



**COMMUNITY
INTEREST
COMPANIES**

**The Office of the Regulator of
Community Interest Companies**

OPERATIONAL REPORT

Fourth Quarter 2011 – 2012

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1. REVIEW

This has been a record breaking quarter that has seen the highest number of approvals for the year with over 580 new CICs gaining regulatory approval. Records tumbled in March with 234 applications approved in one month. We approved 2087 applications compared to 1825 for the same period last year smashing us through the 2,000 barrier for the very first time – a remarkable achievement we are sure you will agree. Dissolutions have continued to grow but not significantly with 590 against 484 for last year which just goes to show how well the CIC model is doing in these times of economic austerity – a big thumbs up for CICs!

We have commissioned twenty fabulous new case studies to complement our existing library and these are now available for you to see on our website. Each tells its own story and sums up in a nutshell the good works CICs are doing the length and breadth of the UK. We really hope that you enjoy reading them and here is the link to our website:

<http://www.bis.gov.uk/cicregulator/case-studies>

“How do I file my CIC accounts and CIC Report?” is a question we are often asked and is an area that sometimes causes some difficulties for our customers. The process is however straightforward and in Section 6 we offer some tips on how to successfully file these documents.

2. THE TEAM

The CIC Team are based at Companies House in Cardiff and provide administrative support to the Regulator, Sara Burgess. The office opened on the 01 July 2005 and is engaged with the registration and regulation of community interest companies and whilst independent of Companies House has a very close working relationship with the Registrar of Companies and his team. We are a small but extremely busy team working hard to promote community interest companies and ensure that the integrity of the CIC brand is maintained.

Regulator:	Sara Burgess
Office Manager:	Phil Horrell
Case Manager	Helen Huish
Case Manager:	Ann Hunt
Case Manager	Jaci Lewis
Case Manager:	Marilyn Liddon
Operational Support Officer:	Natalie Westgarth



3. LEGISLATION

Community interest companies are subject to company law as set out in the Companies Act 2006 and related CIC legislation, as well as the common law of companies built up from decisions taken by the courts over the years. Key legislation relating to community interest companies is as follows

- the Companies (Audit, Investigations and Community Enterprise Act 2004 (the “Act”),
- the Community Interest Company Regulations 2005 and;
- the Companies Act 2006 (Commencement No.2 Consequential Amendments, Transition Provisions and Savings) Order 2007.

4. AWARENESS

We have listed below some of the events, meetings and awareness raising sessions that Sara has attended this quarter:

Banks

Sara met with two managers from Unity Trust Bank in which the discussion centred on CICs and their needs when opening accounts. We often receive enquiries from CICs concerned about setting up bank accounts and our advice is always to speak direct to the bank for guidance. Many have a dedicated social enterprise adviser so it is always worth enquiring about this too.

Foreign Interest

Sara was invited to speak at the Confédération générale de Scop one-day event to celebrate the 10th anniversary of the Scic statutes. Sara was with a panel of people from Belgium, Quebec and Italy each of them speaking about their own models for social business and all of them sounding not so different from each other although all the others were a co-operative model. There was some lively debate during the day and it was very educational from Sara's point of view – a great opportunity to once again fly the flag for the UK and our success.

The Prison Service

Sara met with a representative from Leeds prison who is considering setting up a CIC which will find work placements and jobs for ex-offenders. They already have good networks and contacts with local businesses. The CIC would be set up within the prison system but of course must operate independently of it. Once again this demonstrates the flexibility of the CIC model with the potential to influence everyday life.

Social Enterprise Exchange 2012

On 27th March Sara attended the Social Enterprise Exchange event in Glasgow. This is a joint venture between Social Enterprise UK and Social Enterprise Scotland bringing VOICE and S2S together in one event. CEIS were the event organiser and it goes without saying that it was very well put together. The day was full of interesting plenaries and workshops and Sara spent a lot of time

talking to CICs who were exhibiting - great for networking! There was lots of clear input from the Scottish perspective and the First Minister spoke enthusiastically about the Scottish Government's commitment to social enterprise.

