

Regulator of Community Interest Companies **Annual Report 2014/2015**



Regulator of Community Interest Companies **Annual Report 2014/2015**

Presented to Parliament pursuant to schedule 3, section 7 of the Companies (Audit, Investigations and Community Enterprise) Act 2004.

The Office of the Regulator of Community Interest Companies (CICs) is part of the Department for Business, Innovation and Skills.



Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office

© Crown copyright 2015

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at Community Interest Companies, Companies House, Crown Way, Cardiff CF14 3UZ or email: cicregulator@companieshouse.gov.uk

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by A.McLays and Company Limited, Cardiff on behalf of the Controller of Her Majesty's Stationery Office

Contents

- 07** Mission, Vision & Objectives
- 08** Foreward by the Regulator
- 10** Executive Summary
- 12** CIC Team
- 13** Organisational Structure
- 14** Finance
- 16** Operational Report
- 18** The Community Interest Report
- 19** Social Entrepreneurs and CICs
- 20** Key Statistics Infographics
- 22** CICs In Action
- 24** The Prince's Trust
- 25** Dissolutions
- 26** Complaints
- 28** Report of The Official Property Holder
- 30** CICs Images
- 32** Father of CICs
- 34** Recollections of how the CIC was Born
- 35** The Social Investment - Tax Relief for CICs
- 36** CICs 10th Anniversary
- 38** Key Statistics
- 39** Credits



Mission

To ensure effective regulation and provision of information to support the growth of community interest companies in the UK.

Vision

That community interest companies are recognised and trusted by society for serving our communities with integrity and excellence.

Objectives

1. To build public confidence in CICs through effective impartial regulation and provision of information,
2. To develop strong links with key organisations to ensure an integrated approach to regulation; and to provide quarterly reports to stakeholders,
3. Pro-actively instigate and support activities that will develop the profile of community interest companies, ensuring awareness of the CIC model,
4. To be able to demonstrate good governance and pro-actively manage risks,
5. To ensure those affected by the regulation of CICs are highly satisfied with our services

Foreword

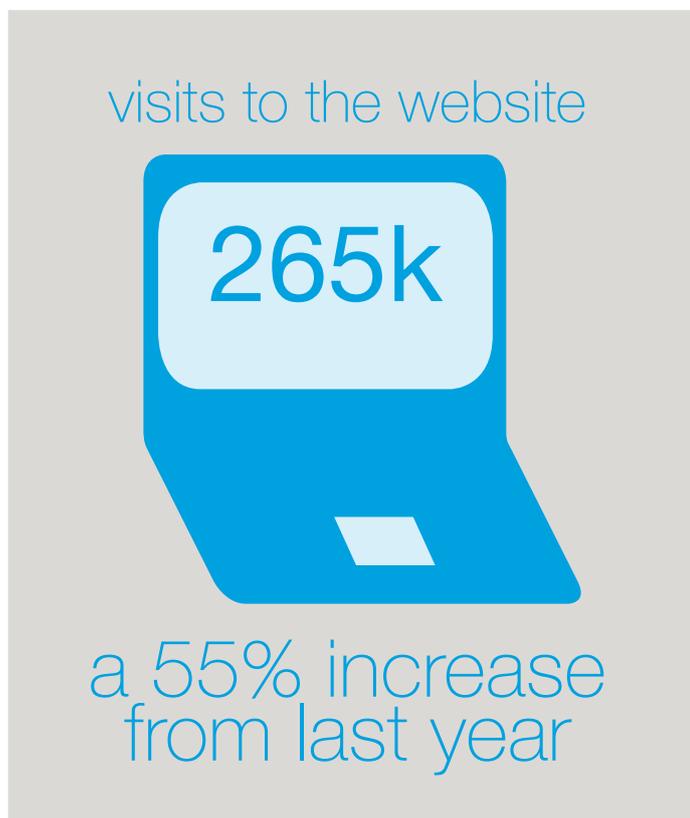
Foreword by Sara Burgess
Regulator of Community Interest Companies

For those of you in the know I think it was the bowl of petunias in Douglas Adams' Hitchhikers Guide to the Galaxy that once said "oh not again!" It's annual report time once more and time to compose my foreword..

This year it is rather special; the annual report that is, not necessarily my foreword, (though that's for you to decide). Special because the CIC model, and some CICs, will have turned 10 years old by the time this report is published. That is something to celebrate and celebrating is what the Office of the Regulator of Community Interest Companies will be doing during the summer of 2015. Unless you join us you will have to wait until next year's annual report to find out how it went. Details of events around the country can be found elsewhere in this report. They are all for CICs and key interested people, and will start at the Senedd the home of the Welsh Government.

This is also my last annual report (and foreword!) as the Regulator of Community Interest Companies. Next time there will be a new face at the top of the page and someone else having to write it. I am approaching this with mixed feelings. I have always been one to get excited by the prospect of change and something new. In this instance it goes for me personally and for the future of CICs. I am looking forward to seeing what happens for both. A new look Regulator will bring new perspectives and new ideas and that is very timely at this stage in the evolution of the model. So far I have been the longest serving Regulator; (not difficult as there was only one before me) but nevertheless I have been very lucky to have been given the time to be part of the process of change and growth of the CIC family. I call it a family because that is how it has felt and I hope that the feeling of belonging to something important, which is part of the spirit of CICs, will always remain even when there are 100,000.

In my time as CIC Regulator I have seen so much change. Some of it predictable as the early mistrust and scepticism around this new idea was replaced by trust and respect as the model has become better understood. Not there yet but a long way forward. Other changes took us a bit by surprise. I didn't expect within 18 months of starting to be looking at changes to the Regulations but by then it was clear that trust was the key burdensome and, more specifically complicated requirements were inhibiting and restricting. My first foray into the legislative process was thankfully well supported. It took a lot of preparation, process, procedure implementing and my signature and it was very much out of my comfort zone as a charity worker. My caution as a result meant we revisited it 3 years later. This time, having had a much more hands on tussle with the legislative process to get some wording put back into legislation that got misplaced in the advent and size of The Companies Act I was much better prepared. Though of course it still didn't go the way we had expected; it was better and my thanks once again to the Cabinet Office and Treasury for some terrific joint working thanks to everyone who made it possible for us to get new legislation laid on 1st October 2014 which was our target.



In 2014 I achieved my lifetime (well job time) ambition to sail on the Isle of Skye Ferry, the CIC I often quote to give a clear and simple example of the principles of Community Interest. Over the 7 plus years of my appointment I have been privileged to meet with and visit many other CICs and to be part of helping new organisations to consider the option of becoming a CIC. That is my comfort zone. Outside of it I worked with financiers, lawyers, accountants, social enterprise and its representatives; with civil servants, senior civil servants and Ministers. All comparatively new to me since my previous work kept me pretty well grounded in local need, even as a Chief Executive. BIS kept talking about the Bigger Picture. Well, being strategic was not an unknown or difficult concept for me, but the whole of the UK and Social Enterprise was a little bit daunting at the start. These days with CICs everywhere and stretching beyond our shores the bigger picture is much more of a giant landscape and hugely exciting and enticing. I will be leaving at the end of the beginning for CICs and I can't wait to see what happens next.

Of course, the main credit for keeping it together is to the CIC Team. While I was out there talking and speaking and meeting, discussing, debating, sitting on trains, planes and buses, boats and trams and sharing and learning about the environment CICs operate in, the team in the office made it all happen. They started with a few hundred registrations in a year and now that same team (less one) manage over two hundred a month. Annual reports didn't start coming in until 21 months after the first registrations. That was when the team moved from simply registering to regulating. With more CICs there were more complaints. With time CICs became more complex, more demanding and more sophisticated; as did the team.

They had to manage some significant change to become more efficient and learn everything about the CIC model and they are now a very confident team (of 6!!!). They work together and they work with CICs and with Companies House and more. They are unique as a team of civil servants for the length of time they have served together. Two were there from the word go and the rest for 6 years or more. We have grown up together if you can say that about a roomful of 50 somethings; and Helen, won't be 50 for many years yet. It says a lot about what we are doing and have achieved. Probably says a lot about no opportunities within the team for progression but bless them for not progressing somewhere else! It's going to be hard to go.

I have no doubt that my successor will be part of the gaining momentum in social enterprise. Regulation has changed since I started but the CIC Regulator was set up so regulation would not be too burdensome or add pressure to the difficulties of getting started in business. We were ahead of the game and the Red Tape Challenge and Reducing Regulation was where we already were. While we have done a bit of tweaking, I have enjoyed putting the role of this regulator up as an example of how it can be done with a light touch. CICs are now a presence to be reckoned with. There are well over 10,000 registered and we have had very many more applications to process than that. Some change their minds and decide charity is after all more suited to them; some don't make it usually for financial reasons but sometimes because they are no longer needed; some get into bother and we have to take action on that. You can read on to find out some of the situations arising from complaints that have arisen over the last year. With the new government coming in May, I hope that CICs will be even more on the agenda as part of the future for UK business. They are in a world that is changing around them, but I can't help thinking that every time there is talk about a new way of doing things that in fact we already have what we need with the CIC, and have already proved we can work with the model to make it fit for purpose. My parting wish is that we stop trying to reinvent the wheel and do what Henry Ford, did and invent a better use for the wheel we already have.

Executive Summary

It focuses on the legislation reaching ten years as 2015 progresses but its key purpose is to reflect on the year just gone and it was certainly a busy one.

In day to day operations, the team have registered and monitored thousands of Community Interest Companies and done so within the stated timescales; often much more quickly. They have introduced a new system for dealing with email enquiries and continue to respond to a significant number of telephone calls. Every annual report that comes in is looked at (all 6189 this year) but policy is to then make a random selection to look at in detail. The report on this is not made public although all the information contained in it is on public record. This part of the work is key to the regulatory role. It often gives cause to look more thoroughly at what a CIC is doing and often to delight in it. The reports help give an insight into the way CICs are operating, but it is complaints that help the Regulator to challenge activity that is being questioned. There have been an increased number of complaints and increased need to deal with them more formally in 2014/15. As ever the Regulator has to keep in mind the proportionality of action both from the light touch perspective and in terms of proportionality. This type of activity is still not published but ways of sharing some of this information to reassure our stakeholders that we are not hesitant or reticent in responding to issues raised is being looked at. To that end the Regulator is grateful to The Companies Investigation Unit for their involvement and invaluable insight.

