

## VCSE Sector – Definition of Terms

**Voluntary, Community & Social Enterprise (VCSE) Sector:** The sector itself has been the beneficiary of many names to date – Civil Society, the Third Sector, and the VCS to name a few. The VCSE sector is the current ‘catch all’ term that includes any organisation (incorporated or not) working with Social Purposes. This ranges from small community based groups/schemes (Good Neighbour Schemes, ‘Stitch & Knit’ or Cubs & Brownies etc.), through to larger registered Charities that operate locally, regionally & nationally. The definitions below are accepted terms to distinguish the organisations within this sector.

**Legal Structures** (recognised by one or more regulatory body) for VCSE Organisations:

	<b>Control/Ownership</b>	<b>Governing Document</b>	<b>Regulator</b>	<b>Limited Liability</b>	<b>Profit Distribution</b>	<b>Charitable status available</b>	<b>Expectation to Trade</b>
<i>Unincorporated Association</i>	Management Committee	Constitution	Charity Commission	No	No	Yes (if purposes are solely charitable)	No
<i>Charitable Trust</i>	Board of Trustees	Trust Deed	Charity Commission	No	No	Yes	No
<i>Registered Charity (unincorporated)</i>	Board of Trustees	Constitution	Charity Commission	No	No – reinvested into the charity	Automatic	No
<i>Charitable Incorporated Organisation (CIO)</i>	Board of Trustees	Constitution	Charity Commission	Yes	No – reinvested into the charity	Automatic	No – but is able to sell services in line with charitable purposes
<i>Company Limited by</i>	Board of Directors	Memorandum &	Companies	Yes	No	Yes	Yes

<i>Guarantee (CLG)</i>  <i>Nb: Social purposes distinguish it from a Private organisation</i>		Articles of Association	House (and Charity Commission if it has charitable status)				
<i>Company Limited by Shares (CLS)</i>	Board of Directors	Memorandum & Articles of Association	Companies House	Yes	Yes	Very rarely	Yes
<i>Community Interest Company (CIC) – either limited by shares (CIC CLS) or by guarantee (CIC CLG)</i>	Board of Directors	Memorandum & Articles of Association	Companies House & CIC Regulator	Yes	Yes – but must benefit wider community. Can pay limited dividends to private investors	No	Yes
<i>Community Benefit Society (BenComms)</i>	Management Committee	Rules	Financial Conduct Authority	Yes	No	Yes	Yes
<i>Cooperative Society (Co-op)</i>	Management Committee	Rules	Financial Conduct Authority	Yes	Yes	Very rarely	Yes

**Social Enterprise:** The term ‘Social Enterprise’ is a TYPE of organisation, NOT a legal form/structure. Social enterprises are organisations with primarily social purposes which generate revenue through trading and reinvest any surplus back in to the business or the community it serves. The term ‘Social Enterprise’ has no legal status and is not recognised by HMRC or any other regulatory body. Any of the following legal forms could be considered a Social Enterprise:

- Company limited by Guarantee or Shares
- Charitable Incorporated Organisation (if trading for primary purpose)
- Community Interest Company
- Community Benefit Society
- Co-operative
- Sole traders or Business Partnerships (if primary purpose is social)

**Community Business:** Community businesses are also a TYPE of organisation. They are rooted in their local community, responding to local need, driven by and accountable to the local community, and TRADE for the benefit of that community. They are businesses with social purposes. All community businesses could be considered Social Enterprises (see description above). However, not all Social Enterprises could be considered Community Businesses as not all Social Enterprise operate in once specific geographical community.

**Trading Subsidiaries:** Trading subsidiaries are companies controlled by one or more charities and usually set up to generate income for the main charity (or charities). The advantage of doing this is that they do not have the same restrictions on their activity that charities have.