

Welcome

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Enterprise

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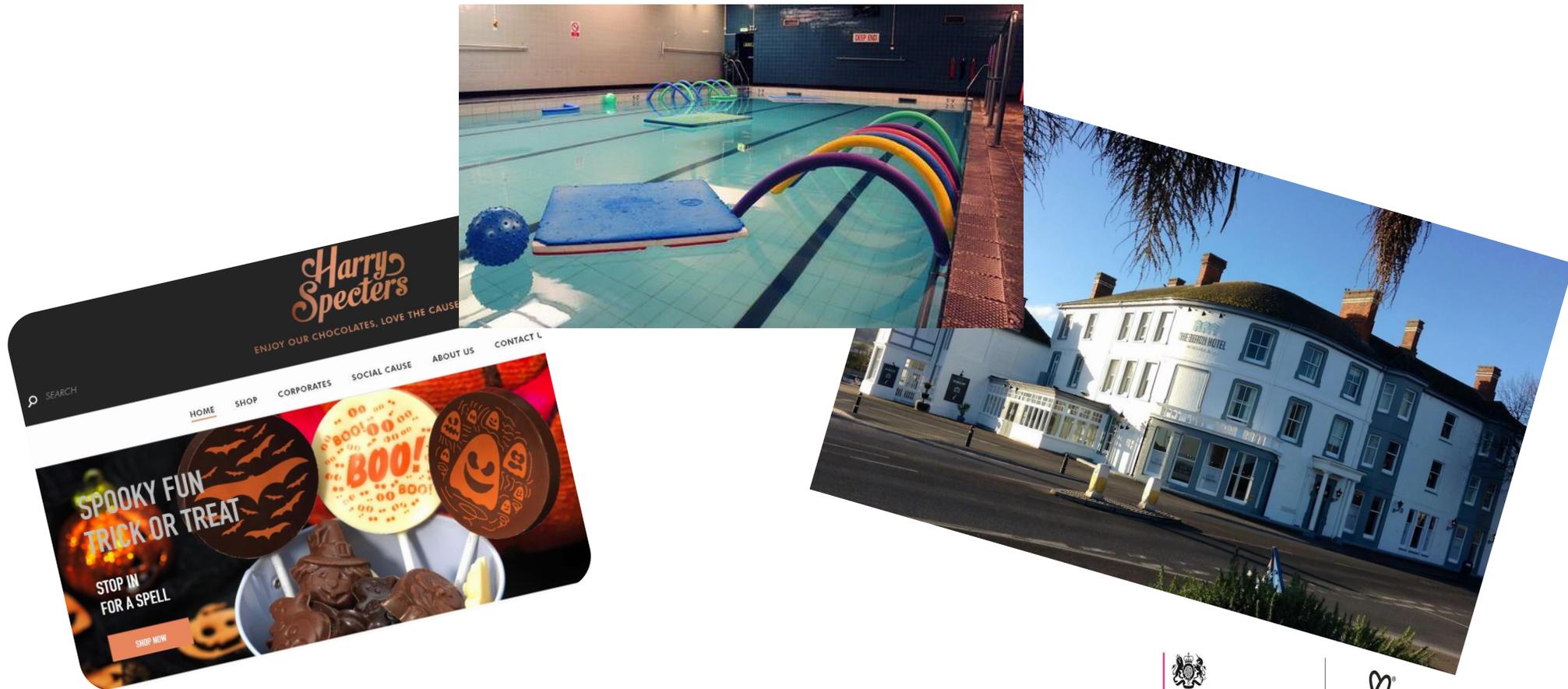


Department for
Digital, Culture
Media & Sport



What are we talking about?

Using trade - the sale of goods and services - to generate profits which will be used to deliver your mission



What are we talking about?

**A business exists to provide the solution to a problem:
to meet a customer need or want in a way that
someone will pay for**



26 MOTORHOME/CARAVAN PITCHES

each with 240V 16A electric hook-up and individual barbecue/awning area.



49 TENT PITCHES

with dedicated communal barbecue area and spectacular views across the hills. (not available until 2020 – we're waiting for the grass to grow)



TOP QUALITY FACILITIES

including: toilets; showers; wash-up/laundry; drying room; chemical toilet disposal; grey water disposal; free wifi; 24h warden.

