



## **CODE OF GOVERNANCE 2021**

### **1.0 INTRODUCTION**

A code of governance sets out the standards that Associations can reasonably be expected to achieve if they are to be well governed. Typically, standards cover the role and membership of Boards, the key tasks involved in effective strategic leadership, and the checks and balances necessary to protect the interests of stakeholders.

Many such standards are more or less generic, and might sensibly be applied across Associations in any sector. The distinctive social purpose and funding model of RSLs, however, call for a code tailored to reflect the need to protect and promote the interests of their residents and the communities they serve, while safeguarding public and private investment in social housing and maintaining public trust in the sector.

For these reasons, this code seeks make sure that:

- ✓ The views and needs of residents and other customers are at the heart of strategic decision-making,
- ✓ Robust oversight of measures to keep residents, other customers and staff safe is in place.
- ✓ The Association exerts a firm grip of risk, including thoroughly testing the impact of potential risk scenarios on the Association's future plans.

Reflecting developments in the wider understanding of good governance, we place considerable emphasis on:

- ✓ Accountability to stakeholders, including residents and other customers
- ✓ Equality, diversity and inclusion in governance
- ✓ Environmental sustainability
- ✓ Associational culture.

### **2.0 PRINCIPLES & REQUIREMENTS**

The code sets out four core principles, and a set of requirements with which we comply with.

These requirements are set out in the four sections. They are phrased as a description of a compliant Association, and are designed to be specific and measurable, such that Associations should be able to identify and record evidence that they comply with each one, and thus with the code as a whole.

The four principles underpinning the code

(1) **Mission and values:**

The Board sets and actively drives the Association's social purpose, mission, values and ambitions, and through these embeds within the Association resident focus, inclusion, integrity, openness and accountability.

(2) **Strategy and delivery:**

The Board sets ambitions, plans and strategies which enable the Association to fulfil its social purpose and remain viable and sustainable, and exercises demonstrable and effective oversight of its delivery.

(3) **Board effectiveness:**

The Association is led by a skilled and diverse Board which regularly reviews and capably manages its own performance and effectiveness, and ensures that it complies with this code.

(4) **Control and assurance:**

The Board actively manages the risks faced by the Association, and obtains robust assurance that controls are effective, that plans and compliance obligations are being delivered, and that the Association is financially viable.

## Principle 1

### Mission and values

The Board sets and actively drives the Association's social purpose, mission and values and through these embeds within the Association resident focus, inclusion, integrity, openness and accountability.

### Requirements

1.1 **Mission:** The Board leads the Association in pursuit of achieving its social purpose. The Board sets the Association's mission and values, and regularly reviews and reaffirms their relevance.

1.2 **Resident focus:** the needs and safety of the Association's current and future residents and other customers are placed at the heart of the Board's decision-making.

(1) The Association regularly reports to its residents on how its commitments to resident focus have been delivered.

(2) There are policies, frameworks and opportunities which enable, encourage and support residents and other customers to engage with, influence and contribute to strategic decision-making.

The Board has access to insight into the views and needs of the Association's residents and other customers (including insight into their concerns and complaints) and

(1) uses this to inform decisions where appropriate.

(2) There are policies in place which reflect that the safety of residents and other customers (as well as that of the workforce and the wider public) is an overriding priority, and the Board regularly seeks assurance on their operation

1.3 **Equality, diversity and inclusion:** The Board demonstrates a clear and active commitment to achieve equality of opportunity, diversity and inclusion in all of the

Association's activities, as well as in its own composition. It has policies and statements which meaningfully demonstrate this commitment and sets priorities and objectives for the Association to achieve.

- ✓ The Board seeks regular assurance about how these commitments and objectives are being delivered in practice, and tracks progress against the priorities it has set.
- ✓ The Association annually publishes information about its work to deliver these commitments and objectives, and the progress it has made.

**14 Culture:** The Board regularly considers and defines the culture and behaviours that will best enable the Association to deliver its mission and values.

