

Is It A Good Idea?

**A guide for charities considering
new social enterprise activity**

**by
Jean Barclay
for
Centre for Charity Effectiveness
Cass Business School**



A publication from the S.A.G.E. Project funded by HEFCE

Is it a good idea?

“People from our local authority keep telling us we should be thinking about social enterprise. We’ve got some ideas but we are confused about what it’s all about and how it can help us. We need some help.”
[S.A.G.E. project participant]

Are you involved with a charity considering new “social enterprise” activities? If so, this guide has been prepared by the Centre for Charity Effectiveness at Cass Business School to help you decide whether your social enterprise idea is a good one for your organisation. It emerged from the S.A.G.E. project run by Cass which provided pre-consultancy support to 19 organisations in London who were considering developing their social enterprise ideas.

Working with these organisations, it became evident that

- there is confusion around how charities’ activities fit with the “social enterprise agenda”
- early stage help can be valuable in clarifying and assessing social enterprise ideas and helping organisations decide whether, and how, to go forward
- key areas where support is needed include:
 - understanding the market for a new product or service
 - assessing financial viability
 - understanding legal implications of new activities

This guide aims to help you start to assess your social enterprise idea and consider whether it is worth further development. Although it does not address public procurement in any detail, the process of assessing whether something is a “good idea” is relevant to trading with the public sector as well as the public as individuals.

If you decide your idea might be a good one, and want to go ahead developing it further, there are lots of sources of support and advice already available. See our Useful Resources section at the end for more details.

Acknowledgements

Thanks are due to the S.A.G.E. project team members who contributed to preparation of this guide: Jenny Harrow, Jon Fitzmaurice, Margaret Bolton and Mariana Bogdanova. Thanks also to the 19 organisations for making sure this guide was grounded in the realities of developing social enterprises, and to the Higher Education Funding Council for England (HEFCE) who funded the S.A.G.E. project.

*Bromley Mencap
Out & About
Community Action Network (CAN)
Islington Volunteer Centre (IVC)
The Sharp End
Bromley Racial Equality Council
The Bay Tree Centre
SHARE Community
ABC Tales
Media for All*

*Greater London Advice on Disability
(GLAD)
Cricklewood Homeless Concern
Sommers Town Community
Association
Medact
Amaris House
Catch 22 Magazine
Advocates for the Homeless
Women Like Us
Action Acton*

*Jean Barclay
Cass Business School Associate
November 2006*

Contents:

1. Introducing social enterprise
2. What kind of social enterprise would be a good idea for us?
3. Understanding the market
4. Understanding financial viability
5. How to ensure you are fit and legal
6. Don't believe the hype – learning from others
7. Next steps

Useful resources

1. Introducing social enterprise

What is “social enterprise”?

Social enterprise is now an integral part of the government agenda for public service delivery and development of social enterprise is being actively encouraged. Consequently this is reflected in many funding programmes, and much talked about in the media. So, what is it?

According to the Department of Trade and Industry, “a social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.”

Note that the term “social enterprise” does NOT define a particular kind of legal structure. It can be a description of an activity as well as a description of an organisation.

Can charities be social enterprises?

For charities, the key feature of social enterprise activity which distinguishes it from pure charitable activity is that it involves generating “earned” income from trading activities – rather than, for example, providing services to beneficiaries funded by income from grant funding or public donations.

So, the term “social enterprise” could include situations where a charity generates income from:

- activities directly related to its charitable purpose¹ – for example, a health charity for elderly people charging a fee to participants in exercise classes, or a local charity promoting racial equality providing race equality training under contract to an local employer.
- carrying out trading activities which do not fit with its charitable purpose, but aim to generate a profit which can be used by the organisation to fund some of its charitable activities² - for example, a volunteer centre charity running an employment agency to generate income from local businesses.

Is social enterprise new?

No, social enterprise is not new. Many organisations, such as charities, have been engaged in trading activities which could be called social enterprise for years,

¹ This is often referred to as “primary purpose trading”

² Note charity law restricts the extent to which a charity is allowed to do this – see section 5. A charity may need to consider setting up a separate “trading company” to operate these activities

without necessarily using the term “social enterprise” to describe either their organisation or its activities.

