

# Running a Community Interest Company

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&

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Welcome to this Contact online learning session

If there is a technical hitch, please do bear with us.

Those of you joining by pc, laptop, tablet or smart phone should now be able to see this introduction slide.

# Key information



This session will be recorded and uploaded to the parent participation you tube account. If you don't want to be on the recording, please do switch off your camera.



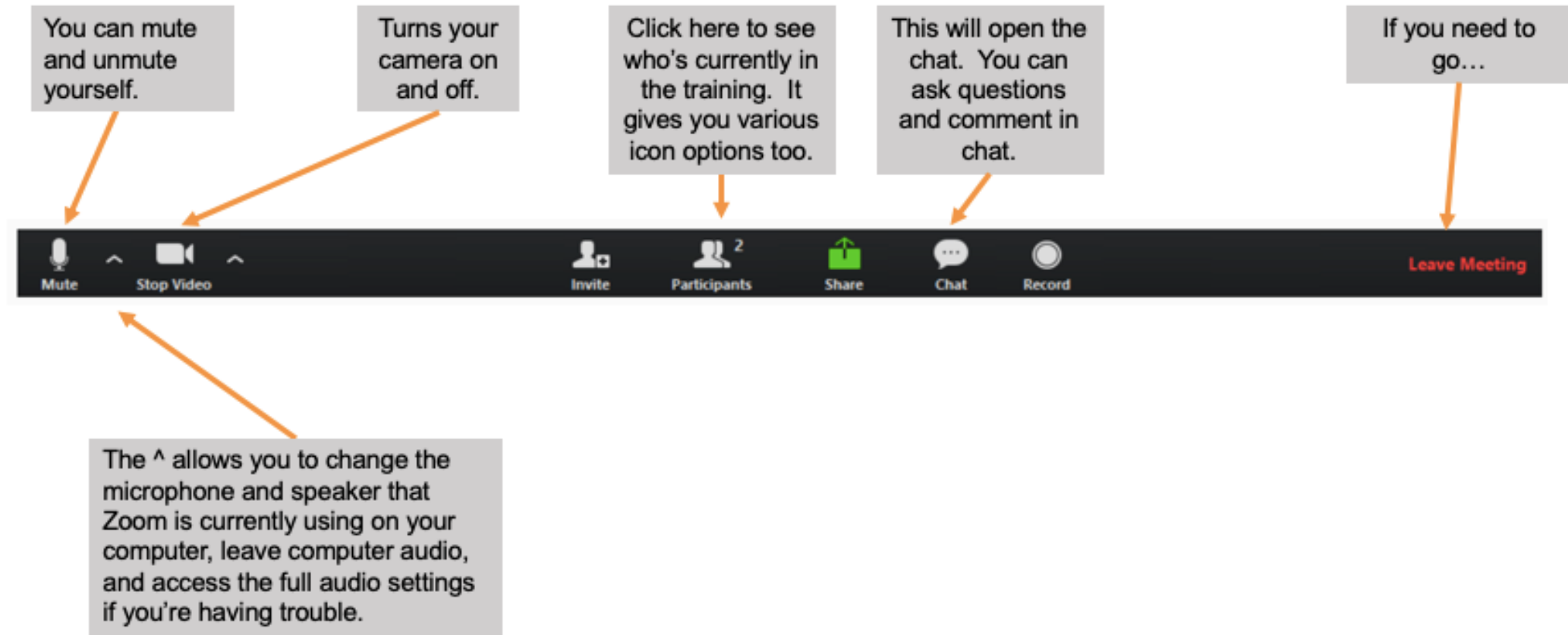
We have designated some time for questions and answers. However if you need to ask something at another time please do, you can ask by voice or in the chat.



Please keep yourself muted if you aren't talking to help us minimise background noise



At the end of the session we'll send you a link to a short feedback survey – please complete it. Your views and ideas for session, are important to help us improve and develop how we can support.



## Tips on how to use Zoom

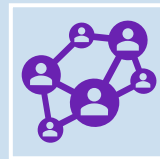
# What is a CIC?



CICs are limited companies which operate to provide a benefit to the community they serve.



