

THE BENEFITS OF A COMMUNITY INTEREST COMPANY (CIC)

1. The CIC brand provides:

- reassurance to stakeholders, as the asset lock and community purpose are regulated
- a higher profile for social enterprises and not-for-profit companies
- a growing network and voice within the social enterprise and third sector.

2. The CIC has transparency of operation.

- An annual CIC report is placed on the public record for public scrutiny.

The CIC report describes:

- the CIC's activities and the benefit provided to the community
- the remuneration paid to its directors
- the assets transferred other than for full consideration
- dividends paid
- performance-related interest paid
- the steps taken to consult stakeholders and the outcome.

3. The CIC has statutory clauses, which cannot be removed.

- The asset lock ensures the assets are used for the benefit of the community and there are other clauses to ensure members retain control.
- These clauses set it apart from other companies and prevent demutualisation and windfall profits being paid to directors and members without the balances and checks of mutuality and charitable status.

4. The CIC provides continuity of purpose.

- Once a CIC is incorporated it will continue providing benefit to the community until it is dissolved or converted into a charity.
- If it is wound up under the Insolvency Act 1986 any residual assets, after satisfying its creditors, will be transferred to another asset-locked body, such as a charity or another CIC.

5. The CIC is quick, easy and inexpensive to set up and specifically designed for social enterprise.

6. The CIC provides limited liability for its members.

7. The CIC uses the company form that:

- can be tailored to a specific organisational structure, governance, or membership, and
 - can be anything from a co-operative providing benefit to a wider community to a single member company.
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8. A CIC can take advantage of a company's risk-taking features by accessing the debt markets for loans and bonds.

9. A CIC limited by shares may expand by selling its shares.

10. A CIC may find community development finance institutions a valuable source of funds.

11. Company legislation (with which a CIC must comply) and the company form are familiar and well understood by the business community.

12. Compared with a charitable company the CIC has:

- greater flexibility in terms of activities
- no trustees and no trustee control
- directors who can be paid, but this is regulated
- light-touch regulation, but no tax incentives
- fewer reporting requirements and administration – a charitable company has to complete the Charities SORP, for example.

13. Compared with an ordinary company the CIC has:

- an asset lock, which is inexpensive and easy to set up
- statutory provisions that prevent the members of the CIC removing the asset lock by special resolution
- regulation to ensure the CIC maintains its asset lock and provides benefit to the community it was set up to serve
- checks and balances provided by CIC legislation
- a community benefit report open to public scrutiny
- transparency of directors' remuneration and use of assets
- legal protection from demutualisation and windfall profits being paid to directors and members.