

CONTENTS

Introduction

- 1 Countdown To Starting The Enterprise
- 2 Marketing And Promotion
- 3 Business Responsibilities
- 4 Human Resources
- 5 Leadership; Working With The Committee
- 6 Accounts And Finance
- 7 Planning And Performance; Social Accounts

INTRODUCTION

This manual is intended as a guide for those wishing to set up social enterprises and can be used independently or with the assistance of a Community Development Officer or Business Counsellor. The different sections can be used independently of the manual for those looking for guidance on a specific issue.

Please note that the information contained within this manual is intended for guidance only and does not constitute or substitute legal advice. The application and impact of laws can vary widely depending upon the specific facts involved. Please make sure that you take appropriate advice on all issues involving company and employment law and insurance requirements.

Information was correct at the time of going to print, but it is advisable to contact appropriate bodies (which have been identified within the manual wherever possible) to ensure that you have the latest versions.

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1

COUNTDOWN TO STARTING THE ENTERPRISE

- Countdown To Launching A Business

COUNTDOWN TO LAUNCHING A BUSINESS

1 : Premises - Have you...

Signed a lease or rent agreement?

Checked your liability for business rates?

Checked whether you need planning permission?

Checked whether you need and the premises has, a fire certificate?

2 : Insurance - Do you have insurance on...

Stock and equipment

Premises and building contents

Loss of trade

Public liability and employers liability

3 : Legal Status - Have you...

Adopted a legal form for the business?
Partnership, Company or Co-operative?

Drawn up a set of rules or constitution?

Checked your business name?

Checked the laws relating to your business?

Informed the inland revenue?

Checked your obligations under VAT law,
contacted the Customs office?

Checked data protection laws?

Do you know the legal implications
if your business fails?

4 : Employment - Have you...

Got information on employee rights and employer obligations?

Decided about working hours, wage rates, holiday and sickness entitlements, overtime and bonus payments?

Drawn up a written set of terms and conditions?

Drawn up a written employment contract?

Set up a paye system if you need one?

5 : Finance - Have you...

Got an accountant?

Set up your book keeping system?

Set up systems to pay wages?

Found out what records inland revenue and the VAT man require you to keep?

Made good contact with your bank manager or enterprise advisor?

6 : Stationery - Have you...

Printed up or bought in Letterheads?

Receipts? Petty cash slips? Wage slips?

Stock sheets? Order sheets? Wall-planners?

Rota sheets? Things to do sheets?

7 : Do you know where to get more help
if things go wrong?

2

MARKETING AND PROMOTION

- Advertising And Image Making
- Producing A Marketing Plan
- Promoting Community Organisations
- Why Are You Promoting Yourself?
- Generating Publicity
- Selling
- Promotion And Social Marketing

ADVERTISING AND IMAGE MAKING

Your image is largely controlled by what you do (or don't do), where and when people encounter your organisation and who is receiving the information and in what way. So when thinking about advertising yourselves or trying to create a positive image, you need to think about the following things.

Creating An Image

When creating an image, you can make use of:

- **Logo**
- **Vehicles**
- **Stationery** : Letterheads, continuation sheets, business cards, invoices, statements, envelopes, franking, stamps, email, e-business cards
- **Signs** : Office signs, shop fascias, window signs, display cards, ticketing labels, stickers
- **Publicity** : Adverts, leaflets, price lists, sponsorship material
- **Presentation** : You, your equipment, your vehicle, your operations

Image is created not just by what you say but how you do things. For instance, answering phones promptly says one thing, being unable to help a caller say another. Getting to know your customers says one thing, creating distance and bureaucratic walls say another.

Planning Your Advertising

Having looked at a number of options for advertising and promotions, you need to decide which ones you might use. Keep things simple and consistent. Remember that you are an advert for your business. Make your choices according to what you can afford (budget), what fits with your business (image) and where you have the expertise i.e. what you can do yourself.

PRODUCING A MARKETING PLAN

A marketing plan is a key component of a business plan. The contents of the plan will vary depending on the particular business.

The plan should:

- Define customers needs/wants and the benefits they seek
- Clearly define product/services including after sales back up
- Establish the size of the market
- Set promotional strategies and budgets
- Identify how and when targets will be achieved
- Establish your position in the market place in relation to the competition
- Show pricing calculations and reasons for the pricing strategy proposed

You will need to build all of this information into your business plan.

Marketing The Product Or Service

Remember that marketing and selling are different activities. Your market is the individuals and organisations who buy the business's products or services. Identifying who they are is the function of marketing. Selling is the activity of persuading people to buy the goods or services.

With marketing there are two important questions that should be asked: What is your market? And; What is so special about you? You have to understand who are your customers and then decide what is the advantage that you have that will attract customers to buy from you. There are four key factors in considering this - often called the 4 Ps or 'marketing mix'.

Marketing Mix

Product/Service

What is it that you are selling? What is its quality? How will it be packaged or presented?

Price

This plays a critical role in a marketing strategy and there are three ways you can approach it:

- Cost pricing means that you work out what it costs you to do something and then add a bit for a profit
- You find out what you think the customer will pay
- You discover what the competition is doing and find out the 'going rate'

Promotion

Products or services need the support of well-devised schemes of promotion. It is a good idea to plan how you will promote what you are selling with leaflets, advertisements in newspapers, etc. Don't do it in a haphazard way but plan it over the year.

Place

This refers to where the product or service will be made available to the customer. For some businesses this is more critical than for others but it is an important consideration as it directly influences the market you will be targeting.

It is important that all the 4Ps complement each other. You must tailor what you plan to do, to the price you want to charge, and which you believe your chosen customers will pay. Also you should promote your product or service in areas where you can properly provide it to the people you believe will want it.

There has to be a continuous process of marketing planning which involves attracting more customers (market penetration); or making additional uses for your product to attract new customers (market development); or improving the product or service (product development); or moving into different products/services and different markets (diversification).

PROMOTING COMMUNITY ORGANISATIONS

Marketing and promotion are all about finding, getting and keeping customers. But who is the customer of a community-based organisation or social business? The customer is, simply, whoever pays the wages. This is usually the funder but can also be stakeholders. Doing what you do well is sometimes less important to your funder or stakeholder than you think.

A community-based organisation often has to face two ways, towards the funder and the service-user. Organisations often fail because they are unable to resolve the competing demands of the funder and the user. The funder wants a low-cost service, the user (and you) want the best service! Providing something that is high-value and low-cost requires hard decision-making and good management. If members of the organisation resist changes needed to 'keep the customer satisfied', the organisation may eventually lose the funder's support. Additionally, community organisations often have only one or two customers. Marketing is easier but you are totally dependent on the funder's goodwill and continued support.

Organisations must also market to the user. Most rely on word of mouth or recommendations from existing users. How you promote your service to the user must meet the user's needs, be simple common-sense, make sensible use of resources, monitor results (particularly the cost-effectiveness of advertising) and work to increase awareness and understanding of your role.

Resources And Conditions Necessary For Successful Promotion

- Appropriate skills must be matched to the organisation's resources, people and time
- Appropriate information must be available
- A receptive audience is needed (they have to like/trust you)
- A SWOT analysis so you know what will stop you succeeding
- Your aims must match the user's needs
- Pre-implementation preparation and research

Promoting The Organisation

Typical Outreach Strategies

- Schools and educational projects
- Surgeries/advice centres
- Targeting particular groups of users
- Community liaison
- Media exposure : newspapers, radio, community service announcement, newsletters
- Mutual support by other agencies, and networking
- Using colleges, information points, libraries
- Using associated organisations
- Training, foundation and taster courses/seminars
- Social centres, careers offices, other outlets

Useful Strategies For Different Types Of Outreach

Educational Outreach

Use real life examples, offer free incentives, do familiarisation and awareness days, use mediated outreach, provide information, offer rewards, get feedback.

Employment Outreach

Offer clear benefits, use a hard sell approach, get your timing right, make sure you are hitting the right locations, target your audience.

Promoting Your Organisation

Build links, do networking, image-building, exhibitions, appropriate events, high profile shows and other events.

Targeting Key Players

Identify key decision-makers and their needs, use appropriate forms of outreach for these decision-makers, get your presentation right, do information and analysis.

Social Enterprise Marketing

If you are unable to sell, then your business will decline and fade away. You have to know your market and with social enterprises there is a 'market' in two directions. Firstly, there is the obvious market consisting of potential customers and those that will fork out the money to buy whatever it is you are selling. But there is also a second 'market' and that is the wider community in which you are located. As a social enterprise you have to pay attention to both.

Marketing The Social Enterprise

A social enterprise is different from other businesses as it must be accountable to the community where it is located. The story of the social enterprise needs to be told to members of the local community and we can call this local marketing. In the hurly-burly of running a business it is easy to forget that the local community and particularly the members are stakeholders in the social enterprise. You will want people to know about the social enterprise and get involved. This requires effective communication and you have to:

- Understand who you are wanting to communicate with and what they want from you
- Talk to the most appropriate people (targeting)

You will want to attract other people to your organisation in order that they get involved and there is a useful acronym that you can use to plan to get more community involvement.

It is AIDA, or

Awareness, Interest, Desire, Action

Local people should be aware of the social enterprise, be interested in what it does, show a desire to support it, and get actively involved.

Planning How To Market The Enterprise

In order to be involved with local marketing, it is an idea to write down the name of your social enterprise in the middle of a blank sheet of paper and then surround it with the names of all the groups of people who are affected by what you do. This might include council officials, other organisations, employees, etc. When you have decided who the stakeholders are, prioritise them and then develop ways in which you can communicate effectively with them. Some methods that have been used are: good contacts with the local press; circulation of main points from meetings; social enterprise newsletters; leaflets for customers and other stakeholders; open days; customer involvement and feedback questionnaires; membership drives by knocking on doors; sponsorship of a local club or football team; exhibitions; etc.

The strength of a social enterprise can partly be measured by its community involvement and having a wide membership is an advantage. A director should be identified to be responsible for increasing membership and communicating with the wider community. It may be possible to publish the list of stakeholders and keep a register of members and interested parties.

WHY ARE YOU PROMOTING YOURSELVES?

Do You Want To...

- Get orders or generate income?
If so, how many and what kind?
- Generate enquiries for more information?
Get buyers or purchasing managers to call? How many?
- Attract visitors to your exhibition/shop /special event? How many?
- Change the image or profile of your organisation in some way? If so, how and in what way?
- Celebrate some positive occurrence or achievement?

What Are The Aims Of Your Strategy?

- Will you achieve it with your first approach, or will you need to contact your target audience several times?
- How much extra business will you get?
- By when?
- Will you offer any incentives to order or purchase? If yes, what?
- Can you afford it?
- How will you measure the success of your advertising or promotion?

GENERATING PUBLICITY

Any attempt to generate publicity must be part of a coherent promotional strategy. This depends on answering why, what and who questions.

Why?

- To create a consistent image
- To identify and reach target groups
- To raise the profile of the organisation
- To change attitudes
- To widen the customer, funder and user base

What?

Are you trying to say or achieve (a better image, better understanding, awareness or appreciation).

Who?

Are you trying to reach (existing or potential customers, funders, users or supporters).

The information put out, in whatever form, must match the:

- Needs of the target groups
- Benefits they themselves are seeking
- Types and ways they get information

For instance, when preparing a campaign to **women returners** for instance you might emphasise that volunteering is an alternative way of working, an easy path back to work, offers learning opportunities and a reference from the 'employer'.

Any public relations strategy or advertising campaign will have certain objectives and make certain claims. When advertising a new service, for instance, you will need to be able to answer questions such as:

Is it relevant?

Will it be news?

Can you provide the benefit?

Can you deliver it?

Will it improve the organisation's reputation?

How To Get Free Publicity

- Many of the articles you read in newspapers and magazines and most news items are provided by public relations firms, advertising agencies, and marketing companies; the media are used to getting such items.
- Using the media carefully, courting journalists, finding out their interests and what they consider important can get you both local and national publicity.
- Local media like a local angle, use it.
- You have to have confidence, personal communication skills and persistence to get your message accepted.
- The media looks for items that will interest their readers/listeners and your message needs to bear that in mind.
- Create human interest stories, if one exists, and make sure the story gets to the media. Even if not about your organisation, it creates goodwill that can be used when you need it.
- Contact various publications to see if they would like articles of interest. Journalists like pre written articles that they can edit and attach their by-line to.
- Make sure you have a good action photo to go with your news item or other message and make sure it goes to the relevant editor.
- When you get coverage, reprint/record it and use it as a promotional device: a letter, poster, exhibition boards etc.

SELLING

In order to be a viable business a social enterprise has to sell whatever it does or makes to obtain an income. Without an income your business will cease to exist. Therefore, you have to get out there and get others to buy what you have to offer.

Not everyone enjoys selling - so find someone who has the skills. A common problem of many small businesses is an inability to sell. No matter how good your product is or how marvellous your service, you have to convince other people. Here are some points worth bearing in mind:

Presentation

It is important that the goods or service being offered are well presented. Packaging should be pleasing and smart. Services should be offered in a professional way which gives an immediate impression that you know exactly what you are doing.

Reliability

You must be able to do what you say you will do. Time schedules must be adhered to.

Promptness

Dealing with enquiries promptly and delivering promptly always gives a good impression. In many cases this will ensure repeat orders.

Punctuality

Nothing is more irritating than sales personnel continually arriving late for appointments. In the present economic climate small things like this may be crucial in selling.

Personal Appearance

From the customer's viewpoint, the initial impressions of the social enterprise may well be formed by the personal appearance of the individual doing the selling. It is therefore important for this person to look neat, tidy and smart. This is not to say that smart looking people can sell poor quality goods or services; simply that signs of scruffiness may inhibit potential customers from further investigation.

Telephone Manner

A telephone call is often the first contact between a business and its customers. A pleasant telephone manner, quickly and accurately answered enquiries all help to create the right image for the social enterprise.

PROMOTION AND SOCIAL MARKETING

Promotion is generating positive information about your product or service and generating a positive image. But social businesses don't just need to promote their products to customers; they must also promote themselves to funders, supporters, service-users and stakeholders. This is **social marketing**. The main forms of marketing and promotion are:

Advertising

Useful in introducing a new product or service, special offers or when customers are many or geographically scattered. Advertising often reaches a larger (and uninterested) audience than needed and (consequently) is expensive. Cost-effective marketing begins with thinking about how customers and users get and use information. Focused forms of advertising are community or user newsletters, direct mailings, in store advertising (e.g. posters).

Packaging (Image)

The way a product or service is presented greatly influences the decision to purchase or use it. You need to know what customers value. If low price is a priority then a 'cheap and cheerful' image might work. If a quality service is required then efficiency is a powerful image. Social businesses often provide services satisfying emotional needs such as for security, recognition, companionship, self fulfilment etc). The 'feel good' factor is powerful in persuading people to buy, use a service or go on providing funding.

Name (Identity)

This refers both to the name of your organisation and a product or service you offer. A name can carry a lot of information. New campaigns or services are often given catchy, informative names. This is known in marketing as 'branding'. 'Branding' creates an identity between the product, the organisation and certain (hopefully positive) values.

You

The most important form of promotion is communication between you and your customer. People need to feel wanted, welcome. They need appropriate information they can understand. They need to be 'introduced' to the product or service by trained staff. This creates a positive relationship between the buyer and seller, customer and supplier. In a world of (bad) instant responses, feeling someone is interested in our needs or issues helps create a bond which brings customers back time after time.

The most important thing in social marketing is to live up to promises. Customers buy in to the commitment, aspirations, integrity and honesty of a social business when they buy from it. Nothing dissolves the 'selling advantage' social businesses possess quicker or makes them seem like 'just another business' than letting people down.

3

BUSINESS RESPONSIBILITIES

- Business Responsibilities
- Business Responsibilities Of Company Directors

BUSINESS RESPONSIBILITIES

Committee Responsibilities

Aims And Objectives, Governance

The management committee/board of directors is responsible for ensuring the organisation carries out its aims and remains within the powers given to it by the constitution. Committee members must understand both their powers, duties and responsibilities.

Accountability

The committee is responsible for ensuring the business is run properly, that it is acting according to the law or other regulations. The constitution or governing document sets out how the organisation should act and the committee should ensure that this is being followed and that it can be held accountable by ensuring its procedures are open and transparent.