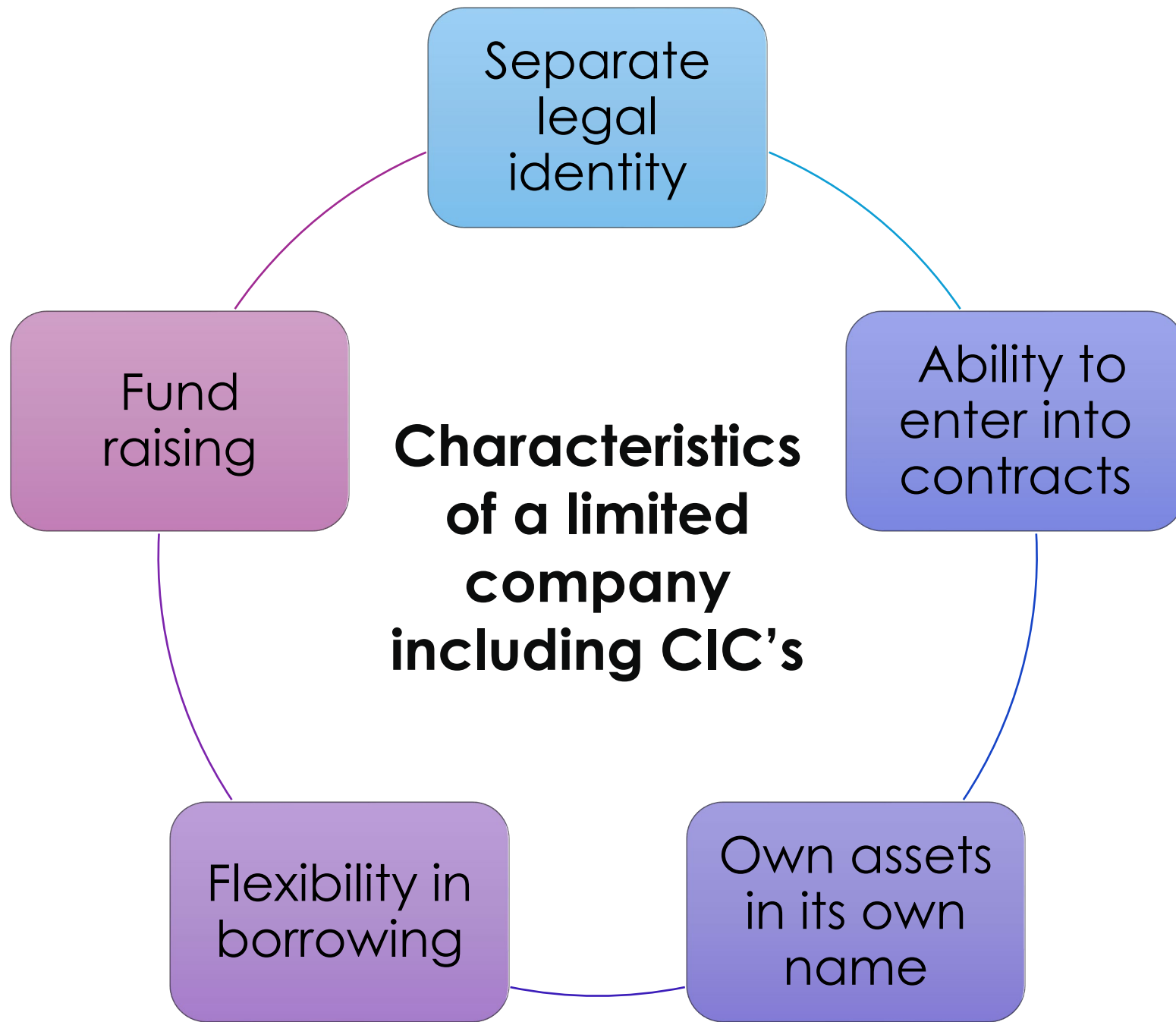
The purpose of a CIC is primarily one of community benefit rather than private profit.



CICs will become established as a brand of company that the public recognises and trusts and whose social purpose they understand.



A CIC operates in the same way as any other company.



