

## **Social Enterprise & Community Interest Company (CIC) Policy**

Over the past few years the Community and Voluntary sector has witnessed the development of a new type of community group structure – Social Enterprises. More recently we are seeing the formation of and more requests of funding from Community Interest Companies. These new types of organisations will actively trade and / or provide services at a cost in order to generate funds to become truly sustainable and ultimately operate in an environment where they are not reliant on external funding.

For more information please visit:

Social Enterprise East Midland - <http://www.seem.uk.net/>

Community Interest Company - <http://www.cicregulator.gov.uk/>

There are a number of differences in the way these organisations are set up compared to the community led not-for-profit groups the Foundation predominantly funds. Usually we provide funds to groups ran by a management committees of at least 3 unrelated people who have a legal responsibility for managing the organisation and its activities effectively. It is expected that the management committee exist to promote the objects of the organisation in a way that is impartial, in the best interests of the organisation and its beneficiaries, and without the opportunity for personal profit or financial gain of management committee members.

However Social Enterprises and CICs have a structure which permits management committee members to receive a wage for their work within the organisation. In general, this is outside charity law<sup>1</sup> and also brings with it risks to the organisation (and by default, risks to the funder) regarding impartiality, financial probity, value for money, tax liability and the minimum wage. However we appreciate that these new structures are legal entities embracing a different way of tackling community issues and as such we, like many other funders, provide access to funding for these bodies.

We do have a set of additional criteria for self-defined Social Enterprises or CICs looking to apply to any of the Foundations Funds and would recommend you read through these before progressing further.

1. You must have a legal structure appropriate to the chosen mode of operation (e.g. Industrial & Provident Society, Company Limited by Guarantee or Community Interest Company<sup>2</sup>) with the relevant governing document. If you are a CIC we will request your CIC 36 Declaration on Formation document.

2. The organisation must have a management committee, Board of Directors or Trustees that includes at least 3 members, or a majority, who are not employed and will never be employed by the organisation.

3. The organisation must have the appropriate policies and procedures in place to ensure

that their legal obligations as an employer are being met

4. The governing document must set out appropriate conditions regarding
  - a) The number and proportion of committee members who may be employed.
  - b) The procedure for decision-making on employment and remuneration of committee members, including provision that they leave the room for any such decisions.
  - c) Procedure to ensure such employees are not included in the quorum for meetings at which their employment is discussed or decided.
  - d) The Dissolution clause clearly states where the assets will go, in the eventuality of the organisation winding up.
  
5. It is unlikely we will support direct salary costs of Directors, Trustees and are generally more supportive of project and capital expenditure.
  
6. If the CIC or Social Enterprise has been in existence for more than 3 years the Foundation will not support any costs.

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<sup>1</sup> Charity Law applies to any organisation where funds have been collected charitably for charitable work, regardless of whether they are registered with the Charity Commission.

<sup>2</sup> This is a new structure established by government, and launched in May 2005 to better suit the needs of Social Enterprises.