommended Practice – 4 key steps:
  - Assessing understanding of systems and culture
  - Setting context-specific and realistic plans and targets
  - Taking action and monitoring performance
  - Publishing performance information and learning

### 6: Equality, diversity and inclusion

- Recognised as a challenging area which will require commitment by all Trustees – a ‘journey’ which will take time; be prepared to share ‘failures’ as well as successes to help learning across the sector
- A key area, but also important not to rush the ‘solution’ as a ‘tokenistic’ or tick-box approach is likely to be more damaging
- How will the charities respond? Call for sector infrastructure groups to provide supporting guidance, and for charities to share their experience

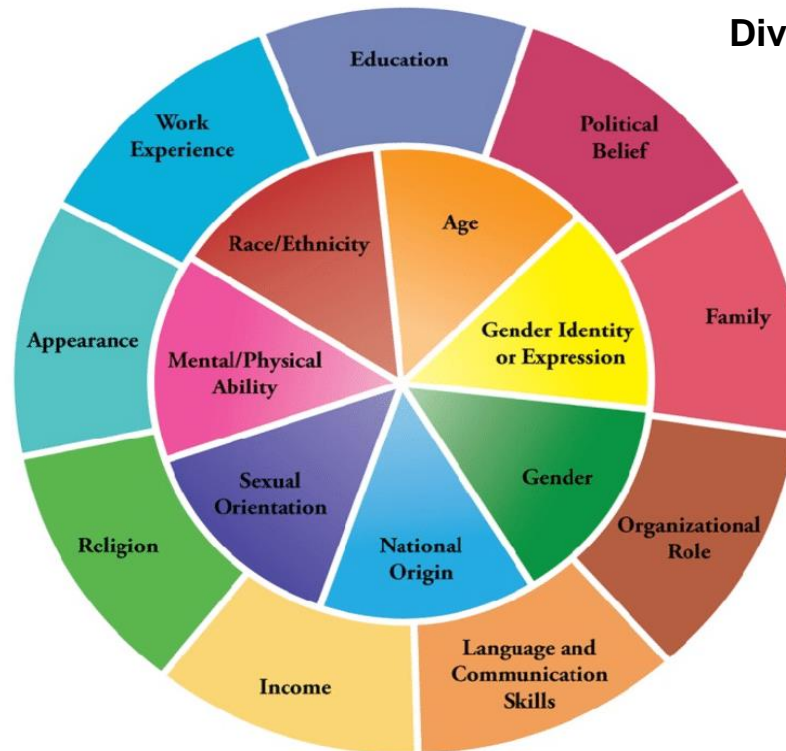


DIVERSITY, EQUITY AND INCLUSION (DEI):		
<b>1</b> INVESTS TIME AND RESOURCES IN UNDERSTANDING AND DEFINING DIVERSITY, EQUITY AND INCLUSION	<b>2</b> PRODUCES AND REVIEWS STRATEGIES THAT WILL IMPLEMENT DEI PRACTICES	<b>3</b> COLLECTS, TRACKS AND PUBLISHES DEI DATA ON ITS OWN PRACTICES AND PERFORMANCE
<b>4</b> HAS A DIVERSE TRUSTEE BOARD AND STAFF TEAM, BOTH IN TERMS OF DEMOGRAPHICS AND EXPERIENCE	<b>5</b> REFLECTS AND IMPLEMENTS DEI PRACTICES IN ITS FUNDING ACTIVITIES	<b>6</b> EXPRESSES ITS DEI COMMITMENT, POLICIES AND PRACTICES PUBLICLY
<b>7</b> MAKES ITSELF ACCOUNTABLE TO THOSE IT SERVES AND SUPPORTS	<b>8</b> USES ITS OWN POWER TO ADVOCATE FOR AND ADVANCE DEI PRACTICES	<b>9</b> COLLABORATES WITH OTHERS TO PROMOTE AND IMPLEMENT DEI PRACTICES