Motivation

Understand why you want to do it before you start

- It's part of your mission; or may help you help you fulfil your charitable purposes; or meet a local need
- Adding value: match funding, or to supplement grants
- Makes you more attractive to grant funders
- To fund necessary services that nobody wants to give you grants or donations for
- Ability to take risks
- Build up your reserves
- Strengthen your 'core'
- Increased independence
- Diversify income streams
- Operating in a business-like way can be transformative for way the resot of the organisation operates
- May raise your profile

Preparation

- Strategy
- Appetite for risk
- Organisational assessment
 - Culture
 - Capacity
 - Systems
 - Skills
 - Governance
- Stakeholder assessment



Idea generation

- **Think about what you already do**
 - Anything that is income generating?
 - Anything that could be?
 - Be honest about things that will never be enterprises
- **Can you trade something that directly fulfils your mission?**
- **Is there something you could run in a way that fulfils or relates to your mission?**
- **Is there a gap in the market/do you have the skills to set up or take over a business that has nothing to do with your mission?**

Be realistic - the most sustainable businesses come from focusing on what you do best in markets you understand

Ideas: evaluation

Before you start, or make changes, or scale:

- Does it fit with your mission, values and strategy?
 - Do you have the capacity?
 - Any ethical concerns?
 - Do you have the right skills and knowledge or can you find them?
 - Are your systems and processes robust enough?
 - Are you prepared for just how much hard work it can be?
 - Do you understand the risks and are they acceptable to you?
 - Do some 'back of an envelope' calculations add up?
 - Is this idea the best fit/most high worth/likely to succeed?
-
- **Does it stack up??**

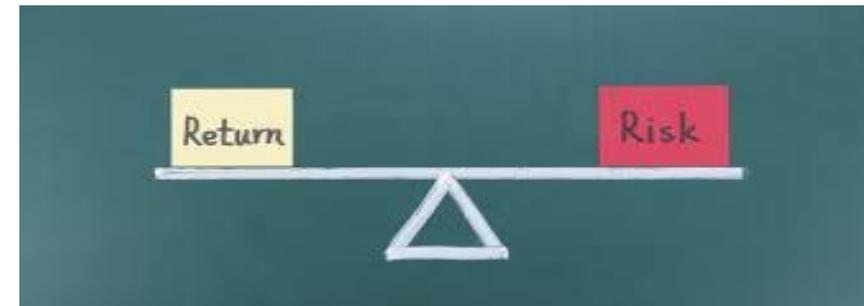
Ideas: testing and exploring

- Would anyone pay for it?
- How much?
- What resources are needed?
- What are the costs?
- Can you sell enough to cover them?
- Who else is doing it?
- Why would people buy from you, not someone else?
- Where are your customers?
- Can you get your product/service to them?
- How will you fund it?



The risks and challenges

- Coming up with a **viable** business idea
- There are no guarantees - you may not make money
- Risk of mission drift - or of too much time spent on the business and not the charity
- It takes time (and therefore resources) to plan and set up
- It's hard work
- It may need different skill sets (and thus people)...
- ...and different mindsets
- Finding (start up/scale up) funding
- Risk averse attitudes
- Culture change



Don't

(famous last words of failed third sector enterprises)

- 10 “After the Ed’s/Jamie/Strada all moved out, we thought it was the perfect place to start a community restaurant...”
- 9 “£5000 seemed like plenty of money for a planning/development process...”
- 8 “But there was such a NEED for an organic grocery...”
- 7 “Our goals were clear: create employment; pay more than living wage; generate £500,000 a year for services; be environmentally friendly; offer personal growth opportunities for employees; be a place neighbourhood kids can come after school...”
- 6 “We are such a great cause, how could anyone not buy from us...”
- 5 “The chair always wanted us to open a T-shirt printing business...”
- 4 “We’re losing a grant - better start a business...”
- 3 “If only we had more money, we’d have done a better job...”
- 2 “But they PROMISED to pay at the end of the month...”
- 1 “But we’re a non-profit, we’re not supposed to make money...”

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Do (being an enterprising organisation)

1. Know your USP
2. Be outward looking and opportunistic
3. Have the confidence to invest in an idea (and be in debt)
4. Strong risk management (but being willing to take risks)
5. Think about and listen to your customers (not just beneficiaries)
6. Be financially savvy
7. Have (and keep) the right skills, knowledge, experience
8. Create the right culture
9. Take business planning seriously (and cautiously delegate) - but remember it's a plan, not a straightjacket
10. Be business like, focused but flexible when necessary

But what could we do...

