

# Community Interest Companies

A Community Interest Company (CIC) is a legal framework that communicates that an organisation works for the benefit of the community rather than for personal gain and enables a little more flexibility with regard to structure, trading, membership and governance compared to a registered charity.

A CIC is able to access grant funding, however is less reliant on grants than a charity by engaging in enterprise that enables it to be sustainable.

A social enterprise is a broad-definition umbrella term for organisations that have both social and business objectives and can be many different structures including a community interest company

## The defining characteristics of a CIC are the Asset Lock and the Community Interest Test

The **Asset Lock** enables organisations to ensure that if the group were to cease then its assets would be dedicated to public benefit and this is written into the organisations governing document. Previously this was difficult for organisations to do under either an incorporated limited company or registered charity status.

The **Community Interest Test** is carried out by the CIC regulator who needs to be satisfied that the organisation is providing a service for public benefit and a statement from the organisation is provided by completion of the CIC 36 form as noted below.

Once a CIC is set up it is only allowed to cease by dissolution or by converting to a charity – so it's important to be sure that this is the right legal framework for your organisation.

## Changing your legal framework

- A CIC can convert to a charity and a charity to a CIC, however an organisation cannot be both at the same time
- An Industrial & Provident Society cannot convert to a CIC
- A limited company can convert to a CIC
- A dissolved CIC can only become a charity
- A Charity can own a CIC

## Does the CIC model suit you?

**If you answer yes to the following questions it is likely that the CIC framework will be suitable for your organisation.**

- Do you own property, employ staff or enter into substantial contracts?
- Do you want to communicate to funders, customers and others that you work for the benefit of the community rather than for personal gain?
- Do you want to trade in a way that falls outside of your primary charitable objectives?
- Do you want the assets to stay within the community if the CIC were to dissolve?
- Are you certain that you do not want the charitable status benefits of rate relief and corporation tax relief?
- Are you happy with company information being public?
- Do you want the flexibility to tailor your structure, membership and governance?
- Are you happy with the obligations of Annual Returns and Accounts for Companies House and CIC annual report?

## Forms that are needed to register a CIC

- Memorandum & Articles of Association
- Form IN01 (to register a company with Companies House)
- CIC 36 Form (CIC 37 Form if you are converting from a limited company)
- Cheque for £35.00 to Companies House (£20 registrars fee and £15 regulators fee)

**As well as submission of annual returns and accounts to Companies House, an annual Community Interest Company report for the CIC Regulator will need to detail:**

- What it has done and how this has benefited the community
- What directors salaries and dividends have been paid
- To what extent has it involved its community in its activities

More information is available at [www.bis.gov.uk/cicregulator](http://www.bis.gov.uk/cicregulator) where there is an excellent Q&A document.

Other fact sheets in this series include *An Introduction to Social Enterprise* and *An Introduction to legal Structures*. See [www.sloughcvs.org.uk](http://www.sloughcvs.org.uk) for the full list.

***Slough Council for Voluntary Service is an infrastructure organisation that supports the voluntary sector. In line with our charitable objectives, we would only support Community Interest Companies who were limited by guarantee and not those who were limited by shares.***