So what is new? Why do I keep hearing about social enterprise?

Some of the reasons why you may have been hearing a lot about social enterprise are:

1. For charities and voluntary organisations, interest in social enterprise has been growing since the late 1990s, in particular as a way for organisations to develop long term strategies for sustainability by diversifying their funding sources by finding ways to create income from trading skills, assets, products or services. So, if you are an organisation wanting to reduce your dependence on donations or grants, you might find it useful to consider social enterprise activities.
2. On the public sector side, many national, regional and local government initiatives are now designed to encourage social enterprise. This is partly driven by government's desire to encourage voluntary and community organisations to contract with public sector agencies to provide public services.
3. A new legal form designed to meet the needs of some organisations interested in social enterprise has now been introduced (the Community Interest Company (CIC)) to encourage the establishment of social enterprises. However, this is not the only option and you should note that the term social enterprise still only refers to an activity rather than a particular legal form of organisation.

Because of this growing interest, there is now a range of support services and funding available targeted specifically at development of social enterprise – this may be helpful to your organisation in terms of getting more appropriate support, and obtaining finance such as loans or development grants.

TASK BOX 1

How enterprising are you already?

Your organisation may already be involved in activities which could be described as “social enterprise”. If you can answer “YES” to any of the following questions then it is likely that you are already involved in social enterprise:

We deliver services under contract **YES/NO**

We charge beneficiaries fees for some of our services **YES/NO**

We sell products **YES/NO**

We sell training **YES/NO**

We have some other trading income **YES/NO**

We have a separate trading company which passes its profits to us **YES/NO**

2. What kind of social enterprise would be a good idea for us?

If you are a charity, then you already have a “social” purpose. A “social enterprise” activity could be a good idea for your organisation and its beneficiaries if:

- it involves delivering services which fit with your charitable purpose i.e. contribute directly to your organisation’s work towards **its mission** by meeting the needs of your beneficiaries

AND / OR

- it can generate surplus income for your organisation

AND

- it has a high likelihood of success in achieving its objectives

Here we help you consider three key questions:

- *What is the purpose of the activity?*
- *Is your idea outside the scope?*
- *Is there a strong likelihood of success?*

What is the purpose of the activity?

A social enterprise may have more than one purpose or objective – but whatever the objectives are they must be clearly expressed - and agreed by those driving it. Considering how the idea has come about may help you think about what’s the real driver behind it. Is it the activity itself which has appeal, or the potential for raising surplus funds for other more important activities?

