

## Section 5 Governance and Accountability

### Introduction

Efficient and effective governance and accountability are vital to the success of every business, and certainly every social enterprise.

In this section, we will consider the issues of responsibility, governance, and accountability in broad terms, specifically in relation to social enterprise. However, do remember that dependent upon the legal structure you have or may be considering, there will be legally defined, bound and enforceable responsibilities in relation to, for example, the directors of a private limited company, trustees of a registered charity, etc.

You should ensure that, in considering issues of responsibility, governance and accountability, you fully understand, implement and integrate any and all statutory responsibilities and obligations into your social enterprise framework. In this section we look at the following key topics:

#### Topic 1: Who's in Charge?

When you have worked through this topic you should be able to:

- describe governance and accountability
- explain the reason for having a board within a social enterprise
- list the types of people most likely to be found on the board of a social enterprise
- identify the specific people who, by sitting on the board, could make a positive contribution to your social enterprise.

#### Topic 2: Organising an Effective Board

When you have worked through this topic you should be able to:

- explain the role and responsibilities of the board within a social enterprise
- explain the role and responsibilities of individual board members within a social enterprise
- describe what is meant by conflict of interest
- draw up a list of the role and responsibilities of your own board.

#### Topic 3: Organising and Running Board Meetings

When you have worked through this topic you should be able to:

- describe what should happen before, during and after a board meeting
- produce an appropriate board meeting agenda
- produce a set of board meeting minutes
- organise and run effective board meetings.



## Section 5 Governance and Accountability

### Topic 1 Who's in Charge?

This topic looks at the meaning of responsibility, governance and accountability in a social enterprise. It also explores the reason for having a board and examines who makes up the board.

#### Responsibility, governance and accountability

Even though social enterprises are generally open, creative, flexible, adaptable, forward-looking and (in contrast to most profit-orientated businesses) fairly informal, there still needs to be governance and accountability. In practical terms, this means there has to be a group of people who accept responsibility for ensuring that everything that happens within the social enterprise is:

- legal
- fair and non-discriminatory
- ethical
- appropriate.

Being responsible for the governance means they will also need to ensure that the social enterprise is:

- achieving its social aim
- fulfilling its mission statement
- financially solvent and meeting financial goals and targets **at the same time** as it fulfils its social mission
- working towards making its vision a reality.

This group of people is usually referred to as the board, and they, individually and collectively, need to grasp the concept of 'the buck stops here'. This is because the board is effectively responsible for everything the social enterprise does and everything it produces. For example, the board will be held accountable if, at any time during the life of the social enterprise, there is evidence of:

- financial mismanagement
- disregard for current health and safety, employment or equal opportunities legislation
- abuse of members' trust in any regard.



## Who should be on the board?

There is no one specific format for the board of a social enterprise, but generally it should consist of people who:

- have an interest in what the enterprise is aiming to achieve
- are committed to and enthusiastic about the values, vision and mission of the organisation
- will willingly share their experience, skills and knowledge
- care about the people with whom the enterprise is concerned
- can devote time and energy to attending board meetings
- are willing to work as part of a team
- are ready to participate actively in committees and any other relevant aspect of the enterprise
- are prepared to accept responsibility for decisions made by the board
- understand that they are accountable
- are patient, good humoured and clear communicators.

The board of a social enterprise might consist of, for example:

- members or employees of the enterprise
- members of the local community
- the enterprise's accountant or lawyer (or both)
- a local councillor
- a local businessman who has specific skills and knowledge which are relevant to the enterprise
- a priest or minister of a local church
- a social entrepreneur who is associated with a similar social enterprise in the area
- a governor of a local school or college
- someone who serves on another board – perhaps that of a voluntary organisation.

Successful local business people can make a terrific contribution to the board of a social enterprise, even though they may have no experience of social firms. Sound business sense, plus an interest in and sympathy with the vision, values and mission of your organisation, means that someone can make a real contribution.

### Jargon Buster

#### Governance

The governance of a social enterprise involves providing overall direction, guidance and control. Governance of a social enterprise is generally the responsibility of the board.

#### The board

The board of a social enterprise usually consists of a number of individuals – often including members and clients – who, together, are responsible and accountable for the overall direction and policies of the enterprise.

#### The Chair

The Chair is the person who is responsible for co-ordinating the work of the board, organising board meetings, and chairing and running board meetings. The Chair will generally manage and co-ordinate the board by way of leadership, communication and influencing skills, rather than by way of overt control or coercion.