## Equality, diversity and inclusion (3) Some further food for thought.....

### 6: Equality, diversity and inclusion



**Diversity Wheel** as used at John Hopkins University, Baltimore

*"This diversity wheel shows me there are some differences I can easily see. Some diversity is visible. I can usually see differences in race. I can see differences in skin color or configuration of the eyes. I can see differences in facial features. An elderly person looks different from a child. A person's dress may suggest diversity in religion, but not always.*

*Some diversity is not visible. Sometimes religion is not visible. Gender may or may not be easily seen or discerned. Education is not easily seen".*

[Defining comfortable diversity \(futurelearn.com\)](http://futurelearn.com)

### 7: Openness and accountability



**Principle:** 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.

- Make this real and two-way
- Communication, consultation, engagement with stakeholders / members; upholding public trust
- How often do Trustees look at their charity's website?
- Positive and negative feedback; dealing with complaints
- Balance with need for confidentiality
- Register of interests (Principle 3) – made public?
- Being transparent about (senior) staff remuneration, and remuneration policies – charity / sector reputational issues

# *‘Charity’, charities, the public and the regulator*



Summary report which draws together the main findings of research into:

- the views of the ‘public’ about ‘Charity’, charities and the role of regulation and the Charity Commission
- the views of Trustees
- the contemporary world in which everyone must operate

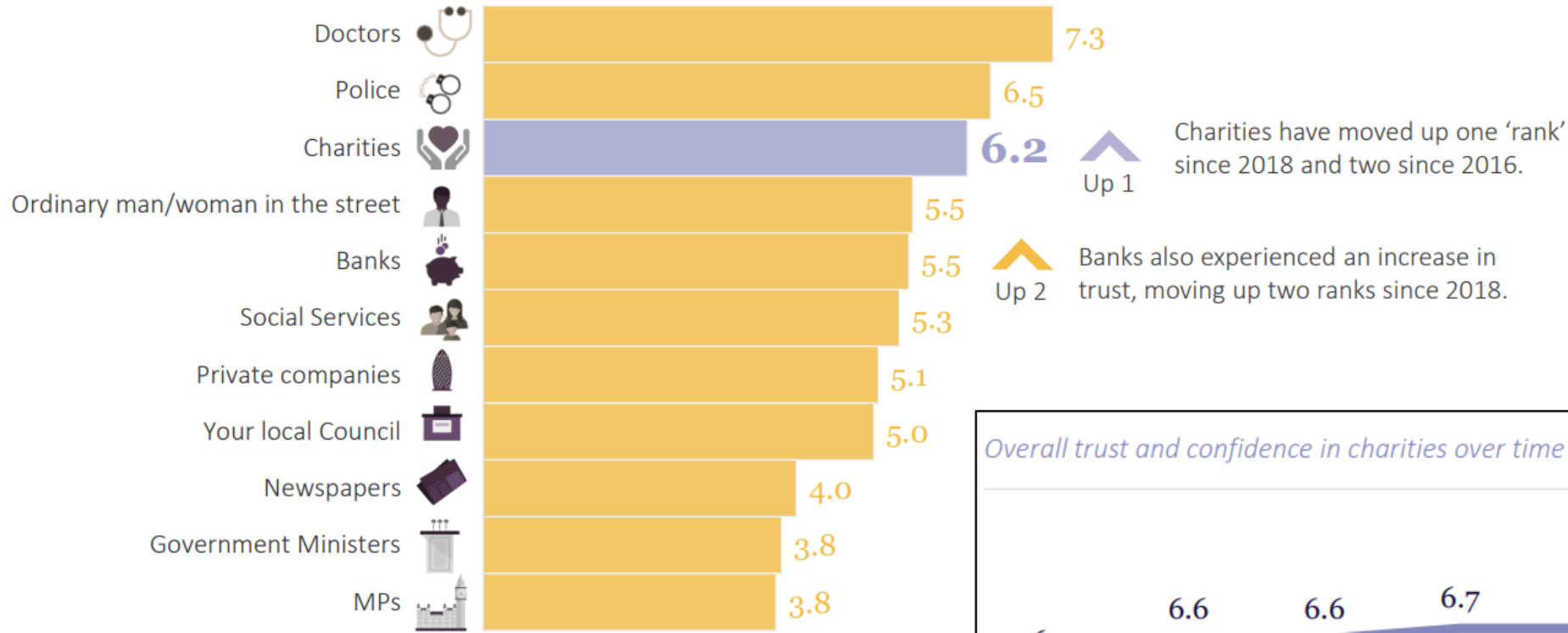


‘Demographically representative’ online survey of 4,042 adults in England and Wales  
Fieldwork conducted between 5 - 11 Feb 2020 (plus some telephone interviews with 20 adults – 25/26 March 2020)

