South Yorkshire's Community Foundation

- GRANT GIVING
- COMMUNITY RESEARCH AND SUPPORT
- VOLUNTEERING AND DONOR PARTNERSHIPS





Assessing a social enterprise is the same as assessing a brand new/grassroots organisation.

- There will probably be less to find about the group online.
- There may be fewer external references/referrals to rely upon when assessing the quality of the work the group undertake and validity of their processes.
- Research via social media and/or via any of your panel members or community partners will probably offer greater insight into the group's activities than more traditional methods of due diligence.

Essentially a bit more time is needed to assess a social enterprise, in the same way that more time is needed to assess a smaller, newer not-for-profit group.

How SYCF approach due diligence on a social enterprise

As standard for the majority of our programmes, groups meet our criteria if they:

- Meet the definition of a social enterprise
- Have at least three unrelated directors/trustees
- Have a bank account in the name of their organisation with two signatories
- If they are new to us, they need to supply a reference from someone who has worked with them.
- They need to be able to supply some form of financial information. A simple income/expenditure spreadsheet is enough if the establishment of their organisation warrants nothing further.
- We need their governing document. This needs to show an asset lock and dissolution clause.
- SYCF do not fund CIC's who are limited by shares.
- SYCF will only fund CIC's that employ their directors if it is clear that they undertake another role within the organisation that is critical to its operation. This should be stated in their governing document and/or accounts. Are they paid within the market value for the role they are undertaking? Is their employment by the organisation or through a consultancy company? Transparency in the organisation's paperwork is key.

Concerns funding a social enterprise over a charitable and/or unincorporated not-for-profit

- The group have been set up cynically purely to access grant funding and/or to avoid paying some taxes. If the group are transparent about this and we can find reassurances that the work they are doing has real benefit to their community and money is received/spent professionally and transparently, does it really matter?
- The group have been set up hastily on bad advice and does not have a sufficient governing document or transparent processes.

This would be the same as a grassroots not-for-profit operating on bad advice. We may not be able to fund them this time around but can we direct them to some good advice and/or training support so this problem can be rectified, and they can pass due diligence in the next round?

• There is a risk that they will misuse the grant given.

This is a general risk of grant making. A well-established registered charity may have an unscrupulous member of staff/trustee who could misuse the funds as well. There is an investment of time here that can't be avoided but if everything checks out and they meet the fund criteria, isn't the risk of not funding the vital work that they do more pressing?

Examples:

A series of CICs with the same directors. One in the group with a 6-figure turnover, the others very small. All sports related, run by ex-professional players. They individually have been rejected due to directors pay issues, the tone of their application and the general consideration of the linked directors. We have met with them to explain these issues and why assessors/panels would have concerns. Not only has this meeting reassured us of their intentions but we hope that this support will help them to make adjustments to their set up and in how they put together an application. Fingers crossed!

Two women have set up their own company limited by guarantee, to access grant funding. Both work for larger charities who are often excluded from small scale funding due to their turnovers. Setting up this company together means they can move more nimbly into their community to address a need. Choosing this set up also means that when they are ready financially, they can become a registered charity much more easily. Since their inception they have received multiple funding from multiple sources and are showing an excellent track record of work in a short time.

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SFAB Funding Advice and Support:

Tuesday 11th November: Choosing the Right Legal Structure for your Group SYFAB | South Yorkshire Funding Advice Bureau | Event Details