



13,000+ Community Interest Companies (CICs) in the UK – the fastest growing legal form for social enterprise in the world. Find out why

## UNSW Law

13,000+ Community Interest Companies (CICs) in the UK – the fastest growing legal form for social enterprise in the world. Find out why

**Presented by Phillip Horrell (ex-CIC Deputy Commissioner – UK),  
Professor Bronwen Morgan (UNSW Law CLMR), and  
Alan Grieg (Legal Models Working Group on Social Enterprise)**

**10 May 2017**

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Phil Horrell is the ex-Deputy Regulator at the Office of Regulator of Community Interest Companies in the UK. Now retired, Phil was kind enough to entertain a lively discussion about CICs. We were joined by wide variety of stakeholders including academics, legal practitioners in industry, non-for-profits, government and others.

Some of the key takeaways from the meeting that accompany the slides include:

- CICs are not always the most suitable legal form for social enterprise
- More than 2500 + CICs are registered each year but most dissolve within 21 months – this is how long CICs have before they have to lodge forms/complete reports. CICs that make it past the 21 month hurdle last for much longer. All reports are made public to increase transparency of CICs
- CICs come in different legal forms: limited by guarantee (typical of NFPs), limited by shares, schedule 2 share model (uncapped dividend payments to shareholders), schedule 3 share model (capped dividend to shareholders). In simple terms, the dividend cap requires that at least 65% of pure profit/surplus is re-invested in the company/social cause and a maximum of 35% can be distributed to shareholders
- Social Investment Tax Refund – tax incentive introduced recently in the UK likely to have interesting effects on CICs
- Asset locking is compulsory for CICs. It is the process whereby companies cannot use



L-R: Phil Horrell (ex-Deputy Commissioner CIC), Bronwen Morgan (UNSW Law), Dimity Kingsford-Smith (Director CLMR)



assets for purposes outside the purpose of the organisation. This has been particularly successful in large health CICs

- CICs are first and foremost a company; the registration process is the same as they must lodge a form with Companies House (UK ASIC-equivalent), though they are requested to use or modify CIC-specific Model Rules.

- There is also a subsequent step of lodging a community interest report with the CIC Office. This step gives the CIC Regulator some degree of monitoring control over the pursuit of community interest.
- Directors have the same duties as companies and additional responsibilities towards the community. Therefore, there is a need to balance shareholder interests against community/other stakeholder interests.
- The fiduciary duties and the salary levels of CIC directors were both issues that generated debate and discussion
- Some examples of CICs that were referred to:
  - NAViGO – employ 20,000 people, provide housing
  - Bristol Together – construction company that employs ex-offenders and build community housing and private housing



## Attendees

Phillip Horrell	Ex-Deputy Commissioner CIC
Bronwen Morgan	UNSW Law CLMR
Dimity Kingsford-Smith	UNSW Law CLMR Director
Alan Greig	Mercury Cooperative
Les Helms	Ernest and Young
John Eagleton	King and Wood Mallesons
Trevor Danos	Corrs Chambers Westgarth
Gillian McAllister	UTS
Vanessa Lesnie	Social Outcomes
John Corker	Australian Pro Bono Resource Centre
Lisarne Pelling	Australian Institute for Company Directors
Marina Nehme	UNSW Law CLMR
Sophia Bai	UNSW Law PhD student
Gabrielle Pither	Prolegis
Jane Knowler	UniSA
Alistair McGibbon	CEO of SEFA
Declan Kuch	Research Fellow, UNSW Law
Jos Bhasker	UNSW Law CLMR Intern
Katherine Tsatsaklas	UNSW Law UG Student

## Phone In

Angela Perry	Prime Ministers Business Community Partnership
Kym McConnell	Department of Social Services
Ros Baxter	Group Manager - Families (Department of Social Services)
Kaela Snibson	Justice Connect (NFP Law) – Vic
Kate Fazio	Justice Connect (NFP Law) – Vic