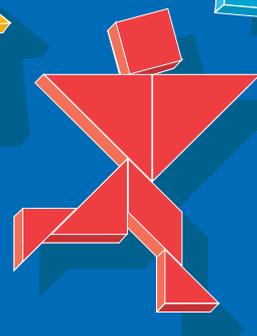
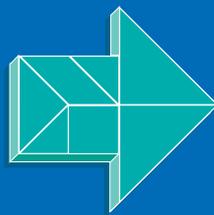


# Fit for purpose:

the Development Trusts Association healthcheck  
for community enterprise organisations



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# Introduction

Community enterprises break new ground in bringing change to their communities. In order to help community enterprises, and organisations wanting to become community enterprises, become effective and resilient organisations, the Development Trusts Association has built a tool that checks whether the organisational building blocks are in place for success.

This tool, the Development Trusts Association healthcheck for community enterprise organisations, comprises this booklet as well as associated support and assistance that can be accessed via the Development Trusts Association website: [www.dta.org.uk/fitforpurpose](http://www.dta.org.uk/fitforpurpose). It is for new and emerging organisations that want to become a community enterprise, or with more established organisations wishing to re-invent themselves as a community enterprise. The tool looks at the key elements of the organisation's work and structure: its activities, sustainability, partnership working, community ownership and ability to determine its own future. This enables an assessment as to whether the organisation is well placed to deliver successful community enterprise. The Development Trusts Association healthcheck has been endorsed by the Small Firms Enterprise Development Initiative (SFEDI).

**The Development Trusts Association also offers related tools and services, including a diagnostic and support package for specific business ideas, and a pack for community enterprise business planning. Please see our website [www.dta.org.uk/productsandservices](http://www.dta.org.uk/productsandservices)**

**For further information on the Development Trusts Association healthcheck or our other community enterprise support services, please contact our Member Services staff on 0845 458 8336 or contact staff in your region. To discuss using the Development Trusts Association healthcheck with a member of our Regional Team please go to our Regional Contact page at [www.dta.org.uk/contactus/regionalcontacts](http://www.dta.org.uk/contactus/regionalcontacts)**

# What is the Development Trusts Association healthcheck for community enterprise organisations?

The Development Trusts Association healthcheck is a diagnostic tool to help a new or developing community enterprise in assessing its strengths and areas for improvement against key criteria. The Development Trusts Association healthcheck comprises this booklet and associated support.

## **Why use the Development Trusts Association healthcheck?**

The Development Trusts Association healthcheck is designed to:

- ▶ examine the organisational foundations necessary for a successful community enterprise
- ▶ highlight areas of achievement and those with room for improvement
- ▶ provide a report on the health of the organisation
- ▶ identify the organisation's support needs
- ▶ provide an action plan to clarify how to move forward

# What do we mean by community enterprise?

Our definition of a community enterprise is: **a business which is working to create and retain wealth and employment in a defined community of place (a neighbourhood) or of interest (a group linked by a common interest) and which is controlled by that community.**

**A community enterprise trades on a 'not for personal profit' basis in order to create a surplus which is then re-invested in the business or in the community. It is often concerned with the 'triple bottom line' of social, economic and environmental impact.**

Consequently, we believe that community enterprise has to be driven by values. The Development Trusts Association's values in promoting community enterprise are:

- ▶ We believe in encouraging and supporting people to take responsibility for the renewal of their own communities
- ▶ We stand for accountability to local people, as well as collective action and partnership
- ▶ We recognise the diversity that exists within communities and regard this as a source of strength
- ▶ We value sustainable regeneration which involves the creation of wealth for communities by communities

From this it can be seen that community enterprise is a sub-set of social enterprise. A community enterprise can be seen as a social enterprise which is controlled by its host community.

# The process: how does the Development Trusts Association healthcheck work?

1. The Development Trusts Association healthcheck is designed to be used by community enterprises as part of their own review procedures or with support from the Development Trusts Association.

The process calls for preparation work to be done in advance of a review meeting which ideally would involve several Board members and staff. Associated support and assistance can be accessed via the Development Trusts Association website [www.dta.org.uk/fitforpurpose](http://www.dta.org.uk/fitforpurpose).

The review meeting then works through the Development Trusts Association healthcheck so that Board and staff develop a joint understanding of how the community enterprise is performing and how it could take steps to improve.

Following the meeting, you will be able to produce a report which gives a full description of the 'health' of the enterprise.

