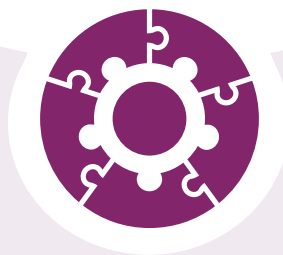
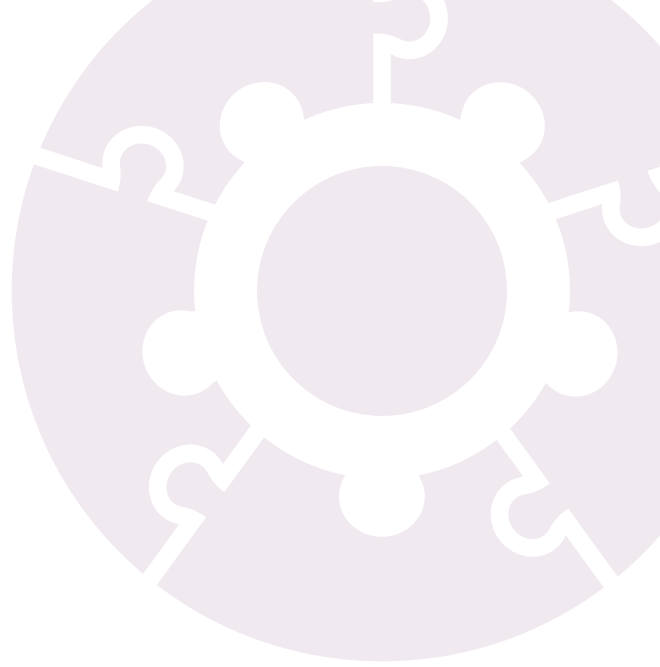


# The Scottish Governance Code for the Third Sector



**Scotland's Third Sector  
Governance Forum**





## Introduction

This governance code is a statement of best practice and has been developed by us, Scotland's Third Sector Governance Forum, following consultation with over 250 people and organisations. It is intended for the governing bodies of third sector organisations – charities, community groups and social enterprises (not-for-profit businesses that help people or communities).

To produce this code, we have worked with people from all types of third sector organisations in Scotland. It reflects and celebrates the good practice that exists in our sector and provides a standard all third sector organisations should aim for. Thank you to everyone who contributed – we could not have done it without you.

## Ownership and sharing

This document is copyrighted material which you can reuse and share freely for non-commercial purposes.

We want this Scottish Governance Code for the Third Sector (the code) to be used widely, so we've chosen to make it available under a Creative Commons licence, as explained below.

## Creative Commons licences

Creative Commons licences allow copyright owners to say exactly what other people can and can't do with or to their work.

There are a number of types of Creative Commons licences. The code is copyrighted with 'Attribution', 'Non-commercial' and 'Share-alike' Creative Commons licences.

These licences mean you can use, adapt and republish the content in this document, as long as you:

- say that the content is from the code, and
- make anything you republish available under the same licence terms.

You can't use the content in this document for commercial purposes. This means that you cannot charge for it or use it any other way that would give you a commercial advantage.

If you're interested in using anything in the code for commercial purposes, you'll need to contact us at [enquiries@scvo.org.uk](mailto:enquiries@scvo.org.uk)



## About us

We are Scotland's Third Sector Governance Forum. We bring together people and organisations with knowledge of and expertise in issues relating to governance (that is, the structure of rules, practices and procedures used to direct and manage an organisation).

We are a small group of people with a big ambition to improve governance in the third sector.

## Foreword

Good governance matters because it underpins successful organisations. It matters in all sectors, but especially in ours, where the purpose is to serve people and communities as best we can.

A good reputation takes years to build and seconds to destroy. Our effectiveness relies upon good governance, which is the best way to protect and improve the reputation of individual organisations and our sector as a whole.

Over 250,000 trustees in Scotland are volunteers and give their time and skills to steer the work of third-sector organisations. Individually as trustees, and collectively as boards, they maintain good governance.

This code has been created by the third sector, for the third sector. 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 find resources that support this code, please visit [governancecode.scot](http://governancecode.scot)

## About the code

The code 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.

To develop the code, we referred to a wide range of other governance codes across the UK. We 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 permission we were given to use those as a framework for this code.

## Using the code

The code is for use by all third sector organisations in Scotland, whatever their shape, size or activities. The code's principles apply equally to all organisations, but how an organisation follows each principle will depend on its size, income, activities and complexity.

## How it works

The code sets out five core principles that encourage third-sector organisations to look at, and improve, their governance. All five principles are equally important.

