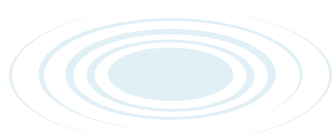


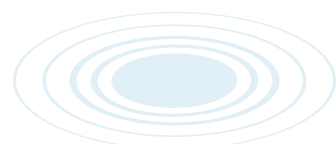
Annual Report 2017 - 2018

Regulator of  
**Community Interest  
Companies**



# Regulator of Community Interest Companies *Annual Report 2017/18*

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  
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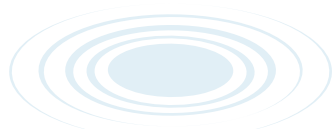


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# MISSION STATEMENT

## 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.
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

## by the Regulator of Community Interest Companies - Ceri Witchard

Welcome to the 2017/18 Annual Report on Community Interest Companies, (CICs), in which I am pleased to report on the continuing success, growth and - most crucially - vital impact of CICs.

This has been an exciting year. We smashed through the 14,000 barrier with the number of CICs on public register with Companies House in January - a fantastic achievement and demonstration of the continued growth of the CIC sector during a year in which we were able to approve over 2,800 CIC applications.

I continue to be supported by an excellent team whose expertise and enthusiasm drives and supports the sector as it grows. Whilst they do this, I am also pleased to report that the Office has again reduced costs whilst managing the growing size of the CIC register. One of my key goals as the CIC Regulator is for the Office to be recovering all its costs, through improved efficiency and the growth of the CIC register. With our progress to date I am confident this will be achievable within the next few years.



Although overall numbers are significant, this year I also wanted to further highlight, and celebrate the difference that CICs are making to their communities, employees and the wider public. The theme of this year's report therefore looks at the overall Social Impact of CICs and the positive statistics, on pages 6 & 7, highlight the real-life difference CICs are making to people and communities.

These figures show that CICs matter because they succeed across multiple areas: commercially, socially and in the wide diversity of their demographics. Community Interest Companies are proving extremely popular as start-up businesses; proven by the continuing growth in applications and approvals dealt with by the Office. Importantly, a quarter of CICs are based in the most deprived communities – making a difference where it matters most. – with almost two-thirds paying the living wage. Positively, CICs are extremely well represented by female entrepreneurship and also have a diverse leadership mix. Added to this CICs succeed – they are extremely innovative and commercially resilient, often even more so than other SMEs.

I have had the pleasure of meeting many of the wonderful people making such an important difference in these CICs. They constitute a huge range of experience in many diverse business types and our analysis highlights the great work they are doing across the country.

We have continued to develop our support of the CIC brand, so that it is recognised and understood and can support social enterprise in the UK. The Office continues to develop new ways of communicating the work of CICs and better ways of serving our customers, especially through bespoke digital and social media channels.

I am also delighted that the development of online options for incorporation and filing of accounts - to reduce errors and improve the ease with which a CIC can be created and run - are almost complete. These will be rolled out to the benefit of many CICs over the course of the next 12 months.

This year CICs have continued to prove themselves as the trusted model for social enterprise and business. I am therefore very pleased to be able to report on another successful 12 months for CICs and highlight the impact and benefit they are having throughout the UK - both socially and economically.

**“CICs succeed commercially, socially & demographically.”**

# EXECUTIVE SUMMARY

This has been another year of progress for the Office of the Regulator of Community Interest Companies. The work and focus of the Office is to ensure effective regulation and provision of information to support the growth of community interest companies in the UK. This has progressed positively and during the year we have identified a number of cost savings, and achieved a further 7% cost recovery this year, of income against expenditure. These savings are primarily in relation to efficient use of travel and associated office costs – so have had no impact on the service we are able to provide customers. Against the backdrop of decreasing costs, we also have a steadily growing register: the number of CICs on the register rose by 9% again this year with the team approving 2,844 new CICs.

