Guide to Good Governance

Guidance for governing bodies of small to medium

sized third sector organisations

SCVO

Introduction

Why this guide

The governing bodies (for example Management Committees, Boards of Trustees) of third sector organisations have a significant part to play in their organisation. They must ensure the organisation is effective, responsible and accountable.

Members of a governing body are there to oversee and take responsibility for everything an organisation does. It is an important role and one not to be taken on without an understanding of what is involved.

However, it is not always easy for governing body members (for example Trustees, Management Committee members) to find out what they should be doing or how they should carry out their duties.

In addition, there is an increasing demand from external sources – funders, government, local authorities, public – for third sector organisations to demonstrate their ability to perform to a high standard.

This guide has been designed to help governing body members by:

- providing information about the functions that a governing body performs
- assisting individuals to understand more about governing body roles and responsibilities and potential liabilities
- encouraging the development and improvement of practice
- signposting to further information and resources.

Why now?

The governance of third sector organisations has received much attention in recent years. Why has there been this sudden interest in the topic?

Over the past two decades the voluntary sector has grown very rapidly in both size and significance. Amongst other things this development has given rise to:

- increased professionalism in voluntary sector organisations
- greater reliance on public funds
- increased scrutiny of organisational performance.

In addition to the general growth and development of the sector, there are three reasons that make good governance particularly important.

First, in the wake of 'board room' scandals (as they are often dubbed), the public, funders and beneficiaries (or service users) have an increased interest or concern about the way that third sector organisations are run.

Second, both the Scottish and UK governments are keen to ensure that third sector organisations are ready and able to play a part in the delivery and improvement of public services.

Third, the introduction of the first comprehensive charities legislation for Scotland - The Charities and Trustee Investment (Scotland) Act 2005, and the creation of the Office of the Scottish Charity Regulator (OSCR) - has raised interest in the quality of governance within third sector organisations in Scotland.

Who is the guide for?

There are an estimated 45,000 third sector organisations in Scotland[1]. Data from the Scottish Council for Voluntary Organisations (SCVO) indicates that 68% of these are small, that is they operate on an annual income of less than £25,000 per year. This guide has been prepared primarily to meet the needs in governing bodies of established third sector organisations of small to medium size.

Much of the material will be applicable to new or large organisations though we recognise that there are some issues for governing bodies of these organisations that warrant particular attention. Section Five provides an extensive list of publications that new or larger organisations may want to consult.

The guide has been written primarily for governing body members. Senior staff and advisers may also find it useful in their work with governing bodies.

Some people using this guide will be new governing body members; others will be more experienced and may be members of more than one governing body. Regardless of the amount of experience, new situations typically challenge understanding, knowledge and ability, and as a consequence there is always something new to learn, or improve. We hope that everyone using this guide will find something that meets their current interest or situation.

Terminology

The language of governance will change depending on the structure and status of the voluntary organisation. For ease of reading, this guide uses the generic terms **governing body**, **members of a governing body** and **governing document** (for example Memorandum and Articles, Constitution) to incorporate these differences.

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[1] SCVO Scottish Third Sector Statistics, 2012

How to use this guide?

The guide is divided into five sections:

One	Being part of a governing body
Two	How should the governing body work?
Three	Understanding your structure and legal status
Four	Developing governing bodies
Five	What next?

Each section contains: an introduction, a discussion of the area, with tips and questions to help the reader relate the topics covered to their own experience. References are included at the end of each section and the final section provides a further list of resources and publications. The contents page outlines the areas covered in each section.

You may of course want to read the guide from beginning to end, but it is anticipated that many readers will find it most useful to dip in and out, referring to information as needed.

The following chart has been designed to help you think about where to begin. The checklist of statements will help you to reflect on what you already know and what you want to know.

Read each of the statements and select, 'Yes', 'No' or 'Don't Know' for each. It is not a test. It will help you identify the things you have heard about and understand, and the concepts or topics that you know less about.

If you put a tick against **3** or more of the 'No' or 'Don't Know/ Want to know more' boxes in one section then you should consider using that section first. You may be using this guide as a group. In this case, comparing individual ratings or discussing each statement as a group can be a useful exercise in itself and may lead you to a different starting point.

Statements	Yes	No	Don't Know / I want to know more	For more go to section
I can describe what governance means				Section 1
I can explain the differences between governance and management				Section 1
I can explain why creativity is an important aspect of governance				Section 1
I can define the impact that stakeholders have on the governance of our organisation				Section 1
I can list the six core duties of the governing body				Section 2
I can describe what is meant by strategic planning				Section 2
I can explain what is meant by 'collective responsibility'				Section 2
I can describe the role of office bearers				Section 2
I can list the various legal forms that third sector organisations adopt				Section 3
I can describe the purpose of the governing document				Section 3
I can identify who regulates charities in Scotland				Section 3
I can explain what is a Scottish Charitable Incorporated Organisation				Section 3
I can explain why it is important to have a recruitment plan for new members of the governing body				Section 4
I can describe an 'induction' process				Section 4
I can explain the purpose of a review				Section 4
I can explain why leadership is important within the governing body				Section 4

Glossary of terms[2]

Activities	The actions, tasks and work a project or organisation carries out
Aims	Particular changes or differences the project or organisation plans to bring about for its beneficiaries, users of services, and/or communities.
Appraisal	A judgement of the extent to which the governing body is fit for purpose and competent to fulfil its obligations efficiently and effectively
Audit	An examination to ensure appropriate accountability of an organisation, especially finances
Beneficiaries	Those who benefit, and/or receive services, from the organisation
Connected Person	As defined within the Charity and Trustee Investment (Scotland) Act 2005, a connected person includes; immediate family members of the Trustee including domestic partners and their immediate families; companies, businesses and other organisations controlled by the Trustee or by an immediate family member or in which the Trustee and / or family member has a substantial interest; a Scottish partnership in which the Trustee or a connected person is a partner
Governing body	A general term used to describe an organisation's Governing Body. In practice they may be known as Management Committee, Executive Committee, Board, Governing Body or Council of Management, etc
Business Plan (sometimes referred to as	A document prepared to describe and guide the organisation. It generally projects future

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[2] Definitions have either been created by the writers or taken from:
National Occupational Standards, Trustees and Management Committee Members,
http://www.skills-thirdsector.org.uk/national_occupational_standards/trusteenos/

Operational or Forward Plan)	opportunities, maps the financial operations, marketing and organisational strategies that will enable the organisation to achieve its goals.
Conflict of interest	Applied to an individual, in this case Governing Body member, when their different interests 'clash'. In particular where a personal or professional interest may get in the way of making a decision in the best interest of the organisation.
Ethos	The distinguishing values, beliefs and character of an organisation.
Evaluation	Using information from monitoring and elsewhere to judge the performance of an organisation
Governance	The systems and processes concerned with ensuring the overall direction, supervision and accountability of an organisation.
Governing document	A formal, written document that sets out the organisation's purpose and how it will be run. The document may take many forms, those most commonly used include: Trust Deed, Rules, Constitution, Memorandum and Articles of Association.
Fiscal	Relating to financial matters most commonly used in relation to government revenue and taxes.
Induction	A formal process of introduction to a new job or position within an organisation.
Monitoring	Collecting and recording information in a routine and systematic way to check progress against plans and enable evaluation.
Mission	Why an organisation or project exists and the broad effect that it wants to have. A summary of the overall difference it wants to make. Often produced as result of organisation-wide discussions.
Objects	'Objects' are the statement of an organisation's

	purpose set out in its governing document.
Objectives	The areas of activity or practical steps a project or organisation plans, to accomplish its aims.
Outcomes	The ultimate effects or impacts of an organisation's activities.
Policies	Statements which describe the desired conduct of the organisation, its volunteers and paid workers and how to remedy any breaches.
Probity	Behaviour in accord with accepted norms – the quality of having strong moral principles of honesty and decency.
Procedures	A written statement that describes the way in which a policy will be implemented.
Purpose	The reason or rationale for an action or for an organisation's existence.
Regulator	A person or body empowered by law/statute that supervises a particular industry, business activity or other sphere of influence to ensure that public benefit is maintained.
Resources	Everything a project or organisation draws on to carry out its activities. These will include people, equipment, money and services. They may also include the less tangible: time, morale and knowledge.
Scrutiny	Critical observation or examination.
Stakeholder	Anyone with a significant interest in the good management of an organisation. This could include funders, Trustees, volunteers, staff, suppliers, users, etc.
Strategy	A broad course of action with an identifiable outcome.
Succession	A process of one person leaving a job or position and another replacing that person.

Target	A defined level of achievement which a project or organisation sets itself to achieve in a specific period of time.
Trustee	A person who has legal authority to take control of and manage another's finance and property for the advantage of the beneficiary. A Trustee may also be known as Managing Trustee, Committee Member, Governor or Director.
Values	A set of principles, which the organisation seeks to apply, both in setting its mission and aims and in its day-to-day operations.
Vision	The ideal state a project or organisation wants the world to be in. What the world will look like if the project or organisation is successful in achieving its mission.

Acronyms

SCVO   **Scottish Council for Voluntary Organisations**
The national support agency for third sector organisations in Scotland.

OSCR   **Office of the Scottish Charity Regulator**
The statutory regulator for charities in Scotland.

TSI   **Third Sector Interface**
Local support agencies for third sector organisations in Scotland.

NCVO   **National Council of Voluntary Organisations**
The national support agency for third sector organisations in England.

ACAS   **Advisory, Conciliation and Arbitration Service**
Service promoting good employment relations.

Section One: Being part of a governing body

Introduction

The role of the governing body is to ensure that the organisation meets its aims. To do this, the governing body must see to it that the organisation is effective and well run.

This section sets out why it is necessary to have a governing body, what it should do, what it should not do, how it can be creative, and how it needs to steer a course between different – and sometimes competing - interests to meet the aims of the organisation.

Why the governing body is necessary

The governing body makes a unique contribution to an organisation by focussing on the achievement of long term aims. Whether the organisation is about making a difference in a specific geographic area, changing perceptions and attitudes, delivering a quality service or improving the quality of life for a particular group, the governing body is there to help the organisation realise its vision and aims.

The governing body is that part of the organisation with formal power and responsibility. The powers and responsibilities are contained in the governing document and backed up by law.

If things go wrong, it is the governing body that will be called to account. Members of the governing body need to be aware of this and to act in the best interests of the organisation following all requirements of law and regulation. This is sometimes referred to as the need for 'due diligence'. At the same time, governing body members have an opportunity to be creative in the methods that they use to enable to organisation to meet its aims.

What the governing body should do

To enable the organisation to meet its aims, the governing body should perform the following functions:

- plan the work of the organisation to meet its aims

- consider long, medium and short terms in the plan

- be guided by the aims when making all decisions

- monitor, evaluate and review progress towards meeting the aims

- act within the law

- comply with the demands of external regulators

- maintain the values of the organisation

- provide sufficient guidance for volunteers and staff in performing their duties

- ensure that money is spent and resources used in line with the purposes for which they were given

- account for expenditure and resources used.

Section Two concentrates on how to carry out these functions

What the governing body should not do

The functions of the governing body listed above mean that the governing body should focus on the 'big picture' ensuring that there is a good strategy in place to meet the aims of the organisation. The governing body should, as far as possible, stay out of the day-to-day implementation of the strategy and, where possible, steer clear of making operational decisions.

Governance does not mean management. The difference between the two is shown in the following table:

Governance	Management
Overview of organisation as a whole	Day to day operation of programme or projects
Long-term direction	Short to medium-term implementation of plans
Processes and frameworks for effective working	Detailed planning and supervision
Accountable for actions and decisions	Responsible for delivery

As the table shows, governance is broadly about strategy and management is broadly about operations.

The lines between governance and management are easily blurred. This is because, while good operational management relies on sound direction and strategic planning, the development of a strategic, long-term plan depends on the results of good management.

When staff are employed, their main focus should be on operational matters, whilst the governing body focuses on strategic matters. The intersection between the two - strategy and operations – is a crucial area for the efficiency and effectiveness of the organisation. Communication at this intersection should have special priority.

For organisations without paid staff it is easy for the governing body to get 'bogged down' with questions of management and to lose sight of the need to focus on strategy for the longer term. In these situations, it is essential to find a way of dealing with both the short and longer term.

Tips, Ideas, Suggestions

For organisations without paid staff, try:

Dividing the governing body's meeting agenda into two sections, so there is always a slot for issues that concern progress towards outcomes, overall accountability and financial sustainability, **or**

Setting up a subcommittee of the governing body to focus on work programmes, delivery or operational matters. This could be open to volunteers who are not currently on the governing body.