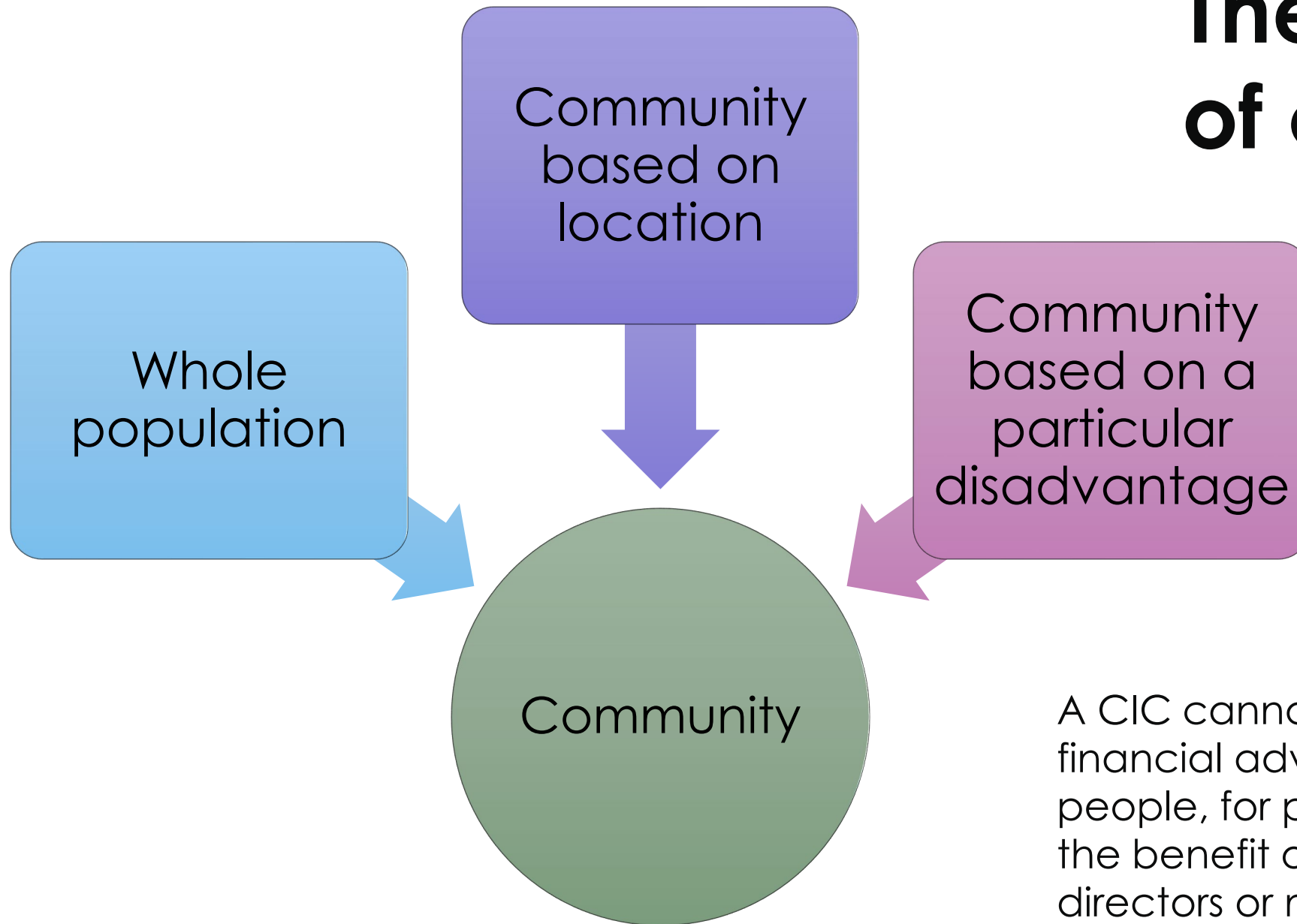
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**Bookdonors** – They take unwanted second-hand books from charities and libraries and sell them on the internet. Some of their profits go straight back to the charities and libraries that donated them. But they also save tonnes of books from the landfill, while providing multiple employment opportunities for people with disabilities and for the long-term unemployed.

**The Expert Patients Programme** - A multi-million-pound CIC running specialised health schemes to help patients manage long-term conditions. A community of interest to support people living with long-term conditions and operates.

**Little Fish Theatre** - The CIC's mission is to produce high quality innovative theatre productions and drama experiences for young people in and around London. Through its activities, the company seeks to challenge social injustice and inspire personal and community growth and change.

