

# Governance Support Package

*Produced in collaboration with SCVO*



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Development Alliance

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# Governance basics

## What is governance?

Governance refers to the systems, processes and behaviours concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation. Good governance ensures that your organisation:

- 🔄 works to advance its aims and objectives as set out in your governing document,
- 🔄 is well run and efficient, and complies with law and regulatory requirements,
- 🔄 is accountable, responsible and effective,
- 🔄 ensures that the reputation and integrity of the voluntary and charity sector is maintained.

The trustee board takes overall responsibility for the work of their organisation and for good governance, but also relies on many other people to govern well – members, staff, volunteers, advisors, and stakeholders. The values of your organisation should connect all those involved, so you can work towards shared goals.

Governance is about leadership and the work of the trustees to ensure the organisation is effectively and properly run. Trustees should ensure the governance of their organisation is accountable, transparent and open, and the purpose, vision and values of the organisation are actively communicated.

## Support for good governance

[The Scottish Governance Code for the Third Sector](#) sets out the core principles and key elements of good governance for the boards of charities, voluntary organisations and social enterprises in Scotland. The Code is accessible and applicable to all third sector organisations, whatever their shape, size or activities. It has five universal principles, of equal importance, which encourage boards to look at, and improve, their governance. Each principle has a summary statement, followed by an explanation of how you can demonstrate and implement the principle. The Code is supported by practical resources and a [glossary](#).

You can also use the [Alliance's Effectiveness Toolkit which is a](#) self-assessment process that allows your organisation to benchmark itself and continuously improve and develop. The toolkit covers areas such as partnership working and fundraising, as well as governance.

The [language of governance](#) will change depending on the legal structure and history and culture of your organisation. In this guide we use the terms 'the board' and 'the trustees' to mean the organisation's governing body – the group ultimately accountable for the organisation.

## Getting Started - vision, mission and making a plan

When you set up a voluntary organisation you should be clear about the needs which it will meet and who it will benefit. This will help you get support and be clear about what your focus should be. Usually an organisation will develop a:

**VISION:** Your view of what your organisation is for.

**MISSION:** This spells out what you intend to do to turn that vision into reality.

**VALUES:** Shared beliefs about the way you should operate.

These should link together and be your starting place for developing a detailed plan for how your organisation will operate. Work with your steering group (the initial group of people who set up the organisation and set its direction) and other volunteers and share out the tasks to develop and agree a written statement outlining your vision, mission and values. This will:

- 🎯 give your organisation a long-term view,
- 🎯 create a common sense of purpose and identity from which a strategy can be developed,
- 🎯 communicate clearly to your internal and external stakeholders what your organisation is about,
- 🎯 **And most importantly – ensure that your vision, mission and values underpin all your board decisions.**

Good governance should ensure your organisation will periodically revisit your vision, mission and values every two to three years to ensure that they are still relevant and work well.

### Exercise 1: Your organisation

Vision	
Mission	
Values	

Below are three examples of an organisational vision, mission and values for a membership-based organisation, a large federated NGO and a small to medium-sized, faith based NGO.

Scotland's International Development Alliance is a registered Scottish charity (SC035314)  
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## Example 1: Scotland's International Development Alliance

### Our Vision:

Our vision is of a Scotland increasingly committed to creating a fairer world, free from poverty, injustice and environmental threats.

### Our Mission:

- 🌐 To engage people and organisations in Scotland about international development and to facilitate their informed support.
- 🌐 To support people and organisations in Scotland contributing to effective international development to strengthen their support base and improve their impact.
- 🌐 To represent our members and the people and communities they serve, to local, national and international decision-makers.

### Our Values:

- 🌐 We uphold the absolute necessity for international development to be undertaken in genuine partnerships with the organisations and people in the communities we support through our work.
- 🌐 We value openness, transparency, ongoing learning and accountability to our partners at home and overseas and to our supporters and donors.
- 🌐 We value development whose benefits are accessible for all, irrespective of age, ability, ethnicity, religion, gender, sexual orientation or gender identity. We do not tolerate the incitement of hate against any person, group of individuals, sector of society or race.
- 🌐 We believe that international development should be led by the expressed needs and aspirations of people and communities in developing countries and the potential to make lasting change, rather than by the preferences of donors or the requirement to show short term results.
- 🌐 We adhere to the principle of 'do no harm'.
- 🌐 We endorse the UN Sustainable Development Goals and align our objectives to the international commitment to meet them, for vital transformational change in the world by 2030.

**URL:** <https://www.intdevalliance.scot/who-we-are/our-values>

## Example 2: Save the Children

### Vision:

A world in which every child attains the right to survival, protection, development and participation.

### Mission:

To inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives.

### Values:

In all that we do, we will demonstrate our values of Accountability, Ambition, Collaboration, Creativity and Integrity.

**URL:** [https://resourcecentre.savethechildren.net/node/15000/pdf/closing\\_the\\_gap\\_-\\_global\\_ambition\\_and\\_2019-21\\_global\\_work\\_plan.pdf](https://resourcecentre.savethechildren.net/node/15000/pdf/closing_the_gap_-_global_ambition_and_2019-21_global_work_plan.pdf)

### Example 3: Cairdeas International Palliative Care Trust

#### Vision:

A world where palliative care is accessible by all.

#### Mission:

To promote and facilitate the provision of high quality palliative care in the developing world where such care is limited.

#### Values:

We respect the integrity of each person: their faith, background and lifestyle.  
We are motivated by compassion inspired by the love of Christ.

**URL:** <https://cairdeas.org.uk/about/vision-mission>

## Choose Your Legal Structure - incorporation, charitable status, what are your options?

You are not required by law to adopt a legal structure unless you aim to be registered as a charity, but there are benefits to having a formal structure. It provides a framework and gives your group an identity, continuity, credibility, and a means of establishing common objectives. It can also be very helpful if and when things do not go to plan. If you decide to adopt a formal structure you will need to make fundamental decisions about incorporation, charitable status and membership.

### Unincorporated - Incorporated: What's the difference?

The type of legal structure which is right for your organisation will depend on what you plan to do and the [level of risk involved](#) in your activities. If you intend to employ staff, buy or rent premises, raise large scale finance, or enter into contracts, then you should think about incorporation. It's important even at an early stage to think about how your organisation might develop.

The difference between unincorporated and incorporated is explained in the table below.

Unincorporated	Incorporated
Unlimited personal liability (joint and several)	Limited personal liability (usually £1)
Property is owned by individual people	Property is owned by the organisation
Contracts are in the name of individuals	Contracts are in the name of the organisation

Unincorporated	Incorporated
No statutory framework - no governing law (unless a charity)	Clear statutory framework (Companies face penalties for failing to comply and fines for late returns)
No real accountability (unless a charity)	Clear accountability to members/shareholders and a regulatory body
No automatic set up/running costs	Set up and ongoing costs, for a Company

An unincorporated organisation is a collection of individuals with no separate legal identity. If an unincorporated organisation wants to own property, employ staff, etc., it must rely on individuals to do so on its behalf. This increases the risk of personal liability for those involved in running the organisation.

