

# **Social Firm Start Up**

## **Case Study 1**

### **Background**

The Youthstart Project is based in a major city.

Youthstart offer a range of services to young people with mental health problems and has a good track record of service delivery in terms of drop-in, counselling support, groupwork and health promotion. The core funding of the organisation is secure. They are also involved in the local mental health forum and have a very good reputation for networking.

The manager of Youthstart is relatively new to the organisation and has not worked in the city before. She has a dynamic reputation for establishing innovative projects in her previous employment and was recruited to Youthstart with the remit to expand the organisation and take it to the “next level.”

Youthstart has 8 full-time staff and a voluntary management committee. It is a registered charity and company limited by guarantee.

### **Development Process**

The new manager has been at a conference on social firms and is keen on the idea. The council has also started to look at whether they can turn a number of their current grant funded projects into social enterprises.

A Working Group involving officials from the council, staff from Youthstart, a representative from the mental health forum, representatives from local employers and the local employment agency is established. One of the aims of this group is to draw in other stakeholders through the development.

During the initial meetings it was identified that several large employers are interested in employing young people with a disadvantage and that government funding is available to support initiatives in this area.

One of the large employers agrees to put staff and financial resources (£2,000 donation) into the initiative and at another meeting the business idea of running a café is adopted.

The organisation involved have no expertise in running social firms but can see some potential in the idea. Further meetings lead to a name for the café being adopted (Food for Thought) and the main marketing/selling strategy is to target tourists who use the area. It is also identified that the café could be a Healthy Living Centre.

A survey of the Youthstart service users indicates that there is a high level of interest in working within the business and using it as a stepping stone for moving into employment.

It is agreed that the café is used as a training project for young people who can move into employment within the large employers locally.

The manager writes up a business plan to secure the development funding from the council. There is a deadline approaching for this funding and the £5,000 will be lost otherwise. There is also the possibility of securing a further £5,000 development funding from a national social firm support agency. The business plan will also be used to take to the 'Employment' partnership to secure funding and to provide the basis for an ESF application for additional funding.

### **Social Firm Support**

At this point there is a discussion about the legal status of the new social firm. This point is raised by one of the voluntary Trustees of Youthstart who is concerned about the trading activities of the business and whether this will affect the charitable status of the organisation.

No-one on the Working Group is clear about this and it is suggested by one of the new partners that the Working Group seek business advice from the national social firm development agency.

### **Task**

You are the development worker from the social firm development agency. You have had an initial meeting with the manager and the above information has been provided as part of the assessment.

1. Using the Social Firm Start-up Process work out where on this process that Youthstart is.
2. a) Identify what you believe are the positive aspects of the development process so far.  
b) Identify the key issues that Youthstart has to address to proceed with starting up a new social firm.
3. Identify the potential sources of funding or support that might be available to assist Youthstart to develop this social firm.
4. Within the group agree 5 key factors that you believe are 'best practice' in terms of social firm start-up.