#### The Executive Director

The Executive Director (or Chief Executive) is directly accountable to the board for ensuring that the board's wishes are carried out. The Executive Director is usually the social entrepreneur who is the driving force behind the enterprise, and also sits on the board. Once the board has reached an agreement about what should happen, it is the task of the Executive Director to ensure that what should happen does actually happen.

#### Committees

The board may choose to set up a number of smaller committees, each of which has a clearly defined remit, e.g. fund raising, publicity, resource management or staff training.

## A dream team?

We have looked at some of some of the qualities and skills that members of the board need to have, but that doesn't answer the question of how to go about choosing suitable members. Board members get chosen for all sorts of reasons:

- 'Let's get Lady X and Councillor Y on the board – they'll add some clout to the letterhead.'
- 'Oh, I can twist Z's arm – I'm sure he'll be willing to come along.'
- 'We need to keep the vicar sweet since we're using Church premises.'

Giving the enterprise credibility in the local community may be an asset, but Lady X and Councillor Y may have their own, very strong views about the enterprise and how it should be operated. Z may agree to have his arm twisted, but a reluctant board member may be worse than no board member at all. Keeping the vicar sweet may also be useful, but again, does the vicar have the time, commitment and skills the enterprise needs? The vicar may be the right person for the board, but for reasons other than cheap premises – he or she may be a passionate supporter of the enterprise, keen to involve colleagues, enlist the support of the bishop, etc.

If the wrong people are chosen, there is a very real danger that the board ends up as pedestrian and not as helpful as it could be – or needs to be for the social enterprise to succeed.

The watchwords for creating and developing the board should be:

- Consider carefully the skills and experience you need.
- Invest wisely in the time to find the best.

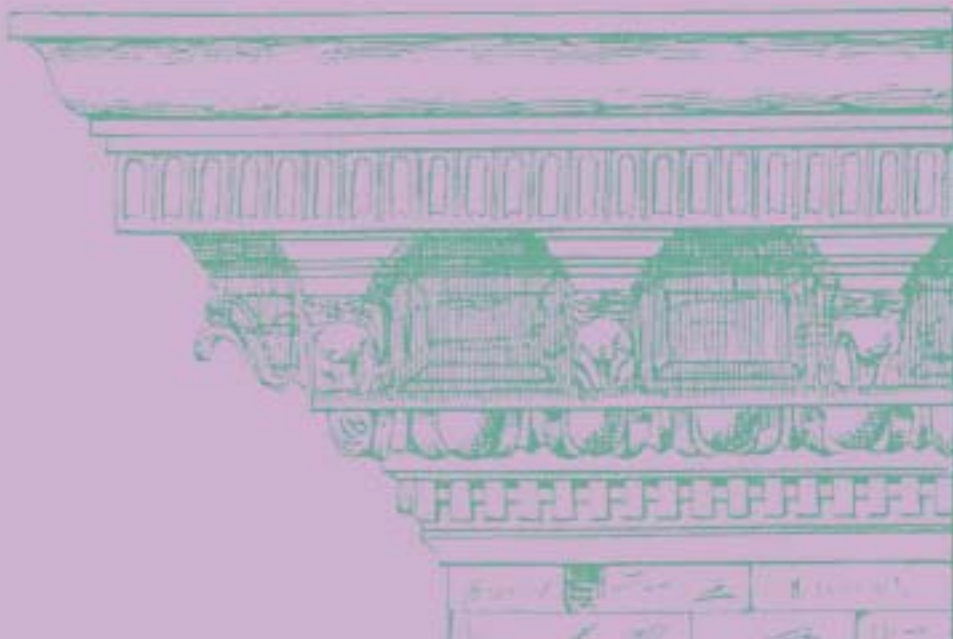
## The 'cornerstones' approach

In their informative and highly entertaining book *The Beermat Entrepreneur*, Mike Southon and Chris West develop the idea that successful businesses are built on the structure of an entrepreneur, supported on cornerstones – key players who provide a rock-solid base and, crucially, an essential mix of skills that complement those of the entrepreneur. They describe an ideal five-person team consisting of the entrepreneur plus four cornerstones:

- an entrepreneur – the person with the vision and charisma
- a technical innovator – the brains behind the idea, the one that turns the entrepreneur's vision into reality
- the delivery specialist – the one that sees the idea through to completion
- the sales specialist – who gets the money in
- the financier – who keeps costs under strict control.

This mix of skills reflects the authors' experience in the IT sector, but can be transferred to any type of business, including the social enterprise. You might, for example, restyle the 'delivery specialist' as the 'completer' – the person essential to every team, who makes sure things get finished (given that, as Southon and West observe, 'entrepreneurs can't complete things ...').