Provide childcare, make benches, manage office space, teach ICT, support small businesses, cook healthy food, recycle paper, support other community organisations, manage community centres, build, sell and rent out homes, repair and sell bicycles, provide home help schemes for older people, run community transport schemes, consultancy work, run schools for excluded young people, manage parks and play areas, own restaurants and cafes and pizzerias, have festivals & fun days & Dickensian Christmas Fairs, run credit unions, own prisoner of war camps and government nuclear bunkers, afterschool clubs, DJ Workshops, football clubs and pitches, manage Healthy Living Centres, own district heating systems, own/manage swimming pools and gyms, provide wedding and conference facilities, create websites, teach basic skills, run bed and breakfasts, own hotels, lend money, run playschemes, teach construction skills, manage sports facilities, teach catering skills, own radio stations, make soap and bath stuff, manage and own renewable energy schemes, manage grant funding, manage local markets and market halls, install and run CCTV, own and manage shops, leisure centres, manage tourist information centres, manage heritage sites, undertake social audits, own and run pubs and bars, restaurants, cafes and bistros, breweries and distilleries, build and manage BMX tracks, run archaeology survey companies, provide sets for film and television productions, manage allotments, make chocolate (and sell it to Selfridges!), make jam (and sell it to the Co-op) from orchards providing jobs for people with learning disabilities, own hostels, build boats, own or manage sheltered and special need housing, build and run social housing, build and sell executive homes, own abattoirs, provide ferry services, own cinemas and theatres and museums, event management, own security companies, grow and sell food, support people to find work, own and manage harbours and pontoons, deliver high speed broadband, smokehouses, own and run airports, castles and stately homes, crofts and farms, run the Post Office, have a photography and video conversion company, community bulk-buying schemes, make films, deliver dementia care and services, own camping and caravan sites, make soft furnishings, own and run nightclubs, cemeteries and funerals, own driving schools, butchers, bakers and candlestick-makers, greengrocers, own a taxi company, own and manage music venues, own outdoor pursuits centres, soft play and indoor playparks, climbing walls, run an adventure holidays company, print and brand design, upcycle furniture, 3d printing, sell anger management courses, sell mentoring programmes...

Legal matters and tax

Some jargon

Primary purpose trading: trading that is carried on by a charity in the course of carrying out a primary purpose of the charity

Ancillary trading: trading which is ancillary to a charity's purpose, and legally part of its primary purpose trading

Non-primary purpose trading: in practice, this means the trading is carried on for the main or sole purpose of making money

Trading subsidiary: any non-charitable trading company owned by a charity or charities to carry on trade on its/their behalf

Small scale exemption - exempts from tax a charity's trading profits, and some other income, *provided that all relevant income does not exceed a specified threshold*

These do not apply to CICs or non-charitable BenComs

The small scale exemption

Total of all incoming resources in a particular chargeable period of the charity	Maximum permitted annual turnover of the relevant trading in that chargeable period
Under £20,000	£5,000
£20,000 to £200,000	25% of charity's total incoming resources
Over £200,000	£50,000

Doesn't apply to CICs and non-charitable BenComs.

Some (charity) law

Charities may engage in trading even outside of primary purpose

They get a lot of tax advantages compared to commercial companies, including:

- Profits can be exempt from tax - depending on the use the profits are put to
- Some trade activities are exempt from tax
- The small scale exemption applies to non-primary purpose trading

So why bother with a trading subsidiary?

Because:

- the law says you must in order to shield the charity from **significant** risk
- it may reassure boards and stakeholders
- it may be more tax efficient
- it may aid financial and organisational clarity
- It may benefit the trading subsidiary

The charity's interests remain paramount and you must not risk the charity's assets for the trading subsidiary.

But what is trading?

No simple answer

Sometimes selling goods or services is trade, and sometimes it isn't, legally!