If charity trustees and/or activities are located entirely abroad then the [Office of the Scottish Charity Regulator \(OSCR\)](#) will ask for more information about monitoring of funds and activities to make sure they relate to Scottish charitable purposes.

An incorporated organisation has a legal identity of its own. This means that it can own property, enter into contracts, and employ people in its own name. Incorporation means the liability of the organisation to third parties is limited to the total amount which is guaranteed to be given by the members – usually this is £1 and is detailed in the governing document. This gives protection to those running the organisation and its members in most cases. However, it also means that trustees need to take their responsibilities very seriously as they are legally binding. There are also obligatory reporting duties to their official regulatory body, e.g. for Scottish Charitable Incorporated Organisations to OSCR, for companies to Companies House.

However, it's important to remember that personal liability may still occur if trustees are reckless, negligent, act illegally, or act outwith their powers in the management and control of the organisation.

It is vital to get your legal structure right, both for now and the future, and whether or not to incorporate is an important question to consider when looking at your choice of structure. The wrong structure can get in the way of doing your work effectively and may increase the risk of personal liability.

If you think that your organisation should be incorporated, you should consider the following legal structures:

### 1. [Company Limited By Guarantee](#)

A clear legal entity separate from the people involved in it, providing limited liability for its members. It must comply with UK company law.



## 2. Scottish Charitable Incorporated Organisation (SCIO)

The SCIO has been purpose built for the charity sector in Scotland and provides limited liability and a separate legal identity to organisations that want to become charities but do not want, or need, the complex structure of company law.

### Charitable Status

***The legal structure of your organisation is quite separate from its charitable status.***

A charity is a voluntary organisation which has been set up only for charitable purposes and to provide public benefit. Only around half of Scotland's voluntary organisations are charities. If you are thinking of registering as a charity, you should consider the advantages and disadvantages associated with charitable status and look carefully at the particular circumstances of your organisation to decide whether it's the right option for you.

Advantages:

- 🕒 Tax relief on surpluses and donations
- 🕒 Access to funding only available to charities
- 🕒 Rates relief for premises
- 🕒 Special VAT concessions

Disadvantages:

- 🕒 Restrictions on spending
- 🕒 Cannot engage in party political activities
- 🕒 Must adhere to charity law
- 🕒 Trustees have specific duties under charity law

To be a registered charity in Scotland, an organisation must register with the [Office of the Scottish Charity Regulator \(OSCR\)](#) having met the charity test. To meet the charity test, an organisation must have only charitable purposes and must provide public benefit. In addition, it must not allow its property to be used for non-charitable purposes; must not allow Ministers to direct, or otherwise control, its activities; and must not be a political party, and not have as its purposes the advancement of a political party.

All charities must submit an annual return and accounts to OSCR every year and seek their permission to make certain changes.

If you are considering registering as a charity, the following are the main legal forms that Scottish charities can take:

### 1. Scottish Charitable Incorporated Organisation (SCIO)

The SCIO has been purpose built for the charity sector in Scotland and provides limited liability.

### 2. Voluntary or Unincorporated Association

The simplest and least bureaucratic form of legal structure, with low set up costs.

### 3. [Company Limited by Guarantee](#)

A clear legal entity, separate from the people involved in it, but it must comply with UK company law.

### 4. [Trust](#)

Best suited to small groups of people who want to manage money or property.

## Other options

You may choose to set up an organisation that does not make any profit, but decide not to register it as a Scottish charity. All of the types of organisation below can be not for profit, without registering as a charity.

1. Voluntary or Unincorporated Association
2. Company Limited by Guarantee
3. Trust
4. Community Interest Company (CIC)
5. Community Benefit Society
6. Co-operative Society

See the table of legal structures in [Appendix 2](#) for more detail on each of these structures.

If your organisation is planning to officially register itself and become a legal entity in another country then you will need to confer and adhere to national requirements.

## Constitutions, board structures, membership

Once you have decided on the right legal structure for your organisation, the formal business of drafting your constitution, deciding on membership, and appointing trustees will follow.

### Constitutions

A constitution is a written set of rules or agreement which sets out the purpose of your organisation and how it will be run. SCVO have developed a number of models which should enable you to draft, adjust and finalise your constitution, and form your voluntary organisation. For each type of legal structure commonly found in the voluntary sector in Scotland [you can access a model constitution](#), plus detailed clause-by-clause notes and optional additional clauses.

While it may be tempting to simply take the model and fill in the blanks relating to your organisation, DON'T! Make sure you draft a document that works for your organisation, both now and in the future. THINK IT THROUGH! It's important that everyone in the steering group thinks carefully about the features in the constitution so that it is a real reflection of what you want to achieve.

If your trustees will be unable to physically attend board meetings, make sure your constitution includes clauses to allow meetings and voting to take place via other means e.g. by telephone conference or Skype.

There will be some organisations which demand specialised provisions in their constitution and there are some circumstances where legal advice will be helpful.

Note that there are only a limited number of solicitors in Scotland who deal regularly with the drafting of legal structures for the charitable/voluntary sector. The [Law Society of Scotland](#) has a list of legal firms, if you decide to access legal advice, check they have specialist charitable experience.

Further help may also be available from your local [Third Sector Interface](#). If you are a member of The Alliance you can get free [access to TrustLaw](#), a legal service provided pro-bono by the Thomson Reuters Foundation. If you are a member of SCVO with an income of less than £500,000 you can get legal advice and help with drafting your constitution from the [SCVO Legal Advice Service](#).

## Board Structures

A board may not always be called a board: other names include a management committee, council, executive committee, board of trustees, board of governors, or some other term. The name of the governing body is usually determined in its governing document and is dependent on the legal structure and history and culture of your organisation.

The board consists of trustees who work together and take ultimate responsibility for running the organisation – for its property, finances, and the employment of any staff or volunteers. Some organisations may not use the term trustee but may use another term such as committee member or director: what matters is the role and responsibilities, not the title.

The role of the board is leadership – to control and supervise the organisation's activities. Leadership means setting the vision for the organisation, and running it in a way that will achieve these aims. It is important for trustees to understand that they are in charge of their organisation, and they can be personally responsible for what it does, depending on the organisation's legal structure. Ultimate responsibility and ultimate authority lies collectively with them. They can delegate some of their authority, e.g. to staff, but they can never delegate their responsibility.

