

Governance for Cobseo CIC Members

Issue

1. At its Quarterly meeting on 20 May 2020, the Cobseo Executive Committee approved governance standards that will be applicable to Cobseo Members who are Community Interest Companies (CICs). These are aligned with the best practice recommendations of the CIC Regulator, including the additional voluntary provisions which demonstrate transparency and accountability to the community interest being served. The Executive Committee further agreed that the Cobseo Governance Team would engage with CIC Members to monitor compliance based on the check-list at Annex A, which encapsulates the CIC Regulator's recommendations.

Background

2. Limited companies which are limited by shares are usually required to put the interests of their members first; however, CICs are able to compete in commercial markets whilst focussing on serving their designated community interest, rather than generating returns for shareholders. This flexibility, and the lighter governance touch for CICs, offers advantages that are not open to registered charities; however, there is an obligation on CICs to demonstrate that they are continuing to meet their community interest¹; and the governance standards issued by the CIC Regulator. These were updated in 2014 following legislation that facilitated growth opportunities for CICs by allowing investors to receive dividends (capped at 35% of the return generated). This also included voluntary measures to be transparent about issues such as the management of share capital, and remuneration policy, as a means of demonstrating commitment to the community interest and best practice².

Cobseo Perspective

3. Building on the governance processes established for charities in 2019, the Executive Committee agreed that similar standards should also be put in place for CICs; and that these should reflect the recommendations of the CIC Regulator, including the voluntary provisions. A checklist, setting out the governance standards that are now mandated for Cobseo CIC Members is at Annex A.

4. The Cobseo Governance Team will lead on engaging with CIC Members to confirm their understanding of, and compliance with, the agreed governance standards. Any sensitive information arising from one-to-one engagement with CIC Members will be protected, just as it is for charities; but, where appropriate, anonymised information will be consolidated into future reporting on the governance standards of the wider Cobseo membership.

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Cobseo
Director of Governance Support

27 May 2020

¹ Via the Annual CIC34 form, which is submitted at the same time as filing annual accounts to Companies House.

² As set out by the CIC Regulator in 'Governance for Community Interest Companies – A Practical Framework' dated 10 September 2015.

CIC Governance Checklist

Effective Board Procedures

1. Induction programme for Directors.
2. Chair appointed.
3. Ensuring there is sufficient time and information to make considered Board decisions.
4. Regular reviews of Board membership to ensure the appropriate balance of skills, knowledge and experience.
5. Agendas, minutes and Board papers circulated in good time.
6. Formal processes in place to ensure visibility of actions, decisions and responsibilities.
7. Managing any conflicts of interest.

Leadership

8. The Board understands its duties under the Companies Act 2006.
9. There is clarity about the purpose of the CIC.
10. The Board sets and safeguards the vision, values and reputation of the CIC.
11. Recognition of the role of non-Executive Directors to constructively challenge and help to develop the CIC.
12. Ensuring that any Directors appointed by third parties understand that their duty is to act in the best interests of the CIC at all times.
13. If starting the CIC with a single Director, thinking about opportunities to spread the responsibility and develop the business.

Organisational Strategy

14. Setting the CIC's strategy, budgets, policies, and procedures.
15. Ensuring that the strategy remains relevant and achievable.
16. Agreeing an appropriate plan for the ongoing development of the CIC to deliver the strategy.
17. Regularly monitoring performance against budget and targets.
18. Evaluating the result, outcomes and impacts of the business.
19. Consulting regularly with stakeholders (ie the community being served), and including them in the development of the CIC strategy where appropriate.

Accountability and Transparency

20. The CIC meets all legal requirements under company law.
21. Posts public documents, accounts, articles, annual CIC report, and other relevant information on the CIC website as appropriate.
22. Using the CIC report to demonstrate the extent of the CIC's impact, even if unexpected or negative.
23. Treating staff, customers, suppliers and the community of interest fairly; and being environmentally aware.
24. Being transparent about financial and other matters and, in particular:

- Publishing additional information about the profitability and commercial margins of the CIC, in addition to standard accounts, where this would serve the community purpose.
 - Publishing the ratio of the highest paid to the lowest paid member of staff.
 - Able to demonstrate how all remuneration paid is 'reasonable'.
25. CICs which are limited by shares that have adopted Schedule 3 Articles must be able to show that the CIC remains true to its community purpose. In particular, Directors must be able to show how the returns provided to investors are reasonable and necessary to enable the CIC to raise capital, run its business, and advance its community purpose.