- ✓ The Board leads by example and promotes the culture of the Association.
- ✓ The Board seeks regular assurance that its desired culture and behaviours are being enacted in practice in alignment with its mission and values.

**15 Integrity:** The Board, its members and the Association maintain high standards of probity and conduct.

- ✓ The Board adopts a formal code of conduct to which all its members adhere.
- ✓ The Board has clear policies and procedures for its members to identify, declare, record and manage any actual, potential and perceived conflicts of interest.
- ✓ There is a publicly available register for Board and committee member declarations of interest which is reported on annually to the Board.
- ✓ Where there is a material conflict of interest, any individual concerned withdraws from the Board's discussions and decisions on relevant matters.
- ✓ In the case of a fundamental or ongoing material conflict, the Board determines whether the person concerned should cease to be a Board member.

**16 Accountability:** The Board operates openly and transparently, and demonstrates accountability to key stakeholders including residents, other customers, and partner statutory bodies.

- ✓ The Board publishes information annually about the Association's activities, performance and plans for future improvements, which is accessible to its key stakeholders and covers the matters referred to in this code.
- ✓ The Association systematically identifies and regularly communicates with its key stakeholders and receives feedback about their views. In doing so it has regard to the communication needs of the diverse groups and communities it serves.
- ✓ Opportunities and information are provided for residents and other customers independently to scrutinise the work of the Association and to hold it to account, and the Board reviews these arrangements regularly to ensure that they remain fit for purpose.
- ✓ The Association publishes clear and up-to-date information about its Board members, Committees and governance.
- ✓ The Association responds in a considered, open and transparent way to requests for information about its work, activities, and decisions made by the Board; where it cannot provide certain information, it gives clear reasons as to why this is the

case.

- ✓ The role of members in the governance of the Association is documented and understood.
- ✓ We are open with the membership and have a published policy

**1.7 Reputation and trust:** The Board takes into account in its actions and decisions the importance of maintaining trust in the Association and upholding its reputation.

## **Principle2**

### **Strategy and delivery**

The Board sets ambitions, plans and strategies which enable the Association to fulfil its social purpose and remain viable and sustainable, and exercises demonstrable and effective oversight of their delivery.

### Requirements

- 21 Strategy, resources and plans:** The Board sets the Association's overall direction and strategy in line with its charitable, community benefit or other constitutional purposes.
- ✓ The Board sets financially sustainable plans to ensure that the Association has the resources it needs to deliver its strategy.
  - ✓ The Board gives specific consideration in setting such plans to value for money,
  - ✓ financial sustainability, carbon neutrality and environmental sustainability, and social sustainability.
- 22 Structures:** Associational and governance structures support the delivery of the Association's social purpose and strategic objectives.
- ✓ Structures are designed to support effective delivery and oversight of strategy, are clearly set out, and are regularly reviewed to ensure they remain fit for purpose.
  - ✓ The Board considers regularly whether the Association's purpose could be better achieved through changes to its group, governance or staffing structures.
- 23 Working with others:** Within the Association's overall corporate strategy (or associated strategies and plans) there is consideration given to whether and how active cooperation, collaboration, joint working or formal partnership with other organisations could enable it to deliver its social purpose and strategies more effectively and economically.
- 24 The Chief Executive:** The Association has a Chief Executive, or equivalent, with the delegated authority to oversee and manage operational delivery of the strategies set by the Board.
- ✓ The responsibilities of, and delegations to, the Chief Executive are clearly set out.
  - ✓ The Chief Executive has a formal contract of employment; this and the remuneration under it are reviewed regularly, with independent advice as required.
  - ✓ The Chief Executive's remuneration package is set at a level which is proportionate to the Association's size, complexity, level of risk, and resources; it is also aligned with the Association's social purpose and wider reputation.
  - ✓ If the Chief Executive's contract is to be terminated, any extra-contractual severance

payments or benefits are approved by the Board with the reasons, costs and any reputational risks clearly minuted.