A young social enterprise (or even a more mature one) may not have sufficient resources for the 'cornerstones' to be paid employees, but it may be essential that they are present in the combination of board and management team.



## Check Point

Use this check point as an opportunity to think about who you might want to invite to sit on the board of your social enterprise.

**1** Who are your cornerstones of your enterprise? What roles do they play in the team?

**2** Which cornerstones are missing?

**3** Note down the names of people you could consider inviting on to the board?  
What are their specific interests, skills or experience that make them potentially useful?

Name	Specific interests, skills or experience which are likely to be relevant to the board's work

When you have completed your list, check it over and look to see if you have achieved a good balance of skills, knowledge and experience suitable for the task ahead. Does your proposed line-up give you the cornerstones that would provide a solid foundation for the enterprise?

**By working faithfully eight hours a day you may eventually get to be boss ... and work twelve hours a day.**  
**Robert Frost, American poet**

## Section 5 Governance and Accountability

### Topic 2 Organising an Effective Board

In this topic we shall look at the role and responsibilities of the board as a whole, and of individual members of the board, and how the board can work as effectively and efficiently as possible.

#### What the board needs to know

It's very important for the success of your social enterprise that you have an efficient and effective board. To be efficient and effective everyone on the board needs to know:

- what the enterprise's vision, values, ethics and mission are
- what the board's role and responsibilities are
- what each individual board member's responsibilities are.

Board members need to understand that they will be held responsible and accountable for:

- the board's decision and actions
- their own, individual decisions and actions.

In other words, everyone on the board must take both collective and individual responsibility. Quite often, the board will be expected to define and clarify the roles and responsibilities of the board – for individuals and the board as a whole.

#### Vision, values, ethics and mission

In Topic 4 of Section 3, 'Vision, Values, Ethics and Mission', you had the opportunity to create written statements relating to these core elements of your social enterprise.

As soon as someone is appointed to sit on the board, they should be given a copy of these (or similar) statements. This will ensure that everyone on the board is completely clear about:

- the direction in which the enterprise is heading – vision
- what lies at the heart of the enterprise – values
- the standards which must be upheld by the enterprise – ethics
- what the enterprise is seeking to achieve – mission.

#### The board's role and responsibilities

As soon as someone is appointed to the board, they should be given a written list of the board's role and responsibilities. Here are some suggestions.

The role of the board is to:

- provide guidance and direction, often supporting initial weaknesses in the cornerstones of the business
- be accountable for the activities of the enterprise
- ensure that all legal requirements are met
- ensure that ethical and moral standards are maintained in all areas of endeavour.

The responsibilities of the board are to:

- attend board meetings on a regular basis
- support the Chief Executive in his or her work to achieve the enterprise's mission
- work with the other board members to resolve problems, take decisions and enhance the reputation of the enterprise

- manage resources effectively – including money, equipment and premises
- oversee and, where appropriate, contribute to the organisation’s planning strategy
- maintain legal, ethical and moral standards.

The key point here is that if the members of the board are unclear about what is expected of them, then they are unlikely to be as efficient and as effective as your social enterprise deserves and needs.

### Individual board member’s responsibilities

Someone who is appointed to the board of your social enterprise should be prepared to:

- attend all the board meetings that take place throughout the year
- read all the relevant information submitted before and after each meeting, such as the meeting agenda and the minutes of the meeting
- contribute to board meeting discussions
- take part in special events related to the enterprise, for example, fund-raising initiatives, public awareness campaigns, enterprise open days
- sit on special committees (according to their interests, skills, experience and abilities) – examples of special committees might be: fund-raising, public relations, financial management, staff development
- avoid any conflicts of interest that could arise as a result of sitting on the board
- maintain absolute confidentiality and discretion regarding the dealings and doings of the social enterprise
- refrain from making special requests of the staff, or in any other way taking advantage of their presence on the board.

### Here are some examples of how a conflict of interest could arise

- **Tom is a board member, and also a building contractor. He knows that the board is looking for a building contractor to carry out work on the enterprise’s premises. He would have to declare an interest and think carefully about his contribution to the discussions relating to the selection of a building contractor.**
- **Margaret is a board member, and her daughter lives in the house next door to the premises where the social enterprise operates. When the board is asked to consider whether or not to open a drop-in centre for drug users, Margaret might be aware that her daughter would be opposed to this new initiative. She would have to declare an interest and think very carefully about whether or not to vote on the issue.**

### Activity

Using what you have learnt in this topic, write out the role and responsibilities of the board of your enterprise.

