

An Introduction to Social Enterprise



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Social Enterprise

This is a very brief introduction to Social Enterprise. More detailed and specialist advice is available through a range of agencies. Any organisation thinking of becoming a Social Enterprise needs to fully investigate all aspects before making a decision.

What is a Social Enterprise?

“A Business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.” (DTI)

“Social Enterprises are dynamic businesses with a social purpose working all round the UK and internationally to deliver lasting social and environmental change.” (Social Enterprise Coalition)

A Social Enterprises is a **business** that operates within the Third Sector. It is set up to make money but also to have a positive effect on the community it serves, the people with whom it works and its own employees. Surplus or profit generated is reinvested in the business or the community. Ownership of the business rests with the stakeholders, for example the workforce, customers or the community.

What form can a Social Enterprise take?

“A social enterprise is not defined by its legal status but by its nature. It’s the organisation’s trading activity with a social purpose – value-led and market-driven – that is the key.”
(The Finance Hub)

The social enterprise sector is very diverse. There are a variety of legal structures, including:

- Social Firm
- Co-operative
- Industrial or provident society
- A charity’s trading arm
- Community Interest Company
- Development trusts

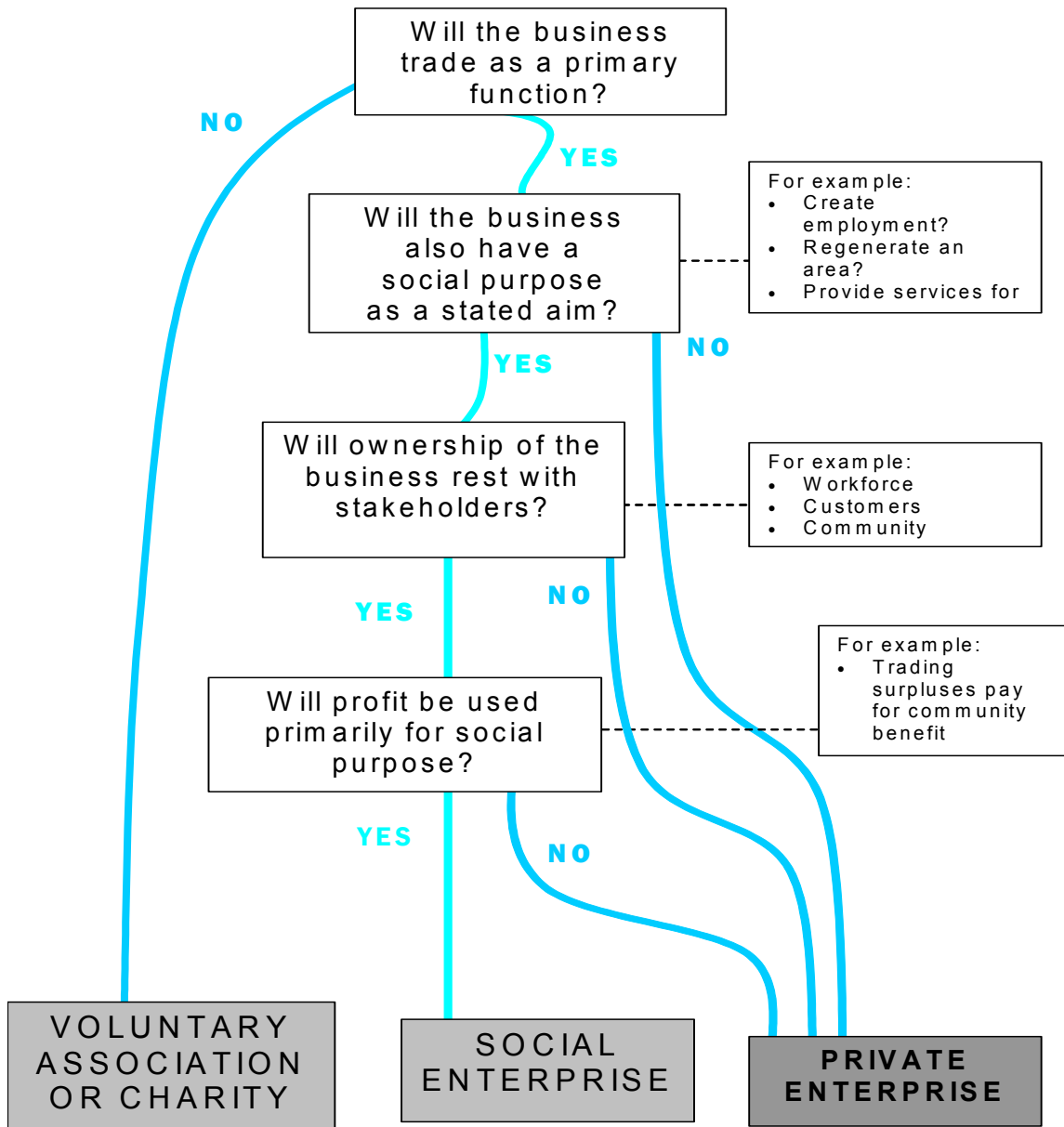
The most common business structures for Social Enterprises are companies limited by guarantee, companies limited by shares, community interest companies and industrial and provident societies.