Legal Responsibilities

Social enterprises have legal obligations to funders, some stakeholders, employees, customers and service-users. The committee has to ensure that it is obeying these legal obligations and responsibilities.

Financial Responsibilities

The committee must ensure the business has enough money to operate with, meet all its financial obligations and undertakings and that money received and spent is properly accounted for. In some cases it is also responsible for ensuring that money

is not misused or only used for purposes allowed under its rules. The committee should ensure that proper records are kept, it receives regular financial reports and that funders, members or stakeholders get at least annual financial reports for its general obligations to be met.

People Responsibilities

The board of directors of a social enterprise - like any organisation - are responsible ('have a duty of care') to employees, volunteers and people using their services or visiting their premises. It also has a legal responsibility for the actions of its employees or volunteers, whether overt acts or negligence.

Equal Opportunities

It must ensure it complies with acts about equal opportunities and discrimination.

Premises

The committee has responsibility for the state, use and security of its premises, particularly in relation to legal uses and health and safety. This includes ensuring there is proper insurance, it complies with fire and safety regulations, public health requirements and planning consents and regulations.

Insurance

There is both a legal and general requirement to maintain proper insurance cover. Compulsory insurance includes: a) Employers Liability Insurance; b) Public

Liability Insurance; c) Vehicle Insurance; d) Buildings Insurance; e) Contents Insurance. Some organisations may conclude that professional indemnity, fidelity, accident /medical or contingency (e.g. loss of trade) insurance is sensible for their business.

Legal Status

Whatever the legal status of the business, the committee must ensure it complies with the relevant laws and regulations: company, charity or society.

Committees And Contracts

Committees often shy away from knowing too much about contracts or service-level agreements, leaving them to staff to deal with. But they cannot escape both a general and legal responsibility for all contracts entered into by the organisation.

Authority

The committee should ensure that it has given permission for contracts or service level agreements to be entered into and that it is taking the decision about entering into any such contracts or agreements. It is the organisation that contracts, not staff, and ultimately it is the organisation that will be held accountable or liable, not staff.

Grants Or Other Financial Assistance

The committee is ultimately responsible for ensuring funding is used properly and can be held accountable if it is not. Such failure involves a 'breach of trust' and may fall under contract law as well and is therefore potentially very serious.

Contracts And Trading

The members of an incorporated body usually possess limited liability for loss or

debts and therefore are protected from a contract going wrong and remedy being sought so long as they were not party to the problem or negligent in not supervising the operation of the contract. If unincorporated, then the committee members can be individually or collectively liable for debt, loss or damages arising from a contract.

Charges

Some finance agreements (such as mortgages, loans, lease or hire purchase agreements) may include 'charges' over some asset of the organisation, a physical asset such as a building or (for instance) future income or cash. It is the responsibility of the committee to know about and understand the implications arising from such charges.

Agency

In some cases (VAT, National Insurance, Benefits and Tax), the organisation is acting as the agent of various government departments or agencies, collecting, distributing and transferring money on their behalf. The committee needs to ensure that this is being done properly and regularly. When businesses are struggling, one of the first 'savings' made is to fail to pass on Income Tax or National Insurance collected to the Inland Revenue; committees should be alert to this problem.

Reviewing And Monitoring

The committee should regularly review the terms and operation of any contract the organisation is party to. This ensures that the organisation is not generating potential legal problems for itself and offers the opportunity to consider how they are working and whether they should be re-negotiated.

BUSINESS RESPONSIBILITIES OF COMPANY DIRECTORS

UK Law

Companies are primarily governed by the Companies Act 2006. The main stipulations regarding companies are as follows:

- Directors can be either individuals or corporate bodies (which means that charities or social enterprises can control other social enterprises registered as limited companies)

- At least two people are required to form a company

- There's no requirement to live or be in Britain or to be British to be a director

- The Company Secretary can be either an individual or a corporate body

- All companies must have a registered office in England or Wales

- It is your responsibility to check the name of your organisation is not already being used by some other company but Companies House will do a check when your formation papers are sent in

- Companies are no longer legally required to use a company seal on important documents

Duties And Responsibilities Of Directors

Directors

All directors should be over 18 and at least one director must be over 18. The directors are the decision-making body of the company and are liable in law for its actions. They have a duty of care to customers, service-users, employees and members even if it conflicts with their personal interest. The company is a separate legal entity from the directors, who are not liable for the company's actions so long as they have not acted in a negligent, fraudulent or reckless manner. So long as directors act in good faith they are protected by the law from the consequences, even if loss occurs.

The Secretary

The Company Secretary has the legal responsibility to maintain company records, file annual returns and carry out other activities which the rules of the company set out. As an officer of the company (even if not a director), they have the same duty of care as directors.

The Registered Office

This is where the company is officially located, where legal or official documents are sent; it's usually the office of the company's solicitor or accountant but can also be where you trade from. All documents from Inland Revenue, Customs & Excise and Companies House or relating to legal action go to the Registered Office so don't think it's a 'dead letter' address or something you need only when you first register the company. The company's official records must be kept at the Registered Office so they can be inspected by interested parties.

The Memorandum And Articles Of Association ('The Mem And Arts')

A company's rules consist of two documents, the Memorandum of Association and the Articles of Association. The Memorandum of a company sets out what the company may do and how it will attempt to achieve its aims and objectives. This is generally drawn fairly widely (to allow for flexibility) but many ethical businesses (including social enterprises) can be highly prescriptive. The Articles set out how the company will govern itself and therefore deals chiefly with membership, voting rights and how decisions get made and approved.

General Meetings

There is no requirement to hold a General Meeting of members except that once each year a company must hold an Annual General Meeting to report on the performance of the company, receive the annual accounts and make major decisions. Companies House requires an Annual Return (of who are the directors and other officers of the company) by a set date and

this is something you can only really fix at the AGM. Similarly they require the submission of accounts annually (although this can be delayed) and again, accounts can only usually be submitted after an AGM has approved. Its best, therefore, always to try to hold an AGM every twelve months.

Delegated Powers

The directors can delegate responsibility for some of its roles and responsibilities to ad hoc committees or working groups only if it has the power in its Articles of Association.

Ultra Vires

A good set of rules will cover most eventualities but it is important that the directors of a company understand what they are legally empowered to do and what they are not empowered to do ('ultra vires').

4

HUMAN RESOURCES

- Contracts Of Employment
- Understanding Employees' Rights
- Resolving Problems With Employees

CONTRACTS OF EMPLOYMENT

Many businesses require employees to operate. Not all kinds of work can be handled on a self-employed basis. And the Inland Revenue will often treat people working for you as employees no matter what your arrangements. You or your business are very likely at some point to be an employer and your role as an employer is governed by law. You need to know your legal duties if you want to avoid trouble later.

When?

As soon as an employee agrees to work for an employer, a 'contract' exists, and some legal rights and duties arise immediately. However, most rights and duties only apply when the employment starts and some of them take time to come into effect, (for example, you have to work for an employer for two years before you can claim unfair dismissal at an industrial tribunal).

In Writing?

A contract of apprenticeship must be in writing. Terms and conditions can be verbal, not written down. Some part time workers do not have to be given a written statement, for example, someone who works less than 16 hours per week must work more than 8 hours a week for over five years before they are entitled to a written statement.

What's In It?

Most employees must be given a written contract within 13 weeks of starting work, (says the Employment Protection (Consolidation) Act 1978). Details must include:

- The employer's name
- The employee's name
- The date employment began
- The job title

And

- The amount of pay and how often payments are made
- Hours of work
- Holiday pay/entitlement
- Sick pay arrangements
- Pension arrangements
- Periods of notice
- Disciplinary/grievance procedures
- Appeals procedure

What's Left Out?

Items spelled out in detail (as above) are called 'express' terms, because they are expressly agreed. Other things may be agreed but not be put in writing. They may be implicit. The courts have established that the following are implicit in all contracts, whether expressed or not:

- To maintain trust and confidence through co-operation
- To act in good faith towards each other
- To take reasonable care to ensure health and safety at work

Implicit terms can become part of the contract through:

- Repeated conduct of the two sides
- 'Custom and practice', especially if usual in the same trade
- Written rules of the company

Statutory Rights

Other Acts Of Parliament cover employees' rights, and these cannot be set aside, even if the company tries to, in rules or contracts.

- No discrimination on grounds of race
- No discrimination of grounds of sex or marriage
- Entitlement to equal pay for equal work
- Entitlement to an itemised pay statement
- Entitlement to maternity benefits
- Entitlement to protection from the Wages Councils, (if they exist)
- Entitlement to minimum notice
- No deductions from pay without written permission

- Entitlement to pay if laid off (if allowed in their contract)
- Entitlement to redundancy pay (and time to look for work)
- Entitlement to safety at work
- Entitlement to statutory sick pay
- Entitlement to time off for civic duties or Trade Union work
- Entitlement to protected rights if the firm is taken over
- Entitlement to protection from unfair dismissal
- Entitlement to written reasons for dismissal

Changing It?

To avoid problems later, any changes should be agreed by both sides and detailed in writing. Changes can be brought about:

- By individual agreement
- By collective bargaining
- By working to new terms without disagreement
- By short term agreed variations e.g. place of work

Ending It?

Either side can end the contract by giving the required notice. If notice is not given, either side can claim damages. However, no notice is necessary: (a) in cases of dismissal for Gross Misconduct, or (b) where Constructive Dismissal occurs, (that is, the employee resigns because the employer has broken the contract).

UNDERSTANDING EMPLOYEES' RIGHTS

Workers And Employees

An 'employee' is someone who works for you under the terms of a contract of employment, whether it is written down, agreed orally or implied by the nature of the relationship. Many casual workers are likely to be employees with short-term contracts.

A 'worker' is any individual person who works for you, whether under a contract of employment with you or not, who provides a personal service e.g. a casual worker, agency worker or some freelance workers. In terms of the rules and regulations in this section, genuinely self-employed people or businesses to whom you subcontract are not defined as 'workers'.

All employees are workers, but not all workers are employees. Many rules, regulations and rights apply only to employees, but some apply to all workers.

Where 'workers' are referred to in this guide, everyone working for you who isn't self-employed or employed by someone else is entitled to the employment rights in question.

Insuring Your Employees

You must insure against any claims arising from illness, diseases or injuries your staff may pick up as a result of working for you.

Employees' liability insurance, which protects your business against claims from employees for accidents or sickness they may suffer as a result of working for you, is a legal requirement. The statutory minimum cover is £5 million and you should display the certificate in any place of work. Keep your certificates even after they have expired - employees could make a claim many years after they have worked for you.

If you are an employer, you must purchase employees' liability insurance.

Duty Of Care

The basic rule is that irrespective of the relationship between the social enterprise and the individual worker or employee, it, its employees and its committee members have a duty of care which, if breached, may make them liable for prosecution or civil action. It is important therefore that all people involved understand their responsibilities to employees and act upon them.

Terms And Conditions Of Employment

The National Minimum Wage

Nearly everyone who works for you is entitled by law to receive a minimum level of pay - the national minimum wage. This includes bonuses and incentive payments - but not overtime or shift-work premiums.

You must pay everyone who works for you at least the national minimum wage. This typically includes freelance and casual workers as well as employees who have a contract of employment.

The rates current from October 2004 are:

- £4.85 an hour - main (adult) rate for workers aged 22 and over
- £4.10 an hour - development rate for workers aged 18 - 21 inclusive
- £3.00 an hour - rate for 16 and 17 year olds (above compulsory school leaving age)

N.B. 16 and 17 year old apprentices are exempt from the young workers rate

When calculating whether you're paying the minimum wage, you can take into account any incentive or performance-related payments, bonuses and tips paid through the payroll. But extra money above basic pay - such as overtime or shift-work premiums - doesn't count.

Most benefits other than money can't be included, apart from a small amount for free accommodation.

Workers' average pay must be at or above the minimum wage for the period for which they're being paid. For workers on a wage or salary, the number of hours worked will generally be clear. If you have pieceworkers or workers paid to do set tasks, you can agree with them a fair number of hours for the work to represent.

You'll need to keep records to prove you're complying. Workers can ask to see them if they think they're being underpaid. If most of your staff have earnings well above the minimum wage, you probably won't need to keep any specific records beyond those you already keep for PAYE.

Payments To Staff Who Are Off Sick

Staff who can't work for four days or more because of illness are entitled to a minimum level of sick pay. You can claim some of the money back from the Inland Revenue if your business's sick pay exceeds a set level.

You must pay statutory sick pay (SSP) to employees who can't work for four or more calendar days in a row because of physical or mental illness or disablement. The rate in the tax year 2009/10 is £79.15 a week.

All full and part-time employees and agency workers who are employees for National Insurance purposes, aged between 16 and 65, qualify for statutory sick pay provided they earn more than the National Insurance lower-earnings limit, which is £95 per week (2009/10 tax year). But you can withhold statutory sick pay if the employee has recently drawn incapacity benefit or severe disablement allowance or is in custody.

If your own arrangements are more generous than the statutory sick pay scheme you can opt out. But you must keep detailed records.

Statutory sick pay is subject to income tax and employee's National Insurance contributions. It's payable for up to 28 weeks for any one period of sickness.

You may be able to recover some SSP by deducting this money from the National Insurance contributions you pay to the Inland Revenue (and from income tax if necessary). Full details on what you can claim back is available in the Inland Revenue booklet *What To Do If Your Employee Is Sick*. Any sick pay you recover has to be recorded on your Inland Revenue P14 and P35 forms at the end of the tax year.

You must keep full records of sick pay for three years. A form for this purpose can be found in the Inland Revenue booklet *What To Do If Your Employee Is Sick*. It is also a good idea to record sick pay paid to an employee in the relevant column on your P11 form.

Employee Pensions

If you've got five employees or more, you may need to offer employees access to a stakeholder pension scheme. The business is not required to make contributions to an employee's scheme - but you must deduct an employee's contributions from their pay if they ask you to.

You are exempt from having to offer a stakeholder pension scheme, even if you employ five or more people, if:

- They all earn less than the National Insurance lower earnings limit
- You offer access to an occupational pension scheme which all employees can join within a year of starting work
- You offer to pay a contribution of at least 3% of employees' basic pay to a personal pension scheme and to deduct their contributions if requested. The scheme shouldn't penalise members who stop contributing.

If you aren't exempt, you must choose a stakeholder scheme which is registered with the Occupational Pensions Regulatory Authority (OPRA).

You should consult employees about your choice and then write to the scheme provider to say you've formally chosen their scheme. Keep a copy of the letter.

Give employees details of your chosen provider and a contact name. You can give information about the scheme to employees - but you mustn't advise them about its financial benefits.

Employees aren't obliged to sign up to the scheme. Tell staff you can take their contributions from pay through PAYE but that they can pay directly into the scheme if they prefer.

You must deduct the employee's contributions from pay if asked to do so and forward them to the scheme provider. Keep records of the payments.

Employers don't have to make contributions. If you want to, tell staff how much you intend to put in.

Length Of The Working Week

Rules on working time fix the maximum average working week for most worker at 48 hours. Workers can agree voluntarily to forgo this limit - but you mustn't put pressure on them to do so.

For calculation purposes, hours are averaged over a 17-week period, though this can be extended by agreement. The calculation must add in hours spent on holiday and sick leave which would otherwise have been worked.

Workers can voluntarily agree to waive the 48 hours' limit - but you mustn't force or put pressure on them. You must ask those who do opt out to sign a written agreement. The limits don't apply to employees who have the freedom to choose their own hours of work - typically senior managers - nor to self-employed contractors. But freelance or agency staff who get paid a regular wage or salary do qualify.

Work-related training counts as part of the working week, as do travel as part of a worker's duties and working lunches. But journeys to and from work and lunch breaks don't.

Staff have a right to 11 hours rest between each working day; young workers get 12 hours. You mustn't force staff to work more than six days in every seven, or 12 days in every 14. Young workers should get two days off a week.

You need to keep a record to show you're complying with the 48-hour limit - but you may be able to do this by using records you already keep for pay (a payslip quoting hours worked, for example). You have to keep an up-to-date record of workers who've agreed to work more than 48 hours a week.