The board should make sure that:

- the organisation is clear in its overall purpose and values, as set out in its governing document, and in its direction and strategy
- all decisions are taken in line with the aims and objectives of the organisation as laid out in its governing document
- beneficiaries and others who come into contact with your organisation are protected from harm and the culture within your organisation is to respect and protect the people there
- finances and resources are safeguarded and used effectively and efficiently for those whom the organisation exists

- the organisation is effectively managed, operates efficiently, and works within its policies and budgets
- the organisation works within relevant good practice and fulfils all its legal requirements
- the organisation is accountable financially, and to its stakeholders and regulatory authorities
- there is a proper procedure for the recruitment and supervision of staff
- the board itself is representative and functions effectively

Most of the board’s work takes place at board meetings where trustees act collectively. Boards often concentrate on big issues at meetings, making key decisions, monitoring finance and activities, and then delegating day to day work to others – staff, volunteers, or individual trustees. In small organisations, boards are likely to be involved in day-to-day operational issues, as well as in governance issues. In these organisations, trustees should still distinguish between when they are working on day-to-day issues and when they are working on governance issues. Governance is different to operations or management, which is about implementing the strategies agreed by the board.

Governance	Operations
Overview of organisation as a whole	Day to day operation of programmes/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

To help differentiate between governance and operations for organisations without paid staff you could 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,
- Set up a subcommittee of the governing body to focus on work programmes, delivery or operational matters. This could be open to volunteers who do not currently serve on the governing body.

Individual trustees act and make decisions as part of the collective board. They are bound by any collective decision. They can only act on their own if they have been formally authorised to do so by the board.

## Membership

Membership organisations are probably the most common type of organisation in the voluntary sector. They have a two- tier structure where the board is elected by, and accountable to, a wider body of ordinary members.

Members attend the Annual General Meeting (AGM) and have the power to take certain fundamental decisions, such as making changes to the governing document and dissolving the organisation. They also elect board members and thus have ultimate control, so it is important to carefully consider who can be eligible for membership of your organisation. Here are some of the things you need to think about:

- 🕒 Who are you going to invite to be members of your organisation?
- 🕒 Are you going to charge people to be a member, and if so, how much?
- 🕒 What does membership entitle them to?
- 🕒 How will you appoint new members, and how long will membership last, e.g. a financial year?
- 🕒 How will you remove members from your organisation if you need to?
- 🕒 Can employees of the organisation also be members, and can they serve on the board? If they can, what voting rights will they have? How will you address any potential conflicts of interest?
- 🕒 Should bodies, as distinct from individuals, be entitled to be members?
- 🕒 Would you allow young people under 16 to become members?

### Membership means....

- 🕒 Your organisation is democratic
- 🕒 Your board is accountable to a wider audience
- 🕒 You will be more transparent
- 🕒 You will understand your users and beneficiaries better
- 🕒 Your influence will be greater
- 🕒 You have a source of trustees/volunteers/fundraisers/advocates
- 🕒 You have a source of income (if you have membership fees)

The possible legal structures for a membership organisation would be:

1. [Voluntary or Unincorporated Association](#)
2. [Company Limited by Guarantee](#)
3. [Scottish Charitable Incorporated Organisation \(SCIO\)](#)
4. [Co-operative Society or Community Benefit Society](#)

With certain legal structures, members have more responsibilities than others (e.g. a SCIO). This should be considered when deciding what type of legal structure would be best for the organisation.

If you decide not to be a membership organisation, then the possible legal structures would be:

1. [A single tier SCIO](#)
2. [Trust](#)

## Trustees - roles and responsibilities, recruitment and induction, conflicts of interest

Although organisations and boards differ greatly in size and structure, all trustees share some fundamental roles and responsibilities, which you must carry out with the other members of the board, according to your constitution and relevant legislation. In fulfilling its roles and

responsibilities, the board may work with its staff and volunteers, and outside bodies, but ultimately it is the trustees that are in management and control of the organisation.

Each member of the board has collective responsibility for the management and control of a voluntary organisation, and are legally liable in equal proportion, though certain board members can be given specific roles:

## Roles and responsibilities

### Chair or Convenor

It is important that all trustees play their part in the good governance of their organisation. The Chair or Convenor has a leadership role and can be delegated the line-management of the chief executive on behalf of the board. Key delegated duties may include:

- Ensuring meetings are run competently and everyone participates fully so discussion and decision-making is democratic
- Holding the casting vote in the event of a split decision (if this is detailed in your governing document)
- Preparing the agenda for meetings, in consultation with staff and other trustees
- Chairing meetings and ensuring that annual general meetings and extraordinary general meetings are carried out according to the governing document

### Treasurer

It is important that all trustees understand their collective financial responsibilities and play their part in financial decisions and financial monitoring, it's not just down to the treasurer and any financial experts on the board. The treasurer is responsible for oversight of the finances, even if the organisation has paid staff who deal with much of the day-to-day financial business. Some of the tasks can include:

- Advising the board on financial matters
- Controlling and accounting for the organisation's finances, overseeing bookkeeping
- Being one of the counter signatories to any banking transactions
- Issuing receipts for all cash received and keeping records of cash paid out
- Preparing the Treasurer's report for the annual general meeting
- Liaising with the appointed auditor or Independent Examiner for the annual review of accounts

### Secretary

The Secretary of a voluntary organisation can be responsible for many specific tasks, some of which will be regular practical administrative duties of paid staff in larger organisations. These can include:

- Convening meetings and booking rooms
- Dealing with correspondence
- Preparing agendas for meetings in consultation with the Chair
- Taking the minutes
- Company Secretary

The position of a 'company secretary' has a specific legal meaning. A voluntary organisation that is a charitable company and chooses to have a 'company secretary' does not need a secretary as well. The company secretary doesn't have to be a board member, a staff member or anyone directly connected to the organisation. The organisation can choose anyone it believes is suitable for the task. If a board member is the company secretary, they retain all the normal rights and responsibilities of a director – including the right to make decisions and vote at board meetings. If a member of the company is the company secretary, they retain the normal rights and responsibilities of membership including the right to vote at general meetings. If the secretary is someone else, e.g., a staff member, the position does not automatically make them a member of the board, or a member of the organisation, and they have none of the rights or responsibilities of either. Note that under the Companies Act 2006 it is no longer compulsory to have a company secretary.

## Recruitment

The recruitment of trustees is vital to the success and sustainability of your organisation. The first trustees are likely to be drawn from the group who set up the new organisation. After that, the trustees will, and should, change over time with some people leaving, and some new members joining. This provides a healthy process for fresh ideas, new skills and outside energy to come in. This turnover should be planned and your governing document should detail who can be a trustee, how they're elected, how long they can be in office, and whether they are eligible for re-election, if they wish to continue.

