

Glossary – Social Enterprise Coalition

- **Capacity building**

The process of developing skills and knowledge

- **Charities**

Charitable status is available to all organisations with exclusively charitable purposes and activities; being 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 must be in line with charitable purpose; hence it is appropriate for some social enterprises but not all. Several charities in the voluntary sector have trading arms - their own social enterprises - to generate income to support their charitable aims. The National Council for Voluntary Organisations also has a 'Sustainable Funding Project' looking at how the voluntary and community sector can earn independent income.

- **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 new legal form for social enterprises. They will combine the features of a company, with some elements from charitable organisations e.g. they will have 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.

- **Community Investment Tax Relief**

A tax-break to encourage investment in Community Finance Institutions. Relief of 5% p/a is paid for up to 5 years for investments in accredited CDFIs.

- **Company limited by guarantee (CLG)**

A registered 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.

- **Company limited by shares**

A registered company which is controlled by its shareholders. 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**

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) And 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).

- **Corporate social responsibility (CSR)**

An agenda that involves businesses attempting to improve their social and environmental impact. The national CSR organisation for the UK is Business in the Community.

- **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. 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.

- **Equity finance**

Funds invested in a business as shares. There are many different types of shares with varying rights, but investors usually have a say in the running of the company and also receive a dividend from profits.

- **Employee-owned business**

Owned and controlled by people who work for it.

- **Ethical investment**

Investment chosen according to ethical (environmental, social, moral) concerns of the investor, rather than one chosen purely for financial gain.

- **Fair trade**

Paying a *fair* rate for goods or products when trading with businesses in the developing world.

- **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.

- **Industrial and Provident Society**

An alternative to Company Law, organisations and businesses maybe registered as Industrial and Provident Societies. There are two principle legal forms of **I&PS**, an Industrial and Provident Society for the Benefit of the Community and a

Bona Fide Co-op. Bona Fide co-ops are democratically controlled by their membership, who also share all distributed profits. BenComs reinvest all their profits for the benefit of their community as defined in their constitution.

- **Mutuals**

Describes 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.

- **Not-for-profit** (nonprofit)

A term used to describe companies which do not distribute their profits to shareholders but use them for social or community benefit.

- **Patient capital**

An alternative to private equity finance, where part of the expected returns to investors will be social rather than financial. Defined by the Bank of England as 'long-term finance for development, with soft terms including little ceding of control and sub-market financial returns, in return for social gains.' Can take the form of 'investment' grants, loans or equity.

- **Regeneration**

a programme of local development which addresses physical, social, environmental and economic disadvantages in both rural and urban areas.

- **Social accounting**

The process of collecting, analysing and reporting both quantitative and qualitative information to provide an account of the performance of an organisation from a social perspective.

- **Social Auditing**

The process of checking social accounts to make sure that they "add up".

- **Social capital**

A term used to describe the value of social connections and quality social relationships. These non-financial resources - such as trust, partnership, shared values - enable a community to thrive and function more effectively.

- **Social economy**

The part of the economy which is neither private sector nor public sector. It includes social enterprises but also voluntary organisations, foundations, trade unions, religious bodies and housing associations.

- **Social entrepreneur**

Somebody who identifies and brings to life new business opportunities but who is motivated by public and social good rather than the need for personal profit

- **Social exclusion**

Where people or groups find themselves excluded from society and economic opportunity. Commonly cited causes of social exclusion are poverty, ethnic origin, age, lack of skills, bad health, low income, criminal record or gender.

- **Social firm**

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

- **Surplus**

The profit in many social enterprises is referred to as a surplus, to reflect their 'not-for-profit' status.

- **Sustainability**

There are two commonly used versions of this term:-

Financial Sustainability refers to the ability of an organisation to meet its ongoing costs over the long term; and *Environmental* Sustainability, which refers to the adoption of environmental practices which minimise the impact on natural

resources such that future generations can make use of the same resources.

- **Triple bottom line**

When an organisation attaches equal importance to social and environmental objectives and outcomes as to financial objectives.

- **Venture capital**

Commonly an equity investment - that is money for a share in the business. The capital is used to achieve the next phase of business growth, be that starting-up or transforming from a small to a medium sized business. Venture Capital often buys a share for a fixed period of time and may look for board level influence.

- **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.

- **Workers Co-op**

Commonly and Industrial and Provident Society bona fide Co-op in which members are the employees of the business. As such the employees both own and manage the business that they work for.

Social Enterprise Organisations

- **ABCUL**

Association of British Credit Unions Ltd

- **BenCom**

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

- **CAN**

Community Action Network

- **CDFA**

Community Development Finance Association, umbrella bodies for CDFIs

- **CDFI**

Community Development Finance Institution, see below.

- **CIC**

See Community Interest Company

- **CLG**

See Company Limited by Guarantee

- **CLS**

See Company Limited by Shares

- **Community development finance institutions (CDFIs)**

CDFIs lend and invest in deprived areas and underserved markets, such as social enterprise, that cannot access mainstream finance. Most aim to generate social and financial returns, strengthening the Communities in which they operate. A Community Investment Tax Relief of 5%pa for 5 years is available to investors in accredited CDFIs.

- **DTA**

Development Trusts Association

- **DTI**
Department of Trade and Industry
- **ICOF**
Industrial Common Ownership Foundation
- **NEF**
New Economics Foundation
- **SEC**
Social Enterprise Coalition
- **SEL**
Social Enterprise London
- **UKSIF**
UK Social Investment Forum