The role and responsibilities of a board are very similar in most enterprises so, using the guidelines in this topic, you will probably have covered most essential responsibilities. You may also have some extra responsibilities, which are particular to your enterprise.

You can give copies of your list to members of the board of your enterprise, so that everyone will be quite clear about their role and responsibilities.



## Section 5 Governance and Accountability

### Topic 3 Organising and Running Board Meetings

This topic looks at how to organise and run board meetings. Regular board meetings are a must for every organisation, including your social enterprise. Many (but not all) social enterprises hold a board meeting every month, whilst others hold meetings every two weeks, two months or even three months. The key point here is that you need to schedule sufficient board meetings so that:

- everyone on the board is kept up to date with all relevant information
- important discussions can take place
- the skills, knowledge and experience of board members can be used to inform important decisions.

#### Before the meeting

Before the board meeting takes place, the Chair of the board will need to:

- 1 contact each member and ask if there are any topics they wish to raise at the meeting
- 2 create a meeting agenda which incorporates the topics the members have submitted
- 3 distribute copies of the agenda to everyone in good time, before the meeting takes place.

Everyone should have a copy of the agenda at least one week prior to the meeting, as this will give members the opportunity to read any relevant information, gather any necessary data and clarify their views and opinions about each agenda item. A sample of a meeting agenda is shown in Figure 1, below.

Figure 1 Sample meeting agenda

Community Kitchen	
<b>Board Meeting Agenda</b>	
10th December, 2002	
St Martin's Church Hall, Elmwood Estate, Liverpool	
10 a.m. – 12 p.m.	
1 Apologies for Absence	The agenda should show when and where the meeting will take place, the start time and anticipated finish time.
2 Minutes of the last Meeting	If any members are unable to attend, the Chair should read the names of those missing.
3 Chief Executive Progress Report	The Chair should ask (1) if everyone present has read the minutes of the previous meeting, and (2) if everyone agrees that the minutes are a fair and true representation of the meeting. In the unlikely event of anyone disagreeing, the wording of the minutes will have to be amended.
4 Marketing Strategy	The first discussion topic of the meeting.
5 Workforce development	The second discussion topic of the meeting.
6 Any Other Business	The third discussion topic of the meeting.
	At this point, members can raise for discussion any other topics which have not been listed in the agenda.

Before the meeting someone (usually, but not always, the secretary of the board) should be given responsibility for taking the minutes of the meeting. The minutes must be truthful, accurate and as complete as possible. In most cases, the person taking the minutes writes brief notes, and then fleshes them out into an accurate document after the meeting. Figures 2 and 3 show the kind of notes someone might make during the meeting, and the way in which those notes are transformed into formal meeting minutes which are sent out to each of the board members after the meeting.

Make sure that if the board needs to have any written information prior to the meeting, such as supplier estimates or budget information, it is sent out in good time so that everyone has a chance to read what has been sent.

Finally, ensure that the room where the meeting is to be held is available, clean, properly heated and ventilated, and there is sufficient seating for everyone.

## During the meeting

Make it a rule to start on time (even if one or two people are missing) and finish on time. This is especially important for those board members who have jobs and interests outside your social enterprise.

Work through the agenda, item by item, and work with the Chair to keep the meeting focused. Don't encourage members to go off at a tangent and start discussing other matters – if necessary, those can be raised towards the end of the meeting under the heading 'Any Other Business'. Deal with agenda topics first, thoroughly, but without wasting time.

Board members should be encouraged to:

- air their views and ask questions
- speak one at a time
- listen to each other
- give other board members a chance to have their say
- stay to the end of the meeting.

## After the meeting

As soon as possible after the meeting, the secretary (or the person who took the minutes) should prepare the formal minutes of the meeting, and a copy should be sent to everyone who attended. The board should be asked to review the minutes and, if they spot any error or omissions, they should report back so that an amended, accurate set of minutes can be presented to the board at the next meeting.

When the minutes are sent out, it is also a good idea to include a reminder as to when, where and at what time the next meeting will be held. This is good practice even if the board regularly meets at, say, five o'clock, the third Thursday of every month. This reminder should ensure that everyone turns up when they are supposed to.

To help you with the process of minute taking during your board meetings, Figure 2 is an example of the rough minutes which might be taken during a board meeting; and Figure 3 is an example of the finalised minutes which would be sent out after the board meeting has taken place.

