

CORPORATE PLAN 2006-2010 & BUSINESS OBJECTIVES FOR 2007-08



Office of the Regulator of Community Interest Companies

CORPORATE PLAN 2006-2007 & BUSINESS OBJECTIVES FOR 2007-08

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## Foreword

The concept of community interest companies evolved from widespread consultation with the social enterprise sector. The legislation, which created them, came into force on 01 July 2005 for Great Britain and extended to Northern Ireland on 1<sup>st</sup> April 2007.

It is the role of the Regulator of community interest companies is to ensure they are recognised and trusted as high profile, transparent enterprises within the Social Enterprise and Third sector. The work of this office facilitates the growth of community interest companies in the UK developing policies and systems to make the process quick and easy meeting their needs and those who benefit from their activities. It is our vision to see community interest companies thriving and synonymous with integrity and excellence recognised and trusted by the communities they serve, the public, business and government agencies.

As a regulatory body it is essential that we are informed, fair and impartial in what we do and take responsibility for our decisions and actions. We follow the principles of better regulation, proportionality, accountability, consistency, and transparency and being targeted and apply them across the board within the legal framework. Our aim is to build public confidence in community interest companies while providing a level of regulation that inspires confidence and trust in them. We have developed an integrated approach to regulation by maintaining regular contact with other regulatory bodies and working closely with them.

The concept of community interest companies is still relatively new and we will continue to monitor and develop mechanisms to facilitate the creation and regulation of them. We are proactive in promoting the concept of community interest companies and respond to change in the social enterprise and third sector to ensure the future of this model. If you have any suggestions or feedback on our working practices we would welcome your input.

SARA BURGESS

Regulator

## CORPORATE PLAN 2007 - 2010

### Context

The Office of the Community Interest Company Regulator (CIC Office) was established to regulate a new type of company the "Community Interest Company" (CIC), which was introduced after government consultation with the social enterprise sector. The government's aim was to widen and deepen the enterprise culture creating opportunities where they are needed most. Empowering local communities and encouraging active citizenship.

To this aim a new type of company was created tailor made for social enterprises. The Companies (Audit, Investigations and Community Enterprise) Act 2004 ("the Act") and the Community Interest Company Regulations 2005 ("the Regulations") established community interest companies as a new type of registered company, which can be limited by shares, or by guarantee. In order to be formed as, or become, a community interest company, an organisation must meet certain criteria, notably in relation to the contents of its memorandum and articles of association, and it must satisfy the Regulator that it passes the community interest test.

An organisation satisfies the community interest test if a reasonable person might consider that it carries on its activities for the benefit of the community, or a section of the community. It is envisaged that the community interest company form will be of interest primarily to social enterprises (businesses which trade with a social purpose), but it may suit the needs of a variety of organisations established to deliver some form of community benefit.

The community interest company has the flexibility of the company model, but with a statutory asset lock to protect the profits and assets from being used for any other purpose than providing benefit to the community it was set up to serve. It also creates a strong new identity for community-based entrepreneurs. The Government estimates there are at least 55,000 social enterprises with employees in the UK. This represents 5% of such types of business, with a combined turnover of about £27 billion (1.3% of the total turnover for all businesses with employees).

The office started accepting applications in July 2005 and registered over four hundred in the first 12 months. By the 31 March 2006 there were eight hundred and forty-five community interest companies, five hundred and forty (64%) were companies limited by guarantee.

### Status of the Regulator

The Regulator of Community Interest Companies is an Independent Public Office Holder appointed by the Secretary of State for Trade and Industry under the Companies (Audit, Investigations and Community Enterprise) Act 2004 ("the Act"). The Regulator's functions are set out in the Act and the Community Interest Company Regulations 2005 ("the Regulations").

The first Regulator of Community Interest Companies in Great Britain was appointed from 1 April 2005 and the Regulator's office was opened to receive applications on 1 July 2005 when the legislation came into force.

The Companies Act 2006 (Commencement No. 2, Consequential Amendments, Transition Provisions and Savings) Order 2007 came into force on 6th April 2007 making it possible to form, or to convert to, a community interest company in Northern Ireland.