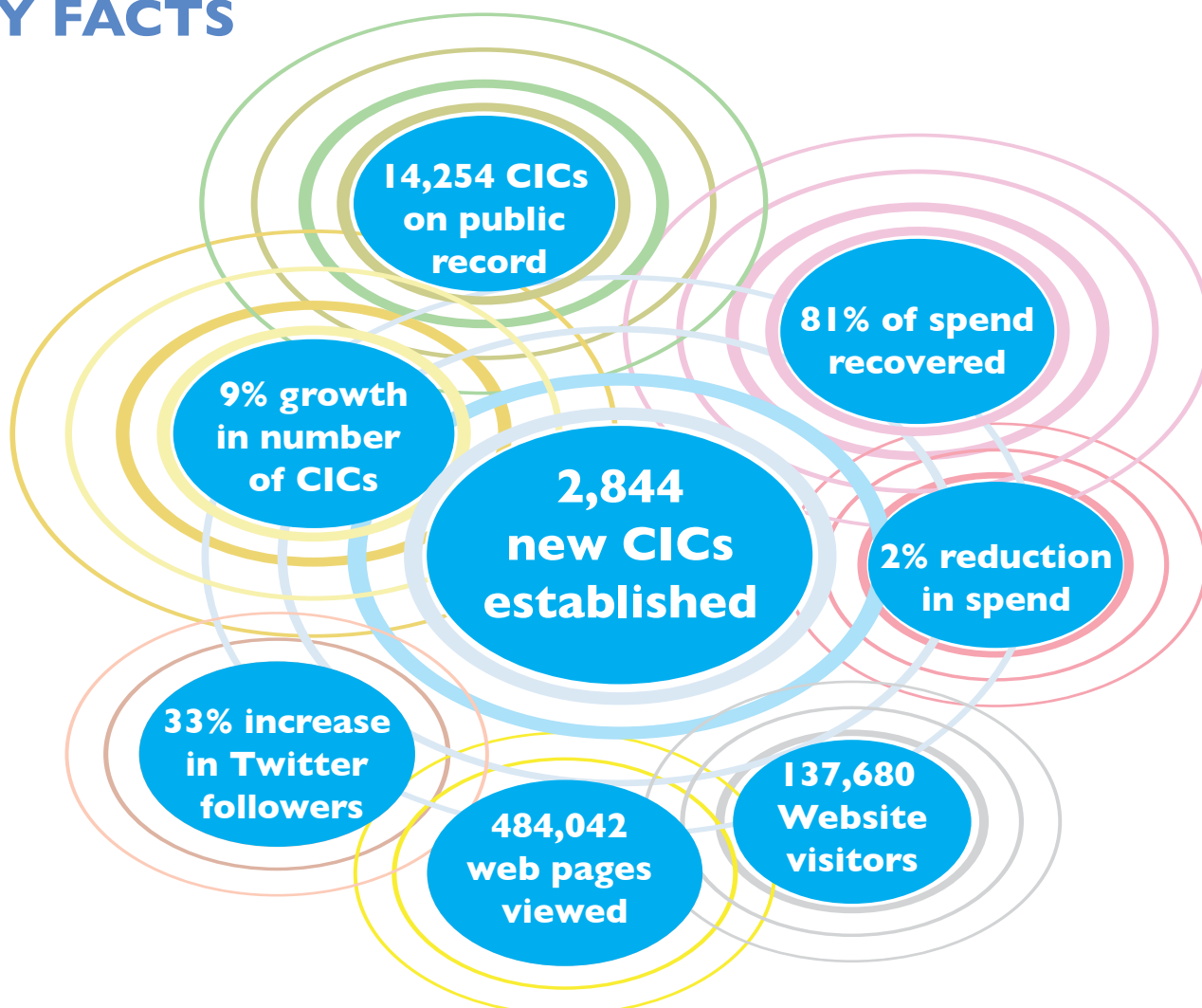
We continue to refine and improve our digital communications. We have a very active Twitter account – with almost 1,800 subscribers – which highlights CIC’s successes and shares best practice information across the sector.

We have also worked closely with Companies House and are developing a series of webinars for the Office of the Regulator. This explains many aspects of interest to CICs, as well as sharing information on the work of the Regulator and her office.

During the last year trading activity amongst CICs has been diverse: CICs are growing faster than counterpart SME companies and have an increased turnover. With CIC profitability comparable to private companies this has meant a busy but productive year for the Office of the Regulator. Our work has been stretched across a wide range of activities; including incorporation, regulation, complaints, communication & promotion, on-line filing work, policy discussions, meetings and events.

As a small team we work across-government and with other regulators to maximise CIC development and impact, whilst minimising cost to the public purse, so that we can promote and benefit the CIC sector - helping CICs support and benefit the communities they serve.

## KEY FACTS



# FINANCE

The Regulator's Office is run by staff from the Department for Business, Energy and Industrial Strategy (BEIS) under BEIS terms and conditions. BEIS 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 for CIC administration are payable to the Registrar of Companies on delivery of the documents relating to the listed events. 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 continued to take measures to reduce our spend throughout the year.

As a result of these efficiencies, the Office has spent 2% less than in 2017. This is a commendable result despite considerably increased applications & workload and has not impacted on the level of service provided by the Regulator and her team.

At the present time the Regulator is recovering 81% of her costs, a significant achievement, and one that the Regulator aims to continue in order to achieve full cost recovery within the next 2-3 years.