There are three main ways to recruit new trustees:

1. Election – from the membership according to the rules laid down in the governing document
2. Invitation – to targeted individuals, provided your constitution allows for co-option.
3. Advertisement – usually followed by some form of selection process to check that potential trustees are suitable

Before you look for new trustees you should see what skills and experience your current board has and identify any gaps with a [skills audit](#). Work out what you need now and in the future, and prepare a description of the skills, experience and knowledge required and some background information on your organisation.

It's important to have a thorough, fair and open recruitment process to ensure you recruit trustees with the best possible mix of skills, knowledge, attitudes and experience. Use the [Alliance website](#), [Goodmoves](#) and [SCVO's Trustee Vacancy Search](#), your local [Third Sector Interface](#), [Volunteer Scotland](#), [Changing the Chemistry](#) and social media in your search, and all contacts and networks your organisation has.

Any potential candidates need to have their eligibility checked. Meet them to find out whether they'll be a good fit for your organisation. If they're willing to join you, take up references and ask for proof of identity and qualifications. Ask them to sign a [Trustee Consent and Declaration form](#), then make sure they're elected in line with the rules in your governing document. If your organisation works with children or protected adults you may consider it appropriate to carry out [Protection of Vulnerable Groups \(PVG\)](#) checks on all trustees.

Diversity on a board is vital to good governance. Trustees that reflect the diversity of the community their organisation serves are more likely to understand the range of its perspectives

and needs and are more likely to retain the confidence of the organisation's stakeholders. But diversity is not just about visible differences such as age, gender and race, it also encompasses other aspects like difference of education, marital status or sexual orientation, and also diversity of thought and opinion. So, it's good governance to identify and address any obstacles to diversity on your board.

## Who can be a trustee?

There are no specific legal restrictions on who can be a trustee of an unincorporated voluntary association that does not have charitable status. However, you can't be a company director if you are an undischarged bankrupt, or disqualified by a court from holding a directorship, unless given leave to act in respect of a particular company or companies. Company directors also need to be aged at least 16 years old.

Similarly, you can't be a charity trustee if you are an undischarged bankrupt or someone with an unspent conviction for dishonesty or an offence under the Charities and Trustee Investment (Scotland) Act 2005. Other disqualifications include someone who has been removed under either Scottish or English Law or the courts from being a charity trustee, or a person disqualified from being a company director.

## Induction

A thorough induction is vital for new trustees, so that they learn how to carry out their role and know what support they can expect, and they can play a full part in discussion and decision-making. They should be given a copy of the governing document and annual report and accounts, and be fully briefed on the organisation's vision, mission, plans, and current financial position. Consider teaming up a trustee with an existing one to act as a mentor. A new trustee should:

- 🕒 Be aware of their role and responsibilities, and any personal liabilities
- 🕒 Visit the organisation and meet with staff, volunteers, beneficiaries and service users
- 🕒 Meet with the Chair to learn about recent key decisions, challenges and longer-term plans
- 🕒 Understand what expenses they can claim
- 🕒 Receive regular development, training and appraisal opportunities

## Conflicts of interest

***A conflict of interest is any situation in which a trustee's personal interests or loyalties could, or could be seen, to prevent them from making a decision in the best interest of the organisation they are acting for.***

Conflicts of interest can arise on any board, and that is why it is important to put in place a conflict of interest policy and procedures. The usual approach is to maintain a list of the trustees' declared interests, require trustees to declare interests at relevant points in meetings and then distance them from the decision making, either excluding them from the vote, or sometimes from the discussion and decision making altogether. What is required varies slightly depending on your organisation's legal structure. There is a higher potential for conflicts of



interest in organisations where employees are also trustees, and the majority of trustees should always be unpaid. See [Appendix 1](#) for a Sample Register of Interests.

## Partnerships

International Non-Governmental Organisations (NGOs) will usually have at least one partner organisation based in the country where projects take place. It is important to make sure that the organisations you decide to partner with are well governed and adhere to laws in the country in which they are based.

It is important to have a written partnership agreement, often called a Memorandum of Understanding, signed by your organisation and the partner, that sets out responsibilities for both parties. This should cover things such as:

- 🕒 Project aims and objectives
- 🕒 Implementation responsibilities
- 🕒 Financial responsibilities
- 🕒 Compliance with policies
- 🕒 Conflict resolution & partnership dissolution

For more information on working in partnership have a look at [The Alliance's Partnerships Guide](#).

## Transparency - Monitoring, Evaluation, Accountability & Learning (MEAL)

[Transparency](#) helps to improve effectiveness, accountability and trust in the international development and aid sector. When you receive funds from donors you will be expected to report back on the success of your project. Although monitoring and evaluation are usually carried out by staff, it is the ultimate responsibility of the board to ensure accountability, and that all donor requirements are being met. Undertaking regular monitoring, evaluation, accountability and learning (MEAL) are essential to a well governed organisation that acts in line with its mission, vision and values. For more information on how to set up a MEAL system please look at [The Alliance's MEL Guide](#).

### Additional sources of advice

1. [SCVO](#)
2. [OSCR](#)
3. [Companies House](#)
4. [Charity Commission](#)
5. [HMRC](#)
6. [The Scottish Governance Code for the Third Sector](#)
7. [Good Governance: A Code for the Voluntary and Community Sector](#)

# Finances

Managing money is not just the job of the treasurer, all the board are [collectively responsible for the finances](#) of the organisation. They have to make sure that there are appropriate financial structures, controls and processes to ensure the financial affairs of the organisation are conducted properly and reported accurately. This is particularly important when working through partner organisations to ensure transparency and accountability to stakeholders.

## Planning ahead - budgeting, reserves, fundraising strategy

### Budgeting

***A budget is an estimate of the expenditure you expect to incur by carrying out a plan of action and the income that you hope to generate to pay for this expenditure.***

It can be drawn up to cover particular activities, or a period of time, usually a year. The budget helps you to see exactly what things will cost so that you can make sure you have enough money to carry out your plan.

The process of preparing a meaningful and useful budget is best undertaken as an organised group exercise with trustees, programme and finance staff working together, where possible. Budgets should be clear, so that other people can pick them up and understand them easily. Writing a budget involves answering a number of questions:

- 🌀 What objectives are we trying to achieve?
- 🌀 What activities will be involved in achieving these objectives?
- 🌀 What resources will we need to carry out these activities?
- 🌀 What will these resources cost?
- 🌀 Where will the funds come from? What will the source be?
- 🌀 Is the result realistic?

Don't forget full cost recovery – remember to include your core costs such as rent, utilities, staff related costs such as recruitment and training as well as governance costs for board meetings and AGMs.