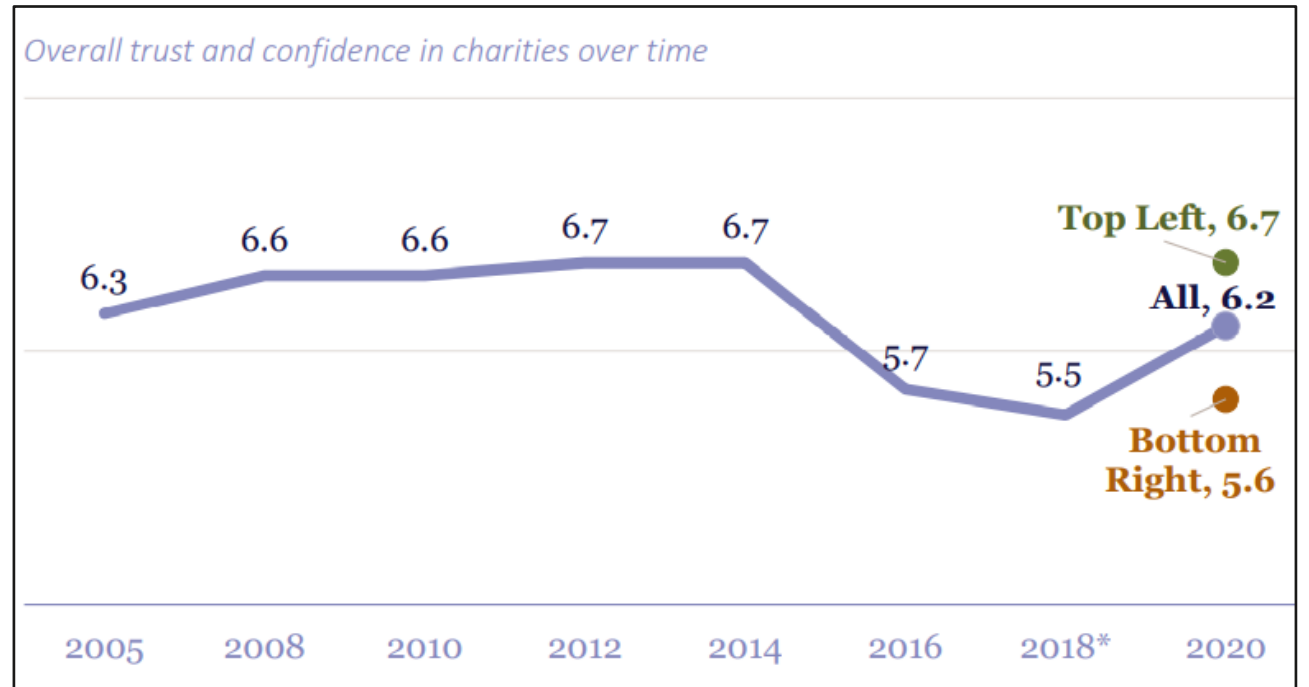
- Regulating in the public interest
- Public Trust in Charities 2020 - overview of findings
- Charity Trustee Survey

# Charities have moved up one rank since 2018 in terms of 'trust'

Mean trust and confidence by sector / group – out of 10



Overall trust and confidence in charities has modestly increased but it is still below pre-2016 levels





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4. Decision making, risk and  
control

5. Board effectiveness

6. Equality, diversity and  
inclusion

7. Openness and  
accountability

# *QUESTIONS & ANSWERS*

## *THANK YOU FOR DOWNLOADING THIS WEBINAR*

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