

Regulatory Standards of Governance and Financial Management



5. Regulatory Standards of Governance and Financial Management

Introduction

5.1. This section sets out our Regulatory Standards of Governance and Financial Management and our guidance. All RSLs must comply with these standards and guidance and, by doing so, demonstrate effective governance and sound financial management and deliver good outcomes for tenants. The standards are such that any RSL can apply them flexibly to suit their individual organisations. We expect RSLs to use these standards and guidance to assess, confirm and improve their governance and financial management policies and practice and be accountable to their tenants and other service users.

5.2. Our Regulatory Standards and the associated guidance meet our duties under Part 3 of the Housing (Scotland) Act 2010 (“the Act”).

5.3. We will refer to the standards and guidance when we fulfil our statutory function to monitor, assess, and report on RSLs’ financial well-being and standards of governance. It is for each RSL to govern and manage its own business and performance and decide how it will comply with these standards and guidance and be accountable for its actions.

5.4. Charity trustees (governing body members of RSLs with charitable status) need to adhere to the particular restrictions or requirements relating to charity law and regulation and take account of the implications of charitable status in each decision they make.

5.5. When we refer to the governing body we mean the management committee or board of management of an RSL. When we refer to the senior officer we mean the most senior member of staff employed by the RSL, usually the Chief Executive or Director. Some RSLs do not employ staff but use agents on their behalf; the references to staff should be applied appropriately to agents. We also use the term “executive” to refer to the employees of the RSL to distinguish them from the “non-executives” who are the members of the governing body who are not employees.

5.6. When we refer to governance we mean the arrangements for the leadership, strategic direction and control of an RSL. A well-governed RSL delivers good tenant outcomes; demonstrates strong and effective leadership; manages and mitigates risk sensibly; is open and accountable; and maintains high ethical standards. An RSL with poor governance can experience problems with achieving good tenant outcomes, and put at risk the viability of the organisation, stakeholders’ confidence, and the good reputation of the sector.

Regulatory Standards

5.7. Our six Regulatory Standards and the respective guidance are applicable to every type of RSL and we require all RSLs to comply with them from 1 April 2012 (other than our specific requirement about governing body members seeking re-election after nine years which takes effect from April 2015).

5.8. It is for each RSL to decide how it meets the standards and complies with guidance, based on its local context and individual circumstances. RSLs are responsible for the standards of conduct within their own organisations and are publicly accountable to their tenants, other service users, funders and other stakeholders for the governance decisions they make.

5.9. We require RSLs to assess their governance structures and arrangements against the standards and identify and take any actions needed to comply with the standards. RSLs should continue to assess compliance with the standards and guidance and report its performance to its tenants. We require RSLs to notify us formally of any area of non-compliance and tell us how this will be addressed. When we assess compliance with the standards and guidance we will take account of the RSL’s own assessment of its compliance, and the evidence of compliance. Periodically, or where we have potential concerns, we will carry out an inquiry and review an RSL’s assessment in order to form a view about the standards of governance and financial management within the RSL and across the sector. We may publish our findings from reviews and inquiries.

5.10. We will focus strongly on governance in individual RSLs with the aim of improving and strengthening the effectiveness of governance across the sector. When we engage with RSLs about governance we will engage directly with the governing body. We will hold the governing body to account in meeting these standards and, where appropriate, use our regulatory intervention powers to ensure compliance.

Constitutional requirements

5.11. Every RSL is formally constituted, to date either as a registered society (a society registered under the Co-operative and Community Benefit Societies and Credit Unions Act 1965) or as a company limited by guarantee, but other constitutional models are possible. The constitution of the RSL (usually called the Rules in a registered society and the Memorandum and Articles in a company) establishes the organisation and its purpose, and sets out the details of how the organisation is to be governed.

5.12. We publish our constitutional requirements so that it is clear what we have regard to when we consider an application from an RSL to amend its existing constitution or when we assess applications from organisations to register as a social landlord.