Success stories

In January Sara attended the PEA (People and Environment Achievement) Awards at Kensington Palace where **Big Barn CIC** won an award in the CIC category. Big Barn CIC helps divert money traditionally spent with supermarkets to local shops and communities with massive social benefits for all. They try to get a better deal for farmers and for consumers, fresher, cheaper and accountable food. They have an excellent website www.bigbarn.co.uk and are deserving winners of this prestigious award.

February saw Sara attending a reception at the House of Commons to launch a Social Enterprise Qualification (SEQ) for young people which has been developed by one of our CICs, **RIO (Real ideas Organisation) CIC**. Nick Hurd spoke at the event and was very complimentary about RIO and its accomplishments. Sara felt very proud that it is a CIC and will be interested to see how the SEQ progresses.

Universities

Sara travelled to Glasgow Caledonian University to talk to some researchers interested in the CIC model and in particular in finding out why there are comparatively few CICs in Scotland. Sara

learned a lot from this meeting which could provide us with some really valuable information to help us understand the dynamics in social enterprise in Scotland.

Welsh Social Enterprise Coalition (WSEC)

Sara went to the Welsh Social Enterprise Coalition (WSEC) to catch up with CEO John Bennett and the social enterprise movement across Wales. John is working hard on the ground with social enterprises to identify issues and challenges and also with the Welsh Assembly Government to get more recognition of the contribution SE makes to the economy and the support it needs.

Workshops

Sara attended a small conference in Burnley on CICs and Co-operatives. Sara was the keynote speaker and talked about CICs in the past, the present and where she saw them going in the future. The rest of the day was spent sharing information and experience in workshops. The main event was in the council chamber of the Town Hall which was, as they always are, very impressive.

London was the venue for a further workshop where Sara delivered a talk at an event for Charity Accountants. This was the perfect opportunity to address some of the issues we have learned about regarding poor understanding of the CIC model by accountants.

5. PROFILING CICS

With almost 290 annual community interest companies filed this quarter, the Regulator has had an opportunity to see how CICs are delivering their stated benefit to the community. All reports are filed on the public register and available to download but we thought it would be helpful to list a few that caught our eye:

Diggle Dandelions Pre-school was incorporated on 13 July 2009 and is based in Lancashire. It is engaged in pre-school and playgroup activities and is located in the grounds of Diggle Primary School. In April 2010 Ofsted judged the pre-school as **'Outstanding'**. 34 local children aged two to five years have been provided with high quality childcare. 16 children were supported in their transition to reception class through the strong links that the CIC established with the primary school. 5 local pre-school practitioners have been employed in a full time or part time capacity and one local student was given the opportunity of work experience at the pre-school.

Frame of Mind (Vocational Training) was incorporated on 23 August 2006. The company converted to a CIC on 13 October 2006 and is based in West Sussex. It is engaged in the provision of training, work experience and employment for local adults with mental health issues/learning disabilities. The CIC has gone from strength to strength and has been successful in placing 8 people into employment, 14 people into education, and 6 people into volunteering. This year the CIC has created a community garden in

which their trainees learn basic horticulture. This resulted in the garden winning the **Best Use of Restricted Space Gold Medal** at the Bognor in Bloom Awards which is the main Civic Award given to the entry which most embodies the spirit of Bognor in Bloom. The CIC was also awarded the **Healthy Workplace Award** in the Arun Partnership Awards 2011. The CIC is one of flagship case studies and you can read more about them on our website.