The measures that we have taken throughout 2017/18 include:

- Continued focus on digital based communications to increase reach & effectiveness
- More training, meetings and telephone conferences held on-site in Cardiff
- Arranging meetings to coincide with off peak travel wherever possible



PERIOD	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
<b>(a) EXPENDITURE</b>						
<b>31 March</b>	<b>231,000</b>	<b>234,000</b>	<b>267,000</b>	<b>290,000</b>	<b>285,000</b>	<b>280,000</b>
<b>(b) INCOME</b>						
<b>Formations and Conversions</b>	2,844	2,812	2,727	2,569	2,494	2,070
<b>CIC Reports</b>	9,666	8,886	7,513	6,189	5,259	4,163
<b>31 March</b>	<b>187,000</b>	<b>174,000</b>	<b>153,000</b>	<b>131,000</b>	<b>112,000</b>	<b>95,000</b>
<b>(c) Percentage of Income against spend 31 March</b>	<b>81</b>	<b>74</b>	<b>57</b>	<b>45</b>	<b>39</b>	<b>34</b>





# APPLICATIONS AND GROWTH

## Applications

This year the office processed 4,495 applications. These included incorporation and conversions which are both limited by shares or guarantee. Of those applications received 2,844 were approved and placed on the public register, which is an approval increase of 1% on last year. England is leading the way as 88% of CICs are based there, with Scotland, Wales and Northern Ireland making up the remaining 12%. We are confident that as the CIC brand continues to flourish the number of organisations wishing to become CICs will continue to grow.

There are now well over 14,250 CICs on the public register making a real social and economic impact to communities throughout the UK and engaged in every sector of the community from business support and consultancy to health care and retail. Data demonstrates that trading activity amongst CICs is diverse. The CIC brand is a broad church which is rapidly changing the social enterprise landscape. The most common sectors include health, education, sports and the arts.

Many of our CICs operate with a couple of directors, others are multi-million-pound organisations: either started and/or grown as CICs or they maybe spinouts from NHS and Local Authorities but all delivering positive benefits across the communities of the UK.

## Regulation

The Regulator's office is always seeking ways to improve the examination process to make the process more efficient. This year we have streamlined the procedure so that applications are first examined by the Regulator to ensure they meet the community interest test and then passed to the Registrar of Companies to ensure they comply with Company Law. Both parties have an agreed turnaround time of 5 working days and we will continue to find ways to improve our processes to meet increasing demands.

Increasingly CICs are becoming the legal form of choice for social enterprises who adopt the CIC business type. We have also seen co-operatives, charities, ordinary companies and LLPs convert to the CIC model. What unites them all is the common purpose of delivering community benefit with the respect and knowledge of CIC legislation and regulatory oversight.

## Growth

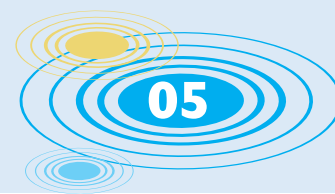
The number of community interest companies on the public register continues to grow and we saw another 9% cumulative increase compared to last year. Even though we are a 'light touch' regulator our primary concern is that community benefit is clearly demonstrated. We now have well over 14,000 CICs on public register – a phenomenal result from a standing start in 2005. With over 5,000 CICs added to the public register in the last two years we expect this trend to continue and would anticipate there being around 30,000 CICs delivering community benefit throughout the UK by 2025. We are confident that the imminent arrival of online filing for CICs will also play its part in helping to drive forward this increase.

## Approvals

The CIC brand continues to grow beyond all expectations. In 2005 it was expected that around 200 CICs would be added to the company register annually, we are now adding at least that amount to the register every month!

Each year we see the monthly number of CICs on the public register continue to grow, with March recording the year's highest number of approvals with a massive 296 CICs accepted onto the register in that one month alone. The table below demonstrates the steady growth in CIC approvals month-on-month over the last 12 months; contributing to the on-going rise, social and economic impact of CICs on the register and in the wider community.

Month	Approved	%
April 2017	233	8%
May 2017	261	9%
June 2017	230	8%
July 2017	214	8%
August 2017	258	9%
September 2017	217	8%
October 2017	270	9%
November 2017	247	9%
December 2017	206	7%
January 2018	216	8%
February 2018	196	7%
March 2018	296	10%
<b>Total</b>	<b>2844</b>	<b>100%</b>



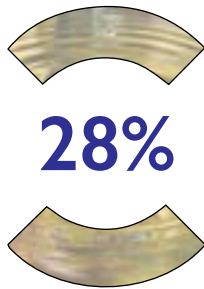
# SOCIAL IMPACT

Community Interest Companies (CICs) have now been around for over 13 years. There are currently over 14,000 on the Companies House public register – a phenomenal achievement and well beyond all expectations when the CIC model began in 2005. It is no surprise many other countries around the world are replicating the CIC model.

## COMMUNITIES

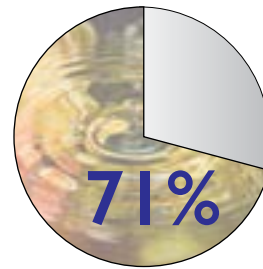
- 28% of CICs are based in the 20% most deprived areas in the UK.
- 84% of CICs employ over half of their staff locally.
- 71% of CICs pay the living wage to their employees

### Working where it is needed most



28% of CICs are based in the most deprived communities in the UK.

