



SCOTLAND'S
THIRD SECTOR
GOVERNANCE
FORUM

The Scottish Governance Code for the Third Sector

DRAFT



FOREWORD

This Scottish Governance Code has been created for the third sector, by the third sector.

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 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
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 [X](#)

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 **A Code for the Voluntary and Community Sector**, 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 of why it is important to good governance, 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 the website [X](#)

Complying with the law is an essential part of good governance. This Code emphasises that understanding and meeting legal and regulatory requirements underpin all of the core principles of 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’
- ‘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.

Equality and diversity

The Code recognises that all third sector organisations should follow principles and practices that fully recognise diversity in all its forms. This is an integral part of good practice and good governance. 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, or ways it could be improved or made more user-friendly. To get in touch please contact [✕](#)

SCOTTISH GOVERNANCE CODE

THE FIVE CORE PRINCIPLES

1. ORGANISATIONAL PURPOSE

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

2. LEADERSHIP

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

3. BOARD BEHAVIOUR

A well-run board, and its trustees, embrace and demonstrate the values of integrity, openness and accountability.

4. CONTROL

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

5. EFFECTIVENESS

An effective board puts the interest of the organisation and its beneficiaries first, and acts accordingly.

I. ORGANISATIONAL PURPOSE

A well-run board is clear about the purpose 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 on what it was set up to do effectively and sustainably
- making sure our governing document is fit for purpose and sets out the details of how our organisation is to be governed
- making decisions that are informed and transparent, in line with our governing document, and in the best interests of our organisation and our beneficiaries
- overseeing the use of assets and resources to make sure they are used to achieve our organisation's purpose and aims.

2. LEADERSHIP

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

As the board we are here to lead and direct our organisation, and we are equally and collectively responsible for our decisions. As trustees we need to make sure our organisation has clear and relevant aims, and an appropriate strategy to achieve them. We will do this by:

- identifying and promoting the vision and values of our organisation, making sure these underpin all our decisions and activities
- having a clear understanding of the separate and collective responsibilities and functions of our board
- setting the tone through our leadership, behaviour, culture and overall performance
- leading, directing and overseeing progress and performance by scrutinising information on activities and achievements, and their longer term impact
- working together to create constructive working relationships where diverse, different, and at times conflicting views are recognised, respected and welcomed
- respecting the difference between governance and operations. Generally our main focus as a board is on strategy, performance and assurance, rather than operational matters, based on precise delegation to committees, staff and volunteers.

3. BOARD BEHAVIOUR

A well-run board, and its trustees, embrace and demonstrate the values of integrity, openness and accountability.

The values and behaviour of us, as individual trustees, and collectively as the board, can have a far-reaching impact, and are fundamental to our organisation's reputation and success. We will work to:

- set, safeguard and promote the vision, values and reputation of our organisation and make sure they underpin all our decisions and activities
- act in the best interests of our organisation and our beneficiaries by being transparent, open and accountable about:
 - how we govern the organisation
 - our activities, who we the trustees are, and the decisions we make
- make sure our organisation embeds ethical standards in the policies, practices and culture of our organisation, and promotes equality and diversity
- listen to each other, our beneficiaries, employees, volunteers and stakeholders, and respect the role they play
- handle concerns and complaints transparently, constructively and impartially
- recognise and acknowledge where conflicts of interest for us as board members may arise.

4. CONTROL

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

As the board we should exercise appropriate control by maintaining and regularly reviewing policies and procedures and reporting arrangements. For example, our internal governance, management, safeguarding, HR and financial systems. We will do this by:

- making sure our scrutiny and decision-making processes are informed, rigorous, transparent and timely. We will clearly communicate and commit to this in the best interests of our organisation
- creating effective strategies and systems for risk management by understanding and analysing the internal and external operating environments
- monitoring and evaluating performance against operational plans and budgets in line with our organisation's purposes, strategic aims and resources
- making certain that partners and third party suppliers or services carry out their work in the interests of our organisation and in line with our values
- making sure our organisation's legal structure provides appropriate protection for the organisation, our trustees, and our members.

5. EFFECTIVENESS

An effective board puts the interest of the organisation and its beneficiaries first, and acts accordingly.

As the board we should be self-aware and work as a team, using the appropriate balance of skills, experience, backgrounds and knowledge to achieve our organisational purpose. We will do this by:

- regularly reviewing our performance, skills, experience, diversity, objectivity and knowledge on the board. Continually developing and improving our capacity and capability with on-going support and training
- having an active succession plan to secure the health and competence of the board, with clear timelines for terms of office defined in the governing document
- having an effective trustee recruitment and induction process to give new trustees the necessary information and support to understand their role, powers and duties
- implementing, monitoring and evaluating strategic planning, supported by annual operational plans and budgets
- providing clear agendas and minutes for regular meetings. Making sure our meetings are held and followed up in a way that recognises their importance. We will commit sufficient time and space to explore key issues and reach well-considered decisions.