

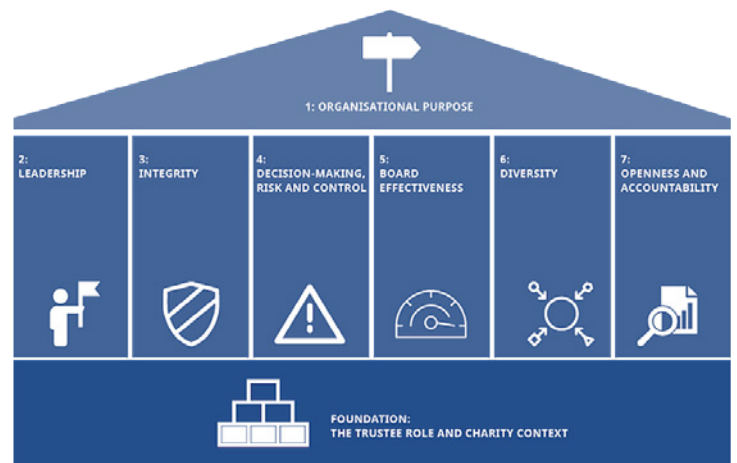
GOVERNANCE IN ACTION

A SECTORAL APPROACH TO BETTER GOVERNANCE: THE UK CHARITY GOVERNANCE CODE

In the UK, the Charity Commission is the regulator for charities in England and Wales. One of its main responsibilities is to ensure charities meet their legal requirements and take enforcement action when necessary.¹ While the Charity Commission serves as a regulatory body for compliance, the nonprofit sector in the UK is aiming at reaching even higher governance standards than minimal legal requirements. With the help of over two hundred charities, individuals and related organizations, various stakeholders from across sectors have come together to form a steering group with an independent chair to collaborate in the development, promotion and maintenance of the *Charity Governance Code* (the Code).

The Code was initially launched 12 years ago in 2005 and was revamped to its third edition in July 2017.² This latest version of the Code sets out seven principles in good governance: (1) organizational purpose, (2) leadership, (3) integrity, (4) decision making, risk and control, (5) board effectiveness, (6) diversity, (7) openness and accountability.³ Each of these principles has the rationale and target outcomes clearly spelled out in the Code. Most practically, the guide recommends practices to aid charities abide by the principles.

In order for organizations to proceed in applying the seven principles, there is an underlying assumption that trustees or governors have a thorough understanding of their roles and responsibilities and the context where the organization is operating in, as well as meeting all the NGO's legal and regulatory responsibilities. This highlights the key difference of the Code from the previous editions, which were traditionally more focused on just processes and procedures, whereas in this edition, it is a basic principle for all board members to follow.⁴



Seven principles in good governance set out in the Code

Revamping the Code is a self-evolving process within the sector for each edition. As NGOs grow and develop, good governance is no longer merely about compliances or procedures. Rather, stakeholders are now looking for an all-rounded approach of improving governance to achieve organizational purposes.

At the "Governance Symposium: Stewardship for Better Future" held by The Council on 1 November 2017, two representatives of the Code's Steering Group, Ms Lizzie Adams, Services & Programmes Manager of the Small Charities Coalition and Mr Dan Francis, Senior Governance Consultant of National Council for Voluntary Organisations (NCVO), shared with Hong Kong's practitioners their experience on the recent Code review exercise.

In this sector-driven exercise of promoting better governance, it was important to develop a standard that is applicable to all NGOs across a spectrum of different sizes and backgrounds. This is why the Small Charities Coalition became one of the key stakeholders in the Steering Group during the Code's development. Lizzie firmly believed that a collaborative approach should be a joint-effort of all sector stakeholders where they may not traditionally work together.

¹ Gov.uk. (2017). About us - The Charity Commission - GOV.UK. Retrieved from: <https://www.gov.uk/government/organisations/charity-commission/about#responsibilities>

² Atkinson, S. (2017). The new Charity Governance Code – Essential reading for all trustees - Charity Commission. *Charitycommission.blog.gov.uk*. Retrieved from: <https://charitycommission.blog.gov.uk/2017/07/13/the-new-charity-governance-code-essential-reading-for-all-trustees/>

³ Charity Governance Code. (2017). *Charity Governance Code*. Retrieved from: <https://www.charitygovernancecode.org/en>

⁴ Thomson, L. (2017). Magnificent seven: Principles of charity governance. *Governance & Compliance Magazine*. Retrieved from: <https://www.icsa.org.uk/knowledge/governance-and-compliance/features/magnificent-seven-principles-of-charity-governance>

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“Our key reasons to be involved with the Code’s development was that, we were really keen to be able to get the small charities voice out, for it to be heard, in guidance [and] in information that is being provided [in] a sector-wide approach,” said Lizzie.

With Small Charities Coalition’s and various charities’ contributions, the Steering Group created two versions of the Code for larger and smaller charities. When applying the Code to different NGOs, board members can decide which version of the recommended practices to follow, depending on their NGO’s size, be it judged based on income, the number of staff, activities, etc—it is all subject to the board’s decision and agreement.

Having two versions of the Code available acknowledges the fact that, in the nonprofit sector, there is never a one-size-fits-all solution to every NGO. What board members should do is to go back to the foundation of the Code, which is to first understand the context of the charity and its environment, then decide, how they can apply the seven principles.

Many of the target outcomes set for the seven principles are deliberately aspirational and may be hard to achieve, since the Code is positioned as a tool for continuous improvement towards the highest standards of governance. The key to its practice is that board members need to pick and choose what is most suited to the NGO’s current situation in order to improve its governance.

“This isn’t a compliance document. It is good practice; it is aspirational standards. What your board should do, is to engage with the criteria, make decisions around where your priority areas are, and focus...” Dan emphasized in his presentation at the Symposium.

With this in mind, the boards of charities in the UK are highly encouraged to utilize the Code and get familiarized with the key principles of good governance. Along with the Code, the Governance Wheel developed by NCVO helps NGO boards assess their current practices of the seven key principles listed out in the Code.⁵ The simple assessment helps board members prioritize which areas to focus on and consequently what actions to take in improving governance.

The spirit of the Code is its continuous development in seeking better governance that is driven by the sector but not regulators. The willingness and collaborative effort of the sector in achieving higher standards of governance go beyond the requirements of regulatory bodies. The Code promotes a culture of good governance and brings NGOs one step closer to their success in fulfilling their missions and gaining public trust.



Our special thanks to Ms Lizzie Adams and Mr Dan Francis for their insightful presentation and generous sharing at the “Governance Symposium: Stewardship for Better Future” held on 1 November 2017.

From left:

- *Dr Allen Fung, President, Hong Kong Society for the Protection of Children (moderator)*
- *Ms Christine Fang, Founding Director & Consultant, GAME (Governance and Management for Excellence) for Public Benefit (respondent)*
- *Ms Lizzie Adams, Services & Programmes Manager, Small Charities Coalition (UK) (presenter)*
- *Mr Dan Francis, Senior Governance Consultant, National Council for Voluntary Organisations (UK) (presenter)*

The complete Charity Governance Code can be found online: www.charitygovernancecode.org/.

⁵ *The Governance Wheel - a tool to measure and develop your governance and leadership. (2017). NCVO, P.2.*