New relationships with other regulators have been discussed through the year to improve work with other regulators in the coming year. This will mean more MoUs and a more comprehensive review of existing MoUs. The information all regulators hold and how it is shared was a key discussion as we took part in events and in follow up from the introduction of the

New Regulators Code and the Growth Requirement. I think most are certain that we ought to be able to share relevant information but trying to pull together the how, and working with data protection and confidentiality makes it a bit of a minefield at present.

This Regulator is very keen to be part of that process. Work has been taking place in the background on the strategic and business plan from 2015. It is a little behind while the role of the new regulator is considered and the consequent work that needs to be included in the plan, but it is in draft and will be available later in the year. This is a small Regulator but punches well above its weight with the capacity and resources to hand. It is important to now look to the future to ensure that work can continue to be delivered on time and effectively.

This is a well-respected service and it is crucial to maintain the quality and delivery of the work. Increasing income as numbers grow is contributing to a move toward greater self-sustainability. There will be an on-going expectation that the office becomes fully self-sustaining in time. In the meantime BIS supports the office both financially and administratively as well as management back up. It is hard to be truly part of BIS because of the distance from London and because of the nature of the work and it is good to know that they are there to underpin everything.

The annual report last year was successfully laid before Parliament and signed off, and marked another step forward in the evolution of this document. You are reading the next one. A very skilled team in Companies House help to produce it and it could not be done without them. The growing working relationship with Companies House is increasingly important and increasingly productive.

They have to handle many more CIC documents than ever before and that has an impact on their work as well as this office. In particular there has been on-going work with them to improve communication about registrations and reports and on ensuring everyone has the same information; particularly on numbers and income which Companies House process for this team. There is a synchronicity with the work of both organisations and this will only increase in the future. There is much to do not least working with them on getting CICs e-enabled.

This will make a huge difference in managing increasing numbers on both sides. The Regulator is grateful to Tim Moss and his team for being there and taking account of the teams increasing needs.

The biggest and most nerve wracking piece of strategic work during the year was to see the legislation changed as a result of the decision by the Regulator following consultation in 2012. This was to increase the maximum interest rate on performance related interest, and to recommend to the Secretary of State to approve the removal of the share company dividend cap and consequently the peg to the paid up value of shares. BIS legal and the Better Regulation Unit guided the CIC team Policy Manager and the Regulator through what was required and with Ministerial approval to go ahead, time became pressing.

As always it slipped away and at one point it looked as it might not get through Parliament in time to take effect on the date planned. Everybody hung in there and Parliamentary time for the House of Lords debate was found before summer recess in 2014. Literally the day the team were due to brief the Minister there was a reshuffle and a delay while the new Minister had a few hours (literally) to find her feet! Baroness Neville-Rolfe did us proud and took the two members of the team who briefed and went to the debate with her to tea afterwards; which they still dine out on.

It was still not known if there would be a House of Commons debate in time. To meet the deadline it had to be September 2014, immediately after the return from recess. There was huge relief when a date arrived and a lot of rushing around to get everything ready. What hadn't been anticipated was that the BIS Minister would be up in Scotland and could not speak on the date given. It had to be hoped someone else could (or would) do it! The then Minister for Civil Society stepped in, amazingly straight after another short notice change, so he was also new to the changes proposed.

The debate was held successfully in the House of Commons and the agreement given to make the changes. No tea this time, but the whole team slept better that night.

This type of work has to be done within the team; which is typically the way it happens but usually with much bigger machinery behind it. The Office of the Regulator of CICs did it on top of everyday work with input from a few key people in BIS. It was yet another huge learning curve. A lot of time was spent writing, rewriting, chasing and starting again, but on 1st October 2014 the Community Interest Company (Amendment) Regulations 2014 came into being. The very date promised. (lesson learned – never promise!) Many congratulations and thanks to all concerned. This came about four months after the Royal Assent for Social Investment Tax Relief laid out in the Finance Bill 2014. Together they give CICs a big opportunity to attract and make good use of investment. It's up to CICs themselves now to make the most of it.



The CIC Team

Sara Burgess

Sara became the first female Regulator of Community Interest Companies on 14 September 2007, bringing with her a background in charity work; having started out as a community worker and then taking on management and senior management roles. Sara also has a wider understanding of, and a keen interest in, the social enterprise sector. As the CEO of Living (DLC), Sara was instrumental in the conversion of one of the first charities to a CIC.

Sara is a fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), in which she takes an active interest. In her work, is a grants assessor for Children in Need in the South West.

Sara's appointment as CIC Regulator comes to an end in September 2015. Sara has been a wonderful ambassador for the CIC movement and has put all of her passion and energies into promoting and developing the CIC brand which, as evidenced by this report, continues to go from strength to strength. The whole team are sorry to see Sara leave but are also certain that after a well deserved rest (!), she will be moving onto exciting new adventures and CICs will always remain close to her heart. The team wishes Sara "all the very best for the future".

Left to right, **Ann Hunt, Phil Horrell, Jaci Lewis, Natalie Westgarth, Marilyn Liddon, Sara Burgess, Helen Huish**

The Team

The team have developed an outward facing office dedicated to exceeding expectations and are committed to delivering the highest levels of customer service.

This team brings a range of skills and expertise to understanding the needs of community interest companies. They are well informed and professional in their approach of helping and advising the customers.

The team works in a confident manner, sharing expertise by working together to ensure effectiveness and efficiency. Positive feedback has proven they are approachable and accessible, as well as being well informed.

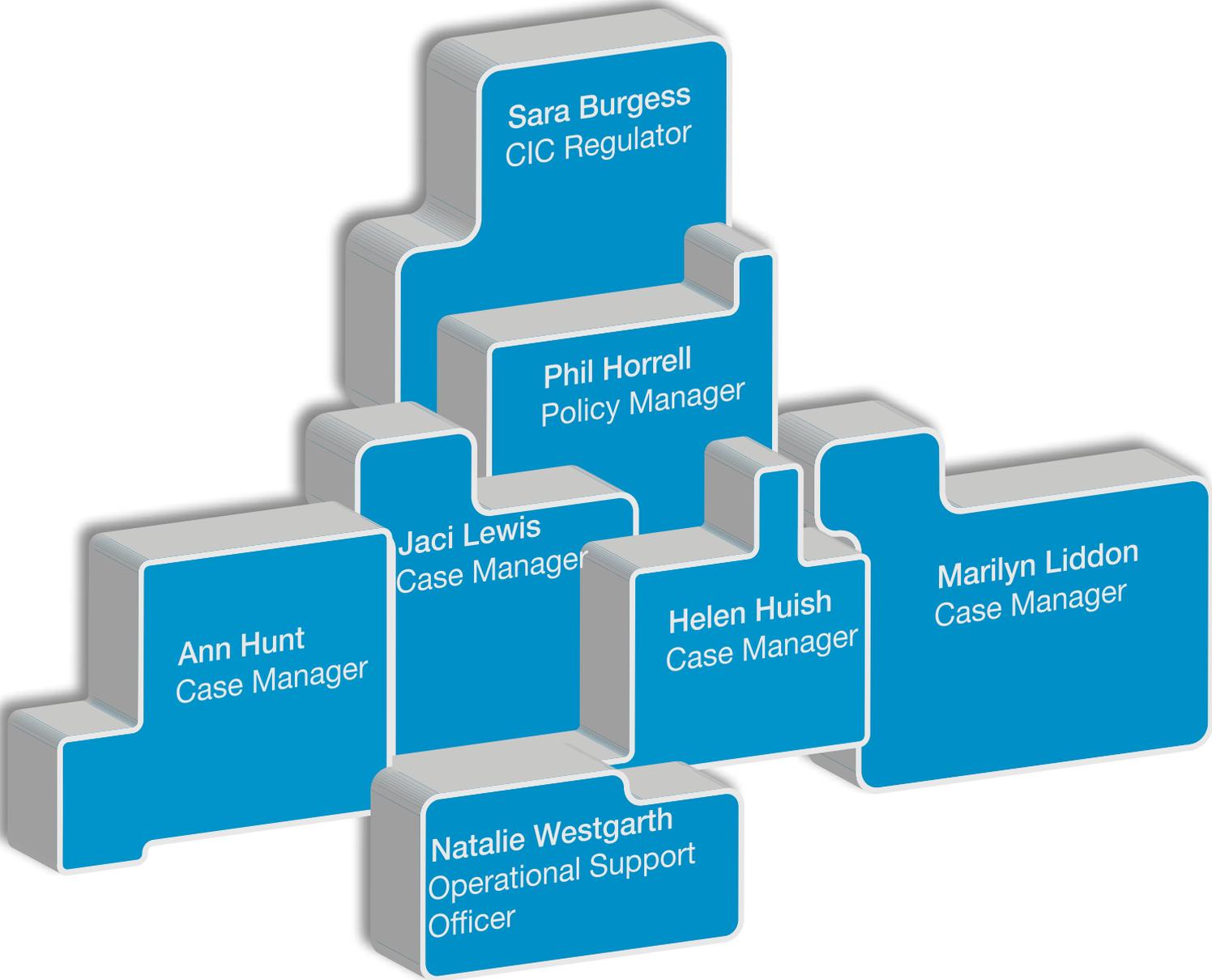
Working with Companies House

The team continues to work closely with our colleagues at Companies House to ensure that our joint examination procedures are as efficient and effective as possible. This year we have (yet again) made significant changes to make the registration of applications and filing of the community interest report with accounts simpler. As well as reducing the time taken for these documents to be approved and placed on public record.

We also continue to work closely with the Companies House contact centre to ensure their staff provide you with an answer to your query, transfer you to our office or the appropriate section in Companies House.



Organisational Structure



Finance

The Regulator's Office is supported by staff from the Department for Business, Innovation and Skills (BIS) under BIS terms and conditions. BIS systems and controls are in place across the board.