### A fair paying field



71% of CICs report paying the living wage to their employees.

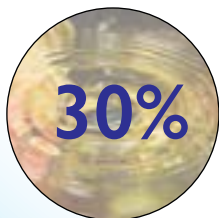
## JOBS

- 55% of CICs actively seek to employ people disadvantaged from the labour market.

## DIVERSITY

- 48% of CICs are led by women. Over half of CICs (58%) have a majority female workforce.
  - only 20% of SMEs are majority-led by women and only 7% of FTSE 100 companies. (defined as controlled by a single woman or having a management team of which a majority were women)
- 30% of CICs have at least one director or member of their leadership team from a BAME background
  - compared to just 5% of SME organisations. (identified as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority.)

### Diverse leadership

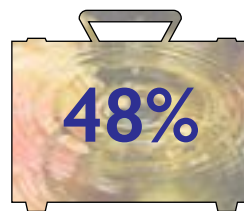


30% of CICs have at least one member of their leadership team from BAME background.

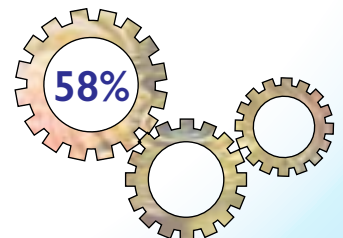


7% of CICs are BAME led.

### Female entrepreneurship



48% of CICs are led by women.



Over half of CICs (58%) have a majority female workforce.

[Where possible CIC data has been compared to SME data for comparison, but where this is not possible just the CIC data is presented.]

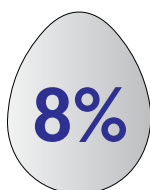
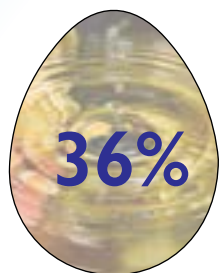
# State of Community Interest Companies 2017/18

Evidence of CIC impact, success, development and challenges has been limited. This analysis of CIC data\*, provides a current overview of the Impact of CICs: the strength and optimism of their businesses, their contribution to society and the challenges they face.

## COMMERCIAL

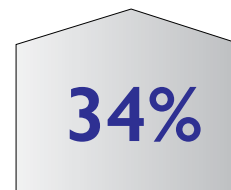
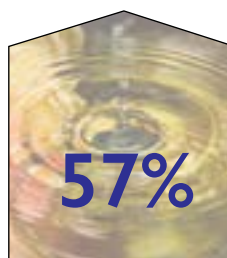
- 36% of CICs are under 3 years old,
  - over four times the proportion of start-ups compared to SMEs at 8%.
- 57% grew their turnover in the last 12 months
  - compared to 34% of SMEs.
- 43% of CICs made a profit in the past year, with 29% breaking even.

### Social Start-ups



36% of CICs are under 3 years old, four times the proportion of start-ups compared to SMEs (8%)

### Commercially resilient



57% grew their turnover in the last 12 months compared to 34% of SMEs.

## DEMOGRAPHICS

CICs cover all sectors of the UK economy and are all sizes – some with over £100m in turnover, others run as micro-businesses. CICs provide essential health care services and are prevalent in education, retail and all areas of the UK economy. CICs have won the Turner Prize and caught public imagination with the Tower of London Poppies.

## INNOVATION

- 57% of CICs developed a new product or service in the last year
  - this is compared to 33% of SMEs.

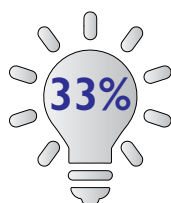
## TRADE

- 67% of CICs traded with the public sector to generate income
  - 23% of SMEs had worked for the public sector in the preceding 12 months.

### Innovation



57% of CICs have developed new products and services in the last 12 months.



33% of SMEs have developed new products and services in the last 3 years.

### Selling to the public



67% of CICs traded with the public sector to generate income.

\*from the Social Enterprise UK State of Social Enterprise Survey 2017

# CICS AND SOCIAL IMPACT

## Charlie Wigglesworth, Deputy Chief Executive - Social Enterprise UK

For Community Interest Companies (CICs), business success means social impact: more growth and profit means more employment opportunities for those that need it most, and more profit to reinvest into good causes, communities and the environment.

The last Social Enterprise UK (SE UK) report proves that CICs outperform mainstream businesses against a range of metrics – turnover, growth, innovation, business optimism, start-up rates and profitability.

On a purely business level CICs are hugely impressive:

- 57% grew their turnover in the last 12 months;
- 36% are less than three years old; and
- 57% were innovating through a new product or service

All of these figures are higher than their mainstream small business counterparts.

In terms of diversity, the figures are striking:

- 48% of CICs are led by women – significantly ahead of mainstream businesses: 20% of small businesses and 7% of the FTSE 100!
- 36% of CICs have a director with a disability;
- 30% of CICs have at least one Black, Asian or Minority Ethnic (BAME) director.

