

Social Enterprise Investment Fund Capital Grant Guidance Notes

These notes have been created to help you in your application to the Social Enterprise Investment Fund (SEIF) Grant Programme. Separate guidance on loan finance from the SEIF is available on our website www.thesocialinvestmentbusiness.org. Alternatively you can call our telephone enquiries line on **0191 269 2276** or email us at info@thesocialinvestmentbusiness.org (Opening Hours: 1000 – 1600 Mon, Tues, Wed and Fri. 1000 – 1300 Thurs).

These guidance notes provide general information about the grants programme and its aims as well as describing the information required to answer each question in the application form. This is set out in the following sections:

1. **Context, Eligibility and How the Process Works**
2. **Application Form Guidance**
3. **Cashflow Forecast Guidance**
4. **State Aid Questions and Answers**

It is important that you refer to these notes when completing the application form and follow the guidance given.

If you have any queries about the application form or how to apply, or if you have any particular communication needs (such as Braille, large print or a hearing impairment) please contact us on **0191 269 2276** or email info@thesocialinvestmentbusiness.org. This document is available on request, in alternative formats to suit different communication needs.

Do not exceed the word limit for questions (where given) as words in excess of these limits will not be considered as part of your application. Please insert your details accurately and complete all the relevant sections of the form. **If you do not answer all of the required questions and / or do not send the required supporting documents your application will not be considered.**

Section 1 - Context, Eligibility and How the Process Works

About the SEIF

The SEIF aims to:

- 1. Support the delivery by social enterprises of innovative health and social care services and products.**
- 2. Provide start-up funding and longer term investment to emerging and existing social enterprises in the health and social care sector with a view to securing their sustainability.**

The Strategic Context

The Coalition Government's White Paper, 'Equity & excellence: Liberating the NHS' (July 2010) sets out a vision for the future of the NHS, rooted in freedom, fairness and responsibility. The Government's ambitions for the NHS are clearly outlined in a set of plans that aims to improve efficiency, cut bureaucracy and generate savings by:

- **Putting patients and public first**
- **Improving healthcare outcomes**
- **Empowering professionals and providers by giving them more autonomy**
- **Strengthening democratic legitimacy at the local level by giving local authorities responsibility for promoting joined up local NHS services, social care and health improvement**

Aim of this grants round

Currently we are seeking applications for grant funding from organisations to meet the costs of capital expenditure which will help them to deliver health and social care services.

We welcome all funding proposals which deliver health and social care projects that meet the SEIF aims and are also particularly interested in proposals that meet the following priorities:

- **Carers' organisations**
- **User-led organisations working with users on personal budgets**
- **Right to Request**
- **Social care spin outs**
- **Dementia**
- **Long term conditions**

Organisations must be able to draw down and spend this funding by the 31st March 2011.

Sustainability

The SEIF aims to help emerging and existing social enterprises in the health and social care sector become sustainable in the longer term. Grant funding will not be provided for capital expenditure relating to pilots or efforts to establish proof of concept. We are seeking to support organisations and proposals that will generate income from sustainable sources in the long term.

Who can apply?

You can apply if you are:

- **an unincorporated association, incorporated association, trust or company and are set up and registered as a charity**
- **an unincorporated association set up as a voluntary or community group**
- **a community interest company**
- **a not for profit company limited by guarantee**
- **a community benefit society**

We will not fund:

- **individuals and sole traders**
- **profit-making organisations**
- **statutory organisations such as schools or local authorities**

We will not normally make grants to organisations that:

- **are applying on behalf of other organisations**
- **are in poor financial health**
- **have not satisfactorily managed investments from us in the past.**

How much can we apply for?

The minimum grant you can apply for is £50,000 and the maximum is £450,000.

Is my proposal eligible?