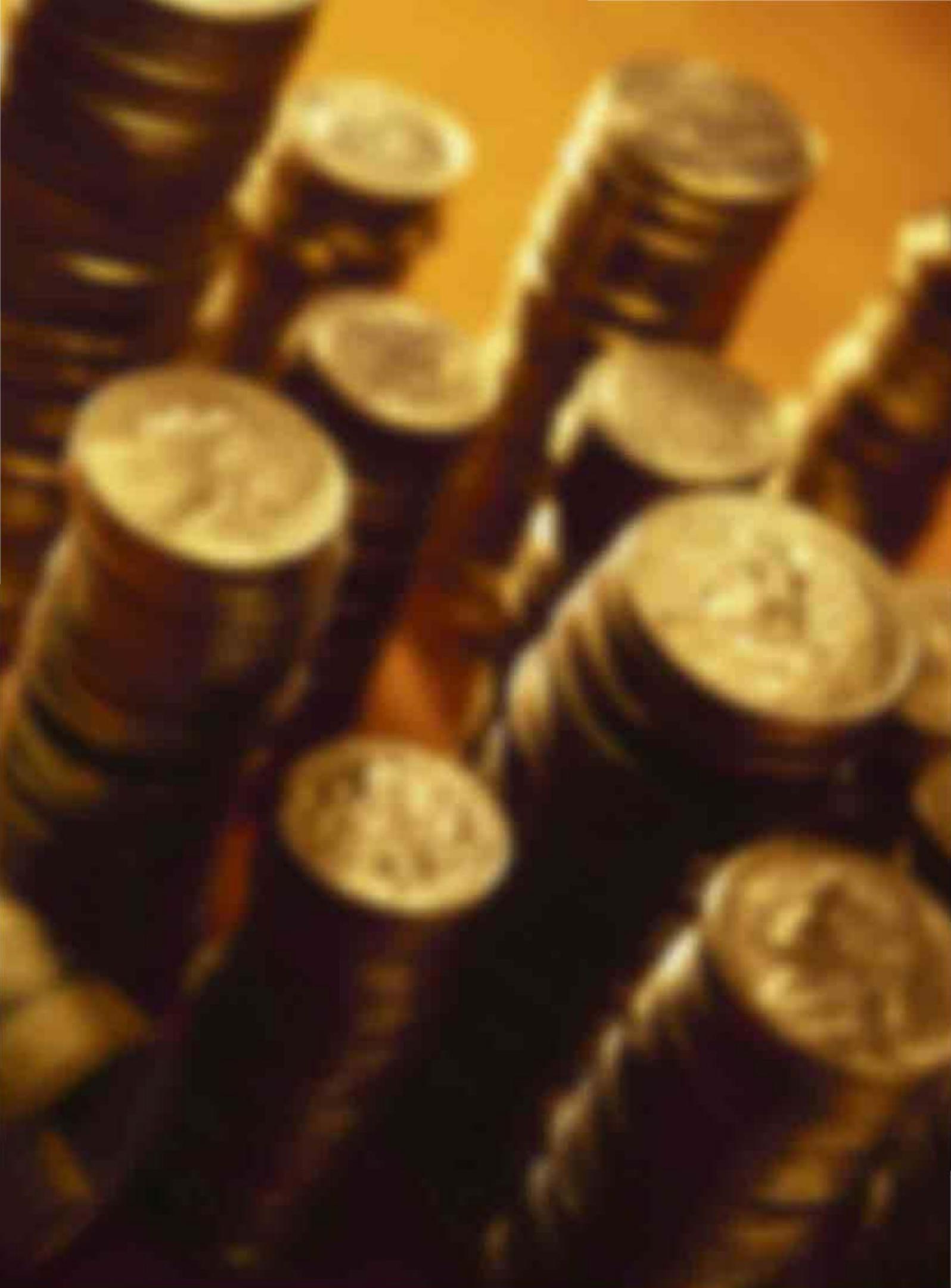
The fee to incorporate a community interest company or to file a community interest report was set at a rate comparable to company incorporations and the filing of foreign accounts. The fees are payable to the Registrar of Companies on delivery of the documents relating to the listed events. Fifteen pounds of the fee is transferred to the consolidated fund to cover an element of the Regulator's costs.

The Regulator is committed to securing efficiencies and helping BIS meet its requirements under the 2013 Spending Review, and continued to take measures to reduce our spend throughout the year.

As a result of the efficiencies, the office has seen its expenditure increase by less than two percent over the year. This is a considerable achievement given that savings have been realised in the face of increased applications and workload, and have not impacted on the level of service provided by the Regulator and her team. The long term aim is to remove reliance on the public purse and achieve full cost recovery. At the present time, the Regulator is recovering 45% of her costs. The measures that we have taken throughout 2014/15 include:

- greater reliance on digital data such as the CIC website
- closer working with Companies House regarding fees recovery
- holding more meetings in Cardiff
- delivering presentations and workshops at our office
- arranging meetings to coincide with off peak travel

(a) Expenditure	2014/15	2013/14	2012/13	2011/12	2010/11
31 March	290,000	285,000	280,000	290,000	340,000
(b) Income					
Formations and Conversions	2,569	2,494	2,070	2,087	1,824
CIC Reports	6,189	5,259	4,163	3,040	2,259
31 March	131,000	112,000	95,000	77,000	61,000
(c) Percentage of Income against spend					
31 March	45	39	34	26	18



Operational Report

Development

Changes to CIC Regulations

In October this year, a historic event for CICs occurred when Parliament agreed to the proposed changes to the Regulations to alter the CIC Dividend and Interest caps. The measures removed the dividend per share cap and uprated the interest level applicable for performance related loans to 20%. These changes made CICs more attractive to investors and had been introduced following the Regulator's consultation with the sector. 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 came into force from 1 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.

10 year celebrations

2015 sees the 10 year anniversary of the opening of the CIC Office. When the office opened in July 2005, it was predicted that we would be registering about 200 applications a year. We are currently registering this number each month and passed the 10,000 mark in November 2014. CICs are an amazing success story and to celebrate this significant anniversary, we have been very busy organising celebration events across the UK. Seven events will be held in England and Wales starting at the Welsh Assembly on 13 May. The Welsh Government are keen to promote social enterprise

throughout Wales and we are delighted that our first event is to be hosted by the Welsh Minister the RT. Hon Edwina Hart. It will be an opportunity to celebrate the successes of CICs in Wales and will bring together, for the first time, key players from accounting, banking, commerce and social enterprise.

The second event will be jointly hosted by Hempsons Solicitors and North East Social Enterprise Partnership (NESEP) in Newcastle on 10 June. The event after this will be hosted by Anthony Collins Solicitors at their offices in Birmingham on 18 June. Social Enterprise West Midlands are organising the event, which will bring a large number of CICs and key players across the West Midlands together to network and share ideas. The next event on the calendar is being held in the Plymouth Guildhall on 7 July and is hosted by Gareth Hart of Iridescent Ideas CIC. Again, this will be a fantastic opportunity for CICs in the South West and other key players in the region to get together and network. The Judge Business School in Cambridge is the location for the fifth event on 14 July. The School have been working with the Regulator to conduct research into innovative CICs. The host, Dr Helen Haugh, along with Dr Kate Thirlaway will be presenting a much anticipated interim report of their findings at the event.

The University of Bristol is the location of the sixth event held on 16th July and will be jointly hosted by June Burrough, formerly of The Pierian Centre CIC and Bates Wells Braithwaite. This will be a part of a series of taster workshops which will address subjects such as Social Investment Tax Relief. The attendees will also be able

to take part in other activities that celebrates the CIC movement and its place in the wider social enterprise arena.

Bates Wells Braithwaite have been key players from the beginning of CICs and we are delighted that they have offered to host the London event at their offices on 10 September. Our office is sponsored by the Department for Business Innovation and Skills, and the Permanent Secretary has expressed his interest in supporting the event. An invite will also be going out to the current Minister responsible for CICs, as well as local CICs and other key organisations.

The legislation in Northern Ireland was not introduced until two years after the legislation in the rest of the UK, and as CICs are not yet ten years old here, it was felt that a celebration event was not appropriate. However, the Regulator would like to arrange awareness raising sessions at future Social Enterprise Northern Ireland events.

Growth

The end of November 2014 was a momentous occasion when we celebrated the grand total of 10,000 CICs on the Companies House register!

We particularly noticed that the number of CICs registering with the share model is on the rise, with figures of 2020 for the UK overall compared to 2317 recorded in the final quarter last year. Although we cannot be certain, we believe that the changes in the dividend cap have had an impact on this.

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.

Examples:

Bristol Community Health was formed in 2011 with the purpose of running community healthcare services commissioned by the NHS in and around Bristol.

They operate across 35 diverse services reaching, over 7,000 patients each week. Their focus is the delivery of healthcare in community settings and people's own homes; particularly people who are housebound, living with a long term condition, who are frail or vulnerable – particularly older people – and to those who are at the end of life.

www.briscomhealth.com

Whizz-Mobility was formed in 2011 with the purpose of delivering pediatric wheelchair services in partnership with the NHS. They operate in Tower Hamlets, Southend, Lincoln, Newham and Plymouth delivering marked improvements to wheelchair provision for children and young people in these areas. They have provided better wheelchairs, faster, and seen excellent client satisfaction rates. Their work in Tower Hamlets also covers adult wheelchair services.

www.whizz-kids.org.uk

John Taylor Hospice was formed in 2011 with the purpose of providing end of life care on behalf of the NHS. John Taylor hospice has been at the heart of Birmingham providing palliative and end of life care for over 100 years.

Founded in 1910, the hospice became part of the NHS in 1948, is the oldest non-denominational hospice in the UK and the only hospice to be a social enterprise. Their success is measured by the experience of patients, families and the public, the performance of the company against contract, their ability to deliver more income than expenditure and their reputation in the community.

Memorandum of Understanding

The Regulator is keen to establish memorandums of understanding (MoUs) with other regulators and organisations that support community interest companies. We have long established MoUs with Social Enterprise UK, the Charity Commission and the CIC Association. Particularly effective is our MoU with Companies Investigation unit and we are encouraged by the close working relationship that has built up.