Questions for your organisation

1. How does your organisation ensure sufficient attention is paid to long-term direction?

2. Can you identify overlaps in governance between governing body and paid staff? What processes does your organisation have for joint working in those areas?

Creativity and the governing body

Every successful organisation can trace its beginnings to an energetic group of people with exciting ideas who decided to make them happen.

As ideas progress to action, an organisation is formed. As the organisation grows, acquiring new members, money and perhaps staff, it is necessary to develop a formal and structured approach. In becoming formal and structured, governing bodies sometimes lose their ability to think and act creatively. Structures that were established as a 'means to an end' can become an 'end in themselves' and servicing the structure becomes a priority.

It is vital for the governing body to make space to be creative:

- to develop a problems solving approach
- to find new ideas to deal with old problems
- to develop new ways of working
- to fuel a debate about long-term futures
- to encourage new members to join an exciting organisation.

The value of this approach is that it will enable the organisation to produce a quality plan that incorporates clear direction and strategic thinking. This may involve (calculated) risk taking. It does not mean gambling with an organisation's funds but rather a willingness and openness to seek out opportunities that will help the organisation have a greater impact.

Governing bodies trapped in the 'but we've always done it that way so why change' mode of thinking will require a plan of action to reintroduce creativity. Organisations considering this should be aware that some people may be averse to such ideas. It is important that the governing body lifts itself out of its comfort zone, for example by having a special session to think about the future of the work.

Tips, Ideas, Suggestions

Language – try banning certain words or phrases from discussion particularly about long term plans e.g. "we tried that before and it didn't work."

Ensure that problems are presented as opportunities e.g. "X won't work with us" becomes "X is doing abc and we are doing cde, how could we persuade X to work in partnership with us?"

Set up a small fund internally open to anyone who wants to test an idea or new way of working (remember to set clear criteria)

Make space for free ranging discussion around a particular topic. Kick start discussion by listing together, 101 ways to … (ensure the funder continues to support us).

Satisfying internal and external expectations

To be successful in its chosen field an organisation will need to meet the needs, interests, and demands of its stakeholders. Stakeholders are people and other organisations that have an interest, or stake, in how the organisation performs.

The governing body needs to understand what drives different stakeholders and ensure that the organisation can balance and satisfy their various expectations. A funder, for example, will expect that the money it gives will be spent for the purposes it was given and that the organisation can account for the way in which it was used. Its client group will want services that respond to their changing needs and circumstances. To balance these expectations, the organisation might concentrate on building relationships with funders keen to agree shared outcomes rather than those fixated on delivery of inflexible outputs. It will then have flexibility as to how it achieves those outcomes.

The table below identifies common stakeholders, what they might specifically expect of a voluntary organisation and what the governing body can do to ensure that these expectations are satisfied.

Some stakeholders will want the same things. Funders and employees, for example, will all want good employment practice. All stakeholders will want sound management, clear strategic direction, transparency and accountability.

Questions for your organisation

1. Can you identify the different stakeholders (internal and external) involved in the governance of your organisation?

2. Do you know what they expect of your organisation?

3. Do you have a clear idea how you will respond to their expectations?

Stakeholder	Specific expectations of the organisation	Governing body contribution to satisfying expectations
Users of services	• High quality services on demand • A voice in service design	• Elect or co-opt service users onto the governing body • Ensure mechanism are in place for service user feedback
Employees and volunteers	• Clear guidance and support • A safe and well resourced work environment • A backstop when things go wrong	• Clear strategic direction and sound management systems • Develop robust personnel policies eg disciplinary and grievance procedures • Establish clear communication channels
Funders	• Achievement of agreed outcomes • Spending efficient and only for agreed purposes • Positive profile	• Ensure monitoring/evaluation systems are in place • Ensure clear and transparent financial reporting • Develop a reserves policy • Develop systems to ensure funding is acknowledged
Regulators (eg OSCR)	• Timely submission of accounts and monitoring information according to specified criteria • On-going compliance with regulation and law	• Develop policies and procedures to ensure submissions criteria and deadlines are met • Ensure systems are in place alert of changes to law and regulatory requirements
Donors and supporters	• Contributions are marshalled effectively to make a difference • Feedback on impact of contributions	• Ensure systems in place for effective communication with donors and supporters • Ensure systems are in place for co-ordinating and maximising financial contributions, eg. Gift Aid. • Ensure systems are in place for co-ordinating other support, eg. campaigns.
Partner organisations	• Coordination of resource bids where appropriate to maximise impact of limited resources • Clarity about what all parties are bringing to and expect to get from collaboration	• Openness and willingness to consider collaboration

The following is a simple tool which a governing body can use to analyse its stakeholders and assess how best to respond to their needs and expectations.

Step 1: List your organisation's stakeholders

Step 2: For each, complete the following table

Name of stakeholder	
Degree of importance	High ☐
	Medium ☐
	Low ☐
Degree of interest in us	High ☐
	Medium ☐
	Low ☐
Degree of influence over us	High ☐
	Medium ☐
	Low ☐
Stakeholder expectations and needs	
Attitude to our performance	

Step 3: Map all stakeholders on the following matrix

High

Importance

Low   **Influence**   High
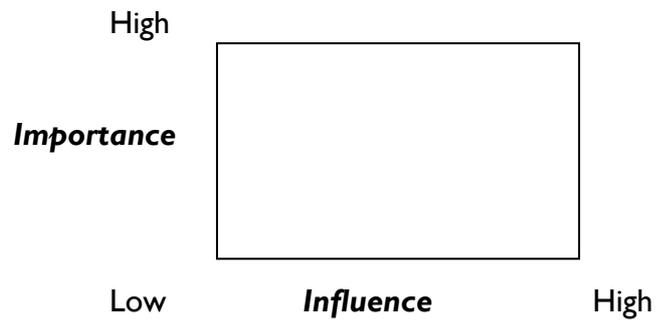
Step 4: Decide strategies for each stakeholder group depending on where they are on the matrix.

Handling competing expectations

Some stakeholders will want different things. This will bring tensions between different groups. Such conflict is not only inevitable, it is also desirable because it encourages change and counters complacency.

For example, staff may want to go ahead with a new area of work before resources have been secured, yet the governing body may feel that this is an unacceptable risk. A compromise solution may be found that work can start when a certain proportion of money has been found.

Moreover, stakeholders' needs, interests and demands will change. For example, funders may decide to cease giving general grants and to link their money to performance targets with a contract, and regulators might introduce new systems for reporting. The governing body will need to adapt.

A key role for the governing body is to perform a balancing act. Here are some principles to ensure such balance:

Safeguarding the mission, values and resources of the organisation

All organisations are in danger of drifting away from their original intentions as volunteers, managers or other staff focus on pursuing their own particular projects or interests. A variety of techniques, such as annual reports, external audit and particularly scrutiny by the governing body, provide a safeguard that the organisation is pursuing its mission and using its resources for the purposes for which they were intended.

Ensuring external accountability

As the highest authority within the organisation, governing bodies need to hold volunteers, managers and other staff to account for their actions. They are also formally responsible for ensuring the organisation meets its obligations to account to external bodies such as regulators, donors, the wider community and, if it is a membership organisation, its members.

Ensuring the organisation performs well

An important role for governing bodies is to ensure that any plans for the organisation are subject to critical scrutiny. This may include setting up monitoring and evaluation for the work.

By being a 'backstop' if things go wrong

Things go wrong periodically in all organisations. Perhaps staff or volunteers leave unexpectedly, management performs poorly, or funding is suddenly withdrawn. Normally governing bodies will assess such risks and anticipate what to do in the event of a crisis. If the worst happens then it is the duty of the governing body to try to ensure the crisis is resolved.

Questions for your organisation

1. What does the governing body 'do' to ensure that your organisation is developing good governance? What can you do to contribute to that process?

2. How well does the governing body respond to conflict and tensions? What can you do to contribute to processes for dealing with tensions and conflict?

Summary

Governing bodies should

- ensure effectiveness, responsibility and accountability within their organisation
- help their organisation think and act for the long term
- take account of different stakeholder needs and expectations and address tensions between these
- avoid involvement in operational detail where possible
- take steps to promote creative thinking.

Further reading, references and resources can be found in Section Five.

Section Two: How should the governing body work?

Introduction

Section One sets out what the governing body should do. This section focuses on how they should do it.

The section explores the following questions:

- who are the members of governing bodies?

- what is the role of the governing body?

- what techniques will help to meet responsibilities?

- how do we understand collective responsibility?

- what is expected of individual members?

- what is expected of office bearers?

Who are the members of governing bodies?

Members of governing bodies go by a variety of names. They might be called 'Management or Executive Committee Members', 'Directors', or 'Trustees'. The name depends on the legal status, governing document and the custom and practice of the organisation. If a voluntary organisation is registered as a company, the memorandum and articles of association refer to the governing body as a 'Board of Directors'; if it is a charity, the governing document will refer to 'Trustees'. The title matters little. What is more important is that the individuals involved are familiar with the duties and liabilities associated with their role.

In Scotland there is no age restriction on who can become a charity Trustee, however, directors of companies (including charitable companies) have to be aged 16 or over. It is also worth bearing in mind that anyone under the age of 16 cannot enter into contracts and although there is no minimum age, under Scottish charity law for charity Trustees, OSCR does ask charities to consider the implications of having Trustees under the age of 18 (or with learning disabilities, or with mental health issues). OSCR would not refuse charitable status on these grounds, but would

ask if it was in the best interests of the charity, can the Trustees fully carry out their duties? Practicalities – e.g. could they open a bank account, be a signatory?

Another thing to consider is that some governing documents may specify that eligible members may need to live in a particular area or, in the case of religious charities, to be of a particular religious denomination.

Certain people are disbarred from joining the governing board due to some previous misconduct. In the case of Scottish charities, people cannot be a Trustee if they:

- have an unspent conviction for dishonesty or an offence under the Charities and Trustee Investment (Scotland) Act 2005
- are an undischarged bankrupt
- have been removed under either Scottish or English law or the courts from being a charity Trustee
- are disqualified from being company directors.

People cannot become part of the governing body for a company if they:

- have been convicted of criminal offences relating to the promotion, formation, management or liquidation of a company
- have been persistently in default of company legislation for filing accounts or other returns
- have been found guilty of fraudulent trading.

In addition people who have committed a serious offence against children may be disqualified as Trustees.

People become members of governing bodies in two ways. Either they are elected to the organisation by a process of voting by members or selected by members of the existing governing body.

Sometimes, the recruitment process will involve applications, interviews and taking up references.

Members of governing bodies are almost always unpaid. This is because third sector organisations are established for public benefit and not for personal gain. A common exception is where a member of the governing body is the best person to do a specific piece of work for the organisation, which would in any event be purchased or contracted out. In this case the member might be paid a one-off fee. Good practice dictates there should certainly not be any routine remuneration for the time or effort given to the organisation in the course of a person's duties as voluntary management committee member.

For Scottish charities the position is more complicated. Payment of Trustees is allowable under certain conditions including:

- the maximum level of payment is written down and agreed
- that this level is reasonable and in the charity's best interests
- that the charity's constitution allows such payment
- only a minority of the Board of Trustees receive such payment or are connected with Trustees who do.

This position would, for example, allow employees to join the Board of a charity. While possible, such practice is not recommended as it can maximize the potential for conflicts of interest (the employee would theoretically also be their own employer) and is frowned upon by some leading funders eg Lloyds TSB Foundation for Scotland.

What is the role of the governing body?
There are six core duties that describe the role of governing bodies. The areas or duties, outlined below, are adapted from the National Occupational Standards for Trustees and Management Committee Members.

1. Governing bodies must safeguard and promote the values and principles at the heart of the organisation.

This means that members of the governing body should:

- be familiar with the values, charitable objects and ethos of the organisation
- ensure that the organisation has an up-to-date statement of purpose, future direction and principles that underpin its operation, such as a commitment to equal opportunities
- ensure that they and the rest of the organisation adhere to its values and principles, both in terms of deciding priorities and in how they are implemented.

2. Governing bodies must ensure that the organisation has clear direction, plans, structure and resources for its present and future work.

This means that members of the governing body should:

- ensure that the organisation has a clear, informed and up-to-date framework for the direction of the work, such as a business plan
- ensure that the organisation has the resources to meet its commitments, through, for example, funding agreements
- ensure that there are internal arrangements for managing the performance of the volunteers and/or paid staff.