To be eligible for the grant funding:

- **You have to be a social enterprise according to the Government definition – ‘a business with primarily social objectives whose surpluses are principally invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners’.**
- **Your proposed services have to principally deliver health and / or social care outcomes.**
- **The ultimate beneficiaries of your proposal must be based in England.**
- **You have been unable to secure funding from a commercial funder or are unable to fund the proposal from your organisation’s unrestricted reserves.**
- **Your proposal is, or is working towards being, sustainable in the longer term. We are not seeking to fund pilots or time limited initiatives or attempts to establish proof of concept.**
- **Your proposal must help meet the aims of the SEIF.**
- **If you are successful in your application for a grant you must be able to accept the offer of funding by the 31st January 2011. Any offers not accepted by this date will be withdrawn.**
- **You must be able to draw down and spend all agreed funding by the 31st March 2011. Any funding that cannot be evidenced as having been spent by that date will be withdrawn.**

What can I use the SEIF funding for?

Grant funding is only available for capital expenditure. Examples of the types of expenditure that qualify are :

- **Property or land purchase**
- **Some fees relating to capital projects including solicitors, architects and surveyors**
- **Property renovations and refurbishments**
- **Purchase of vehicles**
- **Equipment for delivery of services e.g. fixtures and fittings**
- **IT equipment**

We are unable to fund revenue expenditure such as:

- **Salaries**
- **General running costs**
- **Business planning costs**
- **Project management costs**
- **Loan repayments**

About the application process and timetable

The table below sets out what you need to do at each stage of the process and the deadlines that apply:

What you need to do	What we will do
<ul style="list-style-type: none">• Read the guidance and check that you meet the eligibility for funding by completing the online checklist• Complete the application form referring to the guidance notes and send it to us at applications@seif.org.uk along with all the supporting documents requested by 12pm on 1st November 2010	<ul style="list-style-type: none">• Acknowledge receipt of your application form within 5 working days• Let you know the outcome by 10th January 2011 at the latest• If we award you a grant we will send you an offer letter
<ul style="list-style-type: none">• Sign and return your offer letter along with a board resolution accepting the offer by 31st January 2011 at the latest• Submit the required evidence of spend for your agreed funding by 21st March 2011 in order to ensure payment can be made by 31st March 2011• Start your project• Send us any monitoring information you have agreed to provide within the timescales stated• Spend the grant in the agreed way and within the agreed timescales	

How to apply

To apply for the SEIF grants you must submit a completed application form and the mandatory supporting documents. These are:

- **Three years audited (where applicable) accounts. If you have been operating for less than three years then please provide any audited (where applicable) accounts that you have for the period for which you have been operating.**
- **Signed certificate of incorporation (if applicable).**
- **Signed Memorandum and Articles of Association.**
- **Completed cashflow template – please use the template at <http://www.thesocialinvestmentbusiness.org/index.php?id=427> and ensure you follow the guidance found in section 3 of this document.**

Please submit your completed application form by using the submit button at the bottom of the form and enter your email address and name where requested. All applications and supporting documents must arrive by 12 noon 1st November 2010. We will confirm receipt within five working days. Please make sure you **only** submit the supporting documents requested, no other documents will be considered.

Supporting documents must be submitted to applications@seif.org.uk from the same email address that you enter when you submit your application form. These documents must be received on the same day as we receive your application form. Only electronic copies of supporting documents will be accepted. Please insert your organisation name in the subject line of your email. Emails with attachments over 10mb in size will not be received so please ensure that supporting documents are sent on more than one email where necessary.

How your application will be assessed

Once we receive your application we will carry out the steps outlined below. If you fail to meet the requirements at any of these stages your application will be rejected and no further assessment will take place:

- **Initial check to ensure that the form has been completed and we have received the required supporting documents.**
- **First stage validation and confirmation of eligibility to ensure that your organisation, project and costs meet the programme requirements.**
- **Second stage scoring to establish how strongly you meet the criteria of the fund in relation to other applications we receive. We may make contact with you by phone at this stage.**
- **Further due diligence checks focussing on areas such as State Aid.**
- **The SEIF investment committee decision.**

Bankability and being able to fund the project yourself

The SEIF will not fund proposals that are able to access commercial finance, or which could be funded from available reserves. Simply having sought and been unable to access finance from commercial lenders is in itself not a sufficient test of this requirement, although these responses can prove useful and we may ask you to provide them as evidence. We will carry out our own assessment of a project's bankability and we will therefore share an anonymised summary of all the applications we receive to a panel of approved commercial funders. If you do not want us to share your details in this way please do not apply.