2. Although this healthcheck can be used simply as a self assessment tool, you will benefit more if you are able to use an external advisor. A Development Trusts Association member of staff accredited by SFEDI may be able to support the preparation for the meeting, facilitate the review meeting itself, encourage discussion on the issues, and help form a consensus on the responses. Following on from the review, the Development Trusts Association member of staff will provide a report on its status and an Action Plan to take forward its development. There will normally be a charge if the Development Trusts Association supports the process: for information on the support available from the Development Trusts Association and its cost, please contact your regional office via [www.dta.org.uk/contactus/regionalcontacts](http://www.dta.org.uk/contactus/regionalcontacts).

3. The review meeting will usually take about three hours. There are several steps in preparing for the meeting:

- ▶ those involved from your organisation should familiarise themselves with the Development Trusts Association healthcheck, particularly the tables contained in pages 10 to 14.
- ▶ A lead person, either a Board member or senior officer, should go through the indicators in the tables and gather the necessary supporting documentation to show how the organisation meets or is working towards meeting each of the indicators.
- ▶ If the Development Trusts Association is supporting the review an explanation of the process and how to derive most benefit from it will be given.

Good preparation will help to ensure that the experience is a positive learning experience for all involved.

4. Each section in this booklet addresses the key issues in setting up a successful community enterprise. This booklet is designed to help the community enterprise prepare for the review meeting by setting out the issues and providing some guidance on how to think about them. Each issue uses a simple 'Fully Met, Partly Met or Not Met' system to indicate how the community enterprise is doing and where there is a problem or more work to be done. A 'Comments' box allows detailed responses to be made on each issue. The responses provide the basis for a report on the organisation when all the sections have been completed.

5. There are three assessment options for each of the issues:

**Fully Met** – there is good supporting documentation to show that this indicator has been met

**Partly Met** – some supporting documentation is available but further improvements need to be made

**Not Met** – there is insufficient supporting documentation to show that this indicator has been met

6. Where a 'not met' or 'partly met' answer is provided for any of the indicators, support and assistance is available via the website.

**For each indicator, we recommend that relevant information is collected so that the Review Meeting can understand exactly how each issue has been handled by the organisation. A suggested list of items of supporting documentation is given on page 8. The list is not exhaustive and alternative types of documentation can be acceptable. If the review process is being supported by a Development Trusts Association member of staff, they will need to have access to copies of documents indicated.**

# The process: who should be involved?

This tool helps community enterprises to take stock of their situation and to plan for the future. As a result, it is important that the issues raised are understood by the Board and staff of the organisation. It is vital for the Chair of the Board of the organisation and the Chief Executive to take part in this process. There are advantages in involving the majority of the Board and key staff in the review meeting to complete the process.

Each issue should be taken in turn and a response agreed. It will help the process if the facilitator or chair for the meeting gets agreement from the meeting on what the rating should be – Fully Met or Not Met for example – and what response should be entered in the table. We recommend that one person is charged with noting the wording of each of the responses.

# Suggested supporting documentation

## List of documents necessary for the review meeting

- ▶ Memorandum & articles of association
- ▶ Most recent set of audited accounts
- ▶ Most recent set of management accounts
- ▶ Budget for the year
- ▶ Strategic plan and/or business plan, if available
- ▶ Policies and procedures: governance/finance/human resources
- ▶ Organisational chart, if available
- ▶ Annual report

## The following documentation may be helpful for the review meeting

- ▶ Map of area – with ward/township boundaries
- ▶ Surveys or mapping exercises undertaken
- ▶ Project plans/related reports
- ▶ Minutes of recent Board meeting
- ▶ Board profiles
- ▶ Board handbook/induction process
- ▶ Example of a job description
- ▶ Newsletters
- ▶ Promotional materials
- ▶ Partnership agreements
- ▶ Membership of networks
- ▶ Written financial regulations/procedures
- ▶ Staff training/development policy

As a community enterprise using this healthcheck you may not have all of the suggested documents in place. This should not deter you from using the tool as the process will enable you to understand the areas where the development of systems and documentation will be beneficial to your organisation. The Development Trusts Association can then provide advice and guidance to help you develop and prioritise where you need to put your efforts into developing systems and procedures to help you be more successful.

# Explanation of terms used in the healthcheck

**Area of benefit** – the area or community set out in the memorandum & articles or constitution which the organisation was set up to benefit.

**Assets/Asset base** – physical assets (in particular buildings or land), but also could be intellectual assets used to generate income over the long-term such as consultancy services etc. or contracts secured into the future to provide a particular product or service.

**Board** – management body of the organisation: it may also be called management committee, committee of trustees, etc.

**Business plan** – the document prepared and used by an organisation to plan and monitor its activities, usually over three-five years.

