

30 January 2017

Dear Colleague

Response to the consultation on the new code of good governance

Newcastle CVS is the lead infrastructure organisation for Newcastle and Gateshead's voluntary and community sector. As well as developing and supporting voluntary and community organisations to be more sustainable and resilient, we organise networks and events and represent the voluntary and community sector in strategic discussions. We carry out research and produce policy studies. We have over 750 member and associate organisations that are local voluntary and community organisations.

One of the roles of Newcastle CVS is to provide governance advice, information and support. Most of the groups we work with have an income of less than £50,000. Of the 165,000 charities in England and Wales, more than half have an income of less than £10,000. Our reach and experience means we have a good understanding of the needs, everyday experiences and the reality facing smaller charities. This response is written from that perspective.

The Draft Charity Governance Code is much better than previous iterations, however the assumptions it makes about the capacity and resources of charities are much more geared towards larger charities. We recognise that all charities, whether supra-large (income of more than £100million) to the micro (income of under £10,000) have to abide by the same principles. However our experience shows us there are many differences between the £100million, £1million, £100,000 and £10,000 income charities and this response is based on our work with the three latter groups.

We support the new Code having a greater emphasis on “values, accountability, transparency, probity, maintaining control, leadership and the diversity of opinions and skills.”

The concept of having particular aspects of the Code applicable to different sizes of charities is helpful, but we believe that pressures and constraints that apply to small (under £100,000) and micro charities mean they would still find it difficult to follow a number of the proposals. It does make the document a bit awkward to read. *We would suggest that different versions are produced. There should also be an easy-read version of the Code.*

We would query whether smaller charities would have the time to go through the Code and would suggest that *a self-assessment toolkit* based on the Code (preferably online), which a Board could work through as part of a meeting would be more useful. The Code could start with a one-page executive summary, or statement of principles, cross-referred to the full item later on, as a quick way for readers to understand the general approach, and make it easier to find specific points to which they might need to refer.

The Code as currently drafted puts more emphasis on the role of the Chief Executive at the expense of the Chair and that *this should be re-balanced.*

The Code of Good Governance needs to say more about the *Board's role in evaluating a charity's impact and measuring its outcomes and outputs*. It was felt that this is something that is glossed over in the report but consideration should be given to making it more explicit in the principles.

Organisational purpose and direction

Within the recommended practices, one of the suggestions is the Board regularly considers benchmarking; this will not be practical for many small and micro organisations and it isn't clear where and how the information would be supplied. *This should be reviewed as it is not practical for the majority of charities*

Leadership

We do not believe this section will fully cover those *boards which are entirely populated by service users?*

Integrity

The issue of conflict of interest is complex and *not always understood by those trustees who are also beneficiaries* e.g. within small community organisations.

Decision making, risk and control

Regarding *risk management*, what can be done to mitigate the risk and what action should be taken in the event that the risk actually occurs? The difference between delegating operationally and delegating the responsibility that sits alongside it is not clear. The trustees' liability is not clear. There is a tendency to confuse the roles of trustee and company director. Many organisations do not have company directors

Diversity

There are concerns about the recent Charity Commission policy on the disqualification of trustees as this could be particularly awkward in some areas, particularly criminal justice charities. Service user involvement brings a lot of diversity but it has to be supported, and not all organisations have resources to do this. *Who is responsible for the capability building and how do Boards plan for it?* Young people often want to volunteer but are not always accepted by charities as trustees. The DWP needs to understand that if someone volunteers as a trustee it should not be counted against them if they claim benefits.

Our experience is that within communities there are a small number of people who are willing to volunteer and the community needs them to volunteer within it which leaves an even smaller number for other charities. In all communities you have people with skills to volunteer but the question is how to encourage them to have a voice. Being a trustee is a good developmental opportunity for many people, so it would be helpful not to be too prescriptive. There needs to be further

We do not believe it is realistic for boards to have targets against diversity. Some organisations are membership organisations and have no options over who applies to be a trustee. Should there be quotas?

Board effectiveness

Our organisation has experience of *dysfunctional boards* undergoing reviews, but failing to follow the required actions. It is unlikely these boards would follow this guidance, so what would happen to them; how do you actually make this guidance real?

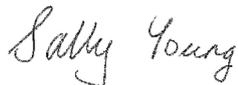
There should be a separate strand on *membership*.

Open and accountable

There can be conflicts between charities as individual organisations and being part of a wider movement. Encouraging organisations to provide comparator (with other similar organisations) information is unrealistic and potentially divisive. The proposal of putting senior salaries on the website and in annual reports will work only if everyone does it and it is contextualised.

In conclusion, whilst the principles and overall direction of the draft Code are to be welcomed; the style and recommended practices would make it impossible for many charities to follow. This needs to be reviewed again from the perspective of the 80% of charities that have an income of less than £100,000.

Yours sincerely

A handwritten signature in cursive script that reads "Sally Young".

Sally Young
Chief Executive