Organisations that should be able to access commercial finance or self fund would typically have:

- **high levels of unrestricted reserves**
- **generate large surpluses that could be used to repay a loan**

Specifically for Start Up organisations the following factors would indicate bankability:

- **a 50% or more contribution to total costs from borrower**
- **security available – for property typically a commercial lender would be able to provide funding if the request is for 70-80% of the open market value for purchase.**
- **security of income – i.e. contracts signed, payment terms acceptable**

For established organisations the following would indicate bankability:

- **track record (previous borrowing, account performance) – 3 years history**
- **solid, certain cashflow**
- **security available (as above)**

State Aid

State Aid is about the distortion of competition between any organisations involved in economic activity across member states of the European Union. The State Aid rule is that no governmental body can give financial or competitive advantage to entities within their member state unless certain exemptions apply. As a distributor of public funds, investments made by The Social Investment Business are subject to the guidelines and limitations surrounding aid.

More detailed information on State Aid in a question and answer format is provided in section 4 of this guidance. Please read through all of the questions and answers before attempting to complete your answers to the State Aid questions on the application form.

If you are offered a grant

Acceptance

If you are successful in your application for a grant you will be required to accept the offer of funding by the 31st January 2011. **Any offers not accepted by this date will be withdrawn.**

To accept our offer you must sign both copies of our offer letter and terms and conditions, returning one copy to us and keeping the other for your records.

If you are a company you must send us a certified copy of a Board resolution accepting the grant offer and authorising specific individuals to sign the Offer Letter. We can provide a sample Board resolution to successful applicants on request.

If you are an unincorporated association or trust, you must send us a certified copy of the minutes of your Management Committee meeting detailing the acceptance of the grant offer and authorising specific individuals to sign the Offer Letter.

In addition, we will require an original bank statement (less than 3 months old) for the account into which payment of the grant will be made. This account must be in the legal name of your organisation. We will copy it and return it to you.

As well as this general documentation we may require other evidence as specific pre-conditions relating to your grant and this must be provided before the drawdown of funds. For example, we would require evidence that any necessary planning permissions are in place and confirmation that any other funding that the proposal is reliant upon is secure. In addition, depending on individual circumstances we may seek to take a legal charge over any assets which grant money is used to acquire or develop.

Drawdown

When you have fulfilled your pre-conditions you can then start to draw down the money.

All agreed grant funding must be drawn and spent by the 31st March 2011. To allow us necessary time to process payments we will require all drawdown requests and supporting evidence to be submitted by the 21st March 2011. Any funding that cannot be evidenced as having been spent on the approved purpose by that date will be withdrawn.

We will need to see evidence of actual or proposed expenditure before we can make a payment. For building work, unless otherwise agreed, we will make payments on the submission of architects' certificates. For property or land purchases we will pay funds to your solicitors to be released on exchange of contracts.

If your grant is for equipment or other assets we will release grant funding against invoices or quotes.

A Drawdown Request form will be included with your offer letter. When you are ready to drawdown the money please complete this form, attach any evidence requested and ensure it is signed by someone who is authorised by the Board Resolution / Management Committee minutes before submission to us.

Funds will be transferred to your bank account within 6 to 10 working days after the receipt of your Drawdown Request form. You will receive a Remittance Advice by post informing you that payment has been made.

Monitoring

It is a condition of any grant awarded that grant recipients must submit information relating to expenditure, achievement of objectives and any other subject related to the grant so that we may monitor the impact of the SEIF funding.

What is monitoring?

Monitoring involves gathering information about your progress. The information is used to check that you are running the activities you had planned and that your proposal is making the difference you had expected.

Why monitor?

The SEIF funding is public money and we have a duty to demonstrate that it is being used effectively. We must monitor the projects we fund to make sure that they are meeting the conditions of funding, delivering the services agreed and achieving the financial and any other targets expected. The information you give us from your monitoring will also help us and the wider civil society to learn about what works.

We do not use monitoring information to catch you out. We know that planning ahead can be difficult and proposals may not always go to plan. If we know what is happening we can support you to deal with any problems. However if you do not spend the funding provided as agreed you may be asked to repay it.