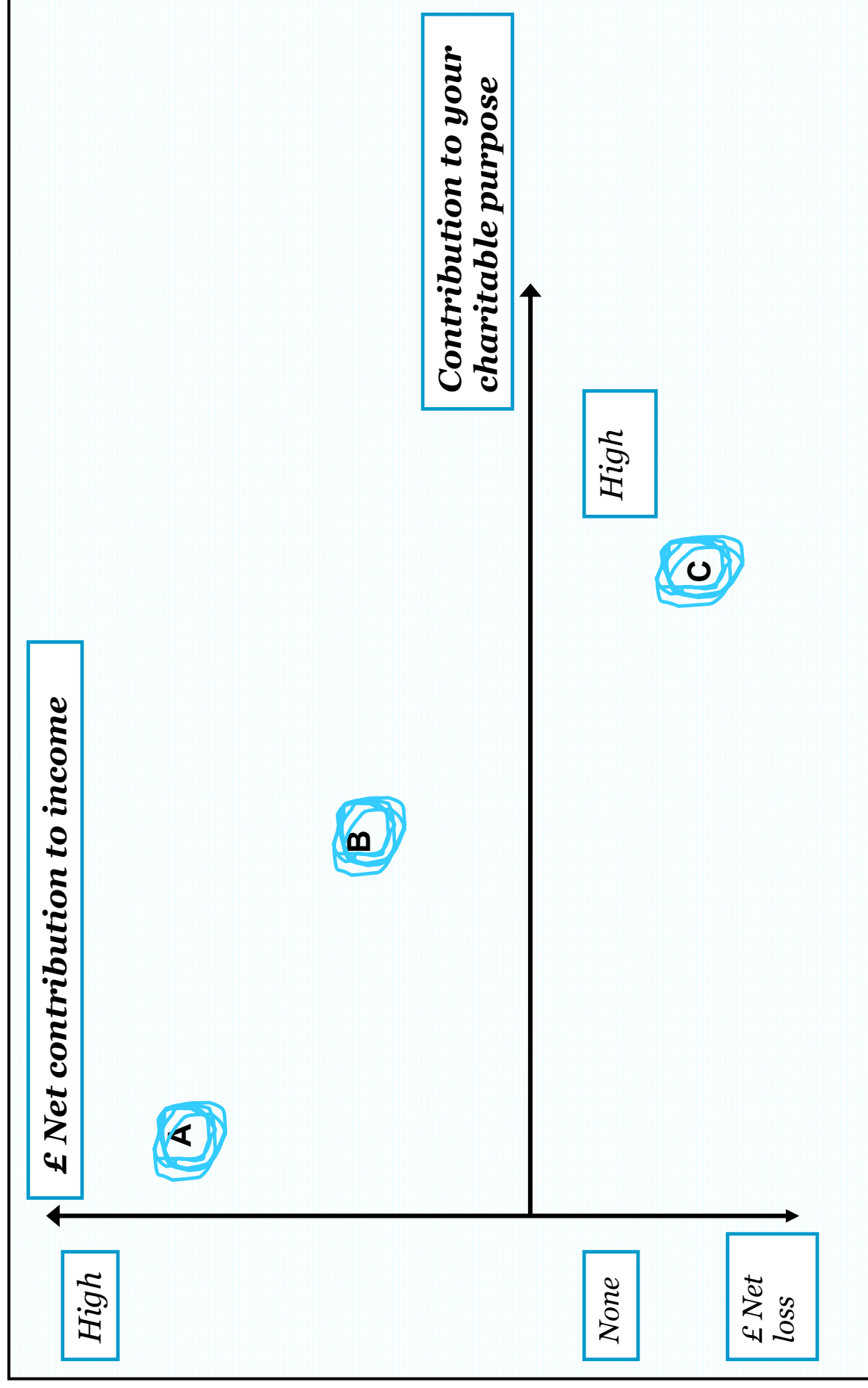
It is up to your organisation to decide what objectives your social enterprise should fulfil and how these relate to your charitable mission. It is likely that your Board of Trustees will need to be involved in making decisions about this. If there is more than one objective, you will need to think about how you balance them.

You might find it helpful to consider where your idea fits on the spectrum shown below:

A - represents a trading idea which will generate income but is not related to your charitable purpose

B - represents an idea which will generate income but is also contributing to your charitable purpose

C - represents an idea which will contribute to your charitable purpose but will not generate sufficient income to cover its cost



How you develop your idea depends very much on getting the balance right for your organisation. For example, two of the organisations we worked with were considering setting up community cafes, but their ideas had different objectives:

A community centre were considering setting up a café but realised they needed to clarify how to balance three objectives: generating income by trading with the public, drawing more people into the centre for charitable purposes, or providing a café facility for existing centre users

An organisation working with people with learning difficulties were considering a community café as a way of offering sustainable employment and training to their beneficiaries. They were clear about the charitable purpose, but needed to explore financial viability.

Is your idea outside the scope?

If you can't place your trading idea anywhere on the spectrum above, ask yourself whether it belongs somewhere else e.g. it's an idea which you think could generate great social benefits, but these are outside the scope of your organisation's charitable purpose. If so, you could consider the following options:

- discussing the idea with another organisation which has a more closely related charitable or social purpose
- setting up a completely separate organisation to take forward your idea— a charity, or another kind of social enterprise

In exceptional circumstances your organisation might consider applying to extend the scope of its charitable purpose to encompass the new idea. For example, a charity set up to work directly with children might decide to extend its scope to enable it to offer goods or services to parents. However, organisations should not do this simply to suit the interests of one individual who is keen on the idea, however good their intentions are.