Figure 2: Rough minutes taken during board meeting

Jane, Mike, Doug, David, Alice, Susan  
 Started 10 a.m., 10th December 2002  
 1 Apologies Peter, Max  
 2 Minutes approved  
 3 Jane read her report.  
 Problems with the central heating need to be fixed before winter. David asked if estimates for work should be obtained. All agreed and Alice said she would do it.  
 Rising costs may mean increase in price of lunches. Discussion. David and Mike against. Agreed that everyone should look again next month.  
 Donation of £1000 received from M.B. Letter to be sent.  
 4 Mike said 4th-quarter revenues on target, but doubt about next year's 1st-quarter figures. Discussion about possible steps to take. Alice suggested contacting groups who had stopped using the Kitchen. David agreed to remind church groups about the facilities. Mike: planned mailshot in New Year.  
 5 Susan: two new part-time volunteers successfully inducted. Fitting in well. H&S training session in November also successful - all attended. Food hygiene refresher course confirmed for 12 January.  
 Doug asked about funding for a counselling course. Everyone agreed. Finance approved.  
 6 Susan said not being able to park her car was making it difficult for her to attend meetings - mobility has got worse. Jane said she would allocate a special bay.  
 Alice unable to make next meeting - on holiday. Doug volunteered to do the Minutes.

Figure 3: Minutes of the meeting distributed to all Board Members after the meeting

## **Community Kitchen**

### **Board Meeting Minutes**

10 a.m.: 10th December, 2002 St Martin's Church Hall, Elmwood Estate, Liverpool

#### *Board Members present*

Jane Flowers (Executive Director), Mike Somerville (Chair), Doug Barton, Rev. David Harwood, Alice Khan (Secretary), Susan Miller

#### *Board Members absent*

Peter Thompson, Max Singh

*Meeting called to order at 10 a.m. by Chair, Mike Somerville*

Last month's Minutes were unanimously approved.

#### *The Executive Director's Report: presented by Jane Flowers*

- (1) The centre is experiencing problems with the central heating. These need to be addressed before the winter. David Harwood suggested that estimates for the repair should be obtained from local suppliers. Board agreed and Alice Khan volunteered to obtain the estimates. She anticipated this would be done by the time of the next Board meeting.
- (2) There is concern that the rising costs of raw materials may mean that an increase may have to be added to the price of lunch. During board discussion David Harwood and Mike Somerville advised against taking any immediate action as they both felt a price increase would severely impact on our customers. Board agreed this matter would be raised again next month.
- (3) A donation cheque for £1000 has been received from Miriam Bell. This is to be credited to the centre's deposit bank account, and Jane Flowers is to send a letter of thanks from the board immediately. There was no discussion at this time as to how the money might be used.

#### *Marketing Report: presented by Mike Somerville*

- (1) Mike Somerville reported that 4th-quarter revenues were on target, but expressed his concern as to whether next year's 1st-quarter figures were achievable. Two or three key groups seemed to have stopped using the Community Kitchen and this would impact on next year's revenues.

Discussion took place about possible measures to increase revenues. Alice suggested contacting groups who had stopped using the Kitchen, to find out why they had stopped and encourage them to come back. David agreed to remind church groups about the facilities. Mike said he was planning a comprehensive mailshot in January.

#### *Workforce Development*

- (1) Susan Miller reported that the two new part-time volunteers had been successfully inducted and were fitting in well.
- (2) The health and safety training session run by St John's Ambulance in November had also been successful, with every staff member and volunteer attending.
- (3) A food hygiene refresher course was confirmed to take place on 12 January.
- (4) Doug Barton distributed information leaflets relating to a Counselling Course which he would like to attend. He asked the board to approve the expenditure of £100. Everyone agreed the course would be beneficial and useful to all concerned, and the finance was approved. He will begin the course in January 2003.

#### *Any Other Business*

- (1) Susan Miller explained that her mobility had worsened. Not being able to park her car outside the centre was making it difficult for her to attend board meetings. Jane Flowers promised to allocate a special parking bay for Susan's use on board meeting days, and to ensure the parking space was free and available for Susan on arrival at the centre.
- (3) Alice Khan informed the board that she would be unable to attend the next meeting as she will be out of the country. Doug Barton offered to take and distribute the Minutes, and this was agreed.

*The Meeting was adjourned at 12.45 p.m.*

*The Minutes have been prepared and submitted by Alice Khan, Secretary.*

## Check Point

Use this check point as an opportunity to think through some of the systems and procedures you will need to put in place to ensure that your board meetings run smoothly.

How often do you think you should hold board meetings? Tick one box only.

- weekly       fortnightly       monthly       every three months

Where should board meetings be held?

Who should take on the role of Chair?

Who should take on the role of Secretary?

How and when will the minutes be prepared and distributed to the members?