3. Governing bodies must ensure the organisation has the policies and procedures in place to operate in a responsible and accountable manner.

This means that members of the governing body should:

- ensure that the organisation has a clear and lawful structure for its governance and management; that it is run responsibly and according to the governing document; and that it complies with all the relevant laws and requirements of regulatory bodies. An example would be compliance with health and safety regulations

- ensure that the organisation creates and reviews procedures for managing risk, for managing its finances, and for proper employment practice whether the staff are volunteers or are paid

- ensure that the organisation accounts accurately for both its activities and its financial affairs. Where appropriate this means reporting to the membership as well as to the various regulators; for example, the Office of the Scottish Charity Regulator (OSCR).

4. Governing bodies must seek to have and maintain good relationships with volunteers and paid staff.

This means that members of the governing body should:

- invest in ways of working that enhance communication and coordination with volunteers and paid staff or managers

- make certain that arrangements for supporting and overseeing the activities of volunteers and staff are in place and regularly reviewed

- tackle concerns about the behaviour or performance of volunteers and paid staff with respect and in accordance with proper procedures.

5. Governing bodies must establish and maintain links and liaise with key stakeholders and associated organisations.

This means that members of the governing body should:

- ensure that the organisation has the required liaison with funders, client or user groups, local authorities and relevant local and national umbrella bodies

- act as the link between the organisation and major stakeholders, such as with the Scottish Government

- provide the organisation with information about opportunities and threats in the external environment. This should include feedback on the reputation of the organisation.

6. Governing bodies must work together through good and bad times.

This means that members of the governing body should:

- understand their role, responsibilities and liabilities, including particular responsibilities such as Secretary or Treasurer

- invest in well-run meetings with helpful paperwork and proper recording

- ensure that new members are given a full induction, and have the necessary training and support to perform their role

- respect each other and have constructive arrangements for responding to disputes and complaints about each other.

Questions for your organisation

1. Do all members understand the role of the governing body?

2. Does the governing body fulfil the six core duties? What are the strengths and weaknesses of the governing body and which areas do you think could be improved?

SIGN POST

National Occupational Standards for Trustees

www.skills-thirdsector.org.uk

What techniques can help you to meet your responsibilities?

To meet its responsibilities, the governing body will want to be as efficient and effective as possible. Within this, the most important tasks will be:

- planning

- initiating and approving policies

- employing volunteers and paid staff

- managing financial affairs

- dealing with multiple roles

- meetings, subcommittees, and paperwork.

Planning

Planning is one of the main contributions a governing body will make to organisational success. It is its responsibility to:

- agree a strong mission and vision

- from this, establish a focused strategic plan

- develop a credible and coherent business plan by adding operational and financial detail to the strategic plan

- assess and manage risks to the plan and to the organisation generally

- monitor and review plan implementation and take appropriate action in response to the outcome of these processes.

Mission and vision

As a first step the governing body should, in consultation with key stakeholders, develop, refresh or reconfirm the organisations' mission statement as the linchpin of the strategy. A good mission statement will be short and clearly set out:

- why the organisation exists

- what it is trying to achieve

- how (in general terms) it will achieve it.

Some organisations also find it helpful to develop a vision statement that sets out the circumstances in which the mission will be considered achieved. A vision statement can help to crystallize the purpose of the organisation and inspire and motivate those involved with it.

A strong mission is vital to effectiveness as the organisation might otherwise lack identity, cohesion, a clear sense of its unique value and a sharp focus for its activities. It could, for example, try to work on too broad a front and become overstretched. Alternatively, it might be highly successful at opportunistic fundraising only to find it is driven by agendas other than its own. The mission should therefore act as a clear and unambiguous reference point for setting and maintaining boundaries on organisational activity and establish an ultimate benchmark against which progress can be measured and performance assessed.

Strategic planning

It is essential that the organisation has a strategic plan which sets out how it intends to achieve its mission and vision. Proper planning will enable the organisation to:

- direct and co-ordinate people
- match resources to activities effectively and efficiently
- anticipate and deal with difficulties
- be clear and realistic.

A good plan will also instil confidence in the organisation among key stakeholders including funders and partner organisations, for example, by showing how risks have been anticipated and minimised.

The strategic plan in turn forms the first part of the organisation's business plan (alternatively called the forward or operational plan). In developing it the governing body should identify a set of 4-6 strategic aims that will help the organisation to achieve its overall mission. These aims will be statements about what the organisation wants to achieve over a given period of time. Setting strategic aims allows the organisation to prioritise the main areas for action and to monitor and review progress against them.

For each aim there should be a series of specific objectives setting out in detail how the aim will be pursued. Objectives are costed action plans and should meet 'SMART' criteria, i.e. that they are:

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**elevant
- **T**ime-bound

Developing strategy involves making judgements about the future based on:

- the needs of stakeholders
- current and past performance
- current and potential resources
- changes in the environment – political, economic, social, technological, natural
- assumptions about the effect of various possible actions.

While responsibility for strategic planning lies with the governing body, it is important to involve others who will be key to delivery of the plan and who can provide governing body members with the information they will need to make strategic choices, for example senior staff. The strategic plan should evolve from the conclusions the governing body reach in response to questions of the following nature:

- this or that?
- more or less?
- same or different
- cheaper or more expensive?

A strategic plan should be medium to long term, for example 5 years, and renewed on a rolling basis. The governing body will need to determine how far into the future it is possible to reliably predict the environment in which the organisation operates and set the timescale accordingly. A business plan is likely to cover a

shorter period of, say, 3 years which in turn is applied through an annual plan and budget.

Holding an away day led by an external facilitator can be an effective means of kick starting the planning process. If the organisation has employees then it can be useful for senior staff to join directors at this. A wide range of participative tools are available to help focus your thinking and make strategic choices. Using these will not only improve the quality of your strategy but can also make the planning experience an enjoyable and stimulating one.

Business planning

Turning the strategic plan into a business plan involves the following additional stages:

- calculating the cost of implementation
- identifying how the organisation will meet that cost
- demonstrating that the organisation is capable of successful implementation
- setting out details of proposed activities and assigning tasks, i.e. the work-plan. Specific, costed and timed objectives should be established for each strategic aim.

The business plan should tell a plausible and coherent story that can be easily understood by someone with no prior knowledge of the organisation. Graphs, tables and other visual aids can be beneficial where these reinforce the text and are used selectively. Thorough editing is crucial to ensure that the document is clear, focused and at the right level of detail (around 15 sides A4 is normally best). A good layout, including a contents page and page numbering, will also be important. Including supporting information in appendices can help to reinforce messages in the plan without cluttering the body of the text, for example:

- governing body composition
- Memorandum and Articles of Association
- details of key personnel
- supporting financial information such as the balance sheet and income and expenditure account
- testimonials and positive press coverage

As with your mission, it will be important to ensure that there is buy-in to the strategic and business plan beyond the governing body. There might, for example, be benefit in allowing major funders to see a draft. Staff should be engaged throughout the process and the following table suggests an appropriate division of roles. Where there are no staff available members of the governing body will need to take responsibility for the whole process.

Who does what in the planning process

	Governing body	Staff	Jointly
Mission statement	Develop and approve	Inform	Governing body consults staff
Evidence	Assess	Research	Governing body / staff away day
Strategic aims	Set	Inform	Governing body / staff away day
Strategic objectives	Develop and approve	Develop	Governing body / staff working groups
Plan costing	Approve	Develop	Treasurer works with senior staff
Resources for plan	Identify	Research	Staff brief Governing body
Capacity to deliver	Assess and ensure	Assess	Staff brief Governing body
Work plan	Approve	Develop	Staff present to Governing body

Once strategic and business plans are in place the governing body will have a continuing responsibility to ensure that the organisation follows them. There may, for example, be other strategic or policy documents which need to be altered to bring them into line with the overarching plan. A governing body review of strategic and policy documents might be necessary at this point. Any future documents will also need to be consistent.

Risk Management

A risk is the chance, great or small, that the organisation will be damaged in some way as a result of a particular hazard. For example, a trailing cable is a hazard which could lead to employee injury. As a result there are risks of employee injury, litigation and direct financial costs.

Risk management is sometimes perceived to be a highly complex and potentially overwhelming process. While some risks can be complex, there are simple tools available to assist the process. Although governing bodies will need to apply time and care to risk management, they should not be put off by a concern that they might not get it 100% right. A partially effective risk management strategy is infinitely better than none and, by virtue of going through the process you will have gained valuable insight into the environment in which your organisation operates.

Risk management is a cyclical process with four stages.

1. Risk Identification
Identify all the factors, events and situations that could present a risk to the organisation.

2. Risk Analysis
Sort, score and rank risks as the basis for making decisions about how to handle them, considering likelihood and potential impact.

3. Risk Control
Develop strategies and methods to avoid risks or minimise their impact, and fall back (contingency) plans for managing bad and worst case scenarios.

4. Risk Monitoring
Monitor and review risks to determine whether the risk control actions under 3 above are effective and whether their nature and/or likelihood has changed over time.

There are several options for controlling risk:

Avoid

Not undertaking the activity for which risk has been identified.

Prevent

Taking action to reduce the likelihood of a loss, for example, installing anti-virus software on ICT equipment. Development of robust internal policies is key to prevention.

Minimise

Taking action to reduce the consequences of a loss should it occur, for example installing sprinklers to slow the progress of a fire.

Accept

The organisation might be prepared to accept some risks, for example where the cost of preventative action significantly outweighs the likelihood and potential impact of the risk.

Transfer

Liability for the risk is transferred to another body. This might be through contractual arrangements, for example a sub-contractor accepts the risks associated with contract delivery. Alternatively, risks flowing from financial loss are transferred to an external insurance company. It is the responsibility of the governing body to make sure that the organisation has adequate insurance cover. Commonly adopted insurance policies include:

- Public liability insurance - Covering injury, loss or damage caused to Third Parties as a result of the company negligence.
- Professional Indemnity Insurance - Protection against claims for negligence arising out of advice or information provided by the organisation.
- Legal Expenses Insurance - Covers specified legal expenses that may be incurred in defending or pursuing certain types of action, for example employment disputes.

- Fidelity insurance - Protection against staff or volunteer dishonesty.

- Accident and Sickness insurance - Covers the cost of paying sick pay to staff or for replacement personnel.

- Property & Equipment insurance - For buildings, contents and or portable property.

Developing a strategy for managing risk is an essential part of risk control (stage 3). It should:

- list and rank risks previously identified and analysed (stages 1 and 2)

- state what action will be taken to manage risks

- identify resources allocated to managing risks

- assign roles and responsibilities for managing risks

- set out how and when risks will be monitored and reviewed (stage 4).

The risk strategy should correlate with the organisation's strategic and business plans and be reviewed when changes to these documents take place and where major changes in the operating environment become evident.

Monitoring and Review

A plan needs to be accompanied by mechanisms to review its implementation and determine whether it has had the intended impact. The planning cycle model below demonstrates how and where review fits into the planning process.

**2.
Plan**

**1.
Identify
Needs**

**3.
Do**

**4.
Review**
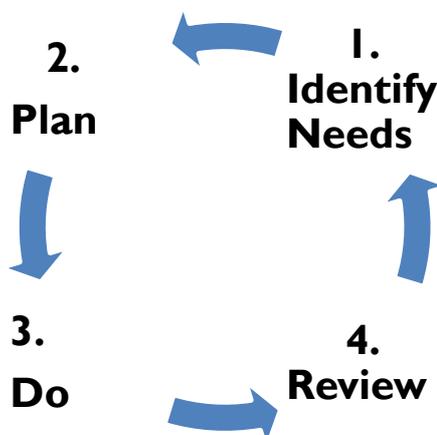
1. An organisation identifies the needs to be met (mission)

2. It devises a plan to meet these needs (strategic/business plan)

3. It will do something practical to meet the needs (implementation)

4. It will review the extent to which it has been successful in meeting the needs and identify further needs to be met (review)

Review is not something that can be bolted onto a plan in the final stages of implementation. To be effective it needs to be built into the plan at the outset and be grounded in the agreed aims and objectives. There are three elements to the process:

Monitoring

The ongoing process of collecting and analysing relevant information to be able to demonstrate that the organisation is doing what it set out to do and that it is being run properly. Typically monitoring will be continuous, for example numbers of people using a service, although some information may be collated quarterly.

