



## Setting up a social enterprise

As with any other business, there are steps to take when establishing a social enterprise.

This factsheet provides an overview of the process of setting up your social enterprise. It is advised that you use this in conjunction with the individual factsheets covering specific areas of the process; these are indicated throughout the document.

### Step 1: Determine the Need

As with starting any business, you need to research whether there is a need for the social enterprise in terms of social and / or environmental needs, and services and / or products.

Market research should be undertaken to demonstrate who you will be providing benefits to and if there is a gap in the market. Assess the needs of the local area and the needs of the business - both now and in the future.

This should be supplemented by secondary research on government policies to illustrate the relevance of the social enterprise in a national, regional and local context.

Ask yourself, what attributes and benefits are needed?

This work can be carried out by you individually or by the group of people coming together to establish the social enterprise. Individually or together, it is important to develop the vision and mission for the enterprise and what you intend to achieve.

### Step 2: Develop the Concept that Meets the Need

Once you have determined that there is a need, you should develop ideas that will meet the need.

You should consider:

- What ideas can you generate to meet the benefits expected?
- What activities can be developed to deliver the concept?
- What skills and experience do you have to deliver the activities?
- How will you ensure that you are creating the benefits?

It is important that you link the idea to the need through the activity you have the skills to deliver.

It is important when producing the feasibility study to ensure that you access appropriate professional advice and technical support. For example, if you require premises you may need to seek planning permission from your local authority. You may have a product you require protecting and possibly patenting.

All businesses have varying types and levels of legislation to adhere to with some particular to their industry or service users. It is essential that you research and adhere to legislation appropriate for your enterprise.

At this point you should have completed the feasibility study which determines whether this is a viable business. It may be that your business is not viable or that it may need some changes.

If the feasibility study proves the business is viable, the following steps should be taken.

### **Step 3: Choose the Right Legal Structure to Deliver**

In order to identify the best structure to deliver, it is essential that you consider:

- What you want to get from the business?
- Who will benefit from what you intend to do and what benefits they will get?
- How much it will cost to establish the social enterprise?
- How you will fund this?
- How much profit you expect to make?
- What will you do with the profits you make?
- Who will manage the social enterprise?
- How will you involve a community?
- Do you require external investment?

Refer to factsheet 'Selecting the Right Legal Structure for a Social Enterprise'.

It is important to identify whether other individuals or organisations will provide financial support and whether you require start up finance to set up the enterprise.

Refer to factsheet 'Finding the Right Type of Finance and Manage Money for Social Enterprise'.

### **Step 4: Identify the Members & Recruit the Directors**

Identification of members, directors and stakeholders will be appropriate to the structure selected.

It is important to determine:

- Who will manage the social enterprise on a day-to-day basis?
- Who will set the strategy for the social enterprise?
- Will a 'community' be involved in managing the social enterprise?
- Will a 'community' have a share in the social enterprise?
- Will you have paid staff and / or volunteers?

- What role will they play (if any) on the management committee? If they are represented on the management committee how will you ensure you meet social ownership criteria for social enterprise?
- What will the decision-making structure look like?

Refer to factsheet 'Managing a Social Enterprise'.

Before proceeding with registering the company, it is important to seek legal advice to ensure that you have:

- Selected the most appropriate legal structure
- Bespoke Articles of Association appropriate for the company
- Adequate training for all directors/trustees to ensure good governance is followed

Refer to factsheet 'Selecting the Right Legal Structure for Social Enterprise'.

Refer to factsheet 'Managing a Social Enterprise'.

### **Step 5: Completing the Governing Document**

Having decided the right legal structure, identified the members and recruited the directors/trustees, the next step is to complete an Articles of Association which is the governing document for the social enterprise.

The Articles of Association will vary slightly between the different types of social enterprise structures. However, the following clauses are found in all governing documents:

- Directors/trustees remuneration (if appropriate)
- Profit distribution
- Voting rights of directors/trustees
- Objects of the business
- Asset lock (if appropriate)
- Individual statutory roles
- Meetings and decision making procedures according to company law
- Filing documentation procedures for Companies House
- Powers of the company and any restrictions
- Directors'/trustees' appointments and resignations

Those individuals being appointed as directors/trustees on the board of directors/trustees (and any shareholders if appropriate) sign the governing document.

There is help available to complete this document including solicitors – contact [info@seeahead.co.uk](mailto:info@seeahead.co.uk) for details.

For a share company, additional clauses within the Articles of Association will include shareholder details, share allocation and dividends.

For a Community Interest Company (CIC), there are additional clauses and specific requirements in clauses that refer to CIC Regulation.

## **Step 6: Registering Your Company**

All companies complete the same company registration form (IN01). This can be downloaded from Companies House website.

Those individuals being appointed as directors on the board of directors (and any shareholders if appropriate) must complete the IN01 form.

There is help available to complete this form including solicitors – contact [info@seeahead.co.uk](mailto:info@seeahead.co.uk) for details.

Both the completed Articles of Association and IN01 form are posted to Companies House with a cheque for the fee. It takes approximately seven days for the documents to be processed.

Note that you need to indicate on the form if you would like a hard copy of the Certificate of Company Incorporation posting to you.

Refer to factsheet ‘Selecting the Right Legal Structure for Social Enterprise’.

## **Step 7: Establishing a Bank Account**

A bank will require all of the directors to complete the bank’s application form. The bank will require appropriate identification from all directors/trustees, a copy of the Certificate of Company Incorporation and a copy of the Articles of Association.

The requirement is to have a minimum of two signatories for all payments to ensure good governance.

It can take approximately four weeks for the process to be completed.

## **Step 8: Planning for Future Growth**

It is important to determine how the enterprise will develop and grow in the future. This stage requires the development of a business plan. You may already have started to develop the business plan after completion of the feasibility study. It is important to involve the directors/trustees with the strategic planning for the enterprise to share the vision and utilise their skills to take the enterprise forward.

Refer to factsheet 'Carrying out a Feasibility Study for Social Enterprise'.

Refer to factsheet 'Writing a Business Plan for Social Enterprise'.

### **Step 9: Where to go for Further Help**

[www.seeahead.co.uk](http://www.seeahead.co.uk)

[www.gov.uk](http://www.gov.uk)

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

[www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)