- ✓ There is a formal process for the Chief Executive's annual appraisal, overseen by the Board or an appropriate committee.
- ✓ The Chief Executive may call an Executive Committee meeting when required between Board Meetings to ensure that urgent business of the Association can be delivered efficiently and effectively.

**25 Employees:** The Board ensures that its human resources policies and practices support the success of the Association and reflect its values and its commitments to equality, diversity and inclusion.

- ✓ The Board has access to insight into the views of staff, such that their opinions and needs are understood, and influence the Board's decisions as appropriate.
- ✓ The Board determines a strategy for remuneration of the workforce which is aligned to the Association's size and complexity, and to its purpose and values.
- ✓ The Board has policies on the safety and wellbeing of its workforce and reviews their effectiveness.

**26 Performance:** The Board has demonstrable oversight of the Association's performance.

- ✓ The Board exercises active and regular oversight of delivery of strategies and plans. This includes scrutinising key operational and financial performance information, and information concerning resident insights and satisfaction.
- ✓ The Board has assurance that the reports it receives provide an accurate picture of performance.

### **Principle3**

#### **Board effectiveness**

The Association is led by a skilled and diverse Board which regularly reviews and capably manages its own performance and effectiveness, and ensures that it complies with this code.

#### **Requirements**

**3.1 Roles and responsibilities:** the statutory and governance roles and responsibilities of the Board, of its individual members, office holders and of others who work to the Board are clearly set out.

- ✓ The Board elects or appoints a Chairperson with appropriate skills to be responsible for leading the Board and ensuring its effectiveness.
- ✓ The Chairperson does not chair the committee responsible for audit, nor does the Chairperson chair the committee responsible for remuneration.
- ✓ Where there are Co-opted Board members, the Board formally records and publishes policies about the role they play on the Board and Committees, and makes clear those matters for which they must leave the meeting, or not participate in debate or decision making.
- ✓ The roles of Chairperson and Committees (and those of Vice- Chairperson and Treasurer) are clearly recorded.
- ✓ There is a clear, documented framework setting out delegations to staff and Committees.

**3.2 Functions of the Board:** there is a record of the essential functions and other matters which are reserved for Board decision and cannot be delegated. In addition to matters set out in law, statute, regulations and in the Association's constitution these include as a minimum:

- ✓ Setting and ensuring compliance with the values, vision, mission and strategic objectives of the Association, ensuring its long-term success.
- ✓ Establishing a culture that is positive, focused on the needs of current and future residents, other customers and other key stakeholders, and embeds equality, diversity and inclusion in the Association.
- ✓ Ensuring the Association operates effectively, efficiently and economically.
- ✓ Appointing and providing oversight, support, direction and constructive challenge to the Association's Chief Executive.
- ✓ Satisfying itself as to the integrity of financial information, and setting and approving each year's budget, business plan and annual accounts prior to publication.
- ✓ Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance and reputation of the Association.
- ✓ Holding to account the Association's Committees and Chief Executive senior for the exercise of any powers delegated to them.

**3.3 Board composition:** Board members have the attributes and time needed to govern effectively, and each member exercises independent judgement in doing so.

- ✓ The Association determines, documents and regularly reviews the Board composition best suited to its needs;
- ✓ The Board has between 7 and 15 members, including any co-optees
- ✓ Co-opted Board members, if appointed, are in a minority.

**3.4 Board election, selection and appointment:** The Board has a diverse membership with the collective skills and attributes needed to govern effectively.

- ✓ The Board understands, states and regularly reviews the collective skills and attributes it requires to be effective.
- ✓ Prospective Board and committee members undergo an open and merit-based assessment process to establish their suitability. Where the Association's constitution provides for one or more Board members to be nominated by an external body, or directly elected, the Association ensures that those coming forward have the necessary attributes and qualities, and that they are aware of the responsibilities of the role, including those of exercising independent judgement.
- ✓ The membership of Board and Committees comprises people with diverse backgrounds and attributes, having regard to the diversity of the communities the Association serves and in line with the Association's stated commitments to equality, diversity and inclusion.
- ✓ People with direct lived experience of (or particular insight into) the communities served by the Association are meaningfully engaged in governance structures.
- ✓ Shareholders who are not Board members are supported and informed to play their proper constitutional role in the Association's governance and in particular in the election of Board members.
- ✓ The Association annually publishes information about the appointment of new Board members, and about the diversity, skills and attributes of all the Board members.

