

CJC RESPONSE TO PROPOSALS FOR A COMMUNITY INTEREST COMPANY - June 2003

- 1** The CJC welcomes the proposal for CICs.
- 2** Our own field is the commissioning of local government work and services, and we believe that CICs could eventually become effective providers of some services for which providers of any sort are at present scarce, as the Consultation Document suggests at para 10.
- 3** The capacity of CICs will of course depend on how many investors would be willing to support CICs. No doubt there are benevolent investors, devoted to particular causes, who would be attracted by the asset lock (as described in technical note 6) and who would not be deterred by fixed or capped dividends (as described in para 27). The number of such investors may at first be modest, but this is of course not a reason for failing to go ahead with CICs. These may indeed eventually start to displace non-charitable I&PSs and conventionally funded CLGs.
- 4** We believe however that there may be other classes of investor who, while approving of an asset lock, would be discouraged by restrictions on dividends. They might for example include businesses whose main interests are in the localities served by CICs, rather than in the specific causes with which CICs are identified.
- 5** We therefore propose that whatever device is eventually adopted for an asset lock for CICs should also be made available, by statute, to other companies and I&PSs which wish to invest in social enterprise.
- 6** We do not propose that such other bodies would be entitled to any of the other privileges of CICs, and we do not think any of the other constraints on CICs would be needed.