

Welcome to the latest Not for Profit newsletter from PKF Littlejohn. Our aim is to pull together current sector news, issues and opportunities in an easily digestible format for everyone involved in the financial, governance and strategic side of running a not for profit organisation.

The Charity Governance Code

The new [Charity Governance Code](#) ('the Code') was published in July 2017, following a joint consultation led by the Charity Commission. This is the third iteration of the code which was first published in 2005.

Governance is the process through which organisations are directed and controlled, to ensure that they deliver their stated aims and comply with all legal and regulatory requirements. It can also be described as the processes which allow for the right decisions to be made at the right times.

Good governance has never been more important than it is now. Increased public scrutiny over the charity sector in recent years, coupled with expanded regulatory powers of the Charity Commission and upcoming changes such as General Data Protection Regulation, mean that there are greater consequences of 'getting it wrong.'

The Code is intended to cover the entire charity sector, in all of its varied sizes and forms. As such it is a detailed and comprehensive document, structured into seven principles:

- Organisational purpose;
- Leadership;
- Integrity;
- Decision-making;
- Board effectiveness;
- Diversity; and
- Openness and accountability.

There is also a new 'foundation' chapter setting out basic legal and regulatory compliance requirements.

What are the key messages that charities should take from this third edition of the Code?

Values and behaviours

The new Code places a greater emphasis on **values** and **behaviours** - recognising that governance is about more than systems and processes, and not just about the board. The correct behaviours must be embedded throughout a charity for effective governance to take place. Some things to consider are:

- A charity's values should be clearly defined and communicated. Adherence to these should be led by the Trustees – the 'tone at the top' is vital. Appraisal processes should encourage individuals to set objectives which align with the charity's values, helping to ensure that these are embedded across the organisation.
- Open and honest communication should be encouraged, from the staff room to the Board room, and with funders, beneficiaries and other stakeholders. A culture of honesty, trust and mutual support is essential. A formalised communication strategy can be a good starting point to identify stakeholders and define how you wish to communicate with them - as can more informal arrangements such as 'suggestion boxes' or other opportunities for feedback.

We hope you find this bulletin helpful.

Contact Alastair Duke or Nicky Whitehead if you would like to discuss anything mentioned in more detail.



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Diversity

The concept of **diversity** was always included in the Code; however it has now been brought in as a separate principle. Bringing these issues together under one heading gives them the focus deserved. Boards are encouraged to use diversity as a tool to drive effective and balanced decision-making.

- It is important to avoid 'tokenism' and ensure that diversity is considered in its widest sense. Board discussions should reflect a range of views from individuals with a mix of different skills, perspectives, knowledge and experiences. Differing points of view are an essential element of effective governance.
- Charities should consider undertaking a skills audit of their board, to map the current skills mix and identify any gaps. This should consider the skills that are likely to be needed in the short and medium term, not just at the current time. There should be a clear link between the outcome of this review and recruitment processes, to ensure that any skills gaps are closed.

Board effectiveness

Trustees undertake a vital role, however often have significant pressure on their time. It is essential that the Board works effectively as a team, that meetings are well run, properly documented and that clear information is available to support decision-making.

The Code makes it clear that Trustees should receive an induction which identifies and acts upon any training needs, and an ongoing programme of guidance and support should be in place. The Code also recommends that the board should review its own performance annually, including that of the chair and individual members.

Next steps

We encourage Trustees to familiarise themselves with the new Code in full, think about how their governance processes compare, and consider whether any changes are needed. Establishing a working group to review and propose recommendations to the Board could be an effective and practical way to take this forward.

A questionnaire or Trustee interviews (either with the chair or externally facilitated) can be a good way to start the conversation about governance and identify possible areas of focus or change. We have provided some example questions which could serve as a starting point for these discussions.

10 example questions to act as a starting point for discussions around governance

1. Did you receive an induction when you became a Trustee? How could this be improved?
2. What do you think are the most important aspects of your role as a Trustee?
3. What are your views about the nature of the training and support provided?
4. What is your view on the mix of knowledge, skills and experiences on the Board?
5. How effective do you think meetings of the Board are? How could this be improved?
6. Is the information provided adequate? Are papers accessible, relevant and easy to follow?
7. How well do you think the Board work together? How could this be improved?
8. Do Board meeting encourage honesty, where people can challenge and be challenged?
9. When was the effectiveness of the Board last reviewed? What were the key messages?
10. Are conflicts of interest identified and appropriate actions taken?

Finally - the Code is designed as a tool for **continuous improvement**. What isn't necessary or appropriate right now might be essential in one or two years' time as your charity develops. We encourage Boards to keep their governance arrangements under review, and ensure that these evolve and develop along with their charity.

We hope you've found this issue useful. If members of your team or your trustees would like to receive future issues, please send their details to Julia Krol (jkrol@pkf-littlejohn.com).

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact Alastair Duke or Nicky Whitehead (details provided above).

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