Payments and benefits

5.13. The Act does not restrict or prohibit payments and benefits to governing body members and employees. So it is for each RSL to decide if, and how, it wants to manage payments and benefits to its governing body members, staff, and their close relatives. Where an RSL exercises its discretion and does decide to make such payments we require it to do so within a clear policy framework to make sure it acts with transparency, honesty and propriety and avoids any public perception of improper conduct. Where an RSL has subsidiaries it must ensure any payments and benefits to subsidiary governing body members are included in the policy. Charitable RSLs also need to be mindful of complying with the Charities and Trustee Investment (Scotland) Act 2005 and any associated guidance from the charity regulator when considering payments or benefits to charity trustees.

5.14. We require any RSL intending to pay its governing body members to take account of independent guidance and good practice in setting payment amounts and linking payments to specified duties. There must also be a clear process for assessing performance in carrying out these duties. The RSL must also publish details of all governing body payments in its annual accounts.

5.15. The Act also permits employees to become executive members of the governing body (if the RSL's constitution permits that). In such a case, we require these executive governing body members to be in the minority, not to hold any office and not to be able to form a quorum. The Chair must always be a non-executive member. Executive members of the governing body should not receive any additional payment for their governing body role over and above what they are entitled to under their contract of employment.

5.16. Governing body payments and employee remuneration are matters for the governing body. But RSLs use significant sums of taxpayer money and this comes with responsibilities around restraint and economic effectiveness. We will hold an RSL to account and may take regulatory action if we consider, with regard to industry standards and set scales, that an RSL has made excessive payments to either its governing body members or employees.

5.17. We require any concerns raised by auditors to an RSL about its approach to this area to be treated as "of material significance" in terms of section 72 of the Act and reported to us.

The governing body

5.18. The people on the governing body, and the skills and knowledge they collectively have, are the most significant contributors to the good governance of the RSL. Poor governance presents a corporate risk to an RSL. Therefore each RSL needs to be confident that it has the appropriate mix of experience and objectivity on its governing body which best enables it to give effective strategic direction and deliver good tenant outcomes.

5.19. We require RSLs to formally and actively plan to ensure orderly succession to governing body places to maintain an appropriate balance of skills and experience and to ensure progressive refreshing of the governing body. Most RSLs are subject to a democratic process, as set out in their constitution, to fill any vacancies on the governing body at the annual general meeting (AGM) of the RSL. This can involve an election of candidates to vacancies on the governing body which is subject to the votes of members attending the AGM. To maximise the opportunities for accountability that this process offers, we expect RSLs to encourage as diverse and strong a membership as is compatible with their constitutions and to actively engage this membership.

5.20. To ensure a continuity of good governance each governing body needs to assess annually the skills, knowledge, diversity and objectivity that it needs for its decision-making, what is contributed by continuing governing body members, and what gaps there are that need to be filled. Based on this assessment the RSL can then openly publicise to its full membership, and to others who may wish to become governing body members, what skills it needs and what vacancy opportunities there are. This will encourage the election of governing body members from the strongest pool of available talent. The RSL, by its active participation in the democratic process, can work towards ensuring its governance is as strong and effective as it needs to be.

5.21. All governing body members need to be subject to annual performance reviews to assess their contribution and effectiveness. The governing body needs to take account of these annual performance reviews in its succession planning.

5.22. Having a mix of established and new members on the governing body is key to achieving good governance because the RSL benefits from both experience and new ideas. The in-depth knowledge and understanding of experienced members is vital. However, new members can bring an essential objectivity and independent challenge to familiar practices and thinking. So, in terms of good governance practice, we consider that the RSL should review whether a governing body member who has been in place for nine years – which would in most cases be three, three-year terms – is still able to demonstrate this objectivity and independent challenge. The governing body must be assured that any member seeking re-election after nine years' continuous service is able to demonstrate their continued effectiveness in this regard. We require full compliance with this requirement as set out in Regulatory Standards 6.1 and 6.2 from 1 April 2015.

5.23. Irrespective of how governing body members are selected, the RSL must ensure they are capable of exercising their role effectively – in the interests of tenants and other service users and to protect public investment. This will often require governing body members to gain, or refresh, skills and expertise. This in turn creates an obligation on RSLs to communicate responsibilities to prospective and current governing body members and to take all necessary steps to assist new members. Consequently we require RSLs to ensure there are effective induction programmes in place for new governing body members which give them the necessary information and support to understand their role, powers and duties as non-executive members in the governance of the organisation. The RSL also needs to provide existing governing body members with ongoing support and training to sustain their continued effectiveness.