Social Enterprise (Africa) was incorporated on 12 June 2008 and is based in the West Midlands. It is engaged in promoting youth social enterprise in Africa. The CIC has supported the development of a new company in Uganda (Chrysalis Limited) to deliver services to rural communities on youth social enterprise training. It continues to work alongside Life in Africa (Kireka), an organisation supporting the development of enterprise amongst impoverished communities. It has fostered the development of the Butterfly Project which trains impoverished youth to be change makers and social entrepreneurs, extending the project this year to a new Northern Ugandan community and building a new school in Kampala for socially aware senior school students. Activities at the Chrysalis Training Centre have involved over 200 children including training in liquid soap manufacture and poultry rearing for local youth in Kampala. It has also developed an Art project bringing in a number of new professional artists to develop the talents of rural and slum based children - certainly an example of a CIC at its best.

6. FUNDING FOR CICs

TOP TIP:

In our experience, funders and grant makers are beginning to increasingly understand the role and purpose of CICs but this alone is not enough to secure funding. CICs need a strong business plan with a clear strategy, good corporate governance and an understanding of the social impact that will be delivered to the community.

Some funders also put in place additional requirements such as ring fencing the funds or asking for three unrelated directors and it is important that CICs have an understanding of each funder's specifications before submitting an application.

Central to this, is targeting those funders most sympathetic to the objects and social purpose of the CIC. Charitable trusts, for instance, have limited funds and they are more likely to support charities rather than CICs, although some will support CICs as long as their aims are charitable in nature.

Fundraising Standards Board was incorporated on 9th June 2006 and is based in London. It is engaged in raising standards and building public confidence in fundraising. It has received a grant totalling £37325.00 and income in the CIC has grown considerably from membership fees to a level where the company has become self sufficient. The Welsh Government has provided funding to enable the CIC to set up an office in Wales. This has led to an expansion in membership which is hoped will enable the CIC to

continue to fund the office once the grant comes to an end. Charities from all over the UK who join the scheme are licensed to use the scheme 'tick' logo on all their fundraising materials. It is intended that the logo will become a well known mark of reassurance to the general public as the members commit to upholding the Codes of Fundraising Practice.

White Lantern Film converted to a CIC on 8th March 2011 and is based in Bournemouth. It is engaged in the provision of digital media education services. In 2011 the CIC was successfully awarded two Big Lottery Grants totalling £17516. This funded two unique projects, Equine Facilitate Therapy in partnership with the Fortune Centre of Riding Therapy which aims to create a digital education resource to help families who care and look after people with learning difficulties and The Spires Cleft Lip and Palate Centre project which aims to create an education resource for children who need facial surgery. They also secured additional funding from the Heritage Lottery fund to manage a history based project in Leeds, inspiring young people from within the youth justice system to use digital media to make films about their local community.

Dungannon United Youth was incorporated on 1st February 2010 and is based in Belfast. It is engaged in the provision of health and community relations and this year secured £14372 in government grants. It provides facilities for children aged 5-16 also adult groups, foreign nationals and disabled groups. The CIC has offered sporting facilities used by GAA, Hurling and Hockey

through schools. It has also put together football teams that compete from 11-16 in local leagues and the national league.

7. FILING CIC ACCOUNTS AND THE CIC REPORT

Filing CIC accounts and the CIC Report form CIC34 is a straightforward process. The key thing to remember is that these documents **cannot** be submitted on-line. You must send the documents together with a cheque for £15.00(made payable to Companies House) to Companies House who will notify the CIC Office directly. As with any other company Companies House has a strict time line for delivering these documents so you must make sure you submit them in good time or otherwise you could find yourself facing a late filing penalty. You can find a step-by-step to delivering your accounts and CIC Report on the following link to our website:

<http://www.bis.gov.uk/cicregulator/forms-introduction/index/cic-reports-accounts>

(This is well worth a look as it provides you with everything you need to know to successfully submit these documents).