# The concept of community



A CIC cannot be used solely for the financial advantage of a group of people, for political purposes, or for the benefit of the employees, directors or member or a single organisation



# Community interest test

All Community Interest Companies have an overriding duty around public benefit and community purpose

A CIC must satisfy the Regulator that a reasonable person might consider that the CIC's activities are or will be carried on for the benefit of the community.

A company will not satisfy the test if it carries on certain political activities, or if a reasonable person might consider that its activities are carried on only for the benefit of the members of a particular body, or the employees of a particular employer.

**The CIC will have to continue to meet this test throughout its life.**

- There are certain activities that the CIC legislation states are not eligible for CIC status.
- These activities include:



- CIC legislation also states that a wide range of political activities will be regarded as not being carried on for the benefit of the community.
- Companies involved in these activities are not eligible to become CICs and any CIC involved in such activities could cease to satisfy the community interest test and be subject to enforcement action by the Regulator.

# Role of the CIC Regulator and key responsibilities

The Office of the Regulator of Community Interest Companies decides whether an organisation is eligible to become, or continue to be, a community interest company (CIC).

It is responsible for investigating complaints - taking action if necessary and it provides guidance and assistance to help people set up CICs.

Considering whether applications meet the criteria to become a CIC

Encouraging the use of CICs for suitable enterprises

Providing guidance to enable CICs to be formed and regulated

Informing the registrar in Companies House of successful applications, so they can issue a certificate of incorporation as a CIC

Informing the registrar in Companies House of successful applications, so they can issue a certificate of incorporation as a CIC

'light touch' regulation of CICs, with the minimum of interference



**Key things  
you need to  
understand  
before  
setting up a  
Community  
Interest  
Company**

# Company law outlines who can be a director



**Individual** — Any individual who meets the legal requirements can serve as a director and hold other roles within the company, such as company secretary or shareholder.



**Corporate body** — A corporate body, such as a limited liability partnership (LLP) or another company, can act as a director, known as a corporate director.



**Partnership** — In some instances, a partnership can serve as a director. However, this arrangement requires careful consideration of the partnership's structure and legal obligations.



**Group** — Individuals or entities may jointly hold directorship positions, particularly in complex corporate structures involving holding companies and subsidiaries.



**Another Limited Company** — A separate Ltd company can be appointed as a director of another company.



**Organisation/Business/Charity** — Non-profit organisations, charities, and other entities can also serve as directors if they meet the legal requirements and objectives.

# Company law outlines who can be a director

A company must have at least one director.

A director must be 16 or over and not be disqualified from being a director.

Directors do not have to live in the UK, but companies must have a UK registered office address.

You're not usually allowed to be a company director if you're under restrictions from bankruptcy or a Debt Relief Order.

You can be banned ('disqualified') from being a company director if you don't meet your legal responsibilities.

File a confirmation statement

Submit the annual accounts - even if the company is dormant

Notify of any change in your company's officers or their personal details

Notify a change to your company's registered office address

Manage any allotment of shares

Manage the registration of any charges (mortgage)

Update your company's people with significant control (PSCs) or their personal details

You may need to file a company tax return to HMRC and pay Corporation Tax on profits.

# Responsibilities

**As a director**






# Directors paid or volunteers

Some individuals may not wish to be remunerated at all. Some directors therefore may wish to be volunteers.



Many CICs will be actively trading businesses that need good directors if they are to be successful. Such CICs will usually need or wish to remunerate their directors in order to ensure that they achieve their full potential to benefit the community.



If the remuneration is disproportionate or set at such a high level that the company will have problems sustaining itself the Regulator may have concerns.



As a CIC the Regulator expects the majority of the company's profits and surpluses to be reinvested in the community or used for the benefit of the community and not to go to directors or shareholders.



Directors may be paid remuneration (which includes a salary) for their services to a CIC



CIC directors' remuneration should never be more than is reasonable



CIC directors' remuneration arrangements should always be transparent



The Regulator – or the members of a CIC – may take action if a CIC director's remuneration appears to be too high

## Key considerations

Directors of CIC's can be paid but you make sure it's done responsibly and aligns with your company's mission

Payments to need to be reported in the Annual report (CIC34)

Directors' duties under the Companies Act are paid under PAYE

It is possible to be a Director (officer) and employee

## **Can a director be self-employed?**

One of the tests used to determine if a person is self-employed for benefits purposes requires the person to not be restricted on how they use any profits, such as a through a Community Interest Company (CIC) asset lock, which ensures income generated by its activities is primarily used for the benefit of the company, not an individual.

