



**COMMUNITY
INTEREST
COMPANIES**

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

OPERATIONAL REPORT

Second Quarter 2014 – 2015

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1. REVIEW

We are half way through what has been a busy year for the Regulators Office, with some momentous occasions occurring particularly in this quarter.

On 2nd September an historic event for CICs occurred when Parliament agreed to the proposed changes to Regulations to alter the CIC Dividend and Interest caps. Members of the team attended debates both at the House of Lords, supporting Minister Baroness Neville-Rolfe presenting the motion, and with the Minister for Civil Society proposing the change in Regulation to the House of Commons. The proposal was duly passed and the changes will come into force from 1st October 2014. This is a momentous occasion which has taken 2 years of preparation and a huge amount of hard work from all of the team. Please see section 5 for further information and a link to worked examples of these important changes.

This years Annual Report proved to be better than ever, vibrant, colourful and full of interesting features, facts and figures. Once again the team worked extremely hard on its production, making major decisions on its layout and content. The Report was laid before parliament on 14th July and subsequently published on our website. If you haven't had a chance to read it yet we would urge you to take a look, you won't be disappointed!

We have been very busy organising the Regulators celebration of 10 years of CICs and we will be holding events up and down the country next year. There will be 8 events in all, held in Wales, Northern Ireland, Scotland, West Midlands, Bristol, the South West, South East and London. The events will be held between February and September 2015 and are expected to be fairly intimate, informal occasions. All of the events will be attended by the Regulator and members of the team and we hope that the celebrations will provide networking opportunities for CICs and also raise awareness of the brand. Letters of invitation to the respective regional CICs and other interested parties will be sent out early next year.

The Regulator has been out and about attending many meetings and conferences etc this quarter and some of these are listed in Section 4. One to note was a meeting in September with Hayley Clark who is the Director of Business Programs Service in Nova Scotia, Canada. Sara and Hayley met in Cardiff to discuss a similar CIC model setting up in Nova Scotia.

As well as Sara's visits and meetings, the team regularly give talks to interested parties and organisations including those from overseas. One example of this was a presentation provided to delegates from the Japanese Association of Charitable Organisations which took place on 3rd September. They were curious about the effect of CICs in the UK and asked numerous questions particularly regarding the political or campaigning rules and were very interested in the role of our Regulator. They were extremely impressed about how passionate the team are about our work but also the fact that the Regulators office is run in its entirety by a team of just 7 staff which includes the Regulator! The presentation proved to be another successful, informative event given by members of the team!

As usual we have highlighted CICs whose activities have caught our eye either through their excellent work in benefiting their community of choice or for awards that they have received for the good works they have done. This quarter we have highlighted some CICs that are Primary Care Trusts which are spin outs from the NHS. We have also listed just some of the CICs who have been successful in obtaining funding, the amounts of which range from £1000 to £1 million! Please see sections 6 and 7 respectively for details.

The number of CICs continues to grow year on year with a steady increase this quarter. This is great news, proving that the CIC brand is gaining in popularity and awareness. This quarter we have included information about this as well as the usual figures in section 8.

I hope you find the report interesting and informative.

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 |
| Policy Manager: | Phil Horrell |
| Case Manager | Helen Huish |
| Case Manager: | Ann Hunt |
| Case Manager | Jaci Lewis |
| Case Manager: | Marilyn Liddon |
| Operational Support Officer: | Natalie Westgarth |



Natalie, Jaci, Phil, Sara, Helen, Ann, Marilyn

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 our Regulator has attended this quarter:

July

15th - June Burrough re: CIC Coded Governance - Bristol

24th - Warm Wales – Photo Shoot – Cardiff

30th - Chris Stewart, Director of Healthcare Transformation- Belfast N.I.