Rest Breaks

Workers have a right to minimum rest breaks during and between shifts, and a set number of days off each week. There are special rules concerning young workers.

Most people who work for you - employees, freelancers, casual or agency workers - are entitled to minimum rest breaks. Workers must have a minimum 20-minute rest break in each shift lasting more than six hours. Young members of staff - who are over the minimum school-leaving age but under 18 - are entitled to at least 30 minutes break for each 4 1/2 hours they work.

In certain specified circumstances, rest breaks, rests between shifts and days off can be accumulated and used later. For example, this may happen during busy peak periods, when an emergency crops up or where someone works a long way from home and wants to work longer hours over a few days to complete a task more quickly.

A young worker's entitlement to breaks can only be changed or not taken in exceptional circumstances. Young workers must not work more than eight hours a day and 40 hours a week.

If you are covered by the Disability Discrimination Act and you have a worker who requires extra work breaks, for example to take medication privately, you may be discriminating by unreasonably refusing.

Night Work

There are special regulations governing night worker's hours and they must also be offered a free health assessment to check they're up to working at night. Nearly everyone who works for you, including employees, freelancers and agency workers, are covered by these rules.

Night time is defined as a period of at least seven hours between 10pm and 7am. Unless you agree otherwise with your staff, it is defined as the period between 11pm and 6am.

Night workers - people who regularly work at least three hours during night time - shouldn't average more than 8 hours in 24-hour period. This is normally calculated over 17 weeks, though it can be extended by agreement with staff. If a night worker's job involves special hazards or physical or mental strain, there is no averaging - they mustn't work more than eight hours in any one 24-hour period.

You must offer workers a free health assessment before they start working at night and repeat it regularly (typically once a year) after that. This will generally be in the form of a questionnaire, with a medical examination following if you have any doubts about the employee's fitness for night work. You should pay particular attention to young (under 18) workers' suitability for night work - specific regulations on the times at which they are allowed to work became law on April 6, 2003. A sample assessment questionnaire is available from www.dti.gov.uk/er. You must keep records of these assessments for two years.

Paid Annual Leave

People who work for you must get a minimum of four weeks' paid annual leave a year - though this can include bank holidays.

Most people who work for you, including your employees, freelancers and agency workers, are entitled to a minimum of 4 weeks' paid annual leave, with part-time workers enjoying leave proportionate to the

amount of days they work each week. You are of course free to specify a longer period in your employees' contracts if you wish.

So a full-time worker who works five days a week is entitled to 20 days' annual leave, while a part-timer who works two days a week is entitled to eight days.

The minimum leave period can include bank holidays. There's no automatic right to take bank holidays off.

The leave entitlement starts building up from a worker's first day at work. With your staff's agreement, during their first year of work you can use a system in which they get one twelfth of their annual leave entitlement for each month they work, rounded to the nearest half day.

Holiday pay must be based on the worker's average pay. If, for example, their normal pay includes additional money for working unsocial hours, so must the holiday pay.

You should agree with staff how much notice of leave they should give. If you don't have an agreement, the notice period should be twice the length of the leave requested.

If someone stops working for you, they're entitled to be paid for any leave they haven't taken.

Time Off Work Other Than Annual Leave

There is a range of other circumstances in which employees will be eligible for paid or unpaid time off - including acting as a safety representative, going to antenatal appointments and dealing with an emergency involving a dependant. You must allow staff time off in a number of circumstances.

If an employee is pregnant, she is entitled to time off for any appointments made on the advice of a registered medical practitioner, midwife or health visitor.

You must give time off to employees who are:

- Carrying out duties or receiving training as a safety representative
- Carrying out industrial-relations duties or being trained as an official of a recognised trade union
- Carrying out duties as a pension scheme trustee
- Looking for another job or arranging training for future employment when being made redundant
- Carrying out duties or receiving training as an employee representative for consultation over collective redundancies or business transfers
- Young people doing studying or training leading to a relevant qualification

In the following instances you have to give employees time off but you're not obliged to pay them if you don't want to:

- Taking action to deal with an emergency involving a dependant, such as helping a dependant who falls ill, is injured or assaulted, arranging a dependant's funeral, helping a dependant give birth, dealing with an unexpected breakdown in care arrangements for a dependant or dealing with an incident at a school attended by a child of the employee
- Taking part in certain trade union activities

- A range of public duties, including acting as a magistrate; a member of a local authority, police authority, health authority or NHS trust; a member of a school governing body. If you don't release an employee for jury service, you could be prosecuted for contempt of court

If you are covered by the Disability Discrimination Act and you have a worker who requires time off for reasons related to the disability, for example for treatment or rehabilitation, you may be discriminating by unreasonably refusing.

In other cases, you only have to allow 'reasonable' time off.

Right To Belong To A Trade Union

You mustn't penalise employees for joining - or refusing to join - a trade union. You mustn't base recruitment decisions on whether or not an employee belongs to a trade union. Staff don't need your permission to belong to a union. You can't dismiss or threaten to dismiss someone for being a member.

You cannot take any other action to prevent, penalise or deter an employee from belonging to a union - such as refusing to promote them. Nor can you make an employee join or stay in a union.

If you employ more than 20 people and refuse to recognise a union for bargaining purposes, you may be required to do so after a ballot or if the majority of the relevant workforce are union members.

Race And Sex Discrimination

People have the right not to be discriminated against on the grounds of race, sex or marital status. And this doesn't just mean giving all your staff access to the same opportunities - you must also protect them against verbal or physical harassment.

You mustn't discriminate against anyone who works for you (including self-employed contractors) or treat them less favourably because of their: colour; race; nationality; ethnic or national origin; sex; status as a married person.

Apart from yourself, you also have to ensure that other managers or members of staff don't discriminate against their colleagues.

The way you recruit staff mustn't discriminate against anyone because of their race or sex.

You mustn't offer less favourable contractual terms - including those covering pay and benefits nor deny people access to promotion, transfers, training or any other schemes, facilities or services. Under equal-pay laws, you must offer the same level of pay to men and women doing the same or similar work as someone of the opposite sex.

You mustn't dismiss an employee because they are married or because of their sex, race, nationality or ethnic or national origins and any attempt at separating people of a particular race from other staff counts as discrimination.

You must also avoid indirect discrimination - where you apply a seemingly unbiased requirement or practice which members of one sex or a racial group are much less likely to be able to comply with. Examples of indirect discrimination might be creating

new shift patterns which make things hard for working mothers or introducing a uniform banning headgear when some people wear headwear relating to their religious or ethnic background.

Staff have the right not to be subject to racial or sexual harassment - which might include lewd, sexist or racist remarks, graffiti, jokes, verbal abuse or physical assault. Remember that you may be held responsible for any discrimination or harassment practised by your employees, so you must deal with any problems. You mustn't victimise anyone who makes a complaint of discrimination against you.

There are a few limited exceptions to the rules - for example, in jobs such as acting and modelling where someone from a particular racial group or sex may be needed for the purposes of authenticity. Some restaurants where food is served in a particularly authentic setting may also be allowed to recruit from particular racial groups.

Some welfare or social workers may be able to serve the interests of a particular racial group better if they're a member of that group. And in areas such as care work, it may be necessary to appoint someone of a particular sex for reasons of privacy and decency.

It's best to take advice if you intend to apply one of the exceptions. You may also take positive action to help men or women or members of a particular racial group compete on equal terms when looking for work - perhaps by running a training course or offering work experience. You can encourage people to apply for work - but you must always select the best person for the job when recruiting.

Workers With Disabilities

You mustn't treat staff less favourably on the grounds of their disability unless you can justify such treatment.

Disability is defined as a physical or mental impairment which has a substantial and long-term adverse effect on a person's ability to carry out normal day to day activities.

You must be prepared to make 'reasonable adjustments' for disabled people - changes that would assist them to work or continue to work for you. Examples might include:

- Making alterations to your premises
- Giving some of the disabled person's duties to another member of staff
- Buying special equipment
- Changing the person's working hours

In some circumstances you may be justified in refusing such adjustments. This might include when the adjustment would:

- Make no significant difference to the disabled person's ability to do the job
- Not be practical
- Cost more than you could afford, particularly when there is no financial help available to you
- Contravene other legislation, such as health and safety rules

The way you recruit staff (including self-employed contractors) should not discriminate against people with a disability.

You may need to make reasonable adjustments to your recruitment process to make sure people with disabilities are not disadvantaged in their application.

For example, this may mean holding an interview in a room that is more accessible to a wheelchair user, removing a requirement that people phone in to discuss a vacancy or providing special equipment or a sign language interpreter for an interview.

You mustn't offer less favourable contractual terms - including those covering pay and benefits - to staff because they're disabled. Nor can you deny them access to promotion, transfers, training or any other schemes, facilities or services.

You mustn't dismiss staff on the grounds of disability or victimise anyone who makes a complaint of disability discrimination against you.

Rights Of Part Time Workers

Part time workers are generally entitled to the same treatment as full timers - from the same hourly rates of pay to access to promotion opportunities, pension schemes and training.

You mustn't treat part time workers less favourably than a comparable full timer - anyone working for the same employer doing the same or broadly similar work. The rules cover employees, freelancers or casual workers, but not the genuinely self-employed. However, you may be able to treat a part timer differently from a full timer if you can show that it's necessary and appropriate to achieve a real business aim.

Part time workers should get the same hourly rates of pay as comparable full timers. Overtime rates must be the same, too - but legally you do not need to pay overtime rates until they have exceeded normal full-time hours.

In addition, part time employees enjoy leave proportionate to the amount of days they work each week. So if a full time employee who works five days a week is entitled to 20 day's annual leave, a part timer who works 2 days a week is entitled to eight days.

You must also treat part timers the same as full timers when calculating entitlement to maternity and parental leave and calculating levels of sick pay and maternity pay.

You must give them the same access as full time workers to promotion opportunities and pension schemes.

Part timers mustn't be treated unfavourably if you're selecting position for redundancy.

You shouldn't exclude people from training because they work part time. Where possible, training should be organised when all staff can attend.

You mustn't victimise part timers who've made a complaint of unfair treatment against you.

Maternity, Paternity And Dependents

When An Employee Is Pregnant

A pregnant employee automatically qualifies for ordinary maternity leave. Those with a minimum length of service can also take additional, unpaid leave if they wish. You mustn't dismiss a pregnant employee - or single her out for redundancy - for reasons connected with her pregnancy, childbirth or maternity leave. Nor must you treat her unfairly. Regardless of the size of your business or the hours she works, a pregnant employee is entitled to a minimum standard

of treatment - though you can be more generous if you wish.

You must give pregnant women paid time off to attend antenatal care appointments which may include relaxation and parenting classes attended on the advice of a registered medical practitioner, midwife or health visitor. They're also entitled to up to 26 weeks' ordinary maternity leave. Ordinary maternity leave can start any time from the 11th week before the baby is due to be born. The employee must give you three weeks' notice of the leave, where possible.

Many women will be entitled to receive statutory maternity pay during ordinary maternity leave (see 'Pay While On Maternity Leave' page 318).

A woman expecting a baby must notify you by the 15th week before the expected week of childbirth. You'll have to write to her stating when you expect her to return to work if she takes her full maternity leave entitlement. A pregnant employee must give you a certificate giving details of the expected week of childbirth from her doctor or midwife. Keep this as a record.

A pregnant woman keeps all her normal terms and conditions except wages or salary while she's on ordinary maternity leave. Her holiday will continue to build up as normal, for example. If her job becomes redundant during the maternity leave, you must offer any suitable alternative work available. You must also 'seriously consider' any request by the employee to return to work part time. Refusal to offer such an option may amount to indirect sex discrimination.

If a woman has worked for you for 26 weeks by the beginning of the 11th week before the baby is due to be born, she can also take up

to 26 weeks' unpaid additional maternity leave, and the period of unpaid additional leave runs from the end of ordinary maternity leave.

Only some terms and conditions of employment remain during the unpaid additional leave period - relating to compensation in the event of redundancy, notice periods and discipline and grievance procedures, for example.

After additional maternity leave, an employee is entitled to return to the same job. If this job has been made redundant, you must offer any suitable alternative available. But if her job has been made redundant and you've got five employees or fewer, you don't have to re-employ her if it wouldn't be practical to do so and there's no suitable alternative work. However, you may need to prove this to an employment tribunal.

If there's an unavoidable health or safety risk to a new or expectant mother or her baby, and you can't find other suitable work for her, you must suspend her on full pay.

It is illegal for new mothers to return to work within two weeks of giving birth (four weeks for factory workers).

Pay While On Maternity Leave

Many pregnant women also have the right to receive a minimum level of pay during their ordinary maternity leave. You can claim most - or all - of this money back from the Government.

Women who've worked for you for at least 26 weeks into the 15th week before the baby is due and earn more than the lower earnings limit for National Insurance contributions (£95 for the 2009/10 tax

year) will be entitled to receive statutory maternity pay during their ordinary maternity leave. Women are entitled to 26 weeks' statutory maternity pay, and will receive 90% of average weekly earnings for the first six weeks. This is followed by a standard rate of £123.06 per week or 90% of average weekly earnings, whichever is the lower.

Statutory maternity pay is subject to income tax and National Insurance contributions in the same way as normal earnings.

Employers recover statutory maternity pay from the income tax and National Insurance contributions they pay to the Inland Revenue.

If your business's total annual National Insurance contributions are £40,000 or less, you can claim back all statutory maternity pay plus a compensation payment on top from the Inland Revenue. Otherwise you can claim 92% of the payments you make.

You must record maternity payments in the relevant sections of your P11, P14 and P35 tax forms from the Inland Revenue. You can also use for SMP2 to keep a record of statutory maternity payments if you wish. These are available from the Inland Revenue. All records must be kept for three years.

Paternity Pay

Working fathers can take up to two weeks' paid leave following the birth of a baby. Their pay will be set at the same level as statutory maternity pay.

To qualify, an employee must:

- Have or expect to have responsibility for the child's upbringing
- Be the child's biological father or the mother's husband or partner
- Have worked continuously for you for at least 26 weeks by the 15th week before the baby was due and have continued working for you until after the birth
- (When paternity leave is being taken by an adoptive parent) have worked for you for at least 26 weeks by the week in which they were told they had been matched with a child, and have continued working for you until the child was placed with the adopter

You can ask the employee to fill in a self-certificating form as evidence of their entitlement to statutory paternity pay. You can use the Inland Revenue's form Becoming A Parent (SC3).

Fathers can take a block of either one or two whole weeks' leave - but not odd days. Leave must be taken within 56 days of the child's birth or, if the child is born early, in the period from the actual date of birth until 56 days after the expected week of birth.

Employees have the right to return to the same job after taking paternity leave. You must not dismiss an employee or treat him unfairly because he's taken paternity leave. Working fathers are entitled to keep their normal terms and conditions - except those relating to wages or salary - while taking paternity leave.

Most fathers will be entitled to statutory paternity pay - the lower of £123.06 or 90% of the employee's average weekly earnings.

Staff who earn less than the lower earnings limit for National Insurance contributions don't qualify for statutory paternity pay.

You can recover statutory paternity pay from the income tax and National Insurance contributions you pay to the Inland Revenue.

If your business's total annual National Insurance contributions are £40,000 or less, you can claim back all statutory maternity pay plus a compensation payment on top from the Inland Revenue. Otherwise you can claim 92% of the payments you make.

You must record maternity payments in the relevant sections of your P11, P14 and P35 tax forms from the Inland Revenue. You can also use form SMP2 to keep a record of statutory maternity payments if you wish. These are available from the Inland Revenue. All records must be kept for three years.

Paid Leave For Adoptive Parents

Employees who are newly matched with a child for adoption by an adoption agency can take adoption leave if they have worked for you for at least 26 weeks. While they are off work they will also be entitled to a minimum level of statutory adoption pay.

One member of a couple - or an individual - who adopts a child will be entitled to adoption leave and pay. The other member of a couple may qualify for paternity leave and pay.

To qualify for adoption leave, an employee must have worked continuously for you for at least 26 weeks when they've been matched with a child by an adoption agency.

Employees must give you evidence from the adoption agency as proof of their entitlement to adoption leave and pay: for example, a letter on headed paper confirming the matching.

