

CICs deserve fair scrutiny—and communities deserve informed choices

Co-operatives Wales

Interlink's discussion about Community Interest Companies raises legitimate concerns about concentrated control, related-party payments and conflicts of interest. Its commitment to consultation and reciprocal questioning is welcome. https://www.linkedin.com/posts/simon-james-71b55913_hot-topic-community-interest-companies-share-7518710708541407233-nsrX/ However, some accompanying comments risk turning specific governance concerns into blanket suspicion. Wales needs rigorous assessment, accessible support and consistent standards across organisational forms.

CICs have a statutory community benefit purpose, compulsory asset lock and annual reporting requirements. These provide safeguards, although they cannot guarantee effective governance. Charities have different, generally more extensive regulatory obligations, but charitable status cannot guarantee sound decisions, financial sustainability or respectful treatment of workers and volunteers.

The suggestion that organisations undertaking charitable activities must necessarily become charities needs correction. Official guidance recognises that CIC activities can be charitable in nature and that charitable foundations can support eligible activities under appropriate conditions. Applying for grants, or delivering services without charging beneficiaries, does not itself demonstrate misuse of CIC status.

Nevertheless, funders should investigate genuine risks. Extensive founder control, contracts with connected businesses and payments involving relatives require careful examination. Neither family relationships nor paid directorships automatically establish wrongdoing. What matters is lawful authority, reasonable remuneration, properly managed conflicts, transparent decisions and demonstrable community benefit.

Importantly, a person with significant control is not simply a director with a particular title. Funders should examine the actual ownership, voting rights and constitutional powers involved, including who can appoint or remove directors. A label alone cannot explain whether power is appropriately balanced.

The comments also reveal frustration about advice and support. People encouraged to establish CICs should receive practical guidance on governance, financial controls, safeguarding and funding prospects. Due diligence should identify improvements alongside risks, with published criteria and opportunities to address weaknesses. Supporting incorporation without supporting organisational development leaves communities exposed.

Co-operative development groups in some parts of the UK report another concern: community enterprises over years being steered towards CIC registration without adequate consideration of democratic ownership. These reports deserve examination. Possible factors include limited co-operative knowledge, familiar incorporation packages and targets prioritising registrations over sustained development.

CICs and co-operatives are not mutually exclusive. A CIC can adopt co-operative governance. The important question is whether workers, service users and communities have

meaningful membership rights and influence, rather than merely being consulted by those retaining control. An asset lock alone does not create democratic ownership.

As co-operative funding opportunities emerge, commissioners must distinguish general enterprise support from specialist co-operative development. Better-resourced organisations should not displace experienced development groups simply through stronger bidding capacity. Existing practitioners have sustained knowledge and relationships through insecure funding and unpaid effort; investment should strengthen that infrastructure and enable properly funded partnerships.

Co-operatives Wales supports fair scrutiny without stigma, informed choices about structure and genuine community accountability. Interlink's review offers an opportunity to improve practice collectively. Funding should prevent private extraction, support organisational learning and build democratic capacity, ensuring communities can shape the enterprises established in their name and share in their lasting benefits.