August

12th – Jonathan Bland- London

20th - Craig Anderson of warm Wales – Cardiff

September

1st – 3rd – Workshops – Isle of Skye

12th- SEEE- Annual Conference – Cambridge

17th – Hayley Clark re CIC model in Canada- Cardiff

18th – E3M - Governance - London

5. CHANGES TO THE DIVIDEND AND PERFORMANCE RELATED CAPS

Since her appointment, the Regulator has been considering ways to make CICs more attractive to investors. With this purpose in mind, she has held discussions and debates with interested parties about how this could be achieved. The conclusion was reached that changes to the dividend and interest caps would be the way forward and on the 2nd September, a motion was proposed and passed in the House of Commons for the CIC Regulations regarding the dividend and interest caps to be amended.

From 1st October 2014 community interest companies will no longer be subject to the maximum dividend per share cap which restricted dividend payments to 20% of the paid up value of a share. The Regulator felt that this cap was seen as complex and restrictive and prevented shareholders from sharing in the success of the CIC. The difficulty with this cap was that the maximum dividend that could be paid was 20p for a £1.00 share, this was regardless of the profit realised. Combined with the aggregate cap, CICs found it extremely difficult to calculate dividend payments and very few paid the correct dividends. The aggregate cap remains unchanged at 35%.

The Regulator also took the opportunity to increase the Performance Related Interest Cap to 20% and this will also take effect from 1st October 2014.

A Performance Related Interest loan is an unsecured loan sometimes referred to as patient or long term capital. There are a number of social lenders or angel investors willing to make a financial investment in CICs with no expectation of a quick profit. Instead, the investor is willing to forgo an immediate return in anticipation of more substantial returns in the future. Very few CICs had taken advantage of this type of loan and it was clear that the current cap of 10% did not properly reflect the balance between risk and reward. There is a greater risk than with normal types of loans because the return to the lender is based on results. It was agreed therefore to increase this cap to 20%.

In summary, with effect from 01 October 2014 the:

- dividend per share cap will be removed;
- aggregate cap will be retained at 35%;
- capacity to carry forward unused dividend payments will be removed.
- performance related interest cap will be increased to 20%

Further information can be found on our website in chapter 6 of the guidance and worked examples can be found at Annex A, both of which can be found at the following link: <https://www.gov.uk/government/publications/community-interest-companies-how-to-form-a-cic> .

6. INCOME AND EXPENDITURE

Our income is derived from a portion of the fee that is charged for filing formations and conversions and from the full fee for the filing of the CIC34 which accompanies CICs annual accounts. £15 from each of these transactions is ring fenced as income for the Regulators Office.

By far the majority of income stems from the numbers of CIC34 forms filed which increases as the register grows. The total number filed since April

2014 is 2576 which equates to an income of £38,640, the number of formations and conversions filed to September is 1257 equating to a further income of £18,855 giving an overall total of £57,495 received so far this year. We are forecasting that by the end of the financial year we will have realised an income of between £130,000 and £140,000.

We are expecting expenditure for 2014/15 is to be in the region of £280,000. The office is getting closer to achieving full cost recovery which will reduce our dependency on the taxpayer however this will take a few more years to realise.

7. PROFILING CICS

With over 1300 annual community interest company reports 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:



Amazing Brains N. Ireland are based in Belfast and incorporated as a CIC in December 2011. The CIC delivers educational workshops to young people, parents and teachers throughout Northern Ireland. Between January 2013 and December 2013 the company worked with 30,000 students and 6,000 parents. The company received a 'One to Watch' Award from Social Enterprise NI for its contribution to the community. The workshops have benefited the community by working with students and parents in socially deprived areas helping them to believe in their potential to succeed at school and increasing the involvement of parents in schools.