Evaluation

This is where an organisation assesses whether what it has been doing is really making the difference that it was intended to. Typically evaluation will take place annually or at the end of a longer-term project.

Review

Where an organisation looks at the results of an evaluation and decides whether it needs to change. Information from monitoring may also prompt a review of a small area of the project's work but an effective full review can only take place once a proper evaluation of an organisation's effectiveness has taken place. Review may take place annually or at the end of a longer term project.

The governing body has a responsibility to decide what information it requires in order to monitor, evaluate and review organisational performance. Assessing performance in a commercial company is likely to be more straightforward as the indicators will primarily relate to financial performance. With third sector

organisations, however, impact will be measured largely in terms of outcomes. Outcomes are the ultimate effects of your activity, for example a client secures permanent employment (outputs, by contrast, are immediate results such as a client receiving job readiness training). Some outcomes will be financial, i.e. an organisation cannot be assured of achieving other outcomes if it is not financially sustainable. Others, however, may be social, environmental and economic in a broader sense.

The governing body should decide the set of indicators against which the organisation measures its performance. There are a number of frameworks available for this purpose, as set out in the table below. More information on these is available in a free guide 'Making the Case – Guide to Social Added Value' available from: http://www.evaluationsupportscotland.org.uk/downloads/Making-1.htm.pdf

Title	A framework for
Achieving Better Community Development	Planning for and learning from community development initiatives
Global Reporting Initiative Sustainability Reporting Guidelines	Communicating actions taken to improve economic, environmental and social performance, the outcome of these and areas for improvement.
Key Social and Co-operative Performance Indicators	Allowing cooperatives to measure their social and environmental performance
Local Multiplier 3	Quantifying financial impact within a local economy and how this might be improved.
Sustainability – Integrated Guidelines for Management	Enabling management of social, environmental and economic impact.
Social Accounting and Audit	Accounting for and reporting on social, environmental and economic performance.

Plan delivery is not the only area in which the organisation will need to regularly review its performance. Governance itself should be subject to periodic review to ensure that the governing body is functioning as it should. This is explored further in *Section Four*.

Planning and review cycle

Governing bodies should have an annual cycle of planning and review. This cycle is often linked to annual returns to regulators, end of year accounts, and appraisals of volunteer and staff performance. An opportunity for the governing body to review its own performance should also be included in the cycle – *see also section four*. The annual cycle of planning and review might run alongside a timetable for governing body events. The next page shows what it might look like in practice.

Sample

Key events for the governing body and planning and review cycle

	Events	Tasks	Planning and review
March	End of Financial Year		Implementing plans, monitoring the results and identifying the learning points
April		Accounts to the auditor	
May	Governing body review	• Governing body appraisal/ skills audit • Write annual report	
June	Compliance returns	Draft accounts to the Board for approval	
June		• Prepare for AGM • Nominate new board • Circulate AGM papers, annual report	Possibly conducting a six monthly review of the outcomes.
July	Annual General Meeting	• Accept/Approve accounts • Appoint auditor • Elect new governing body	
August			Collecting information on the impact of the activities, seeking feedback from users or clients, and inviting the views of major stakeholders, for example funders and partner organisations.
September		Induct new governing body members	Assessing progress of the strategic plan. Clarifying what has been achieved, any consequences and what can be learnt about the process of planning and review itself
October	• Annual review and planning • Appraisal of senior staff	• Performance reviews • Set targets for next year • Salary review • 'Away day'	Identify the future direction and decide on the framework for the strategic plan
December			Write and agree the details of the strategic and business plan
January	New budget	Agree revised/new plan and budget	Ensure that a programme of monitoring and reporting is clear and agreed with volunteers and paid staff.

Devising and implementing policies

Policies are statements of rules that an organisation sets itself to ensure that it works effectively and within the law. To implement policies, it is necessary to back them up with procedures describing how they will be put into action. It is the role of the governing body to:

- determine what policies are required by the organisation
- ensure that these are developed
- approve final versions
- ensure policies are accompanied by clear procedures
- allocate roles and responsibilities for implementing policies
- monitor policy implementation
- review and, if necessary, update policy content.

There are three broad categories of policies to be considered. The table below highlights the categories with examples of each.

Category	To include
General organisational activities	**Finance policies** Setting out a strong system of financial controls appropriate to the size and complexity of the organisation. (see *financial overview*) **Staffing policies** Ensuring compliance with employment law and best practice in managing paid staff and involving volunteers. (see *employing staff and involving volunteers*)
Specialist organisational activities	This will vary depending on the nature of the organisation and its activities. Organisations providing services will, for example, need policies for ensuring high standards of service, maintaining confidentiality and handling complaints. If the organisation holds records on real people it should to develop policies to comply with data protection law. An organisation that works with children will, similarly, need to develop a **child protection** policy to comply with the Protection of Vulnerable Groups (Scotland) Act 2007.
Operation of the governing body	Much of the operation of the governing body will be determined by the content of the governing document. Additional policies may be necessary for areas such as conflict of interest prevention, and confidentiality. Many governing bodies will also develop a code of conduct for governing body members.

Although it is the responsibility of the governing body to ensure there are up-to-date policies in place in the organisation, it is not assumed that the members of the governing body are experts in all these areas, or indeed in any one of them. It is however expected that governing bodies will either have the necessary expertise available to them from within the organisation, or will have sought assistance from outside specialists.

Tips, Ideas, Suggestions

It can be difficult to know how to write a good policy. Section five contains various publications that offer guidance and model policies. However it can also be helpful to have a look at what other similar sized organisations have produced.

Identify a well-respected organisation that is working in the same sphere or is of similar size (if you are unsure advisers in one of the infrastructure organisations, for example, a TSI will be able to help you) and ask if you can have a copy of one of their governance policies. Before preparing your own, work out what you like about the example you have acquired and what you would do differently. Use this as a basis or structure to prepare your own.

New policies should have a 6 month review date to iron out any inconsistencies or problems. All policies should be regularly reviewed and to ensure this happens a review date should be added to the bottom of each document.

Questions for your organisation

1. What is the process for developing and writing a strategic plan for your organisation? What part does the governing body play?

2. Does your governing body have a timetable of key events and or an annual cycle for planning and review?

3. What policies and procedures does the governing body have? Which others might be useful? Who prepares policies and procedures for the operation of the governing body?

Employing paid staff and involving volunteers

Governing bodies have a duty of care to their volunteers and/or paid staff both morally and legally. Governing bodies must:

- fulfil all legal and regulatory requirements
- seek in good faith to have open and constructive working relationships with people in the organisation.

There is a large amount of legislation dealing with the employment of paid staff, and rather less about involving volunteers. Ultimately, everyone in an organisation is accountable to the governing body. This requires the governing body to:

- be aware of their statutory responsibilities as employers of paid staff and/or involvers of volunteers.

- ensure policies and procedures are in place for legal compliance and best practice in the recruitment, support, management and development of paid staff and volunteers

- play their part in formal procedures for tackling complaints, grievance, discipline, and dismissal of volunteers and/or paid staff, should their behaviour violate the values and policies of the organisation.

The governing body's duty of care for volunteers and staff cannot be delegated, though associated tasks can be to either paid staff (if there are any) or to subcommittees. To ensure that specific employment functions are fulfilled and that adequate attention is given to employment and staffing issues, personnel or staffing subcommittees are often set up to perform specific employment functions. Governing bodies should ensure there are open channels of communication with employees and volunteers and consult them on issues of importance. Staff structures, roles and remits should be periodically reviewed by the governing body to check whether they remain right for the organisation.

Tasks which should never be delegated to staff include:

- recruitment, support, supervision and appraisal of your lead employee

- handling grievance and disciplinary 'final appeals'

- final decision on key staffing issues

- identification of policy needs and final policy approval.

Key legal obligations towards employees include:

- ensuring employees receive written terms of employment

- consulting with employees with regard to redundancies, mergers, and health and safety

- ensuring employee liability insurance is in place.

The following table sets out in priority order policies that the governing body will need to develop to ensure that they comply with law and best practices for staffing.

Policy Area	Key things to include
Equal opportunities	Virtually all discrimination is prohibited by law. The governing body must ensure other policies comply.
Recruitment	This should include an objective process for advertising, application, short listing and interview.
Disciplinary and grievance	To include a definition of misconduct and processes including appeals (minimum standards for which are determined by law).
Pay and benefits	Setting out salaries, pay scales, holiday pay, sick pay, pensions and other benefits. This must comply with National Minimum Wage legislation.
Health and Safety	This policy should be based on a health and safety risk assessment and assigns safety roles and responsibilities. It must comply with health and safety law.
Working hours	This should be consistent with working time regulations and health and safety law.
Performance and support	This should set out provision for support, supervision, monitoring performance, appraisal and training.
Absence	This should set out the notification process, absence monitoring process and structure of the return to work interview.
Staff development	Encompassing training, personal development and promotion.
Staff exit	Encompassing dismissal, redundancy and resignations.
Client/customer relations	To include confidentiality, complaints and the process for dealing with abusive clients.
Volunteers	To include volunteer roles, recruitment, supervision, training, support and reimbursement of out of pocket expenses.

Financial overview

The governing body is expected to make certain that the financial affairs of the organisation are conducted properly and are accurately reported. 'Financial affairs' in this context includes raising money, spending money, and recording and explaining such expenditure. Governing body approval will be necessary for:

- budgets

- annual accounts

- decisions on bank accounts and signatories to these

- exceptional expenditure

- the appointment of auditors (if required by any regulators or the governing document)

- the auditor's report

It is the duty not just of the Treasurer, but of the governing body as a whole, to ensure that there is enough money to do the work and to fulfil contracts. It is also vital to ensure that there are sufficient funds held in reserve to deal with the costs of closure should it become necessary. To perform these duties means making certain that:

- funds are spent for the purposes raised

- there is accurate financial recording with, for example, a cash book for each bank account and for petty cash, and proof for every financial transaction

- there is an assessment of financial risks from which policies and procedures are developed that establish financial controls appropriate to the level of risk.

- annual accounts are produced and, if the organisation reports to one or more regulators, that these fulfil their requirements. Other stakeholders, for example funders and organisational members, will also expect information on financial performance.

Members of governing bodies can feel less than confident about the financial overview aspect of their role, with the result that they distance themselves from their responsibilities and leave financial decisions to the Treasurer, office bearers, or to paid staff (if they are available). This may be understandable but is not good practice.

To avoid this situation it is essential that members of governing bodies have access to clear and straightforward reports on the organisation's financial situation at least quarterly. These should include information on money coming in/out, income sources, current bank balance, how much

the organisation owes and is owed, and how this picture compares with the annual budget. A cash flow forecast might also be included to help predict and avoid difficulties. This is a timed forecast of when income will be received compared with planned spending. All reports should be comprehensible to people who are not experienced in financial systems. The governing body should also ensure that:

- any member who needs to receives training in how to read financial reports

- that they receive support or coaching if they are confused or need more information

- that there is guidance on how to prepare financial reports so that the governing body receives them in a useful format.

The following table sets out the main financial policies and procedures that the governing body will need to establish.

Policy Area	Key things to include
Accounts	Setting out responsibilities for keeping accounts and for reporting to regulators and funders.
Handling cash	Procedures for recording and banking income, and for reducing risk of theft.
Cheques	Setting out who signs and countersigns cheques and for what amounts. There should also be a process for handling and banking incoming cheques.
Budget setting	Who prepares and presents budgets for governing team approval, and when.
Ordering and payment	Who can order supplies and services and authorise payments at various levels. Who deals with invoices and when. How the organisation will apply Value Added Tax rules.
Financial reports	Setting out reports the governing team will receive, when, in what format and from whom.
Payroll and expenses	To ensure procedures are in line with 'Pay As You Earn' personal tax rules. There should also be a process for claiming, verifying and authorising expenses and floats.
Reserves	This will set a target and process for building reserves, based on an assessment of financial risk.
Assets	To establish an inventory, and a replacement and maintenance schedule, for all equipment.
Fundraising	To set out how and from whom the organisation will fundraise (Check charity law rules if necessary).

Tips, Ideas, Suggestions

It's important that the governing body is able to draw on knowledge and experience of finance and employment and, in principle, it is a good idea to recruit people to the governing body with experience in each area. But beware - the local bank manager or friendly accountant is not always the best person to recruit. They may understand their jobs and have a wealth of experience with finance but may not be able to translate this into the context your organisation or be unable to explain to the governing body important financial concepts. The same can apply to personnel professionals.