# Asset Lock



The Asset Lock is a fundamental feature of Community Interest Companies (CICs)



It is a legal clause that prevents the assets of a company being used for private gain and ensures that the assets of the CIC (including any profits or other surpluses generated by its activities) are used for the benefit of the community it was set up to serve.



This is where a CIC differs from a normal limited company, as no assets can be transferred from a CIC to a limited company; and any assets that belong to or are donated to a CIC remain within the CIC and will form part of the CIC's assets.



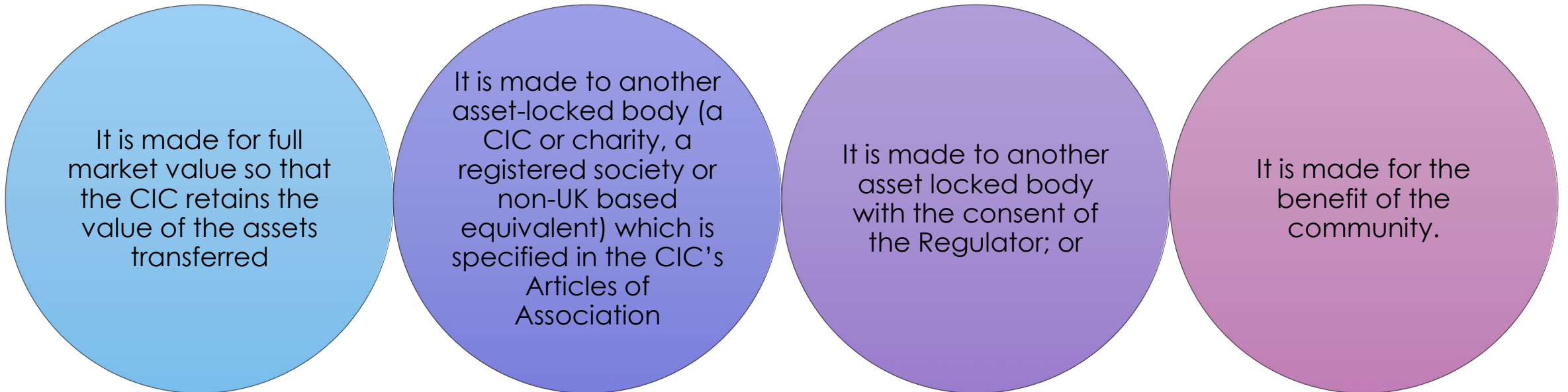
Assets can be loaned to a CIC, providing a documented agreement is made between both parties. If a loan is not agreed, then the asset will remain within the CIC.

If not sure it is worth seeking legal advice.

# Asset Lock – Transfer of Assets

Subject to the CIC meeting its obligations e.g. settling all its debts, its assets must be retained within the CIC to be used for the community purposes for which it was formed or transferred.

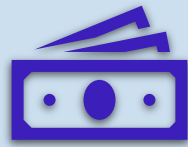
If they are transferred out of the CIC, the transfer must satisfy one of the following requirements:



## Nominating another organisation to take on assets if CIC closes



The purpose of an asset locked body nomination is to ensure that any assets owned by the CIC are passed on to benefit another community-based company if they were to close



A CIC cannot nominate itself as a potential recipient of the company asset in the event of the company being wound up



Such a nomination may prove particularly important in the event of the CIC being wound up or dissolved when it is not insolvent. In the absence of a nomination, the CIC is required to consult with the Regulator to decide the destination of any remaining assets.

**Before you establish a Community interest company there are a few things you need to have decided.**

## **Your Community**

- The essential feature of a CIC is that its activities are carried on for the benefit of the community.
- It is important before creating a CIC, that you have a clear picture of the community you intend to serve.

# Your Activities

When deciding on the CICs activities you should consider the following:

What activity do you want to undertake and how will it benefit the community?

Who will be the owners, managers, directors, shareholders or guarantors?

How will it be funded?