For more information about these different forms, see the **Social Enterprise Jargon Buster** sheet at the back of this pack, or visit NCVO website governance pages: <http://www.ncvo-vol.org.uk/advice-support/trustee-governance/governance/legal-structures> .

Business Link offer support on setting up and running a social enterprise via a telephone and online service. Tel: 0845 600 9966 or <http://www.businesslink.gov.uk/bdotg/action/home?domain=www.businesslink.gov.uk&target=http://www.businesslink.gov.uk/> .

Is a Social Enterprise appropriate for you?

The Decision Tree - Thinking of Social Enterprise?



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Can a charity be a Social Enterprise?

It is possible to run a charity that trades but there are restrictions on this. Any trading activity must comply with the charity's primary purpose. A charity can have a trading subsidiary but this must fully cover its costs as the charity cannot subsidise it. If a Social Enterprise is set up alongside a charity it can reinvest its profits into the charity. The business activities of a social enterprise that is a charity are restricted to being exclusively charitable. For more information visit the Charity Commission web site <http://www.charitycommission.gov.uk> particularly the Charity Commission Guidance CC35 *Trustees, Trading & Tax: How Charities May Lawfully Trade*.

Support and Information

Social Enterprise

Avon Cooperative Development Agency promotes the relevance and importance of co-operative businesses within the local economy. They provide specific co-operative development advice and assistance to enable people to establish new successful co-operative businesses and to encourage growth within existing co-operative businesses within the former Avon area. www.avoncda.coop

Co-active is at the forefront of a new service - Social Enterprise Link - that has been developed in the South West Region in partnership with RISE, Business Link and the South West of England Regional Development Agency. The service provides information and advice to everyone developing social enterprises in the region. www.co-active.org.uk

Co-operative Futures co-operative policy and development agency supports the development of social enterprises in Gloucestershire, Oxfordshire, Swindon and Wiltshire. It specialises in co-operative and community owned enterprises. <http://www.co-operativefutures.coop/>

The Development Trusts Association is a network of community practitioners that help people set up development trusts. It also helps existing trusts learn from each other and work effectively. www.dta.org.uk

NCVO Sustainable Funding Project has a web site section on Trading and Social Enterprise which gives a clear overview on Social Enterprise. www.ncvo-vol.org.uk/sfp/?id=2114

The Plunkett Foundation supports the development of rural group enterprise. www.plunkett.co.uk/

RISE is the voice for South West social enterprise and supports the development of sustainable social enterprises in the region. www.rise-sw.co.uk

Social Enterprise London works with individuals, enterprises, organisations and government to make social enterprise happen. Although London-focussed, the web site has fact sheets which are a quick overview on some of the latest areas of interest to social entrepreneurs and support organisations and a Knowledge page which provides a range of documents on important issues and debates surrounding social enterprise. They also offer a range of guides for the social enterprise sector, all of which are available in pdf format and can be downloaded for free. <http://www.sel.org.uk/>

The Social Enterprise Coalition is the UK's national body for social enterprise: www.socialenterprise.org.uk