Further Resources: Humentum's [budget worksheet example](#)

Further Resources: [Department for International Development \(DFID\) - budget template for overhead costs](#)

### Reserves

Many organisations have only one or two major sources of income and these are not always guaranteed. It is crucial therefore to ensure there are sufficient reserves to tide an organisation over while alternative sources of funding are secured, or to allow an organisation to wind up while meeting its obligations to staff and service users, if existing sources of income are lost. In addition, voluntary organisations that send or receive money abroad are also subject to volatile

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currency markets, so need to have reserves in order to mitigate financial risk. But you must be able to justify the level of reserves that your organisation holds. This is especially true for charities where a high level of reserves could be seen as not properly directing the resources of the charity to the furtherance of its charitable objectives.

Further resources: [OSCR's Charity Reserves Factsheet](#)

Some funders will not provide funds to an organisation with, as they see it, 'too much money' in reserve. When applying for funds, you should establish funders' policy on reserves and be prepared to share your reserves policy.

## Fundraising Strategy

Successful fundraising doesn't involve a magic formula, it relies on hard work and people who are well prepared. It is vital to have a strategy in place. The board should ensure that any fundraising is carried out [ethically](#) and in line with your organisation's purpose and values. The board should have a fundraising strategy consistent with regulations and guidance on fundraising that complies with the [Code of Fundraising Practice](#) and addresses the following questions:

- 🎯 What funds do you need to carry out the activities you have planned in your strategy?
- 🎯 Where will you get those funds?
- 🎯 How will you ensure that the funds do not dry up, and that you have sustainable sources of funding?
- 🎯 What will you need to do to raise the funds that you require and what resources will you need?

[The Alliance's Fundraising Guide](#) has more in-depth guidance on fundraising

Watch out for exchange rates when applying for funds for work that will take place internationally – make sure you know which funders will, or won't, cover a shortfall, and which funders will expect funds back if the exchange rates are good and you have some left over at the end of your project.

## Keeping control - internal controls, transferring funds abroad, bribery policy

### Internal controls

Having strong internal financial controls can help to prevent mistakes, confusion or even fraud and theft. Internal financial controls show your stakeholders (members, funders, regulators and beneficiaries) that their money is safe and wisely spent. A [financial control policy](#) should set out who is to do what, and when and how, and should be followed without exception. Your systems and policies should also provide guidance to partner organisations who may be mainly responsible for disbursement of funds and financial reporting.

[CASHFACTS](#) from Community Accountancy Self Help provide financial guidance specifically for small charities and small groups.

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## Transferring funds abroad

It is important that your board ensures that funds are going where they're meant to. The safest method to transfer money internationally is to use the banking system. If your organisation chooses to use a different method such as Money Service Businesses, make sure you can show the reasoning for your choice. The board should carefully consider the amount of money held locally, your organisation could lose money if the local banking system collapses, or if exchange rates drop.

Both OSCR and the Charity Commission strongly advise against transporting money in person. Cash above a certain limit that has not been declared may also be seized by the UK Borders Agency.

For more information on holding, moving and receiving funds safely, see the [Charity's Commission's Guidance](#).

## Bribery

Charities and voluntary organisations must safeguard themselves against corruption and financial crime in order to avoid financial and reputational damage. Due diligence checks on all partners, a full risk audit and anti-corruption controls are all essential for organisations working overseas.

For more information read the [Bond Anti-Bribery Principles and Guidance for NGOs](#).

The Bribery Act 2010 created an offense of “failure of commercial organisations to prevent bribery”. This is covered in Section 7 of the Act and is designed to encourage organisations to put in place effective anti-bribery procedures. There is a defence if the organisation can demonstrate that it had “adequate procedures” in place designed to prevent persons “associated” with it from undertaking such conduct. Trading by an NGO or charity and any service for which fees are charged could be considered as ‘commercial activities’.

## Annual reporting

Reporting and keeping accurate accounts is a vital element in running your organisation, ensuring that you are making the most of your income. Exactly what you will need to do will depend on the scale of your operation, your legal status and whether you are a charity. Your board has a responsibility to report on the financial position of your organisation if your organisation is a charity or is incorporated, this is a legal requirement.

If your organisation is not a charity and is unincorporated, the responsibility to report is more moral than legal. However, it is common for funders to require the production of proper accounts as a condition of funding.

Your organisation should keep proper financial records throughout the year, with the end of year accounts normally produced at the end of a financial year. Many organisations use the public sector financial year (April-March), but an organisation can choose its own financial year, depending on when it was set up, or can follow a different established one, e.g., the European Union financial year (January-December). The [Office of the Scottish Charity Regulator \(OSCR\) has detailed information and guidance](#) for registered charities about annual reporting and accounts to make sure they follow charity law requirements.

# People

People are the central resource for any voluntary organisation whether they are employees, interns, volunteers, or service providers. With the huge range of legislative requirements, it can often be a complex field for organisations to deal with. There are also a number of safeguarding considerations, please see the section on [broader organisational responsibilities](#) for these.

In addition to adhering to legislation in the United Kingdom it's important to respect national employment law in other countries where you are directly employing people.

## Employing staff - recruitment and selection, contracts, disciplinary and grievance procedures, performance management

Employing staff requires keeping up to date with employment law and having the right policies and procedures in place. It can often be a complex field for organisations to deal with and it's important to get it right from the start. Check [guidance](#) on what you need to do as an employer before you take on staff. The Alliance offers [free legal advice to members via TrustLaw](#) a pro-bono service from the Thomson Reuters Foundation and SCVO member organisations can access their [free legal advice service](#).

### Recruitment and selection

The recruitment and retention of staff can be crucial to the delivery of services or activities for your organisation. The recruitment and selection process can be a potential minefield of legislation and good practice, and if you get it wrong it can be time consuming and expensive. But there is help you can access, and templates available from [Business Gateway](#). Also check out the sources of advice at the end of this section for more information.

Recruitment should begin with your trustees [considering the duties that need to be covered](#), and the type of skills and experience required for the role. Think about how much your organisation can afford to pay, and have a look at what other organisations offer for similar roles on [Goodmoves](#) Scotland's charity and voluntary sector recruitment website.

Make sure that job adverts comply with [equalities legislation](#), don't discriminate against any potential applicants, and include acknowledgement of any funding your organisation has received for the post. Include the closing date for applications and the date you intend to interview applicants. Having a standard application form will ensure you receive the information you need and will make it easier to assess all applications fairly.

Consider all applications against the criteria set out in the person specification and make a short list of applicants to interview. To help keep the shortlisting impartial, involve more than one person, and use a scoring system. Do the same when interviewing and use an agreed set of questions for everyone. Once you have chosen who to offer the post to, make sure you make the [necessary checks](#) before formally offering them the job.