Companies House can assist you with any queries on the format of the accounts which are exactly the same as for an ordinary company but please remember that the only difference is that you **cannot** submit them on-line:

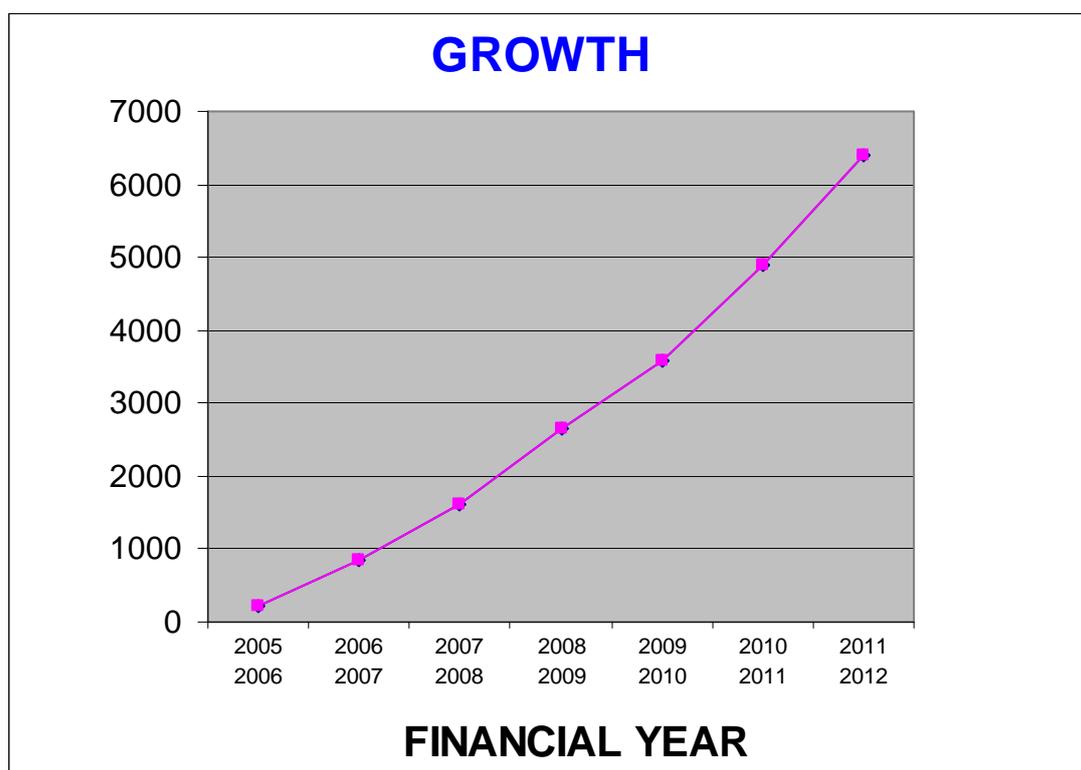
<http://www.companieshouse.gov.uk>

So what should you put on the CIC Report? Well anything of interest is welcome. It does not have to be especially detailed but you should look to identify key highlights. It is through the CIC Report that the Regulator seeks assurance that the CICs activities are and continue to be carried out for the benefit of the community. This is your one chance to tell us what your CIC has achieved throughout the year, the successes you have had and also any problems you have experienced. Tell us about your plans for the future too. The more we hear and know of the better we are placed to understand what is important to you and if there are any areas where we can offer help or guidance. So please take advantage of this opportunity to tell us about what you have been doing and really showcase your CIC and champion the benefits delivered to your community!

8. STATISTICS

a) GROWTH

	Approved	Dissolved	Converted To a Charity	Growth
2005 - 2006	208	0	0	208
2006 - 2007	637	0	0	637
2007 - 2008	814	35	3	776
2008 - 2009	1120	86	2	1032
2009 - 2010	1296	372	5	919
2010 - 2011	1825	484	8	1333
2011 - 2012	2087	590	11	1486
Total	7987	1567	29	6391