The Regulator's Office is financed by the DTI (CLG) under Schedule 3(6) of the Act. The statutory fees, for considerations and determinations by the Regulator, are paid to the Registrar of Companies under Regulation 36 of the Regulations. The Registrar of Companies, by virtue of section 57 of the Act, pays the monies collected into the consolidated fund.

All statutory documents required to be filed under the Companies Act 1985 and the CAICE Act 2004 must be delivered to the Registrar of Companies. The Registrar of Companies must provide the Regulator with copies of certain documents and await the Regulator's determination.

The office is based in Companies House in Cardiff and has a service contract with the Registrar of Companies to provide many of its support services. HR IT systems are provided by the Department for Trade and Industry.

### Functions of the Regulator

The Regulator has three main functions:

- To decide whether an organisation is eligible to become, or continue to be, a community interest company;
- The investigation of complaints; and
- Enforcement action, if necessary.

The Regulator assesses applications from organisations seeking to become community interest companies to determine whether they meet the statutory criteria for eligibility. Once an organisation is registered as a community interest company, it is subject to the Regulator's supervisory jurisdiction and must file an annual report describing how its activities over the financial year have benefited the

community; who was consulted and what was the outcome; what payments were made to directors; what assets were transferred; what dividends were paid; and what interest was paid on loans and debentures.

The Regulator ensures that community interest companies operate in a manner compatible with their status. In particular, that they continue to satisfy the community interest test, and observe the “asset lock” rules in their memoranda or articles by not transferring assets for less than full consideration (other than for the benefit of the community).

The Regulator is also responsible for creating an awareness of the community interest companies and does so by providing guidance, awareness sessions and assistance about any matters relating to community interest companies.

### Powers of the Regulator

The Act gives the Regulator powers to intervene in various ways in relation to community interest companies whose activities are giving cause for concern. These powers are only to be exercised to the extent necessary to maintain confidence in community interest companies. The regulator’s powers may only be exercised where the he considers it necessary to do so because:

- the company is not satisfying the community interest test, or pursuing its community interest objects;
- there has been mismanagement or misconduct in the administration of the company; or
- there is a need to protect the company’s property or to secure its property application.

These powers include the right to:

- investigate, or appoint a person to investigate, the affairs of the company;
- require annual accounts to be audited by a qualified auditor;
- bring civil proceedings in the name or on behalf of a community interest company;
- appoint or remove a director;
- appoint a manager;
- petition to wind up;
- order a dissolution to be void;
- order a company’s name to be restored to the register.

In relation to the property of a community interest company, the Regulator may order:

- the vesting in, or transfer to, the Official Property Holder of any property held by or in trust for a community interest company;
- a person not to part with property without consent;
- any debtor not to make payment without consent;
- to restrict the transactions entered into by the company or the nature or amount of the payments the company may make.

If a community interest company becomes an “excluded company” (essentially, a political party, political pressure group or a subsidiary of a political party or political pressure group), the Regulator may order:

- the transfer of specified shares to specified persons for companies with a share capital;
- extinguish the interests of specified members and appoint replacement members in a company limited by guarantee.

### Role of the Regulator

The Regulator is an independent Public Office Holder and, as such, is committed to providing informed, impartial and fair regulatory decisions and “light touch regulation”. The Act expresses this principle by requiring him to discharge his functions in accordance with good regulatory practice having regard to:

- the likely impact of his actions on those who may be affected;
- the outcome of consultation with, and with organisations representing, community interest companies and others with relevant experience; and
- the efficient and economic use of his resources.

In addition, in line with best practice, any action taken will encompass the following five principles (as set out by the Better Regulation Task Force in December 1997 and revised in October 2000):

Proportionality	Intervening only when necessary and appropriate to the risk posed, with costs being identified and minimised
Accountability	Justifying decisions and subject to public scrutiny.
Consistency	Government rules and standards must be joined up and implemented fairly.
Transparency	Being open and keeping regulations simple and user friendly.
Targeted	Focused on the issue and minimising any side-effects.