**Community membership of the Board** – this can be individuals, community representatives or representatives of community organisations. It is recognised that the local political context may mean that 'community ownership' may not necessarily be best served by a simple majority of community representatives alone.

**Earned income** – income from trading, e.g. payments received from providing services, rental income etc. Does NOT include grant income.

**Economic aims** – aims which have an economic emphasis e.g. tackling unemployment, promoting and providing education and training, trading for community benefit, stimulating, promoting and providing support to enterprise, supporting and/or developing local community financial infrastructure.

**Environmental aims** – aims which have an environmental emphasis e.g. community safety, reduction of pollution, recycling, care of green spaces, development of derelict areas, maintenance of communal areas, promotion and delivery of activities which increase the sustainability of the environment, encouragement of biodiversity.

**Financial risk assessment** – procedure undertaken regularly (usually annually) to identify financial risks.

**Financial sustainability** – the organisation is funded through a diverse mix of **earned income** (see above) and grants and no one funder contributes more than 25% of income which secures its long-term future.

**Governing documents** – the organisation's 'constitution'; the memorandum and articles of association for a company.

**Running costs** – cost of core staff and provision of 'core' services, excluding capital expenditure on specific projects.

**Social aims** – aims which have a social emphasis e.g. housing, childcare, youth facilities, elderly care, quality of life, the promotion of good mental/physical health and wellbeing, family support, social inclusion, participation and interaction.

**Stakeholders** – all the people who have an interest internally and externally in your organisation such as Board members, staff, the community in the area of benefit, partners, users and funders.

**Trading subsidiary** – company set up by an organisation to undertake a particular trading activity which covenants back any surpluses to the organisation.

**Turnover** – this is all the income of the organisation (including any trading subsidiaries) for a financial year.

# Section 1: governance

This section looks at how the organisation ensures that the community has ownership and influence over the direction of the organisation. It examines accountability to the community, whether the governing documents shape the organisation's work and whether the Board determines strategic decision-making.

Met  Partly met  Unmet

Indicator	Guidance	Rating/Notes
1.1 The make-up of the Board reflects the mix of the community it serves; the Board is accountable to that community.	How does the organisation ensure that the make up of the board reflects the mix of the community? How does the structure of your organisation ensure accountability to the community?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.2 The organisation has a clear and agreed mission, aims and definition of its target beneficiaries which have been defined through community consultation/ mapping exercise/ evidence of need.	What is your organisation seeking to achieve? Who benefits from this? How is this understood by all concerned?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.3 The organisation's governing documents allow it to carry out its trading activities.	Is the power to trade stated in the organisation's 'constitution'? If the organisation carries out primary purpose trading, does it meet Charity Commission requirements?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.4 The organisation's governing documents prevent personal profit being made by members of the Board.	Does the organisation's 'constitution' prevent Board members profiting from their involvement in the organisation?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.5 The organisation can demonstrate that any surpluses generated by the organisation and any trading subsidiary are used for community / public benefit or re-invested back into the organisation.	Can you point to a clause within your governing documents which set this out?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.6 The Board makes all policy decisions.	How does your organisation ensure that the Board ultimately controls policy?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
1.7 The organisation keeps the community informed of its activities and welcomes and acts upon input from the community.	How does your organisation ensure the flow of information to and from the community?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

# Section 2: enterprise and business planning

This section looks at the organisation's enterprise and the robustness of its business planning.

Met  Partly met  Unmet

Indicator	Guidance	Rating/Notes
2.1 Your business plan clearly describes the product or service; the process and cost of researching and developing your product or service and the operational costs of delivering it.	How fully have you thought through the development of your product or service in order to launch it on the marketplace? How have you benchmarked costs of development and operational delivery?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
2.2 Your business plan has a full risk analysis of all aspects of the business (technologies, market place, micro and macro economic factors, management etc) and identifies critical success factors.	Are you aware how changes in the external operating conditions may affect your enterprise? How have you planned to cope with these changes?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
2.3 You have a full marketing plan in place that is based on the 4 Ps of marketing - product, price, place and promotion	Does your business plan look in detail at the market for your enterprise and details how big your customer base is; exactly who your customers are and how you will reach them; the competitors in the marketplace, and other risk factors?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
2.4 Your financial plan includes figures of past, present (where appropriate) and projected performance including any start-up costs, profit-loss statements, cash flow analyses and balance sheet data and accurate break-even projections.	How detailed is your financial plan? Have you established a break-even figure for your product or service and can you competitively price it in the market place and still produce a profit?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
2.5 Your income and expenditure projections are based on real data and fully explained assumptions and include sensitivity analysis.	Are the basis of your income and expenditure projections based on real life information; are they cautious rather than hopeful; have you conducted a sensitivity analysis that explains what happens if things do not go as expected?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

# Section 3: financial management

This section looks at how well the organisation controls its finances.

