



SCOTLAND'S
THIRD SECTOR
GOVERNANCE
FORUM

**THE SCOTTISH GOVERNANCE
CODE FOR THE THIRD SECTOR**



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FOREWORD

This Scottish Governance Code has been created for the third sector, by the third sector. It is a statement of best practice and has been developed by Scotland's Third Sector Governance Forum following consultation with over 250 individuals and organisations.

Scotland's Third Sector Governance Forum brings together individuals and organisations with knowledge and expertise in governance issues. We are a small group of people with a big ambition to improve governance in the third sector. We have worked with people from all types of third sector organisations in Scotland to produce this Code. It reflects and celebrates the wealth of good practice that exists in our sector and provides a standard for all to aspire to. Thank you to everyone who contributed - we could not have done it without you.

Good governance matters because it underpins successful organisations. It matters in all sectors, but especially in ours where the purpose is to serve our beneficiaries as best we can. A good reputation takes years to build and seconds to destroy. Good governance underpins our effectiveness, and is also the best way to protect and enhance the reputation of our individual organisations and our sector as a whole.

Over 250,000 trustees in Scotland are volunteers and give their time and skills on a voluntary basis to steer the work of third sector organisations. Individually as trustees and collectively as boards, they are the bastions of good governance. This Code is for them. For you.

Please use it. Please share it. Please help promote good governance.



Pat Armstrong OBE
Chair of Scotland's Third Sector Governance Forum



For more information on Scotland's Third Sector Governance Forum or to access resources that support this Code, please visit <https://governancecode.scot>

ABOUT THE CODE

The Scottish Governance Code for the Third Sector sets out the core principles and key elements of good governance for the boards of charities, voluntary organisations and social enterprises in Scotland. It is the first Code to be produced specifically for Scotland's third sector, recognising the need for the sector to have its own principles of governance.

The Code has been developed with reference to a broad range of other governance codes across the UK. Scotland's Third Sector Governance Forum would particularly like to acknowledge the work carried out by the authors of the England and Wales [Charity Governance Code](#) and the Northern Ireland [Code of Good Governance](#), and the permissions given to use both Codes as an initial framework for this Code.

USING THE CODE

Who is the Code for?

The Code is accessible and applicable to all third sector organisations in Scotland, whatever their shape, size or activities. The Code's principles are universal, how an organisation implements each principle will depend on its size, income, activities and complexity.

How it works

The Code sets out five core principles encouraging third sector organisations to look at, and improve, their governance. All five principles are of equal importance. Each principle has a summary statement, followed by an explanation of how you can demonstrate and implement the principle. The Code is supported by practical resources which can be found on [Scotland's Third Sector Governance Forum website](#).

Complying with the law and regulatory requirements are fundamental to good governance. However, the Code is not a legal or regulatory requirement. It is a tool

to support continuous improvement and strengthen the effectiveness of governance across the third sector. It provides a standard for us all to aspire to.

Terminology

There are many different terms used to define governing bodies of third sector organisations, such as:

- 'the board',
- 'the committee',
- 'the trustees', or
- 'the directors'.

The difference between these terms usually reflects the differing legal structure of organisations, and their history and culture. In this Code we use the terms 'the board' and 'the trustees' to mean the organisation's governing body - the group or body ultimately accountable for the organisation.

There are various definitions of governance. When we talk about governance here, we are referring to the work of the board, and we feel the five principles of this Code embody good governance.

Equality and diversity

The Code recognises that all third sector organisations should follow practices that fully recognise diversity in all its forms (eg diversity of background, thought and experience, as well as protected characteristics). This is an integral part of good governance and underpins all the five Scottish Governance principles. Diversity, in its widest sense, is essential for boards to be effective, informed and to make better decisions.

TELL US WHAT YOU THINK

We would welcome hearing from you if you can identify any gaps in the Scottish Governance Code for the Third Sector, ways it could be improved or made more user-friendly. To get in touch please contact [Scotland's Third Sector Governance Forum](#).

THE FIVE CORE PRINCIPLES

ORGANISATIONAL PURPOSE

A well-run board is clear about the purpose and values of the organisation and how it will achieve its aims.

LEADERSHIP

A well-run board is clear about its role and responsibilities, and provides strategic direction in line with the organisation's purpose, vision and values.

BOARD BEHAVIOUR

A well-run board, both collectively and individually, embraces and demonstrates mutual respect, integrity, openness and accountability.

CONTROL

A well-run board will develop and implement appropriate controls to direct and oversee progress and performance of the organisation.

