

5 COSTLY UK MISTAKES THAT GET CIC APPLICATIONS & FUNDING REJECTED (AND HOW TO AVOID THEM)"

BY INFINITEPATHS

(A FREE GUIDE FOR SOCIAL ENTREPRENEURS AND COMMUNITY LEADERS)

MISTAKE #1: CHOOSING THE WRONG LEGAL STRUCTURE

WHY IT'S COSTLY:

- . 23% OF INITIAL CIC APPLICATIONS ARE REJECTED BY THE CIC REGULATOR FOR MISMATCHED STRUCTURES (E.G., USING A "COMPANY LTD BY SHARES" INSTEAD OF "BY GUARANTEE").
- . INCORRECT STRUCTURES LIMIT ACCESS TO GRANTS AND SOCIAL INVESTMENT.

HOW TO FIX IT:

- ✓ USE A "COMPANY LIMITED BY GUARANTEE" FOR MOST CICS (REQUIRED BY BIG LOTTERY FUND AND MANY OTHERS).
- ✓ AVOID "COMMUNITY BENEFIT SOCIETIES" UNLESS YOU MEET SPECIFIC FCA CRITERIA.

MISTAKE #2: UNDERESTIMATING FUNDING NEEDS

WHY IT'S COSTLY:

- . 61% OF UK CICS RUN OUT OF OPERATIONAL FUNDS WITHIN 2 YEARS.
- . UNDER-BUDGETING LEADS TO EMERGENCY COST-CUTTING.

HOW TO FIX IT:

- ✓ USE THIS FORMULA:

TOTAL YEAR 1 COSTS = (STAFF SALARIES + RENT + PROJECTS) X 1.3 (BUFFER FOR DELAYS)

MISTAKE #3: WEAK ASSET LOCK & COMMUNITY BENEFIT CLAUSES

WHY IT'S COSTLY:

- . THE #1 REASON FOR CIC REGULATOR OBJECTIONS (42% OF REJECTION LETTERS MENTION THIS).
- . POOR WORDING RISKS LOSING CHARITABLE STATUS.

HOW TO FIX IT:

- ✓ APPROVED WORDING EXAMPLE:

"THE COMPANY'S ASSETS SHALL BE PERMANENTLY DEDICATED TO PROVIDING [SPECIFIC SERVICE] TO [DEFINED COMMUNITY] IN [GEOGRAPHIC AREA]."

- ✓ RED FLAG PHRASES TO AVOID:

- . "PROFITS MAY BE DISTRIBUTED TO MEMBERS" → INSTANT REJECTION.

MISTAKE #4: MISSING KEY UK FUNDING DEADLINES

WHY IT'S COSTLY:

- . MOST UK GRANTS (E.G., NATIONAL LOTTERY COMMUNITY FUND) HAVE 3-4 ANNUAL APPLICATION WINDOWS.
- . MISS ONE = 6+ MONTH DELAY.

HOW TO FIX IT:

- ✓ 2024 DEADLINE CALENDAR:

- . JAN-MAR: ESMÉE FAIRBAIRN FOUNDATION
- . APR-JUN: POWER TO CHANGE (COMMUNITY BUSINESSES)
- . SEPT: ARTS COUNCIL ENGLAND

MISTAKE #5: DIY APPLICATIONS THAT TRIGGER AUDITS

WHY IT'S COSTLY:

- . HMRC TARGETS CICS WITH "SUSPICIOUSLY LOW" SALARIES (E.G., £12K FOR A FULL-TIME DIRECTOR).
- . POORLY FORMATTED ACCOUNTS DELAY GRANT APPROVALS.

HOW TO FIX IT:

- ✓ SALARY BENCHMARKING:

- . MINIMUM £28K FOR LONDON-BASED DIRECTORS (LIVING WAGE FOUNDATION STANDARDS).
- . ✓ APPROVED ACCOUNTANT LIST:

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