Social Enterprise Works is Bristol based and provides support, advice and guidance to prospective and established social enterprises during critical periods of their start up and development. www.socialenterpriseworks.org

Social Firms UK aims to create employment opportunities for disadvantaged people through the development and support of Social Firms. www.socialfirms.co.uk

The School for Social Entrepreneurs exists to provide training and opportunities to enable people to use their creative and entrepreneurial abilities more fully for social benefit. www.sse.org.uk

Business Link – supports all sectors and provides the information, advice and support you need to start, run and grow a business. www.businesslink.gov.uk/southwest

Case Studies

Social Enterprise Coalition have a number of case studies on a range of themes. www.socialenterprise.org.uk/page.aspx?SP=1483

More Case Studies on the Creating Excellence website:

<http://www.creatingexcellence.org.uk/regeneration-renewal-article243-p1.html>

Launchpad Case Studies: http://www.launchpad.reading.ac.uk/socialenterprise/case_studies.aspx

Charity Information

www.charitycommission.gov.uk

Company Information

www.companieshouse.gov.uk

<http://www.berr.gov.uk/>

www.cicregulator.gov.uk

Industrial and Provident Societies

www.fsa.gov.uk/pages/doing/small_firms/msr/societies/index.shtml

Employment

Acas aims to improve organisations and working life through better employment relations. It provides advice, training, information and a range of problem resolution services. www.acas.org.uk

Government Department for Business Enterprise and Regulatory Reform. Information and guidance on employment issues. <http://www.berr.gov.uk/employment/>

Policies and procedures for employee and organisational management can be downloaded free. www.navca.org.uk/about/navcapolicy

Rural Enterprise

The Rural Enterprise Gateway provides information, training and business development support to rural businesses. www.regsww.org.uk/default.aspx

Finance

Information on Social Enterprise from the Finance Hub.

http://www.financehub.org.uk/selling_goods_and_services/social_enterprise/default.aspx

Andrew Bibby is a writer and journalist who has a range of writings on issues relating to co-operative forms of business, community-based social enterprise and mutuality including: ‘**Climbing the Ladder: step by step finance for social enterprise**’ <http://www.andrewbibby.com/socialenterprise.html>

Bristol Enterprise Development Fund offers competitive loans to those businesses who are unable to raise the required funding from traditional sources such as banks. www.bedf.co.uk

The Charity Bank – their mission is to help savers and investors who care about the communities in which they live and work www.charitybank.org

Centre for Employment and Enterprise Development, based in Bristol, offers professional advice, counselling, training and careers guidance for those seeking to establish self enterprise or other employment options. It also provides enterprise loans to start up businesses or to develop existing small businesses particularly to those from minority ethnic groups. www.ceed.co.uk

Co-operative & Community Finance provides loan finance for co-operatives, employee owned businesses and social enterprises: www.icof.co.uk

Co-operative Bank - customer owned UK bank with an ethical focus: www.co-operativebank.co.uk

The Local Investment Fund offers loans to social and community enterprises that are unable to secure funds from traditional sources: www.lif.org.uk/

The Prince's Trust Business Programme provides money and support to help people start up in business: www.princes-trust.org.uk/

South West Investment Group - SWIG – is the largest provider of complementary loan finance to small and medium sized businesses in the South West: <http://www.southwestinvestmentgroup.co.uk/>

Tridios is an ethical bank which offers savings accounts and investments. It only finances projects with social and environmental benefits: <http://www.triodos.co.uk/>

Reports

Social Enterprise Action Plan – Scaling New Heights. - Cabinet Office

The Government's social enterprise action plan, setting out its strategy for social enterprise.