EFFECTIVENESS

A well-run board understands its role, powers and duties and works collectively and proactively, to achieve its organisational purpose.

ORGANISATIONAL PURPOSE

A well-run board is clear about the purpose, vision and values of the organisation and how it will achieve its aims.

As the board we have ultimate responsibility for directing the activity of our organisation and delivering its stated purpose.

We will do this by:

- understanding our organisational purpose and values and committing to them to make sure that our organisation delivers what it was set up to do
- making sure our governing document is fit for purpose, and sets out the details of how our organisation is to be governed
- making and recording informed decisions in line with our governing document
- overseeing the use of assets and resources to make sure they are used to achieve our organisation's purpose and aims
- communicating the work of the organisation and the difference it makes to the people we work with and the public.

LEADERSHIP

A well-run board is clear about its role and responsibilities, and provides strategic direction in line with the organisation's purpose, vision and values.

As the board we are here to lead our organisation, and we are individually and collectively responsible for our decisions. We need to make sure our organisation has a clear strategy to achieve our purpose.

We will do this by:

- identifying and embedding the vision and values of our organisation, making sure these underpin all our decisions and activities
- having a clear understanding of the individual and collective roles and responsibilities of our board
- setting the tone through our leadership, behaviour, culture and overall performance
- promoting equality and diversity throughout the organisation
- communicating with our staff, volunteers and members about our vision for the organisation and the decisions we make, and listening to feedback
- leading and overseeing progress and performance by scrutinising information on activities and achievements, and their longer-term impact
- understanding and respecting the difference between governance and operations, delegating operational tasks where appropriate, recognising that responsibility and accountability is always retained by the board.

BOARD BEHAVIOUR

A well-run board, both collectively and individually, embraces and demonstrates mutual respect, integrity, openness and accountability.

As the board we understand that our behaviour can have a far-reaching impact and is fundamental to our organisation's reputation and success. We need to ensure our behaviour is consistent with our organisation's vision and values.

We will do this by:

- being transparent, open and accountable about how we govern, who we are, and the decisions we make
- making sure our organisation promotes equality and diversity and embeds ethical standards in the policies, practices and culture of our organisation
- listening to each other, our beneficiaries, members, employees, volunteers and stakeholders, and respecting the role they each play
- handling concerns and complaints transparently, constructively and impartially
- recognising and acknowledging where conflicts of interest may arise
- creating a constructive board environment where diverse, and at times conflicting views are respected and welcomed, and decisions are reached collectively.

CONTROL

A well-run board will develop and implement appropriate controls to direct and oversee progress and performance of the organisation.

As the board we should put in place appropriate structures, controls and processes to make sure the organisation is run in line with its purposes and values, governing document, and relevant legal and regulatory requirements.

We will do this by:

- maintaining and regularly reviewing policies and procedures and reporting arrangements, for example our internal governance, safeguarding, fundraising and financial controls
- making sure our scrutiny and collective decision-making processes are rigorous, informed, transparent, timely and well communicated
- understanding and analysing the internal and external operating environments of the organisation to create effective strategies and systems for risk management
- monitoring and evaluating performance against operational plans and budgets
- ensuring that any contracts are agreed and carried out in line with the interests of our organisation and in line with our values
- considering whether our organisation's legal and governance structure provides appropriate protection for the organisation, our trustees, and our members
- ensuring there are robust internal financial controls in place and clear information provided to the board to allow it to monitor the organisation's financial position
- being clear about where we delegate to staff, volunteers or committees and how we exercise oversight.

EFFECTIVENESS

A well-run board understands its role, powers and duties, and works collectively and proactively to achieve its organisational purpose.

As the board we should be self-aware and work together as a team, with a diverse and appropriate balance of skills and experience to continually improve the governance of our organisation.

We will do this by:

- understanding the legal structure and governing document of our organisation and making sure we act in line with it
- setting, embedding and scrutinising the strategic direction of the organisation
- regularly reviewing our performance and the composition and skills of the board
- developing and improving our capacity and capability with on-going support and training
- having a pro-active succession plan, which is linked to the strategic direction of the organisation, following any rules for how trustees are elected and how long they serve
- having a transparent and timely trustee recruitment and induction process
- making sure our meetings enable us to explore key issues and reach well considered collective and recorded decisions that are acted on
- ensuring that meetings are well-organised, well-informed, effectively chaired and there is active participation
- communicating with those who have a legitimate interest in the work of our organisation.



To contact us please visit
<https://governancecode.scot>