Again, these figures are considerably higher than in mainstream small businesses: 5% BAME led and charities: 3% BAME led.

What is so impressive, and telling, about CICs is the holistic nature of the social impact they have above and beyond their stated social mission. Employment is a good example of this:

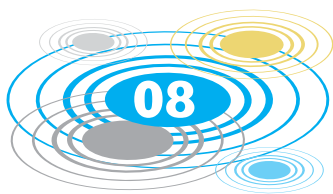
- 75% of CICs are supporting people from disadvantaged and marginalised groups: &
  - 55% of CICs directly seek to employ them.
- 71% of CICs also pay the living wage: &
  - 65% of CICS involve staff in decision making to a large extent.

**“Business success and social impact can be mutually reinforcing and CICs are at the forefront of much of this success.”**

CICs are also at the forefront of social impact across all key markets:

- At SE UK’s recent Social Enterprise Awards, CICs won 5 of the business categories, including the ‘Prove It – Social Impact Award’, won by Enabling Enterprise CIC. This CIC was set up in 2009 by a team of teachers to address a fundamental gap in the education system: how to build essential skills like teamwork, leadership, resilience and effective communication that unlock learning and underpin successful, employable futures. Seven years on, over 86,000 students have taken part in Enabling Enterprise programmes in over 275 schools and in partnership with 130 employers.
- Ninety CIC, a digital and strategy consulting business, has developed a Big Business client in Zurich Insurance. This has allowed the CIC to give a year’s access to clean water to approximately 50,000 people in rural Africa. Ninety has also been able to use profits to co-fund research with the Centre for Social Justice into sustainable business models.
- Vitally, CICs are a key part of building relationships with the public for consumer-facing social enterprises. Change Please CIC, a coffee producer and vendor working with homeless people, has seen extraordinary levels of impact. In the past year, they have been able to employ 67% more homeless people as baristas, seen a nine-fold increase in turnover and had their coffee stocked in Sainsbury’s.
- Across public services, where many of the largest social enterprises operate, CICs are again prevalent. Community Dental Services CIC, for example, have grown by 75% over the last 5 years, now delivering over 85,000 appointments to 51,000 patients, 97% of whom would recommend them. Their work includes a mobile unit providing free dental treatment to those who can’t afford it, promoting oral health to 33,700 people and helping 7,000 children improve their dental health.

As the CIC sector continues to grow year-on-year, its ability to impact upon some of the most challenging issues facing societies today continues to increase. Be it in public services, high street retail or business supply chains, community interest companies demonstrate that business success and social impact are not mutually exclusive but can be mutually reinforcing. CICs are at the forefront of much of this success, and truly represent the future of business.





# THE BENEFIT OF CICS

## Lucy Findlay – Managing Director: Social Enterprise Mark

The term ‘social impact’ is used with great relish across the business world. But is it possible to maximise social impact alongside increasing the profits for shareholders? Can businesses really make a difference to some of society’s biggest problems and challenges?

Community Interest Companies (CICs), who combine making a difference with increasing profits and dividends, would seem to answer both questions positively - especially if social impact makes sense from a business case perspective. Corporate Social Responsibility (CSR) and Social Impact Strategies encourage businesses to consider and try to create positive social and environmental impact. Importantly, proponents of CSR argue that implementation of these strategies increase shareholder profits in the longer term.

However, some research shows that profit maximisation and social and environmental impact, require a trade-off: between what is required by the shareholder and the cost of tackling a difficult societal problem. It is only when there is recognition that something should give, that business can address these issues.

For this reason, the Community Interest Company is an important business model and the dividend cap and asset lock are key components in keeping social enterprise fixed on the social goal of making a difference. Although CICs want to be profitable it’s what is done with that profit that matters.

The key purpose of a social enterprise business must reflect that community benefit takes precedence over personal gain – hence social enterprise models such as CICs. The limitations placed on CICs, via the dividend cap, ensure that a level of social impact investment can be attracted whilst ensuring that the focus of the business remains on making a difference to the community that the business serves.

Epic CIC, the runner up in the 2017 ‘Making a Mark’ competition, positively illustrates what can be achieved in making a difference whilst remaining commercially focused. The CIC is limited by shares and is the UK’s first youth service public service mutual delivering youth services. The company’s structure allows them to combine the public-sector ethos, of making a difference, with commercial dynamism.

This has created a more flexible, joined-up service to young people in London: including health, wellbeing, ambition, safe spaces and sport. Profits have been reinvested in the company resulting in an impressive social impact report:

- well over 4,000 at risk and vulnerable children were helped in 2017
- In 2015, for every £1 invested in employability support, the CIC returned £2.24 in social value for young people’s health and wellbeing
- In the area of serious youth violence, for every £1 invested, the CIC realised almost £4 of social value to improve the health and wellbeing of participants



In addressing the social demands of society it’s important that there is an alternative, profitable business model that has credibility, authenticity and longevity. The Community Interest Company has proved that it can make a real Social Impact and has a strong future. Importantly, it enables Directors, Stakeholders and Shareholders to truly make an impact - tackling difficult social challenges using an ethical, and profitable, business approach.

