



SCOTLAND'S
THIRD SECTOR
GOVERNANCE
FORUM

SCOTTISH GOVERNANCE CODE:
GLOSSARY

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The language of governance will change depending on the legal structure and history and culture of your organisation. In the Scottish Governance Code we have used the generic terms of 'board', 'trustee' and 'governing document' to incorporate these differences. But there may be terms you're not sure of, so here's a guide to some of the special words you will come across in your h to good governance.

Accountable

Answerable to 

Accountability

The unavoidable duty to explain the ways in which an individual or group has carried out the obligations placed upon them by law, a governing body, or governing document. Whilst the discharge of these activities/obligations may be delegated to others, the obligation to account for the actions cannot be delegated.

Accounts

Accounts represent the organisation's  finances for a particular period (usually a year). They show how much money was received and how much was spent, broken down into different categories. Charities must prepare accounts each year and must send a copy  to OSCR each year.

Agenda

A list of items to be discussed at a formal meeting.

Aims

Particular changes the organisation plans to bring about for its beneficiaries, service users and/or community.

Annual Report

The yearly meeting of the members of an organisation.

Its purpose is to:

- Approve the previous year's financial statements
- Confirm appointments to the governing body
- Make decisions in which members must be involved
- Confirm the appointment of a person to review the annual accounts (in the case of a company, the auditor)

By law companies limited by guarantee must have an AGM.

Appraisal

A formal assessment of performance over a set time frame.

Articles of Association

In a company limited by guarantee, the articles of association set out the members' rights, directors' powers and how the organisation makes decisions. (This is one of two formal governing documents which are used to set up a company limited by guarantee. The second is the Memorandum of Association).

Assets

Everything your organisation owns that has value, including buildings, equipment, money, trademarks and intelligence. Can also include intangible items such as reputation, skills and experience.

Audit

An official inspection of an organisation's accounts by an independent body.

Autonomous body

A self-governing, independent body which is free from external control and constraint.

Beneficiaries

The people who your organisation is set up to help, those who benefit from what you do.

Board

A group of elected or appointed people who are ultimately accountable and collectively responsible for the governance and strategic direction of an organisation. Can also be known as the committee, the trustees or the directors.

Budget

A plan, expressed in financial terms, for the purpose of carrying out, for a specific period, any or all of the functions of the organisation.

Business Continuity Plan

This is a plan to determine how the organisation will be maintained in the future.

CEO (Chief Executive Officer)

The person responsible for managing the activities of an organisation. This person reports to the governing body. The post of CEO is usually a paid position.

Chair/Convenor

The trustee who leads meetings sures procedures are followed. Key duties may include:

- providing leadership to the board
- preparing meeting agendas in consultation with trustees and staff
- ensuring meetings are run efficiently, and discussion and decision-making is democratic and fully participative
- holding the casting vote in the event of a split decision
- formal oversight of the Chief Executive if the organisation has staff.

Charity

An organisation which has only charitable purposes (as listed in the 2005 Act) and is for the public benefit. An organisation is a charity in Scotland when it is entered on the Scottish Charity Register.

Code of Conduct

An agreed set of guidelines outlining the responsibilities and standards expected of trustees. Its purpose is to help avoid or address problems and provide trustees with an understanding of what is expected of their role.

Collective Responsibility

All trustees are responsible for their own actions, and for the actions and decisions taken by the trustees when acting together. Trustees collectively have the ultimate responsibility for running their organisation, for its property, finances, staff and volunteers. Trustees can delegate some of their authority (eg to staff), but they can never delegate their responsibility. As responsibility is collective, if there are any legal or financial repercussions from decisions made by trustees, then all members of that group can be held legally liable in equal proportion. The behaviour of one trustee is the concern of all the others. If a trustee is absent from a meeting, they are still responsible for decisions made when they were not present. Their absence does not absolve them from responsibility or liability.

Compliance

The act of conforming to official requirements.

Conflict of Interest

A conflict of interest may arise in a situation where a trustee may obtain personal benefit from a particular decision in relation to the organisation, or when a personal interest may get in the way of making decisions in the best interests of the organisation. Trustees should be alert to all the circumstances where a conflict, actual or perceived, could arise. A policy setting out what a conflict of interest is, and how you will manage situations where a conflict arises, is strongly recommended for good

governance.