Derventio Housing Trust are based in Derbyshire and were formed in 2006 with the purpose of supporting people who are homeless and vulnerable. They provide high quality housing, support and opportunities to tackle homelessness and housing problems head-on. Their services range from one-to-one support to people who have spent years sleeping rough, to helping people find an affordable home on their budget. Milestone House is their flagship multi-agency 35 bed emergency accommodation & assessment centre and offers 28 day stay for rough sleepers. They also offer supported accommodation for looked after young people aged 16+ under their SmartShare for care leavers scheme together with shared supported accommodation in Derby and Derbyshire. 'Smartlets' is their award winning social lettings service helping people on low income access the private rented sector. Derventio have been nominated for a host of awards including the UK Housing Awards 2014 in which they were finalists in the Small Social Landlord of the Year category; runner up in the not-for-profit category of the Derby Telegraph Business Awards 2014. Check out the website at www.derventiohousing.com



Pictures to Share based in Cheshire was formed in 2006 with the purpose of providing books for people with dementia. Their illustrated books have been shown to encourage meaningful communication and provide real enjoyment when little else works, so improving the quality of life. Whether problems are

caused by Alzheimer's Disease, stroke, Parkinson's Disease, brain injury or any other condition, their books can be enjoyed by anyone affected, as well as by their carers. They also provide purpose designed DVDs that use still imagery and a range of pictures for the walls. All products are simple, clear and often colourful, with no confusing backgrounds or content that may be difficult to interpret. They are chosen because they provide an opportunity for telling stories or for linking in to themes that the person with dementia will recognise. The books are available in hospitals, public libraries and day centre and support groups as well as good bookshops. Check out the website on www.picturestoshare.co.uk

In an event organised by **Haywards Heath Community CIC**, thousands of residents gathered at Victoria Park, Haywards Heath for the lighting of a beacon of hope on the centenary of WWI. St Wilfrid's Church was filled to capacity for a service of remembrance before hundreds more joined the congregation for a procession to Victoria Park on Monday evening. Poems were read by Haywards Heath Operatic Society as well as mothers and wives. The CIC director Marion Wilcock said: *"We held a two minute silence which everybody kept, even the skate boarders in the skate park stopped. The response of the community was brilliant. Everybody got together to remember what can never be forgotten."*

Primary Care Trusts



East Coast Community Healthcare are based in Norfolk and were formed in 2011 with the purpose of providing community based NHS and social care in Great Yarmouth and Waveney. Their services include district nursing,

specialist nursing, community hospital in-patient services, admission prevention services, physiotherapy, occupational therapy, podiatry, speech and language therapy, a comprehensive range of services for children including health visiting, school nursing and a breastfeeding team. In addition ECCH provides primary medical services through a practice in Great Yarmouth, prison healthcare services and an extensive portfolio of health improvement services. They have received excellent reports following inspections of their four community hospitals, district nursing service, contraceptive and sexual health clinics. They want their patients to have a 'one-stop shop' for care and have just been commissioned to run a new Out of Hospital team of nurses, therapists and care workers to serve the Lowestoft area. This is all part of their partnership working to integrate NHS and social care services to benefit patients. Check out the website on www.eastcoastch.co.uk



NAVIGO Health and Social Care are based in North East Lincolnshire and were formed in 2010 with the purpose of providing mental health care services to the people of North East Lincolnshire. The vast majority of the services provided are via NHS contracts with local and regional Commissioners. NAVIGO provides community health and care services in a variety of settings, including people's homes, GP practices and community based buildings as well as inpatient settings. Their focus is on care delivered as far as possible in real-life settings and the integration of care with the daily lives of their users. They have been nominated for a host of local, regional and national awards once again in 2013/14 and were successful in winning two national awards. A member of staff won the prestigious Award for Innovation managed by Medipex and the whole organisation won the Service of the Year award at the GO Public Procurement Awards. Alongside this their staff survey showed that the organisation is one of the highest performing health organisations in the UK with 73% of staff saying they would recommend NAVIGO as a place to

work, this compares to a national average of just 45%! Check out the website on www.navigocare.co.uk

8. 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.

These are some of the funding successes that have been brought to our attention this quarter:

Branch-out MK was successful in securing a **Social Enterprise Investment Fund** grant of **£31,000** which was used to purchase capital equipment and

plant stock. They are based in Buckinghamshire and was formed in 2012 with the purpose of offering social and therapeutic horticulture services to people in Milton Keynes who are experiencing disadvantage or disability.