TASK BOX 2

How social is your social enterprise?

Are you clear about the purpose of your idea? i.e.

What the overall purpose of the social enterprise idea is? YES/NO

To what extent it relates to the purpose of your charity? YES/NO

How it will help you achieve your charitable outcomes? YES/NO

What the specific objective(s) is/are for the activity? YES/NO

To what extent some of the objectives are more important than the others? YES/NO

Does everyone involved understand and agree this? YES/NO

Is there a strong likelihood of success?

A “good” social enterprise idea will be one which has a high likelihood of actually achieving its objectives for your organisation. Uncertainties mean that there are always financial and other risks around new trading activities. For example, your organisation may risk not generating sufficient income to cover the costs, or the actual costs being higher than expected. Other risks relate to your organisation’s ability to deliver the activity successfully.

In considering the likelihood of success, having clarified their purpose, the organisations we worked with in the S.A.G.E. project found it helpful to explore 4 key issues in their early stage thinking:

- How well the idea “fits” with their organisation
- The market
- Financial viability
- Legal issues

The last 3 of these issues are addressed in the sections which follow. First, however, consider how the activity “fits” with your organisation in terms of its current strengths and capacity. A “good” fit might be, for example, an organisation which delivers free training as a charitable service, considering delivering similar training on a more commercial basis. If there is not a good fit, then it is likely that the chances of success will be much lower.

TASK BOX 3

What do you think will help your idea succeed?

How well does your social enterprise idea “fit” your organisation? Can you answer YES to any of the following?

<i>It will make use of physical assets we already have</i>	YES/NO
<i>We already have links with the target customer group</i>	YES/NO
<i>We already have links with the main suppliers</i>	YES/NO
<i>We have a track record of running a similar service</i>	YES/NO
<i>Our staff/trustees already have the knowledge, skills and expertise</i>	YES/NO
<i>It's a good fit with our name / brand / reputation</i>	YES/NO
<i>We have some other advantage over others in this business (if so, what?)</i>	YES/NO

Later on, if you decide to go ahead with your idea, you will need to explore some of the practicalities of running a new activity in much more detail, considering the skills and capacity of your organisation to take it on [see Section 7 Next steps]. But before you spend valuable time on that, we suggest you focus on some of the bigger issues determining the viability of the idea. The sections which follow will help you consider issues around the market, financial viability and legal issues...

3. Understanding the market

Customers and the marketing mix

If you are going to trade, whatever the social purpose, you need to have customers, and you need to offer them a product or service which they will be prepared to pay for. [Note that in some social enterprise activities a service is being procured by a statutory body on behalf of individual service users – **both** of these customers are relevant to your consideration of the market.] You will need to think about what characteristics of your target customers are significant e.g. geography, age, family composition, employment status, interests, needs or other characteristics.

Understanding the market for a product or service involves thinking very clearly about who might be your customers, and why they might want your product or service. You need to be confident that you can offer a “marketing mix” which is appropriate for your target group of customers. In simplest terms, this means making good decisions about the “4 Ps”:

Product or service - deciding what product or service to offer. What are its key features?

Price - deciding the price you will charge customers for the product or service (this may or may be closely related to the costs you incur in providing it)

Place - deciding where you will distribute or deliver the product or service, or where you will make contact with your customers

Promotion - deciding how you will tell potential customers about what you are offering and considering what resources this is likely to require

You might also want to consider to what extent the “social” contribution of the enterprise will be attractive to the customers i.e. is it an important part of the “marketing mix”?

The more evidence you have to support your view of the market, the better. Two kinds of evidence may help you:

- customer or market research e.g. indicating strong potential demand for a service
- evidence from actual trading in the market e.g. another organisation successfully carrying out a similar trade, or results from piloting the activity

What makes you think there is a market for your activity?

How well do you understand the market for your social enterprise idea? Can you answer yes to all of the questions in Task box 4? What evidence you have to support your answers?

TASK BOX 4

What do you think will help your idea succeed?

Can you describe what customer needs your product or service can meet?