**“The Community Interest Company has proved that it can make a real Social Impact and has a strong future.”**



# CASE STUDIES

## North East Counselling Services CIC

Company number 06889229

Incorporated 19 July 2006

North East Counselling Services (NECS) was founded in July 2006 initially to support carers, cared for and their families as they identified the lack of counselling support. NECS has 50+ therapists and amassed over 80,000 counselling hours, working with over 10,000 clients.

The Community Interest Company model was a new status which fitted NECS's character and spirit. The model had all the flexibility and certainty of the company form, but with features ensuring its benefit to the community.



NECS supports adults, carers, cared for, ex service personnel and their families, couples, children and young people in and around Gateshead. Treating depression, anxiety, low self-esteem, low confidence, PTSD, phobias, relationship problems, bullying and domestic violence.

The CIC works with stakeholders such as Local Authorities, Clinical Commissioning Groups, GP Surgeries, Third Sector Organisations, Universities and Colleges. The CIC is supported by funders such as Big Lottery and the Community Foundation.

Achievements so far are impressive:-

- 91% of clients had an improved sense of wellbeing/emotional health
- 98% of clients would return to NECS
- 98% of clients would recommend NECS
- Excellent feedback from Stakeholders
- Gateshead Health Audit 2014 recognised NECS's work in the most deprived areas of Gateshead
- Recognised as a Qualified Provider for NHS
- For each pound invested the return in social value is £3.67
- 200+ trainees have qualified as counsellors since NECS inception

NECS has matured and become a commercial enterprise: proving social enterprise profit is good and being a CIC has made this possible. They are able to deliver and make a positive social impact!

## Assisted Homes CIC

Company number 08274564

Incorporated 30 October 2012

Assisted Homes CIC provides housing and supported accommodation. It is dedicated to support people recovering from mental health, drug or alcohol difficulties and help them live independent lives within their individual capabilities.

Assisted Homes is a Community Interest Company that recognises that people suffering from homelessness often need more than just a roof over their heads, which is why they take a holistic approach. Their 'floating support' provides a platform for the service users to make the transition to independent living as smoothly as possible.

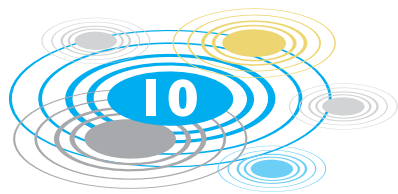
People often find themselves in vulnerable situations due to many different circumstances. Whether it be mental health issues, drug or alcohol misuse, recent imprisonment or any other reason, understanding the individual needs of clients is pivotal to the effective support Assisted Homes provides.

Although the CIC provides temporary housing, they understand that individuals may need more time whilst they seek the tools that will allow them to live independently. Taking on day-to-day responsibilities, once an individual has been housed, often proves overwhelming.

Therefore, Support Coordinators from the CIC pride themselves on following vulnerable adults on their journey from homelessness to independent living so that individuals have added structure to their life and feel less isolated. Key workers help individuals stay focused on their goals and ambitions: from finding education to getting back into work. The aim is for individuals to engage and be beneficial to the community. As people gain new life skills and learn to integrate back into society they become more confident and independent.



Offering wrap-around support during this vulnerable period of individuals lives is at the heart of what this CIC strives to do and is why their mission is to be the best supported-accommodation provider in London.



# CASE STUDIES

## The Good Loaf CIC

Company number 08948583

Incorporated 19 March 2014

The Good Loaf is an artisan bakery CIC in Northampton which carries out activities benefiting the community, providing employment and training opportunities to vulnerable women.

The CIC received £386,487 in funding through the Reaching Communities programme to run a project where participants are offered the chance to complete a 6-week program and gain 3 accredited certificates.



Those who complete the program are employed within the bakery/café or are supported in finding paid work. The turnover from the trade is £310,000 annually which sustains the business.

The project was awarded 'The National Howard League Award' for helping women to keep out of the criminal justice system by providing alternative, effective and targeted interventions, reducing the risk of re-offending. The award celebrates best practice in diversionary work and champions services in the community that change people for the better. Participants have full access to the onsite women's centre which provides support around substance misuse, domestic abuse, sexual exploitation, parenting, debt and benefits as well as mental health.

The CIC trains over 100 vulnerable women each year; has recruited and trained over 60 community volunteers and launched a youth program for at risk youth (ages 12 to 17). In recognition of the real benefit & impact they are making to the community.

Of the ladies worked with:

- 94% felt connected to the community and empowered to access employment and training
- 85% felt less likely to re-offend
- 78% felt able to cope with stressful situations
- 50% felt able to deal with issues of debt, mental health & substance misuse

The CIC won the 'Local Food Hero Award'; the 'High Sheriff Award for Peer Mentoring' and 'Best Community Business Award for Northamptonshire'.