We monitor grants in different ways depending on the project being funded and we will outline our requirements at the time of offer. Our monitoring may include:

- **Progress towards outcomes**
- **Progress on winning contracts**
- **Current service delivery activities**
- **Numbers of people - clients or customers - served**
- **Actual financial performance against budgets and explanation of any significant variances**

If you are unsuccessful in your grant application

We anticipate that we will receive a large volume of applications for The SEIF grant programme and as a result the majority of applications will be unsuccessful. However, where we identify unsuccessful grant applications that may be eligible for funding from the main SEIF programme (or any of the other funds managed by The Social Investment Business), we will contact you to further discuss this further.

Section 2 - Application Form Guidance

Initial Checklist

1. Are you a social enterprise primarily providing or seeking to primarily provide health and / or social care services?

You should be a social enterprise according to the Government definition – ‘a business with primarily social objectives whose surpluses are principally invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners’

The SEIF can only provide funding for organisations that provide, or are seeking to provide, health and social care services.

2. Are your services being delivered primarily to people living in England?

The SEIF is only open to those organisations where the majority of beneficiaries of the services being funded are living in England.

3. Are you able to drawdown and provide evidence of spend for all the funding requested by the 31st March 2011?

This round of grants is from our 2010-11 budget and under HM Treasury ‘annuality’ practise must be distributed and spent by the end of the financial year.

4. Has your project been agreed by your board and would they be able to accept any grant offer by the 31st January 2011?

Our aim is to provide funding to organisations and proposals that will be sustainable in the longer term; a key aspect of this is that the planned project should fit with the strategy of your organisation as set by your board / non-executive Directors.

5. Are you unable to access commercial funding for this proposal or fund it from your own reserves?

The SEIF will not fund proposals that are able to access commercial finance, or which could be funded from available reserves.

6. About your organisation

We need full details of the organisation requesting the grant so that we can carry out due diligence checks.

7. Who is the main contact for your organisation?

This should be the key person involved in your proposal and grant application. They should be able to talk about your proposal in detail and be able to supply contact details for someone who has expertise on specific areas, if required. It is very important to us that you provide the correct postcode, email and phone number.

We expect to be able to reach the main contact at the main address, and at the phone number quoted in the application form during the working day. If the address where you are based is different from your registered address, please ensure you provide these details as well.

Please let us know if the main contact has any particular communication needs. We use email for communication for environmental reasons. If this will cause problems please tell us your preferred alternative. It is very important that your e-mail addresses are correct and that your email account is active and checked regularly.

About your organisation's proposal

8. Please summarise the proposal covering its aims, the target beneficiaries or users, the type of service / product to be delivered and outcomes that will be delivered as a result.

Please provide a clear, concise summary of the proposal containing all the essential information. You should describe the sector, the organisations / people you work with, the service or product you will be delivering and illustrate your capacity to deliver the proposed outputs and outcomes.

Essentially – what you want to do, who with, how and what difference it will make.

9. Please describe how the planned services / products will be delivered including how they will make a significant improvement on what is already available, how you have identified the need / demand and how you will ensure quality.

This is an opportunity to expand on how the planned services or products will be delivered, why it is needed, how the plans have been developed, how you identified need / demand and how you will ensure you deliver a good service.

10. If your proposal is innovative, please describe:

- i) How it will deliver a product or a service that is new or different, describing any significant differences between the planned and the current.
- ii) Whether the project will deliver cash savings by changing how care is delivered or conditions managed, rather than through efficiencies alone.

The SEIF is about encouraging innovation although this is not a criterion for funding. Innovation results in significant change that makes a large difference in performance. This could be through the creation of new ideas or the adaptation of proven ideas from elsewhere. Innovation can take many forms whether this is about the improvement of services, new technology, new information systems or new workforce practices.

It can be happen through an incremental series of changes that builds over time or a step change that quickly transforms a process or system. Innovation is often focused on driving growth and increasing productivity.

If your project is innovative please provide details. To be innovative, whether in relation to a service or a product an idea must be new, economically viable, have widespread appeal and provide a better solution to what already exists.

11. Please describe your experience of working with the proposed beneficiaries and your track record delivering these services.

We expect your organisation or the key people involved in your proposal to have a successful track in the delivery of the proposed services and of working with the proposed beneficiaries.

Funding required

12. How much funding are you applying for?

This should be a minimum of £50,000 and a maximum of £450,000.