It can be useful to identify people who are willing to make themselves available to the governing body to offer information and advice as and when needed. If, through this, they demonstrate they have useful knowledge, style and commitment, the organisation can approach them down the line to ask if they would be interested in joining the governing body.

Questions for your organisation

1. How far does the governing body as a whole understand the finances of the organisation, particularly the long term financial position?

2. If the organisation is employing staff does the governing body understand the recruitment and selection, and other personnel policies?

3. Has the governing body developed appropriate policies and structures to support and manage volunteers?

Wearing more than one hat

The boundary between 'governing' and 'managing' can be easily blurred – *see also section one*. Organisations relying entirely on volunteers commonly ask people to do both. For example, an individual might be a member of the governing body and, in that role, be responsible for deciding on the budget for the summer play scheme. At the same time, the person may also be a volunteer working on that scheme. If a paid manager is responsible for the volunteers working on the scheme, then a volunteer who was also a member of the governing body would find themselves both accountable to and accountable for the paid staff member.

This combining of roles is characteristic of the way many of the organisations in the voluntary sector operate, and it is vitally important to keep roles and expectations as clear as possible.

Tips, Ideas, Suggestions

At governing body meetings there is a possibility that people will be contributing from a number of different perspectives reflecting their involvement as say a volunteer, service user, representative of a particular group and governing body member, it is useful to have a reminder of 'which hat they have on'.

Ask people to preface their contribution with a statement that reminds them and the rest of the governing body what contribution is being made, "as a member of the governing body…." or "as a representative of …"

Meetings, subcommittees, and paperwork

The vast majority of a governing body's work is carried out through meetings of one kind or another: monthly meetings of the governing body, subcommittees, working parties, steering or ad hoc problem solving groups.

To help deal with the range and volume of business, it is common practice for the governing body to set up subcommittees. The function of a subcommittee is to tackle, as a smaller group, detailed planning or policy development in a specific area, for example, finance or employment. However, any decisions made by subcommittees need to be approved by the whole governing body since the governing body is accountable for them.

Subcommittees tend to fall into two categories: long-term - for example, finance, staffing, quality standards, and short term - for example, working parties on fundraising or social events.

A subcommittee can provide an excellent opportunity to involve other people from within and outside the organisation: experts or advisers, users or clients, paid staff or volunteers. They can be particularly useful for potential new members for the governing body.

To ensure that everyone knows what is going on and that the governing body is accountable, every subcommittee needs up-to-date terms of reference that clearly describe its:

- remit or purpose
- membership
- responsibilities and powers - what they can decide
- reporting procedures
- relationship to the governing body.

Here are some suggested rules for effective meetings:

Purpose	Be clear about the goals and priorities for a particular meeting
Preparation	Ensure the right people attend and have the necessary information
Participation	Work together, listen and manage differences constructively
Paperwork	Ensure that the agenda is useful and that clear minutes are produced

The minutes of meetings of a governing body are legal documents, and could be requested by statutory bodies - for example during an investigation by an Employment Tribunal.

It can be helpful for volunteers and staff to attend governing body meetings. Indeed they are often required to do so, and depending on the governing document may, or may not, have voting rights. However, there are times when it is inappropriate for volunteers or paid staff to attend the meetings of the governing body; for example when there is a confidential discussion of personnel issues. Governing bodies should ensure there are ways for confidential matters to be recorded, and minutes filed securely.

Finally, it is not unusual for people to groan at the thought of meetings, and for new members of governing bodies to find them intimidating. Some people may find it difficult to engage with some of the issues because of the form of presentation.

For people to be able to participate and contribute to discussion and decisions, it is important that information is presented in a way that is accessible to them. It may be useful to break into small groups or do practical exercises. Taking a creative approach to meetings could mean that they not only become more efficient, they might even become fun!

Tips, Ideas, Suggestions

Keep people focused by always opening a meeting with a statement of purpose "the purpose of this meeting is to …"

Since the majority of a governing bodies work is carried out in meetings it is useful to review them to ensure they are effective and efficient. This does not need to be overly complicated, try …

Creating a final agenda item that poses the questions – 'what were the best things about this meeting and what could we improve'? Make sure there is a clear outcome to any discussion with an action item recorded for any agreed improvements. Decide how frequently to do this.

Questions for your organisation

1. How many meetings do you attend? Are you able to contribute effectively to discussion and decision making?

2. Does your meeting practice help or hinder the work of your governing body?

How do we understand collective responsibility?

An essential feature of governing bodies in the voluntary sector is that responsibility is collective. Should there be any legal or financial repercussions from decisions made by the governing body, then all members of that group are legally liable in equal proportions.

It follows then that the behaviour of one member of a governing body is the concern of all the others, and may possibly have to be explained or accounted for by them. This means that, if a member of a governing body is absent from a meeting, or series of meetings, they are still responsible for decisions made when they were not present. Their absence does not absolve them from responsibility or liability.

Section 66 of the Charities and Trustee Investment (Scotland) Act 2005 requires that charity Trustees 'seek, in good faith' to govern their organisation; in other words, that they try to do everything that is reasonably possible to fulfil their responsibilities. The message is do the right things, and if you do, it is unlikely that you or your governing body will be taken to task for any errors that may occur.

What is expected of individual members?

There are six key elements that describe the core remit for individual members. They are as follows:

- Know and understand the duties and activities required to fulfil the role including the legal obligations that underpin them.

- Actively contribute to the work of the governing body, as an office bearer for example, as the Chair or Convenor, or as a member of a subcommittee or working party.

- Prepare for, and participate fully in, meetings, training, planning sessions and reviews.

- Give each other support and help, and do whatever is possible to manage differences constructively.

- Seek to have constructive, and respectful, communication and coordination with the volunteers and paid staff; and when necessary use the appropriate procedures for managing concerns about performance and for responding to grievances or complaints.

- Act with integrity, avoid conflicts of interest and be worthy of the trust invested in the role by ensuring that all decisions are made solely in the interests of the organisation

What is expected of office bearers?

It is customary for a governing body to have several specialist roles - for example the Treasurer or Secretary. These specialists, often called 'office bearers', may be mentioned in a governing document and have authority to carry out work that is delegated to them.

Office bearers include: Chair or Convenor of the governing body, Vice Chair, Treasurer, and Secretary. The roles of office bearer can vary widely between different organisations, and can change to reflect different periods of development. For example, if the organisation takes on paid staff, some of the duties previously carried out by officers of the governing body may find their way into the job description of the new employee. The core duties for these roles are outlined below.

Chair (or Convenor)

As the leader of the governing body, it is the particular responsibility of the Chair to manage meetings effectively and in doing so to lead or guide the governing body.

Leadership should not be confused with control. Good leadership provides a framework that enables all members of the governing body to take part in debate or discussion and make decisions in the best interests of the organisation.

The effectiveness of the Chair depends on creating the right atmosphere where all views are expressed and differences enhance, rather than damage, collective working. This will enable the governing body to examine its own performance in an honest and open way

The Chair is required to undertake specific tasks associated with:

- running effective meetings, ensuring thorough discussion and clear decision making. Dependent on the governing document this may include taking a casting vote when necessary
- ensuring that information and advice are made available at the right time to governing body members
- resolving conflict within or on behalf of the governing body
- taking action outside meetings, when a decision has to be made with urgency (again this is dependent on the governing document)

In addition the Chair may also take on other duties such as:

- chairing subcommittees (work groups set up by the governing body)
- representing the organisation at external meetings or events
- being actively involved in fundraising or public relations activities
- acting as cheque signatory and/or as a signatory to funding applications
- taking part in the recruitment of staff and acting as a supervisor or coach to senior staff or managers.

Vice Chair

The primary role of the Vice Chair is to stand in for the Chair at governing body meetings. However the Vice Chair might usefully also have other tasks, by taking on some of the duties mentioned above.

Treasurer

The primary role of the Treasurer is to assist the governing body in its duty to ensure sound financial management, and to meet its obligations to account for the finances. The duties of the Treasurer include:

- helping to put together financial and related policies
- being a cheque signatory
- assisting in producing financial reports
- presenting financial reports, raising issues and answering questions – both at regular meetings and at the Annual General Meeting (AGM)
- ensuring that expenditure is consistent with the organisation's plans, and the requirements of donors or funders
- chairing the finance subcommittee
- liaising with the auditor or financial examiner (if required by your structure or status)
- ensure statutory returns are made to any relevant regulators

Secretary

The primary role of the Secretary is to make sure that the paperwork for meetings is in good order. Not all governing bodies will have a Secretary; in organisations with paid staff it is common for a member of staff to do the administration for the meetings. The duties of the Secretary include:

- helping the Chair to set the agenda

- taking the minutes at meetings of the governing body

- assisting with arrangements for the Annual General Meeting

- being the contact point for correspondence

- sending out correspondence on behalf of the governing body

- being a cheque signatory.

Company Secretary

It used to be a requirement under company law that a company had to have a named company Secretary. This is no longer the case and private companies (which most charitable and non-profit companies are) can choose whether to have a Company Secretary or not. If your governing document states that your company will have a Company Secretary then you need to comply with this, or make the necessary changes to the memorandum and articles of association.

The Company Secretary is, as far as the law is concerned, the 'senior administrator' responsible for ensuring that regulations are complied with. The duties of the Company Secretary include:

- preparing the paperwork for meetings
- being familiar with, and overseeing procedures for the operation of the governing body (e.g. organising the Annual General Meetings)
- providing the Registrar of Companies with required information (e.g. annual financial returns, changes in members of the governing body and notification of where the organisation's records are kept.

Although the Company Secretary is responsible for carrying out particular duties, it is the governing body that is expected to ensure the organisation conforms to its legal obligations. Unlike an honorary office bearer, the Company Secretary need not be a member of the governing body. A member of paid staff or a volunteer could hold the post.

Tips, Ideas, Suggestions

Although not a requirement it is good practice for governing body members and, in particular,

Questions for your organisation

1. What specialist roles does the governing body have? Is it clear what their responsibilities are?

2. How confident do you feel of the part you play as a member of a governing body?

Summary

Individuals who are elected or selected to join a governing body may be known by a variety of titles, for example Trustees, Committee Members, Members of Boards, Management or Executive Committees. Regardless of what they are called the governing body is there to 'account' for what the organisation does and how it does it.

In Scotland there is no age restriction on who can become a charity Trustee, however, directors of companies (including charitable companies) have to be aged 16 or over. It is also worth bearing in mind that anyone under the age of 16 cannot enter into contracts and although there is no minimum age, under Scottish charity law for charity Trustees, OSCR does ask charities to consider the implications of having Trustees under the age of 18 (or with learning disabilities, or with mental health issues). OSCR would not refuse charitable status on these grounds, but would ask if it was in the best interests of the charity, can the Trustees fully carry out their duties? Practicalities – e.g. could they open a bank account, be a signatory?
Some people will be ineligible because of previous recorded misconduct.

There are 6 core duties for a governing body:

- safeguarding and promoting values and principles
- ensuring direction, plans and structure
- ensuring policies and procedures are in place
- maintaining good relationships
- maintaining links with stakeholders and other organisations
- working together effectively as a group.

To carry out their duties or role, governing bodies have responsibilities in six key areas:

- strategic planning
- devising and implementing policies
- employing volunteers and paid staff
- dealing with multiple roles
- overseeing financial affairs
- meetings, sub committees and paperwork.

Members of a governing body have an individual and collective responsibility. There are particular expectations for members who undertake specific functions as 'office bearers': Chair, Vice Chair, Treasurer, Secretary, and Company Secretary.

References and resources

Full details of all publications can be found in Section Five.

- National Occupational Standards for Trustees and Management Committee Members: www.skills-thirdsector.org.uk

- ACAS Scotland website: www.acas.org.uk

- Volunteers and the Law: www.volunteering.org.uk/resources/publications/volunteersandthelaw

- Good Governance Action Plan, by Sandy Adirondack

- Practical Guide to Financial Management for Charities, by Kate Sayer

- The Charity Treasurer's Handbook, by Mike Eastwood

- Good Governance: a Code for the Voluntary and Community Sector: www.ncvo-vol.org.uk/products-services

- Governance Stories: A practical guide to setting up your management committee and sustaining its work, by Dr Shirley Otto and Jo Clifton

- The Complete Guide to Business and Strategic Planning for Voluntary Organisations, by Alan Lawrie

Section Three: Understanding your structure and legal status

The governing document

It is strongly recommended that third sector organisations, led by the governing body, develop a written governing document. The 'user manual' for the organisation, this will set out defining information about it and basic house rules for how it will go about its business, including:

Purpose and objects	Why the organisation exists (organisations intending to become charities need to ensure this part can pass the charity test.)
Powers	Everything that the organisation might want to do, for example employ staff and borrow money.
Membership	Who can and cannot become a member.
Governing body	How it is chosen (for example by election), how it will operate and what authority it has.