The code is supported by practical resources which can be found on our website at [governancecode.scot](http://governancecode.scot)

Laws and regulations are fundamental to good governance. However, keeping to the code is not a legal or regulatory requirement. The code 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 aim for.

## Terminology

There are many different terms used for the governing bodies of third-sector organisations, such as:

- the board
- the committee
- the trustees, and
- the directors.

The difference between these terms usually reflects the different legal structure of organisations,

and their history and culture. In this code we use the term ‘the board’ to mean an organisation’s governing body, which is ultimately accountable for the organisation.

## Equality and diversity

The code recognises that all third-sector organisations should follow practices that fully recognise diversity in all its forms (for example, diversity of background, thought and experience, as well as the protected characteristics defined by the Equality Act 2010). This is a vital part of good governance and underpins the five core principles. Diversity is essential for boards to be effective and informed, and to make better decisions.

## The five core principles

The five core principles are:

- organisational purpose
- leadership
- board behaviour
- control, and
- effectiveness.

They are explained in more detail over the following pages.

## Organisational purpose

### Summary statement:

**'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 are ultimately responsible for directing the activity of our organisation and delivering its stated purpose.

### We will do this by:

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

## Leadership

### Summary statement:

**'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 our organisation's vision and values, and making sure these underpin all our decisions and activities
- having a clear understanding of the trustees' individual and collective roles and responsibilities
- demonstrating good leadership and behaviour, and creating an inclusive culture through our own performance
- promoting equality and diversity throughout our organisation

- communicating with our staff, volunteers and members about our vision for our organisation and the decisions we make, and listening to feedback
- leading and overseeing progress and performance by closely examining information on activities and achievements and their long-term effect, and
- understanding and respecting the difference between governance and operations, delegating operational tasks where appropriate, while recognising that we are always accountable for our organisation's activities

## Board behaviour

### Summary statement:

**'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 effect and is fundamental to our organisation's reputation and success. We need to make sure our behaviour is consistent with our organisation's vision and values.

### We will do this by:

- being open and honest about how we govern, who we are, and the decisions we make
- making sure our organisation promotes equality and diversity and incorporates ethical standards in the policies, practices and culture of our organisation
- listening to each other, the people who benefit from our work and our members, employees, volunteers and other interested parties, and respecting the role they each play
- handling concerns and complaints openly, fairly and constructively
- recognising and acknowledging where conflicts of interest may arise, and
- creating a constructive environment where different, and sometimes conflicting, views are respected and welcomed, and decisions are reached collectively.

## Control

### Summary statement:

**'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 our organisation is run in line with its purposes and values, its governing documents, and relevant legal and regulatory requirements.

### **We will do this by:**

- maintaining and regularly reviewing policies, procedures and reporting arrangements (for example, our internal governance, safeguarding, fundraising and financial controls)
- making sure our scrutiny and decision-making processes are thorough, informed, clear, well-timed and communicated effectively
- understanding and analysing the internal and external operating environments of our organisation to create effective strategies and systems for managing risk
- monitoring and evaluating performance against operational plans and budgets
- making sure any contracts are agreed and carried out in line with the interests of our organisation and our values
- considering whether our organisation's legal and governance structure provides appropriate protection for our organisation, our trustees and members
- making sure there are effective financial controls in place and that we receive clear information so we can monitor our organisation's financial position, and
- being clear about how and when we delegate responsibilities to staff, volunteers or committees and how we oversee their roles.

## **Effectiveness**

### **Summary statement:**

**'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 work together as a team, with an appropriate range and balance of skills and experience, to continually improve the governance of our organisation.

### **We will do this by:**

- understanding the legal structure and governing documents of our organisation, and making sure we act in line with them
- setting and monitoring the strategic direction of our organisation
- regularly reviewing our performance and the skills on the board
- developing and improving our capability through ongoing support and training
- having a clear plan and process in place for replacing trustees when their time on the board comes to an end, which is linked to the strategic direction of our organisation
- following any rules for how trustees are elected and how long they serve
- having a clear and well-timed recruitment and induction process for trustees



- making sure we use our meetings to explore important issues and reach informed decisions that are recorded and acted on
- making sure that meetings are well-organised, well-informed and effectively chaired, and that people actively take part, and
- communicating with those who have a legitimate interest in the work of our organisation.

## Tell us what you think

We would like to hear from you if you have any suggestions for ways the code could be improved or made more user-friendly.

To get in touch, please visit our website at  
**[governancecode.scot](https://governancecode.scot)**

Or email  
**[enquiries@scvo.scot](mailto:enquiries@scvo.scot)**



# Scotland's Third Sector Governance Forum