13. Are you seeking the full project costs from The Social Investment Business?

14. If no, please complete the table below outlining other funders including any contributions you are making from your own reserves.

Please tell us if your proposal is reliant on other sources of funding or if the SEIF is the only proposed source of funding. Please ensure you also include any funding you intend to use from your organisation's reserves in this table. **We are happy to provide funding alongside other organisations but you must provide evidence of secured funding before we make a formal offer.**

State Aid

15. Is this grant going to enable your organisation to provide statutory services? (i.e. statutory services are ones which the state is legally required to provide and has contracted out to your organisation to deliver on its behalf. Examples of statutory services include but are not limited to: schooling for under 16s; health and social care for wards of the state; statutory services for offenders during imprisonment).
16. If yes, what percentage of your income will be derived from statutory services?
17. Who are your potential competitors for the services you provide?
18. Please list all of the grants (not part of a contract or service level agreement) you have received/expect to receive from a public body between 1 Jan 2008 and 31 Dec 2010?

Please see Section 4 of this guidance for full details about State Aid. Any public money distributed by The Social Investment Business is subject to the guidelines and limitations surrounding State Aid. These questions allow us to carry out an initial assessment of the likelihood that a grant would contravene State Aid rules. We will carry out more detailed due diligence on this before we make a formal offer and are likely to require documentary evidence.

About your management and governance

- 19. Please give details of your Trustee Board / Board of Directors and Senior Managers / Key Staff including their skills and experience and how they engage with the organisation and its beneficiaries. Please ensure you include staff members with key responsibility for financial management.**

A key objective of the SEIF is to provide funding for organisations and services that are sustainable, or moving towards sustainability. From our experience a key success factor is the trustee body. The trustee body / Board of Directors should have the right balance of skills and experience to lead the organisation, ensure operational effectiveness and act in the best interests of the organisation and its beneficiaries. In addition, leadership and staff should have the appropriate skills, knowledge, qualifications and experience to deliver the organisation's vision and mission.

The need for your organisation's proposal.

- 20. Please explain how your project aligns with Department of Health overall priorities and policies.**

The SEIF is managed by The Social Investment Business on behalf of the Department of Health and applications should therefore demonstrate an understanding of the Department of Health's overall priorities and how their project aligns with these.

- 21. Please describe the systems you have in place to monitor and evaluate the outcomes from your services.**

As a responsible social investor we have to measure the impact of our funding and to learn from the experiences of the projects we fund.

- 22. Will the requested grant allow your organisation to secure its first public sector contracts valued at £50,000 or more for health and social care delivery?**

- 23. If yes, please provide details of commissioners, description of potential contracts, values and dates / timescales.**

The SEIF aims to support delivery by social enterprises of innovative health and social care services and products and a key element of this is encouraging new providers into the health and social care market, as well as encouraging step changes in growth for established social enterprises. As a result we aim to support organisations with no previous track record of delivering public sector contracts in this area.

Please ensure that income from these public sector contracts are described and clearly identified separately in your three year cash flow statement which can be downloaded along with the application form.

- 24. Please describe how the requested grant will allow you to increase the value of your earned income from contracts (public, private or third sector) to deliver health and social care services. Where possible provide details of commissioners, description of potential contracts, values and dates / timescales.**

The SEIF aims to provide funding that helps organisations become sustainable in the longer term. Key to this is helping organisations to increase earned income from the delivery of longer term contracts.

Please ensure that this earned income from health and social care contracts is described and clearly identified separately in your three year cash flow statement. This can be downloaded along with the application form.

Your organisation's financial situation

25. Please complete the summary table below of your organisation's performance over the last three financial years for which you have accounts that have been approved by your board.

The SEIF will only fund organisations that are solvent and in a position to continue to successfully deliver services over the longer term. It is therefore essential that we assess your organisation's financial position, both in terms of income and expenditure and the balance sheet position. To be successful in your application you should demonstrate your solvency as well as your capacity to generate surpluses.

26. Describe how your organisation generates its income (including details of main sources), how you ensure this is sustainable and how this proposal will help you to become sustainable or to increase your sustainability.