Adoptive parents will be entitled to up to 26 weeks' ordinary adoption leave. Leave can start from the date of the child's placement or from up to 14 days beforehand.

You mustn't dismiss employees or treat them unfairly because they've taken adoption leave. They'll be entitled to keep their normal terms and conditions of employment - except those relating to wages or salary - throughout this period. They'll also be entitled to statutory adoption pay. From April 6, 2003 this will be the lower of £123.06 a week or 90% of the employee's average weekly earnings - though you can pay more than this if you wish.

Employees with average weekly earnings below the lower earnings limit for National Insurance Contributions don't qualify for statutory adoption pay. Employers can recover statutory adoption pay from the income tax and National Insurance contributions they pay to the Inland Revenue.

If your business's total annual National Insurance contributions are £40,000 or less, you can claim back all statutory adoption pay plus a compensation payment on top. Otherwise you can claim 92% of the payments you make.

You must record statutory adoption payments in the relevant sections of your P11, P14 and P35 forms available from the Inland Revenue; a number of Government explanatory booklets are also available.

All records must be kept for three years.

Parents who take ordinary adoption leave can also take 26 weeks' additional adoption leave. This is unpaid unless the employee's contract states otherwise.

Some terms and conditions of employment remain during this period - relating to compensation in the event of redundancy and notice periods, for example.

Unpaid Leave For Parents

Parents can take extra, unpaid time off during the first few years of their children's lives. Generally, you agree with your employee how this parental leave is taken.

Mothers and fathers have a right to take unpaid parental leave to look after young and disabled children. Parents can take 13 weeks' unpaid parental leave for each child born or adopted on or after December 15 1999. They can take leave until the child's fifth birthday or until five years after they have adopted a child. They must have completed a year's continuous service with you.

Employees remain employed while on parental leave. Some contractual terms and conditions - such as those relating to notice periods and redundancy - still apply. You must allow staff returning from parental leave of four weeks or less to return to the same job.

With longer periods of leave, you must let them go back to the same job or, if that's impractical, to a job with similar or better terms and conditions.

You can agree how and when leave is to be taken with staff or their representatives, though there's a fallback scheme if there isn't an agreement. Under this, up to four weeks' leave can be taken in one year, in blocks of one week at a time.

You can postpone parental leave if you think an employee's absence would disrupt the business too much - perhaps when work is at a seasonal peak or when an employee's skills are essential to the business at a particular time. You must discuss the postponement with the employee and then give them written notice. The leave can be postponed for a maximum of six months.

Employees And Flexible Working

Flexitime, job-sharing and term-time working - all examples of the kind of flexible working patterns parents can request from you from April 2003.

From April 6, 2003 you have to consider seriously requests to work flexibly from parents of children under six or disabled children under 18. To make a request, parents must have worked continuously for you for at least 26 weeks. Where you may have a clear business reason why the work pattern cannot be accommodated, you may refuse the request.

Flexible working includes working patterns such as annualised hours, flexitime, job-sharing, shift-working and term-time working. Or it might simply be starting half-an-hour later and making up the time later in the day.

Employees have to make a written application to work flexibly. You are required to meet them within 28 days to discuss their request.

You then have 14 days to write to the employee with your decision. Staff have a further 14 days to appeal if they disagree with it.

If you are covered by the Disability Discrimination Act and a disabled person needs to work different hours for a reason related to their disability, for example to avoid travelling on public transport during rush hour or because their disability means that they work better later in the day, you may be discriminating if you refuse this.

References

Employers' Liability (Compulsory Insurance) Act 1969: A Guide for Employers (HSE40)

Contact HSE Books 01787 88 11 65
www.hsebooks.co.uk

National Minimum Wage (ERF05)

Contact 0870 150 2500
www.businesslink.org

National Minimum Wage

Helpline 0845 600 0678
 Decision trees to check if staff are eligible for the national minimum wage are available online at www.tiger.gov.uk

What To Do If Your Employee Is Sick (E14); Employee's Statement Of Sickness (SC2); Statutory Sick Pay Manual For Employers (CA30)

Contact 0845 7 646 646
www.inlandrevenue.gov.uk/employers

The Occupational Pensions Regulatory Authority (OPRA) offers a decision tree for employers and a register of stakeholder pension providers.

Contact 01273 627600
www.stakeholder.opra.gov.uk

Stakeholder Pensions - A Guide For Employers (PME)

Contact 0845 7 646 646
www.thepensionservice.gov.uk

Your Guide To The Working Time Regulations (URN 00/633)

Contact 0870 150 2500
www.dti.gov.uk/er

Holiday And Holiday Pay

Contact Acas Publications 08702 42 90 90
www.acas.org.uk

Time Off Work (ERF12)

Contact 0870 150 2500
www.businesslink.org

Time Off For Public Duties (PL702); Redundancy Entitlement: Statutory Rights (PL808); Time Off For Your Dependants (URN 99/1186)

Contact 0870 150 2500
www.dti.gov.uk/er

Time Off For Trade Union Duties And Activities

Contact Acas Publications 08702 42 90 90
www.acas.org.uk

Racial Discrimination In Employment (ERF09); Sex Discrimination And Equal Pay (ERF10)

Contact 0870 150 2500
www.businesslink.org

The Commission For Racial Equality's Employment Code Of Practice

Contact 020 7939 0000
www.cre.gov.uk

Equal Opportunities Commission

provides a number of publications: Equal Opportunities Is Your Business Too; Code Of Practice - Sex Discrimination; Code Of Practice On Equal Pay
 Contact 0845 601 5901
www.eoc.org.uk

Equality Direct can offer more advice

Contact 0845 600 3444
www.equalitydirect.org.uk

Disability Discrimination In Employment (ERF01)

Contact 0870 150 2500

www.businesslink.org**The Disability Discrimination Act 1995:****What Employers Need To Know**

Contact the Disability Rights

Commission 08457 622 633

www.drc-gb.org**The Employers' Forum On Disability**

is an organisation led by businesses which examines the issues of disability in the workplace and generates best-practice advice

Contact 020 7403 3020

www.employersforum.co.uk**Part-Time Workers (ERF06)**

Contact 0870 150 2500

www.businesslink.org**Part-Time Workers:****The Law And Best Practice**

Contact 0870 150 2500

www.dti.gov.uk/er**Trade Union Membership (ERF13)**

Contact 0870 150 2500

www.businesslink.org**Union Membership: Rights of Members and Non-Members (PL871)**

Contact 0870 150 2500

www.dti.gov.uk/er**Trade Union Recognition And Derecognition**www.cac.gov.uk**Representation At Work**

free online, £3.95 hard copy

Contact 08702 42 90 90

www.acas.org.uk**Acas Codes Of Practice: Disclosure Of Information To Trade Unions; Time Off For Trade Union Duties And Activities**

Contact Acas Publications 08702 42 90 90

www.acas.org.uk**Maternity Rights (ERF04)**

Contact 0870 150 2500

www.businesslink.org**Maternity Rights: A Guide for Employers and Employees (PL958); Maternity Leave Changes: A Basic Summary (PL507); Suspension From Work On Medical or Maternity Grounds (PL705)**

Contact 0870 150 2500

www.tiger.gov.uk**Acas Flexible Working**

Contact 08702 42 90 90

www.acas.org.uk**What To Do If Your Employee Is Pregnant (E15SD); Pay And Time Off Work For Parents (E15); Information of paying an employee is available with Statutory Maternity Pay Record Sheet (SMP2)**

Contact 0845 7 646 646

www.inlandrevenue.gov.uk/employers**Inland Revenue Employers' Helpline**

information and advice on statutory maternity pay

Contact 08457 143 143

Inland Revenue Employers' Orderline

provides all relevant forms

Contact 0845 7 646 646

www.inlandrevenue.gov.uk/employers

Paternity Leave And Pay: A Basic Summary (PL514); Working Fathers: Rights To Paternity Leave And Pay (PL517)
Contact 0870 150 2500
www.tiger.gov.uk

Statutory Paternity Pay Record Sheet (SPP2); Becoming A Parent: Self-Certificate (SC3)
Contact 0845 7 646 646
www.inlandrevenue.gov.uk/employers

Adoptive Parents: Rights To Leave And Pay - A Basic Summary (PL515)
Contact 0870 150 2500
www.tiger.gov.uk

Pay And Time Off Work For Adoptive Parents (E16); Statutory Adoption Pay Record Sheet (SAP2)
Contact 0845 7 646 646
www.inlandrevenue.gov.uk/employers

Parental Leave: A Short Guide For Employers And Employees (PL510).
Parental Leave: A Detailed Guide For Employers And Employees (PL509)
Contact 0870 150 2500
www.dti.gov.uk/er

Flexible Working: The Right To Request And A Duty To Consider - Guidance For Employers And Employees (PL520)
Contact 0870 150 2500
www.dti.gov.uk/workingparents

Changing Patterns Of Work
free on-line, £3.95 hard-copy
Acas Publications 08702 42 90 90
www.acas.org.uk

The Acas Helpline can offer advice
Contact 08457 47 47 47

RESOLVING PROBLEMS WITH EMPLOYEES

Discipline And Grievance Issues

Basic information on disciplinary and grievance issues must be included in your employees' written statement of employment details. There's currently no requirement to have a formal disciplinary or grievance procedure - but putting procedures in place can help you defend any claim an employee might make at an industrial tribunal.

You must include details of disciplinary rules and grievance procedures if you have them in your written statement of terms and conditions. You must explain:

- What your disciplinary rules are (if you have them)
- To whom the employee should apply if they are dissatisfied with a disciplinary decision or want to put right a grievance
- How to apply and what further procedures, if any, will follow

For the first and last of these you can also refer employees to a separate document that they should be able to easily get hold of if these details are not fully contained in the written statement.

Being able to show you've followed a procedure will help your case if an employee makes a claim at an employment tribunal.

You should draw up disciplinary rules to set standards of conduct at work and explain what behaviour is unacceptable. The rules should cover areas such as:

- Timekeeping
- Absence
- Holidays
- Health and safety
- Standards of work
- Personal appearance
- Use of company facilities
- Smoking
- Discrimination

Your disciplinary procedure sets out the action you will take against staff who break these rules. A typical disciplinary procedure will have the following stages:

- Formal oral warning for a minor offence
- Written warning for subsequent minor offences or a more serious offence
- Final written warning for further misconduct
- Dismissal with appropriate notice if there is insufficient improvement in the employee's conduct

Minor breaches of rules should be dealt with informally. Examples of conduct you might deal with using your disciplinary procedure could include persistent lateness or unauthorised absence.

Gross misconduct is an action so serious that you may dismiss an employee for their first offence without notice or pay in lieu of notice. In practice, however, you should generally suspend the employee on full pay and investigate the incident before dismissal.

Examples of offences which are normally regarded as gross misconduct include: theft; fraud; fighting; assault; deliberate damage to company property; being under the influence of alcohol or illegal drugs; serious negligence which causes unacceptable loss, damage or injury; serious acts of insubordination.

An employee accused of misconduct or gross misconduct should be given the chance to have their say at a disciplinary hearing. They have the right to be accompanied by a colleague or trade union representative at any such hearing.

A grievance procedure allows individual workers to raise grievances with management about their employment.

A simple grievance procedure should cover:

- Who an employee should raise a grievance with and how
- Who they should appeal to if they're not satisfied
- Time limits for each stage of the process
- An employee's right to be accompanied by a colleague at a grievance hearing

Disciplinary and grievance procedures should follow the Acas Code of Practice of Disciplinary and Grievance Procedures (see 'References' page 332).

Monitoring Email And Web Use

You must inform employees if you intend to monitor their web and email use - preferably making it part of their employment contracts. You can only inspect the content of individual emails in a number of restricted circumstances.

There are legal restrictions on how you can monitor employees' use of the Web and email. But this is a complex area which is covered by three laws; The Regulation of Investigatory Powers Act, the Data Protection Act and the Human Rights Act. If in doubt you should seek legal advice.

You must inform employees if you intend to carry out any monitoring of their email and Web use - whether this is of Internet and email traffic or the contents of emails. Include this in their employment contracts or refer to a separate internet policy which mentions it.

In general you can monitor email and Internet traffic, installing software which logs websites visited and emails sent and received together with addresses (but not their contents). You can inspect the content of individual emails without a worker's consent for a number of specific business purposes. These include:

- Recording transactions or other important business communications
- Making sure employees are complying with the law and your internal policies
- Preventing abuse of your telecoms system
- Checking emails when staff are on leave

If you want to monitor communications for other purposes, or are not sure whether you have the right to read an email, you must get permission to do so - from both the sender and the recipient. The law can be complex and you should act carefully or consult a solicitor.

Valid Reasons For Dismissal

If you're dismissing an employee, you must make sure you're acting fairly and reasonably. There are a number of potentially valid reasons for dismissal - from redundancy to the employee being unable to do the job.

Employees with at least a year's service with you who are under 65 (or the normal retirement age for a person doing that job) have the right not to be unfairly dismissed.

They can complain to an employment tribunal if they think they have been unfairly dismissed. If the reason for dismissal is one of a number which the law regards as 'automatically unfair', an employee can make a tribunal claim regardless of their age or length of service.

For a dismissal to be fair, you must have a valid reason for dismissing the employee. Potentially valid reasons will relate to:

- The employee's ability or qualifications to do the job
- The employee's conduct
- That the employee's position is redundant
- Any legal requirements preventing the employee from continuing to do their job (for example, if a van driver is banned from driving)

- Some other 'substantial' reason not covered by the four reasons above

You must also act reasonably in dismissing the employee (rather than giving them a chance to improve or taking some other form of disciplinary action, for example).

There are no set rules on what's reasonable - it will depend on all the circumstances, including your business's size and administrative resources.

You may be required to prove you have acted reasonably to an employment tribunal if an employee makes a claim. You should be able to show you've acted fairly and consistently and followed a disciplinary procedure in line with the Acas Code Of Practice On Discipline And Grievance Procedures.

Remember that a dismissal also takes place when an employee's limited-term contract expires but isn't renewed.

Dismissals Which Are Automatically Unfair

Some reasons for dismissal are regarded as automatically unfair. You must not dismiss an employee for reasons that include pregnancy, taking certain actions on health and safety grounds or seeking to assert statutory employment rights.

If you dismiss an employee or select them for redundancy when others in similar circumstances aren't selected it will automatically be unfair, regardless of their age or length of service. If your reasons include one or more of the list below. The list is not exhaustive - the DTI publication, Dismissal - Fair And Unfair provides more detailed examples.

- Pregnancy
- Taking particular kinds of action on health and safety grounds, such as carrying out or proposing to carry out duties as a health and safety representative
- Carrying out or proposing to carry out functions as an employee representative
- Membership or non-membership of a trade union, or taking part in the activities of an independent trade union
- Carrying out or proposing to carry out duties as a trustee of a company pension scheme
- Seeking to assert a wide range of statutory employment rights, including rights under minimum wage, tax credits or working time legislation
- Disclosing certain kinds of wrongdoing in the workplace
- Taking - or trying to take - parental leave or time off for dependants

- Taking lawfully organised industrial action lasting eight weeks or less (or longer if you don't take reasonable steps to resolve the dispute)

Dismissals Which Are Automatically Unlawful

Some reasons for dismissal are automatically against the law.

It is unlawful to dismiss a worker or select them for redundancy because of their:

- Sex
- Marital status
- Race, nationality or ethnic origins
- Disability

A worker - which can be an employee or any individual that works for you who is not genuinely self-employed - who believes they have been dismissed for such a reason could make a discrimination claim against you.

Giving Notice Of Dismissal

If you dismiss an employee, they're entitled to a minimum amount of notice - unless it's for gross misconduct.

The minimum amount of notice you must give an employee you're dismissing depends on how long they've been continuously employed. You can include longer periods of notice in your employment contracts if you wish.

You must give one week's notice to staff with at least one month's service. Employees with two years' service must get at least two weeks' notice.

You must then give an extra weeks' notice for each further year of continuous employment with you up to a maximum of 12 weeks' notice for service of 12 years or more.

You're not obliged to give notice if you're dismissing an employee for gross misconduct.

You must pay employees at their normal rate during their notice period. They have the right to a minimum rate of pay if they're on sick leave, holiday or ordinary maternity leave during the period of notice.

