

Norfolk Community Foundation

Additional Guidance for Community Interest Companies and other Social Enterprises

General statement on eligibility

- Community Interest Companies (CICs) and other forms of social enterprises are often in a good position to tackle social issues by generating income as part of their normal operation. They are eligible to apply to most of our funds; however they may be given lower priority than volunteer run community groups and charities as they should not be dependent on grant funding.
- We recognise that CICs and social enterprises exist to produce social and environmental benefit as well as a financially sustainable operation, and these points should be demonstrated in your governing document and business plan respectively.
- There are some points in the development of a CIC/social enterprise where grant funding can be critical to its development, for example in the early stages of operating. Outside of such areas, these organisations are expected to be largely capable of generating income to sustain their core costs.
- It is important that CICs/social enterprises applying for our grants are able to demonstrate a sound business model. The Regulator of Community Interest Companies has noted that “a CIC’s added value is to deliver social impact and change whilst developing a commercially sustainable model... **It is vital that CICs have a strong business plan and available finance in place when setting up. If the CIC is heavily reliant on funding and grants to set up and sustain it, then it may be more likely to fail**” – (Source: *Regulator of Community Interest Companies, Annual Report 2016/17*).
www.gov.uk/government/collections/cic-regulator-annual-reports

Governance requirements

- We would normally expect your company to be Limited by Guarantee however other structures will be considered on merit (e.g. Limited by Shares)
- Your governing documents should clearly demonstrate that the organisation:
 - has a clear social/environmental purpose;
 - is non-profit distributing;
 - is **required** to have a minimum of three unrelated directors;
 - has an ‘asset lock’ or similar clause (if not a CIC) to ensure that on dissolution funds or assets can only be transferred to another asset locked body with objects aligned to those of the applicant.

Further NCF Expectations

- The annual accounts that you provide to us must be capable of:
 - showing where income comes from (grants, donations, traded income etc) so that we can see what proportion of your income is being generated from trading. If your accounts do not currently show this you will need to provide additional information;
 - are in a format capable of acknowledging any funding from NCF as a restricted grant (such acknowledgement is a condition of our funding);
- You must have at least three unrelated directors in post at the time of application and throughout the duration of any grant funded project.
- If in the event of dissolution there are any unspent grant monies these will be returned to NCF in line with the terms & conditions of grant.

Assessment of Applications from CICs or other Social Enterprises

During assessment we may ask you about the following:

- How many of the company’s directors are paid employees of the company;
- The salary levels of any paid directors;
- The percentage of the company’s income generated from trading as opposed to grants (if not clearly shown in your annual accounts or if you have yet to produce annual accounts).

We may also ask to see a copy of your company’s business plan, particularly if you are making your first application to Norfolk Community Foundation or are applying regularly to NCF funds.