YES/NO

Are you clear about who your potential customers are?

YES/NO

Are you confident that there will be enough customers able to pay for the service?

YES/NO

Are you confident that you know what kind of prices your customers might pay?

YES/NO

Have you considered where you will sell the product or deliver the service?

YES/NO

Do you already know how you could reach your target customers and promote your product or service?

YES/NO

Are you confident you are offering something not already available from other organisations?

YES/NO

Has something similar been done successfully anywhere else?

YES/NO

Are you confident that you can compete with any existing providers or new providers who also have reasons to enter the market?

YES/NO

4. Understanding financial viability

Any kind of trading, social enterprise or commercial business brings with it variability in income and expenditure. This variability can make managing the finances very different compared managing grant funded activities. The more variable the income and expenditure could be, the more carefully you need to consider the finances before going ahead. If one of the drivers behind your social enterprise idea is the need to generate net income, then you need to be pretty confident you are not risking making losses, whilst contributing very little to the charitable purpose.

If you are getting involved in public procurement (contracting to deliver public services) you'll need to think about all the financial and other implications of the contract. Our reference section signposts you to some helpful guidance on this kind of contracting, but the basic principles around financial viability are the same for all kinds of trading.

Is the idea financially viable?

How well do you understand the financial viability of your idea? Task box 5, on the next page, will help you think about this. Note that start up costs may seem daunting but be aware that currently there is now a range of organisations who may be able to offer start up finance in the form of either grants or loans e.g. Futurebuilders, Venturesome or other "social investors".

You need to consider what things you have some control over, and what is outside your control. Your assessment of the financial viability is closely related to your assessment of the market [see previous section].

TASK BOX 5

Income	<p>Are you selling by single units? If so, income depends on the price you charge, multiplied by the volume of sales? Can you make rough estimates of this? What might happen if you set a different price?</p> <p>Will income be set by one or more block contracts? If so can you be sure the contract will cover ALL your costs? Will there be any surplus income?</p> <p>Could your income be temporarily boosted by grants to help start up?</p>
Expenditure	<p>The sum total of all the costs you incur, including overhead costs</p> <p>How will costs vary with volume of activity/sales? Are there likely to be economies of scale?</p> <p>How might prices change over time? This could be significant if you are negotiating a long term contract.</p> <p>Are you sure you've taken all costs into consideration?</p>

Capital requirements and start up costs

What equipment or premises do you need to run the business?
Are there any one-off costs in setting up the business?
e.g. legal set up costs, launch event

Tax implications

Are you aware of any tax obligations (e.g. VAT, Corporation Tax, Gift Aid) for charities involved in trading could impact on your net income. Guidance is available from the Charity Commission and HM Revenue and Customs but this is a complex area and you should seek professional advice on this before going ahead. It may affect your choice of legal structure for the activity.

Once you have considered some of these issues, you can feed your assumptions about the market into a financial “model” i.e. the calculations which bring together the different assumptions you are making, and shows what the likely net income could be. This is most easily represented in a simple spreadsheet.³ Make sure you include a note in the model of any assumptions you are making – these will be important in giving your financial forecasts credibility.

Later, if you decide to progress your idea, you’ll need to prepare a business plan and a financial model (which might also be referred to as a “budget”). These should be closely linked, as one of the functions of the business plan is to justify the assumptions underpinning the budget. Your business plan should also demonstrate that you have considered the pros and cons of different kinds of start up finance e.g. loans or grants.

Bringing it all together - an example of a financial model

Given that it is difficult to make accurate forecasts about what will actually happen when you start trading, sometimes it is helpful to explore what happens to net income when you make high, medium and low estimates for some of the key variables in your model.

This is illustrated on the following page in a simple financial model adapted from one developed for a charity we worked with who were exploring the idea of running classes in a local community centre. This model shows how dramatically different the financial outcome is, depending on what assumptions are made about volume, price and costs. There may be a critical volume to achieve before you are able to break even i.e. cover your costs. You need to get a really good understanding of this before going ahead – it will help you focus on the variables which are critical to the success of your venture.