### Scope of Corporate Governance

The Regulator must in respect of each financial year prepare a report on the exercise of his functions during the financial year. The Regulator must also prepare accounts in respect of a financial year, if the Secretary of State for the Department for Trade and Industry (DTI) so directs and send a copy to the Comptroller and Auditor General. The Comptroller and Auditor General must examine, certify and report on the accounts and send a copy of the report to the Regulator. The Regulator must include the accounts and the Comptroller and Auditor General’s report on the accounts in his report to the Secretary of State, together with a report prepared by the Official Property Holder.

The Regulator has primary responsibility for providing assurance on risk management and internal control for the office. The Regulator may also contribute to the Sponsor Department’s (DTI) Accounting Officer’s own review and Statement of Internal Control.

The Regulator has to satisfy himself that the following factors, which underpin the effectiveness of risk management and internal control, have been adhered to in the office, throughout the year.

## Risk Management

It is the responsibility of the Regulator to ensure certain measures are implemented:

- To ensure staff are sufficiently aware of the risks to achieving their objectives.
- To ensure staff are capable of applying skills, tools and techniques to identify, assess and prioritise risks inherent to delivery, and evaluate actions in place or required to manage them.
- To ensure staff make decisions to pursue new policies and approaches with due consideration of the 'appetite' there is for taking risks in pursuit of objectives or targets.

## Framework for Risk and Control

The CIC Office's risk management strategy is in accordance with the guidance issued by the DTI and is supported by detailed Risk Policy and Risk Procedure documentation, which has been compiled for managers' use.

Leadership for managing risk comes from the Deputy Regulator making sure that risks are identified and addressed as an integral part of corporate planning process. A series of staff workshops are booked at the beginning of each financial year to ensure risks and mitigating actions are considered and reassessed throughout the year. These staff workshops are held regularly, biannually in the office, to allow staff to discuss and identify risks, including new and emerging risk factors, and for staff to play a full part in devising ways to mitigate such risks identified.

The outcomes of the workshops are collated and considered by the Office Manager and Deputy Regulator at a meeting scheduled within two weeks of a team meeting. At the meeting they agree a consolidated, ranked Risk Register with mitigating actions for submission to the Regulator for approval at a meeting within one month of the original team meeting.

The risks identified are addressed in the preparation of the corporate plan, which is developed to show clear links between the risks identified on the risk register and the corporate objectives. As a result, the risks identified become embedded in managers' work plans for the year. The management team meets regularly to consider the plans and strategic direction of the organisation.

All staff are trained in the duties they are required to perform and have regular "one to one" sessions to discuss work related issues, progress towards objectives, training and personal development requirements. An informal Scheme of Delegation sets out the powers and responsibilities of staff. A formal Scheme of Delegation, which also reflects the authorisation limits provided in the CIC Office's financial system, will be developed in the forthcoming financial year. The CIC Office continues to embed risk management principles throughout the organisation and a risk awareness-training programme was delivered to all staff during financial year 2006/07.

More generally, the organisation is committed to a process of continuous development and improvement. Systems are developed in response to relevant reviews and developments in best practice in this area.

### Internal Financial Controls

It was agreed in the House of Lords Report Stage that given the size of the CIC Office and the fact that the Office is wholly funded by the DTI the Regulator would not be required to provide separate accounts.

The CIC Office's internal financial control components cover the reliability of financial management information, particularly relating to forecasts, budgets and actuals and are used to inform resource decisions throughout the year. Where a significant internal control issue has been identified, the agreed steps to be followed are:

- A corrective action plan to be developed to mitigate, or anticipate, the exposure at office level, where practical and possible.
- Where not practical, or possible, the issue is to be escalated to the Sponsor Department for consideration.
- The issue and response must be adequately communicated within the CIC Office to emphasise lessons learned and enable process improvements, where required.

### Cost to business

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 below are payable by community interest companies to the Registrar of Companies on delivery of the documents relating to the listed events. In each case £15 of the fee is transferred to the consolidated fund to cover an element of the Regulator's costs.