[The Social Enterprise Investment Fund](#) or SEIF was set up in 2007 by the Department of Health to invest in social enterprises providing health and social care services in England. The Fund aims to enhance the role of social enterprise in the provision of health and social care. They empower local people and front line staff who want to form social enterprises to enhance their role in transforming public services in health and social care.

[Dementia Adventure](#) were awarded a grant of £81,200 from [Department of Health](#) to recruit two project leaders and received Grants awarded from [Andrews Charitable Trust](#) and the [Peoples Postcode Lottery](#) totaling £43,977 which supported the CIC to further expand their delivery of adventure based services and to build a team of trained staff and volunteers to make this happen.

[Andrews Charitable Trust](#) are a Christian charity who support new and emerging organisations who have the potential to make significant contributions to either the advancement of the Christian religion or the alleviation of poverty, sickness or distress.

They are primarily a grant-making trust but can provide other types of investment financing to support entrepreneurial business models

[People's Postcode Lottery](#) was launched in the North of England in 2005 as a pilot-scheme. After a successful launch, it expanded into Scotland in 2007 and launched in Wales in July 2010. The Lottery was established to raise money for charity and increase awareness of the work of the various charities and good causes supported by its players.

Destiny Support CIC which meets every Thursday at Chalvey Community Centre in Slough, was awarded **£33,431** from **HealthConfirm CIC** in October 2013 to fund the project for two years. They help people with additional needs and host a range of activities including arts and crafts, ball games and chair exercise classes.

HealthConfirm CIC is one of the CICs that benefit others through monies from the Health Lottery. The money raised is given as grants directly to health causes in their community. Grants are made by People's Health Trust, a registered charity that works specifically with the CIC to distribute money to good causes in their region. They target funds towards work that supports groups or communities that experience or are likely to experience poorer than average health or wellbeing and shorter than average life expectancy. The aim is to fund projects which give people longer healthier lives.

MD Productions, the Liverpool-based community interest company, has been awarded **£30,000** from **The Morgan Foundation**. The award money will help the CIC expand its operations more widely across Liverpool City Region and will also be used to invest in community projects such as the groundbreaking Emotions Project. This was launched last year to give young people with raw talent the opportunity to work with some of the biggest names in the industry.

Its purpose of **The Morgan Foundation** is to support charities across North Wales, Merseyside, West Cheshire and North Shropshire. They provide funding for small to medium sized organisations who are addressing specific needs in these regions. They are particularly keen to support those who have already begun to make an impact, but need a helping hand to expand their work and increase their effectiveness. They focus mainly on those who work directly with children and families but recognise that many wider issues may also affect their welfare, so we are interested in any project which contributes to the quality of life of the people in our region.

Plymouth Play received funding of £63,000 from the **Big Lottery Fund** and £2,500 from the **Social Action Fund** for a three year project working with other Plymouth based play organisations to develop and deliver play activities throughout the city. They are based in Devon and formed in 2011 with the purpose of supporting play opportunities in the Plymouth area. They operate a number of schemes including ‘Scrap-store’ where they have a huge selection of exciting and interesting materials and products recycled from local businesses that can be used for all sorts of creative and imaginative activities and ideas.

The **Social Action Fund** is a grant fund of over £20 million managed by the organisation on behalf of the Office for Civil Society. The Fund aims to inspire organisations to create new social action opportunities; encouraging people to give what they have, be it time, money, assets, knowledge or specific skills.