## Contracts

You are legally required to give a [contract](#), or written statement of employment, to all paid staff who have been employed for at least a month. Having a [contract](#) in place helps to avoid any misunderstanding should things go wrong, and should include:

- 🕒 Name of employer and employee
- 🕒 Job title or brief description of the job
- 🕒 Start date
- 🕒 Salary/rate of pay\* including how often and when
- 🕒 Hours and place of work
- 🕒 Holiday and sick pay entitlement
- 🕒 Notice period
- 🕒 Disciplinary and grievance procedures

The contract should be signed by the employee and reviewed on a regular basis.

\* The [National Minimum Wage](#) is the minimum pay per hour almost all workers are entitled to by law. The [Living Wage](#) is an hourly rate which is set at a level which is based on the cost of living.

## Disciplinary and grievance procedures

Your organisation should have agreed policies and procedures which staff are required to comply with. These should cover such issues as:

- 🕒 use of email, internet and social media
- 🕒 data protection
- 🕒 confidentiality
- 🕒 bullying and harassment
- 🕒 alcohol and drug use

Written copies should be given to employees with their contract as part of a staff handbook and covered as part of their induction training.

A clear disciplinary procedure is an important part of any staff handbook. It allows the employer to explain when improvement is required in an employee's conduct or performance and should set out clearly what constitutes gross misconduct in your organisation.

Similarly, an accessible grievance procedure is vital for employees who have a complaint about their work or workplace, or someone they work with.

The Advisory, Conciliatory and Arbitration Service (ACAS) [offers good practice advice](#) for dealing with discipline and grievances.

## Volunteers - recruitment and selection, policy, payment

Volunteers may play an important role in your organisation. Make sure you know how to look after them and ensure that their volunteering is well managed and effective for everyone involved.

## Recruitment and selection

Some organisations find it easier to recruit volunteers than others, but there is a lot of help available from your local volunteer centre and from [Volunteer Scotland](#) where you can access useful good practice guides and Scotland's biggest volunteer opportunity database which you can use to recruit volunteers.

When recruiting volunteers, it's important to have an interview process and to take up references. This is because volunteers may be in positions of responsibility, working with vulnerable people and dealing with the organisation's assets. If your organisation works with children or protected adults you may consider it appropriate to carry out [Protection of Vulnerable Groups \(PVG\)](#) checks on all volunteers. A good formal volunteer recruitment process can help impress upon a volunteer the importance of their role, and help them decide themselves whether they are suitable for the post.

Once recruited, it's vital to ensure that all volunteers are properly trained, supported and insured. Remember that it should be a reciprocal arrangement, and volunteers should benefit from their contributions in ways such as developing new skills sets or enhancing their CV. Providing support is not always straightforward, and sometimes volunteers will be working alone and dispersed. The times that they are available may not automatically coincide with the hours that staff work. Arranging support and supervision requires forethought and flexibility, and peer support can be important and useful to volunteers. Many people volunteer as a form of socialising and organising events that bring volunteers together can be useful for this.

## Volunteer policy

As well as being responsible for paid staff, trustees are ultimately responsible for deploying volunteers effectively, so it's essential that you have a [volunteer policy](#) with a written statement of the aims and values of your organisation, and the role that volunteers have in it. Volunteers should know what they can expect from their volunteering, and what an organisation can expect from them.

Many voluntary organisations tend to assume that their volunteers have no legal rights, but this is a dangerous assumption to make. Depending on the degree of formality in the way in which volunteering is organised, volunteers can qualify for legal protection under employment law. Increasingly, volunteers are recruited under volunteering agreements that cover grievance and disciplinary procedures and equal opportunities. Whilst it is good practice to respect the contribution of volunteers in a formal way, you should be aware that the greater the degree of formality in the arrangement, the greater the chance of legal relations being created.

Nonetheless, it is still important to outline clearly, in writing:

- 🕒 the time commitment needed from the volunteer which should include the actual volunteering tasks and time for attending supervision and training
- 📄 a role description that gives a realistic picture of the tasks they will be expected to do
- 👤 the personal qualities and behaviour required
- 💰 your policy on expenses

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- 🌐 their investment in the organisation, scope for representation, etc.

If your organisation is sending volunteers overseas, your policy will need to cover additional things such as information about visas, insurance cover, healthcare provision and ethical photography etc.

## Payment

Volunteering is an opportunity for people to give their time, energy and skills. No volunteers should be out-of-pocket as a result of their volunteering. Where someone incurs expenses as a direct result of their volunteering activities they should be reimbursed. This ensures that individuals are not excluded from volunteering on the basis of their income. Out of pocket expenses for volunteers may include:

- 🌐 travelling expenses
- 🌐 other subsistence costs – food and drink
- 🌐 any special clothing or tools
- 🌐 training
- 🌐 childcare

Organisations should ensure that they do not pay volunteers' expenses at a flat rate, regardless of the actual expenses incurred, as this greatly increases the chance that the relationship will fall within the scope of employment and discrimination law. Payment of out-of-pocket expenses to a reasonable level is legitimate and should not give rise to any tax liability, problems with benefits, or charity law.

Organisations should:

- 🌐 produce [detailed guidance](#) on claiming expenses for all volunteers
- 🌐 establish a system for reimbursing expenses which reflects the organisation's commitment to paying expenses as part of equal opportunities and enables volunteers to claim expenses without embarrassment
- 🌐 budget for volunteers' expenses.

## Interns

There is no legal definition of an intern, however a good guideline is that interns should develop their professional skills and understanding of a profession by undertaking work of value for an employer.

Internships are short-term positions that offer mutual benefits to the host organisation and the intern. An internship provides a work-based learning opportunity for individuals who wish to develop hands-on experience in a certain occupational field. Internships should be clearly distinct from other opportunities that may be available in your organisation, such as work experience, apprenticeships or volunteering.

The Chartered Institute of Personnel and Development (CIPD) has produced a [useful guide to internships](#).

## Additional sources of advice:

1. The [UK Government website](#) with a wide variety of advice notes on aspects of employment law including contracts; dismissal; health and safety; pensions; recruitment and benefits. There is no tailored individual advice line.
2. Scottish specific advice on employee's rights at work from [Citizen's Advice](#). This is generally written for employees rather than employers but is a useful resource.
3. The [Advisory, Conciliatory and Arbitration Service \(ACAS\)](#) provides online advice for many areas of employment law as well as a conciliation service. They also provide an automated advice service which can provide more tailored advice for your enquiry.
4. The [Chartered Institute of Personnel and Development \(CIPD\)](#) is the world's largest Chartered HR and development professional body. While membership based, they provide good online HR resources including some standard HR policies.
5. The [Health and Safety Executive in Scotland](#) and the related HSE UK website provide a number of advice notes on good, legal practice in ensuring employees' health and safety. They provide risk assessments for a variety of workplaces.
6. The [Equality and Human Rights Commission in Scotland](#) provides legal updates, advice and the standard Codes of Practice for equal pay, employment and services, as well as technical guidance on how they are applied.
7. The [Information Commissioner's Office](#) provides information on how to comply with data protection legislation.
8. [HMRC](#) provides information on tax, National Insurance, National Minimum Wage, etc.