5.24. An RSL's code of conduct sets out the standards of conduct expected of their governing body members, both individually and collectively. We require RSLs to adopt and comply with an appropriate code of conduct.

Governance and financial management targets

5.25. Section 37 of the Act states that we may set financial management and governance targets specifying standards of financial management and governance which RSLs must aim to achieve by a specified time. These targets may be set for different RSLs or at different times or for different cases – so the target may relate to all RSLs or groups or types of RSLs depending on the issue to be addressed. If we consider it necessary to issue a target for the sector we will, as required by section 37 of the Act, carry out consultation.

5.26. The requirement to consult does not apply where the financial management or governance target affects only one RSL or where we consider that there is an urgent need to set the financial management or governance target.

5.27. When we set a target for one RSL, we will specify the standard to be achieved and the timescale. The purpose of an individual target depends on the individual circumstances of the RSL and the nature of the issue to be addressed. Where we consider it necessary to set a governance or financial management target for an individual RSL, we will make reference to the Regulatory Standards which apply. We will also reflect this in a published Regulation Plan for that organisation.

Upholding regulatory standards

5.28. We will take action and may, if necessary, use regulatory intervention powers to safeguard the interests of tenants and other service users where a failure to achieve the Regulatory Standards or guidance indicates poor governance or poor financial management. Our decision on what action or intervention to take will be based on the extent and nature of the failure to comply with the Regulatory Standards and guidance.

5.29. RSLs must notify us immediately if there is, or is likely to be, a failure to comply with the Regulatory Standards and guidance or a breach of the governing body's own code of conduct. The RSL should take its own actions to deal effectively with the event and to satisfy us that its actions protect the interests of the organisation and its tenants and comply with Regulatory Standards.

5.30. We also expect auditors to consider a significant failure to comply with the Regulatory Standards and guidance or a significant breach of the governing body's own code of conduct as of material significance under section 72 of the Act.

Audit guidance

5.31. For RSLs that we identify as having systemic importance we require a tailored level of assurance which goes beyond that which we specify for all RSLs in the Regulatory Standards.

5.32. We will require an RSL of systemic importance to have a clear focus on, and a defined approach to, the management of risk and to have an audit committee as part of its risk management and internal control systems; to carry out internal scrutiny and give necessary assurance to the governing body.

5.33. Our additional audit guidance is at Regulatory Standard 3 (3.8 to 3.12) for RSLs with systemic importance and is set out separately. We require RSLs of systemic importance to implement and comply with this additional guidance. As part of our risk assessment and regulation planning process we may also identify other RSLs where we need to require the RSL to implement the audit guidance. We will note these requirements in the published regulation plan for the RSL.

5.34. While compliance with our audit guidance is not mandatory for all RSLs, we encourage those RSLs not directly affected by these provisions to consider their merits.

Regulatory Standards of Governance and Financial Management

Regulatory Standards

1. The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.
2. The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.
3. The RSL manages its resources to ensure its financial well-being and economic effectiveness.
4. The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.
5. The RSL conducts its affairs with honesty and integrity.
6. The governing body and senior officers have the skills and knowledge they need to be effective.

Regulatory Standards and Guidance

Standard 1

The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.

Guidance

- 1.1.** The governing body sets the RSL's strategic direction. It agrees and oversees the organisation's strategic and financial plans to achieve its purpose and intended outcomes for its tenants and other service users.
- 1.2.** The RSL's governance policies and arrangements set out the respective roles, responsibilities and accountabilities of governing body members and senior officers, and the governing body exercises overall responsibility and control of the strategic leadership of the RSL.
- 1.3.** Decision-making complies with the RSL's constitution (which adheres to Regulatory Standards and constitutional requirements) and its legal obligations.
- 1.4.** All governing body members accept collective responsibility for their decisions.
- 1.5.** Governing body members and senior officers understand their respective roles, and working relationships are constructive and effective. The governing body provides the necessary challenge and holds the senior officer to account for his/her performance.
- 1.6.** Each governing body member always acts in the best interests of the RSL and its tenants and service users, and does not place any personal or other interest ahead of their primary duty to the RSL. The RSL maintains its independence by conducting its affairs without control, undue reference to or influence by any other body (unless it is constituted as the subsidiary of another body).

