

Introducing Social Enterprise

Overview

- What is a social enterprise?
- What makes social enterprise different and why does it matter?
- Could social enterprise be the right model for your organisation?
- Sources of further support

What are they?

- Social enterprises have 2 primary aims:
 - They trade
 - They apply profits to social purpose

What are they?

- Some definitions:
 - 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)
 - Businesses that aim not only to make money, but also to have a positive effect on the communities they serve, the people with whom they work and their own employees (Co-active Ltd)
 - Social enterprises are businesses that trade in order to pursue a social aim (Business Link)

What are they?

- Social Enterprises are:
 - ‘More than profit’ organisations
 - Seek to meet social aims by engaging in economic and trading activities
 - Have legal structures which ensure that all assets are not in the ownership of individuals but are held in trust for the benefit of those persons and/or areas that are the intended beneficiaries of the enterprise’s social aims.

The Big Picture

Private
Sector

Community
Sector

Social
Enterprise

Public
Sector

Voluntary
Sector

How are they different?

- Measures of success
 - Traditional business
 - Operates in the interest of the owner or shareholders
 - To make profit
 - A social enterprise has broader measures
 - Profits are invested in social purpose
 - Local good-quality employment
 - Spending money in the local economy
 - Providing an alternative business model

How are they different?

- Trading activity or contracting to deliver services
- Running a business that aims for financial viability
- Clear social outcomes for both employees and an identified community
- Responsive to the communities in which they operate
- Distribution of profit for social as well as business purposes
- In fact they are 'more than profit'

Their Values

- Not just to make a profit – having social purpose
- To make a difference:
 - In the way they are managed, owned and accountable
 - In the way they deliver goods and services
 - In the way they work with their community and stakeholders
 - In the way they do business

Is Social Enterprise the right model for your project?

Social enterprises must have a social purpose.

For example:

- Reducing unemployment or poverty
- Improving inter-community relations
- Improving health within a community
- Protecting the environment

Is Social Enterprise the right model for your project?

Social enterprises must have something to sell.

The price could be paid by:

The customer (e.g. buying food in a café)

The state (e.g. providing training, employment services, health services etc)

Is Social Enterprise the right model for your project?

The service being sold could generate a profit to be spent on the social objective (e.g. a café selling food to raise money for a refugee advocacy service)

Or the delivering of the service could be a social purpose in its own right (e.g. a café providing employment and training opportunities in for long-term unemployed people wanting a career in catering)

Is Social Enterprise the right model for your project?

You must be selling something that the customer wants!

You must do careful research to find out what the council / health service / home office etc are trying to achieve and see if you can deliver their outcomes more efficiently than they can themselves

You can't just deliver the service you want and then assume that someone else will pay for it.

Is Social Enterprise the right model for your project?

Best of all, you may think of a project that “ticks the boxes” of several funders at once, for example:

- Café sells good food (customer pays)
- Employment opportunities are created (Department of Work and Pensions pays)
- Café acts as information hub for council to communicate with refugee community (Council pays)

Forms of Social Enterprise

- There are many different legal structures available to a newly formed social enterprise, but the key questions to ask are:

Forms of Social Enterprise

- Who will be responsible for strategy (making the big decisions) and governance (making sure that policies and procedures are in place)?
 - Charities enjoy certain tax benefits, but trustees cannot get any sort of financial benefit from their role (i.e. they are volunteers)
 - Other structures allow strategic leaders to be paid for their role, but don't enjoy the same tax breaks

Forms of Social Enterprise

- So if you want to start a social enterprise, you must choose:
 - Do I want to have strategic control?
 - Do I want to get paid?
 - Can I find suitable volunteer trustees?
 - Do I need charity tax benefits?

Forms of Social Enterprise

- Where will your start-up funding come from?
 - Grants – charity structure may be best
 - Loan / existing funds – limited company structure may be best (possibly a Community Interest Company)
 - Share issue – co-operative structure may be best



The criteria for The Social Enterprise Mark are:

- Independent organisation (own constitution)
- Social purpose
- Asset lock
- At least 50% of surpluses spent on social purposes
- At least 50% of income earned through trade



www.socialenterprisemark.org.uk

Setting up a Social Enterprise – the issues

- Defining your mission and attracting others
- Agreeing business and social purpose
- Planning business viability
- How to handle profits and assets
- Democracy and accountability

Voluntary organisation to Social Enterprise

- The big issues include:
 - Culture change
 - Business structures
 - Business planning
 - Accountability (funding bodies - stakeholders)
 - The workforce can be a mix of staff and volunteers

Sources of start-up capital

- Membership subscriptions or share capital
- Start-up grants and loans
- Borrowing from financial institutions
- Community Development Finance
- Leasing and hire purchase
- Personal funds
- Fundraising
- Volunteer labour
- Asset transfer

Sources of start-up capital

- Commercial Loan
- Community Development Finance Institutions:
www.cdfa.org.uk
 - Bridges Community Ventures Ltd
 - Charity Bank
 - Cooperative and Community Finance
 - South West Investment Group
 - Triodos Bank
 - Wessex Reinvestment Trust Group

Trading Income

- Consider:
 - Reinvestment in the Social Enterprise
 - Keeping adequate reserves
 - Looking beyond grants
 - Making use of tax incentives

Trading income

- Robust financial management is needed

Why?

- Accountability
- Communication between board and operational management
- Trading income, managing cash flows, reporting on grant targets
- A mix of trading income and other income
 - Impacts on profit/loss, health of the business

Further Support

National

- Co-operatives UK www.cooperatives-uk.coop
- Social Firms UK www.socialfirms.co.uk
- Social Enterprise Partnership www.sep.gb.co.uk
- Social Enterprise Coalition www.socialenterprise.org.uk
- Development Trust Association www.dta.org.uk

Further Support

Regional

- Regional Infrastructure for Social Enterprises (RISE)
- Business Link
- South West Regional Development Agency

Local

- RISE members
- Business Advisors Network
- Cornwall Social Enterprise Network
- The RISE website gives a list of support organisations
www.rise-sw.co.uk