

## **Policy on funding Community Interest Companies (CICs) and other Social Enterprises**

### **Guidance for all social enterprises**

- a) Organisations applying for funding for social enterprises must demonstrate that the purpose for which they are requesting funding is wholly charitable, and for the benefit of the community.
  - b) They must adopt a form of governance which provides a certain level of external accountability, for example, Charity whether incorporated or unincorporated, CIO or CIC.
  - c) In most cases social enterprises will be expected to have evidence that their enterprise generates a reasonable amount of income through trade of goods or services with a charitable purpose or have a business plan which clearly demonstrates a realistic likelihood of this being achieved in the near future.
  - d) There must be a board of at least three Trustees or Directors.
  - e) The Trust is unlikely to fund ventures if the balance of power on the board does not rest in an unrelated (not members of the same family) majority with no financial interest in the company.
  - f) If Directors and employees are the same people, line management arrangements should be transparent and appropriate.
  - g) This same applies in cases where staff and Trustees or Directors are connected by marriage or similar relationships.
  - h) The Trust is unlikely to fund social enterprise start-ups unless staff/directors/trustees have a demonstrable track record in the local community sector.
  - i) The Trust will not fund applications from charities established to fundraise for social enterprises.
  - j) Social enterprises are required to present accounts with their applications which follow basic charity accounting requirements. Compliance with CIC reporting requirements is not sufficient.
- d) e) f) and g) also apply to voluntary organisations which are not social enterprises.

### **CIC specific guidance**

- k) Organisations choosing the CIC format must explain why they have chosen to become a CIC, rather than a CIO or other structure subject to charity regulation. If there is no reasonable reason for adopting a CIC structure over one subject to charity regulation, the Harpur Trust is likely to make adoption of a charitable structure a requirement of future funding.
- l) The Trust will not fund core salary costs for a CIC, only salary costs for individuals working on a project which is purely charitable.
- m) CIC Directors remuneration should be reasonable and remuneration arrangements should be transparent. Applicants will be expected to explain the basis on which remuneration has been calculated, including sector comparators.
- n) CIC asset locks must be solely tied to charitable purposes, ideally a named company (either registered charity or another CIC).
- o) Applicants involved with multiple CICs must be able to explain clear and distinct purposes for the different CICs. The same applies for other businesses linked to the CIC.
- p) The Trust will not normally fund services which were previously run as public services. This is particularly applicable to CICs formed from former public sector services and now operating as mutuals owned by staff.
- q) The Trust will not fund a CIC limited by shares.
- r) CICs must provide a copy of their CIC34.