³ If you are not comfortable with spreadsheets, even if you are the very early stages of thinking through your idea, it’s worth finding someone who is and can help you put your financial assessment into a spreadsheet format.

Assumptions type 1: things you have some control over:

		LOW	MEDIUM	HIGH
1	VOLUME			
	Classes per week – daytime	10	20	30
2	VOLUME			
	Maximum participants per class	10	20	30
3	VOLUME			
	Weeks of service provision per annum	46	48	50
4	<i>From rows 1 to 3 can calculate:</i>			
	Maximum total participants per annum	4,600	19,200	45,000
5	Classes per annum	460	960	1,500
6	PRICE	4	6	8
	Price charged to clients per class £			

Assumptions type 2: things you need to estimate i.e. make forecasts

		LOW	MEDIUM	HIGH
7	VOLUME			
	Forecast total participants per annum	2,760	13,440	36,000
8	EXPENDITURE			
	Tutor costs per class £	30	35	40
9	EXPENDITURE			
	Room hire cost per class £	20	25	35

Forecast financial results: based on calculations from the assumptions above

	LOW	MEDIUM	HIGH
INCOME			
	Forecast annual income from client fees £ [Row 6 x Row 7]	11,040	288,000
LESS:			
EXPENDITURE			
	Annual direct costs of running classes [Row 5 x Sum of Rows 8 and 9]	23,000	112,500
	Estimated annual overhead costs (management, promotion costs, administration, insurance)	10,000	25,000
EXPENDITURE			
		20,000	
NET PROFIT (LOSS) £	(21,960)	3,040	150,500

5. How to ensure you are fit and legal

There are legal restrictions around charities and trading which are important to understand if you are considering a social enterprise idea. These are largely related to general charity law, but also depend on specific features of your own organisation. They will affect how you are able to govern and operate the activity - and therefore could have implications for the feasibility of your idea. **This can be a complex area, so you should seek professional advice**, but, here we set out some of the kinds of issues which might be relevant.

If you are a charitable organisation, whenever you are considering a new activity, regardless of whether it is a social enterprise activity, you need to consider the questions in Task box 6:

TASK BOX 6

Are the beneficiaries (or customers) of the activity within the scope of your charitable purpose?

YES/NO

Is the activity within the scope of your charitable purpose?

YES/NO

Is the activity within the legitimate powers of your organisation (as set out in your constitutional documents e.g. if you are a charitable company, the Memorandum and Articles of Association)?

YES/NO

If the answer to ALL of these questions is YES, then you may have the option of operating the activity within your charity, without setting up a separate trading company, regardless of whether the activity generates a profit.

Sometimes the answer may not be straightforward – for example, one of the charities we worked with offered training to local disadvantaged women. It was considering whether it could generate income by offering similar training to women who could afford to pay for it and came from other areas – so the activity was related to their charitable purpose but the “customers” were not. This therefore had to be classed as “non primary purpose training”.

For a new social enterprise activity, one of the key features is that it involves trading i.e. selling products or services in exchange for a payment. Charities are only allowed to undertake a small amount of “non primary purpose trading”. So, depending on the expected turnover, you may need to set up a separate company to run the activity.

A separate company can be set up in a way which enables it to transfer any profits to its “parent” charity by Gift Aid, therefore avoiding any Corporation Tax liability.

The legal structure you choose may affect other tax liabilities e.g. VAT, and also the extent to which any net income generated has restrictions on how you can spend it.⁴

If you do go down the route of setting up a separate company, you will need to think about its relationship with the parent charity. For example, you will need to consider:

- Governance e.g. who will the Directors be?
- Management e.g. will it use some of the same staff as the charity?
- Start up finance i.e. how will you finance getting the company and the new social enterprise activity started, bearing in mind there are restrictions on charities making any investments which are considered excessively “risky” or allowing their assets to be used for non-charitable activities?

⁴ For further details see Charity Commission and HM Revenue & Customs guidance and seek professional advice

6. Don't believe the hype – learning from others

Learning from others

There's a lot of interest in social enterprise at the moment, so you're likely to come across examples of apparently successful social enterprises in the media, particularly in the charity/social enterprise press. This may be a helpful source of ideas, inspiration and learning.