Even if the sale of goods, services and property furthers the aims of the charity, it might still be trade (and theoretically taxable) - but remember the small-scale exemption

HMRC will advise on whether something is trade and whether it's primary purpose - check with them

Take expert advice on anything that looks non-primary or a mix of primary and non-primary, or which is high risk



Business Planning



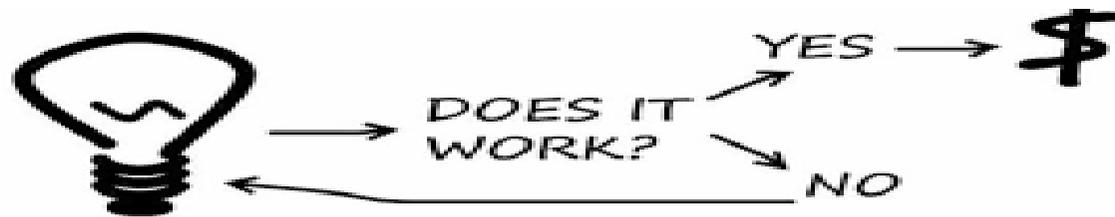
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Why?

- Useful way of pulling everything together for everyone in the organisation who might be involved
 - Aligns everyone towards an agreed goal
- Can help clarify your ideas and making sure you haven't missed anything essential
 - Forces you to take a long hard look at the feasibility/viability of the business
- It's a convenient way of showing funders and investors that your business is likely to be
 - Viable
 - Well managed and governed
 - Profitable
 - Value for money

What?



Business Plan

Executive summary: a snapshot of your business

Company description: describes what you do/what you will sell

Market analysis: market research, market(s) and competitors

Organisation and management: your business and management structure

Service or product: the products or services you're offering

Marketing and sales: how you'll market your business and your sales strategy

Financial information: cashflow, income projections/profit & loss, balance sheet - add notes if needed.

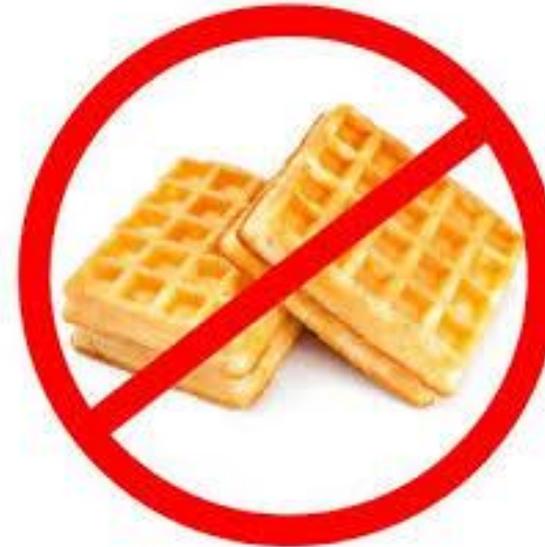
Appendices: CVs, technical specs, etc

Tips

Think about what your readers need to know - don't assume they will know anything about you



Be concise



Be specific – don't waffle



Know your markets

Know your finances



Internal use

Things change quickly

It's both a process and a management tool

It can be useful to have something you can see more easily



Business model canvas (or template)

Business Idea:				
8 Key Partners Who are our key partners and suppliers? What key resources are we acquiring from partners and suppliers? What key activities do partners perform?	6 Key Activities (what are the <u>most important</u> to make this business work?) Production? Distribution? Customer Relationships? Marketing? Other?	2 What and for whom (Value Propositions) What is the product or service? What problem or need is it solving? Who are our competitors and how are we different? Price?	4 Customer Relationships How do we get them? How do we keep them? How do we grow them? (How do we understand them?)	1 Customer Segments Who are our customers? How many? Why will they buy from us? (hint: because we are a good cause isn't the answer)
	7 Key Resources (what assets or resources do you need?) Finance (investment? How much? Where will it come from?) Physical assets (a building? Equipment? Vehicles? Other?) Human (Skills, knowledge, experience? Do you have them? Where will you get them? Can you afford them?)		3 Channels How will we get the product to the customers? Think digital as well as physical – remember different channels need different approaches	
9 Cost Structure (how much does the business cost?) What are the most important costs? Which key resources are most expensive? Which key activities are most expensive?			5 Revenue Streams (how do you make money) For what value (your product or service) are our customers really willing to pay, and how much? What's our strategy to capture this? (eg. direct sales, licensing, subscriptions, adverts, other?) How much will each revenue stream contribute to overall revenues? [You will need research to move this from theory to practice]	

Thank you

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