

# An introduction to Social Enterprise?

# Introducing Social Enterprise

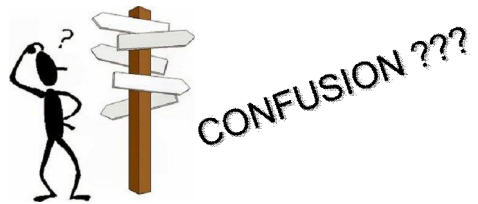
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[www.KaMSEN.org.uk](http://www.KaMSEN.org.uk)

## Agenda

- ▶ What is a social enterprise?
- ▶ Types of social enterprise
- ▶ Community Interest Company's (CIC)
- ▶ Why a CIC?
- ▶ Where to go for more information?



## What is a social enterprise?

social enterprise  
(as a general activity)

trading activity for the benefit of  
the community

Social Enterprise  
(as an organisation)

a formal business that trades for  
the benefit of the community



What is trading?

## Characteristics of a Social Enterprise

- ▶ Having social goals and objectives
- ▶ Their principle activity is “trade”
- ▶ Assets are held for the benefit of the community
- ▶ Social Enterprise does not mean charity!!

## Key Characteristic of a Social Enterprise

- ▶ Asset Lock



## Characteristics of a Social Enterprise

- ▶ Accountable to
  - Service Users
  - Customers
  - Employees or other stakeholders



## Types of Social Enterprises

- ▶ Co-Operatives
- ▶ Credit Unions
- ▶ Housing Associations
- ▶ Industrial and Provident Societies
- ▶ Companies Limited by Guarantee
- ▶ Limited Partnerships
- ▶ **Community Interest Companies**

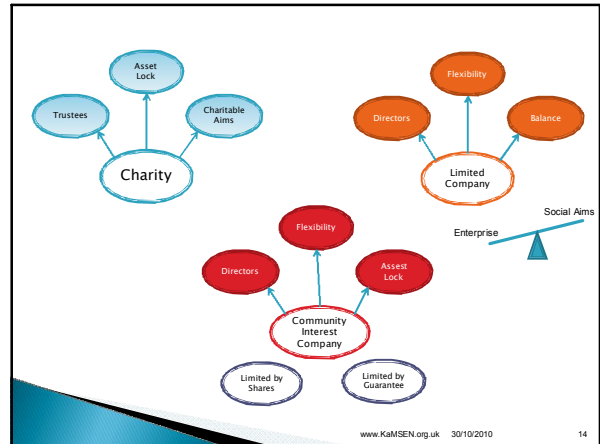
Legal structure	Summary of key features	Ownership, governance and constitution	Is it a legal person? (i.e. does it have a legal status?)	How is it funded? (i.e. how does it raise money?)	Assets locked for community benefit?	Can it be traded for profit?	Differences to the other structures
Unincorporated association	Not a legal person. No separate legal entity. No limited liability.	Members own and control the association. No separate legal entity.	No	Members contribute to the association. No separate legal entity.	Assets are not locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Trust	A legal entity created by a trust deed. Assets are held in trust for the benefit of the beneficiaries.	Assets owned by trustees. Trustees are appointed by the settlor. No separate legal entity.	Yes	Trustees contribute to the trust. No separate legal entity.	Assets are locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Limited company (other than Community Interest Company)	A legal person. Limited liability. Can be traded for profit.	Shareholders own the company. Directors manage the company. No separate legal entity.	Yes	Shareholders contribute to the company. No separate legal entity.	Assets are not locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Community Interest Company (CIC)	A legal person. Limited liability. Can be traded for profit.	Shareholders own the company. Directors manage the company. No separate legal entity.	Yes	Shareholders contribute to the company. No separate legal entity.	Assets are locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Industrial and Provident Society (IPS) (Co-operative)	A legal person. Limited liability. Can be traded for profit.	Members own the society. Directors manage the society. No separate legal entity.	Yes	Members contribute to the society. No separate legal entity.	Assets are locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Industrial and Provident Society (IPS) (Community Benefit Society (BancComm))	A legal person. Limited liability. Can be traded for profit.	Members own the society. Directors manage the society. No separate legal entity.	Yes	Members contribute to the society. No separate legal entity.	Assets are locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.
Charitable Incorporated Organisation	A legal person. Limited liability. Can be traded for profit.	Members own the society. Directors manage the society. No separate legal entity.	Yes	Members contribute to the society. No separate legal entity.	Assets are locked for community benefit.	Can be traded for profit.	Not a legal person. No separate legal entity. No limited liability.

## Community Interest Companies

- ▶ Social Enterprises
  - Around 62,000 organisations
- ▶ CIC's
  - A new type of (social enterprise) company available for incorporation after July 1st 2005.
  - Around 3000-4000 registered
- ▶ About 40/50 a month set up

## Community Interest Companies

- ▶ What is a CIC?
  - A legal entity
- ▶ Key Characteristics
  - Asset Lock
  - Limited by guarantee or by shares
  - Are able to issue shares with a fixed rate of return

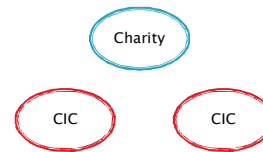


## Community Interest Test

- ▶ Run in the interest of the community
- ▶ Not political
- ▶ Annual Community Interest Report

## Community Interest Companies

- ▶ It cannot be a charity
- ▶ However
  - Can be a part of a charitable organisation



## Compared with a charitable company the CIC has:

- ▶ Greater flexibility in terms of activities
- ▶ No trustees and no trustee control
- ▶ Directors who can be paid
- ▶ Light-touch regulation, but no tax incentives
- ▶ Fewer reporting requirements and administration – a charitable company has to complete
  - the Charities SORP, for example.

## Why a CIC

- ▶ The CIC brand
- ▶ The CIC has transparency of operation.
- ▶ The CIC provides continuity of purpose.
- ▶ The CIC is quick, easy and inexpensive to set up
- ▶ The CIC provides limited liability for its members.

## Why a CIC

- ▶ A CIC limited by shares may expand by selling its shares
- ▶ Investors can get tax relief from Enterprise Investment Scheme
  - Currently 20% up to £100,000
- ▶ Loans to CIC's can offer tax relief of 5% via CITR (Community Investment Tax Relief)
  - Currently up to £250,000. Interest is capped at 10%

## How to become a CIC

- ▶ Form IN01
  - section A3 is left blank
  - Section A7 option 3 is ticked
- ▶ CIC 36
- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ £35

## Funding Opportunities

- ▶ Investment
  - Selling Shares
    - Does your legal structure allow it
  - Community shares

## Funding Opportunities

- ▶ Loans
  - Considerations
    - Guarantees
    - Conditions of Loan
    - Trustee Liability
    - Are you allowed to borrow
    - Period offered
      - It equipment 3 years
      - Other 5-10 years

## Funding Opportunities

- ▶ Bonds
  - Community Bonds
    - Lending by local community
  - Impact Bond
    - Risk taken by lender so that the repayment made on results and amount of return can be related to success

## More information

CIC Regulator

[www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)

CIC helpline

Tel : 02920-346228

CIC association

[www.cicass.org.uk](http://www.cicass.org.uk)

Kent and Medway SEN

[www.KaMSEN.org.uk](http://www.KaMSEN.org.uk)

## Q & A



## Thank You

[www.KaMSEN.org.uk](http://www.KaMSEN.org.uk)