## The Green Valleys (Wales) Community Interest Company

Company number 06889229

Incorporated 28 April 2009

The Green Valleys (Wales) CIC was incorporated in response to the Big Green Challenge, a community led carbon emission reduction prize which was offered by NESTA - the National Endowment for Science Technology and the Arts. The people of rural Wales were concerned about the effects of climate change, rising fuel prices and fossil fuel dependency. The Big Green Challenge provided the catalyst to mobilise communities and demonstrate that working together can create positive change. The CIC was formed to provide support and assistance for community led action on climate change.

The Green Valleys (Wales) was one of three winners of the Big Green Challenge 2010 and supports many independent and active community groups in towns and villages across the Brecon Beacons National Park. They help develop project ideas, find funding, secure any necessary permissions and whatever technical or practical support is needed. This support has enabled these communities to successfully deliver a range of projects such as establishing woodland management groups, creating allotments, solar PV installations and energy saving in community buildings.



The CIC's approach is for social, environmental and economic factors to work together. For example, their work to restore neglected orchards and plant new ones. This has a direct environmental benefit as wildlife habitat and preserving traditional fruit tree varieties provides a learning opportunity for community members in the care and management of fruit trees. This has been funded by the small-scale production of juice and cider from the orchards they have restored.

The challenges that face society today require solutions that provide social, environmental and economic benefit and The Green Valleys (Wales) CIC has been able to demonstrate this approach and multiply the benefits by enabling local action & benefits across the region.



# DISSOLUTIONS

In the last year 1,631 community interest companies have dissolved representing 11% of the number of CICs on the public register. Contributory factors to this year's CIC dissolutions are Companies House decision to reduce the time frame in which a company can be removed from the public register from three to two months. This, with increased late filing penalties doubling if the accounts are late for two successive years, can contribute to a CIC's decision to close the company.

The CIC Regulator has also noted that government initiatives can sometimes give rise to a significant amount of applications. This may be due to grant funding or tax incentives. However, those established without a sound business strategy may not be able to sustain the business and may dissolve in less than a year or just under the 21-month date.

Research has shown that most CICs that dissolve will do so within the first two years, without trading and without accruing any debts. Often if CICs have not started trading they are simply struck off the register by Companies House for failing to file statutory documents. The key reasons for the companies dissolving continue to be lack of funding, no trading activity and poor corporate governance.

The Regulator continues to look at ways in which we can mitigate the number of closures. Whilst a 'light-touch' Regulator the office actively takes steps to provide as much guidance and related information to help CICs as regards to understanding good governance and what funding bodies may require - working with Government organisations, taking part in Webinars and producing Blogs to support this. We know that CICs that access funding are able to demonstrate that they:

- have a sound business plan;
- understand their market;
- are able to articulate their social impact
- know their unique selling point;
- demonstrate strong governance
- have filed annual accounts

We draw positives from the fact there is only a marginal increase in dissolutions over the last year and that over 35% of those CICs incorporated in 2005/06 are still on the register. There is no doubt that the UK economy faces challenges but the Regulator is confident that the CIC brand will not only stay the course but, within almost every sector and every UK region, continue to grow.

# COMPLAINTS

The Regulator's aim is to maintain public confidence in the CIC model. Every complaint raised about a CIC is taken seriously and consideration is given to the most effective course of action whilst balancing proportionality and the public interest. This year we have received 45 complaints, which is less than we received last year. With the number of CICs on the public register now at just over 14,250 that equates to less than 0.3% of CICs receiving a complaint. This confirms that the vast majority of CICs are involved in fantastic work and delivering a high standard of benefit to their communities.

Because some complaints may be vexatious or found to be groundless, we adopt a policy of neither denying nor confirming whether an investigation is taking place. We have a comprehensive 'Complaints Procedure' guide on our website which indicate the types of complaint the Regulator will and will not pursue. It may be decided that the complaint would be best dealt with by another agency and, over the year, we have continued to build good working relationships with other regulatory bodies, local government offices, trading standards and the charity commissions for the entire United Kingdom.

As indicated by the table below the majority of complaints have been focused around the governance of the company and we have taken steps throughout the year to provide guidance on what the Regulator regards the responsibilities of CIC directors to be: highlighting their responsibility for ensuring that the company is run in such a way that it will continue to satisfy the community interest test. The Regulator would like to reassure the public that through effective impartial regulation her powers of enforcement will be used appropriately to maintain the integrity of the CIC brand.