You should be working towards a diversified and secure income base and be able to demonstrate a sound financial base. The demand for your services from purchasers / commissioners is a crucial element of this and you should be able to provide evidence of contracts and or commitments to purchase. Your application should outline how a grant would help increase the sustainability of your organisation.

Please ensure that the information provided in this section relates clearly to the three year cash flow statement which can be downloaded along with the application form. The cashflow projections that you provide should be for your whole organisation, not just for the proposal you are seeking funding for.

Please see the guidance provided on completing the cashflow template. Both are available to download.

Bankability

27. Please describe why this proposal cannot be funded through a commercial loan or through your own reserves.

The SEIF will not fund proposals that are able to access commercial finance, or which could be funded from within available unrestricted reserves. Please ensure that you provide any reasons given by commercial funders for rejecting your requests.

28. Please list any commercial funders (e.g. banks) that you approached regarding this proposal, whether they have offered funding and any cases where a decision is still pending.

Where you have sought commercial funding for your proposal please provide details. Please list names of the funders, finance requested and responses received. Please state if the decision is still pending and the date of the expected decision. Please note we will not issue a formal offer until we have received confirmation that all of the necessary funding is secured.

What the grant will be spent on

29. Please provide a breakdown of spend to be covered by the grant requested in your application.

The expenditure breakdown should provide a reasonable level of detail, covering the principal items / areas of expenditure and should not exceed the 10 rows provided in the table.

30. Please give details of how these costs were calculated?

It is important that the funding requested is the correct amount to cover expected costs. As a result we require details of how these costs were calculated so that we can assess whether they are realistic figures. Please ensure you outline who was responsible for preparing these costings.

For capital developments or building works

31. Do you have the necessary planning consent in place or do you expect it to be secured by 31st January 2011?

The SEIF 2010-11 programme has a compact operational timescale. HM Treasury rules are clear that the SEIF funding must be allocated and spent by 31 March 2011. Therefore any applications for capital developments must have taken the necessary steps to secure planning consent by 31st January 2011. This is the latest date that will allow sufficient time for the planned expenditure.

32. Please describe the planning you have undertaken for this capital development, what stage of development your plan has reached and how you ensure / have ensured best value for money for the planned works.

For significant expenditure you must be able to outline the steps you have taken to develop your submitted proposal.

33. Please describe how you will manage the capital project and the skills and experience of the people involved.

The successful completion of capital projects, particularly property projects, requires project management skills and experience and you should ensure that your proposal reflects this. It is important to demonstrate that your organisation has planned to ensure you have the necessary skills and capacity to complete the project on time and on budget. Please ensure you detail how you would fund the cost of any overruns.

For property or land purchases

34. Have you identified a property and plan to both exchange contracts and complete the purchase before the 31st March date?

The SEIF 2010-11 programme has a compact operational timescale. HM Treasury rules are clear that the SEIF funding must be allocated and spent by 31 March 2011. All organisations requesting funding for property purchases must therefore plan to complete the purchase by 31st March 2011. The SEIF funding will not be approved for completion dates beyond 31 March 2011.

35. Please describe the options you have considered for this purchase and details of any professional advice you have taken.

You must be able to outline the steps you have taken to ensure the purchase is the right option for your organisation.

36. Have you had a surveyor's report or valuation undertaken on the property within the last 12 months?

You must provide an up to date surveyor's or valuation report before any SEIF funding may be drawdown for a property purchase or refurbishment.

For asset purchases

37. Please describe the options you have considered for this asset purchase and how you will ensure / have ensured value for money.

You must be able to outline the steps you have taken to develop the submitted proposal including how you obtained value for money.

38. Have you identified a supplier and will you be able to complete the asset purchase before the 31st March 2011?

The SEIF 2010-11 programme has a compact operational timescale. HM Treasury rules are clear that the SEIF funding must be allocated and spent by 31 March 2011. All organisations requesting funding for asset purchases must therefore plan to complete the purchase by 31st March 2011. The SEIF funding will not be approved for completion dates beyond 31 March 2011.

Previous Applications

39. Have you previously applied for / are you currently applying for funding from The Social Investment Business?

40. If so, please specify which fund.

Whether you have previously applied to The Social Investment Business for funding will not in itself influence on our decision. However, this information allows us to deal with your application in the most efficient manner and use any existing knowledge we may have about you as an organisation.