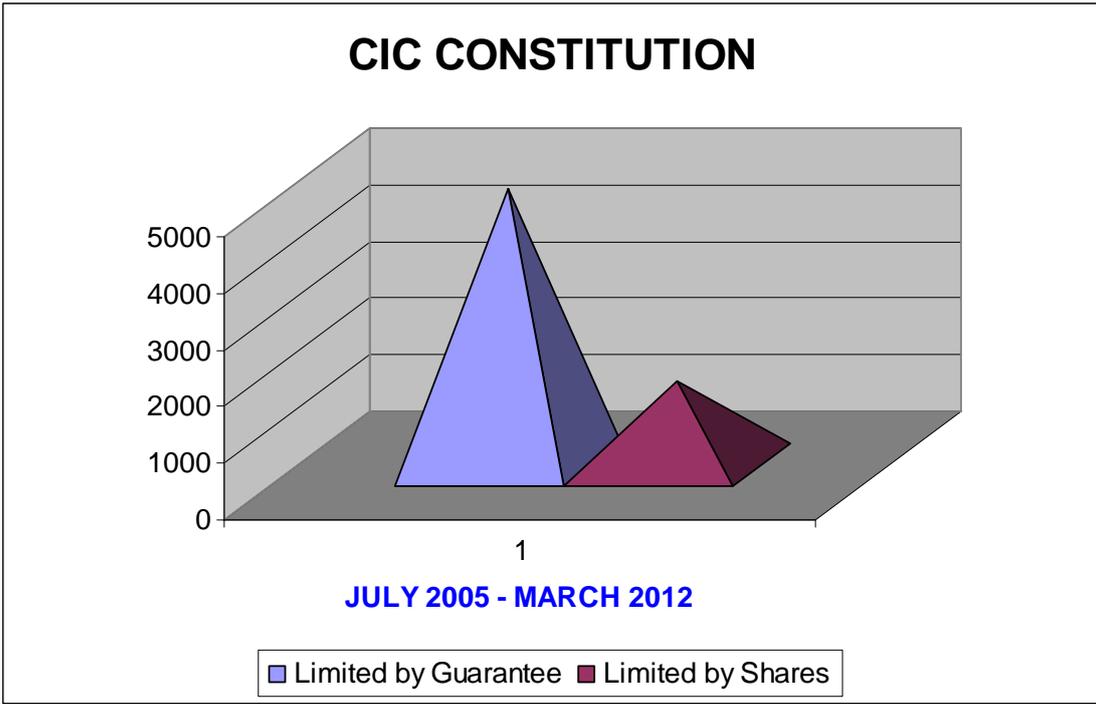


b) INCORPORATIONS AND CONVERSIONS

United Kingdom	
Incorporations	5609
Conversions	782
Total	6391
England	
Incorporations	5149
Conversions	717
Total	5866
Northern Ireland	
Incorporations	75
Conversions	7
Total	82
Scotland	
Incorporations	224
Conversions	39
Total	263
Wales	
Incorporations	161
Conversions	19
Total	180

c) CONSTITUTION

United Kingdom	
Limited by Guarantee	4986
Limited by Shares	1495
Total	6391
England	
Limited by Guarantee	4497
Limited by Shares	1369
Total	5866
Northern Ireland	
Limited by Guarantee	72
Limited by Shares	10
Total	82
Scotland	
Limited by Guarantee	179
Limited by Shares	84
Total	263
Wales	
Limited by Guarantee	148
Limited by Shares	32
Total	180

