

Transitioning to a Community Interest Company Top tips and Observations

Despite extensive research ahead of registering as a C.I.C. and effective operations in a not-for-profit way for four years, there have been lots of discoveries along the way that we believe might affect another organisation's decision about their status.

For context: Wakey Wakey ARTS was originally a trading name of Claire Reilly, who was registered as a sole-trader. Claire acquired funding for isolated projects and spent the funding in a restricted manner to fulfil the initial project proposals. Our core reason for transitioning to C.I.C. status was to publicly confirm the community aspect of the company (which had always been there), and to be eligible for more funding from a wider range of funders as a not-for-profit company.

Please find some observations and tips in this document, to support you if you are going through a similar transition.

1. If possible, secure funding ahead of the transition to a C.I.C.. Many funders who you're now able to apply to won't accept applications until the company has 12 months' worth of accounts. If you're funding reliant, this means that business 'as usual' will stall unless you can find project partners to apply on your behalf.



From the moment we transitioned, the process of submitting accounts (e.g. to Companies House, funders and the Board of Directors) demanded that we use accounting software and get an accountant who could approve these. We also were required to upgrade our business banking which likely had fees attached for the first time.

Suddenly, we needed cash to cover ongoing costs, but we hadn't transitioned with any reserves or core funding (and couldn't apply for any, as per tip #1). This leads us to the next tip:



2. By nature of becoming a C.I.C., you will possibly incur costs/overheads for the first time (e.g. getting an accountant, accounting software, or upgrading your banking). It's worth building financial reserves from unspent, unrestricted funding, or from other income streams, that can cover these one-off or ongoing costs. As a separate entity and not a sole trader business it is not viable or appropriate for you to cover these costs personally, as your money can no longer be recouped.

A huge benefit to opening a C.I.C. compared to being a sole trader is that there is greater access to different funding 'pots', because you're looked on more favourably for being 'not

for profit'. However, many funders need to see strong governance, such as three unrelated directors on the board and multiple account signatories on the company bank account, before you can apply. If you need to hit the ground running to continue business as usual, the third tip will come in handy:

3. It's worth exploring whether the bank account you intend to use for the company (new or existing) has any costs associated with having multiple team members on the account, as well as lining up the directors you intend to bring on board (i.e. running a recruitment process and collecting their details), before transitioning to a C.I.C.. This way you are able and available to apply for new streams of funding straight away.



Moving on to the way you work for the company, there is a government checker that you can use to see if you should work freelance or be employed by the business, which can be found here: [Check employment status for tax - GOV.UK](https://www.gov.uk/check-employment-status-for-tax)

Please note, it forewarns that the outcome of the test (whether you should be self-employed or employed by the C.I.C.) is actually recorded, so will set in motion any changes you might need to make to set up employment for yourself.



4. It's worth considering whether to develop/maintain an element of separate freelance work outside of the C.I.C., as the frequency of your work for the C.I.C. might determine that you need to go on the payroll as an employed member of staff. This will have cost and time implications for the business (e.g. developing HR/finance systems, paying National Insurance and pension), but it might be the right and most healthy way forward for you as a member of the workforce.

If you do continue to freelance, it is important to create contracts for yourself (for co-signing by another director) for specific work, and to invoice the C.I.C. formally as you would any other business.

If you continue working as a freelancer alongside the running of the C.I.C., you will need to ensure that your systems and policies are not intertwined with those of the C.I.C.. For example: insurance policies, licenses (PLI/PRS/PI), and banking. It is also prudent over time to set up a separate 'work' email inbox and to possibly even build a separate website to sell your sole trader services.

Our final C.I.C. tip is about being brave, opportunistic and sociable in the face of uncertainty and growth!

5. *Get ready to 'expand' in all directions. Expand creative ideas, expand income, expand partnerships, and expand the team (if you can). When you become a C.I.C. you have made a public declaration that the company is doing well.*

This one-off situation attracts interest and maybe even opportunities for investment which should be capitalised on. It might be scary and there might be new territory to explore (quickly!), but the best thing you can do is get out of the way of anything that is gaining traction, and to keep working behind the scenes to maintain progress.



This is an exciting milestone moment, make the most of it!

To continue to follow us on our journey as a C.I.C., please follow 'The Director's Cut' on Youtube: [@wakey_wakey_arts](https://www.youtube.com/@wakey_wakey_arts)

Please note that these tips and observations are based on our experiences, and not to be taken as any sort of legal advice.