How will the surpluses or profits be used?

Will you be engaging in any campaigning or political activities?  
(Companies involved in these activities are not eligible to become CICs)

Who will be nominated as the asset locked body in your Articles of Association?

Will being a company with limited liability, a mandatory Asset Lock, extra reporting requirements and designed for social enterprise suit your needs?



## Examples

The objects of the Company are to carry on activities which benefit the community and in particular (without limitation) to parent carers who are resident in Wiltshire, but excluding Swindon (a unitary authority), who have children with a disability or Special Educational Need (SEN) and are aged 0 – 25

To give a voice to Parent Carers in Warwickshire (or neighbouring areas where they live on the border and use services in Warwickshire) of Children and Young People aged 0-25 with disabilities and/or additional needs by being the platform for views.

To work in partnership with all other groups and organisations that support parent/carers of children and young people with disabilities and/or additional needs

## **Examples continued**

To work together in partnership to influence and contribute to the development of services in order to improve and enhance the experiences and opportunities of children and young people with additional needs or disability by putting parents/carers and families at the heart of decisions.

To use the grant from the Department of Education and other funding available in an effective way which encourages and strengthens the participation of parents and carers across Somerset both in local areas and at county level, representing all families including the diverse and hard to reach community groups

# Limited by Shares / Limited by Guarantee

A CIC must either be a company limited by guarantee, or a company limited by shares.

Do you want to pay dividends to investors?



Will the ability to pay dividends have a favourable effect on your funding or tax status?

Do you understand the dividend cap limitations on the payment of dividends?

If the answers are yes, you may wish to choose the limited by shares option.

# Limited by Shares / Limited by Guarantee

If you do not want to pay dividends, a CIC limited by guarantee may be the best type of CIC for you.

In this company format, members guarantee to meet the debts of the company up to a specific limit in the event of its failure

They have no further personal liability for the debts of the company beyond their guarantee

In practice each of the guarantors usually guarantees a nominal sum such as £1, but there is no reason why a principal supporter of the CIC should not in effect underwrite its activities by guaranteeing a larger sum

Will you be looking for funding for your CIC? Funders tend to look more favourably on applications from CIC's limited by guarantee

A company limited by guarantee has been the traditional form of companies operating without the motive of making a profit for distribution to the members

# Memorandum of association

- A memorandum of association is a standard, one-page document signed by the founding members of the company confirming their agreement to incorporate a business.
- It includes the names and signatures of the original subscribers and remains unchanged even if the founding members leave or new members join. In the case of a company with share capital, the initial subscribers undertake in the memorandum to have at least one share each.
- It is submitted alongside the articles of association during incorporation. After the company is incorporated, the business must keep the memorandum at its registered office address or a designated Single Alternative Inspection Location (SAIL address) for official record-keeping.

# Community Interest Company Membership



There are 2 types of articles for CICs:



Large membership - for CICs, which have more members than they have directors.



Small membership - for CICs, all of whose directors are members of the company and all of whose members are directors of the company.

# What are articles of association?

The articles of association serve as a company's constitution, outlining how it will be governed and managed.



Powers and responsibilities of company directors.



Rights and duties of members.



Share capital, along with procedures for transferring or issuing shares.



Share classes, rights, and associated conditions.



Profit distribution guidelines.



Appointment and removal processes for directors.



Whether a company secretary will be appointed.



Any additional management-related details.



## **Confirmation Statement**

- Like all other limited companies, CICs must confirm the information Companies House holds about it is correct by delivering a confirmation statement.
- If the information held is out of date, the company must file the information needed to update its records, either before or at the same time that it delivers the confirmation statement.
- This statement must be made at least once a year, but the company may choose to make a statement more regularly.



## People with significant control (PSCs)

A person with significant control (PSC) is someone who owns or controls your company. They're sometimes called 'beneficial owners'.

Most PSCs are those who hold:

1- more than 25% of shares in the company

2- more than 25% of voting rights in the company

3 -the right to appoint or remove the majority of the board of directors

You must record any changes to your PSC information in your company's PSC register, such as a change of personal details or nature of control. You must do this within 14 days of the change.