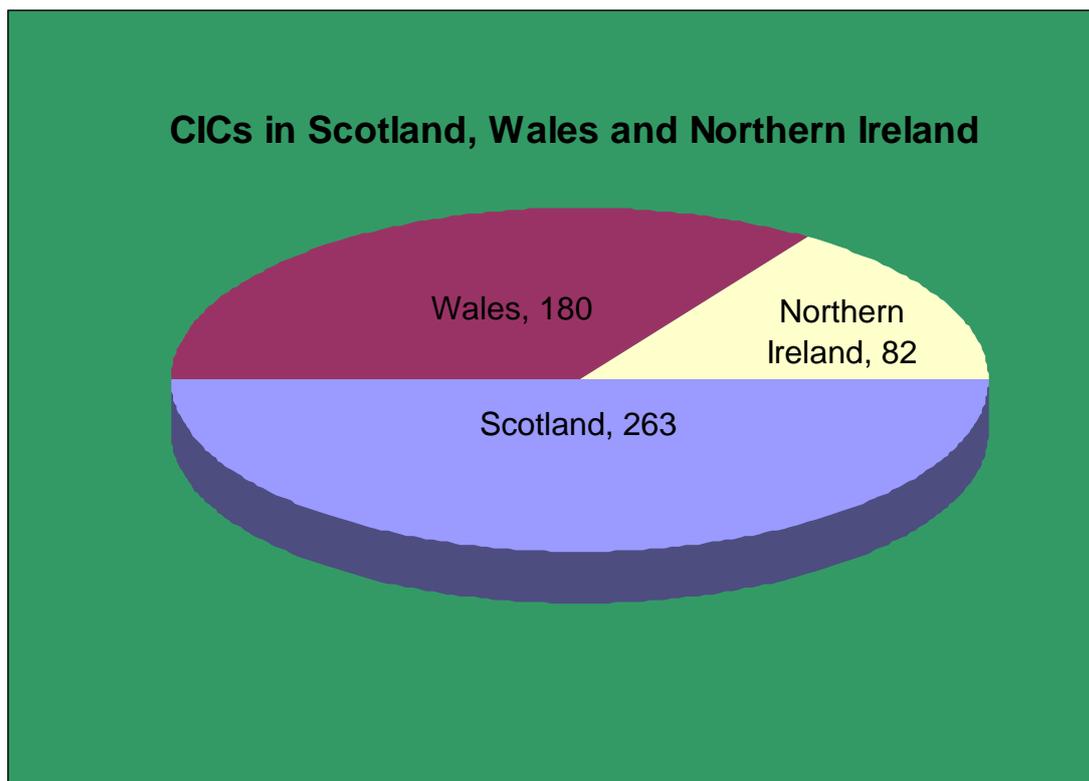


At the close of the period 76% of the CICs on the public register were limited by guarantee, with 24% limited by shares.

d) LOCATION OF REGISTERED OFFICE

	Number	%
East Midland	363	6
East of England	539	8
London	980	15
North East	438	7
North West	925	14
South East	821	13
South West	761	12
West Midlands	677	11
Yorkshire and Humber	362	6
Total England	5866	92
Northern Ireland	82	1
Scotland	263	4
Wales	180	3
Total	6391	100

e) CICS IN SCOTLAND, WALES AND NORTHERN IRELAND



The number of community interest companies registered in Scotland, Wales and Northern Ireland remains relatively small, representing just 8% of the total number registered in the UK. The above table identifies how this is broken down between the three countries.

Community interest companies were introduced throughout England, Scotland and Wales in July 2005 but legislation to allow community interest companies in Northern Ireland was only passed in April 2007, so progress in Northern Ireland has been relatively good.

The Regulator is keen to promote the growth of CICs outside England and has a close working relationship with the Scottish

Social Enterprise Coalition and the Welsh Social Enterprise Coalition and visited Northern Ireland earlier this year building on her relationship with the Registrar for Northern Ireland and umbrella organisations.

f) ANNUAL COMMUNITY INTEREST COMPANY REPORTS

All the directors of a company have an additional obligation to prepare an Annual Community Interest Company Report which will be placed on public record. The purpose of the report is to demonstrate that the community interest company is still satisfying the Community Interest Test and that it is continuing to carry out activities which benefit the community.

Financial Year	Number
2005 - 2006	0
2006 - 2007	18
2007 - 2008	262
2008 - 2009	789
2009 - 2010	1571
2010 - 2011	2259
2011 - 2012	3040

9. ADMINISTRATION

In the last two quarters the Office of the Regulator of Community Interest Companies has dealt with the following number of enquiries:

	Telephone	E-mail
Current quarter	1567	798
Previous quarter	1425	713

If you require this publications in an alternative format, email cicregulator@companieshouse.gov.uk or call 02920 346228 (24 hour voicemail).