

The logo consists of the letters 'BWB' in a white, serif font, centered within a dark blue square.

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# **THE COMMUNITY INTEREST COMPANY**

**Abbie Rumbold**



## Talk will cover:

1. Story of the CIC
2. The CIC Explained
3. Financing the CIC
4. Partnership Working

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# The Story of the CIC.



## What's in a name?

- Public interest companies
- Community interest companies
- Community benefit societies
- Public benefit corporations



## The Problem

- A lock on assets
- Payment of directors
- Equity finance



## The Community Interest Company

- Simple change to company law
- CIC would be dedicated in perpetuity
- Strategy Unit Report
- Name change



## Legislation

- Companies (Audit, Investigations and Community Enterprise) Act 2004
- Regulations in force from 1<sup>st</sup> July 2005

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# **The CIC Explained**

## Asset Lock

- No transfer or distribution of assets except
  - (a) At full value
  - (b) To specified asset lock body
  - (c) To asset lock body with consent of regulator
  - (d) Payment of dividends (limited)
- Winding up
  - Shareholder gets par

## The CIC Test

- Might a reasonable person consider that its activities are being carried on for the benefit of the community?
- International.
- Community includes a section but not just employees.
- No political activities as the CIC's purpose
- Not an excluded company
- Not a charity



## Key features of Memorandum and Articles

- State it is a CIC
- Objects
- Name
- Other key features of Articles

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# **Establishing a CIC - Procedure**



## How to Form a CIC

- Filing normal Companies House forms
- Community interest statement – signed by all directors.
- Regulator checks
- Registrar issues certificate

# Conversion

- 3 Special Resolutions
  - State it is a CIC
  - Change name
  - Change Mem & Arts
- Prescribed conversion documents:-
  - Community interest statement
  - Declaration that it is not excluded company
  - Declaration that it is not a charity/Scottish charity



# Regulation



## CIC Regulator

- Appointed by SOS
- Good regulatory practice
- Necessary to maintain confidence



## Checks

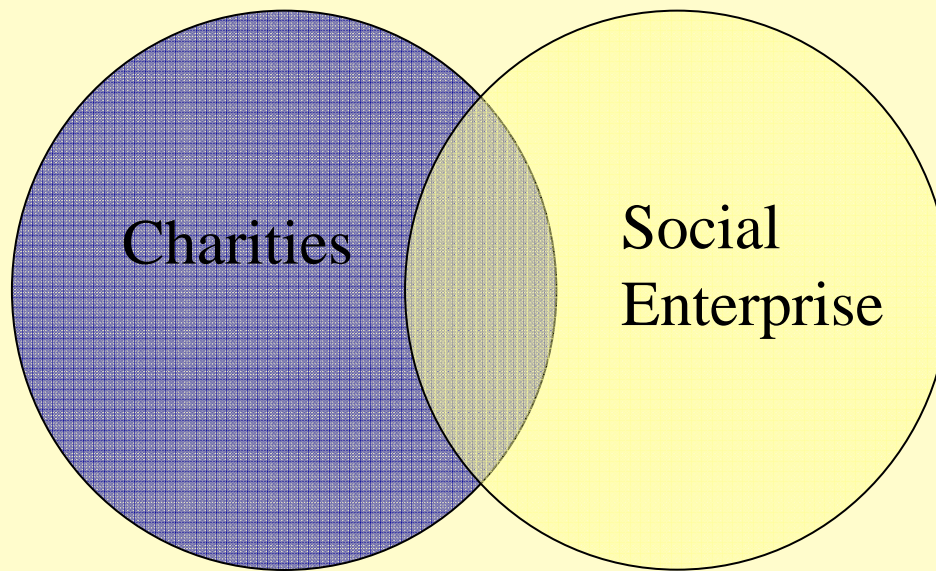
- The Appeal Officer
- CIC Reports



## Charities and CICs

- Payment of trustees
- Equity finance

# Charity and Social Enterprise



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# Financing the CIC



## Finance – options for a CIC

- Grant
- Debt finance (loans)
- Equity finance



## Debt

- Loans – secured or unsecured
- No cap on normal interest
- Cap on performance related interest
- 4% above base rate (once cap is fixed applies throughout the whole loan period)



## Equity

- Dual cap on dividend flow:
  - maximum annual dividend
  - 5% above Base rate
  - total net profits  
35%
- No capital growth
  - winding up – shareholder gets par
  - buy back at par only



## ECT Group CIC

- Funded by bank loans secured on assets or income streams



## Café Direct

- Funded by public share offering

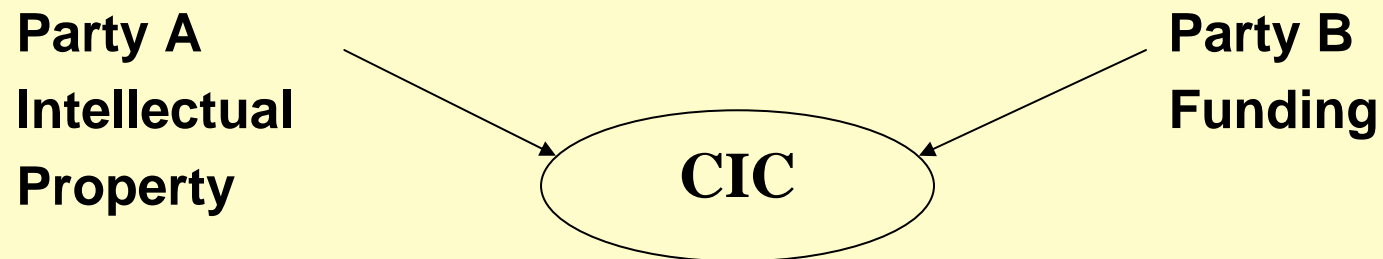


## Permutations and Combinations

- Grant + Loan
- Loan + Equity
- Grant + Equity

## Partnership Working/Joint Ventures/ Collaborations

- Forms of working together
- Often motivated by finance





Abbie Rumbold  
Bates Wells & Braithwaite  
2-6 Cannon Street  
London EC4M 6YH  
Tel: 020 7551 7777  
Email: [a.rumbold@bateswells.co.uk](mailto:a.rumbold@bateswells.co.uk)