

What is Governance in the context of a charity and why should it be regularly reviewed?

Governance is something that is embedded within charities but what is it? One of the best definitions that we've seen is:

"The system by which entities are directed and controlled. It is concerned by **structure** and **processes** for decision making, **accountability**, **control**, and **behaviour** at the top of an entity"

Now a lot of people in the sector think of governance as being primarily related to the work of the Board of trustees and the constitution which encompasses the rules and regulations under which the charity operates. However, as you can see from the words highlighted it is much broader than that and is not just restricted to the trustees.

So, governance encompasses:-

- The constitution itself particularly including the charity's objectives
- The Charities Acts that sets out the laws specifically relating to charities
- All other laws which govern any organisation which operates in the public domain such as Company Law, Tax Laws, Employment Law, Health and Safety, Equality Act, Safeguarding, Fundraising etc
- The Finances of the organisation and Annual accounting including the Charities Statement of Recommended Practice (SORP)
- The records of the Charity including Minutes
- The Charity's Policies and Procedures
- The Charity's operating methodology including controls
- Understanding of its contractual obligations including the duties it owes to creditors.
- Strategic and short-term planning

So why should this be the subject of review?

So much changes over a period of time and this was particularly demonstrated during the Covid lockdown period when charities were faced with having to review so many areas of their operations and finding when they tried to change the way they worked they found a constitution which in many cases had been drafted in a different era and was not fit for purpose to give the charity flexibility to change.

There are also a legion of examples of charities who find themselves under review by the Charity Commission for failing to meet their obligations. Often this is because they failed to understand their obligations in the first place because of a lack of a robust induction of training policies.

Governance can also fail for some of the following reasons:-

- long-serving trustees who don't recognise the need to change
- poor recruitment of new trustees
- lack of harmony between the trustees and the senior leadership team

- A dominant chair or chief executive
- Poor budgeting and financial control
- Lack of understanding of risk
- Lack of strategic planning

All charities no matter what their size need to consider their governance but of course what should be in place will differ from charity depending on their size and complexity. We have seen substantial charities with simple procedures that can cause big problems because insufficient controls are in place. Likewise, we have seen small charities who have overly complex policies and procedures brought in from larger organisations which are just not fit for purpose and leave the executive team getting so bogged down in administration that it impacts on the charity maximising its resources for the benefit of those who need the charity's help.

What was right for the charity even as little as 5 years ago may not be right for the charity now because it may have expanded or contracted. It may also have found that their beneficiaries needs have changed but the constitution doesn't allow the charity to meet those needs.

So as trustees or members of the senior leadership team, ask yourselves one question. Is your charities governance still fit for purpose? If the answer is no or you're not sure then why not have a chat with us? The initial meeting is always free of charge and if you see the benefits of such a review we would design a process which will suit your needs as there is no one size fits all solution.

Give us a call on 0116 478 2871 or drop us an email to: info@intheroundadvisors.com