



Social Enterprise Company Programme

Introduction

Students taking part in the Young Enterprise Company Programme often include social enterprise elements in their companies' activities. It is very common for Young Enterprise companies to develop products or services based on the students' social and environmental concerns or to donate a proportion of their profits to charity. Company members take great pride in these social enterprise activities and draw attention to them at every opportunity.

The 'classic' Young Enterprise Company Programme operates on a Private Limited Company model. A Social Enterprise model is also an option within the Company Programme web site based on the Community Interest Company (CIC) model.

Community Interest Companies were introduced in July 2005 as a bespoke legal form for social enterprises and currently there are over 5,500 registered in the UK.

Definition of Social Enterprise

Social enterprises are businesses set up to tackle a social and/or environmental need. Many commercial businesses consider themselves to have social objectives, but social enterprises are distinctive because their social or environmental purpose is central to what they do. Rather than simply maximising share capital value, social enterprises aim to generate a profit so they can further their social and environmental goals.

Why has Young Enterprise created a Social Enterprise version of Company Programme?

The Social Enterprise Company Programme will help students understand that Social Enterprise Companies are distinctly different forms of businesses and give them a vehicle to run a 'real' one if they are interested. Students should be encouraged to think about the options available to them and make a choice at the beginning of their year of trading.

The Company Programme is suitable to be adapted to a formal social enterprise model. Students will continue to experience all the same benefits of the programme and will develop the same enterprising skills, capabilities and attitudes to support them as they move on in life and enter the workplace.

How will it work in practice?

In practice the running of a social enterprise is very similar to running a private business, the same functions and activities are involved. In the CIC model the differences relate to using the majority of the profit to achieve social or environmental aims and the fact that the company's very purpose is to achieve a social or environmental benefit.

The main change to the traditional Company Programme is an alternative Memorandum and Articles which students sign up to at the beginning of the year. The new 'Mem and Arts' is based on the CIC model and will take the 'limited by shares' form. It will contain the following key features which will help the students establish a social enterprise:

1) **A Dividend Cap**

To ensure the majority of profits are primarily utilised to achieve the social and environmental benefit of the company. Shareholders need to be informed from the outset that they are investing in a social enterprise and will therefore be expecting a 'blended return' on their investment of both financial AND social/environmental benefits.

The maximum dividend per share will be capped at 10% with a maximum aggregate dividend of 35% of the distributable profits.

2) **Asset Lock**

The CIC model includes an asset lock which ensures that all assets acquired by the CIC are redistributed for social or environmental purposes when the CIC is wound up. Charities are eligible asset lock bodies and as such, after paying relevant dividends under the dividend cap, each Social Enterprise Company Programme team will be expected to donate any surplus and/or assets to an appropriate charity (the default charity for this is Young Enterprise). If the company wishes to continue as a social enterprise after the programme is completed then it could transfer its CIC's assets to a new social enterprise (it will not be able to transfer assets to a private company though).

3) **A requirement to produce a Social Impact report to prove Social/ Environmental impact**

A further requirement of the CIC model is an annual Social Impact report which indicates what difference the social enterprise has made. This is an important feature of the Social Enterprise Company Programme.

Companies will be required to state from the outset what social or environmental impact they intend to make (as is the case when establishing a CIC). At the end of the year of trading each company will be required to include a Social Impact report of a minimum of one paragraph as part of its end of year report.

Frequently Asked Questions

1) What if the students just want to run a business to make money?

Students will select the traditional Company Programme model at the start of the year – there is no compulsion to choose the Social Enterprise model.

2) Is this just about students donating money to charity at the end of running their business?

Some will classify donating money to charity as good private sector Corporate Social Responsibility rather than Social Enterprise. Students could donate to charity at the end of their year of trading following either model once they have liquidated the company, however the social enterprise model gives them specific experience in developing the 'blended return' for shareholders.

3) Do the business advisers need to be different?

Business advisers can be from any background although they will need to have an understanding of the requirements of the Social Enterprise Programme – i.e. the need to achieve Social and Environmental benefits as well as profit.

4) Most students register their company before selecting the type of product/service or company they wish to manufacture, provide or become. Will students be able to change from a standard Company Programme to a Social Enterprise Company Programme?

Students will choose the Social Enterprise Company Programme model because they want to make a social or environmental impact through running their business. Therefore their choice of product/service could be made later. **If they did want to change company model, they will only be eligible to do so before they sell their shares** as these will be need to be issued with an expectation of a 'blended return'. Once the decision of which model to follow is made and shares have been sold on the basis of that decision, students will not be able to change to the alternative model.

5) Will the social enterprise companies be able to trade on the basis of giving money to charity?

As with the private limited companies' model, the CIC model companies will not be able to trade on the basis of giving money to charity.

6) Will the social enterprise companies pay YE-VAT and Corporation taxes?

Yes, under the same conditions as the standard Company Programme rules