



Financing your social enterprise:

If you are setting up a new social enterprise, you will need to think about how to raise money to get started. There are some sources of funding available for social enterprise, but like grants, it is not easy to secure this money.

Sources of funding may take the form of grants, loans or a mixture of the two. Less common for social enterprise is to raise money from investors, which will also depend on adopting an appropriate legal structure for the organisation. Companies limited by guarantee cannot issue shares and cannot have investors.

The first thing you must do is to develop a business plan (see above). You must have a good idea of how your social enterprise is going to work, how it's going to make money, what your start-up costs and ongoing costs are, and your potential for making a profit. Until you have a clear plan, it is difficult to know which kind of funding will be suitable and you are unlikely to convince a funder to invest in you. Keep in mind that it usually takes about 18 months to set up a business or a trading activity (from the beginning) and during the first year, you are unlikely to make any profit.

To find out more about sources of finance for social enterprise, check:

- Community Development Finance Association: useful 'finding finance directory' on its website – good place to start!
- Social Investment Business (includes Social Enterprise Investment Fund, communitybuilders fund and Adventure Capital Fund)
- London Rebuilding Society
- UnLtd (for individuals with a good social enterprise idea)

See 'Resources' for more details.

If your organisation is an existing charity that is developing a new trading activity, trustees may decide to use reserves to fund the activity to start up. If so, it is essential that the board are clear about the amount they are investing and the charity keeps separate financial records for the trading activity.

If the charity decides to set up a separate trading arm, it may want to invest in the start up of the trading activity by making a loan or purchasing shares. If so, it is very important to ensure that the organisation's governing document allows it to make investments, and that the organisation follows the requirements of charity law.