If you don't provide work for an employee on a day when you would normally do so because the business isn't working at its normal level, the employee is 'laid off'. But you can't refuse to pay them because work isn't available unless their contract of employment states that you have the right to do so.

Employees may agree to be laid off without pay in particular circumstances - such as where redundancy would be the only alternative. But this does not give you the right to lay them off in future.

Most employees are entitled to a statutory guarantee payment for any complete day of lay-off without pay - but with a limit of five days' payment in any three-month period.

Written Reasons For Dismissal

There are cases in which you may be obliged to provide written reasons for dismissing an employee.

If an employee who has been continuously employed with you for at least one year asks for the reasons for their dismissal - orally

or in writing - you must provide a written statement of the reasons within 14 days.

If you dismiss a woman who is pregnant or on maternity leave or an employee who is taking adoption leave, you must give them a written statement of your reasons whether they ask for one or not and regardless of their length of service.

Constructive Dismissal

An employee may be entitled to resign and make an unfair dismissal claim to an employment tribunal if you breach a fundamental term of their employment contract - perhaps by cutting their salary or failing to provide a safe place of work.

An employee may be entitled to resign if you breach a fundamental term of their employment contract. This is known as constructive dismissal. If the employee considers the constructive dismissal unfair and has at least one year's service with you, they may make an unfair dismissal complaint to an employment tribunal. Breaches of contract that may give rise to constructive dismissal claims might include anything which makes it impossible or intolerable for the employee to continue doing the job. Examples include:

- Cutting - or attempting to cut - an employee's wages or salary or other contractual benefits
- Transferring an employee to a different job or location in the absence of any stated or implied contractual right to do so
- Failing to provide a safe place of work
- Subjecting a supervisor or manager to unwarranted criticism or abuse in the presence of colleagues or subordinates

Handling Redundancy

If there is a change in the way your business operates or you experience a reduction in business, there may no longer be a job for an employee to do, so their position becomes redundant. Redundancy can be one of the most intimidating aspects of running a business, but following established guidelines will ensure you follow the correct path.

Redundancy is when you dismiss an employee because:

- You close your business
- You close the employee's workplace
- There is a diminishing need for the employee to do work of a particular type

Normally the job must have disappeared before you consider redundancy, for example through a decline in business or the introduction of automated equipment. You must take reasonable steps to avoid compulsory redundancies by considering alternatives such as short-time working, early retirement or shedding temporary or contract labour.

Selection should always be objective. If you base it on performance, you'll need to back it up with evidence - perhaps from an existing appraisal system.

People whose jobs are made redundant have the right to be offered suitable alternative employment wherever possible. And most employees who are made redundant have the right not to be unfairly dismissed. Employees with less than one year's service don't have this right, unless the reason for dismissal is automatically unfair (see the sections above, Valid

Reasons For Dismissal and Dismissals which are Automatically Unfair).

Employees who are made redundant have the right to reasonable time off on full pay for job-hunting or to arrange training. There are minimum levels of redundancy pay that employees may be entitled to (see Qualifying For Redundancy Pay below).

If you are making more than 20 employees redundant within a 90-day period, you must consult with employees' representatives (or a trade union that the employees belong to which is recognised to negotiate on their behalf). You must also notify the Department of Trade and Industry by letter or using form HR1.

When the consultation begins, you must give employees, their representatives or the union written details of:

- The reason for the redundancies
- Numbers and types of the employees involved
- The total number of employees of each of these types you employ at the establishment
- How you plan to select the employees to make redundant
- How you'll carry out the redundancies
- How you'll calculate redundancy payments

Consultation with employees or unions does not have to end in agreement, but it must be properly carried out. And while consultation is not a statutory requirement if fewer than 20 employees are to be made redundant, it is advisable as best practice.

ACAS provides comprehensive guidance on handling redundancy that is strongly recommended.

Qualifying For Redundancy Pay

You are required to pay certain minimum amounts to employees who qualify for redundancy pay when they lose their jobs.

Employees are entitled to statutory redundancy pay if they are made redundant and have at least two years' continuous service since their eighteenth birthday and are under 65 or the normal retiring age for the job.

Payments are based on the length of the employee's continuous service and their weekly pay - though you can pay more if you wish:

- Service is counted up to a maximum of 20 years
- Service between the ages of 18 and 22 counts for half a week's pay
- Every year's continuous service between the ages of 22 and 41 is worth one week's pay
- Every year's continuous service from the age of 41 onwards entitles the redundant employee to 1.5 weeks' pay

A week's pay is based on actual income or average weekly earnings, but is currently capped at £380.

Statutory redundancy pay is free of tax and National Insurance contributions; any additional severance pay can usually be paid tax-free up to a current total of £30,000, though this may depend on the terms of employment contract.

Sale Or Transfer Of A Business

Employees' rights are protected when the business they work for is sold or given to another member of the owner's family to run. They cannot be fairly dismissed unless you can prove there are good economic, technical or organisational reasons for doing so.

Regulations protect employees' terms and conditions of employment when the business they work for is transferred to a new owner (often known as the transfer of an undertaking). This can be when all or part of a business is sold as a going concern or given member of your family to run.

An employee's period of continuous employment isn't broken by the transfer.

If you're the new owner of a transferred business, you can't pick and choose which employees to take on. You take over the contracts of all employees who were employed in the business immediately before the transfer - and those who would have been employed if they hadn't been unfairly dismissed for a reason connected with the transfer.

If you're transferring your business to someone else, you must let employees who will be affected know and consult their representatives. These can be officials of a recognised trade union or representatives elected by the employees.

Neither the old employer nor the new one can fairly dismiss an employee because of the transfer unless there's an economic, technical or organisational reason that involves making changes to the workforce. You'll need to be able to show that you acted reasonably in using one of these justifications.

You can't change the terms and conditions of transferred employees unless their contracts allow you to do so.

The only contractual rights which aren't transferred relate to occupational pensions. However, if you don't provide very similar overall terms and conditions - including pension arrangements - an employee may have a claim for unfair dismissal. You can also take over any collective agreements made on behalf on employees.

References

Producing Disciplinary and Grievance Procedures (ACAS/G02); Discipline At Work Handbook (ACAS/H02)
- free online, £4.95 hard copy
Contact 08702 42 90 90
www.acas.org.uk

ACAS Code Of Practice On Disciplinary And Grievance Procedures (ACAS/CP01)
- free online, £2.95 in hard copy
Contact 08702 42 90 90

Dismissal And Notice Periods (ERF02)
Contact 0870 150 2500
www.businesslink.org

Dismissal - Fair And Unfair (PL714)
Contact 0870 150 2500
www.dti.gov.uk/er

Rights To Notice And Reasons For Dismissal (PL707); Guarantee Payments (PL724)
Contact 0870 150 2500
www.dti.gov.uk/er

The ACAS publication Lay-Offs And Short-Time Working provides more details
Contact 08702 42 90 90
www.acas.org.uk

Redundancy Handling (ACAS/B08)
Contact 08702 42 90 90
www.acas.org.uk

Redundancy (ERF09)
Contact 0870 150 2500
www.businesslink.org

Redundancy Entitlement: Statutory Rights (PL808)
Contact 0870 150 2500
www.dti.gov.uk/er

If you make more than 20 people redundant within a 90-day period, you should obtain form HR1 available from the Redundancy Payments Office or your local Jobcentre Plus.
Redundancy Helpline 0845 145 0004
www.dti.gov.uk/er

For more on consultation read: **Redundancy Consultation And Notification (PL833)**
Contact 0870 150 2500
www.dti.gov.uk/er

Transfer Of An Undertaking (ERF14)
Contact 0870 150 2500
www.businesslink.org

Employment Rights On The Transfer Of An Undertaking (PL699)
Contact 0870 150 2500
www.dti.gov.uk/er

5

LEADERSHIP; WORKING WITH THE COMMITTEE

- What Is Leadership? What Do We Mean By Leadership?
- Leadership Styles
- Committee Members' Roles And Responsibilities
- Consensus Decision Making

WHAT IS LEADERSHIP? WHAT DO WE MEAN BY LEADERSHIP?

What Is Leadership?

Leadership may be the ability to initiate, propose, agree, implement and effectively review **successful strategies**. Therefore 'leadership' is not a single thing and cannot be expressed solely through playing a single role ('Chairperson', 'Co-ordinator', 'Manager') but a process involving a series of tasks that can be shared with others.

What Do Leaders Or Leadership Groups Do?

Leaders need to contribute positively in these fields:

Common Purpose And Shared Vision

Leaders create, communicate, maintain and restate the organisations vision and sense of purpose.

Strategic Management

Leaders plan how to achieve identified goals.

Effective Structures

Leaders set up, monitor and improve an organisations internal structure.

Effective Systems

Leaders create and maintain effective methods of getting things done.

Managing Human Resources

Leaders recruit, empower, unite with, direct and develop the human resources available to the organisation.

Skills Development

Leaders recognise what the organisation or people in it do well and build on that.

Organisational Style And Culture

Each organisation will have or be expected to have a particular culture or style. This could be 'businesslike', 'caring', 'democratic', 'practical'. Whatever the culture of an organisation, it is the task of leaders to ensure this culture contributes positively to the work of the organisation.

LEADERSHIP STYLES

Hierarchical Vs Collective Leadership

In hierarchical leaderships, leaders get their authority and power to control rewards and punishments by occupying a particular position (Chair, Committee Member, Manager). They are expected to perform certain functions and act in particular ways by the people who put them there (whether imposed or elected). In collective leaderships, the process of planning, implementing and reviewing is shared and in theory all are equal. In reality, many people are not equal and the leadership may become inward-looking or self-destructive.

Task Oriented Vs Human Oriented Leadership

Task-oriented leadership focuses on getting things done and the people doing them. Human-oriented leadership focuses on the social and emotional needs of people involved. Although task-oriented leadership seems to be more effective and productive in the short term, human-oriented leadership may offer longer term success and less strain on management resources.

Positive Leadership Styles

- Positive leadership recognises that not all groups are alike and that leadership must be moderate and flexible.
- Leadership is not a one way street. Users, volunteers and members can effect and may have as much to offer leaders as the other way round!
- Getting positive responses to leadership may involve providing or generating rewards which may change behaviour positively. This applies to individuals, employees, stakeholders and funders.
- Positive leadership also involves leaders understanding what is expected of them. Sometimes this is decisive decision-making, reassurance or pointing out solutions. At other times leadership may be merely symbolic or to take the blame when things go wrong.
- Positive leadership recognises the limits and constraints the organisation and its resources, methods and complexity imposes.
- Successful organisations often have a positive leadership style that includes: shared decision making, participation as a practice not a theory and joint goal setting.

Creative Leadership: Organising, Productive and Emotional

Leadership can be very productive when it is held by the right people. But as the organisation changes and moves on, going through a developmental cycle, leadership should move from person to person and group to group.

Leadership is most successful when it combines people's desires and the production of something useful in a creative or effective work cycle. It's a process where leadership ought to be held by the people best able to help the process. In stalled or destructive groups, this is rarely the case!

Effective leadership has three aspects. Sometimes one person is able to provide all kinds of leadership. In some organisations well established groups have a particular leadership role (the 'Social Activities Sub Committee' for instance or the 'Campaigns Group'). As the organisation develops, leadership may change from person to person.

One kind of leadership is called 'organising'. It is about having an overview and being able to see what tasks are necessary.

Another kind of leadership is called 'productive'. It is about actually getting things done, managing a productive process.

Finally, there is 'emotional' leadership. It provides ideas and energy, support in tough times and celebration when things go right. Many organisations go through a clear cycle, although projects within an organisation may be at different stages in the cycle at the same time! These stages are **development**, **energising**, **implementing** and **relaxing**.

Organising Leadership

In the development phase of an organisation or project, people who can offer information and helpful ways of looking at problems provide one kind of leadership. In an organisation's energising phase they are the ones who know how to take risks or who can be trusted to make decisions. In the implementing phase leadership is usually unnecessary. In the relaxing phase organising leaders recognise when a process has finished and draw conclusions.

Productive Leadership

In the development phase, people who can analyse tasks and prepare often provide effective leadership. In the energising phase people with the skills and energy to get things done often emerge as leaders. In the relaxing phase productive leaders complete the work and tidy up.

Emotional Leadership

In the development phase emotional leaders draw people together and instill confidence. In the energising phase they are enthusiastic and energetic, firing people up. In the relaxing phase emotional leaders help us to celebrate and focus away from the task.

COMMITTEE MEMBERS' ROLES AND RESPONSIBILITIES

Duties Of All Committee Members

Management committee members have overall responsibility for meeting an organisation's legal duties and ensuring it is properly managed, and for promoting good practice in all its activities.

Legal Duties

These include:

- Ensuring the organisation meets its objectives as set out in the constitution
- Ensuring the organisation complies with the rules set out in its constitution and acts legally in all its activities (getting advice when necessary)
- Acting in the interests of the organisation and its beneficiaries, and not for personal benefit
- Informing meetings of any interest in a contract which could lead to conflict of interest
- Providing proper accounts of the organisation's activities to its members, funders (and the Charity Commissioners, Companies House and other regulatory bodies as appropriate), producing annual reports and directors' reports as required by law and ensuring that accounts, annual returns and other required information is filed on time
- Seeking professional advice where relevant
- Ensuring the organisation's resources and assets are well managed and used to pursue its objects

- Keeping up to date with the organisation's activities to ensure informed decision making at all times
- As far as is reasonable, keeping abreast of legislation that may affect the organisation's work and direction
- Ensuring that the organisation has effective health and safety policies and procedures covering all its activities and that they are effectively monitored
- Ensuring that necessary insurance policies are taken out and periodically reviewed
- Ensuring the organisation meets all its contractual and other obligations, including employment contracts, tenancy and/or licence agreements, funding contracts and equipment licences
- Ensuring the organisation does not discriminate unlawfully in employment or service provision
- Regularly attending management committee meetings and working jointly with other members

Managerial Tasks

These include:

- Setting overall policy and short, medium and long-term objectives
- Identifying and discussing new areas of work
- Ensuring there are systems for regularly monitoring and evaluating the organisation's work

- Being a good employer
- Supervising and supporting senior staff and ensuring other employees and volunteers are properly supported
- Ensuring the organisation's equal opportunities policy is implemented and monitored
- Promoting the organisation

Main Duties Of The Chair

The tasks of a chair can be divided into five key areas, some of which could be delegated to a vice-chair.

Acting As A Spokesperson

Including representing the organisation at external events; liaising with the press on behalf of the organisation (this could be delegated to a press officer); taking an active role in fundraising campaigns

Dealing With Matters Relating To Membership, Other Officers And Users

Including ensuring members' rights as stated in the constitution are met; helping to deal with disciplinary action against members and other officers; helping to deal with disputes between members, users and the organisation

Planning And Running The Organisation's Meetings

Including the AGM, any other members or general meetings and committee meetings.

Planning meetings involves:

- Ensuring the organisation holds the meetings required by its constitution

- Ensuring compliance with the procedures for giving notice of meetings
- Helping to plan the agendas for each meeting, checking the minutes of previous meetings and ensuring that these and any background papers are distributed beforehand
- Being briefed about each item on the agenda
- Ensuring outstanding matters are followed up

Running meetings involves:

- Ensuring the meeting is quorate
- Gaining agreement of the minutes of the previous meeting and then signing them
- Making sure all relevant items on the agenda are discussed
- Ensuring all participants have the opportunity to make a contribution
- Making sure voting procedures are complied with
- Clarifying key decisions that are made
- Ensuring proper minutes are taken

Supervising Senior Staff

Including supervising and supporting the work of the senior member of staff.

Helping With The Management Of The Organisation

Including making decisions and taking action between committee meetings, if this is allowed by the constitution or has been authorised by the committee; acting as a sounding board for senior staff; signing cheques and liaising with the treasurer; helping to deal with any staff problems; involvement in staff recruitment.

Main Duties Of A Company Secretary

Directors of companies limited by guarantee must appoint a company secretary, whose post requires meeting certain legal obligations under company law. Some of the tasks may be delegated to paid staff (and a member of staff can be the company secretary).