The governing document will establish a structure to hold the organisation together and set clear boundaries on its activities. Members of the governing body should therefore familiarise themselves with its contents. Where the organisation's structure is defined by law (see below), that content will, by necessity, be couched in legal terminology. If you find your organisation's governing document difficult to interpret, the SCVO website includes template versions for various types of structure with explanatory text against which you can compare your own. If difficulties remain, it is recommended that you seek specialist help from someone who is familiar with legal language.

The governing body should review the governing document from time to time, paying special attention to the part setting out the purpose of the organisation. If this no longer reflects its circumstances and aspirations it will be time to update it (wider approval, for example from organisational members, and in some cases, regulators, may be necessary). As part of the planning cycle it is common for governing bodies to agree a short Mission Statement which sets out in clear language the purpose of the organisation and is used to guide development of strategic and business plans. A change in the Mission Statement is likely to mean that a change in the purpose section of the governing document will be necessary – at all times the two should be consistent. If your organisation is a registered charity you will need consent from OSCR before you change your purposes as this could affect your charitable status.

Choosing or changing a structure

Many third sector organisations adopt a structure which is defined and recognised by law, for example by becoming a company. While this puts some constraints on how they set out their governing document, it should allow sufficient freedom to establish ground rules that suit their needs. An incorporated structure such as a company can be particularly useful where there are risks associated with the organisation's activities, for example it employs staff or handles a significant amount of money. As a legal entity, it can contract, purchase, borrow and lend in its own right and therefore, to a large degree, shelters members of its governing body from personal liability if things go wrong. The down side with such legal structures is that the organisation is obliged to comply with precise rules and report to a regulator.

Choosing a structure and deciding whether an additional status is necessary are responsibilities of the governing body. Any decisions should be based on the organisation's circumstances and aspirations and, in particular, a proper assessment of the risks associated with its current and planned activities.

These choices should be reviewed from time to time to ensure that they remain the best ones for the organisation. The following tables provide an overview of the most popular structural options available to third sector organisations. None is "perfect" and it is important for members of governing bodies who wish to register a new organisation to weigh up the options and if necessary get advice. The SCVO website should be referred to for more detailed information.

Voluntary or Unincorporated Association	
How it works	A two tier structure for governing the organisation comprising members who select and delegate most of their powers to a governing body.
Use when	• The organisation's activities are low risk • As a first step up from informality
Upside	No need to comply with special laws or report to a regulator.
Downside	Governing body members are individually liable if things go wrong.
Legal status	Voluntary associations are 'unincorporated', i.e. not legal persons in their own right.
Regulator	None
Governing body	Commonly called Management Committee, Executive Committee or, during the start up phase, Steering Group.
Governing document	Constitution
Compatible with	Charitable status

Scottish Charitable Incorporated Organisation (SCIO)	
How it works	A two tier structure for governing the organisation comprising members who select and delegate most of their powers to a governing body, or a single tier where the governing body replaces itself and takes all decisions.
Use when	The organisation's activities are medium to high risk, for example: • It employs staff • It handles a lot of money
Upside	The personal liability of governing body members is limited.
Downside	Can only be a Scottish Charity
Legal status	An incorporated body, i.e. a legal person in its own right
Regulator	Office of the Scottish Charity Regulator (OSCR) www.oscr.org.uk Tel: 01382 220 446
Governing body	Trustees
Governing document	Constitution – two tier or single tier
Compatible with	Charitable Status – cannot be anything other than a Charity.

Company Limited by Guarantee	
How it works	A two tier structure for governing the organisation comprising members who select and delegate most of their powers to a governing body.
Use when	The organisation's activities are medium to high risk, for example: • It employs staff • It handles a lot of money
Upside	The personal liability of governing body members is limited to a nominal sum, normally £1.
Downside	It takes time and effort to comply with company law and there can be penalties on governing body members if they get it wrong.
Legal status	An incorporated body, i.e. a legal person in its own right
Regulator	Companies House Tel. 0303 1234 500

	www.companieshouse.gov.uk
Governing body	Board of Directors
Governing document	Memorandum of Association, including name and company purpose (known as 'objects') and Articles of Association, setting out house rules.
Compatible with	Charitable, Trust and Community Interest Company status.

Trust	
How it works	A benefactor, known as the **donor,** hands over money or other assets to a group of **Trustees**. They ensure that these are used as the donor wishes to benefit a specific group of people (the **beneficiaries**).
Use when	• Where the purpose of the organisation is to disburse grants or other benefits • There is no membership to whom it should be accountable
Upside	No need to comply with special laws or report to a regulator.
Downside	Governing body members are individually liable if things go wrong.
Legal status	Simple trusts are 'unincorporated', i.e. not legal persons in their own right. There is however a body of trust law that applies to them.
Regulator	None
Governing body	Board of Trustees
Governing document	Trust Deed
Compatible with	Charitable status

Community Interest Company	
How it works	A variant on the company structure subject to an 'asset lock', meaning its assets can only ever be used for public benefit and not for private gain.
Use when	• The organisation aims to fulfil a public benefit purpose primarily through trading. • The level and type of trading it undertakes is incompatible with charitable status.
Upside	• The personal liability of governing body members is limited. • It offers reassurance to funders that any investment will not be used for private gain
Downside	Unlike charitable status, there are no benefits such as tax reliefs available to CICs.
Legal status	An incorporated body, i.e. a legal person in its own right
Regulator	The Community Interest Company Regulator Tel. 029 20346228 www.cicregulator.gov.uk
Governing body	Board of Directors
Governing document	Memorandum of Association, including name and company purpose (known as 'objects') and Articles of Association setting out house rules.
Compatible with	Company Limited by Guarantee and Company Limited by Shares status.

In addition to the above there are specialist structures available and structures which are more commonly used in other sectors. These include:

Industrial and Provident Society - An incorporated structure set up to carry on a 'trade, business or industry' for the benefit of the community generally or a community of members. People become members by purchasing shares, often of nominal value. IPS are used by organisations such as housing associations and cooperatives.

Company Limited by Shares - This is similar to a company limited by guarantee except people become members by buying shares, giving them the right to a share in any profits (known as the dividend).

Public Limited Company - This is a company limited by shares that is permitted to offer these to the general public.

Charitable status

Third sector organisations often complement their chosen structure with charitable status. This can offer advantages including rate relief, some tax relief and the capacity to reclaim tax on donations given to the charity. It can also help build public trust in the organisation and increases opportunities for attracting external funding.

The law applying to charities in Scotland is set out in the Charities and Trustee Investment (Scotland) Act 2005. Changes introduced by the Act include:

- establishment of the Office of the Scottish Charity Regulator (OSCR)
- creation of publicly accessible Scottish Charity Register
- a new test to qualify for charitable status
- special rules for religious charities
- clarification of the duties of charity Trustees
- rules for payment of charity Trustees
- rules governing charitable fundraising.

Following introduction of the act, OSCR have published a significant volume of guidance interpreting the act and setting out what charities need to do to comply with it. It is recommended that governing bodies in organisations with charitable status (known as Boards of Trustees) refer to the OSCR website for new guidance.

Regulation

For many third sector organisations their choice of structure and status puts them under the supervision and authority of one or more regulators. It is the responsibility of all members of the governing body to ensure that the organisation fulfils its obligations to its regulators and it should put procedures in place setting out who will do this, when and how. Regulators commonly require:

- an annual update on basic information about your organisation

- annual accounts

- notification of changes to basic organisational information

- that you seek their approval for certain organisational changes.

Regulators will expect information to be submitted to them in a particular form and according to strict deadlines. The regulatory burden is likely to increase the larger and more complex your operation becomes, so it is important as your organisation grows to check whether you have crossed any thresholds.

Failure to comply with regulatory requirements can have serious consequences. It is therefore important that at least some members of the governing body fully understand and keep up to date with the requirements of the organisation's regulators.

In addition there are a number of regulators that look after specific areas of activity. Only organisations working in those areas will be affected or have the option of registering with them. For example: The Care Inspectorate (independent regulator of care services).

Questions for your organisation

1. Do you know whether your organisation is incorporated or unincorporated and what its legal status is?

2. Is your organisation and its work regulated and if yes, by whom?

3. Do you understand the choices your organisation made with regard to structure and status – are they still valid?

4. Does your organisation's governing body have the knowledge and procedures to ensure it can comply with the requirements of its regulators?

Questions for your organisation

1. Does the purpose of the organisation as described in the governing document match its circumstances and aspirations?

2. Is the governing body following the requirements of the governing document?

Summary

It is essential that members of a governing body are familiar with their organisation's governing document, the 'user manual' for their organisation.

The governing body should periodically review the governing document to ensure that it reflects the organisation's current circumstances and aspirations and, if necessary, initiate a process to change it.

Organisations should choose a structure that fits their circumstances and aspirations and, in particular, the level of risk associated with the organisation's activities.

Many structural choices will put organisations under the supervision and authority of a regulator. Complying with regulators is the responsibility of the governing body.

Charitable status can be of considerable benefit but will result in an additional regulatory burden.

References and resources

Full details of all publications can be found in Section Five.

- SCVO website   www.scvo.org.uk
- OSCR website   www.oscr.org.uk
- Voluntary Sector Legal Handbook, by Sandy Adirondack and James Sinclair Taylor
- Voluntary but not amateur. A guide to the law for voluntary organisations and community groups, by Ruth Hayes and Jacki Reason.

Section Four: Developing Governing Bodies

Introduction

The assumption that you can sit a group of people around a table and they will automatically become a highly effective governing body is fast disappearing. Some parts of the voluntary sector, for example those that are highly regulated such as housing associations, are developing structured systems and approaches to ensure their governing bodies are 'fit for purpose'. Third sector organisations more generally are beginning to think carefully about how to create a culture that 'grows' good governance.

In this section we focus on how to create a competent and effective governing body. It focuses on four key areas:

- getting the right people as governing body members
- induction of new people
- enhancing capacities of individuals and the governing body
- reviewing the governing body.

Getting the right people on board

Governing bodies should spend the same effort in attracting good members of the governing board as they do in finding the 'right' volunteers and employees.

Joining and leaving

The governing body will, and should, change over time with some people leaving and new members joining. This provides a healthy process for fresh ideas, new skills, and outside energy to come in. It allows existing governing body members the opportunity to leave or move on to other challenges. Changeover prevents the organisation going stale.

The comings and goings should be planned rather than left merely to chance. Some governing documents may specify how long governing body members can be in place. To do this, adopting a long-term view of the skills, experience and commitment necessary is very helpful.

The plan for the exit and succession of governing body members should allow:

- time and opportunity to go through a process of recruitment and selection
- time to circulate information to the community, networks or stakeholders that the organisation is seeking new people
- opportunity to get the best possible mix of skills, knowledge, attitudes and experience.

Finding people

A major challenge for all governing bodies is how to find and recruit new people to the governing body. The ways in which your organisation goes about recruiting new people depends, to some extent, on the governing document.

In recent years, there has been a greater emphasis on open and transparent recruitment practices, both for paid and voluntary staff including governing body members. In part this has been driven by the desire to ensure the involvement of a diverse mix of people to reflect geographic or interest communities, users, and people with skills and knowledge relevant to the work that the organisation does. But there is also recognition that the governing body has a serious job to do, so that finding people by 'private invitation' or 'it's your turn' may not be enough.

As a result, it is becoming standard practice for organisations to adopt a plan for the recruitment and selection of new governing body members.

The process for recruiting new members should include:

- identifying the skills and experiences required both now and in the future
- preparing terms of reference or a job description with a person specification or profile of the skills, abilities, experience or knowledge required, based on the identification of skills and experience
- preparing a pack of information for those who may be interested in seeking nomination or appointment that includes background information on the organisation, along with details of the vacancies
- deciding how information on the vacancies will be communicated - for example, adverts in local papers, posters circulated to key websites, and letters to key individuals who may be able to identify potential members

- deciding how the applicant will communicate their interest - for example, a telephone call to the Chair or another member of the governing body or a letter of application
- deciding who will meet or interview the applicants and who will have the authority to make an appointment. The organisation's governing documents should be consulted for the correct procedures here.
- deciding how prospective applicants will be encouraged to seek information about the organisation to get a clearer idea about what is expected of the role as member of the governing body – for example, attending an informal meeting to meet other members of the governing board.