Other funders that have helped CICs include:

| FUNDER | AMOUNT £ | CIC NAME |
|-----------------------|----------|--|
| Rural Growth Network | 30,000 | Durham Dales Enterprise |
| Byker Community Trust | 22,000 | One Love North East |
| Durham County Council | 10,000 | Lionmouth (Durham) |
| Awards for All | 5,000 | Teviot Action Group |
| Football Associations | 4,800 | Peter Borough and District Football League |

9. STATISTICS

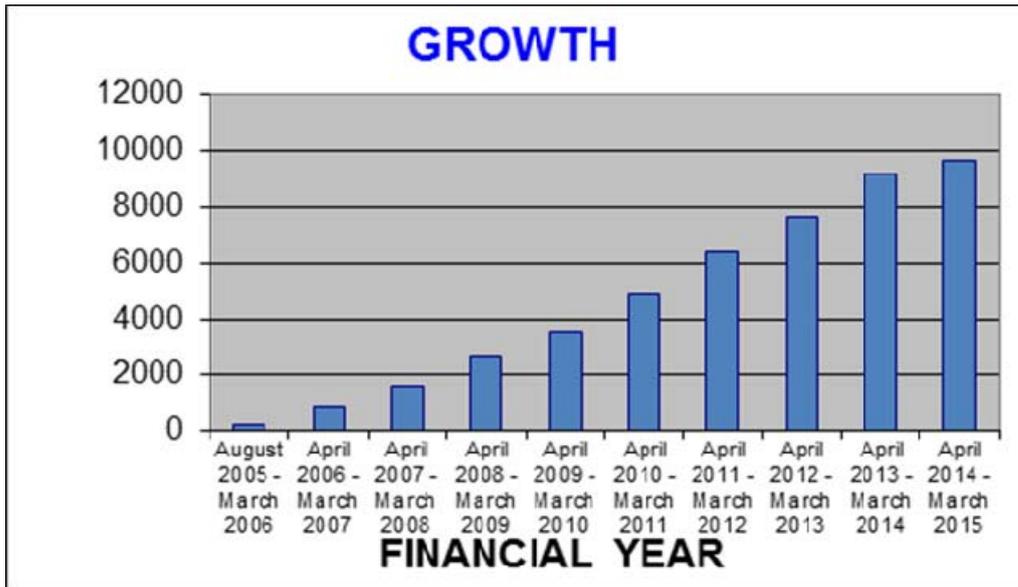
a) GROWTH

We are looking forward to celebrating our 10,000 CIC which, judging by this quarters figures and despite a recent surge in dissolutions, could be achieved sometime in late 2014. Numbers to the end of September show that our net growth is still steady although slightly down on the half year figures for 2013/14 and we are alert to this.

We are particularly hopeful that the change in the dividend and interest caps will encourage more interest and investment in the CLS model and provide a counter balance to the number dissolving. The number of CICs registering with the CLS model is on the rise with figures of 2153 for the UK overall compared to 1870 recorded in the second quarter last year. It will be interesting to see if the changes in Dividend and Interest Caps have a significant impact.

The increased recognition of CICs has also had an impact on the NHS with the majority of health spin-outs choosing the CIC brand as their way forward. This is an example of how flexible the model can be and bodes well for further increasing growth. Please see table below for further figures.

| | 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 |
| 2012 - 2013 | 2055 | 765 | 11 | 1279 |
| 2013 - 2014 | 2494 | 976 | 11 | 1507 |
| 2014 - 2015 | 1257 | 562 | 1 | 694 |
| Total | 13792 | 3869 | 52 | 9871 |