Maintaining And Updating The Company Registers

Including maintaining a register of members and a register of directors and company secretaries; notifying the Registrar of Companies within 14 days of any changes of directors, changes in directors' home addresses, other companies of which they are directors, or any of the other information company directors are required to provide; if the company has a seal, keeping the sealing register - the list of documents on which the company seal has been used; where relevant, maintaining a register of 'charges', i.e. loans made to the company where the bank has a form of security, such as a mortgage.

Ensuring Meetings Are Called And Recorded

Including ensuring that an AGM is held within 18 months of incorporation and then at least every 15 months; ensuring that 21 days' written notice is given to members and auditors and that business is transacted in accordance with the constitution; calling other general meetings as required by the constitution, ensuring that 14 days' written notice is given and business transacted according; ensuring minute books are kept for general meetings and directors' meetings.

Administration Of Annual Returns And Accounts

Including ensuring an income and expenditure account and balance sheet are prepared or submitted for a compilation report and where necessary properly audited; circulating audited or examined accounts to members at least 21 days before the AGM; submitting accounts to the Charity Commissioners within ten months of the end of the financial year; submitting the income and expenditure account, balance sheet and directors; report to the Registrar of Companies within ten months of the end of the organisation's financial year; submitting an annual return to the Registrar of Companies by the due date; keeping copies of all annual returns and accounts for at least six years.

Supervising Legal Agreements

Including ensuring all legal agreements or contracts are properly discussed, recorded and agreed by the directors.

Meeting Other Registration Requirements

Including notifying the Registrar of Companies of changes to the organisation's registered address within 14 days; ensuring the organisation's stationery includes its registered name and address, the fact that it is a registered company and its registration number (and where relevant the fact that it is a registered charity); if the organisation is registered for VAT, ensuring the VAT number is printed on its invoices; having custody of the company seal, if there is one, and ensuring it is properly used.

Main Duties Of A Committee Secretary

'Company Secretary' is a legal position, required under company law. Many organisations, both companies and non-companies, also have an elected Committee Secretary.

Companies

In a company the elected secretary might help the company secretary to prepare for and administer meetings and with other administration.

Unincorporated Associations

In unincorporated associations, the secretary takes on responsibilities similar to those of the company secretary - specifically in relation to meetings, maintaining lists of members' and management committee names and addresses, and ensuring annual reports and accounts are submitted to the relevant agencies.

Unless required by the constitution there is no obligation to have an elected secretary, and the relevant tasks can be undertaken by staff.

Preparing For Meetings

Including sending notices of all meetings to members; making arrangements for meetings, for example organising refreshments, booking rooms, ensuring appropriate facilities for participants with disabilities or other special needs; preparing the agenda, in consultation with the chair, and distributing the agenda with any background papers; checking that members have carried out tasks agreed at the previous meeting.

Helping In Meetings

Including making sure the meeting agrees the minutes of the previous meeting and they are signed by the chair; taking and producing minutes of the meetings, recording names of those attending and apologies, major decisions, any votes taken and agreed further action.

Other Administration

Including dealing with incoming correspondence; keeping records of outgoing correspondence; keeping records of membership subscriptions; ensuring members are provided with the organisation's constitution, annual report and policies; sending out publicity about the organisation.

Main Duties Of An (Honorary Treasurer)

In small organisations, the Treasurer may play a 'hands-on' role controlling spending and supporting staff in making financial decisions. In larger organisations and many social enterprises, the Treasurer chiefly provides oversight and manages the role of ensuring the committee of Board of Directors get regular reports.

The role of the Treasurer is, broadly:

- To provide general financial oversight;
- To have knowledge of all funding agreements, contracts and other legal agreements with a financial aspect to them (for instance leases);
- To undertake or commission financial planning and budgeting;
- To make financial reports;

- To ensure that banking, book-keeping and record-keeping systems are being followed;
- To control the use of fixed assets and stock.

General Oversight

Includes ensuring funds are used in accordance with committee decisions or policies; that funding is spent according to agreements with funders; that committee members understand the organisation's finances; drawing up or developing financial policies and procedures; making financial decisions between committee meetings and reporting actions taken; liaising with funders, banks or lenders; preparing accounts for audit.

Knowledge Of Funding Agreements And Contracts

Including knowing about finding sources and their terms and conditions; drawing up funding applications; liaising with funders; drawing up and submitting tenders or ensuring staff do so in compliance with tender specifications; ensuring funding is spent for the purposes given; ensuring goods and services are provided/sold at an appropriate price.

Budgeting And Planning

Including preparing budgets and financial projections like cash-flow forecasts; presenting and explaining budgets and forecasts to the committee or other stakeholders; controlling and monitoring income and expenditure and adjusting budget forecasts; broadly defining the priorities for spending.

Financial Reporting

Including making regular reports to the committee or ensuring it receives reports from staff; ensuring that committee members and ordinary members at the AGM understand financial information and reports; preparing financial reports and accounts; ensuring the committee and members receive and end-of-year financial report; ensuring accounts are audited and presented to the AGM (if required).

Banking And Book Keeping

including choosing and opening accounts; acting as a signatory on accounts; drawing up and monitoring financial systems and procedures; ensuring money owing is collected and payments owing are made; ensuring proper records are issued and kept; ensuring all income is paid into the bank and monitoring financial accounts and records to detect theft or fraud.

Controlling Assets

Including that materials are not stolen or wasted; that major assets are being used properly and their value maintained as much as possible; keeping records of leases or titles to property; and that property is properly insured and protected from loss.

CONSENSUS DECISION MAKING

Most organisations do not use consensus to make decisions. Either they are based on an unequal power relationship and authority is focussed in either an individual or a small decision making elite (for instance, most businesses and many families) or they use majority-rule decision making (for instance political parties).

Consensus can be a powerful tool for building group unity and choosing more creative, better courses of action. But consensus must be made to work or it can lead to confusion, stalled decisions or unrest in the group.

Using consensus, each member must be treated as if they had an important opinion worth listening to. The goal of meeting is to create unity, not winning the argument. Because everyone is contributing, more creative solutions may come to the fore. And because all have contributed to the discussion and agreed, the decision is more likely to be accepted by all.

In traditional meetings where voting takes place, new ideas are often seen as a threat and the minority can be unhappy about the decision, either ignoring it, staying away or sabotaging the decision. Conflicts occur and if the majority will not give way they will fester and keep re-emerging.

Consensus cannot avoid arguments. In fact, conflict often makes people think harder and more deeply about a problem. If the group is founded on consensus they are more likely to work to overcome disagreements now for the sake of unity.

Consensus decision making must overcome years of 'education' to be competitive. You must learn new skills and attitudes and practice often.

Different Types Of Decision

	Advantage	Disadvantage
Secret voting	Equal power Open to outside influence No debate	Sometimes we get it wrong
Public show of hands	Quick, clear, equal See who votes how	Open to pressure/passion Minority identified, isolation
Delegated voting	Mandated so accountable	Inflexible, slow, complicated
Representative voting	Flexible	Not necessarily representative
Unanimous	Satisfactory, powerful	Lowest denominator, slow, size?
Crisis management	Forces decisions	Bad for health, dangerous
Unilateral decisions	Blame clear, quick	Unfair, open to manipulation
Boss/autocracy	Quick, offers security	Creates dependency, resentment

Consensus Decision Making : Step By Step

- 1 : **State the problem** : What are we talking about?
- 2 : **Clarify the question** : What needs to be decided?
- 3 : **Discussion** : What are all the viewpoints?
- 4 : **Make a proposal** : What action will the group take?
- 5 : **Discussion** : What are the good points, what concerns do people have?
- 6 : **Friendly amending** : What changes would make the proposal acceptable?
If not, withdraw the proposal and go back to steps 5 and 6.

- 7 : **Testing for consensus** : Call for concerns. Call for objections and test if objectors:
- (a) will accept while not supporting;
 - (b) will accept despite reservations;
 - (c) will accept others taking action even if they can't.

Now test for blocks, where members will actively try to prevent the decision being implemented because of anxiety, principle, beliefs etc.

- 8 : **Getting agreement** : If the decision was blocked, go back to step 1.
If you reach step 7 without any blocks, restate the decision and record it, together with everyone's agreement.

- 9 : **Implementation** : Who will volunteer to do what?

Dealing With Problems

There are a number of well-documented ways in which a group using consensus for the first time can run into problems. They (and the answers to the problems) are:

- 1 : One or a few individuals block decisions to further themselves.
Solution : Create a structure for meetings where everyone can participate.
- 2 : The group is dominated by outspoken or intimidating people.
Solution : Be clear at all stages about what is going on.
- 3 : A long time is taken to reach decisions and meetings wander.
Conclusion : Develop a systematic procedure for consensus and stick to it.
- 4 : People become exhausted over time due to greater involvement needed.
Conclusion : Agree to vote if consensus cannot be reached after a specified time.

How Well Does The Group Work?

Use this sheet to review how well you worked as a group during training exercises or at meetings you have been involved in.

How was the discussion that has just taken place organised?

Was a certain amount of time allowed for each question or contribution?

Did everyone speak equally?

Did anyone seem more influential than others? Why was this?

Did anyone help others to speak? How did they do this?

Were there any disagreements? How were they resolved?

Who spoke most?

Did you want to say something but felt unable to?

How could the meeting be better organised?

How could you make sure everyone participates?

6

ACCOUNTS AND FINANCE

- Keeping Account
- The 'Books'
- Keeping Books
- Tax And National Insurance For Employees
- Sources Of Information And Help
- Corporation Tax
- VAT And The Social Enterprise
- Entering Ledger Details Exercise

KEEPING ACCOUNT

1 : Don't Get Personal!

- Open at least one bank account for the business only. Don't mix personal money and 'business' money. Don't 'borrow' from the business.
- Make sure two people sign each cheque, so there's a check on the cheques! (Fill in the stub with details of date, amount and person paid: it's easier than trying to remember later.)

2 : Use The Bank

- Any cash you get, pay it into the bank. Make sure all money goes through the bank account - in and out, (then you've got a record).
- Safety - don't keep cash in your pocket or in a drawer, pay it in.
- Then, check the bank! Go through the bank statements and make sure you agree with every entry, in and out.

3 : Don't Throw Anything Away

- Keep all cheque books and paying-in books, even when used up. Keep all invoices, receipts and statements. If you have to send an invoice back with a payment, keep a copy.

4 : Keep Up To Date

- 'Doing the books' always seems harder the **more** there is to do. If you can spend ten minutes a day, it's easier than an hour at the end of the week. But an hour at a weekend is easier than a day at the end of the month.

- If bored, share the work - it's more fun with two! And there's someone there to check your sums at the end, so that you don't carry mistakes forward.

5 : The VAT Man Cometh

- Don't forget the VAT man. Ask for a VAT receipt if the things you buy have VAT on them. Get training to fill in VAT separately in your cash book. Check turnover regularly, and register for VAT if you exceed the current limit. If you don't, there may be a problem later. The VAT man never forgets!

6 : Don't Get Complicated

- Only use the minimum books that you need. Don't buy a complicated system 'off the shelf' if it's too much for you.

7 : Computerised Accounts

- If you do intend to use a computerised accounts system then do some research and find the system that is best for your organisation. Make sure that you get full training on how to operate the system. Some systems will come with training included in the purchase price and you should ask at the time of purchase.

THE 'BOOKS'

What You Will Need (Probably)

A cash book (or day book) (or bank account book) to record:

- Cash receipts and payments into the bank
- Cheque payments (and cash withdrawals by cheque)
- Standing orders and direct debits

A petty cash book to record:

- Cash withdrawals by cheque
- The 'float' of cash kept in the office
- Small day-to-day cash payments, e.g. stamps, milk, window cleaner

A wages book to record (for each employee):

- Gross earnings
- Tax paid, National Insurance contributions, pension contributions
- Net pay
- Employer's National Insurance contributions (keep up to date, requirements are laid down by the DSS and Inland Revenue and may change from time to time, e.g. in the Budget)

Books To Use To Record When You Make Payments

If you buy something today (and pay for it) make sure it is recorded in the cash book **and** if you bought something last week (and got an invoice), then pay for it today, the payment is recorded in the cash book too.

Books To Use To Record (Sales And Purchases)

You may wish to note all sales as they are made, each day, (and send out invoices later) and record all purchases made each day, (that you will be paying for later). In that case, use:

- A sales day book, to record all sales as they happen
- A purchases day book, to record all purchases as they happen

This will give you a picture of what happens in the business each day, as it happens.

Books To Use When Sales And Purchases Take Place Regularly

You will probably want to record sales to regular customers and purchases from regular suppliers, as it will help you keep track of who owes whom at any time. You will need:

- A sales ledger to record a personal account for each of your regular customers
- A purchases ledger to record a personal account for each of your regular suppliers.

Finally your book keeping system should suit your accountant! If you **know** you're going to have your accounts drawn up and/or audited every year, it will be helpful to have a system that your accountant will understand at a glance. Take their advice: choose an accountant at the start of your financial year and check that the accountant approves of your system, or can advise something better that suits them. It will save you money when you come to pay your accountancy and/or audit fees!

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It will save you money when you come to pay your accountancy and/or audit fees!

KEEPING BOOKS

Why Keep Books?

1 : Legal Requirement

If you are a Company Limited by Guarantee (or a Registered Charity) you must keep accounts and have an annual audit.

2 : Reporting

You may be asked to explain what happened to grants and loans to funding and sponsoring bodies. You will have to report back to your members, and may have to report to the community if you're a social enterprise.

3 : Information For You

It helps you keep track of bills you owe; who owes money to you; and how much you have to play with.

4 : Financial Control

If you've got good records, then you know how much you've got. If you are in control of cash going in and out, you are more in control of your business. It helps you make decisions and plan the future: you will know how much you've earned so far, and that will give a good idea of how much you can expect to earn. Also, right here and now, you will know how much you have to spend.

5 : Facing 'Experts'

If you understand your books, you can meet bank managers and accountants with confidence. They won't be able to 'baffle you with science'.

Why Do Some Businesses Fail?

Surveys show that a major reason is lack of good financial control!

'But book-keeping isn't fun!'

It has to be done. It's a matter of life and death to your business!

We need to answer these questions:

- Has our business made a profit? (Are sales greater than costs?)
- How much money do we have to use, now? (Excluding money we owe)
- Who owes our business money? How much? (Allowing for some not paying!)
- Who do we owe money to? How much? (And when? Can we delay payments to some?)

TAX AND NATIONAL INSURANCE FOR EMPLOYEES

If the social enterprise has employees, you'll need to set up payroll arrangements. You have to work out and deduct your employees' Income Tax and National Insurance contributions from their wages and pay them to the Inland Revenue. You must also pay Employer's National Insurance contributions on staff wages and benefits.

The PAYE System

Income tax is deducted from an employee's pay through the Pay As You Earn system, PAYE. You have to register as an employer with the Inland Revenue. You will be sent a PAYE reference number and a New Employer's Starter Pack. The pack comprises booklets and a CD-ROM that contain all the forms, tables and information you need to operate your payroll system and take you through everything step by step.

In the starter pack you'll find a form P11. You use this each payday to record the income tax and National Insurance due from each employee and the employer's National Insurance contributions you must pay, whether weekly or monthly.

The pack also contains a booklet - Paying Someone for the First Time - which explains in simple terms how to fill in a P11 and how to use the tables to work out how much tax and National Insurance is due. The CD-ROM contains an interactive learning package to help newcomers to running a payroll.

You'll need to find out the employee's National Insurance number and their tax code before you can fill in the form.

If they have worked before, ask the employee for parts 2 and 3 of the P45 form provided by their previous employer. This gives their National Insurance number and tax code, as well as details of their tax and pay to date in the current tax year.

If the employee doesn't have a P45, ask for their National Insurance number and get them to fill in the top part of the P46 form from your New Employer's Starter Pack. Use the table in the Paying Someone for the First Time booklet to work out the tax code to use from the information they've provided.

Then call the Inland Revenue New Employer's Helpline, who will tell you whether you need to send the P46 to the tax office.

Once you've filled in the P11, you know how much net pay goes to the employee and how much is due to the Inland Revenue. Other deductions such as pensions can also affect the size of the pay packet.

If you're asked, you may have to subtract student loan deductions from an employee's pay packet and pay them to the Inland Revenue. Record the student loan payments deducted in the relevant column of form P11 and add the deductions to the Income Tax and National Insurance that you are due to pay to the Inland Revenue.