# Broader organisational responsibilities

The board are responsible for making sure the organisation complies with relevant legal and regulatory requirements. These can vary between organisations, depending on the kind of activities they do. SCVO has more information about [keeping it legal](#).

## People - Safeguarding, PVG, equality and diversity, data protection

### Safeguarding

Safeguarding is of vital importance to all organisations providing support to the most vulnerable members of society, both in Scotland and overseas. For the international development sector, safeguarding promotes the safety and welfare of people involved in the delivery or receipt of humanitarian aid and development assistance, protecting them from harm, including all forms of exploitation, abuse and harassment.

Trustees are responsible for ensuring that there are measures in place to make sure that beneficiaries, and others who come into contact with your organisation, are protected from harm. This means going over and above your minimum legal responsibilities and making sure the culture within your organisation is to respect and protect the people there. Trustees have a role to set the tone and lead by example. SCVO's [Good Governance & Safeguarding: A Guide for Trustees](#) looks at how the [Scottish Governance Code](#) and [SCVO's Good Governance Checkup](#) can be used to help develop a strong safeguarding culture in your organisation. The Guide focuses on the oversight and governance role of trustees and looks at how you can demonstrate and implement each of the [five core principles of the Scottish Governance Code](#) with specific regard to safeguarding.

The Alliance's '[Safer for All](#)' Safeguarding Support Package is designed to support organisations to strengthen their safeguarding policies, procedures and practice. It contains resources, tools, templates and training modules and is accompanied by a structured programme of capacity development and training.

It is important to be aware that most donors have high expectations of safeguarding standards. For example, the Scottish Government and UK Department for International Development (DFID) require partner organisations to have robust safeguarding policies in place and to have carried out due diligence on their in-country partner in that regard too, and notify them of any safeguarding incidents, as well as any irregular financial activity. For more information about reporting a notifiable event to OSCR, please read [their guidance online](#).

### Protection of vulnerable groups (PVG)

The [PVG Scheme](#) is a registration system for anyone who carries out work (paid or unpaid) with vulnerable groups in Scotland. It is designed to exclude people who are known to be unsuitable

from working with vulnerable groups and detects those who become unsuitable while in the workplace. People who are protected by the PVG Scheme are:

- 🕒 individuals under the age of 18 (children)
- 🕒 individuals over the age of 16 who are provided with care, health, community care or welfare services (protected adults)

If your organisation has paid staff or volunteers who are carrying out regulated work, you need access to scheme records. You must either:

- 🕒 register with [Disclosure Scotland](#) which will enable them to countersign disclosure applications or requests
- 🕒 or enroll with a registered body that can provide counter signatory services for them ([Volunteer Scotland Disclosure Services](#) can help with this)

Disclosure checks on volunteers are free and are carried out by [Volunteer Scotland Disclosure Services](#). Disclosure checks carried out on paid employees will cost money and are generally carried out by Disclosure Scotland. Information about fees is available from [Disclosure Scotland](#).

Additionally, the PVG scheme advises “**Some employers, like aid agencies, send staff or volunteers to provide care and education, for example, to people in countries outside the UK. These employers can apply to have an individual PVG-checked when that work, if done in Scotland, would be considered to be 'regulated work'.**”

## Equality and Diversity

Treating people equally is not about treating everyone the same. Equality is about ensuring everybody has an equal opportunity and is not treated differently or discriminated against because of their characteristics. Promoting equality should remove discrimination in areas such as race, gender, disability, religion or belief, sexual orientation and age. [The Equality and Human Rights Commission \(EHRC\)](#) is the statutory body that deals with the elimination of discrimination and the reduction of inequality.

Diversity is about recognising, respecting and valuing the differences between people and enabling them to realise their full potential by promoting an inclusive culture for all.

In addition to a moral duty to treat people fairly and with respect, your organisation has legal responsibilities in respect of equalities if you provide goods, facilities or services to the general public, or employ people. Your trustees are responsible for ensuring that your organisation complies with equalities legislation and best practice, and for promoting equality and diversity throughout the organisation. A good place to start is with an equal opportunities policy that all staff and volunteers are fully aware of.

The [Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) requires employers with over 250 employees, in both the private and voluntary sector, to publish statutory calculations every year, showing how large the pay gap is between their male and female employees.

## Data protection and GDPR

Data protection legislation covers everyone about whom you keep personal data. This includes employees, volunteers, service users, members, supporters and donors.

The General Data Protection Regulation (GDPR):

- 🌐 requires organisations to register with the [Information Commissioner's Office](#) if they keep records (unless they are exempt and this includes many charities)
- 🌐 governs the processing of personal data including 'personal sensitive data'
- 🌐 requires organisations to comply with its [seven key principles](#)
- 🌐 allows employees, service users and other contacts to request to see the personal data held on them.

Every organisation should have a written policy and procedure that is specific to their context about how they handle personal data and enact privacy principles. The ICO have [more information](#) for charities on GDPR.

## Preparation - risk assessment, health and safety

### Risk Assessment

Trustees must identify and assess both risks and opportunities for their organisation and decide how best to deal with them. [Identifying, assessing and managing risk](#) is one of the key duties of a trustee and is essential to good governance. All organisations, regardless of size or the area they operate, face risk. It could be the risk of a safeguarding incident, losing a valuable contract, the resignation of key staff or volunteers, or fraud or bad publicity. Trustees can take steps to avoid or reduce risk, e.g. by taking out insurance, and should ensure that the potential risks facing the organisation are reviewed strategically and regularly. Important areas to cover include:

- 🌐 Governance risks
- 🌐 Operational risks
- 🌐 Financial risks
- 🌐 Compliance with law and regulation

You should also consider external risks that could impact your organisation's future, factoring in political, environmental, economic, social and technological change. By [managing risk effectively](#) trustees can ensure that the organisation's aims are achieved more successfully.

This [KnowHow NonProfit free toolkit](#) will help you identify potential risks to your organisation. Based on your answers to the self-assessment questions, the toolkit will identify where you may have some weaknesses while also providing practical advice about getting to grips with the problem.

### Health and safety

It is the responsibility of the board to ensure the health and safety of employees, volunteers and visitors. For more information and support see the [Health and Safety Executive website](#) where you can find an example risk assessment and health and safety policy, information for lone workers and home workers, and a risk assessment tool.