Nature of Complaint	
Activities	6
Asset Transfer	1
Confusion CIC or Charity	2
Contractual Matters	1
Directors Activities	1
Directors Conduct	3
Directors Remuneration	5
Financial Mismanagement	4
Fundraising	3
Governance	7
Internal Matter	3
Level of Service	1
Political Activity	3
Not Regulators Remit	2
Not a CIC	1
Unpaid Invoice	1
Unpaid Salary	1
<b>Total</b>	<b>45</b>





# COMMUNICATIONS

In order to achieve our operational goal of increased efficiencies, the Regulator's office has increased our use of digital and social media to promote the CIC brand. We have broken new ground with Webinars and Twitter Q&A sessions, offering more immediate, interactive and wide-ranging communication methods to CICs and the wider Social Enterprise community.

## Twitter

The Regulator's office use of Twitter has increased dramatically this year to enable it to become a more interactive communication tool. In addition to regular updates from the office, we have shared relevant information from third parties and answered questions and queries on many subjects concerning CICs. We held our first Twitter Question & Answer (Q&A) session in partnership with the Business Support Helpline during the last year which proved very successful – reaching over 79,000 twitter accounts. We plan to hold more throughout 2018/19, both in-house and in partnership with other organisations.



## Blogs

We have continued publishing our popular fortnightly blogs; which include articles from a wide and diverse range of CICs such as 'Your Own Place' - a CIC supporting homeless young people to 'Make an Impact' CIC helping Social Enterprise to grow. These varied and informative blogs demonstrate the wide range of community benefit CICs are providing. We also published articles written by the other organisations such as the Business Support Helpline and other Social Enterprise and government organisations which are both relevant and provide wider advice to the CIC community. Subjects have ranged from providing advice on applying for funding to considerations before registering as a social enterprise.



## Webinar

Webinars have been an exciting method of communication for us this year. Not only have they enabled us to reach large audiences at low cost but we are able to measure effectiveness. This year we have provided an overview of the CIC model and helpful guidance on how to incorporate a CIC. We have also hosted webinars in partnership with HMRC and Companies House, as well as being invited as a guest contributor by the Development Trusts Association of Wales. Each Webinar has attracted strong attendance figures, with positive feedback and we are planning more throughout 2018-19.



## YouTube

We are now able to share copies of our Webinars and Twitter Q&A's through the Regulator's YouTube channel. This links to our Website so that the sessions can be viewed digitally at any time and is proving very popular as an advice and training tool. We plan to increase our reach and accessibility, utilising this media, over the coming year.



# REPORT OF THE OFFICIAL PROPERTY HOLDER

## Foreword by Anne Vincent, Official Property Holder

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 2017 - 2018.

### 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 they 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 them 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 they consider 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 them, 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 1 November 2016.

16. On 25 July 2005, when the Regulator’s office opened to receive applications, the previous property holder was able to fully exercise these 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, Energy & Industrial Strategy systems and controls are in place across the board.

### Performance

20. In the exercise of my functions for 2017 - 2018, 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;
- No persons in whom such property is vested has been required to transfer it to the Official Property Holder.

### Finance

21. No expenses were incurred during the financial year ended 31 March 2018.





# KEY STATISTICS

Financial Year	Approved	Dissolved	Converted*	Increase	Cumulative
April 05 - March 06	208	0	0	208	<b>208</b>
April 06 - March 07	637	0	0	637	<b>845</b>
April 07 - March 08	814	35	4	776	<b>1621</b>
April 08 - March 09	1120	86	2	1032	<b>2653</b>
April 09 - March 10	1296	372	5	919	<b>3572</b>
April 10 - March 11	1824	483	7	1333	<b>4905</b>
April 11 - March 12	2087	590	11	1486	<b>6391</b>
April 12 - March 13	2055	765	11	1279	<b>7670</b>
April 13 - March 14	2494	976	11	1507	<b>9177</b>
April 14 - March 15	2569	1104	3	1462	<b>10639</b>
April 15 - March 16	2727	1433	11	1283	<b>11922</b>
April 16 - March 17	2812	1665	14	1133	<b>13055</b>
April 17 - March 18	2844	1631	14	1199	<b>14254</b>

\* Converted from a CIC

CICs by Region	Number	%
East Midland	796	6
East of England	1067	7
London	2220	16
North East	712	5
North West	1821	13
South East	1853	13
South West	1748	12
West Midlands	1474	10
Yorkshire and Humber	898	6
<b>Total England</b>	<b>12589</b>	<b>88</b>
<b>Northern Ireland</b>	<b>305</b>	<b>2</b>
<b>Scotland</b>	<b>872</b>	<b>6</b>
<b>Wales</b>	<b>488</b>	<b>4</b>
<b>Total</b>	<b>14254</b>	<b>100</b>

## Total Number of CICs on the Public Register

	Prior to March 2017	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
CLG <sup>‡</sup>	9987	72	58	104	94	58	109	74	100	78	42	39	149	10964
CLS <sup>△</sup>	3068	13	14	12	11	13	11	46	25	8	16	11	42	3290
	13055	85	72	116	105	71	120	120	125	86	58	50	191	14254

<sup>‡</sup> Company Limited by Guarantee

<sup>△</sup> Company Limited by Shares