Event	Regulator's Fee
Incorporation of a CIC	£35
Conversion to a CIC	£25
Annual Community Interest Report	£15

### Review and effectiveness

The Regulator has responsibility for reviewing the effectiveness of the system of internal control. The Deputy Regulator within the CIC Office who has responsibility for the development and maintenance of the internal control framework inform the review. The DTI liaises with the CIC Office on a regular basis and the DTI monitors the budgetary controls through DTI systems.

An effective system of internal control is maintained by the regular reporting of progress against the Corporate Plan and Budget to the Regulator on a monthly basis. Staff and managers review systems on a regular basis and revise procedures, where appropriate.

The following all have a role to play in making sure that there is a robust process to ensure effective systems of internal control are maintained and reviewed:

- The Regulator whilst delegating tasks to others remains ultimately responsible and accountable for all decisions taken in his name.
- The Regulator, or his deputy, must approve the making, revision or revocation of Standing Orders, the approval of the Annual Report and Accounts, Budget, Corporate Plan, Risk Register, Risk Management Strategy for each financial year, organisational structure, human resource policies, processes and procedures required to facilitate the discharge of business by the CIC Office.
- The Appeal Officer is a statutory office holder appointed by the Secretary of State for Trade and Industry. The Appeal Officer is independent both from the Government and from the Regulator. Appeals may be brought on the grounds that in making a decision the Regulator has made a material error of law or fact.
- Internal Audit Team: The CIC Office's Internal Audit will be conducted as and when required by the DTI by such Internal Audit Team as approved by the DTI.
- Other review and assurance mechanisms include regular performance monitoring meetings with the sponsor department.

### Corporate Mission

Our office exists to facilitate the growth of community interest companies in the UK, by ensuring they are recognised and trusted by society for serving our communities with integrity and excellence.

### Corporate Vision

Community interest companies thriving throughout the UK at the heart of our communities, synonymous with integrity and excellence, recognised and trusted by the communities they serve, the public, business and government agencies.

### Corporate Culture

To be well informed, approachable, respectful and responsive to the needs of those affected by the regulation of community interest companies and to work as a team.

### Corporate Values:

#### Integrity

Above all, we are committed to integrity in all that we do.

#### Teamwork

It is the essence of our ability to succeed. We learn from each other and share our skills and resources to better serve the needs of community interest companies and to ensure personal and corporate development.

#### Respect

We respect the individual. We believe in equal opportunities and in supporting personal growth and development. We value the contribution of each individual, singularly, and as part of the team effort.

