

Community Interest Companies – Guidance and eligibility criteria

Hertfordshire Community Foundation supports local and grassroots groups across the county. This includes CICs which are a special form of company that exists to benefit the local community, or to pursue a social purpose, rather than to make profits for shareholders. A CIC cannot be used solely for the financial advantage of Directors, or a small group of those involved or for political purposes.

Constitution HCF will only fund CICs that have been established for over 12 months. In addition, only CICs limited by guarantee are eligible to apply. This is to ensure that HCF's charitable funds result in direct community benefit and are not used to assist in issuing shares and paying dividends to Directors. As part of our due diligence checks we will look for evidence of balanced decision making in the organisation's governance document and for clear management of potential conflicts of interest.

Asset Lock CICs who apply must have an Asset Lock. This ensures that the assets of the CIC (including any profits) are used for the benefit of the community in the event of the CIC winding up. Asset Locks must be named in the CICs constitution and must be another Asset Locked body (i.e. a CIC or charity, a permitted industrial and provident society or non-UK based equivalent). The Asset Lock cannot name a private limited company, individual or any other for-profit organisation.

Directors To be eligible for funding CICs must have a minimum of three unrelated Directors, and we may ask you for further information about this. By related we mean people who are married/in a civil union, in a domestic partnership or part of the same family. We undertake these checks to mitigate risk by ensuring that the CIC is able to undertake balanced decision making.

Persons with significant control (PSC) We will check for evidence of balanced decision making among Directors. HCF will not consider applications where one, or a minority of individuals have significant control (PSC) i.e. they:

- hold more than 50% of the voting rights
- have the power to appoint or remove Directors

Accounts CICs must submit Accounts in accordance with the Companies Act 2006. These Accounts must be provided at the point of application, along with a separate, clear breakdown of income and expenditure for the last 12 months of operation. If the CIC pays any Directors, we may ask for further information to ensure this is reasonable and not excessive, and that payments are proportionate to annual turnover.

If you would like to discuss this guidance further with a member of the Grants Team please call us on 01707 251 351 or email grants@hertscf.org.uk