Setting Up a Social Enterprise

Setting yourself up as a social enterprise can be a useful way of establishing yourself as a group. Here, our learning resource co-ordinator Alison explains what social enterprises are and the different types of structure they can take. Some of this information is based on the Mind publication *Making waves: a guide to setting up social enterprises for mental health service users*.

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1. What are social enterprises?
Social enterprises are businesses with a social or environmental purpose behind them. There are currently around 62,000 in the UK according to the Social Enterprise Coalition and they contribute more than £24 billion to the economy and employ around 800,000 people.

Like all businesses, social enterprises compete to deliver goods and services. Unlike many businesses, social purpose is central to what they do so they reinvest their profits in order to fulfil that purpose.

Social enterprises can have several different structures. A social enterprise can be:

- *an unincorporated association*
- *a company limited by guarantee*
- *a co-operative*
- *a Community Interest Company (CIC)*

It is important to engage the services of a qualified business adviser and/or accountant if you are planning to set yourselves up as a social enterprise, as some of the legal language can be difficult to negotiate.
The different structures a social enterprise can be are described briefly below.

**Unincorporated Association**
This is the simplest type of social enterprise. Unincorporated associations can be run quite informally and may be useful when you are just starting up. They are, however, normally considered a short-term option. This is because they don’t have any formal legal identity which means members themselves will be responsible for risks associated with loans, contracts and personal liability. Insurance to cover these risks can be hard to get and also expensive.

**Companies limited by guarantee**
Companies limited by guarantee are legally organised groups. This means they must be registered with [Companies House](https://www.gov.uk/government/organisations/companies-house) and abide by its regulations.

**Co-operatives**
These are owned by their members and must be socially and economically beneficial. They are incorporated as a business and registered with Companies House or set up under the Industrial and Provident Societies Acts (IPS).

**Community Interest Companies (CICs)**
CICs are also limited companies registered with Companies House, but they exist specifically to provide social benefits to the community they serve and have to provide documentation showing how they do this.

2. Useful organisations

- **Business Link** offers free business advice and a support service.
- **The Social Enterprise Coalition** represents a wide range of social enterprises, regional and national support networks and other related organisations.
- **The National Federation of Enterprise Agencies** is the national network of local enterprise agencies, which are locally based, independent organisations providing advice, guidance and support to new and early-stage businesses and to the people setting them up. To locate your nearest office visit, ring 01234 831 623 or email [enquiries@nfea.com](mailto:enquiries@nfea.com).