# Annual CIC Report & Accounts



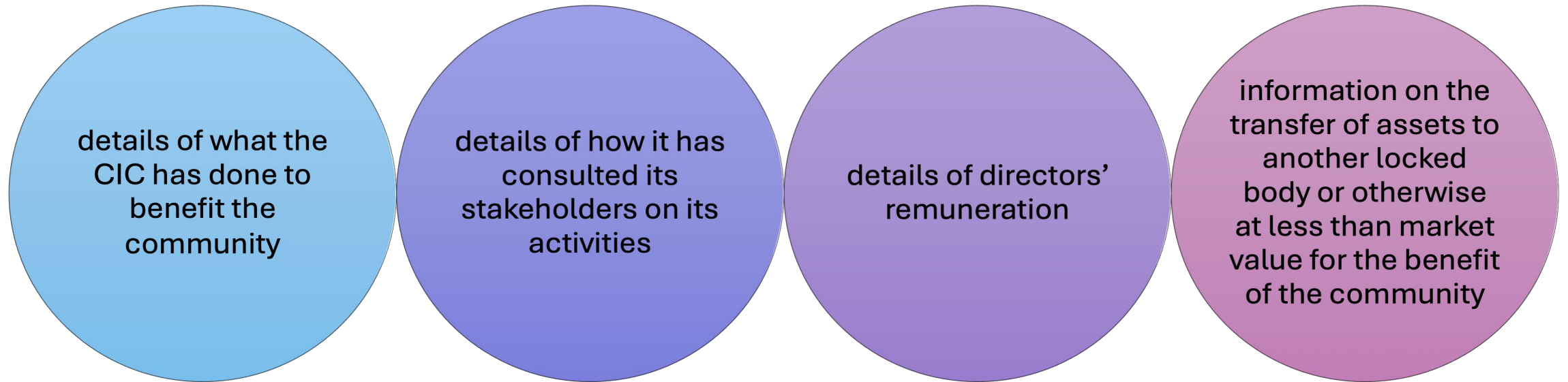
The accounting requirements for a CIC are the same as those of ordinary limited companies. These requirements are explained on the Companies House website: [Companies House accounts guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/companies-house-accounts-guidance)



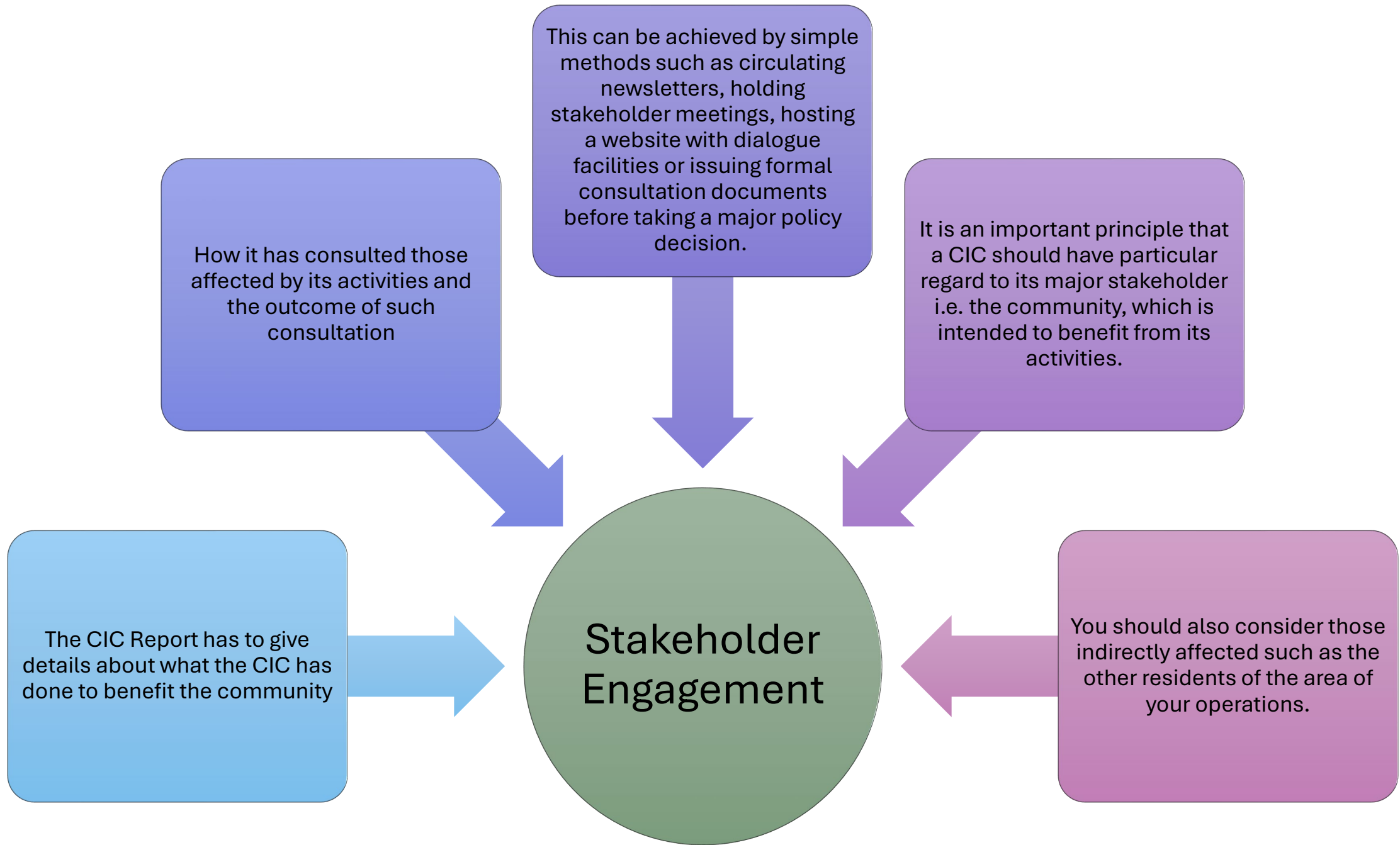
The directors of a CIC have an important additional obligation to prepare an annual CIC Report to be filed with their accounts. The purpose of the CIC Report is to show that the CIC is still satisfying the community interest test.