The process outlined above may be adopted in any organisation. For those where new governing body members are elected from the membership, it is good practice to have a process of nomination that ensures the members:

- know what skills and experience are required of the governing body and its members
- understand the process for nominating themselves or others
- have time in the process for those interested in being nominated to gain information, through a meeting with the Chair or other governing body members.

Finding a Chair
Preparing for changes to the Chair or Convenor is particularly important. There needs to be discussions of the process of phasing out the existing Chair and the recruitment of a new one

As with other members of the governing body, the election, selection or appointment of the Chair needs to be open and transparent while ensuring that the 'best' person is recruited to the position.

Some organisations recruit their Chair from among existing governing body members. Others seek to recruit a person who can bring specific skills and experience to the role. Each organisation's governing document describes how a Chair is elected or selected.

Whatever the process for acquiring a new Chair, terms of reference or a job description, together with a person specification detailing the specific skills and experience required, should be written and agreed by the governing body. Since the Chair may already meet the requirements of being a member of the governing body, the job description for a Chair only needs to describe the additional responsibilities and skills needed.

The description of a Chair's role and responsibilities along with an outline of specific tasks in Section Two provides a basis for developing terms of reference and specification for a Chair.

Questions for your organisation

1. Does the governing body have long term plans for the recruitment and selection of governing body members?

2. Does the governing body have the range of skills and knowledge required for providing effective leadership and governance of the organisation?

Supporting members of governing bodies

Having found the right people for your governing body, you obviously want to keep them with you for a period of time.   Rapid turnover can be damaging.

Keeping governing body members, who are unpaid volunteers, is a two way process of both giving and getting. We have seen that members of governing boards are required to give much with no material reward – *see also Section Two*. It is important that they receive something in return. Examples of what governing body members look for include: opportunities to develop skills and learning in a group, the chance to apply existing skills and experiences to a new situation, and the opportunity to influence the development of something they feel passionate about. It is important to know what motivates members of governing boards when devising a development plan for them. The plan can both enhance their existing skills, knowledge and experience while meeting their needs as volunteers.

This is the basis for ensuring that the organisation offers support for the member of the governing body.

Induction

New governing body members must have the opportunity to learn how to carry out their responsibilities and must know what support they can expect.

Systems for 'induction' are an essential component of governing body development.   An induction process ensures that each new member acquires the necessary detail of how the organisation and particularly how the governing body works so that they can play a full part in discussion and decision-making. Good induction will set the ground for future development and learning.

An induction plan might include:

- a welcome meeting. This would be a brief tour of the organisation to meet its staff and volunteers and to pick up additional literature, not provided during the selection process.

- a specially arranged meeting with a small group of governing body members, including the Chair, to brief the new member on what is going on in the organisation, recent key decisions, burning challenges, and longer-term plans. Additional information might be used to help new members gain a fuller understanding of the organisation e.g. monitoring and evaluation reports, latest financial figures and current work plans.

Tips, Ideas, Suggestions

Induction meetings might be informal but it is useful to have a checklist of 'need to know' items for new members. When constructing a checklist ask existing members particularly those who joined most recently what they would have liked to know – a sample induction checklist is provided in appendix 1.

Consider teaming up new members with an existing member for a period of a year. 'Buddying' can give new members of the governing body an anchor in the early days. By meeting up even briefly prior to meetings to go through the agenda and sitting together at meetings the learning curve for new members can be shortened.

Questions for your organisation

1. Does the governing body have a way of identifying why individuals have joined the board?

2. What does the induction process include and who is responsible for making it happen?

Enhancing capacities

Development of the capacity of the governing body should include opportunities for individuals to learn or improve their skills and abilities as members of a governing body – for example in chairing

or reading financial reports.   It should also identify activities that will contribute to the development of greater competence and effectiveness from the governing body as a whole – for example teamwork or staying up to date with changes to legislation.

Governance manual

A governance manual can assist in the development and overall effectiveness of the governing body's work. The governance manual, held in a ring-binder file to allow updates, might contain some or all of the following depending on the nature of the organisation, its work and size:

- contact details of governing body members and key personnel
- calendar of meetings and key events
- a copy of the governing document
- the Mission Statement
- Organisational Chart
- a statement (terms of reference or job description) of the roles and responsibilities of governing body members
- a statement (terms of reference or job description) of the roles and responsibilities of the Chair
- procedures for appointment and selection of governing body members
- procedures for the appointment of the Chair
- policy and procedures for monitoring and evaluating the performance of the governing body
- policy and procedures for governing body development and training
- Terms of Reference for governing body meetings
- Terms of reference of any sub committees
- Code of Conduct for the governing body
- procedures for the recruitment and selection of the (senior) manager
- copy of Personnel Manual (if appropriate)
- a copy of the latest audited accounts or statement of accounts

- current projected income and expenditure statements or budget
- procedures for payment of allowances and expenses

- procedure for declaration of conflict of interest

- copies of policy statements with dates for review.

The governance manual must of course be updated regularly. The governing body should agree who will be responsible for the production and for updating of the manual. It is also essential that all policy and procedural statements are regularly reviewed and agreed by the governing body – *see also Section Two*.

Building Skills and Experience

Every governing body should reflect on the skills and abilities that are needed to ensure competence and effectiveness. See *Section Five* for publications designed to assist the governing body review and identify strengths, gaps or weaknesses.

There are core skills relevant to every governing body. The governing body should be able to:

- think and act strategically

- devise and implement a planning process

- analyse financial information

- set financial and other targets

- monitor and evaluate performance against targets

- identify and draw upon a broad range of knowledge and skills as required, such as marketing and public relations; project management and employment legislation.

In addition, the governing body needs to include (or have access to) people that have an in-depth knowledge and understanding of the particular field or sector in which the organisation operates - for example health, community development, or the arts.

The governing body needs to look at the combined skills, knowledge and experience of its members and compare these with the skills, knowledge and experience necessary for it to be a competent body. It is important to work out:

- the skills and experience it needs

- what skills and experience it currently has, and,

- what the gaps are.

Once gaps have been identified then the governing body can implement a strategy for filling these gaps. This may involve recruiting or co-opting new governing body members and/or training existing ones.

A review of skills and experience should in any case be done before the recruitment or election of new governing body members. The results of the review will help update or improve the terms of reference for governing body members and will inform the process for attracting new members.

Questions for your organisation

1. Is there a governance manual and does it contain all the information you need? Who takes responsibility for maintenance of the manual?

2. Has the governing body or committee the necessary arrangements for reviewing its performance and filling gaps in competence or skills?

Review

As part of its annual planning cycle – see *Section Two*, it is essential that every governing body should allow time for individual members of the governing body to ask and answer – "why am I here?" and for the group as a whole to ask – "how are we doing?"

As a part of the drive for performance management within third sector organisations, governing bodies are being encouraged to measure their performance against targets that they have set. A performance management system can be a useful tool: it provides a focus for development and can help an organisation consider what standards it wishes to set.

A less structured but nonetheless effective method favoured by many organisations is the annual review often referred to as the 'away day'. The purpose of such days is to review the organisation's progress towards its objectives and the contribution that the governing body has made.

There are various tools and approaches that can usefully be used to support a review process. Some are discussed here, and *Section Five* includes references to specific publications and resources.

Board audit or performance tools

Performance reviews can help to identify areas of weakness, where improvement is necessary or even critical. Having identified areas for improvement, the governing body must be willing to take action to address these. Hoping that 'things will get better' is not a realistic option. If there is a problem, it is likely to get worse unless it is addressed.

The factors to be measured might include:

1. The extent to which individual members of the governing body:
   - attend meetings on a regular basis
   - take part in subcommittees and other work
   - take part in discussions and decision-making
   - understand their roles and responsibilities
   - understand the detail of the work of the organisation
   - have the skills, knowledge and understanding to provide effective scrutiny and monitoring.

2. The extent to which the governing body as a whole:
   - fulfils its roles and responsibilities
   - ensures a realistic and achievable strategic plan for the organisation
   - brings a broad framework of understanding and experience to the planning process

As a result of a performance review, a governing body will establish a set of standards or targets it intends to achieve in order to strengthen or improve areas identified.

Tips, Ideas, Suggestions

Governing bodies reviewing their performance for the first time may find it difficult to assess which of the range of tools, checklists and systems available would suit them best. Ask other organisations of a similar size or age for their recommendations or consult a local adviser for help in selecting the approach that will be most helpful.

Review days

A well-structured review day can be a highly effective tool for identifying success and achievement, as well as identifying areas that require attention and improvement.

A review day is structured to answer specific questions raised. These often examine:

- attainment of current objectives and targets

- strengths and weaknesses of the organisation.

- current plans' contribution towards long-term aims

A review should include an examination of the governance systems and practices to ensure that these are appropriate and support the organisation in achieving its objectives.

Using consultants and facilitators

Governing bodies may choose to get the help of a volunteer or paid adviser, facilitator or consultant to help them through the process of performance measurement or review. An objective outsider can help to put performance into perspective. The methods used will vary but generally a framework that takes into account the stage of organisational development, the level of resources available to the organisation and the scope and scale of its plans for the future is used.

If an external facilitator is to be used the governing body should agree a clear 'brief ' that identifies key questions that the governing body wants to answer and describes what is expected of the facilitator.

Questions for your organisation

1. How does the governing body review its performance and who organises this?

Summary

To develop the governing body involves four stages – people, induction, development and review.

Recruiting and electing the 'best' people to be members of a governing body is the starting point. The role of Chair is crucial and much attention should be given to recruiting the right person for the job.

It is necessary to induct new people so that new members of the governing body can take a full part in the discussions and decision-making.

It is important to provide continual learning opportunities for members of the governing body and for the body as a whole. A governance manual can help with this.

Regular reviews of work are necessary to ensure the governing body is working for the maximum benefit of the organisation.

Further reading, references and resources

Full details of all publications can be found in *Section Five*.

- The Good Governance Action Plan for Small Organisations by Sandy Adirondack
- The Good Trustee Guide, from NCVO
- PQASSO Quality Assurance System from the Charities Evaluation Service
- EFQM Excellence Model from the European Foundation for Quality Management.
- The Institute of Chartered Secretaries and Administrators (ICSA): www.icsa.org.uk

Section Five: What next?

As a result of using this guide you may decide that further information advice or support on a particular topic would be helpful. This section offers some signposts to assist you in that search.

There are many books, checklists, resource packs and organisations out there to help you. The list below is in no way comprehensive. It is intended to guide you to the next stage and focuses on the following areas:

- staying up to date
- getting extra help
- finding out more.

Appendices:

The following documents have been provided as samples for you to build upon to ensure your organisation encompasses good practice in governance. These samples are not exhaustive and should be used as a basis to develop a comprehensive and suitable policy for your own organisation:

Appendix 1 - sample induction checklist
Appendix 2 – sample code of conduct
Appendix 3 – sample register of interests
Appendix 4 – consent form and declaration.

Appendix 1 - Sample Induction Checklist

Key documents	Date provided	Received
Governing document		
Recent annual report and accounts		
Overview of current financial position of the organisation		
Recent Minutes of committee meetings		
Dates of next committee meetings/other key dates		
Details of any subcommittees		
Copy of code of conduct		
Copy of register of interests, to be completed and returned		
Consent form and declaration, to be signed and returned		
Copy of OSCR Guidance for Charity Trustees (if a charity)		
Expenses policy/claim form		
Outline of your role and responsibilities		
Organisational Information		
Mission statement		
Brief history of the organisation		
Organisation/staff structure		
Job description of chief executive or key staff/volunteers		
Business or strategic plan		
Newsletters, publicity information		
List of key stakeholders		

Appendix 2 - Sample Code of Conduct

Committee members* of the XXXX organisation have a duty to:

1. Accept the responsibilities of their position, and to act at all times in the best interests of XXXX organisation, ahead of any other professional or personal interest. They should at all times consider what is best for the organisation and its beneficiaries, and avoid bringing XXXX organisation into disrepute.

2. Be familiar with the organisation's governing document and act in accordance with its terms and any relevant legislation.

3. Have an up-to-date knowledge of XXXX organisation, its values and principles, and its operating environment.

4. Manage conflicts of interest effectively. Declare any and all relevant interests on appointment and during meetings of the Board.