You may also need to pay working tax credits to particular employees. Tax credits are funded by the Government and designed to top up low earnings. They are administered by the Inland Revenue, which will notify you if you have to pay tax credits to any of your staff and how much to pay. You record the tax credits paid to the employee in the appropriate column on the form P11 from the New Employer's Starter Pack.

You deduct the money you pay in tax credits from what you pay over each month or quarter to the Inland Revenue in income tax, National Insurance and, where applicable, student loan deductions.

If these payments are less than the tax credits you have been told to pay, you can apply to the Inland Revenue in advance for funding, using form TC711.

One-to-one advice on payroll matters is available from the Inland Revenue's New Employer's Helpline Business Support advisers, who offer consultations at a location convenient to you as well as running workshops. Call the Helpline for more details - its in the phone book.

Paying The Employees' Tax And National Insurance And Employer's National Insurance

Tax and National Insurance contributions are paid to the Inland Revenue every month unless your business collects less than £1,500 a month, when it can be done quarterly.

Keep records of your total monthly or quarterly payments to the Inland Revenue on form P32 available in the New Employer's Starter Pack.

Tax and National Insurance contributions must be paid to the Inland Revenue by the 19th of each month or by January 19th, April 19th, July 19th and October 19th if you pay quarterly.

You will automatically receive a payment booklet from your Inland Revenue Accounts Office to send with your payments if you pay by post. You can also pay by BACS direct credit, your bank's telephone or Internet banking, Girobank Billpay or CHAPS.

The Payslip

Employees have to be given a payslip or statement when they are paid. This sets out their gross and net pay and the amounts of tax, National Insurance and other deductions.

The itemised payslip or statement must show:

- Their gross wages or salary before you make any deductions
- Details of deductions from their pay which vary from one period to the next (income tax and National Insurance contributions, for example)
- Details of any fixed deductions which stay the same every pay period (such as trade union subscriptions)
- Their net wages or salary after tax
- A breakdown of payments if parts of the salary are paid in different ways
- The amount of Working Tax Credit paid, if applicable

Instead of itemising every fixed deduction in each pay statement, you can include them all on an annually updated standing statement. If there are any changes which affect the fixed deductions, you must inform the employee in writing or give them a new standing statement.

Employees' Pay Records At End Of Tax Year

There are other forms that have to be sent to the Inland Revenue - and given out to your staff - at the end of every tax year.

The tax year runs from April 6th to April 5th and you can get all the necessary forms from the Inland Revenue Employer's Orderline. You send them to your tax office or file online at www.inlandrevenue.gov.uk

Don't forget to keep a copy for your own records.

For each employee for whom you have prepared a form P11 (see Working Out Tax And NI For Employees) you will need to fill in form P14. This is a three-part form; the top two copies must reach the Inland Revenue by May 19th each year. The bottom copy is a P60, which details the employee's total pay and tax and National Insurance contributions. You must give this bottom copy to the employee by May 31st each year.

Along with the P14 form, you have to complete a P35, which summarises all the P14s you have prepared. You will be sent a P35 automatically towards the end of the tax year and you must complete and return the P35 with your P14s.

Forms P11D and P11D(b) need to be filled in for all directors, and every employee who earns £8,500 or more a year and has been paid expenses or benefits that are taxable. It lists the taxable expenses and benefits provided to the employee during the tax year. You must send in the form to the Inland Revenue and give a copy to the employee by July 6th each year.

A P9D form must be sent to the Inland Revenue for each employee earning less than £8,500 a year who has been paid taxable expenses or benefits. You must submit the form and give a copy to the employee by July 6th each year.

Tax Forms When An Employee Leaves Or Dies

In both cases, you complete a P45 form.

When an employee leaves, fill in a P45 with details of their gross pay, tax code and tax deducted in the year to the date of leaving. You then send one part of the form to the Inland Revenue and give the other three parts to the employee.

If an employee dies, complete a P45 and send all four parts of it to your Inland Revenue office.

Business Vehicles And Tax

The tax you pay related to vehicles used by the business depends on a variety of elements, including the legal form the business takes and the employment status of the people using them.

Every vehicle is subject to a payment of vehicle excise duty unless it was manufactured more than 30 years ago. The rates vary, depending on the type of vehicle (for example, cars, vans or heavy-goods vehicles). Check with the Driver and Vehicle Licensing Agency.

Personal taxation on use of cars for business works in different ways depending on whether a person is self-employed or they are an employee, including directors of limited companies.

If you are self-employed, you've got two choices. You can claim the actual expenses of using a vehicle for business when you're working out your profits. If you take this option, you can also claim capital allowances if you own the vehicle. Alternatively, you can

use the rates from the Approved Mileage Allowance Payments (AMAP) scheme to calculate your vehicle expenses using a fixed rate for each business mile. Rates depend on the level of mileage - full details are on the Inland Revenue website. Under this system, you can't claim for any interest you pay on a loan to buy the vehicle or capital allowances.

If you are employed, the rules are different. If the business makes a car available to an employee for their private as well as business use (a 'company car'), the employee will normally be taxed on it as a benefit. Remember: you'll be treated as an employee for tax purposes if your business is a limited company.

Employees aren't taxed on the use of the vehicle if they earn less than £8,500 in a tax year. Qualifying earnings include wages or salary, payments for business expenses and the value of benefits received such as the company car. No tax is due if the car is a pool car of the business. This is a vehicle routinely used by more than one employee and not kept at an employee's home when not being used for business nor used privately in any other way.

Otherwise, employees are taxed on the benefit, the charge being a percentage of the vehicle's list price. For almost all cars, the tax depends on the level of carbon dioxide emissions and the fuel it uses. There is generally a lower tax charge on more energy-efficient cars. If employees receive any fuel for private use which they don't pay for themselves, they will also be taxed on this benefit.

If employees use their own cars for business purposes, they can be reimbursed under the Approved Mileage Allowance Payments (AMAP) scheme at up to set

rates per business mile. The rates depend on the number of business miles they travel. If you pay the employee no more than the maximum calculated using these rates, you can make the payment free of tax and National Insurance.

Businesses that make vehicles available to employees for their private use must report the taxable value of the benefit to the Inland Revenue on form P11D annually. Employers must also pay Class 1A National Insurance on the taxable value of cars and fuel made available to employees for their private use. There are also VAT rules on business vehicles.

If the business buys a car, it can claim a capital allowance. If the business leases vehicles, the cost can be deducted from taxable profits.

The rules are complex. You should check the position with the Inland Revenue or consult your accountant. In both cases, you must keep adequate records to back up the figures on your tax return.

Special Tax Rules For The Construction Industry

There are different rules for the payment of income tax and National Insurance if you are in the construction industry. These rules are called the Construction Industry Scheme.

In the construction industry, businesses fall into two main categories: contractors and subcontractors (though it is possible for a business to be both a contractor and a subcontractor).

Broadly, a contractor is any person, business or public body who pays others for work carried out within the Construction Industry Scheme.

A subcontractor is any person or business which has agreed to carry out construction operations for another person, business or public body which is a contractor.

Subcontractors must hold either a registration card (CIS4) or a Subcontractor's Tax Certificate (CIS5 or CIS6), all of which must be obtained from the Inland Revenue.

Contractors must make a deduction of 18% from the pay of subcontractors with a registration card and forward the deductions to the Inland Revenue. The deductions are then held against account of the final amount of tax and National Insurance owed by the subcontractor.

Subcontractors with a Subcontractor's Tax Certificate should be paid gross, which means no deductions are made.

SOURCES OF INFORMATION AND HELP

Sources of information and help about tax, National Insurance, work-related benefits and business rates.

A very good source of information about all aspects of running a business is available from Business Link. Business Link, practical advice for businesses .
www.businesslink.gov.uk/employers

Tax And National Insurance (The PAYE System)

For more information read the Inland Revenue publications: Employed Or Self-employed? (IR56); Are Your Workers Employed Or Self-employed? (IR148)
Contact Inland Revenue Employer's Orderline 08457 646 646
www.inlandrevenue.gov.uk/employers

The Inland Revenue offers a guide for people starting up: Starting Up In Business (P/SE/1)
Contact Inland Revenue Helpline for the Newly Self-Employed 08459 15 45 15
www.inlandrevenue.gov.uk/startingup

You must register as an employer with the Inland Revenue New Employer's Helpline, they will also send you the New Employer's Starter Pack
Contact 0845 60 70 143

For information on Tax Credits read Employer's Guide To Tax Credits (E6)
Contact 08457 646 646
www.inlandrevenue.gov.uk/employers

The Inland Revenue can provide detailed information on how to pay tax and National Insurance
www.inlandrevenue.gov.uk/howtopay

The New Employer's Starter Pack offers more guidance on the procedures
Contact the Inland Revenue New Employers' Helpline 0845 60 70 143

For more information read: Pay Statements: What They Must Itemise (PL704)
Contact 0870 150 2500
www.dti.gov.uk/er

The Inland Revenue Employer's Orderline provides all relevant forms and guides
Contact 08457 646 646
www.inlandrevenue.gov.uk/employers

For more guidance on completing the forms, check the booklets and CD-ROM contained in the New Employer's Starter Pack
Contact 0845 60 70 143

For more information read: Details Of Employee Leaving Work (form P45)
Contact 08457 646 646
www.inlandrevenue.gov.uk/employers

Corporation Tax

The Inland Revenue Publications How To Calculate Your Taxable Profits (IR222) and Capital Allowances (IR206) provide more information
Contact Inland Revenue 0845 60 70 143
www.inlandrevenue.gov.uk/leaflets

Visit www.ir-portal.gov.uk/calculators/mrr for a calculator you can use to work out how much corporation tax is payable.

For more information read:
A General Guide To Corporation Tax Self-Assessment (CTSA/BK4)
Contact 0845 300 6555
www.inlandrevenue.gov.uk/leaflets

Capital Gains Tax - An Introduction (CGT1)
Contact 0845 60 70 143
www.inlandrevenue.gov.uk/leaflets

Tax On The Use of Vehicles By Employees

You must arrange your vehicle excise duty on any business vehicles
Contact the Driving and Vehicle Licensing Agency 0870 240 0010
www.dvla.gov.uk

The Inland Revenue can give you further information on business vehicles and tax
Contact the New Employer's Helpline 0845 60 70 143

If you're self-employed, call the Self Assessment Helpline
Contact 0845 9000 404
www.inlandrevenue.gov.uk/cars

Inland Revenue leaflet IR124 provides more information on the Approved Mileage Allowance Payments (AMAP) scheme
Contact Inland Revenue Employer's Orderline 08457 646 646
www.inlandrevenue.gov.uk/cars

Tax In The Construction Industry

You can get further details on the Construction Industry Scheme from the Inland Revenue
Contact 0845 733 5588 for contractors
0845 300 0581 for subcontractors
www.inlandrevenue.gov.uk/cis

For more information read:
Construction Industry Scheme (IR14/15)
www.inlandrevenue.gov.uk/leaflets

Business Rates

For details of your local branch of the Valuation Office Agency contact 0207 506 1700
www.voa.gov.uk

For more information read:
Business Rates - A Guide
Contact Office of the Deputy Prime Minister 0870 122 6236
www.local.odpm.gov.uk

CORPORATION TAX

Your company is responsible for calculating and paying tax on its profits.

If the social enterprise is a limited company or a limited liability partnership registered with Companies House, you must, within 12 months of the end of your first accounting period, let the Inland Revenue know that it is operating - unless the Inland Revenue has already been in touch with you!

'Accounting Periods' are the basic periods for corporation tax. Your first accounting period begins when your company or limited liability partnership starts operating. You can change the date your accounting period starts at a later date. Accounting periods don't have to mirror the tax year, but they must not be longer than 12 months.

You must keep detailed records relating to all income and expenses. As a limited company, you must ensure that you run the correct Pay As You Earn (PAYE) procedures for all employees. You may also have to certify to the Inland Revenue that the directors of the company are not employed by it and receive no income from it.

Once the company is registered, it will be responsible for working out and paying any corporation tax due within nine calendar months and one day after the end of its accounting period. Fines can be charged for keeping inadequate records or paying late. The company must keep records for at least six years.

Shortly after the end of the company's accounting period, you should receive a CT600 form, which is the corporation tax return, along with a Notice to Pay from the Inland Revenue. However, if you do not receive them for any reason, it is still the company's responsibility to pay the tax and complete and send a corporation tax return. You can request a form CT600 from the Corporation Tax Self-Assessment Orderline.

Corporation tax bands are set out in the table below. The levels may be reduced for certain companies, especially if there are other companies under the same control. For example, if you own and run two companies, the thresholds will be halved for each company.

Corporation Tax (2003/04 Financial Year)

Taxable Profits	Tax Rate
£0 - £300,00	21%
£300,001 - £1.5m	Rates rise from from 21% - 28%

VAT AND THE SOCIAL ENTERPRISE

What is VAT?

Value Added Tax (VAT) is a tax on sales of goods and services, not profits. Businesses must register for VAT if their turnover exceeds a registration threshold. Registration for VAT is compulsory for most businesses that supply goods and services amounting to more than £68,000 a year in any 12-month period (this threshold was valid for the 2005/06 tax year).

Businesses with a turnover below the £68,000 threshold can register voluntarily. Sometimes there can be a business advantage in doing this. For example, if your business pays a higher-than-average amount of input tax and charges a lower-than-average amount of output tax, it could be worth registering to reclaim the input tax you have paid.

Businesses collect VAT on the Government's behalf. All businesses pay VAT on most purchases. This is called the 'input tax'. Registered businesses charge VAT on the goods and services they sell. This is called the 'output tax'.

If a VAT-registered business receives more output tax from sales than it pays in input tax on purchases, it must pay the difference to Customs and Excise at fixed intervals. If more input tax has been paid than output tax charged, Customs and Excise will refund the difference to your business.

What VAT Rate Will I Have To Charge?

All goods and services that are not exempt are called 'Taxable Supplies'. The rate of VAT varies according to the type of product or service you offer. Goods and services (supplies) are divided into four categories for VAT purposes. They can be:

- Taxed at a standard rate (currently 17.5%)
- Taxed at a reduced rate (currently 5%)
- Taxed at a zero rate
- Exempt from VAT

Most VAT-registered businesses must add the standard rate of VAT to the value of their products and services when they are sold.

The reduced rate must be charged on: domestic fuel or power; installation of energy-saving materials; grant-funded installation of heating equipment; security goods or connection of gas supply; renovation and alteration of dwellings; residential conversions; women's sanitary products; children's car seats.

There are also specific rules on products and services that are zero-rated. In these areas, VAT is applied at 0%. Businesses that offer zero-rated products or services can still reclaim input tax they have paid on purchases. Zero-rated products include: most food (but not meals in restaurants or cafes and hot takeaway food and drink);

books; newspapers; young children's clothing and shoes; exported goods; most public transport services.

Exempt products and services include: insurance; providing credit; certain types of education and training; certain services from doctors and dentists; selling, leasing or letting land and buildings (but not garages, parking spaces or hotel and holiday accommodation).

Any business which offers some goods or services that are subject to VAT and some that aren't has 'partial exemption'. This means it can only reclaim input tax as a proportion of output tax charged. If your business will be dealing exclusively with exempt products or services, it is unlikely you will be able to claim back all your input tax.

Keeping VAT Records

Being registered for VAT means that you must keep full and accurate records.

You must start keeping records and charging VAT to your customers from the date you know that you have to be VAT registered. Each invoice or receipt must show clearly the rate and amount of VAT charged and the VAT number given to your business by Customs & Excise when it was registered. You must also make sure your VAT-registered suppliers do the same so you have evidence that you are entitled to reclaim the input tax you've paid.

You have to fill in a VAT Return showing how much VAT you have received and paid and forward payment of the balance to Customs and Excise. You must complete a VAT return for each accounting period.

This is normally every three months, but if you expect the input tax you pay to be greater than the output tax you charge, you can make monthly returns. You will automatically be sent a VAT return form to fill in before each payment is due. You must send it back to Customs and Excise no later than one month after the accounting period.

You must keep copies of all invoices or receipts and a note of VAT you have charged and paid. There is no set way to keep records, but they must be easy for Customs and Excise to inspect whenever it requests. Full records must also be kept for a minimum of six years.