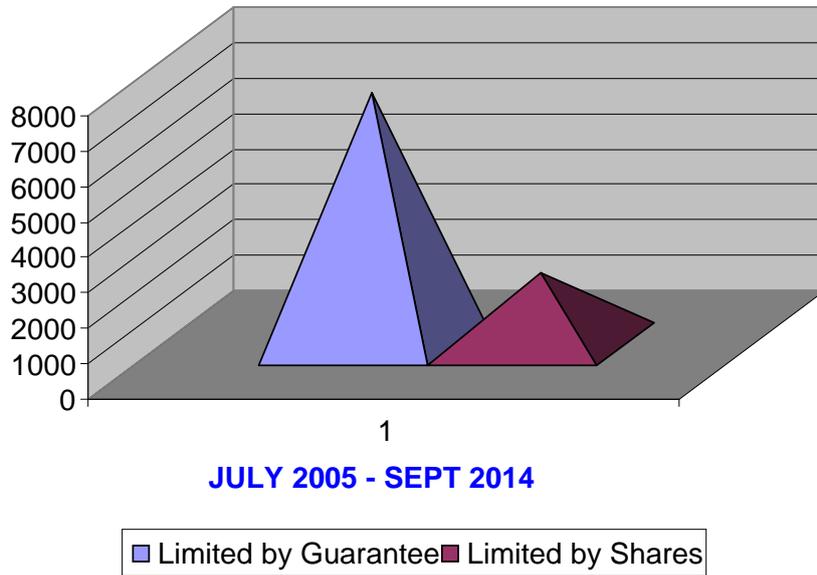
b) INCORPORATIONS AND CONVERSIONS

| United Kingdom | |
|-------------------------|-------------|
| Incorporations | 8637 |
| Conversions | 1234 |
| Total | 9871 |
| England | |
| Incorporations | 7809 |
| Conversions | 1141 |
| Total | 8950 |
| Northern Ireland | |
| Incorporations | 135 |
| Conversions | 15 |
| Total | 150 |
| Scotland | |
| Incorporations | 405 |
| Conversions | 57 |
| Total | 462 |
| Wales | |
| Incorporations | 288 |
| Conversions | 21 |
| Total | 309 |

c) **CONSTITUTION**

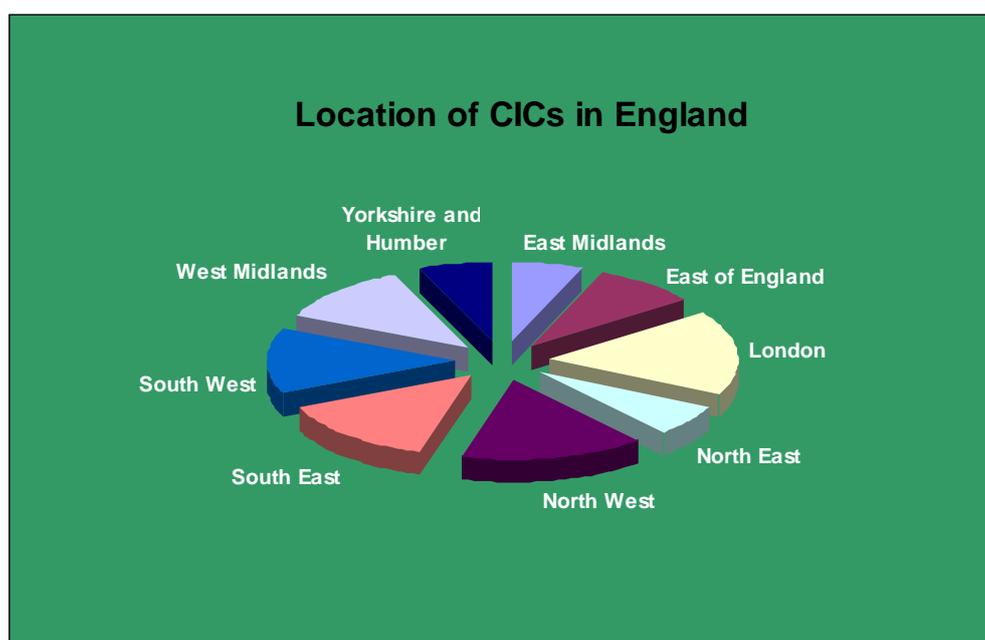
| | |
|-------------------------|-------------|
| United Kingdom | |
| Limited by Guarantee | 7718 |
| Limited by Shares | 2153 |
| Total | 9871 |
| England | |
| Limited by Guarantee | 6981 |
| Limited by Shares | 1969 |
| Total | 8950 |
| Northern Ireland | |
| Limited by Guarantee | 130 |
| Limited by Shares | 20 |
| Total | 150 |
| Scotland | |
| Limited by Guarantee | 340 |
| Limited by Shares | 122 |
| Total | 462 |
| Wales | |
| Limited by Guarantee | 267 |
| Limited by Shares | 42 |
| Total | 309 |