Standard 2

The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.

Guidance

- 2.1.** The RSL gives tenants, service users and other stakeholders information that meets their needs about the RSL, its services, its performance and its future plans.
- 2.2.** The governing body recognises it is accountable to its tenants, and has a wider public accountability to the taxpayer as a recipient of public funds, and actively manages its accountabilities. It is open about what it does, publishes information about its activities and, wherever possible, agrees to requests for information about the work of the governing body and the RSL.
- 2.3.** The RSL seeks out the needs, priorities, views and aspirations of tenants, service users and stakeholders. The governing body takes account of this information in its strategies, plans and decisions.
- 2.4.** The RSL is open, co-operative, and engages effectively with all its regulators and funders, notifying them of anything that may affect its ability to fulfil its obligations. It informs the Scottish Housing Regulator about any significant events such as a major issue, event or change as set out and required in our notifiable events guidance.

Standard 3

The RSL manages its resources to ensure its financial well-being and economic effectiveness.

Guidance

3.1. The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

3.2. The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks. Where the RSL makes use of financial derivatives it applies the guidance at 3.13.

3.3. The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

3.4. The RSL bases its financial forecasts on appropriate and reasonable assumptions and information.

3.5. The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

3.6. The governing body sets the employee remuneration levels at a level to be sufficient to ensure the appropriate quality of staff to run the organisation successfully but avoid paying more than is necessary for this purpose.

3.7. The RSL provides accurate and timely statutory and regulatory financial returns to the Scottish Housing Regulator.

Standard 4

The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

Guidance

4.1. The governing body ensures it receives good quality information and advice from staff and, where necessary, expert independent advisers, that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.

4.2. The governing body challenges and holds senior officers to account for their performance in achieving the RSL's purpose and objectives.

4.3. The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

4.4. Where the RSL is the parent within a group structure it fulfils its responsibilities as required in our group structures guidance to:

- (a)** control the activities of, and manage risks arising from, its subsidiaries;
- (b)** ensure appropriate use of funds within the group;
- (c)** manage and mitigate risk to the core business; and
- (d)** uphold strong standards of governance and protect the reputation of the group for investment and other purposes.

Standard 5

The RSL conducts its affairs with honesty and integrity.

Guidance

- 5.1.** The RSL conducts its affairs with honesty and integrity and, through the actions of the governing body and staff, upholds the good reputation of the RSL and the sector.
- 5.2.** The RSL upholds and promotes the standards of behaviour and conduct it expects of governing body members and staff through an appropriate code of conduct. It manages governing body members' performance, ensures compliance and has a robust system to deal with any breach of the code.
- 5.3.** The RSL pays due regard to the need to eliminate discrimination, advance equality and foster good relations across the range of protected characteristics in all areas of its work, including its governance arrangements.
- 5.4.** Governing body members and staff declare and manage openly and appropriately any conflicts of interest and ensure they do not benefit improperly from their position.
- 5.5.** The governing body is responsible for the management, support, remuneration and appraisal of the RSL's senior officer and obtains independent, professional advice on matters where it would be inappropriate for the senior officer to provide advice.
- 5.6.** There are clear procedures for employees and governing body members to raise concerns or whistleblow if they believe there has been fraud, corruption or other wrongdoing within the RSL.

Standard 6

The governing body and senior officers have the skills and knowledge they need to be effective.

Guidance

- 6.1.** The RSL has a formal, rigorous and transparent process for the election, appointment and recruitment of governing body members. The governing body annually assesses the skills, knowledge and diversity it needs to provide capable leadership, control and constructive challenge to achieve the RSL's purpose, deliver good tenant outcomes, and manage its affairs.
- 6.2.** The RSL plans effectively to achieve the appropriate and effective composition and profile of governing body members through ongoing performance evaluation and active succession planning. The governing body is able to assure that any non-executive member seeking re-election after nine years' continuous service can demonstrate their continued effectiveness.
- 6.3.** The RSL supports new governing body members with effective induction to enable them to exercise their governance responsibilities. Existing governing body members are given ongoing support and training to sustain their continued effectiveness.
- 6.4.** If the governing body decides to pay any of its non-executive members then it has a policy framework to demonstrate clearly how paying its members will enhance decision-making, strengthen accountability and ownership of decisions, and improve overall the quality of good governance and financial management.
- 6.5.** The governing body is satisfied that the senior officer has the necessary skills and knowledge to do his/her job.