Accounting Methods For VAT

Unless you arrange otherwise with Customs and Excise, your output tax must be entered on the next VAT return after you charge your customer - regardless of whether they have paid you or not. Similarly your input tax must be entered on the next VAT return after you are charged by your supplier, whether you have paid them or not.

However, there are a number of other accounting schemes that you may be able to switch to if they suit your business:

- Cash accounting
- The flat-rate scheme for small businesses
- Specific retail schemes
- Annual accounting

Cash-Accounting Scheme

If the proportion of your turnover subject to VAT does not exceed £1,350,000 a year, your business can use the cash accounting

scheme. This may be useful if your customers are slow-payers. You only have to record your output tax on your VAT return after your customer has paid you and your input tax is only entered on your return when you have paid your supplier. You can change to this system at the beginning of any tax period. However, you must be careful to separate any output tax or input tax dealt with under your previous system. You don't need permission from Customs and Excise to use this scheme but there are certain conditions you must meet, set out in Notice 731.

The Flat-Rate Scheme

The flat-rate scheme for small businesses is designed to reduce the time you spend accounting for VAT. It allows you to calculate your VAT payment as a fixed percentage of turnover. The percentage depends on the type of business you are in. To be eligible, the proportion of your annual turnover subject to VAT must not exceed £150,000 and total turnover must not exceed £187,500. You must apply by filling in Form VAT 600 (FRS). If you use this scheme, you will not be repaid any input tax as it is already allowed for as part of the percentage calculation.

Specialist Retail Schemes

A selection of specialist schemes are available to retailers who would otherwise find it impossible or costly to comply with standard VAT accounting rules. Specialist advice is available from Customs and Excise or your accountant.

Annual Accounting Scheme

The annual accounting system requires one VAT return to be filed each year. You can register for this scheme if:

- You have been trading for less than 12 months and the proportion of your annual turnover subject to VAT is not expected to exceed £1,350,000
- You have been registered for more than 12 months and the proportion of your annual turnover subject to VAT is not more than £1,600,000

Under the annual accounting system, VAT payments based on an estimate are usually made nine times each year, with a balancing payment due when you submit your return. By allowing you to pay a set amount each month, the scheme can help you manage your cash flow with more certainty - and you have two months to submit your return rather than one. Annual accounting can be used at the same time as the flat-rate scheme for small businesses.

VAT On Business Vehicles

There are special rules for VAT on business vehicles - and the fuel used in them. You can't normally reclaim the input tax you have to pay on a new motor car. However, VAT-registered businesses can claim it back if they can show the car is used 100% for business purposes (a pool car kept on site, for instance). You must then charge output tax if the car is sold later.

VAT incurred on the purchase of a commercial vehicle (a van, lorry or tractor, for example) can be reclaimed in full subject to the normal rules.

If the business pays for both private and business fuel, a fixed VAT charge is applicable based on the size of the vehicle (this is called the fuel scale charge). This allows the business to reclaim VAT on both the business and private elements of the fuel.

If the business does not pay for private mileage, a scale charge does not apply and VAT may be reclaimed on fuel bought for business provided you keep a detailed record of business mileage.

If you lease a car for business purposes, VAT may be reclaimed on 50% of the lease charge.

References

You must register with Customs and Excise if the value of your goods and services exceeds £68,000 in any 12-month period. You must do this within 30 days of reaching the threshold or you risk a fine. You must also register if you expect to exceed the VAT registration threshold in the next 30 days alone so you can immediately charge VAT on your invoices

Get Form VAT 1 from

Customs and Excise 0845 010 9000

www.hmce.gov.uk/forms

If you expect to charge less than £68,000 each year for your products or services but are considering voluntary registration, get further information from Customs and Excise on 0845 010 9000 - or seek advice from your accountant. For more information read: **Should I Be Registered For VAT? (Notice 700/1)**

Contact Customs and Excise National Advice Service 0845 010 9000

www.hmce.gov.uk/foms

Check if your products or services are standard-rated, reduced-rated, zero-rated or exempt

Contact Customs and Excise National Advice Service 0845 010 9000

For more information read: **The VAT Guide (Notice 700); Partial Exemption (Notice 706)**

Contact Customs and Excise National Advice Service 0845 010 9000

www.hmce.gov.uk/forms

The Customs and Excise Tariff Classification Service can tell you the rate of duty that applies to particular goods

Contact 01702 366077

For more information read: **A Brief Guide To Import Procedures (Notice 501); Deferring Duty, VAT And Other Charges (Notice 101)**

Contact Customs and Excise National Advice Service 0845 010 9000

www.hmce.gov.uk/forms

**For more information read: Keeping Records
And Accounts (Notice 700/21)**

Contact Customs and Excise National
Advice Service 0845 010 9000
www.hmce.gov.uk/forms

**For more information read: Cash
Accounting (Notice 731); Flat Rate Scheme
For Small Businesses (Notice 733); Retail
Schemes (Notice 727); Annual Accounting
(Notice 732)**

Contact Customs and Excise National
Advice Service 0845 010 9000
www.hmce.gov.uk/forms

Seek advice from your accountant or
financial adviser if you are considering
changing the VAT accounting scheme
you use.

**For more information read: Motoring
Expenses (Notice 700/64)**

Contact Customs and Excise National
Advice Service 0845 010 9000
www.hmce.gov.uk/forms

7

PLANNING AND PERFORMANCE; SOCIAL ACCOUNTS

- Why People Plan
- Monitoring A Project's Performance
- Social Accounting

WHY PEOPLE PLAN

Reasons Why People And Organisations Plan

People and organisations make plans for a variety of reasons. Understanding why plans are being made is vital to assessing the viability of the plan and appraising its chances to succeed. The main reasons for making plans are:

Routine/Habit

Planning has become part of a regular, reflex process. In such a situation the organisation is likely to be immune to new ideas or ways of working and will have limited, 'maintenance' objectives.

Response To External Change

The organisation senses a threat to its survival or attack on its objectives, or perceives an opportunity. Planning will have a clear aim but this aim may not be universally accepted since the level of threat or extent of opportunity and the boundaries being set by planners may not be perceived in the same way.

Something Wrong Inside

Organisations (and the people working in them) often need to feel secure in their beliefs and their relationship to the organisation. How and why they participate sometimes needs to be clarified. And the aims of the organisation must be re-stated.

A Planning Culture

Some organisations, often new ones, plan incessantly and are driven by the need to plan or the belief that planning is useful in itself. Care is needed appraising the plans of these organisations since successful outcomes may be secondary to the planning process.

Why Do 'Planners' Seek Approval?

Having drawn up a plan, why is it necessary to take it to some outside body for appraisal or approval?

Seeking A Benefit Or Advantage Controlled Externally

A business plan rarely states that the aim of the Plan is to, for instance, secure funding. But if this is the case then the Plan has been drawn up with one aim in mind: to bring about a situation (for instance, a bank loan) that would not otherwise come about. It's aim is to persuade, change perceptions, bring about actions.

Uncertainty/Insecurity

The people who have drawn up the plan or the organisation as a whole are uncertain about either its current situation, its future prospects or both. A key sign of this is gaps in the presentation or missing information. The planners want someone to 'put it right' so they will have more confidence in it.

The Politics Of Power (External)

Often those who plan or authorise planning are in a position of power in relation to others. They use the plan and the approval of outside organisations and experts as a way of maintaining their power. A typical example is a Board of Directors presenting a bank-approved plan to shareholders.

The Politics Of Power (Internal)

An external expert or arbitrator may be called in to settle an argument between rival groups or to enable one side to build its case vis-a-vis 'the enemy' (to consolidate its authority for instance). In such a situation the whole planning process may be viewed with suspicion by minority or powerless groups, it may simply be used to score points or plans made may be impossible to implement because of apathy or resistance.

Plans Made Without Hierarchies

Groups without hierarchies cannot depend on their authority or superior power-relationship with others to get a plan accepted and implemented. Also, where the Plan depends on others to make decisions or act in ways they would not normally and who cannot be compelled to change, for instance local councillors, a whole range of problems may arise.

Clear Objectives And Aims

For plans to succeed there must be a **shared vision** and the plan must include ways to obtain or keep the imagination, energy, commitment and support of members. Any appraisal must assess the understanding and enthusiasm of the people proposing the plan and others.

Getting The Balance Right

An appraisal must test the balance between social, commercial, human and organisational objectives, especially at the start of a project. If a plan is being 'driven' by only one objective, for instance profit, it may not succeed or will only succeed after a lot of trouble.

Using Group Dynamics

Within a group, or as soon as one is formed, differences in experiences, skills, aspirations, needs, create a **dynamic process** that must be understood, related to and used to power or enable the planning process.

MONITORING A PROJECT'S PERFORMANCE

Aims And Objectives

All organisations will have a set of aims and objectives set out in a business or organisational plan. Assessing the relevance of these aims to continuing activities must be periodically reviewed.

- When were the aims of the organisation last reviewed?
- Are these aims understood and accepted by members, staff, officers, supporters?
- How clear are these aims? Could a new member easily understand and identify with them?
- Do resources and methods used by the organisation match its aims?
- What arrangements ensure that new members, users or supporters understand their role and relationship with the organisation?

Organising Work, Managing Resources

A business plan sets out how the human resources of an organisation will be used to achieve its aims and objectives. Monitoring performance will need to look at how roles and responsibilities are divided.

- Are the different roles of members, staff and officers understood?
- Do roles and responsibilities mix well? Do they conflict?
- Does the way in which resources are deployed match the short- and medium-term aims of the organisation?

- When roles or the people undertaking them change, is there a procedure for monitoring performance and correcting problems?

Responsibility For Action

A business plan will also set out a series of actions or program by which the organisation will achieve its aims and objectives.

Has responsibility for action and monitoring outcomes been assigned ?

What action will be taken if the organisation fails to achieve its aims? Who will report this to who?

When action is taken should anybody be consulted or informed? Have procedures been followed?

Reviewing Performance

A business plan will often set out concrete measures of performance, for instance turnover or sales. These targets should be compared to actual performance; where there is major difference action may be needed.

Have records been kept which allow analysis of performance?

Are there up-to-date figures which customers, users, funders or supporters may find useful?

How often does the organisation review its activities in relationship to other organisations acting in the same or related areas?

SOCIAL ACCOUNTING

Social accounting is a process that enables an organisation to assess, report, and improve on its social, economic, community and environmental strengths and limitations rather than its financial ones. The aim being to gather each stakeholder group's views and perspectives on what they consider to be the significant indicators as to how well, or not, the organisation is achieving its aims and objectives.

Social accounting is:

- Done from the inside, with and by the people involved, increasing a sense of ownership of the process, outcomes, and resultant targets and recommendations.
- Approached from 'the bottom up' as opposed to the usual 'top down' method.
- Part of an ongoing process rather than being done after the event.
- A positive process.

Preparing a set of social accounts is done by assessing and monitoring the views of all the organisation's stakeholders. This includes employees, clients, service users, funders, volunteers, and service deliverers. In fact any person or organisation that has an interest or investment in the organisation. Although social accounts are generated by the organisation themselves, a fully independent external facilitator or

panel is usually used to verify the accuracy and objectivity of the accounts by way of a social audit.

The audit results in a systematic, documented measurement of the social performance of the organisation, which allows targets to be set to improve this performance and ensures that progress is consistent with the expectations of the stakeholders and the aims of the organisation.

The social accounting process is usually co-ordinated by a key person within the organisation. Using the aims and objectives of the organisation as the starting point and through liaison with other stakeholders in the organisation, this co-ordinator designs, analyses and documents all the information collected during the accounting process. Allowing all stakeholders to have a say in the process ensures inclusivity, however not all organisations can or wish to include all stakeholders every time a set of social accounts is produced. If the undertaking is too large for example, it is perfectly acceptable to defer a group of stakeholders until the next time the process is carried out, as long as this is explained in the accounts and details provided of when the stakeholders will be included. Information can be collected through a variety of methods including surveys, questionnaires, workshops, focus groups, and case studies.

It is important to recognise that social accounting and audit is not a one-off process. It is often done in 12-month cycles resulting in the establishment of social book-keeping and annual social audit reports providing valid information on the organisation's performance against its social objectives.

These reports can then be used in the organisation's strategic planning process to enhance performance and improve social impact. In addition, making the results of the accounting and audit publicly available, including both successes and limitations, requires a commitment to openness and accountability, thereby increasing the accountability of the organisation to all its stakeholders. Social accounts are also a valuable starting point when applying for quality marks and an effective tool for marketing and promotion.

Each organisation can tailor the social accounts to fit their own needs. This ensures that baseline information and eventual results are specific and relevant.

Other benefits of social accounting include:

- Providing a powerful argument for the inclusion and involvement of an organisation in the formulation and delivery of regeneration policies. This is especially valid in the case of the voluntary and service delivery sectors.
- Direct stakeholder participation allowing for policies, which are representative and effectively reflect the aims and values of the organisation.
- Enhancing the democratic process by
 - a) allowing all stakeholders to have their views heard and taken into account.
 - b) Allowing greater involvement of all stakeholders who are affected by the activities of the organisation.
 - c) Embracing openness and accountability.
- Provides a means of identifying and addressing issues that are often regarded as 'unmeasurable', or as 'soft outcomes'.
- Provides a way of measuring value for money, additionality, cost effectiveness, social impact, and social benefit of projects and activities. All of these are becoming of increasing importance to potential funders.
- The Department of Environment Sustainability Indicator uses the phrase 'empowerment and participation'. This is almost impossible to measure as it can mean many different things to many different people. A social audit provides a way of reporting on these outcomes.
- Allows feedback to link in with what is currently happening within the organisation, thereby not focusing on past events.
- Aids identification of target themes and priorities.
- Helps to identify social objectives.
- Aids short, medium, and long term planning.
- Increases staff motivation by encouraging involvement in the development of company policy and target setting.
- By ensuring confidentiality is maintained, creates a culture that encourages honest feedback.
- Generates new ideas and methods.
- Ensures the organisation is kept in touch with needs and expectations of stakeholders.

- Helps to identify and co-ordinate roles within the organisation.
- Identifying capacity building needs. There are three stages of learning: Unconsciously incompetent - merrily working away, being totally wrong and being totally unaware you are wrong. Consciously incompetent - knowing that what you are doing is not quite right and recognising that you need to do something to rectify the situation. Consciously competent - knowing that what you are doing is the right way. Or, having recognised that you are consciously incompetent, you have undertaken training.
- Increases external awareness of the social and community aims and achievements of the organisation.

To summarise; social accounting and audit is a framework to help clarify an organisation's values and objectives, report on performance against their objectives, and demonstrate social, environmental and economic outcomes/impacts, emphasising stakeholder engagement. More information about how to prepare a set of social accounts and conduct a social audit can be obtained from the Social Audit Network www.san.org

As well as social accounting and audit there are other methods and tools available that allow organisations to measure their impact and prove value, some of these are listed below:

AA1000 Assurance Standard - A standard for assessing an organisation's social, environmental and economic reporting process, that aims to facilitate accountability processes and overall organisational performance via effective stakeholder engagement.

Co-operatives UK Key Social And Co-operative Performance Indicators - Ten indicators that capture social and environmental performance to help co-operatives and other organisations determine how they measure up to co-operative values.

Development Trusts Association Healthcheck - A guide to good practice for development trusts and other community and social enterprises allowing them to assess their progress against development trusts' values.

Investors in People Standard - A business improvement tool designed to advance an organisation's performance through improving the management and development of its employees.

LM3 - A DIY method for showing the effect of an organisation's spending on its local economy, highlighting where it can improve its local economic impact.

PQASSO - A holistic quality management system designed specifically for small voluntary organisations, helping organisations to take a systematic overview of their activities and decide where improvements are needed.

Prove It! - A participative method for measuring the effect of community projects (or other projects) on local people, on the relationships between them and on their quality of life.

Social Firm Performance Dashboard - An internal management tool for business improvement geared towards social firms.

Social Return on Investment (SROI) - A method for comparing the monetised value of social benefit created by an organisation or initiative with the investment needed to create that value.

Details of these and other tools can be found on the new economics foundation prove and improve website www.proveandimprove.org