However, you need to be a little bit wary when learning from others, as their context and objectives may be very different from those of your organisation. In addition, there are many social enterprises which from the start have relied on some support from grant funding, rather than just trading income.

An example

We worked with two organisations who were interested in setting up community cafés – but their motivations for doing this were not the same. They knew of several examples of “successful” cafes and were able to make contact with them to learn from their experience. We identified some key questions to help draw out some of the most relevant learning – these might help you think about questions you might explore in relation to your own social enterprise idea:

An example: questions to ask other cafes in community centres:

General

- Is there any purpose to the café other than generating income? If so, what is it?
- Were any problems encountered in setting it up? What were they?
- How do the customers of the café link/fit with other activities of the organisation?
- How do the staff in the café relate to the staff of the community centre?
- What are the management arrangements? i.e. how are decisions made?
- What were the 3 biggest learning points/challenges for the organisation in setting up and running the café?
- What are the critical things which the organisation needs to have in place before setting up the café?
- Overall, how does the organisation view the value of the café and its contribution to the overall purpose of the organisation?

The market

- Who are the customers? Are they charity beneficiaries or the general public?
- How many customers use the café on average each day?

Finance

- How long has the café been running?
- Has it had any grant funding to support it? e.g. a grant to cover set up costs?
- What tax issues had to be addressed in setting it up?
- Approximately what is the annual turnover?
- Approximately what is the annual surplus generated for the charity?
- How sustainable does the organisation think the café is?

Legal

- Legally, how is the business linked to the charity? e.g. a separate trading subsidiary, contracted out to a private company, run through the charity as a primary purpose activity?
- What legal issues had to be addressed in setting it up?
- If the cafe is run under contract to the charity, ask for a copy of the contract – look at how this is set up, who is taking what risks etc

7. Next steps

What now?

If you've considered your purpose, the market, the finances and legal issues, and still think your idea is a good one, you now need to think about the best way to take it forward. The most appropriate next step for you will depend on the context of your idea, your own role within your organisation and whether you are able to finance next steps. Here we offer some suggestions:

Progressing the idea

The following are "next steps" which some of our case study organisations decided to take (note you may decide you need to do more than one of these):

- Seek the support of your Board for an outline plan of the idea in principle
- Set up a small project team
- Carry out some market research
- Plan a small pilot/market test of the idea
- Employ a development worker to take the idea forward
- Put together a fundraising bid to finance the development of the idea
- Develop a detailed business plan
- Get specialist advice on particular issues
- Appoint a consultant to carry out some of the development work
- Discuss your ideas with a possible sponsor
- Do some more research to help with your planning e.g. work on financial model
- Talk to other "social entrepreneurs" and learn from their experience

Assessing capacity

However you decide to take it forward, you will need to consider some of the more detailed practicalities of your new social enterprise activity, in particular whether your organisation has sufficient and appropriate capacity to develop and run it (or the trading subsidiary, if appropriate). In thinking about this, some of the things you'll need to consider are:

- Governance structures and processes
- Staff and trustee skills and experience – do you have or can you recruit appropriate people? what training needs will there be?
- Finance systems – are current systems suitable or will you need new ones?

- Financial and other management information – what will you need to run the business? How will you evaluate its success?
- ICT systems – will your current systems be suitable or will you need new ones?
- Quality systems and compliance with legal and regulatory requirements – this will depend what kind of trade you are planning
- Recruitment and other human resource policies
- Policies on working with volunteers
- Other organisational policies and procedures
- Communications
- Access to facilities e.g. equipment, meeting rooms, offices, storage space
- Networking with other relevant organisations
- Risks (financial and other) of the venture

Getting support

Sometimes it's best not to do everything on your own. As our S.A.G.E. participants told us:

*"The advice we got was really tailored to us; it started from where we are at the moment. A lot of the fear was taken away...a real confidence boost...By this time next year we will have developed... into a social firm. I am fairly confident now where to go for funding... The most valuable output was looking at the steps we need to take but also **how**, the **process** – that was essential!"*

"[The consultant] had the ability to ask the right question at the right time. She steered the conversation by 'gentle prodding'...astute questions...and she clarified my situation."

