

# 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.