

Guidance for Social Enterprises (updated Nov 25)

It is our ambition at Norfolk Community Foundation to fund activities led by well organised and governed Voluntary Community and Social Enterprise (VCSE) organisations, which aim to make Norfolk communities thrive. We are keen to support social enterprises, a key part of the VCSE landscape, who often bring an entrepreneurial and creative offering to Norfolk communities and individuals.

You will already be aware that to be eligible for grants with us, your social enterprise must meet all Norfolk Community Foundation (NCF) criteria, which includes the requirement for there to be three unconnected Directors running the company (you can see more information here: [Guidance & Resources | Norfolk Community Foundation](#)).

And below you will find some extra guidance, specifically for social enterprises, which will help you to demonstrate your inclusive governance, your best practice delivery and your ability to bring added value through the combination of trading and grant funding.

Governance

To guard against any undue influence/control resting with one person, NCF will only fund CICs and other social enterprises where the Articles of Association and Companies House entry (Persons with Significant Control section) demonstrate that all Directors have equal powers in running the company. The most obvious way of meeting this expectation is to use the statement: ***“The company knows or has reasonable cause to believe that there is no registerable person or registerable relevant legal entity in relation to the company.”***

We recognise there are different types of social enterprise but expect your company to be Limited by Guarantee. We wouldn't normally support a company Limited by Shares unless the share distribution is to the wider community.

Your governance documents should demonstrate:

- clear social purpose
- the company is non-profit distributing
- the required minimum of three directors and complies with PSC criteria above
- there is an 'asset lock' or similar clause to ensure that on dissolution funds or assets can only be transferred to another asset locked body with similarly aligned objects

Accounts

Like charities, you will be required to provide annual accounts when applying. These must:

- show where income comes from including traded income, grants and donations. If your accounts do not currently provide the detail, you will need to provide us with this additional information.

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- provide defined expenditure for the last 12 months
- acknowledge any funding from NCF as a restricted grant

If you have not been established long enough to have a year of accounts to share, then get in touch with us to talk through other options for demonstrating your financial situation.

On receiving an application, we may ask how many of the company's directors are paid employees of the company and the salary levels of any paid directors.

Trading:

To be eligible for our funding, if you are a Community Interest Company (CIC) or a Company Limited by Guarantee, we expect you to have a **plan to trade** from the beginning, with the ambition for trading to make up at least 50% of your income (this ambitious target is from Social Enterprises UK who say that they “usually expect that within two years of operating, genuine social enterprises generate more than 50% of their income through their own trading activities” - [What is a social enterprises, how do they work & what do they do?](#)).

We know it may take a while to generate a regular income from trading, so we understand that grant funding will be part of your initial plans and may be a small part of the longer-term financing of your organisation too. In the longer term, we hope that your core costs and activities are covered by your traded income, because as your organisation develops, your income from trading will become more consistent, reliable, and unrestricted, compared with grant funding.

At the first application you send to us, we will ask to see your trading plan. This will look different depending on your organisation, but it could be a business plan, an income projection document, or a more detailed explanation document concerning your trading model. It may well be a policy or strategy you already have created, and it can be very detailed, or a high-level overview on one page - whatever works for you!

We would like to understand from the document:

1. What trading you will do *i.e. selling a product, a commissioned service, or individually paid-for service.*
2. What your projections are for this income *i.e. how much funding you aim to raise from trading. This may be an informed guess in your early days of trading.*
3. What the projected overall percentage of traded income is. *Note: Social Enterprise UK suggest this should be 50% of your total income within 2 years.*
4. When the document was created/ updated, and how you are thinking about the future development of your organisation. *Note: You can do this easily, by dating the document, and ensuring it covers the next 2-5 years.*

How might we explore the subject of trading with you? During our due diligence process, we look at the documents you have submitted to us, alongside some other

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checks on your organisation. The application is sometimes the start of the conversation to get a more rounded understanding of your organisation and project, so that we can represent you confidently at a decision-making panel. However, if you have submitted a complete application including all the up-to-date required paperwork, you may not hear from us for additional information and only hear next about the outcome of your application.

If we do get in touch with you, the questions we ask may depend upon how long you have been established, as we know trading will grow over the years. Here is a guide of the kind of questions to expect:

When you are getting started (under 2 years), we may ask about how your organisation formed and chose the social enterprise structure, your current makeup of income, and to highlight within your accounts what aspects are traded income and what is grant income.

When you are growing your organisation (between 2-4 years), we may ask you about any adaptations to your trading model, how you aim to develop your organisation, and plans and strategies around growing traded income.

Additionally, when you are established (5 years plus), we may ask about your plans for maintaining or increasing trading, and when you are making a profit, where is it reinvested for social good.

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