#### Professionalism

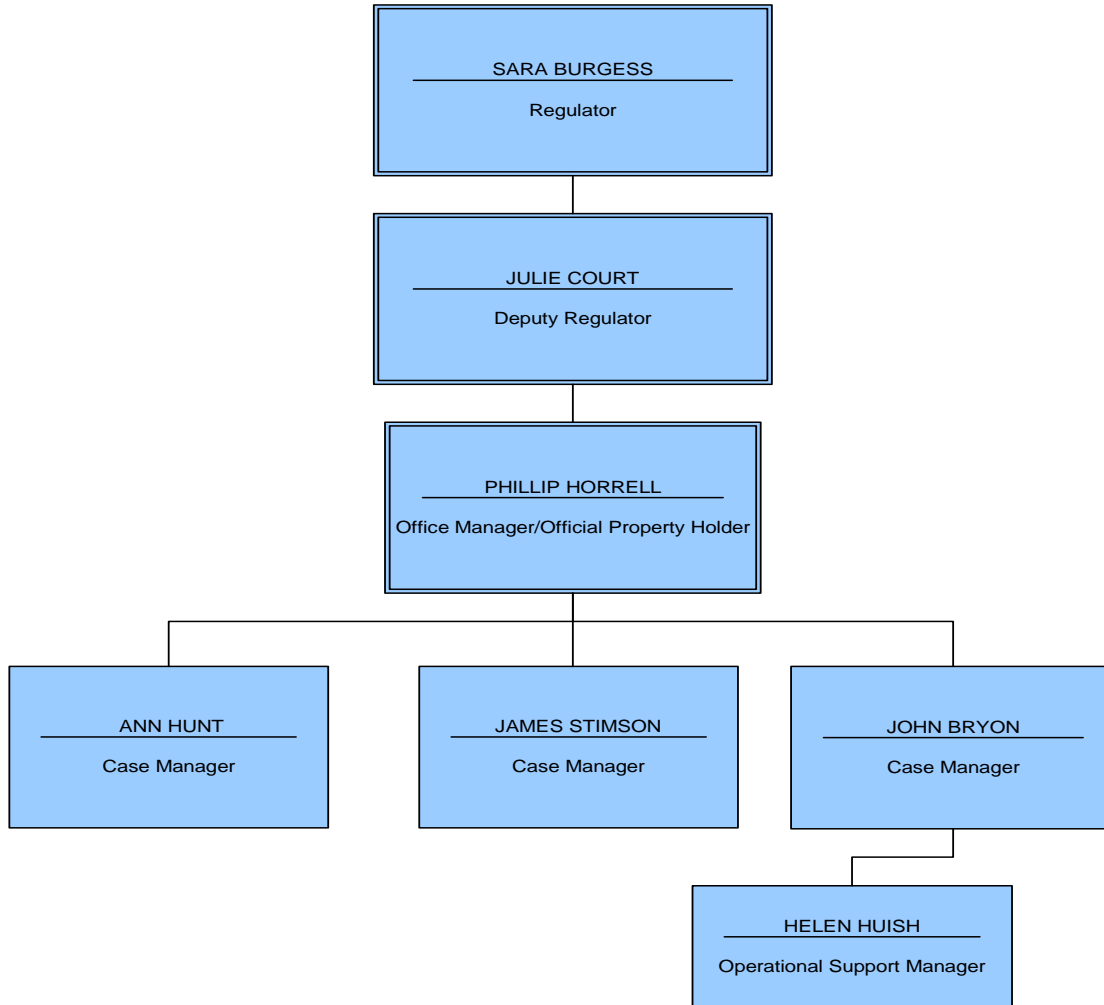
We are committed to the highest standards in all we do. We ensure we are well informed and then act decisively and consistently. We are determined to deliver an outstanding service so that our relationships with community interest companies and those affected by them will be mutually worthwhile.

#### Accountability

We will take responsibility for our decisions and actions.

Staff Structure to March 2007

The CIC team was recruited under DTI terms and conditions and has access to DTI IT systems. The Regulator has six full-time staff, based at Companies House in Cardiff. Three females and three males currently work in the office with no registered disabilities that the office has been made aware of.



## Strategic Priorities to 2010

The corporate plan sets out our aims over the next three years to 2010. It also sets out the activities we are hoping to complete this year to further those aims. This is an evolving strategy, which will be reviewed and revised in light of experience, feedback and changes in landscape. Key stakeholders have been consulted to ensure we were meeting their requirements.

### Aim 1

#### To create greater general awareness of community interest companies

We want to see community interest companies thrive in the UK creating active citizenship within the heart of our communities, bring jobs, support, and community services to areas where they are needed most.

We will strive to ensure that community interest companies are understood in all corners of society to enable individuals to make informed decisions regarding their suitability generally.

We will endeavour to gauge the effectiveness of the community interest company model by developing statistical information and consulting with stakeholders on their growth and activity and report this information to government.

### Aim 2

#### To build public confidence in community interest companies through effective impartial regulation

Although our powers are quite extensive the aim is to be light touch, in accordance with good regulatory practice, having regard to the likely impact of our actions on those who may be affected. Statistical information will provide year on year indicators of our key activities in this regard.

We want create a balance. To provide a level of regulation that inspires confidence and trust in the activities of community interest companies by those affected by them, whilst ensuring the level of regulation is sufficient to maintain good governance within this sector. Good governance and better regulation is the key if community interest companies are to grow and flourish.

It is essential that the Regulator be informed, fair and impartial in the application of the law and to make the reasons for adverse decisions as transparent as possible within the legal framework. In this regard we will consult and take into account advice provided by outside parties, such as the Social Enterprise Coalition, local and central government. Also, we will, where appropriate, suggest the need for change in the current legislation to government.

