

## Types of Social Enterprise?

### Social Enterprise

The term 'social enterprise' was used for the first time in the UK in 1978 and was originally used to refer to worker and community co-operatives. The description 'social enterprise' is now an accepted term to cover a wide range of organisations all of which have particular characteristics:

A social enterprise

- Is a business.
- Has a social purpose or purposes.
- Seeks to achieve its social purpose by carrying out trade in the marketplace.
- Does not distribute any profit it makes to individuals.
- Will hold its assets and wealth in trust for community benefit – asset locked
- Seeks to democratically involve members in its organisational governance.
- Is an independent organisation accountable to the wider community

### Types of Social Enterprise

There is not one single type of social enterprise. There are a range of social enterprise structures and types which makes the social enterprise sector incredibly diverse that encompasses a wide range of structures such as co-operatives, development trusts, community enterprises, housing associations, football supporter groups, social firms and leisure trusts, among others.

As a result of this social enterprises use a wide variety of different legal forms. There are some social enterprise that incorporate as companies while other social enterprise take the form of industrial and provident societies. As from July 2005 social enterprises have been able to register as Community Interest Companies and there is also a new structure of Charitable Incorporated Organisation (CIO).

### Society for the Benefit of the Community (BenCom)

A Society for the Benefit of the Community is an Industrial and Provident Society (IPS) and is registered with the FCA (not Companies House). It is one of two types of Industrial and Provident Society. IPS BenComs have to retain all their profits for investment in purposes beneficial to the community, which is normally defined in the organisation's rules.

### Charities

Charitable status is available to all organisations with exclusively charitable purposes and activities. This might be the alleviation of poverty, the advancement of religion or education or the advancement of citizenship or community development. Charitable status provides highly beneficial tax advantages but it also means that the ability to trade limited and any trade carried out must be in line with its charitable purpose. Therefore, charitable status is appropriate structure for some social enterprises but not for all. There are many charities in the voluntary sector which also have subsidiary trading arms.

### Community business

A community business is a business that has a strong geographical definition and is focussed on local markets and local services.

A community business is a place-based organisation, locally rooted and delivering activities for the benefit of a specific, local geographic community. It will usually be controlled by people living in the community within which it operates and will involve local people closely in its ongoing activities.

### Community Enterprise

A community enterprise is an organisation that is trading for social purpose with a distinct community base. This might be a community of place, a community of interest, or both.

### Community Interest Company (CIC)

A Community Interest Company (CIC) is a relatively new legal form proposed for use specifically by social enterprises. A CIC combines the features of a company, with some elements from charitable organisations e.g. it has a lock on assets to prevent them being sold off for private gain. Other proposals include a specialist regulator and an annual social report, explaining how they are delivering community benefits.

### Company limited by guarantee (CLG)

A registered company that has members rather than shareholders. The members guarantee a nominal sum (usually £1.00) for paying liabilities in the event of insolvent liquidation. Members may also pay an annual membership subscription.

### Company Limited by Shares

A registered company which is controlled by its shareholders. All shares may be privately held, or in the case of a public company, shares may be available to trade on the open market.

## Co-operative

Co-operatives are structured and run in accordance with the seven international co-operative principles:

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.

Co-operatives have traditionally been incorporated as 'Bona Fide Co-operatives, under the Industrial and Provident Societies Act. However it is possible to incorporate as a company with co-operative principles. A key feature of co-operative is 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

A Development Trust is generally a locally focused enterprise engaged in regeneration activity through a wide range of trade and service delivery. Common activities for a Development trust include community development, training, property development and management, environmental improvements, business development, building restoration and managed workspace. A Development Trust is not a legal structure in itself, but is usually registered either as a company or as an Industrial and Provident Society.

### Employee-owned Business

An Employee-owned Business is owned and controlled by those people who work for it.

### Foundation Trust

A Foundation Trust is a new type of structure for semi-independent institutions within the NHS. Foundation Hospitals are 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 are able to retain and reinvest any surpluses made from their budget.

### Housing Association

A Housing Association is a company in charge of managing housing stock. The term is used interchangeably with Registered Social Landlord - non-profit distributing organisations whose aim is to provide affordable housing.

### Intermediate Labour Market Company

An Intermediate Labour Market Company is a company that offers training and work for the long-term unemployed.

### Mutual

A Mutual describes organisations whose members have joined together with a common purpose to provide a shared service for mutual benefit. This includes co-operatives, building societies and some employee owned businesses. In a mutual organisation it is necessary to become a member in order to access the benefits of the organisation. Nationwide Building Society is a large mutual.

### Social Firm

A Social firm is a business created to provide employment and training to people with a disability or other to people who are at a disadvantage in the labour market.

### Voluntary organisation

A Voluntary Organisation is a self-governing body of people who have joined together voluntarily to take action for the benefit of the community and have 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.

### Workers Co-op

A Worker's Co-operative is a type of Industrial and Provident Society and bona fide Co-operative where the members of the co-operative are the employees of the business. As such the employees both own and manage the business that they work for.

## Scope of Social Enterprise

The most recent government statistics for social enterprise in the UK:

- There are currently 70,000 legitimate social enterprises in the UK
- Social enterprise contributes at least £18.5 billion to the UK economy
- Almost 1,000,000 people in the UK are employed in a social enterprise

## Useful Social Enterprise information

Volunteer Impact Northamptonshire	<a href="http://www.voluntaryimpact.org.uk/">http://www.voluntaryimpact.org.uk/</a>
Enterprise Solutions Northamptonshire	<a href="http://www.enterprise-solutions.org.uk/">http://www.enterprise-solutions.org.uk/</a>
Social Enterprise UK	<a href="http://www.socialenterprise.org.uk">http://www.socialenterprise.org.uk</a>
Inspiring Social Enterprise	<a href="http://inspiringsocialenterprise.org/">http://inspiringsocialenterprise.org/</a>
Social Enterprise Mark	<a href="http://www.socialenterprisemark.org.uk/">http://www.socialenterprisemark.org.uk/</a>
Co-operatives UK	<a href="http://www.uk.coop/">http://www.uk.coop/</a>
Social Enterprise Europe	<a href="http://www.socialenterpriseeurope.co.uk/">http://www.socialenterpriseeurope.co.uk/</a>
Social Enterprise International	<a href="http://www.socialenterpriseinternational.org/">http://www.socialenterpriseinternational.org/</a>
The Big Issue	<a href="http://www.bigissue.com/">http://www.bigissue.com/</a>
Cafedirect	<a href="http://www.cafedirect.co.uk/">http://www.cafedirect.co.uk/</a>
The Co-operative Group	<a href="http://www.co-operative.coop/">http://www.co-operative.coop/</a>
Divine Chocolate (Kuapa Kokoo)	<a href="http://www.divinechocolate.com/uk/">http://www.divinechocolate.com/uk/</a>
The Eden Project	<a href="http://www.edenproject.com/">http://www.edenproject.com/</a>
The Phone Co-op	<a href="http://www.thephone.coop/home/">http://www.thephone.coop/home/</a>

**Businesses** trading in the market economy, in pursuit of a **social purpose**, building **social capital** through social ownership.

Applies commercial strategies to maximize improvements in **human and environmental well-being**, rather than maximizing profits for external shareholders.