The agreements are intended to ensure that both parties work together in the interest of CICs. Where appropriate, we will share information and keep the other party informed of matters of interest. We also have a process in place which will decide who the lead regulator is in certain circumstances. This is a key feature of the MoU because CICs

often operate in sectors which have their own regulators, such as, social housing or health care. There needs to be open dialogue between our respective organisations to encourage joint working and consistency of practice.

Our office is continuing to agree MoUs with new organisations and this is a direct result of the growth in CICs and their activity in a wider range of sectors.

Technical Panel

The Technical Panel was established by the Regulator in August 2009. It meets several times a year and is a group of academics, practitioners, business advisors and representatives of the funding community. Their role is to offer a wide ranging commercial insight into the operation of CICs and provide advice on key issues. They give valuable feedback to the Regulator and help her to better understand and deal with the challenges facing CICs. Discussions this year have continued to be robust and include such things as the changes to the dividend and interest caps, attracting grant funding, raising awareness of the share model, developing a Code of Governance and, last but not least, future expectations from the panel for the role of the Regulator.



The Community Interest Report

With well over 10,000 CICs on the public register, the number of Community Interest Reports (Form CIC34) we receive grows year on year, and continues to give the Regulator and the general public an insight into the wonderful and diverse activities that make up the world of Community Interest Companies.

Over the last 10 years we have seen huge changes in both the numbers of reports received and more importantly the substance of the reports.

As with any other company a CIC has 21 months from its date of incorporation to file their first accounts and CIC report. Consequently, although the office opened in 2005, it was almost 2 years later that the first reports started landing on our desks with just 30 being recorded in 2006/2007. Eight years later, we are receiving an average of over 500 a month, giving a total of 6,186 for 2014/2015.

The report is placed on public record and provides the directors with an opportunity to showcase the excellent work that the CIC is involved in. It is filed along with the CIC accounts, and its main purpose is to demonstrate to the Regulator that the company is still satisfying the community interest test and benefitting its community.

The report also provides assurances to the Regulator and the general public that the CIC is being run for the purposes intended and that it is complying with company law and CIC legislation. Anyone can access the CIC accounts and CIC report, freely available through the Companies House register, where copies of all company documents can be downloaded. If anyone has concerns about a CIC after reading its report or accounts, they are welcome to raise these concerns with our office. We will always take any concerns seriously and take action where appropriate.

As well as highlighting the CIC's activities, the report also provides information on the CIC's consultation with stakeholders, its directors' remuneration and any transfers of assets that may have taken place.

We are often asked to explain what a stakeholder is. In short, a stakeholder is anyone who may be affected by the activities of a CIC. This could range from its members, suppliers and customers to the geographical community in which the CIC is located.

The Regulator encourages CICs to use the report to showcase the fantastic work that they are involved in, and we are delighted to see that less than 5% of CICs don't take advantage of this opportunity by providing limited or no information in their reports this financial year. Of course not all the information given on the reports is positive and the Regulator does her best to respond where there appears to be a common problem or theme. For example, many CICs have reported that they find it difficult to access funding and investment. The Regulator addressed this issue by relaxing the dividend cap rules in October 2014 and it is hoped that this, along with the launching of Social Investment Tax Relief by HMRC in April 2014, will have a positive impact on CICs. This demonstrates that the CIC reports are important, they are read and they do make a difference.

Unfortunately CICs are still not able to file their accounts and report online. We are certainly aware that this can cause significant inconvenience and we share the frustration that many CICs have voiced over this issue. The Regulator is working closely with the Registrar of Companies to try and move this forward and as we register increasing numbers of CICs we are hopeful that we will be successful in negotiations to bring their deadlines forward for online filing of all CIC forms.



Social Entrepreneurs and CICs

How do social entrepreneurs experience conflicting demands in CICs?

Community Interest Companies (CICs) fulfil a vital role in society, yet for the social entrepreneurs leading and managing these organisations, they also present some intriguing challenges.

The aim of our research was to identify the conflicting demands encountered by social entrepreneurs and the strategies they adopt to respond. To do this, we spoke to founders and leaders of CICs that had direct experience of both the organisational and personal challenges associated with managing at least one conflicting demand – that of generating market and social outcomes. Our multi-sector sample included CICs from a range of locations and industries within the UK.

Our research identifies the presence of several conflicting demands in the accounts of the everyday lives of social entrepreneurs. At the organisational level, conflicting demands arise from managing market – social mission as well as creating a commercial – caring organisational culture tensions. While at the individual level, conflicting demands were evident in how social entrepreneurs managed the aspirations – reality and debt-sweat equity tensions.

1. Market – social mission tension. The simultaneous achievement of economic, social and environmental goals is a defining characteristic of CICs and it is therefore to be expected that social entrepreneurs would discuss this aspect of managing their social ventures. At Journalism the conflicting goals of providing a service and generating revenue were played out in a complex fee structure designed

to accommodate the variations in clients' ability to pay: "I really wanted to create something that could be as good as a for-profit agency. So I thought having that commercial focus would be good for the quality of the stuff we produced". (Founder, Journalism CIC)

2. Commercial – caring organisational culture tension. Social entrepreneurs also struggled with the shared values they endeavoured to embed in the CICs they managed. For our social entrepreneurs, the opportunity to establish a CIC was influenced by rejecting traditional, hierarchical and formal structures in favour of cultures that served to empower employees and volunteers. At Bike, the priority was to build the business around the people, not the market, and embed a culture in which employees were valued and listened to: "I suppose I like to give people a lot of autonomy to run their own areas, and my philosophy for the business is that I try and create the business around the people that are in it, not the other way around". (Founder, Bike CIC)

3. Aspirations – reality tension. Most of our social entrepreneurs talked enthusiastically about their aspirations and hopes to do something to benefit their communities, society and the environment. At Environment, this passion had carried the management team through times when it had become apparent that their ambitions were unrealistic and unattainable: "So the contrast really is between what we envisaged and what we got. And what we envisaged was eighty per cent earned income, twenty per cent

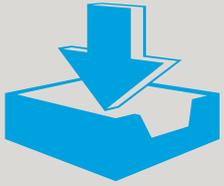
funded and in practice it's been the other way around". (Director, Environment CIC)

4. Debt – sweat equity tension. This tension was demonstrated through social entrepreneurs' accounts of postponing or sacrificing financial remuneration in order for the social enterprise to remain operational and fulfil its social mission without incurring debts. Many social entrepreneurs were in effect 'full time volunteers' to be paid only when funds were available in the future. Investment in the CIC had thus been secured from their own labour and not capital. Relying on sweat equity growth of the CIC is restricted to the collective capacity of employees and volunteers. Raising capital from equity or loans would alleviate the financial constraints and create employment opportunities but at the same time reduce the incentives for volunteers to donate their labour and skills: "I take fees from time to time when the company can afford it but I have actually put in much more than I have taken out over the years Just our sweat. Not a very tangible asset". (Founder, Healthcare CIC) Our research is continuing to explore the conflicting demands encountered by social entrepreneurs and the strategies they adopt to respond to these challenges.

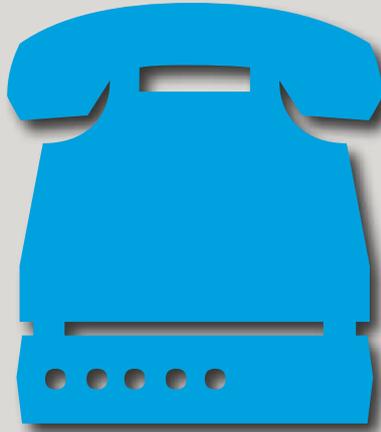
Dr Helen Haugh and Dr Kate Thirlaway



2,569

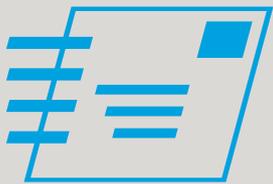


Applications
this year



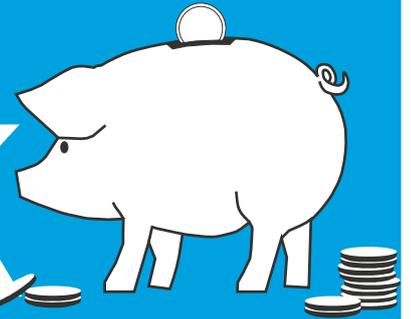
3,213
telephone
calls

2,139

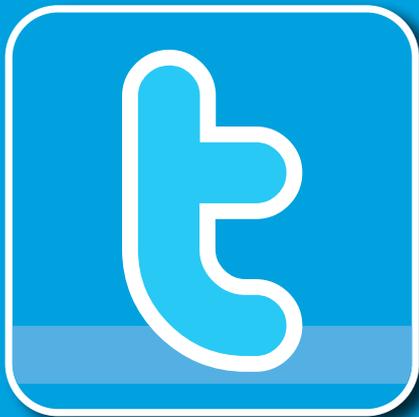


emails

£215k



the amount saved since 2010

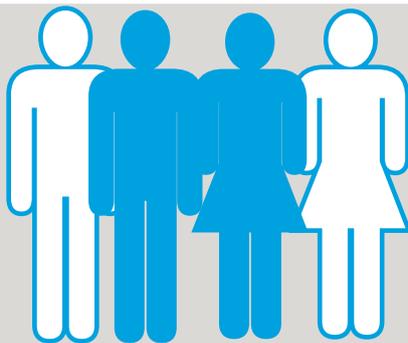
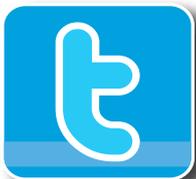


200+
followers
on
Twitter



we are
committed
to securing
efficiencies

Top Tweet;
total number
of CICs on
Public Record



Staffing numbers are less
than when the office
first opened

45%

the percentage of
spend recovered
this year



on the
public
record

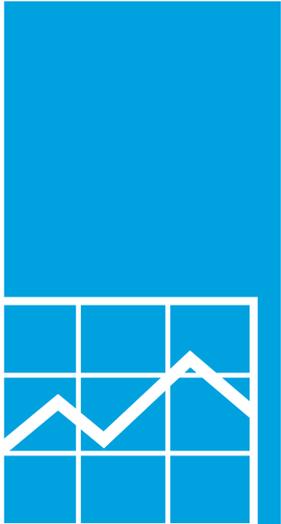
visits to the website



a 55% increase
from last year

397k

page views
in one year



dissolutions
Increase

and still our most
popular page is:

‘How to’
form a
CIC’



Highest proportion of CICs continues to be in London at 15%

£159k

the net cost to the
Exchequer for running
our office



CIC Reports Filed

Office
opened
to public
25 July
2005



01 April
2005



John Hanlon
Appointed the
first CIC
Regulator

27th
January
2006

Social
Enterprise
London
became
100 CIC

City Health
Care
Partnership
Became the

**1000
CIC**

8th June
2007

CICs in *Action!*



Ffilm Cymru Wales

Ffilm Cymru Wales is the strategic development agency for the film sector in Wales. Established in 2006 and formerly known as the Film Agency for Wales, they have a remit to help to develop a vibrant film sector in Wales and maximise the economic, educational and cultural benefits of film. Ffilm Cymru Wales supports Welsh or Wales-based writers, directors and producers with development and production funding, industry assistance and mentoring opportunities. They aim to bring film makers and audiences together by encouraging more people to see more films in more venues! They also promote the use of film in education and community regeneration, producing educational resources in conjunction with teachers to aid literacy and general learning. Having secured £250K of Big Lottery funding for their pioneering 'Film in Afan' initiative, they were able to bring mobile cinema provision, combined with training in digital skills, programming and marketing to the communities of the Upper Afan Valley. A feature film from emerging local production company Red and Black, called 'The Machine', which Ffilm Cymru Wales supported with lottery funding, advice and other support services was a success both nationally and internationally having been selected for both Tribeca in New York and Montreal's Fantasia International Film Festival. Indeed 'The Machine' has sold its distribution rights to screen theatrically, on free and pay television, and via DVD, to upwards of 30 countries! As with other CICs, any income generated is recycled for the benefit of Ffilm Cymru Wales' public good aims and objectives. The website is www.ffilmcymruwales.com



Frame of Mind

Frame of Mind established in 2006 is an award winning Community Interest Company providing bespoke picture framing and printing services to local businesses and residents of Bognor Regis in West Sussex. They also provide vocational training and wellbeing places for adults with mental health issues, learning disabilities and dementia. All of their trainees learn picture framing, digital printing, ceramics, horticulture and customer care skills in a real business environment. As a 'real' picture framing and printing business, the trainees interact with the local community on a daily basis, helping to break down the stigma and ignorance surrounding mental health. As their confidence grows they become more active members of their community, moving onto volunteering, education and employment. Frame of Mind's partnership with Sussex Learning Solutions means that their trainees can access adult numeracy, customer care, literacy and IT courses. Recovery is at the heart of everything they do - they want their trainees to once again take part in everyday activities that many people take for granted. They have won many accolades over the years and this year is no exception, with a double success at the Arun Business Partnership Awards where they scooped the Healthy Workplace and Customer Care Awards. The website is www.frameofmind.uk.com



Isle of Skye

The Isle of Skye Ferry CIC owns and operates the last manually operated turntable ferry in the world. Once a common sight in the West Highlands of Scotland the MV Glenachulish remains the only one of her kind. She was commissioned by the Ballachulish Ferry Company in 1968 to serve at the crossing there before there was a bridge. The company established in 2006 employs over ten local people and continues to grow each year. The service operates between Easter and October each year and carries more than 33,000 passengers annually. They are primarily a tourist attraction but also provide a vital service to local residents, saving more than a 60 mile round trip for a visit to Skye to access supermarkets, hospital appointments and the like. They enjoy close partnerships with HIE, RSPB and local tourism organisations. They are delighted to have featured in Visit Scotland campaigns and their senior skipper is a Tourism Ambassador for VS. The ferry and her crew were filmed for the Ryder Cup opening gala and Channel Four filmed their crossing to Skye recently for a show to be screened in the near future. The company continues to attract and delight visitors and locals alike, with abundant wildlife, including resident sea eagles, and spectacular scenery as well as a unique experience over the sea to Skye (and back). The website is www.skyeferry.co.uk



Southbank Mosaics

Southbank Mosaics is a not for profit social enterprise bringing together world class mosaic artists with members of the general public. Established in 2005 the company runs an “Open Studio” where artists, volunteers, school students and active citizens alike are trained in mosaic design and help to make wonderful public realm art works. Traditionally most public art has been placed out of reach on public buildings or looking down on us from a pedestal. Using mosaic invites urban designers and architects to look anew at opportunities to re-interpret public space, beyond the ubiquitous shades of grey! The company have over 250 installations in central London including Westminster, Camden, Lambeth and Southwark with the majority of their work being in the Southbank area. These include paving, murals, signage, seating memorials, sculptures and even a fountain, all of which they maintain. Their latest achievement is a 30m x 1m timeline mosaic installed at Queenhithe Dock, commissioned by the City of London and match funded by the Heritage Lottery Fund. Southbank Mosaics trained over 200 learners and volunteers in mosaic design and craft skills last year alone. Accredited courses have been delivered with people achieving qualifications at Level 2 in Art & Design and Progression Qualifications through the National Open College Network. They have also set up a charity called Mosaic Artisans whose chief purpose will be to focus on the training aspects of their work with the aim of opening a School of Mosaic. The website is www.southbankmosaics.com



The Prince's Trust

And so it was I found myself on the hottest day in July 2014, scrambling up the sand dunes of Merthyr Mawr near Bridgend, with a group of energetic youngsters aged 16 to 20. Scott, our Team Leader remarked that the Welsh rugby team trained on the dunes before internationals. I could well believe it!

Sitting atop the dunes while others continued to go up and down, I quietly enjoyed the views of Ogmore and Porthcawl. My mind wandered to April 2013, when the Regulator mentioned that the department was looking for volunteers to take part in a Prince's Trust programme. It was aimed at managers in the department to enable them to develop and use transferrable skills which would benefit the trust and our office.

Well, it sounded like a good idea at the time! I seem to recall that my application was damned by praise. I was told I was selected, but to be honest the department was undersubscribed and had the competition been stronger..well you get my drift.

No matter, I was selected and my awfully big adventure was about to begin.

I had signed up to take part in the Prince's Trust "Team for Employees" development programme which required me to participate for 20 working days over a 15 week period. It would help to develop skills in leadership, problem solving, project management, assertiveness, and communication. More importantly, it would allow me to share my life skills and experience with unemployed youngsters desperately in need of a leg up.

I was part of the Cardiff crew and my team was made up of 12 young people, 4 females and 8 males. As it happened I had a particularly challenging group which, for me, made it all the more interesting. These were young people that had fallen through the system, intelligent and engaging but full of attitude, despondency and mistrust. Winning their trust was important and if this meant that I was at times out of step with my Team Leader, so be it.

Over the next three months, we worked hard to get the students to stretch themselves: taking them out of their comfort zone and making them believe in themselves. It was not easy and quite a few failed to complete the programme. Because of work commitments, I missed the first week's residential course which involved a lot of outdoor activities such as a team hike and a night time assault course. The intention was to encourage teamwork and get everyone to bond and it succeeded. Like the new boy in school, I had a lot of catching up to do in week 2, but I got on with it.

As the weeks passed, I got to know the students and found out a lot about myself. Most came from challenging backgrounds and all had left the education system with little or no qualifications. They were easily distracted and were happier outside the classroom. We did a mixture of activities such as working with wonderfully creative people at the local theatre, visiting a children's ward, attending job interviews at the Intellectual Property Office and, my favourite, a charity walk over the Severn Bridge which spans England and Wales. I also spent a lot of time helping them individually with CVs, job interviews,

letter writing and telephone calls to

Phil Horrell, Policy Manager, CICs

prospective employers. My Team Leader, Scott, was a very inspiring character, practical and creative the sort of person you would like to be marooned with. A flexible thinker, he would rip up the days schedule and do something different if he felt he was not getting the best from the students. From my usual structured way of working, this was a breath of fresh air and boy, did it get results. Looking at his wall-chart on my last day, I was amazed how many of the students had moved on to full employment, apprenticeships, further training etc. and this was down to Scott and all his colleagues at the Prince's Trust. They are, quite simply, doing an amazing job.

How did I find it? Well, I spent less time talking and more time listening, which is a change from the day job. It was important for me to be my own man and at the close of each day, I would feedback to Scott how the students did and how I felt he did. On one occasion, I mentioned I was sure I had seen a younger boy being bullied. When I returned the following week I found the older boy had been removed from the programme. Inappropriate behaviour such as racism and sexism was challenged, and I did try to curb bad language, but in all honesty would give myself a paltry 4/10 on that score.

Working with the Prince's Trust was a wonderful experience. Yes it was a huge learning curve and emotionally demanding but I enjoyed it enormously. Would I recommend the programme to other employees? In a heartbeat.



Dissolutions

The first reference to a CIC dissolving was in the Annual Report 2007-2008 when just 35 dissolved. Seven years later we can report that 1104 CICs dissolved between April 2014 and March 2015. A huge increase admittedly, but not surprising given the fact that there are now over 10,000 CICs on the public register.

We know from our research that most CICs close within the first two years, without trading and without accruing any debts. They have simply not got off the ground and are struck off the register by Companies House for failing to file their statutory documents. The introduction of increased late filing penalties has certainly played a part in companies dissolving. Persistent offenders may be presented with a bill of up to £3,000.

A key reason for dissolution cited by CICs is their inability to access funding. The Regulator recognised that there were issues with the model which made it unpopular with investors and in October 2014 made changes to the dividend per share cap which was widely welcomed. We have also looked closely at those CICs that have been successful in attracting funding and we find that it is less to do with the adoption of the CIC model and more to do with meeting the requirements of the funders. Successful CICs target funders most sympathetic to their activities, have a business plan which identifies social impact as well as growth, is able to demonstrate good corporate governance and have filed at least one or two year's accounts. Many also accept additional conditions such as restricting project funding to capital costs.