Audit guidance

This guidance on audit requirements supplements Regulatory Standard 3 for RSLs of systemic importance:

3.8. The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor (where it has one).

3.9. The governing body has an audit committee of at least three non-executive members. The Chair of the audit committee is a non-executive member. The Chair of the governing body may be a member, but not the Chair, of the audit committee. The non-executive members are in the majority. The governing body is satisfied that at least one non-executive member of the audit committee has recent and relevant financial experience.

3.10. The main role and responsibilities of the audit committee are set out in publicly available terms of reference. These responsibilities include:

- (a)** monitoring the integrity of the financial statements of the RSL and any formal announcements relating to the organisation's financial performance, and reviewing significant financial reporting judgements contained in them;
- (b)** reviewing the RSL's internal financial controls (and also reviewing the RSL's internal control and risk management systems, unless this is expressly carried out by the governing body itself or a separate risk committee composed of non-executive members);
- (c)** monitoring and reviewing the effectiveness of the RSL's internal audit function (where one exists);
- (d)** making recommendations to the governing body in relation to the appointment, re-appointment and removal of the external auditor;

- (e)** approving the remuneration and terms of engagement of the external auditor, and the internal auditor (if there is one);
- (f)** reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (g)** developing and implementing the RSL's policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- (h)** reporting to the governing body, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

3.11. The audit committee monitors and reviews the effectiveness of the internal audit activities, including the use of the internal audit function to carry out non-audit duties, and reports this to the governing body on an annual basis. Where there is no internal audit function, the audit committee considers annually whether there is a need for an internal audit function and makes a recommendation to the governing body, and the reasons for the absence of such a function are explained in the relevant section of the annual report.

3.12. The audit committee must have primary responsibility for recommending the appointment, re-appointment and removal of the external auditor and the internal auditor (where one exists).

Financial derivatives

Our guidance on the use of financial derivatives supplements Regulatory Standard 3:

3.13. When an RSL makes use of financial derivatives the governing body ensures:

- (a) it only makes use of derivatives where the constitution allows this;
- (b) it obtains independent advice from a suitably qualified person registered with the Financial Services Authority (or relevant successor bodies) before entering into derivatives transactions; and it is aware of the independent adviser's actual or potential (current or future) conflicts of interest in providing advice;
- (c) it obtains legal advice before entering into an International Swaps and Derivatives Association master agreement with a counterparty;
- (d) derivatives are used to reduce or manage treasury risk and not for speculative purposes;
- (e) any product is denominated in sterling;
- (f) the RSL has carried out appropriate due diligence into the counterparty providing the derivative and is satisfied with the credit rating of the counterparty;
- (g) the RSL has the necessary systems of reporting and control in place so that it can demonstrate that it is not exposing itself to unnecessary risks by entering into derivative transactions; and
- (h) the RSL does not enter into a derivative when the nominal amount is in excess of its total outstanding and committed debt. For example, if the RSL has variable rate debt of £20 million and an additional £10 million of committed facilities, the maximum permitted nominal value of a variable to fixed rate swap would be £30 million;

3.14. In the case of Forward Rate Agreements, loans do not have to be drawn down prior to a derivative being entered into, but there must be a loan commitment in place and an expectation backed up by a business plan projecting that debt will be drawn down to match the derivative that is to be entered into.