Delegate

To give another person the authority to do work and/or take decisions on your behalf.

Dissolution or winding up

The process of formally closing an organisation.

Diversity

Diversity can encompass many characteristics such as: age, gender, race, ethnicity, religion, marital status, sexual orientation, economic, cultural and social background, level of educational attainment and professional background. Recognising diversity in governance is about respecting and valuing people's differences, and enabling them to contribute and realise their full potential within an inclusive culture.

Ethics

Standards of morality and conduct of either an individual or 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

Governance is about leadership and the work of the trustees to ensure the organisation is effectively and properly run.

Governing body

The group or body ultimately accountable for the organisation. Also known as the Management Committee, the Executive Committee, the Board, the Trustees, or the Directors, depending on your legal structure.

Governing document

A formal, written document, that sets out the organisation's purpose and how it will be run. It will usually include details about who will manage and control the organisation, what its powers are, what it can do with the organisation's assets, and membership of the organisation. The document may take many forms, eg constitution, trust deed, memorandum and articles, rules, Royal Charter.

Incorporated

Means that an organisation is established as a separate legal entity, eg a Scottish Charitable Incorporated Association, a company limited by guarantee.

Induction

A formal process of introduction and training to the board so that a trustee can become as effective as possible, as soon as possible.

Key Performance Indicator

This is a measurement of the degree of progress towards  organisation's aims and objectives.

Membership organisation

Membership organisations are probably the most common type of organisation in the third sector. They have a two-tier structure where the board is elected by, and accountable to, a wider body of ordinary members. Many mainstream charities are membership organisations. Various social clubs and sports clubs, most community-led charities, community development trusts, housing associations and credit unions also fall within this category.

Members usually have the right to vote, receive information on the running of the organisation, attend the Annual General Meeting (AGM), and have the power to take certain fundamental decisions, such as making changes to the constitution and dissolving the organisation. It is important to carefully consider who can be eligible for membership.

In general, people (or organisations) usually become members when their name is entered in the register of members which is a formal document required of SCIOs, companies, and other organisations.

Members of SCIOs are subject to some of the same duties as charity trustees, specifically, they must act in the interests of the SCIO, and seek, in good faith, to ensure the SCIO acts in a manner which is consistent with its charitable purposes. For companies membership is limited to the subscribers to the Memorandum and to those who are admitted to membership under the rules set out in the Articles. For a charitable company, a member is essentially a guarantor in a company limited by guarantee.

Members of unincorporated associations usually become so by agreeing to abide by the rules set out in the constitution.

Memorandum

The memorandum gives details of a company's name, its objects and the limits of the members' liability if the company has to be wound up. (This is one of the two formal documents which are used to set up a company limited by guarantee. The second is the Articles of Association).

Minutes

Permanent, formal, and detailed (although not verbatim) record of discussions and decisions made at board or annual general meetings. Once written up and approved at the next meeting, the minutes are accepted as a true representation of the proceedings they record.

Mission

Why an organisation exists and the broad effect it wants to have. A summary of the overall difference it wants to make. Often produced as a result of organisation-wide discussions.

Monitoring

Collecting and recording information in a routine and systematic way to check progress against plans and enable evaluation.

Objects

The statement of an organisation's purpose, describing the reason for its existence, set out in its governing document. Also known as objectives, aims or purposes.

Operational/Business Plan

Document describing an organisation and its activities, or a specific project. It sets out goals, plans, finances and any risks faced. Most successful operational plans flow from an already agreed upon strategic plan.

Outcomes

The ultimate consequence or impact of an organisation's activities.

Policies

Statements which describe the desired conduct of the organisation, its volunteers and staff, and how to remedy any breaches.

Procedures

Statements that describe the way in which a policy will be implemented.

Proxy

Someone who is authorised to act as a substitute for another.

Purposes

The statement of what your organisation has been set up to achieve, set out in the governing document. It should reflect the organisation's broad aims, rather than the day-to-day activities. Also known as objects, objectives or aims. A charitable purpose is one that falls within one or more of the 16 descriptions of purposes listed in the Charities and Trustee Investment (Scotland) Act 2005

Quorum

This is the minimum number of trustees necessary to make decisions and conduct the organisation's business, the number of people needed to be present at a meeting for it to qualify as a properly constituted meeting. This number is often set out in the organisation's governing document.