Met  Partly met  Unmet

Indicator	Guidance	Rating/Notes
3.1 The organisation has written financial procedures for bookkeeping, expenses, petty cash etc. with checks and balances to avoid misuse of funds which are regularly reviewed.	How are the financial responsibilities allocated to staff and Board, bearing in mind the Board's ultimate responsibility to ensure that there are adequate operational controls in place for all financial processes?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
3.2 The organisation meets requirements for dealing with Inland Revenue, VAT, PAYE and pensions.	Is there awareness of VAT thresholds; does your organisation monitor its position. How does your organisation deal with Inland Revenue and PAYE (including pensions).	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
3.3 The finances of the organisation are being pro-actively managed.	Does the organisation have an agreed budget for the year, against which income and expenditure are regularly reviewed? Are management accounts presented regularly to the Board?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
3.4 The organisation is not overly dependent upon one source of funding.	Is your organisation overly dependent on any one source of funding? This applies to both grants and earned income. Discussion will be around the quality of the income stream and how your organisation ensures its sustainability through diversification.	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
3.5 The organisation has a policy for accumulating an appropriate level of reserves on its balance sheet.	How does your organisation provide for the need to cover fluctuations in income, current liabilities and unplanned expenditure?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

# Section 4: partnership working

This section looks at how well the organisation is positioned within its operating environment. Is it working to be a key player locally, regionally and nationally in order to influence decisions which will ultimately affect the community it serves?

Met  Partly met  Unmet

Indicator	Guidance	Rating/Notes
4.1 The organisation has information about the relevant agencies/stakeholder organisations in its area of operation and key contacts within them.	Does your organisation have knowledge of the key people in agencies?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
4.2 Information on services/activities is exchanged with relevant organisations.	How does your organisation ensure that it exchanges information with relevant organisations?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
4.3 The organisation is a member of relevant local networks.	Which local networks is your organisation a member of and how are these connections relevant to your organisation?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
4.4 The organisation is aware of the key strategic partnerships shaping economic development in its area and seeks to influence their policy and practice.	Does the organisation contribute to policy making in local strategic partnerships? Does it discuss how improvements to the partnerships' delivery to its area of benefit can be made?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

# Section 5: policies and procedures

We recommend a community enterprise has a clear set of policies to guide its work. If any indicators are shown as 'Unmet', reference to the Development Trusts Association's Early Warning Guide is recommended.

Met  Partly met  Unmet

Indicator	Guidance	Rating/Notes
5.1 Management continuously review performance and plan improvements.	Do the organisation's management information systems provide relevant feedback to indicate how improvements can be made to services/products?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.2 Financial risk assessment is regularly undertaken (at least annually).	What risk analyses do you regularly undertake?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.3 Staff and volunteers have clearly defined roles and responsibilities.	Do you have clear job descriptions for staff? Are volunteers proactively recruited and inducted around clear roles?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.4 The organisation takes measures for retaining and training staff.	Discussion should be around the level of staff turnover, how the organisation anticipates changes in environment and develops staff skills accordingly?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.5 The organisation has a clear line management structure.	Is there an organisation chart? Discussion will be around whether it is clear, whether the Board is included and look at any over-burdening of responsibility on any one person.	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.6 The organisation has a policy for managing poor performance of staff and volunteers.	Discussion should be around whether the organisational chart is meaningful in that, for example, staff actually get supervised and appraised according to the diagram. How does the organisation manage poor performance?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.7 The Board have received formal guidance or training as to their responsibilities as directors/trustees.	Do Board members undergo an induction process; is there supporting documentation for this process?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
5.8 Appropriate and timely information covering Financial Management, Governance & Human Resources is provided at regular Board meetings.	Is the information supplied to the Board appropriate and timely? Does it comply with legal duties and responsibilities?	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>



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Price: £10 or free to download from the  
Development Trusts Association website.

**communityalliance**  
transformation through community anchors

The development of the Development Trusts Association healthcheck has been supported by the Community Alliance. The Community Alliance is promoting two quality systems: the Visible Communities™ standards designed originally for community associations, and Fit for Purpose: the Development Trusts Association healthcheck for community enterprise organisations, designed originally for development trusts. Both are high quality products that are now being used more broadly across the community sector.

Find out which will be best for you:  
[www.communitymatters.org.uk/projects/VISIBLE](http://www.communitymatters.org.uk/projects/VISIBLE)  
[www.dta.org.uk/fitforpurpose](http://www.dta.org.uk/fitforpurpose)