Many CICs that dissolve have been dormant and, as mentioned earlier, some have never traded. This is not to say that there has not been any activity in the company. Many have undertaken market research or have been seeking suitable, affordable premises to operate from. We know this from the community interest report filed by the CIC, which accompanies the dormant accounts. Unlike ordinary companies that can remain dormant indefinitely, we expect CICs to deliver benefit to the community. If they fail to do so they will not satisfy the community interest test. It is therefore expected that most CICs will only remain dormant for three to four years. If they are not trading at this time, the Regulator would expect them to consider their position and this explains the relatively high dissolution rate amongst dormant companies.

An interesting fact is that many CICs that have been the subject of a complaint that has been upheld subsequently closes down, within the following eighteen months. There is a clear correlation with a CIC involved in directors' disputes, poor governance and poor customer service and its subsequent dissolution. As a Regulator we are sympathetic to those CICs that have closed down because of genuine reasons; others we take an interest in and monitor more closely.

There is no doubt that these are challenging times but we know that if a CIC can get through those first two years its chances of success are significantly improved. After 10 years of operations we are now able to map the longevity of CICs and it paints a bright picture. For instance, of all CICs incorporated in 2005/6 45% are still on the register and this statistic is repeated year on year. This is better than the national average and remains a positive indicator for the future of CICs.



Complaints

As mentioned throughout this report, we have seen the number of community interest companies on the register break through the 10,000 mark, which is a cause for celebration. As the brand continues to grow however, it is essential that our regulation, although light touch, remains effective. It is worth mentioning that CICs tell us they welcome having a Regulator and view this extra tier of regulation as an assurance that they are serious about delivering benefit to the community.

The number of complaints against CICs has dropped slightly from recent years. While welcomed, we need to be satisfied that our complaints process is working, that people know how to complain and that they have confidence that their complaint will be looked at. We believe it is and we continue to work hard to simplify our procedures and improve the customer experience.

As a light touch regulator, we use our powers of enforcement sparingly, but they are significant and if we need to take action against a CIC we will use them.

There are five key areas that the Regulator considers when deciding whether to take action:

- there is evidence of misconduct or mismanagement
- there is a need to protect the assets
- the CIC is not satisfying the community interest test
- the CIC is not pursuing any activities in pursuit of its community interest objects
- the CIC is engaging in political activities and/or political campaigning

The majority of our complaints are dealt with very quickly and whilst we can only talk in general terms, the following gives a snapshot of the types of cases we have dealt with this year:

- we have advised on what constitutes community benefit in a recent spin off from a council run service
- if a CIC owes money, or is unresponsive to letters or phone calls or is being particularly difficult in their dealings, we advise complainants to inform

the directors that they have been in touch with our office and that they have 14 days to respond before we get involved. We are pleased to record that over 90% of these cases are resolved at this stage

- we have cautioned a number of CICs involved in fundraising that have given the misleading impression that they are a charity; this includes street collections and shops on the High Street
- the Regulator has met with a number of CICs at their registered office or our Cardiff office to resolve concerns of a more serious nature
- we have secured the return of equipment to a complainant which was properly his property and not that of the CIC
- we have investigated allegations of fraudulent behaviour such as overseas investments and unusual inter-company transactions
- we work closely with the Companies Investigation Unit in the Insolvency Service and we refer cases of significance to their office
- we refer concerns to other regulatory bodies where CICs fall under dual regulation such as the Care Quality Commission and the Gambling Commission
- we work in partnership with Trading Standards and the Police where there have been allegations of fraud or criminal conduct
- because some issues are vexatious or found on investigation to be groundless, we adopt a policy of neither denying nor confirming whether an investigation is taking place. We know that this may be frustrating to the complainant, but the public perception of a CIC may be unfairly compromised if it was known that the Regulator was conducting an investigation.

As you will appreciate it is not within our power to take action on each and every complaint and as a guide we list the types of complaints that the Regulator is not likely to pursue:

- issues raised which do not give rise to serious concern that the use of the Regulator's supervisory powers would be justified

complaints about activities which are perfectly legitimate for the CIC to be pursuing. For example, policies pursued, or actions taken, by the directors within the law and the provisions of the CICs constitution. The Regulator does not have the discretion to overrule a particular decision by the directors, validly taken within their powers, on the grounds that others take a different view

- complaints that concern contractual obligations or property rights, which are properly matters between the CIC and a third party;
- complaints about the conduct of a CIC which goes wider than regulation, and involves, for example, circumstances suggesting fraud, misconduct or dishonesty
- we cannot assist in legal proceedings taken against a CIC
- the Regulator has no role as a referee to resolve differences between factions within a CIC

So, you know that we have a robust complaints procedure in place and are confident that we take all complaints seriously and will take action as and when appropriate but who actually complains about CICs and how do they make their concerns known to us?

Well, we receive complaints from all manner of different sources including county councils, disgruntled directors, dissatisfied customers, the general public, the Police, Trading Standards, whistleblowers, in fact anyone who may have had dealings with or been affected by the activities of the CIC. Many complainants initially raise their concerns over the telephone and are simply looking for some general advice and guidance on what to do next. One of our experienced team will listen to the issues raised and can often provide a steer on the best course of action to take.

We also advise whether it is something the Regulator is likely to pursue or if the concern would be best dealt with by other agencies.

If the complaint is more complex or serious in nature we invite the complainant to e-mail or write to us providing as much information as possible together with any evidence to support their concerns.

We have a comprehensive ‘Complaints Procedure’ guide on the home page of our website with details of how to complain about CICs and the types of complaint the Regulator will look into.

As an office we have been operating for ten years and our small team of seven enjoys a wealth of experience. A few of us have been here right from the very beginning and others not quite so long, but each member has a minimum 6 years knowledge and understanding of CICs. It is this experience which helps us in our dual role of registration and regulation.

CICs engaged in fundraising or political activities can expect to be asked to submit detailed business plans and respond to in-depth questioning about their proposed activities. The Regular needs to be satisfied at the point of application that the CIC will be operating in a legitimate manner and within the regulations. Establishing this at the outset will mean that problems are not stored up for the future. We believe that this approach has contributed to the drop in complaints against CICs and long may this continue.

The table below provides a breakdown of the nature of the complaints received this year:

Nature of complaint	Numbers
Activities	10
Against the CIC Office	2
Asset lock	1
Asset transfer	3
Community Benefit	7
Directors Activity	4
Directors Conduct	6
Directors Dispute	1
Financial Mismanagement	7
Fundraising	2
Governance	5
Internal Matter	1
Level of Service	1
Membership	1
Not Regulators CIC	1
Political Activity	1
Unpaid Invoices	3
Unpaid Salary/Fee	1

Report of the Official Property Holder

Foreword

1. In discharge of my responsibilities under Schedule 5 to the Companies (Audit, Investigations and Community Enterprise) Act 2004 (“the Act”), I submit my report on the exercise of the functions of the Official Property Holder for Community Interest Companies during the financial year 2014-15.

Status

2. The Official Property Holder is a corporation sole by virtue of paragraph 1(1) of Schedule 5 to the Act.

3. The Act and the Community Interest Company Regulations 2005 establish community interest companies as a new type of limited company registered by the Registrar of Companies, which may be private (limited by shares or by guarantee), or public.

4. Section 29(2) of the Act requires the Regulator of Community Interest Companies (“the Regulator”) to appoint a member of the Regulator’s staff to be the Official Property Holder.

5. The relationship between the Regulator and the Official Property Holder is further specified, with other relevant details, in Schedule 5 to the Act. Copies of section 29 and Schedule 5 are annexed to this report.

6. The Official Property Holder is based in the Office of the Regulator in Companies House in Cardiff.

Functions

7. The Act gives the Regulator various powers to protect the assets of a community interest company. In essence, the function of the Official Property Holder is to protect such assets until authorised to arrange for its transfer, as directed by the Regulator.

8. In particular, under section 48(1), the Regulator may by order transfer to the Official Property Holder any property held by, or held in trust for, a community interest company. Or he may by order require persons in whom such property is vested to transfer it to the Official Property Holder.

9. The Official Property Holder’s function is then to hold the property transferred to or vested in him as a trustee.

10. The Official Property Holder may release, or deal with, the property: to give effect to any interest in, or right over, the property of any person (other than the community interest company by which, or in trust for which, the property was held before it was vested, or transferred), or at the request of a person appointed to act as administrative receiver, administrator, provisional liquidator, or liquidator of the company.

11. On discharging an order made under section 48(1), the Regulator may make any order as to the vesting, or transfer, of the property and give any directions which he considers appropriate.

12. Except as mentioned in paragraph 8 above, the Official Property Holder may not release or deal with property vested in or transferred to him, except in accordance with directions given by the Regulator.

13. As soon as possible after the end of each financial year, the Official Property Holder must prepare a report on the exercise of the Official Property Holder’s functions during the financial year.

14. The Official Property Holder must send a copy of the report to the Regulator, who must send it to the Secretary of State.

Recruitment

15. I have held the office of Official Property Holder for Community Interest Companies since 01 July 2005, when section 29 of the Act came into force.

16. On 25 July 2005, when the Regulator’s office opened to receive applications, I was able to fully exercise my functions.

17. The Official Property Holder has not recruited staff during this financial year and has no staff to date.

Control

18. As the Official Property Holder, I have responsibility for ensuring that a sound system of internal control is maintained to achieve the aims and objectives of the Office of the Regulator of Community Interest Companies in respect of my functions.