CIC CONSTITUTION



d) LOCATION OF REGISTERED OFFICE

| | Number | % |
|----------------------|-------------|------------|
| East Midland | 550 | 5 |
| East of England | 766 | 8 |
| London | 1550 | 16 |
| North East | 551 | 6 |
| North West | 1403 | 14 |
| South East | 1249 | 13 |
| South West | 1187 | 12 |
| West Midlands | 1104 | 11 |
| Yorkshire and Humber | 590 | 6 |
| Total England | 8950 | 91 |
| Northern Ireland | 150 | 1 |
| Scotland | 462 | 5 |
| Wales | 309 | 3 |
| Total | 9871 | 100 |

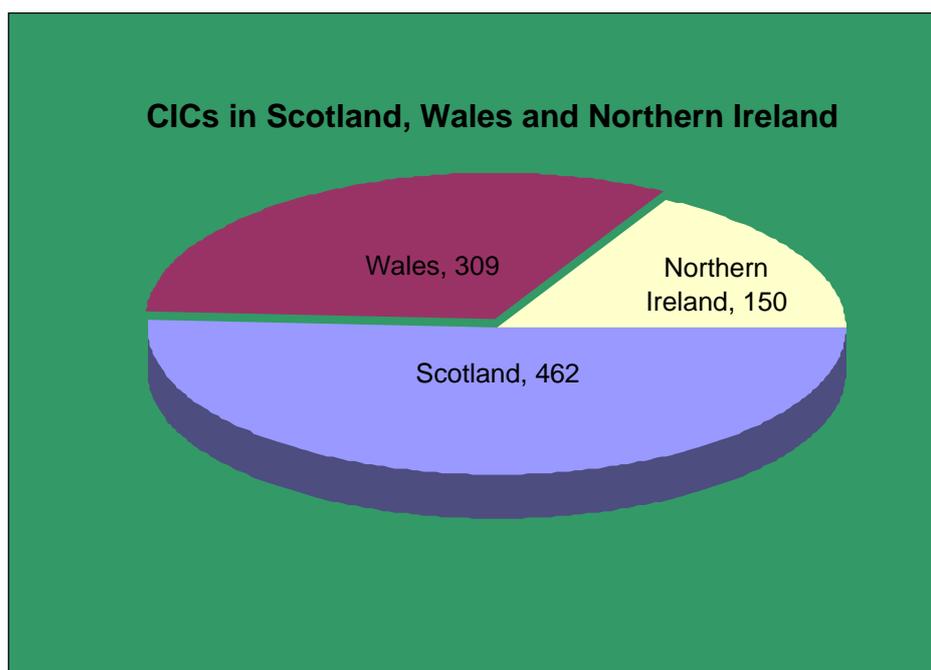


e) CICS IN SCOTLAND, WALES AND NORTHERN IRELAND

The number of community interest companies registered in Scotland, Wales and Northern Ireland remains relatively small, representing just 9% of the total number registered in the UK. The table below 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 Social Enterprise UK. She has also had meetings with Social Firms Wales and the Business Enterprise, Technology and Science Minister to discuss CICs in Wales to spread the CIC word!



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 |
| 2012- 2013 | 4163 |
| 2013 -2014 | 5245 |
| 2014 - 2015 | 2576 |

10. ADMINISTRATION

In the second quarter 2014/15 the Office of the Regulator of Community Interest Companies has dealt with the following number of enquiries:

| | Telephone | E-mail |
|-----------------|-----------|--------|
| Current quarter | 1393 | 1018 |

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