Register of interests

A record kept of the interests and perceived interests (personal, charity, business and financial) of trustees that could potentially influence their official duties and lead to a conflict of interest.

Regulator

A person or body empowered by law/statute that supervises a particular industry or activity to ensure that public benefit is maintained.

Remuneration

Any payment or benefit in kind (any non-cash benefit of monetary value).

Reserves

Financial resources or commodities not needed for immediate use but available if and when required to spend on any of the organisation's purposes.

Resources

Everything an organisation draws on to carry out its activities. These will include people, 

Risk Management

The analysis and management of situations where someone, or something, could be exposed to danger, harm, or loss. This involves the identification and assessment of risk, the decision whether to accept, guard against, prevent, or insure against the occurrence and process of implementing such decisions.

Safeguarding

Safeguarding basically means ensuring there are measures in place to make sure that beneficiaries and anyone who come into contact with your organisation are protected from harm. Safeguarding is everyone's responsibility, and for both trustees and staff it 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.

Secretary

The Secretary 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 taking the minutes
- dealing with correspondence
- preparing agendas for meetings in consultation with the Chair.

For companies, unless your governing document states it as a requirement, you no longer have to have a company secretary under company law. The position of a 'company secretary' has a specific legal meaning, and is responsible for ensuring that company law is complied with. Their duties include:

- preparing paperwork for meetings
- overseeing procedures for the operation of the board (eg organising the AGM)
- providing the Registrar of Companies with required information eg financial returns, changes in directors, and notification of where the organisation's records are kept.

The company secretary doesn't have to be a board or staff member, or anyone directly connected to the organisation. It is a role that may be held by an accounting or law firm. 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.

Skills audit

A process for exploring and recording the skills of an individual or group. The purpose is to identify the skills and knowledge that the organisation currently has, and may require in the future. Can be part of a board annual self-assessment or trustee recruitment process.

Social enterprise

There is no legal definition of social enterprise. Social Enterprise Scotland defines social enterprises as businesses that exist to deliver a specific social and/or environmental mission. They aim to make a profit, 100% of which is reinvested into their social and/or environmental purpose. Social enterprises in Scotland have an “asset lock” on all their buildings, land and other assets i.e. only the community and society can profit from their work.

SORP

Statement of Recommended Practice which outlines how charities must account for their finances.

Stakeholder

Anyone with a significant interest in the effectiveness of an organisation, eg members, trustees, beneficiaries, staff, volunteers, funders, suppliers, regulators.

Strategy/Strategic Plan

A strategic plan is a set of principles and assumptions about how the organisation will achieve its mission. It includes a plan of action designed to achieve a long-term or

overall aim. 

Succession Planning

Succession planning is about proactively and continually developing the effectiveness of a board. By looking ahead, and taking into consideration the terms of office of each trustee, if the terms are renewable or not, and the skills and experience of each individual, you should be able to plan when new people will need to be brought in to replace departing trustees and how to recruit them. A succession plan should smooth the transition as board members leave and are replaced.

Sustainable

Able to continue over a period of time.

Target

Defined level of achievement which a project or organisation sets itself to achieve in a specific period of time.

Terms of reference

A set of guidelines setting out the function of a group such as a board or a sub-committee. The terms provide information on purpose, goals, main activities and calendar.

Third sector

The third sector includes charities, social enterprises and voluntary groups, who play a vital role in supporting communities at all levels. It's made up of non-governmental and non-profit distributing organisations that deliver essential services, help to improve people's wellbeing, and contribute to inclusive economic growth.

Treasurer

The treasurer is a board member who assists and advises the board in overseeing the finances. However, it's important that all trustees collectively play their part in financial

monitoring and decision-making. 

Trustee

Trustees have general control and management of the administration of a third sector organisation, regardless of what they are called, and are legally liable for the organisation. May also be known as a board member, committee member, governor or director, depending on the legal structure of the organisation. Charity trustees have specific duties and responsibilities.

Values

The principles and beliefs which the organisation seeks to apply, both in setting its mission and aims, and in its day-to-day operations.

Vision

What the world will look like if the organisation is successful in achieving its mission.

Volunteer

A person who works for an organisation without being paid, except for their expenses.

Whistle blowing

Action, or process, by which a person associated with an organisation (eg an employee or volunteer) reports any wrongdoing to an external source.



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