5. Respect confidentiality, and work considerately and respectfully with all, respecting diversity, different roles and opinions, and avoid giving offence.

6. Prepare fully for, and attend meetings. Actively engage in discussion and debate at meetings, listening carefully, challenging sensitively, and avoiding conflict. Act collectively at meetings and accept a majority decision.

*Whilst the term committee member has been used in this sample, other terms such as Trustee, Director, etc. can also be used

Appendix 3 - Sample Register of Interests

XXXX Organisation's committee members are required to declare all relevant interests, on appointment and at meetings of the Board. The Register and the information contained in the Consent Form will be made routinely available to all committee members, and on request to members, funders and the public, in the latter instances, *always with the proviso that no contact details will be divulged without permission in order to safeguard the Board members' privacy.*

The following details should be recorded below:

- Details of any significant consultancies undertaken over the last 5 years
- Any financial stake in relevant organisations, or as a beneficiary of such an organisation (eg employment, stocks and share, etc)
- Any 'connected person' in relevant organisations, or as a beneficiary of such an organisation
- Any other interest which might be reasonably construed as creating a conflict of interest.

*Whilst the term committee member has been used in this sample, other terms such as Trustee, Director, etc can also be used

Appendix 4 - Sample Consent Form and Declaration

Date of appointment	Tel:
Title	Date of birth
Forename	Surname
Previous forename	Previous surname
Usual residential address	
Postcode	Email
Nationality	Occupation
Other Trustee positions, now or in previous 5 years	

Declaration

I have read and understood my duties and responsibilities in accepting a position on the XXXX Organisation Board and undertake to fulfil these duties in good faith and in accordance with the provisions of this Code of Conduct. I

- am over 16 years of age
- do not have an unspent conviction for dishonesty, or an offence under the Charities and Trustee Investment (Scotland) Act 2005
- am not an undischarged bankrupt
- am not someone who has been removed under either Scottish or English Law, or the courts, from being a charity Trustee
- a person disqualified from being a company director
- have no financial or other relevant interest in XXXX organisation that has not been formally disclosed
- agree to abide by this Code of Conduct and to formally register any relevant interests during any meetings of the Board where personal or professional interests are at stake
- agree to uphold the values and objectives of XXXX Organisation, and to encourage best practice in all areas of its work

Signed and dated

Resources

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
WHAT IS EXPECTED OF BOARD MEMBERS			
National Occupational Standards for Trustees	These standards are intended as a tool for increasing awareness and understanding of Trustee's roles and responsibilities.	February 2010 Free	www.skills-thirdsector.org.uk
The Charity Trustee's Handbook Mike Eastwood	Basic guidance about the responsibilities of management committees.	2nd edition 2011 £14.95	Directory of Social Change Tel: 08450 77 77 07 e-mail: publications@dsc.org.uk www.dsc.org.uk
Good Trustee Guide	Practical information on all aspects of a Trustee's role, including legal, management and financial responsibilities and guidance on developing an effective Trustee board.	5th edition 2008 £25.00	National Council for Voluntary Organisations (England) Tel: 020 7713 6161 www.ncvo-vol.org.uk
The Code of Good Governance for the Voluntary and community sector	Designed for all those involved in the governance of voluntary and community sector organisations, and particularly for Trustees and chief executives.	June 2005 Free or £5.00 for print version	Download or order www.ncvo-vol.org.uk
Good Governance: A guide	This is a practical guide for community and voluntary organisations in Northern Ireland.	July 2009 Free	Northern Ireland Council for Voluntary Organisations Tel: 029 9087 7777 e-mail: info@nicva.org www.nicva.org

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
DEVELOPING THE BOARD			
Guidance for Charity Trustees	The focus in this guidance is on the duties and responsibilities of charity Trustees in Scotland. It also offers examples of good practice in the governance of charities which should help charity Trustees fulfil their duties and responsibilities.	Free to download	Office of the Scottish Charity Regulator (OSCR) www.oscr.org.uk
Governance stories A practical guide to setting up your management committee and sustaining its work By Shirley Otto and Jo Clifton	This publication uses the medium of story-telling to focus on the joys, trials and tribulations of small community-based charities, helping anyone involved their operation and development.	£24.95	Russell House Publishing Ltd Top Floor 58 Broad Street Lyme Regis Dorset DT7 3QF Tel: 01297 443948 e-mail: webhelp@russellhouse.co.uk www.russellhouse.co.uk
The Essential Trustee: an introduction	This publication is for new Trustees and introduces some issues they need to know about and areas where they may need to find out more.	2007 Free	Charity Commission (England & Wales) Tel: 0845 3000 218 www.charity-commission.gov.uk
STAYING UP TO DATE – LEGAL			
Office of the Scottish Charity Regulator (OSCR)	Scotland's charity regulator and a source of on-going guidance on interpretation of the Charity and Trustees Investment (Scotland) Act 2005.		OSCR 2nd Floor Quadrant House 9 Riverside Drive Dundee DD1 4NY Tel: 01382 220446 e-mail: info@oscr.org.uk www.oscr.org.uk

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
SCVO Website	For information and updates on governance related issues.		www.scvo.org.uk/governance
Her Majesty's Revenue and Customs	For information on the tax benefits of charitable status.		Charities Helpline Tel: 0845 302 0203 www.hmrc.gov.uk/charities
Voluntary but not Amateur Jacki Reason & Ruth Hayes	A guide to the law for voluntary organisations and community groups	8th Edition 2009 £35	Directory of Social Change Tel: 08450 77 77 07 e-mail: publications@dsc.org.uk www.dsc.org.uk
Voluntary Sector Legal Handbook Sandy & James Sinclair Taylor	A guide and information on legal aspects in the voluntary sector	3rd edition 2009 £60	Directory of Social Change Tel: 08450 77 77 07 e-mail: publications@dsc.org.uk www.dsc.org.uk
The Institute of Chartered Secretaries and Administrators website	Contains a useful set of proforma job description and policies & procedures for not-for-profit organisations	2007 Free	Download from www.icsa.org.uk
Companies House	For information on Company Law and regulation.		Companies House Tel: 0303 1234 500 e-mail: enquiries@companies-house.gov.uk www.companieshouse.gov.uk
Financial Services Authority	The FSA has taken over the functions of the former Registry of Friendly Societies in Scotland. This role encompasses registration and information on Industrial and Provident Societies.		Financial Services Authority Tel: 0845 606 9966 www.fsa.gov.uk/doing/small_firms/msr/societies

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
Law Society of Scotland	The Law Society of Scotland is the governing body for Scottish solicitors. • Services to the public include leaflets giving information on a broad range of legal topics. • deals with complaints made against solicitors		Law Society of Scotland Tel: 0131 226 7411 e-mail: lawscot@lawscot.org.uk www.lawscot.org.uk
STAYING UP TO DATE - STAFFING			
Department for Business Innovation & Skills	The BIS functions include developing employment related legislation for all parts of the United Kingdom.		Department for Business, Innovation & Skills Tel: 020 7215 5000 e-mail: enquiries@bis.gsi.gov.uk www.bis.gov.uk
STAYING UP TO DATE - FINANCE			
Her Majesty's Revenue and Customs	Everything there is to know about VAT.		Tel: 0845 010 9000 www.hmrc.gov.uk
SCVO Website	For information and updates on finance related issues.		www.scvo.org.uk
STAYING UP TO DATE – GENERAL			
SCVO Website	For information and updates on governance related issues.		www.scvo.org.uk/governance
Third Force News and TFe	Third Force News (TFN) is the weekly newspaper for the Scottish voluntary sector. TFe is a free, more frequent email news bulletin from the TFN team.	TFN: £110 per annum (Free to paying SCVO members). TFe: free.	Published by SCVO Tel: 0131 474 8000 www.thirdforcenews.org.uk

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
GETTING EXTRA HELP – LEGAL			
Law Society of Scotland	The governing body for Scottish solicitors, the Law Society website includes a 'find a solicitor' function which allows you to search by geographical and specialist area.		Tel: 0131 226 7411 www.lawscot.org.uk
Free Legal Advice	SCVO members can access 2 hours of free legal advice.		Tel: 0800 069 0022 www.scvo.org.uk/membership
GETTING EXTRA HELP – STAFFING			
ACAS Scotland	Information and advice on law and employment relations issues.		Tel: 08457 47 47 47 www.acas.org.uk
Equality Advisory Support Service	Provides information advice and support on discrimination and human rights issues to individuals in England, Scotland and Wales.		Tel: 0800 444 205 www.equalityadvisoryservice.com/
Health & Safety Executive	Information and advice on health and safety at work.		www.hse.gov.uk
The Insolvency Service	Government help with employee payments in event of insolvency.		Insolvency: 0845 602 9848 Redundancy: 0845 145 0004
Goodmoves	The recruitment advertising and careers hub for the Scottish voluntary sector.		Tel: 0800 0192 149 e-mail: sales@goodmoves.org.uk www.goodmoves.org.uk

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
Volunteer Development Scotland	The national centre for excellence in volunteering. VDS also supports a Scotland-wide network of local volunteer centres.		Tel: 01786 479593 e-mail: vds@vds.org.uk www.vds.org.uk
GETTING EXTRA HELP – FINANCE			
Social Investment Scotland	Loans and advice for voluntary and community organisations.		Social Investment Scotland 12 Broughton Place Edinburgh EH1 3RX Tel: 0131 558 7706 www.socialinvestmentscotland.com
Charity Bank	Loans and advice for voluntary and community organisations.		Tel: 01732 774040 e-mail: enquiries@charitybank.org www.charitybank.org
GETTING EXTRA HELP – GENERAL			
Third Sector Interfaces	The national network of voluntary sector support agencies. TSI's provide a range of support services, tailored to local need.	Free	www.voluntaryactionscotland.org.uk
SCVO Helpline	The SCVO Information staff can provide general information on a range of topics under the broad headings of governance and structures, management and money.	Free	Tel: 0800 169 0022 e-mail: enquiries@scvo.org.uk www.scvo.org.uk/information
Thematic Intermediaries	Many thematic areas such as health and arts have dedicated national support agencies for voluntary organisations.		www.scvo.org.uk/about-the-sector/intermediaries-network/

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
Management Development Network Scotland	The Management Development Network is a network of experienced freelance management consultants and trainers based in the UK who work primarily or exclusively with voluntary organisations.		www.mdn.org.uk/scotland.htm

FINDING OUT MORE – LEGAL

SCVO Guide to Constitutions and Charitable Status	Covers the whole process of setting up a charity in Scotland and includes model documents.	Free to access on SCVO website.	www.scvo.org.uk/information (in 'Setting up your Organisation' section)

FINDING OUT MORE – STAFFING

ACAS Publications	Publications on law and personnel procedures.		www.acas.org.uk

FINDING OUT MORE – FINANCE

The Charity Treasurer's Handbook Gareth G Morgan	A starter guide for Trustees and other charity workers with no formal accounting knowledge, as well as those who have some financial knowledge but are new to the voluntary sector.	3rd edition 2010 £14.95	Directory of Social Change Tel: 08450 77 77 07 e-mail: publications@dsc.org.uk www.dsc.org.uk

FINDING OUT MORE – GENERAL

The Complete Guide to Business and Strategic Planning for Voluntary Organisations Alan Lawrie	Useful and comprehensive guide to planning	3rd Edition June 2007 £19.95	Directory of Social Change Tel: 08450 77 77 07 Fax: 020 7391 4804 e-mail: publications@dsc.org.uk www.dsc.org.uk

Publication Name & Author	Description	Date published and cost	Publisher name & contact details *(postal, tel.etc) and ISBN*
CHAIR pack	A pack for new and experienced Chairs, covering self-assessment; the role of the Chair and governance of voluntary organisations.	£5	Published by SCVO Tel: 0131 474 8000 e-mail: publications@scvo.org.uk www.scvoshop.org.uk/
Charities and Insurance	Details various forms of insurance and the circumstances in which Trustees may need to consider obtaining them.	May 2011	Charity Commission (England & Wales) Tel: 0845 300 0218 www.charity-commission.gov.uk
Voluntary Arts Network website	VAN offer briefings on a wide range of voluntary management issues.		www.voluntaryarts.org
Good Committee Practice	A series of publications designed for very small groups.		www.sppa.org.uk/publications/publications.html
Institute of Chartered Secretaries and Administrators	ICSA provides a range of information on governance and includes model policies and job descriptions.	Free and pay-for publications.	www.icsa.org.uk