# CIC Report

The CIC Regulations prescribe minimum requirements in each report. These include:



In addition, you will need to complete any normal reports for funders and your community





As part of your engagement, you need to consider how you are going to work with a wider group of parents and not just the director's making decisions



Need to consider how you include parent carers who may want to be involved in a leadership role but are unable to be a director



In law responsibility and decisions will sit with the directors but you can choose how you engage wider



Examples may be a steering group, reference group or committee



Good practice to outline how you will do this in writing such as a terms of reference

# Terms of reference

Outline your aims and role of the group

Structure of the group including numbers Inc. amount, associate positions or group representatives

Steering group decision making powers including voting and powers compared to Directors

Frequency of meetings. When, how and where

Agenda items: How to add items and standing items

Steering group membership requirements

How to apply

How to resign

The directors of X Forum CIC retain the right to veto a decision in the exceptional circumstance where it could bring the company into disrepute, is illegal or is deemed to carry an unacceptable level of risk.

# Support available

Community Matters

MMC

<https://www.gov.uk/government/news/dos-and-donts-of-completing-an-application-to-incorporate-a-cic>

Step by step guide



# Time for Questions





# Questions and Resources



If you have any other questions relating to your forum please contact your [Regional Parent Participation Adviser](#) or [parent.participation@contact.org.uk](mailto:parent.participation@contact.org.uk)



For advice on SEND issues get in touch via **Contact's free helpline** 0808 3555 (9.30 – 5pm Mon-Fri) or [helpline@contact.org.uk](mailto:helpline@contact.org.uk) or visit our advice pages on our website [www.contact.org.uk](http://www.contact.org.uk)



Online Learning session recordings and other resources can be found on our **participation pages** [https://www.contact.org.uk/get-involved/parent-carer-participation/resources-\(general\)/](https://www.contact.org.uk/get-involved/parent-carer-participation/resources-(general)/)

# Thank You!



A short questionnaire will launch at the end of this session.

Please take the time to complete this as it will help us plan future events. **Please note we cannot answer questions via the Feedback form. Please contact your Regional Adviser or our Helpline team (see details at the end).**

The recording of this session and presentation will be available on Contact's website in the next two weeks. Look out for news about this on our homepage and social media networks.

**[www.contact.org.uk/get-involved/parent-carer-participation/resources](http://www.contact.org.uk/get-involved/parent-carer-participation/resources)**