Declaration

Please read this declaration carefully before submitting your application and ensure that you are happy to agree to it as a representative of your organisation.

Supporting Documents

The following supporting documents are mandatory and must be submitted on the same day as your application form. A failure to do this means that your application will not be considered –

- **Signed certificate of incorporation (if applicable)**
- **Signed Memorandum and Articles of Association**

We need copies of your Governing Documents to ensure that your proposal is in line with your organisation's objectives and as part of our process of verifying that your organisation exists.

- **Completed cashflow template**

The SEIF aims to help emerging and existing social enterprises in the health and social care sector become sustainable in longer term. A three year cashflow forecast is essential for us to assess whether the organisation and proposals will generate income from sustainable sources in the long term.

Please complete the cashflow template and accompanying narrative for the whole organisation and provide a breakdown of income and expenditure. More detailed guidance is included in section 3 of this document.

- **Latest three years audited accounts**

Please submit copies of your audited accounts for the last three years. If you have been operating for less than three years then please provide any audited accounts that you have for the period for which you have been operating. If you are exempt from audit please submit your accounts in the format you produce them. Please ensure you **only** submit the supporting documents requested, no other documents will be considered.

Section 3 - Cashflow Forecast Guidance

Cashflow Guidance

The cashflow forecast you submit should be used to demonstrate how your organisation is working towards a diversified and secure income base. Projections should clearly relate to any historical financial information you have provided and should be sufficiently detailed to allow it to be matched against the narrative you have provided in the application form. Please ensure that in the application form you identify income in projections that is secured and that which is unsecured.

It is crucial that you provide a realistic picture of income and expenditure growth, timing of income and profitability. For example, if you are projecting that your income will grow by 50% over two years from new contracts we would expect a corresponding increase in expenditure as you increase your capacity to deliver these contracts.

Please ensure you use the template provided. **If you submit a cashflow forecast in other formats it will not be accepted and it will mean your application will not be considered.**

How to use the template

Please ensure you enter the name of your organisation in cell B1. The opening balance (the amount of cash your organisation had prior to the start of the cashflow) must be entered into cell B5 of Year 1. This should correspond to the figure in your audited accounts or management accounts for 2009/10 so that we can assess whether the amount of cash shown is accurate.

You should use the template to show figures for three years. Year 1 of the template should show figures for the 2010/11 financial year. Figures for April 2010 to September 2010 should be actual income and expenditure taken from your management accounts. October 2010 to March 2011 should forecast cashflow. Rows 30 and 31 should be used to show the timing of the SEIF Capital Grant income and expenditure you are applying for. Rows 32 and 33 should be used to show other capital income and expenditure relating to the proposal.

Year 2 of the template (on the second worksheet) should be a month by month forecast of income and expenditure for the 2011/12 financial year. The Year 1 sheet contains summary columns which will be automatically populated once you have completed the Year 2 forecast. Annual figures for Year 3 (2012/13) will need to input in column P on the first worksheet.

In order for us to be able to assess your application it is essential that you provide a breakdown of income and expenditure. This should allow us to match these lines with the narrative provided in your application form. For example, if in your application form you have said you will win a new contract to deliver care services, please ensure this is easily identifiable in your cashflow projection.

Section 4 - State Aid Questions and Answers

How do you determine if State Aid applies to my case?

When we receive an application for a grant, we first apply the State Aid tests which ask about the presence of economic activity and whether there is potential for European competition. Because the bar for potential competition has been set quite low and because groups have to be engaging or about to engage in enterprise there is almost always economic activity in eligible applications to The Social Investment Business.

Next we try to understand what exemptions can be applied to the case. There are a handful of exemptions that we may be able to apply. Each case has to be looked at individually but if an exemption applies it usually means that previous aid is not a consideration and there will be no limitations on an investment from The Social Investment Business from an aid perspective.

If no exemptions apply, we must structure our investment to fall under the de minimis exemption which states that no one organisation can receive more than €200,000 of aid in a three year period. If you are successful in your application your offer letter from The Social Investment Business will state how much of your investment is considered aid and you may be asked to share this documentation with future public funders.

I doubt anyone from Europe is doing the same thing as my organisation. Why do we need to worry about this?