**3.5 Committees:** Committees are established where the Board determines that they will enable it to exercise more effective scrutiny, control or oversight of particular areas of the Association's activity.

- ✓ Each committee has formally recorded terms of reference (Remit) approved by the Board, and reports regularly to the Board on its work and the exercise of any delegated authority.

The membership of Committees is determined on the basis of the skills, attributes and diverse characteristics which the Board determines are appropriate.

**3.6 Tenure and renewal:** tenure for Co-opted Members complies with the Association's constitution and is managed so as to enable the Association to achieve an appropriately skilled, diverse and independent Board membership.

- ✓ The Board has a strategy for its own renewal which is based on an agreed statement of the skills, qualifications, diversity and other attributes required.
- ✓ Where a member is at the end of a term of office and is eligible for reappointment this is subject to considering the member's performance and skills, and the needs of the Board.
- ✓ There is no maximum tenure but anyone who has been in office for 9 consecutive years will, at the point they are next up for re-election, require to be assessed as being able to demonstrate "independent challenge, objectivity and continued effectiveness" as required by the Scottish Housing Regulator (and the Associations constitution).

**3.7 Conduct of business:** The Board and its Committees conduct their business efficiently, and on the basis of an appropriate level and quality of information.

- ✓ The Board has appointed (and is responsible for the removal of) a company secretary / Chief Executive who is accessible to all Board and committee members and accountable to the Board for advising on governance matters.
- ✓ Board and committee meetings are quorate.
- ✓ Scheduled Board and committee meetings are based on agendas and documents circulated well in advance. Decisions and the main reasons for them are recorded in the minutes.
- ✓ For urgent decisions that are required between Board meetings, the Executive Committee shall meet in order that decisions can be taken efficiently.
- ✓ Meetings are fully inclusive and accessible, with adjustments made as necessary so that all members are able to attend and participate.
- ✓ Where meetings are conducted remotely, arrangements are made and support provided so that all members can fully participate and contribute.
- ✓ There is a policy and procedure setting out how disputes and grievances involving members of the Board can be raised, and how they are responded to.

**3.8 Board performance, review and learning:** The Board reviews and seeks to improve its performance.

- ✓ All Boards and Committees consider their effectiveness annually and assess how they conduct their business, including their:
  - ❖ Composition, skills, experience and diversity.
  - ❖ Effectiveness in role-modelling the desired culture, values and behaviours of the

Association.

- ❖ Governing instruments, delegations, regulations, standing orders, structures, systems and other formal documentation as referred to in this code.
- ❖ Timing and frequency of meetings.
- ❖ Format of agendas, quality and scope of papers, minutes and communications.
- ❖ Effectiveness of decision-making, including how the views and needs of key stakeholders, including residents and other customers, have informed decisions.
- ❖ Compliance with this code and legal duties.

- ✓ These matters are regularly and formally reviewed.
- ✓ All new Board and committee members receive a full induction.
- ✓ All members have an agreed programme of ongoing learning and development opportunities. This includes addressing any needs identified through the appraisal process.

**3.9 Member appraisal:** a full, rigorous and documented appraisal process for the individual members of the Board and its Committees, including the chairs, is carried out at least every two years.

- ✓ The appraisal of the Board's chair is led by a senior Board member, informed by the views of all Board members.
- ✓ There is an appropriate process for responding to under-performance by individual Board members, and to any conduct which may breach policies or codes.

**3.10 Compliance with this code:** a compliance statement is published with the annual report, with an explanation given for any non-compliance.