Social Enterprise Action Plan – One Year On. - Cabinet Office

http://www.cabinetoffice.gov.uk/third_sector/social_enterprise/action_plan.aspx

For Love and Money: governance and social enterprise: <http://www.ncvo-vol.org.uk/products-services/publications/for-love-and-money>

Social Enterprises and the NHS Changing patterns of Ownership and Accountability

www.unison.org.uk/acrobat/16690.pdf

Assessing the Economic and Social Impacts of Social Enterprise – The Cabinet Office and University of Hull

http://www.cabinetoffice.gov.uk/media/cabinetoffice/third_sector/assets/assessing_impact_se_full.pdf

Training

For information about the latest **workshops** on Social Enterprise in this area visit the Co-active web site:

www.co-active.org.uk

Social Enterprise Jargon Buster

The social enterprise sector is incredibly diverse, encompassing co-operatives, development trusts, community enterprises, housing associations, football supporter groups, social firms and leisure trusts, among others. As a result, social enterprises use a wide variety of legal forms; some incorporate as companies while others take the form of industrial and provident societies. From July 2005 social enterprises have also been able to register as Community Interest Companies (see below). Here are some types of social enterprise and their legal forms:

Ben Com

Industrial and Provident Society (I&PS) for the Benefit of the Community. One of two types of I&PS. Ben Coms must retain all profits for investment in purposes beneficial to the community, normally defined in the organisation's constitution. Examples of I&PS Ben Coms include GLL the company behind Greenwich Leisure.

Charity

Charitable status is available to all organisations with exclusively charitable purposes and activities: alleviation of poverty, advancement of religion or education and "other purposes beneficial to the community". Charitable status comes with highly beneficial tax advantages but trading is limited and must be in line with charitable purpose; hence it is appropriate for some social enterprises but not all. Charities in the voluntary sector can also have subsidiary trading arms.

Community Enterprise

Organisations trading for social purpose with a community base - might be a community of place, a community of interest, or both.

Community Interest Company (CIC)

A limited company, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by a "community interest test" and "asset lock", which ensure that the CIC is established for community purposes and the assets and profits are dedicated to these purposes.

Company Limited by Guarantee (CLG)

A limited company with members rather than shareholders; members guarantee a nominal sum for paying liabilities in the event of insolvent liquidation. Members may also pay a membership subscription.

Limited Company

A limited company controlled by its shareholders. Shares may be privately held, or in the case of a public company, traded on the open market.

Co-operative

Structured and run in accordance with International Co-operative Principles (ICA 2005):

1. voluntary and open membership
2. democratic member control
3. economic participation by members
4. autonomy and independence
5. education, training and information
6. co-operation among co-operatives
7. concern for community

There is no legal definition of a co-operative in the UK. May be registered as an Industrial and Provident Society (I&PS) or a Company Limited by Guarantee (CLG). A key feature is democratic ownership and control by members. Members may be employees (a worker co-op), customers (a consumer co-op), tenants (housing co-op), or a combination of these groups (multi-stakeholder co-op).

Development Trust

Generally a locally focused enterprise engaged in regeneration activity through a wide range of trade and service delivery. Common activities include community development, training, property development and management, environmental improvements, business development, building restoration and managed workspace.

Foundation Trust

New model for semi-independent institutions within the NHS. Foundation Hospitals will be able to set rates of pay freely, dispose of land, borrow money and allow up to ten percent of their beds to be used by private patients. They will be able to retain and reinvest any surpluses made from their budget.

Housing Association

Not-for profit companies in charge of managing housing stock. The term is used interchangeably with Registered Social Landlord - non-profit organisations whose aim is to provide affordable housing.

Intermediate Labour Market Scheme (ILM)

Scheme enabling people facing barriers to getting work to be paid for their work whilst they train

Mutuals

Organisations whose members have joined together with a common purpose to provide a shared service for mutual benefit. Includes co-ops, building societies and some employee owned businesses. In a mutual organisation it is necessary to become a member to access the benefits.

Social Firm

A business created to provide integrated employment and training to people with a disability or other disadvantage in the labour market.

Voluntary Organisation

A self-governing body of people who have joined together voluntarily to take action for the benefit of the community, and established otherwise than for financial gain. It does not have to be a registered charity, but if it is not, the aims, objectives and methods of working of the organisation must be written down in a publicly available document. The organisation should be open to all members of the community with interests relevant to the publicly stated aims.

Worker Co-operative

Co-operative established to provide employment to its members. Only employees may be members. Can be registered as an Industrial and Provident Society (I&PS) or Company Limited by Guarantee (CLG). Employees both own and manage the business that they work for

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