

## CHARITY GOVERNANCE CODE



### Introduction

On 13 July 2017, an updated version of the Charity Governance Code was published by the Charity Governance Code Steering Group. This replaces the Charity Commission's previous publication, "The Hallmarks of an Effective Charity", published in 2008.

The Charity Governance Code can be found at the following address:

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

The purpose of the Code is to work as a practical tool to help charities and their Trustees develop high standards of governance. It is not a legal or regulatory requirement, and is designed to be deliberately aspirational and at times difficult for many charities to achieve. However, the Commission strongly encourages charities and Trustees to adopt and follow the Code proportionally to their circumstances, and it should be seen as a framework for continuous improvement towards the highest standard.

### Key areas

The Code focuses on the following key areas.

#### *1. Organisational purpose*

The Trustees should have a shared understanding of and commitment to

the charity's purpose, and the board should be able to demonstrate that the charity is effective in achieving its purposes.

#### *2. Leadership*

The board of Trustees and individual Trustees should accept collective responsibility to ensure the charity has a clear set of aims and strategies in place for achieving them. The board must agree the charity's vision, values and reputation and lead by example, and require that anyone representing the charity reflects its values positively. The charity's values must be reflected in all of the board's work.

#### *3. Integrity*

The board must act in the best interest of the charity and its beneficiaries, and must not be unduly influenced. It must safeguard and promote the charity's reputation. Members of the board and those working in or representing the organisation must be seen to be acting with integrity in line with the values of the charity.

#### *4. Decision making, risk and control*

The board is ultimately responsible for the decisions and actions of the charity but cannot and should not do everything. Trustees may delegate authority but not ultimate

responsibility, so the board needs to implement suitable financial and related controls and reporting arrangements to make sure it oversees these delegated matters. Trustees must also identify and assess risks and opportunities for the organisation and decide how best to deal with them.

#### *5. Board effectiveness*

The board's culture, behaviour and processes should help it to be effective, and all Trustees should have appropriate skills and knowledge of the charity, and give enough time to be effective in their role. The Chair should enable the board to work effectively by developing strong working relationships and allowing differences to be aired and resolved. The board should take decisions collectively and confidently, and the board should unite behind a decision once it is taken.

#### *6. Diversity*

The board is more effective if it includes a variety of perspectives, experiences and skills. It should ensure that the charity follows principles of equality and diversity, going beyond the legal minimum where appropriate.

#### *7. Openness and accountability*

The board should ensure that the charity's performance and

interactions with its stakeholders are guided by the values, ethics and culture put in place by the board. The charity should take its responsibility for building public trust and confidence seriously.

For each key area above, the Code details recommended practice for both larger and smaller charities.

## What's changed

The key changes in the new Code from the old guidance is the emphasis on diversity on the board of Trustees, as well as new guidance recommended for the length of time a trustee may serve on the board. The Code recommends that if a trustee has served for more than nine years, their reappointment should be subject to a rigorous review process and explained in the Trustees' annual report.

## Conclusion

While the Code is not compulsory and is not enforceable by the regulator, it would not be unreasonable to assume that charities not adopting the Code may be regarded as a greater risk when the Charity Commission selects charities for review. Charities adopting the Code may state their compliance in their annual report or on their website.

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