

# SOCIAL IMPACT

## LEADING POSITIVE SOCIAL CHANGE

### BENEFITS

To start a social enterprise that helps people or communities, you will need to choose the right structure.

Your choice will depend on a range of factors, such as:

- its Governance structure
- whether Limited by Shares or by Guarantee
- if it will have a wider (voting) membership
- an asset lock etc.

### USES

Two options for an enterprise with social, charitable or community-based objectives are:

- Community Interest Company (CIC)
- Charitable Incorporated Organisation (CIO)

Here, we will focus on these two options. Visit The Charity Commission website for useful templates and guidance.

“ THERE IS NO FUNDAMENTAL SOCIAL CHANGE BY BEING SIMPLY OF INDIVIDUAL AND INTERPERSONAL ACTIONS. YOU HAVE TO HAVE ORGANISATIONS AND INSTITUTIONS THAT MAKE A FUNDAMENTAL DIFFERENCE. ”

CORNEL WEST

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# COMMUNITY INTEREST COMPANY (CIC)

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A CIC is a special type of limited company which exists to benefit the community rather than private shareholders. Like a regular limited company, it can be Limited by Shares or Limited by Guarantee.

## Setting up a CIC

Mostly, CICs are set up as the Companies Limited by Guarantee. If set up as Limited by Shares, a Dividend Cap would apply (but any surplus Dividends can be carried forward for up to five years).

To set up your CIC, you need to apply to Companies House, and:

- include a 'community interest statement', explaining what your business plans to do.
- create an 'asset lock' - a legal promise stating that the company's assets will only be used for its social objectives.
- get your company approved by the community interest company regulator (your application will automatically be sent to them).



## Asset lock

An asset lock is a legal promise stating that the company's assets will only be used for its social objectives. The asset lock restricts the level of interest payments to an outside investor or institution.



## Regulation

CICs have to comply with the Community Interest Companies Regulator as well as Companies House.



## Regulator Powers

Generally, the regulator is supportive of CICs but do note that it has the power to appoint and remove directors, and dissolve the CIC without any consultation.

It may also restrict your trading activity and instigate civil proceedings on your behalf without your consent.



## Tax Relief

Unlike a charity, there is no requirement to report to the Charity Commission. For this reason, a CIC does not bring tax relief.



**WE LIVE AT A TIME WHEN GOVERNMENT IS LESS AND LESS POWERFUL, LESS AND LESS EFFECTIVE, AND THE AGENT OF SOCIAL CHANGE, AT LEAST FOR THE IMMEDIATE FUTURE, IS THE CORPORATION.**



Tibor Kalman

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# CHARITABLE INCORPORATED ORGANISATION (CIO)

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A Charitable Incorporated Organisation (CIO) is a newer form of legal entity designed for non-profits in the UK.

The main intended benefits of becoming a CIO are that it has legal personality, the ability to conduct business in its own name, and limited liability for members and Trustees.

## Setting up a CIO

These benefits are already available to limited companies. Charities can be formed as companies, but then they must be registered with both Companies House and the Charity Commission.

In contrast, a CIO only needs to register with The Charity Commission. This is expected to reduce bureaucracy for the organisation.

## Foundation CIOs

To set up a foundation CIO, you must:

- have a constitution as your governing document – use the commission’s model foundation CIO constitution (or stay very close to it).
- register your CIO with the Charity Commission for it to legally come into existence.
- keep a register of its trustees (who are also the members).
- send its accounts and annual return to the commission each year, regardless of its income.

## Getting Advice

Inspiring Women Changemakers draws on expert Associates who are able to support you with setting up your social enterprise - from helping you select the right structure, to registering, to Governance, to appropriate funding streams.

Get in touch via our website.



**NONPROFITS ARE THE INTERMEDIARIES  
BETWEEN GENEROSITY AND  
SOCIAL CHANGE.**



Laura Arrillaga-Andreessen