19. Department for Business, Innovation and Skills systems and controls are in place across the board.

Performance

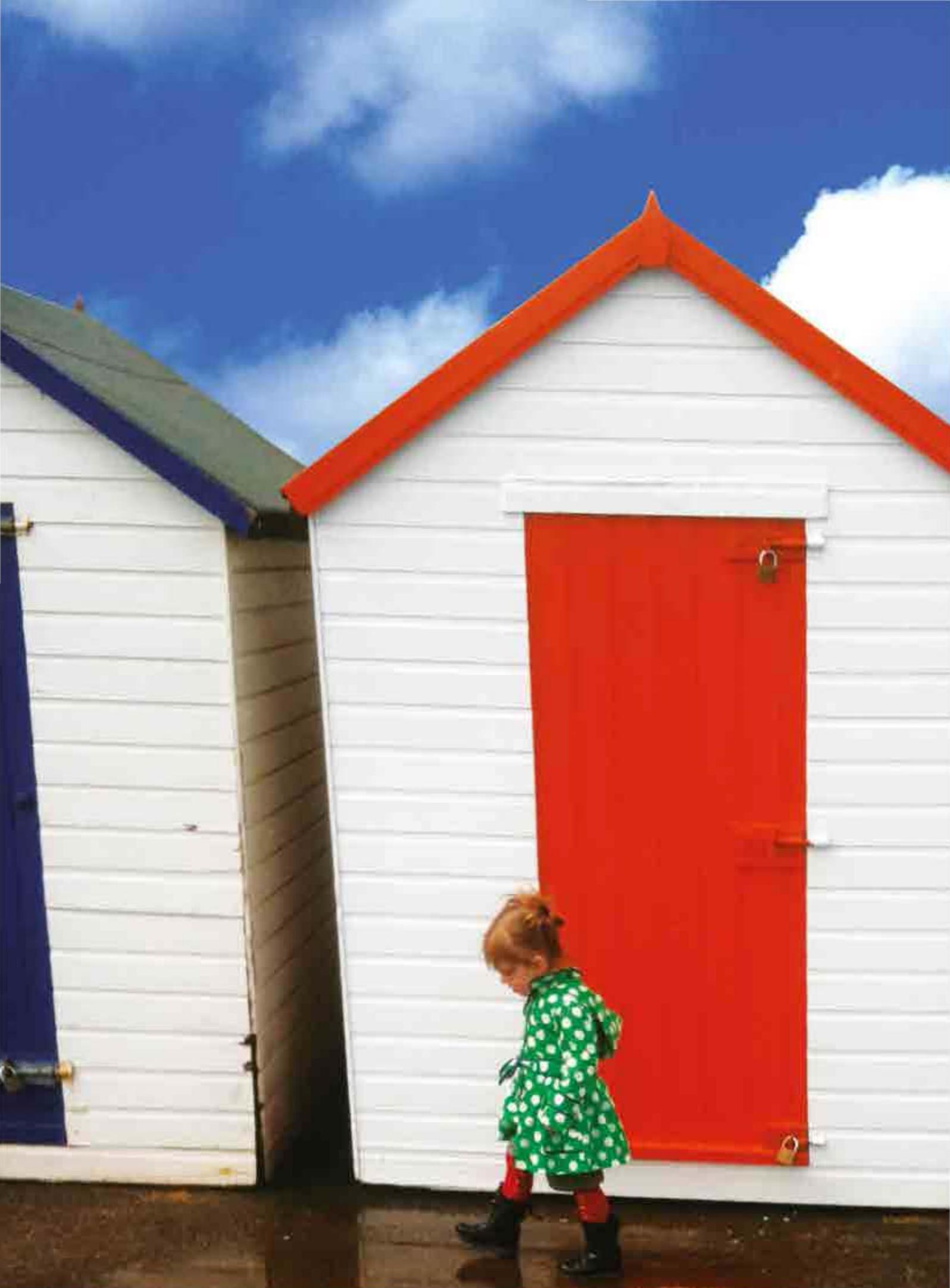
20. In the exercise of my functions for 2014-15, I can confirm that:

No property either held by, or in trust for a community interest company has been vested in the Official Property Holder; and no persons in whom such property is vested has been required to transfer it to the Official Property Holder.

Finance

21. No expenses of the kind mentioned in paragraph 20 above were incurred during the financial year ended 31 March 2015.

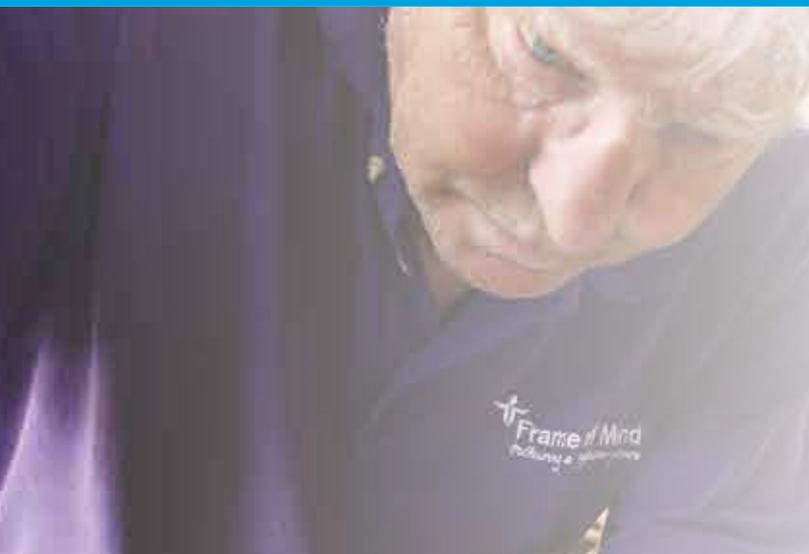
Phillip Horrell
Official Property Holder



Southbank Mosaics



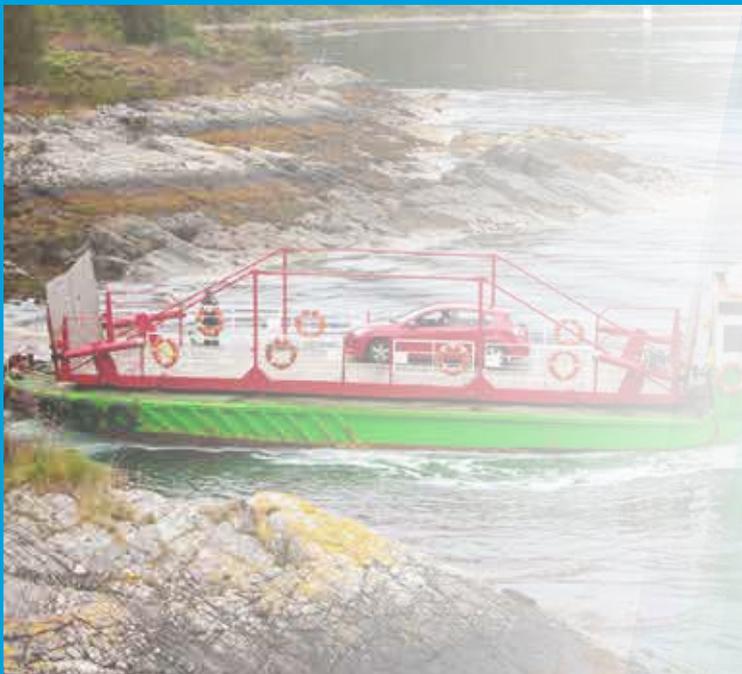
Warm Wales



FRAME
OF MIND



Ffilm
Cymru
Wales



Isle of
Skye
Ferry



community
interest
companies

The Father of CICs

“Change is inevitable, except from a vending machine!”

This was a saying that Stephen Lloyd had apparently picked up somewhere along the way and it was shared with the congregation at his memorial service in January 2015. It struck a chord with everybody and I thought of it today as I tried to prise a cup of coffee out of a machine that would not take all my money. I guess even vending machines can change their habits! I felt incredibly proud sitting in the nave of the church at St Martin-in-the-Fields to have had the chance to have met and worked with Stephen. But at the mention throughout the service of CICs and his role in their success, I also felt a sadness that he was not here to share the excitement of having 10,000 CICs or to help us celebrate 10 years of growth and change though he was aware that we were reaching these milestones.

Stephen always said that the concept of the CIC was born over a glass of claret, sharing ideas. In this tenth anniversary year we are going to be raising our glasses to the success of that concept and the anniversary of the birth of the first new company form in 100 years; and to Stephen. Of course we all know that it took far more than a chat over a glass of wine to get it all going (and I don't mean two glasses). This was a concept designed to build on the growing interest in delivering social purpose using business principles. It was hotly debated and argued about then and still is but there was such interest in creating a new opportunity for social entrepreneurs who wanted to make a public commitment to their business while ensuring that it would be accountable for what it did to as wide an audience as possible. Indeed to all of us. I regret that I was not there at the beginning but very pleased to be part of it now and that Stephen continued to be as enthusiastic and interested as ever in seeing it grow. He nudged me last year into action over some shared thinking on the need for guidance on governance for CICs now that some barriers have been removed from the regulations, and that will come to fruition as we go through 2015.

I often wonder what difference it might have made if they had been called Public Interest Companies as Stephen had first suggested. It's interesting that while none of us could really have anticipated it (though Stephen wasn't surprised) we do have many CICs that are very specifically in the public interest. Not least some very exciting health service spin-outs. It is with pride and probably a bit of relief that I read the annual reports of the many health spin-out CICs that show, in the midst of what seems to be a health service crisis, these companies are embracing social enterprise, diversifying in service delivery according to the needs of their community and providing services that have been long missed or which are completely innovative as well as contributing financially to local third sector organisations. It's still new but without wanting to jinx it the prognosis looks good so far.

Every concept has an innovator. Stephen Lloyd saw the opportunity, crucially a way of facilitating social change through innovation not just in the health sector but across the social economy and beyond. CICs are bringing change to the thinking in other areas of the public sector which would not have surprised Stephen. They are involved in environmental changes; they operate in collaboration with the private sector, they are in the private sector; they are influencing the way government departments look at business development; and they have influenced the development of social enterprise models in other countries.

At Judge Business School in Cambridge Dr. Helen Haugh and Dr. Kate Thirlwell have been researching innovative CICs. They will be reporting some of their findings at the anniversary celebration hosted by them in July.

This part of the annual report was intended for a piece written by Stephen about his experience and his thoughts for the future. I am sure he would not have been surprised at what CICs can do. I would like to have known if he had any insight into what they would be up to as they head into their teenage years. I will leave CICs in the care of my successor and with those taking up Stephen's mantle to help them through and to be organising the celebration of 20 years and of many thousands more CICs in 2025.

Sara Burgess (foster mother of CICs)



Stephen Lloyd
The Father of CICs

Recollections of how the CIC was born

Back in March 2002, I was invited to join a special Cabinet Office advisory group chaired by Baroness Sally Morgan to look at the possibility of creating a new legal form for social enterprises. At the time I was Chief Executive of Social Enterprise London, which was the first body in the UK to bring people together under the “social enterprise umbrella” and had started to successfully promote the idea of social enterprise to Tony Blair’s government.