At present the bar for assessing potential has been set quite low and so the question we have to ask is not 'would a European entity be in competition?' but 'could a European entity set up a business in competition?' The competitive context doesn't have to exist it just has to have the potential to exist.

I've heard that organisations who are delivering statutory services can get an exemption. Isn't everything the third sector does statutory?

There is a context in which aid to support statutory services such as hospitals and schools can be considered exempt. In the State Aid sense 'statutory' refers to services for beneficiaries who have 'looked after' status from the state. For example:

- **current prisoners**
- **schooling for under 16s**
- **wards of the state**

Because statutory is sometimes used colloquially to mean public services of any kind, there can be some confusion. While many services that our investees are involved in are of public benefit, they are not part of a legal obligation of the state to provide them. Therefore, we cannot use the exemption. While we are familiar with most of the statutory areas, if there is any question we ask the local authority or other relevant body to verify that the service involves a statutory obligation.

I've heard you can get £500,000 at any one time. Is that correct?

The de minimis exemption sets the three year maximum for aid at €200,000 per organisation. Until December 2010, there is a temporary framework in place to allow up to €500,000 over a three year period. That amount is total aid and cannot be aggregated with de minimis aid. These thresholds are in place for each company with a registered number. For example, companies that are part of a group can each have their own aid threshold. State Aid should always be calculated and expressed in Euros.

What will you need to ask for to assess State Aid on my case?

If we determine that State Aid applies to your case, we will need to know how much aid you have received from public bodies in the last three financial years. When you receive State Aid, the relevant public body will issue a statement documenting the aid associated with each individual investment in your organization and / or any exemptions involved. We will ask to see any such letters you have received as well as an accounting of all publically funded support in the last three years. It is extremely important that you report this support accurately and we will ask you to make a declaration to that effect.

What constitutes 'publically funded support'?

It includes non-exempt grants, subsidies or financial considerations from the public purse or any other organisation disbursing funds on behalf of the state. This includes but is not limited to Lottery funding, Arts Council funding, Section 64 funding, grants from the Local Authority, business support from a public entity such as Business Link, tax rebates not available to all businesses and all investments from The Social Investment Business.

Why can't I just find out my State Aid status before applying for funding?

We can really only understand the context of your business activities once you've applied. We will need to look at the nature of your trading activities to determine if any exemptions currently apply or were applicable in the past. We may need to look at your previous sources of public support. This involves sharing your financial records with us and some due diligence work we will carry out. You could always seek legal advice if you have questions about the status of your organisation before you apply and we may encourage you to get independent advice in some situations.

What do I do if I disagree with the assessment of aid on my case?

There is at present a lack of case law on State Aid and so every decision represents our assessment of the case against the most up to date guidelines set by the European Union and the Department of Business innovations and Skills (BIS) here in the UK. As a steward of public funds and an engaged investor, it is our duty to follow those guidelines in order to protect your organisation and ours from a State Aid challenge. If you do not understand the decision taken regarding aid on your case, you can ask us for clarification. If at any time something in your situation changes or a new piece of information comes to light, you should inform us immediately.

If my organisation has received income from a contract with a Local Authority is that State Aid?

No. If you had a contract or a service level agreement for work preformed and this was commissioned through a competitive procurement process, it is not aid it is earned income.

I've never had to think about State Aid before and always thought my organisation's activities were exempt because of the social benefit. Why do I have to worry about it now?

State Aid is a new topic to the majority of our customers. We typically begin to work with organisations at the point where they might have previously been involved in solely charitable activities (generally not subject to aid rules as not 'economic enough' to pass the State Aid tests) but are interested in expanding their activities into commercial ones.

As they move into trading, their activities become subject to the rules of European competition, even though they have not yet begun to think of themselves as a commercial actor. Past grants and subsidies that were initially considered 'legal' may sometimes become relevant to the aid assessment.

What would happen if my organisation received 'illegal' aid?

The distributor of funds may be required to 'claw back' the monies and any interest from the recipient.

Where can I learn more about State Aid?

You can consult the Department of Business Innovation and Skills (BIS) which is the authority on State Aid within the UK. Their State Aid reference page can be found on their website. Could we provide the website address here?

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