Constitutional Requirements for Registered Social Landlords

The constitution of the RSL must ensure that the RSL complies with all statutory requirements (which are not replicated here) and that:

- 1.** It sets out clearly the RSL's purpose, objects and powers.
- 2.** The RSL is able to fulfil its obligations in terms of its legal status and (if relevant) its obligations as a registered charity. These obligations and how they will be met are set out in the constitution.
- 3.** There is a system for keeping accounts and ensuring an independent audit by an appropriately qualified person. There is a proper procedure for appointing an auditor. The governing body should take whatever measures are necessary to ensure the continuing independence of the auditor including periodic review of the need for audit rotation. The RSL must send a copy of its accounts and the auditor's report to the Scottish Housing Regulator within six months of the end of the period to which they relate.
- 4.** It is clear what investments and borrowing the governing body can authorise. If the RSL wishes to make use of financial derivatives then it can do so provided the constitution sets these out, they are restricted to Caps, Collars and Interest Rate Swaps, and the Regulatory Standards guidance at 3.13 is met in full.
- 5.** There is a procedure for dealing with disputes on matters contained within the constitution.
- 6.** It is clear how changes can be made to the constitution and that the Scottish Housing Regulator's consent is needed before a change can be made (other than a change of name, or change of registered or principal office, although notification to us will still be required).
- 7.** It is clear how the RSL can be closed down.

In relation to an RSL within a group structure:

- 8.** Each organisation within the group must have a distinct legal identity and separate constitution. The constitutional and financial relationships between all organisations in the group (registered or non-registered) must be documented formally and in terms that are transparent and understandable.
- 9.** If any of the organisations within the group are charities, the RSL's role and relationships with other group members are consistent with charity law.
- 10.** The constitutions of group members must enable the parent to exercise control and to take corrective action, where required.
- 11.** There are procedures in place designed to avoid conflicts of interest, particularly where members of the subsidiary's governing body are also members of the parent's governing body.
- 12.** Where it is constituted as a subsidiary of another body, the RSL's constitution permits control by the parent but with sufficient independence to carry out its business, within limits set by the parent.

With regard to the governing body of the RSL and the members of the governing body:
 - 13.** Recruitment to the governing body is open and transparent. It is clear who is eligible to become a member of the governing body and how to become a member of the governing body whether by election, nomination, selection, etc. and how membership is ended. There is a procedure for removing members from the governing body.
 - 14.** There is a procedure by which members stand down from the governing body to allow for a turnover in membership. Governing body members are appointed for specific terms subject to re-election or re-appointment.

15. The membership of the governing body must be no fewer than seven and not normally exceed 15 members, including co-opted members. Names of the governing body members must be accessible to the public.

16. The powers and responsibilities of the governing body are clearly set out.

17. The roles, powers and responsibilities of governing body office bearers are set out. And any delegation to committees or staff are clearly set out in standing orders and delegated authorities.

18. There are provisions for the RSL to remove a governing body member who does not sign up to the code of conduct and to take action against or remove a governing body member in breach of the code.

19. Where the constitution allows executive staff on to the governing body, they must be excluded from holding office, and cannot form a quorum or a majority.

20. It is clear what types of meetings can and should be held and their purpose. There are clear procedures to call all meetings, and it is clear what the quorum of meetings should be, how resolutions will be passed, and decisions recorded, and how many meetings should take place each year, subject to a minimum of six governing body meetings a year.

21. The governing body cannot act for longer than two months if its membership falls below seven. If at the end of that period it has not found new members then the only power it will have is to act to bring the governing body members up to seven.

22. There is a clear process to identify and address any conflicts of interest on the governing body.

23. The Chairperson's role is set out formally; the Chairperson is responsible for the leadership of the governing body and ensuring its effectiveness in all aspects of its role. There is a clear process to select the Chairperson, who cannot be an executive member, and must not hold office continuously for more than five years.

24. If the RSL pays any of its non-executive governing body members then it must ensure that:

(a) the governing body takes account of independent guidance in setting payment amounts;

(b) the payments are linked to specified duties and there is a clear process for assessing performance in carrying out these duties; and

(c) details of governing body payments are published in the RSL's annual accounts.

25. The role and status of co-optees is set out. Co-optees do not form part of any quorum required for meetings of the governing body and may not vote on matters directly affecting the constitution and membership of the organisation or the election or appointment of its office bearers.

With regard to the general membership of the RSL:

26. It is clear who is eligible to become a member of the RSL and who cannot, and it is clear how to become a member and how membership is ended. Names of the members must be accessible to the public.

27. Membership of the RSL should reflect the purpose and objects of the RSL.

28. There is a clear procedure, including the quorum and voting procedure, for the membership of the RSL to meet and it is clear what business the membership can discuss and what decisions it can make, subject to a minimum of one annual meeting.