We will provide advice and guidance to create greater awareness and to inform community interest companies and those involved with them.

There is a balance between ensuring regulatory burdens on community interest companies are kept to a minimum, whilst also ensuring they continue to meet regulatory requirements. We, therefore, believe it is incumbent on us to facilitate and monitor compliance making information about these companies easily accessible.

### Aim 3

#### To ensure that those affected by the regulation of community interest companies are highly satisfied with our services

We will continue to gauge the level of satisfaction by those who are affected by our activities, and act accordingly. We would welcome the formation of a community interest company consultation group to inform our decision, to meet with formally and to raise issues on an ad hoc basis. The establishment of such a group should not be seen as a barrier to individuals directly engaging with us.

We will identify other organisations that can play a key role in helping us to fulfil our mission and build strong links with them. We will also develop memoranda of understanding with other regulatory bodies as the foundation for reducing regulatory burden; minimising cost by reducing duplication of effort; and facilitating the transfer of relevant information in making regulatory decisions.

We will benchmark against, and learn from, the lessons of other organisations. This will enable us to develop our own internal system so that we can provide better support to newly forming community interest companies.

As an organisation we will be pro-active in identifying risk so that we can reduce the impact as early as possible and plan our way forward. Where issues arise we will work as a team to ensure they are mitigated as quickly and as far as possible.

We want to develop an organisation that listens, learns and develops appropriately. We want to create an environment where individuals want to develop themselves and others. An organisation in which individuals are happy to work and others are happy to approach, with an atmosphere of mutual trust and respect.

### Strategic Aim 1

#### To create greater general awareness of community interest companies

##### Objective 1 (2007-08)

To be pro-active in instigating or attending meetings, workshops, presentations and articles that will create greater awareness, or support, of community interest companies ongoing.

##### Objective 2 (2007-08)

To consult on any perceived barriers being faced by community interest companies by 30 November 2008.

Objective 3 (2007-08)

To develop methods to disseminate information about the activities of community interest companies by 31 March 2008.

**Aim 2**

To build public confidence in community interest companies through effective impartial regulation

Objective 4 (2007-08)

To invoke regulatory powers when required to do so and to give decisions in a timely manner.

Event 2006-07	Response time
Notification to the Registrar eligible to form or convert to a CIC	Within 2 working days of the Regulator's determination
Notification to the Registrar of the withdrawal of an application	Within 2 working days of the notification by the proposed CIC
Notification to the Registrar ineligible to form or convert to a CIC	Within 5 working days of the Regulator's determination
Notification to the Registrar if eligible to cease being a CIC	Within 5 working days of the Regulator's determination
Annual community interest reports reviewed	Within 5 working days
Notification to the Registrar of decision to approve or not the alteration of the objects statement	Within 5 working days of the Regulator's determination
Notification to the Registrar to lift an object to dissolution and strike off	Within 5 working days of the Regulator's determination
Supervisory Powers exercised	Not specified

Objective 5 (2007-08)

To meet with representative organisations and consult on the effectiveness of our regulatory approach ongoing.

Objective 6 (2007-08)

To provide advice and guidance to those forming, or subject to, the regulation of community interest companies ongoing

Event 2006 -07	Response time
Voicemail	24 hours
General queries letters and e-mails	2 working days
Substantive queries letters and e-mails	10 working days
To deal with parliamentary questions	2 working days
Complaints about the level of service	20 working days
Response to press queries	1 working day
Freedom of information requests	20 working days
Payment of invoices	28 working days
To forward appeals against decisions to the Appeal Officer and acknowledge receipt	1 working day

Aim 3

To ensure that the Regulator adopts best practice in carrying out his or her functions

Objective 7 **(2007-08)**

To develop MOUs, or strong links, with key organisations and other Regulators ongoing.

Objective 8 **(2007-08)**

To be able to demonstrate good governance and pro-actively manage risks.

Objective 9 **(2007-08)**

To ensure managerial expectations are discussed and agreed with individuals at the start of each financial year with a performance review at least every six months.

Objective 10 **(2007-08)**

To keep key stakeholders informed about the development of CICs.

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