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/environmental needs, and goods/services. This is called a needs assessment.

Primary market research will show if there is a gap in the market Assess the short and long term needs of the local area and the business

Primary market research can be interviews, questionnaires, focus groups etc. Useful stakeholders to contact are community members, community leaders and Non Government Organisations

Conduct secondary research on government policies to illustrate the enterprise in a national, regional and local context Secondary research can be collected from NGOs, community organisations, researchers, public institutions etc.

You should consider what kind of business attributes and benefits are needed to solve the social issue

The enterprise mission and vision must be developed so you can set out what you want 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.



What **ideas** can you generate to meet the **need**?

What activities can be developed to deliver the concept? It is important that you link the idea to the need through the activity

What **skills** and **experience** do you have to deliver the activities?

How will you **ensure** that you are creating the **benefits**?

You may need to seek professional advice when conducting the feasibility study (e.g. for planning permission or product patenting)

It is essential that you research and adhere to **legislation** appropriate for your enterprise

Completing the **feasibility** study will determine whether this is a **viable** business

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 your activities and how

How much it will cost to establish the social enterprise How you will fund the business

If you require external investment

How much profit you expect to make

What you will do with the profits

Who will manage the social enterprise

How you will involve a community

It is important to seek legal advice, before registering the business, to ensure that you have:

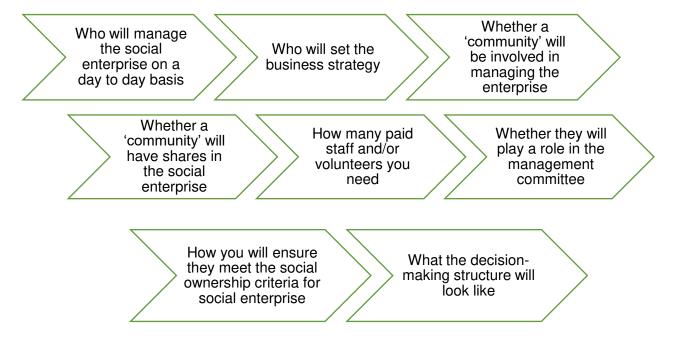
- Selected the most appropriate legal structure
- Bespoke Articles of Association appropriate for the company
- Adequate training for all directors/trustees to ensure good governance is followed

TIP - 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 factsheets 'Seeking the Right Type of Finance and Managing your Money' and 'Selecting the Right Legal Structure for a 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:



TIP - Refer to factsheets 'Selecting the Right Legal Structure for A Social Enterprise' and '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 between different social enterprise structures. However, the following clauses are found in all governing documents:

Voting rights of Objects of the business Profit distribution directors/ trustees Meetings and decision Asset lock (if Individual statutory making procedures according to company appropriate) roles law Filing documentation Directors'/trustees' Powers of the company procedures for appointments and and any restrictions Companies House resignations Additional clauses Additional clauses and include shareholder Signatures of directors/ specific requirements trustees details, share allocation referring to CIC and dividends as per (/shareholders) regulations CIC regulations Directors/ trustees remuneration (if appropriate)

TIP - There is help available to complete this document including solicitors – contact info@seeahead.co.uk for details.

Step 6: Registering Your Company

All companies complete the same company registration form (IN01), found on the Companies House website. Those individuals being appointed onto the board of directors (and any shareholders) must complete the form.



You can register a company online through the government website. However, if you do not want to use 'limited' in your company name you must register by post. Both the completed Articles of Association and IN01 form are posted to Companies House with a cheque for the fee (£40). It takes 8-10 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.

TIP - There is help available to complete the IN01 form including solicitors – contact <u>info@seeahead.co.uk</u> for details. Refer to factsheet 'Selecting the Right Legal Structure for A 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
- A copy of the Articles of Association

A minimum of two signatories for all payments is required 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.

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

Where to go for further help

- Government Website (incl. Companies House, CIC regulator) http://www.gov.co.uk
- NCVO third sector support https://www.ncvo.org.uk
- SAMforSE Self-assessment Manual for Social Entrepreneurs https://www.samforse.org/en
- School for Social Entrepreneurs https://www.the-sse.org
- SEE Ahead business support https://seeahead.co.uk
- Social Enterprise Mark https://www.socialenterprisemark.org.uk
- Social Enterprise UK https://www.socialenterprise.org.uk
- Social Enterprise Yorkshire & Humber https://seyh.org.uk
- Social Value UK http://www.socialvalueuk.org
- UnLtd https://www.unltd.org.uk



