Suffolk Community Foundation – our guidance for applying Social Enterprise Organisations (inc Community Interest Companies).

Overview Suffolk Community Foundation (SCF) supports the work of social enterprise organisations including Community Interest Companies (CICs). As a local grant giver, we value the contribution these organisations make to our Voluntary, Community, Faith and Social Enterprise (VCFSE) sector in Suffolk and recognise that a unique focus on enterprise can encourage sustained impact and bring about long term social good for our communities.

Establishing as a social enterprise or CIC is often a simpler process than gaining charity status and has fewer governance and reporting requirements than those required by the Charity Commission - indeed this is why many organisations choose this organisational model. As an independent grant giver with a responsibility to our donors, part of our role is to ensure that all organisations we work with are appropriately governed and structured, and in practice this often means we need a deeper understanding of the way in which social enterprise organisations are working to ensure they meet with our funding criteria. This guidance aims to provide a clear overview of our funding criteria for social enterprises/CICs and the type and level of information we will require from applying organisations.

The difference between Charities and Social Enterprise organisations

Social enterprises exist in the space between traditional charities and mainstream businesses. Unlike charities, they make most of their income by selling products or services rather than relying on grants, donations or volunteers to survive. Although both aim to create positive social impact, charities depend mainly on external funding, while social enterprises/CICs are expected to become financially sustainable through trading. Because of this, funders generally do not expect social enterprises or CICs to rely on long-term grant funding.

There are a number of governance considerations for social enterprises/CICs to consider when applying for funding which we list below, including the Foundation's criteria:

1. **Clear legal structure**

   Social enterprises should have a clear legal structure (for example a CIC). To be eligible for SCF funding, social enterprises must be Limited by Guarantee – we cannot fund Companies Limited by Shares, or companies that operate profit-sharing schemes.

   Please note: Social enterprises/CICs registered as companies Limited by Guarantee do not issue shares, however, some Articles of Association may still mention shares because they were adapted from standard templates designed for companies limited by shares. These references are usually irrelevant and should be removed to avoid confusion.

2. **Strong Governance and Transparency**

   The Foundation welcomes applications from organisations that can demonstrate clear leadership oversight of their organisation, with defined roles and responsibilities. We require social enterprises/CICs to have a minimum of three Directors who are not related parties, as defined by company law, to ensure proper governance and good decision-making. We also encourage applying organisations to work towards an independent board and board members where possible, facilitating regular board meetings and documenting decisions.

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Importantly, the Foundation will only fund social enterprises/CICs where all the Directors have equal authority and act collectively, share responsibility and comply with collective decisions. In practice, this means that none of the Directors will be registered with Companies House as a "person with significant control". A clear way to demonstrate this is to register the following statement with Companies House: *"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."*

3. Purpose and Mission

A social enterprise/CIC must be not-for-profit and be genuinely embedded within the community it serves—this is a core legal and operational requirement. To demonstrate this, we might ask you to clearly define the group, section of society, or geographical area that benefits. You should show active engagement with your community through activities such as regular consultations, newsletters, or stakeholder meetings. You are also encouraged to appoint board members or directors from within the community to strengthen accountability, and to work collaboratively with local partners to maximise impact. Your governing document~~s~~ should include and demonstrate:

- A clear social purpose and mission statement
- Transparent impact objectives
- That your company is non-for-profit
- A named Asset Lock
- A minimum of three Directors who are not related parties

4. Financial Health and Accountability

You will need to provide annual accounts for the previous two years when applying for grants with the Foundation. As part of our due diligence, we will review your funding sources, annual expenditure, and reserves (restricted and unrestricted). Companies House micro-accounts often lack the financial detail and transparency required to assess an applicant's financial health. We will therefore likely ask for further information including;

- Where all of your income comes from
- Details of any directors who are employed by the organisation or contracted as freelancers, as well as information about any other directorships they hold
- Details of any director's loans* and their repayment plan
- Details of the Segregation of Duties (SoD) within your organisation
- We also welcome applications from organisations that can demonstrate they have financial controls in place, including the separation of duties (e.g. different people handling approvals and payments)

Please note: We cannot fund newly registered social enterprises or CICs or those that have been trading for less than two years and we also cannot fund start-up costs.

5. Trading

We expect applying social enterprises/CICs, to have an aim of generating income through business activities and not be reliant on grant funding. We would expect you to have a clear business or trading plan in place from the outset and to work towards sustainably generating income through trading or contracts. To be eligible for funding from the Foundation, you should have an ambition of securing at least 50% of income through trading. Social Enterprise UK, note; *"We usually expect that within two years of operating, genuine social enterprises generate more than 50%*

of their income through their own trading activities". If you do not meet these criteria, you may instead be better suited to the status of a Charity and can apply for charity status through the Charity Commission. We will ask you to provide a trading or business plan and we would expect it to include:

- Your business concept
- Information about the services/products you will offer and who will buy them
- Your expected costs and revenue
- A timeline for projected income
- A timed approach to the development of your concept or business idea

Applications for grants towards core running costs will not normally be considered, as these are expected to be funded through trading income.

6. Compliance and Risk

You will be asked to submit comprehensive Safeguarding Policies that are reviewed every 12 months which cover staff, volunteers and service users. You will also be asked to confirm on application that you have an EDI Policy that outlines your commitment to inclusivity and diversity for staff, volunteers, and service users. Details of our requirements as far these policies are concerned can be found on our website.

Should you have any questions about this guidance or if you are unsure if you meet our criteria, you can follow our eligibility quiz or contact a member of our team who would be pleased to discuss this with you.

7. Useful resources and Guidance

- SCF Eligibility Quiz for voluntary, community and faith organisations
- **SCF Eligibility Quiz for Community Interest Companies & Social Enterprises ONLY**
- SCF Budgeting Template
- Business Planning Templates: available from a number of websites including Charity Excellence, NCVO, Community Impact Bucks, Cranfield Trust
- Understanding social enterprise | NCVO
- Setting up a social enterprise - GOV.UK
- Community Interest Companies Guidance - GOV.UK
- Social Enterprise East of England - Starting a Social Enterprise

*A director's loan account in a CIC is when a director puts personal money into the company, often to help with cash flow. Repayment is allowed when the CIC is solvent, as long as it's properly recorded, reflects fair value, doesn't undermine the community purpose, and respects the asset lock. If the CIC is insolvent, directors must prioritise creditors, so repaying yourself can be treated as an unfair preference or undervalue transaction and may later be reversed. Because CICs have an asset lock, any repayment—especially using company assets—must not conflict with the requirement to use assets for community benefit.