

# Community Interest Companies

*The UK Perspective*

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# Let's start with some Stats

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- 208 CICs registered in 2005/6
- 236 CICs registered in April 17
- 13,181 on public register
- 2700 approved, 1400 dissolved in 2015/16
- 90% of health spin outs are CICs
- 28% of CICs are conversions
- 7 staff supports Regulator in 2005, 6 in 2017

# Let's start with some Stats

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- 67% of CICs limited by guarantee
- 16% of CICs schedule 2 share model
- 17% of CICs schedule 3 share model
- 8,000 CIC reports received in 2015/16
- 35 pounds - register, 25 pounds – convert
- 15 pounds to file CIC report
- 60% of costs recovered in 2015/16

# How it all began

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- Stephen Lloyd BWB
- demanded by the sector
- legislation passed unopposed
- first Regulator appointed
- CIC Team set up

# The CIC Office

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- Regulator supported by team of 6
- staff are all BEIS employees
- Parliament expects office to be self financing
- office based at Companies House
- applications: single process – two steps
- Memorandums of Understanding

# Consulting the Sector

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- Technical Panel set up in 2007
- comprises Academics, Practitioners, Umbrella Organisations, Law Firms and key players from the sector
- meets 3 times a year
- remit to inform and advise the Regulator
- It is not a talking shop

# What is a CIC?

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- it is an ordinary company with additional features
- it may be limited by guarantee or shares, private limited or PLC
- it has a defined community of interest
- it has a compulsory asset lock
- it delivers transparency through the Community Interest Report

# Key differences to an ordinary company

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- CICs are regulated
- have statutory clauses to ensure social purpose
- the asset lock
- the CIC report
- profit is not the bottom line



# Key differences to a charity

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- charities have greater regulation
- charities run by board of trustees
- charities receive tax benefits
  
- CICs are businesses and can make a profit
- directors receive salaries, can pay dividends and give bonuses
- CICs have flexibility to change their objects

# Who sets up CICs?

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- just under 30% of CICs are conversions
- more women directors, more under 30 and more from the BME community
- social entrepreneurs: who want to make a living while making a difference
- SMEs with 2 to 3 directors
- 90% of health spin-outs are CICs

# Where are CICs located?

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- CICs operate throughout the UK
- they feature in cities, rural communities, high streets and town centres
- academic research (CIC34) identified “hot spots” for CICs and underlying reasons
- the “Croydon Effect”

# What do CICs do?

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- Excluded companies
- broad church - multi million pound organisations to the village shop
- many are SMEs with 2 to 3 directors
- active in education, energy, transport, environment, crime, housing, media
- over 60% engaged in health and social care

# Advantages

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- they are regulated
- they have statutory community clauses and are quick, easy and inexpensive to set up
- the CIC brand offers reassurance to stakeholders and the general public
- provides the familiarity of the corporate model and limited liability for its members

# Disadvantages

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- they are regulated
- awareness and the professional advisor
- unable to file on-line
- securing investment
- rewarding shareholders and investors
- misconceptions

# Accessing Funding

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- target the right funding bodies
- have a strong business plan
- have a unique selling point
- understand their social impact
- demonstrate corporate governance
- know their market



# Dissolutions

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- currently dissolving up to 1500 a year
- most within 21 months
- few liquidations, majority wound up by Companies House
- reasons similar to those given by ordinary companies



# Global Interest

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The UK is recognised as having the most advanced social enterprise sector in the world.

Interest from:

- Canada (British Columbia, Nova Scotia)
- China
- Denmark
- France
- Japan
- South Korea

# The role of the Regulator

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- light touch but not soft touch
- listen to sector and make CICs fit for purpose
- encouraging the growth of the CIC model
- maintaining confidence in the CIC model
- exercising Regulator's power of investigation and enforcement

# Complaints

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- need to maintain confidence in the model
- identifying concerns at application stage
- approximately 100 complaints a year
- every complaint investigated
- work closely with Companies Investigations team and other Regulators

# The Future

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- e-Enablement
- blogs, Twitter, Webinars, Social Media
- exercising of Powers
- Social Economy Regulator

# Are CICs a success?

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- 6 times more than forecast by Parliament
- the legal form has evolved over 12 years
- has become model of choice for social entrepreneurs
- flat lined in recent years
- SISR will be a game changer
- the solar farm conundrum
- still too much misconception about the model

# Thank You

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