[Healthy Working Lives](#) provides free health and safety advice for organisations in Scotland, including free workplace visits and a free helpline 0800 019 2211.

Health and safety legislation will vary overseas, your organisation could make use of the [Health and Safety Executives risk assessment tools](#) anywhere you will be operating or sending employees or volunteers.

## Protecting

### Insurance

Your organisation can buy insurance to protect its money, people, property and reputation. Insurance is required by law if your organisation employs staff or operates vehicles on public roads.

Compulsory insurance:

- Employers' liability insurance: required by law for organisations that employ staff to insure against any claims by workers for injury or disease. A valid certificate of insurance must be displayed.
- Motor insurance: required by law for organisations that own or operate motor vehicles, with third party cover as a minimum as required by the Road Traffic Act.

There are many other types of insurance your organisation can also buy, a risk assessment can help you decide which insurances are necessary.

Highly recommended insurance:

- Public liability insurance: covers injury loss or damage caused to third parties as a result of the organisation's negligence.
- Professional indemnity insurance: protects against claims for negligence arising out of advice or information provided by an organisation.
- Legal expenses insurance: covers specified legal expenses that may be incurred in defending or pursuing certain types of action, e.g. employment disputes.

Discretionary insurance

- Trustee indemnity insurance: this protects members of the board from personal liability with respect to claims related to their actions in their roles as trustees. Charities are permitted to use charity funds to provide all their charity trustees with indemnity insurance.
- Events insurance
- Fidelity insurance

- 🌀 Accident and sickness insurance
- 🌀 Property and equipment insurance
- 🌀 Car insurance for staff/volunteers
- 🌀 Hirer's public liability cover (for village halls and community buildings)





#### Insurance advice

Under statutory regulations there are constraints on who can provide information and advice about insurance. SCVO endorses the [Encompass policy](#) specifically designed for voluntary organisations by Keegan & Pennykid. The [Association of British Insurers](#) can provide general information and details of insurance firms that specialise in given areas of work.

# Appendix 1 - Sample Register of Interests

XXXX Organisation's trustees 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 trustees, 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 shares, 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 trustee has been used in this sample, other terms such as committee member, Director, etc. can also be used.



## Appendix 2- Legal Structures for Voluntary Organisations

This is a summary of the legal structures most commonly associated with voluntary organisations, more detailed information [is available here.](#)

Legal Structure	Summary	Charitable status and tax benefits?	Does it have a legal identity distinct from those who run it?	Governance
<a href="#">Scottish Charitable Incorporated Organisation</a> (Two tier or one tier) NOTE: OSCR is the regulator of this legal form, not just its charitable status. Removal from the Charitable Register equals dissolution.	Ready-made corporate structure specifically designed for charities.	Yes, cannot be anything but a charity and must meet the criteria for being a charity.	Yes. A SCIO can hold property, take out leases and employ people in its own right. Title to land and buildings will be held in name of the SCIO (advantage in terms of succession). Members and trustees' liability limited in most cases, not liable to contribute if wound up.	Some charity trustee duties apply to members. Minimum of one members' meeting every 15 months Bar on transfer of membership Minimum of 2 members. Minimum of 3 charity trustees. Duty to keep and supply to the public a register of charity trustees; and to keep and supply to the members a register of members.
<a href="#">Unincorporated Association</a>	Informal, no general regulation, need to make own rules. Little bureaucracy or set up costs.	Yes, if it meets the criteria for being a charity.	No. Some or all of charity trustees must undertake transactions on behalf of the body. Title to land and buildings must be held in the name of one or more individuals on behalf of the charity.	Governed according to its own rules, but if a charity, constitution must be approved by OSCR.

Legal Structure	Summary	Charitable status and tax benefits?	Does it have a legal identity distinct from those who run it?	Governance
			Charity trustees may have personal liability for charity's actions and unlimited liability if it is wound up.	
<a href="#">Trust</a>	Best suited to small groups of people who want to manage money or property. Assets owned by trustees and managed in interests of beneficiaries on the terms of the trust.	Yes, if it meets the criteria for being a charity.	No. Some, or all, of the charity trustees must undertake transactions on behalf of the body. Title to land and buildings must be held in the name of one or more trustees. Charity trustees may have personal liability for the body's actions, although there are certain protections for trustees in trust law and common law.	Governed according to its own rules, but if a charity, trust deed must be approved by OSCR.
<a href="#">Company Limited by Guarantee</a> NOTE: Have to report to OSCR and Companies House.	Before SCIOs the most frequently adopted corporate structure for charities. Directors manage business on behalf of members.	Yes, if it meets the criteria for being a charity	Yes. Company can undertake transactions in its own right. Title to land and buildings will be held in	Defined statutory procedures for meetings, resolutions, etc. Additional statutory duties on directors, which in certain cases

Legal Structure	Summary	Charitable status and tax benefits?	Does it have a legal identity distinct from those who run it?	Governance
			<p>the name of the company (advantage in terms of succession). Members (incl Board) have limited liability (usually £1) to contribute if wound up. Offers creditor protection.</p>	<p>exceed duties of charity trustees. Must produce accrued accounts no matter the size of turnover. Must keep up to date records of Board members and inform Companies House of changes. Must keep register of members. Board members liable for fines imposed for late annual returns.</p>
<p><a href="#">Community Interest Company (CIC)</a></p>	<p>Limited company structure for social enterprise with secure 'asset lock' and focus on community benefit</p>	<p>No</p>	<p>Yes. Members' liability limited to amount unpaid on shares or by guarantee.</p>	<p>As for other limited companies, but subject to additional regulation to ensure community benefits. Can pay limited dividends to private investors.</p>
<p><a href="#">Community benefit society</a></p>	<p>Incorporated body with the benefit of limited liability. Must exist primarily for the benefit of the wider community and profits must be used for the benefit of the community.</p>	<p>Yes, but only if it has aims that are exclusively charitable and a Statutory Asset Lock specifying that any assets would be transferred to another charity if the organisation wound up.</p>	<p>Yes. Members have limited liability. Can hold property, enter into leases and employ people.</p>	<p>Owned by its members who hold shares and control the society democratically on a one-member one-vote basis. Committee/officers manage on behalf of members.</p>

Legal Structure	Summary	Charitable status and tax benefits?	Does it have a legal identity distinct from those who run it?	Governance
<a href="#"><u>Co-operative society</u></a>	Incorporated body with the benefit of limited liability. Its main purpose is to provide services to its members rather than the wider community and profits may be distributed to members providing this is not the primary purpose of the organisation.	No because its beneficiaries are its own members rather than the public.	Yes. Members have limited liability. Can hold property, enter into leases and employ people.	Owned by its members who hold shares and control the society democratically on a one-member one-vote basis. Committee/officers manage on behalf of members.



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