- ✓ Where the formal constitution of an Association conflicts with the code, the constitution takes precedence.
- ✓ Where a statement of non-compliance is needed it sets out:
  - (a) The reasons for non-compliance, and an explanation of how the relevant principle in this code is being upheld.
  - (b) Summary plans for the achievement of compliance, if applicable.

All policies, documents and statements referred to in this code are formally recorded as appropriate and are regularly reviewed.

## **Principle 4**

### **Control and assurance**

The Board actively manages the risks faced by the Association, and obtains robust assurance that controls are effective, that plans and compliance obligations are being delivered, and that the Association is financially viable.

### **Requirements**

**4.1 Audit:** The Board has formal and transparent arrangements ensuring that the Association is financially viable and maintains both a sound system of internal audit and controls and an appropriate relationship with its external auditors.



- (1) The Board can have confidence in the information it receives and there are robust internal controls and systems for business and control assurance in place which are reviewed annually.
- (2) There is a committee primarily responsible for audit, and there are arrangements for effective internal control assurance and audit functions.
- (3) The Association's external auditors are independent and effective, and their appointment is reviewed at least every six years.

**4.2 Finance, Audit & Corporate Governance Committee:** This committee

- (1) meets regularly and its minutes are available to the Board.
- (2) exercises oversight of the internal and external audit functions.
- (3) Is able to meet annually with the external auditors with only Board members present
- (4) The Convenor is a member of the Board and regularly reports to it.
- (5) includes at least one person with recent and relevant financial experience, proportionate to the size and complexity of the Association.

**4.3 Risk:** The Board retains ultimate responsibility for risk management and ensures that appropriate risk management arrangements are in place.

- (1) The Board has a suitable risk management framework in place; it understands the Association's risk profile and the effectiveness of key controls.
- (2) The Board establishes and documents its appetite for the risks the Association faces in pursuit of its strategy.
- (3) The Board ensures that the Association is resilient to the risks it may face, with appropriate mitigations and a suitably comprehensive, tested and up-to-date business continuity plan.
- (4) The Board includes members with skills and experience appropriate to the level and type of risks faced by the Association.  
The Board regularly reviews the risks the Association faces and how they are being managed; this includes the risks associated with activities carried out by subsidiaries or partnership vehicles

**4.4 Regulatory and other Stakeholder Requirements:** The Board monitors operations to ensure that all appropriate requirements and guidance are considered and met, in particular in relation to:

- (1) The Scottish Housing Regulator
- (2) Office of the Scottish Charity Regulator (OSCR)
- (3) The Financial Conduct Authority
- (4) Lenders
- (5) Legal Services Providers
- (6) IT Advisors

**4.5 Whistleblowing and confidential concerns:** there are clear and well-publicised arrangements for members of staff and others associated with the Association to raise confidential concerns with a designated non-executive member of the Board (other than the chair), where these are serious concerns and cannot appropriately be raised through the usual channels, and for these to be dealt with through proportionate and independent investigation as necessary.

- (1) The Board ensures that appropriate whistleblowing policies and procedures are in place.
- (2) The Board (or an appropriate committee) regularly receives an account of matters raised under these policies, and actions taken in response.
- (3) If a Board member has concerns about the Board or the Association that cannot be resolved, these concerns are shared with the Board and formally record.

## **5.0 RELATED POLICIES AND PROCESSES**

The following policies are also related to this Code of Governance:

Code of Conduct for Governing Body Members  
 Committee Member Role Description  
 Role Description of Chairperson  
 Whistleblowing Policy  
 Committee Declarations of Interest Process  
 Equality and Diversity Policy  
 Committee Skills Development Policy  
 Executive Committee Remit

## **6.0 POLICY REVIEW**

This policy will be reviewed at least every 5 years.

30<sup>th</sup> September 2021

### **Policy Consultation and Review Process**

Considered by Finance, Audit and Corporate Governance Committee	9 <sup>th</sup> September 2021
<b>APPROVED BY THE BOARD OF MANAGEMENT</b>	30 <sup>th</sup> September 2021
<b>Date of next scheduled Review</b>	<b>September 2026</b>