

Definition of a social enterprise –

**“A social enterprise is 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.”**

A social enterprise is a type of business, as it is engaged in trading. However, it trades primarily to support a social purpose. Social enterprises usually operate services where the public sector is unable to deliver and where the private sector is unable to make sufficient profit.

The social enterprise sector has often been described as the **'not-for-profit'** sector, but this is inaccurate as they do make profits, therefore the sector is being increasingly described as the **'non-profit distributing'** sector. Social enterprises must make profits to survive but do not distribute them for individual or private benefit - rather they re-invest any profits gained through trading back into the organisation or the benefiting community.

Social enterprises are diverse and operate at many levels. They include local community enterprises, social firms, co-operatives, and large-scale organisations operating nationally or internationally. While some social enterprises start off as businesses, most begin as voluntary sector organisations, dependent largely on grants and volunteers.

There are, broadly speaking, five qualities of a social enterprises –

- The organisation has economic and social purposes written into its constitution
- The organisation is controlled by those who benefit from its work
- The organisation is independent - it has its own local management committee/trustees
- The organisation's activities are for the benefit of a community of place and/or interest
- The organisation earns some proportion of its income through trading

For more information on Social Enterprises –

**The Guild** - [www.the-guild.co.uk](http://www.the-guild.co.uk)

**Nearbuyou** - [www.nearbuyou.co.uk](http://www.nearbuyou.co.uk)

**NVS Legal Structures File** – NVS Library