The idea for the CIC had come from the late Stephen Lloyd of the legal firm Bates Wells Braithwaite (BWB). According to Stephen, what was needed to grow social enterprise was a simple, easy to set-up and lightly regulated company form for trading social purpose organisations. The Cabinet Office Strategy Unit was tasked with exploring this idea. It also looked at charity law reform. Ideas for the Community Interest Company and the Charitable Incorporated Organisation were presented to the advisory committee by a team in the Cabinet Office led by Simon Moyrs (later to be the Prime Minister’s private secretary) which also included two bright young solicitors seconded in from BWB: Thea Longley and Abbie Rumbold.

After much hard work and deliberation the Cabinet Office published a report “Private Action, Public Benefit” recommending the creation of both legal forms in October 2002 and a full government consultation on the CIC was launched in March 2003. By that time I had

become the founding CEO of the Social Enterprise Coalition (SEC - now Social Enterprise UK). The organisation had just been established and had 2 staff (myself and a young graduate assistant) and its first job was to carry out a major consultation across the emerging social enterprise movement about views towards the CIC proposals.

The majority of SEC’s members were in favour of creating the CIC but, there were some strong opinions about aspects of the proposals. The development of the CIC had been passed to the Department of Trade and Industry and I remember going to a meeting which involved myself and my assistant on one side of a very long table and nearly twenty civil servants on the other side including: The DTI Bill team, The DTI Social Enterprise Unit, the Home Office, The Cabinet Office and the Treasury.

A lot of time and effort went into creating the CIC. The legislation was known jokingly as the “Saints and Sinners Bill” as that particular act dealt not only with the CIC but with penalties for company fraud. There were one or two near upsets on the way. I remember sitting in the Lords gallery listening to Baroness Glenys Thornton intervene in one debate arguing against an amendment by Lord Phillips of Sudbury that would have allowed CICs to have charitable status, thus undermining the whole differentiating idea of the CIC. The amendment was defeated. The Act was eventually passed in

2004 and CICs started to register in 2005. One thing I found very puzzling at the time was that after the legislation had been passed, the Government at the time did very little to promote it to lawyers, accountants and other business advisors. Given the effort involved in making it happen, I thought a proper marketing campaign should have followed. This never happened despite a commitment to do so from the Minister. I was unofficially advised this had something to do with the then “differences between No 10 and No 11 Downing Street”. It is a real testament to the strength of the concept that despite the lack of early promotion, so many CICs have been created and are transforming the lives of people and communities through social enterprise.

Jonathan Bland
Managing Director
Social Business International

The Social Investment Tax Relief for CICs

Few pieces of legislation come along capable of being 'game changers' for a whole sector. The Social Investment Tax Relief (SITR) has the potential to be just that. Unsurprisingly, only a handful of deals have been done in the legislation's first year, as people give it a first run. It is also still very constrained, only able to raise around £250,000 for organizations who have had no state aid grants. But the announcements in the Autumn Statement will unblock all the barriers if Europe gives its approval.

Long lobbied for by the social enterprise sector, SITR will be on an equal footing with its private sector counterparts, who can offer investors the equivalent Enterprise Investment Scheme (EIS) relief.

Powerfully, SITR provides a mechanism that reduces the cost of capital for social enterprises without having to risk diluting the ownership of the organization to unknown parties - a key concern for mission-focused enterprises. Critically though it is a mechanism, which investors and their advisers already understand. However unlike EIS, SITR can be claimed when lending money (as opposed to subscribing for shares). To get 30% of your loan back in cash, plus a defined exit, puts SITR in a very interesting place when compared with the EIS alternative, which can offer no such capital exit plan. At Resonance we prioritise aligning the values of both investors and investees; clever tax tools should never be the driver. This is why all our funds have a clear impact focus and why our SITR fund is the first in a series backing social enterprises tackling poverty in cities across the UK, starting in Bristol. This is no sector gimmick, our Bristol Fund has got the attention of global wealth manager UBS, who has sponsored its development to see if it can stand up to their due diligence scrutiny as a product that can be offered to its clients. We have a chance to set the agenda for the benefit of social enterprises and still fully engage the mainstream of investor capital.

SITR really stands to make the most difference for Community Interest Companies (CIC) as unlike charities and Community Benefit Societies (CBS), they have no other finance raising perks. Charities can receive gift aid on donations, pay no corporation tax and get rate relief whilst CBSs can do public share offers at a very low cost exempt from the normal FCA promotion restrictions. Sure CICs limited by shares, in theory, have access to SEIS and EIS, but few have and the vast majority of CICs are limited by guarantee. For them SITR is a key opportunity and why we think the majority of SITR investment will be most welcomed by the investment starved CICs across the country. They already have the right DNA; they are mission focused, enterprising by design, appropriately regulated and the constraints around dividend caps, under-valuing the contributions of entrepreneurs and investors, have of late 2014 been removed. CICs are truly now fit for purpose.

How the number of CICs have grown so much prior to the relaxation of the dividend caps and SITR over the past few years is testament to its brand and its leadership, but as Sara wraps up her tenure as the regulator, she leaves the movement with a healthy following and a suite of legal structures and investment tools that can offer more than most.

Daniel Brewer
Managing Director
Resonance Ltd

CICs 10th Anniversary

Only a mean spirited soul would deny that the emergence of Community Interest Companies (CIC) has been anything other than hugely successful. It has been an extraordinary and remarkable journey. I remember vividly (as I'm sure many do) - the naysayers, the sceptics and the cynics. Recollecting an extraordinary battle between two former government heavyweights over the naming of the new legal model: Public Interest Company vs Community Interest Company.

Thankfully, many of those debates are consigned to history. Forged 10 years ago, an impressive 10,000+ have subsequently been registered as CICs. Volume alone tells us little. It is volume alongside the sheer diversity of these companies, the multitude of business models and sectors where they operate that tell the true story of these dynamic businesses as well as the positive impact they achieve in neighbourhoods and communities across the land.

Large swathes of community health services are now delivered through Community Interest Companies. Community shops and pubs, car sharing clubs, art studios and farmers markets have all found the CIC structure to be flexible and adaptive whilst mission and asset locks provide the trust and reassurance to a myriad of stakeholders and customers looking for a new ethical concordat with the businesses that they buy from.

Whilst it's true that most social entrepreneurs have embraced the legal structure designed purposely with them in mind, the CIC has also attracted more than a few critics, particularly from within the investment community. The perceived complexity of dividend caps and limitations of share sales have called into question the utility and effectiveness of the model. The recent evolution of the CIC to enable even greater flexibility has demonstrated the responsiveness of Sara and her spirited team at the regulators office, and the very positive relationship with the CIC community of businesses who were integral to ensuring both the pragmatic revision of the CIC rules whilst maintaining the social integrity of the model.

I'm delighted to wish the Community Interest Company a very happy anniversary, and as is ritual, wish it many more to come. And there will be more to come. The world is ever changing, and businesses must change too. The consensus is growing widely and rapidly. The principles of shared value that inspired the creation of the CIC are more important than ever before and I'm certain that the army of social entrepreneurs using this model will continue to grow in volume and in ways we only dare to dream.

Stephen Lloyd, the late lawyer and social entrepreneur extraordinaire who sadly and unexpectedly passed away last year was rightly accredited as one of the founding fathers of the CIC. He was and would continue to be incredibly proud of how the CIC model has firmly laid its roots to become an increasingly integral part of the structural ecosystem for business and for social enterprise.

In short, while it is of course entirely right to celebrate the CICs 10 year anniversary, it's also important to recognise that it is just a form of company incorporation. Through this birthday what we are actually celebrating is the passion, dynamism and entrepreneurial actions of those that have chosen to establish, lead or work for a CIC. The success of the CIC is down to them; the hundreds of thousands of people doing business in ways which prioritise societal and ecological good.

Peter Holbrook CBE



..at the Senedd!

RT. Hon Edwina Hart



Peter Holbrook CEO, SE UK



Lucy Findley, Managing Director,
Social Enterprise Mark



Craig Anderson
CEO, Warm Wales



Key Statistics

Financial Year	Approved	Dissolved	Converted	Increase	Cumulative
Aug 05 - March 06	208	0	0	208	208
April 06 - March 07	637	0	0	637	845
April 07 - March 08	814	35	3	776	1621
April 08 - March 09	1120	86	2	1032	2653
April 09 - March 10	1296	372	5	919	3572
April 10 - March 11	1824	483	7	1333	4905
April 11 - March 12	2087	590	11	1486	6391
April 12 - March 13	2055	765	11	1279	7670
April 13 - March 14	2494	976	11	1507	9177
April 14 - March 15	2589	1104	3	1462	10639
Total	15104	4411	53	10639	10639

CICs by region	Number	%
East Midland	605	6
East of England	804	8
London	1636	15
North East	582	5
North West	1489	14
South East	1384	13
South West	1262	12
West Midlands	1200	11
Yorkshire and Humber	632	6
Total England	9594	92
Northern Ireland	187	2
Scotland	516	5
Wales	342	3
Total	10639	100

Total Number of CICs on the Public Register by CLG and CLS

	Prior to March 2014	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
CLG	7157	98	86	99	88	112	78	115	74	89	107	83	136	8322
CLS	2020	31	33	21	6	22	20	30	29	17	16	25	47	2317
	9177	129	119	120	94	134	98	145	103	106	123	108	183	10639

Credits

Design/Layout: Companies House Graphic Design

Print: A. McLays and Company Limited, Cardiff (029 2054 4100)

Photography:

Front cover and pages 12, 15, 36 & 37 provided by Companies House

Page 6 provided by Bewdley Development Trust

Page 19 provided by Drs Helen Haugh and Kate Thirlaway

Page 24 provided by Helen Huish, CIC Team

Page 29 provided by Mark Sherlock, Companies House

Pages 22, 23, 30 & 31 provided by:

1. Southbank Mosaics
2. Ffilm Cymru Wales
3. Warm Wales
4. Isle of Skye Ferry
5. Frame of Mind

Page 33 provided by Bates Wells Braithwaite





**COMMUNITY
INTEREST
COMPANIES**