"The outcome was a very thorough economic analysis of whether [our idea] would be viable, with a lot of detail and a realistic costing of what would be involved to do it....Also [we received] sensible advice on marketing the idea and what we need to do for taking it forward"

The good news is there are many sources of support and advice which may be useful to you. Some support comes from within the charity sector, some from the business sector and some is tailored more specifically for "social enterprise".

Whichever help you use, **make sure whoever is advising you understands the particular balance your organisation is placing on the financial and other objectives of your social enterprise activity** - the support and advice you require will be different in subtle but significant ways from that of another organisation.

Useful resources⁵

Social enterprise – general:

Succeeding with Social Enterprise by Warren Tranquada and John Pepin (John Pepin and Associates 2004, available from Directory of Social Change) www.dsc.org.uk

Starting Point Guide from the London Social Economy Taskforce (available from Social Enterprise London www.sel.org.uk – includes details of direct support available)

Routes to Enterprise published by Social Enterprise magazine in association with ACEVO and the Small Business Service (2006)– free download from www.acevo.org.uk

The Social Enterprise Coalition is a comprehensive portal for a wide range of resources and links to other relevant organisations, see www.socialenterprise.org.uk

Understanding the market:

Charity Marketing: meeting need through customer focus by Ian Bruce (ICSA 3rd edition 2005)

The New DIY Guide to Marketing for Charities and Voluntary Organisations by Moi Ali (ICSA 2001)

Chartered Institute of Marketing website: www.cim.co.uk

Understanding financial viability

Sources of general guidance:

Charity Finance Directors' Group website: www.cfdg.org.uk

The Finance Hub website: www.financehub.org.uk

NCVO's Sustainable Funding Project website: www.ncvo-vol.org.uk/sfp/

Contracting:

Contracting – before signing on the dotted line: all you need to know about procuring public sector contracts from NCVO's Sustainable Funding Project (2006)

Public Procurement Toolkit for Social Enterprise published by the Small Business Service (2006)

Full cost recovery - a guide and toolkit on cost allocation published by ACEVO (2005)

⁵ This is by no means a comprehensive list but includes some that we have found to be most useful. Some of these support resources are available free as web downloads. Note that if you want to receive regular information and updates on things like funding, many of the organisations whose websites are given here also offer you the option of signing up to a free email newsletter

Tax implications:

Trading by charities - Inland Revenue guidance publication IR2001 (2001)

Plus further information on HM Revenue and Customs website: www.hmrc.gov.uk

Examples of loan finance organisations:

Futurebuilders at www.futurebuilders.org

Venturesome at www.cafonline.org

How to ensure you are fit and legal

Keeping it Legal: a guide to legal forms for social enterprise from the Social Enterprise Coalition

The Voluntary Sector Legal Handbook by Sandy Adirondack and James Sinclair Taylor (Directory of Social Change, 2001)

See the Charity Commission website for guidance publications:

www.charitycommission.gov.uk In particular: Charities and trading (CC35), Charities and contracts (CC37)

Lessons from the USA

Some of the USA literature may also be useful, although bear in mind the legal and financial regulations are not the same as in the UK. See for example:

Eight basic Principles for Nonprofit Entrepreneurs by Jerr Boschee (Nonprofit World Volume 19 No 4 2001)

Why you need to be more entrepreneurial – and how to get started by Peter Brinckerhoff (Nonprofit World Volume 19 No 7 2001)

The Centre for Charity Effectiveness is part of City University's Cass Business School and is partnered by the Worshipful Company of Management Consultants. It is the only centre of excellence offering a full spectrum of services to voluntary and community sector leaders and managers, enabling them to access the latest research, education, training, mentoring and consultancy.

Centre for Charity Effectiveness
Cass Business School, City University
106 Bunhill Row
EC1Y 8TZ
London
www.centreforcharityeffectiveness.org
Tel. 020 7040 8781
Fax 020 7040 8579