

Choosing a Governance Structure

There are 3 major governance structures to consider: -

Unincorporated Association

This is an informal group who come together to do things. There is no general regulation of this structure and you need to make your own rules.

It has a governing document often called a constitution. It does not exist in its own right legally so it can't hold a contract. If something goes wrong all of the members are liable. Depending on the rules or if it is also registered as a charity, it may be possible to pay the people who manage the organisation.

If an unincorporated association is charitable, that is to say it does charitable things, it is required to register as a charity if its income exceeds £5,000 in any year.

The organisation is strategically managed by a group of often elected people called management committee or steering group

Charitable Incorporated Organisation (CIO)

First ready-made corporate structure specifically designed for charities. This means that the organisation exists legally separate from the people involved. It is regulated by the Charity Commission who have the power to investigate breaches of charity regulation.

It has a governing document called a constitution. As an incorporated organisation, the members enjoy a significant level of protection if something goes wrong. This is usually limited to between £1 and £10 and is specified in the constitution. This protection is available as long as the members have not been negligent.

The organisation is strategically managed by a group of usually elected people called trustees. Trustees cannot be paid for their work as trustees except with express permission of the Charity Commission, although they may receive expenses

Community Interest Company (CIC)

This is effectively a commercial limited company that usually trades or sells a service. It is designed to operate for general community benefit and is required to have an asset lock. This means if it closes any assets must be transferred to a named similar organisation or one with a similar asset lock.

It usually has a governing document called a memorandum and articles of association. The organisation exists legally separate from the people involved in it. As an incorporated organisation, the members enjoy a significant level of protection if something goes wrong. This is usually limited

to between £1 and £10 and is specified in the governing document. This protection is available as long as the members have not been negligent.

The organisation is strategically managed by a group of sometimes elected people called directors. Directors can be paid for their work managing the organisation.

A CIC can't be a charity. It is also liable for corporation tax on any surpluses at the year end. Many charitable funders will not provide grants to CIC's as they are not charitable.

Work your way through the following questions

What is your organisation trying to do? Think about what activities it will undertake and why it will exist.

Look at the 2 organisational objects below: -

TO RELIEVE THE NEEDS OF DISABLED CHILDREN AND THEIR FAMILIES IN ANYTOWN AND THE SURROUNDING AREA TO LIVE MEANINGFUL LIVES, IN PARTICULAR BUT NOT EXCLUSIVELY BY:

A. SEEKING TO IMPROVE SERVICES, BOTH IN QUALITY AND QUANTITY

B. PROVIDING INFORMAL SOCIAL SUPPORT

C. ENCOURAGING AND PROMOTING INCLUSIVE ATTITUDES AND PRACTICES

D. PROMOTING DISABILITY EQUALITY AND CHALLENGING DISCRIMINATION

AND:

THE PROMOTION OF SOCIAL INCLUSION AMONG DISABLED PEOPLE AND THOSE WITH SPECIAL NEEDS IN PARTICULAR BUT NOT EXCLUSIVELY DISABLED CHILDREN AND CHILDREN WITH SPECIAL NEEDS AND THEIR PARENTS, CARERS AND FAMILIES WHO ARE SOCIALLY EXCLUDED FROM SOCIETY, OR PARTS OF IT, AS A RESULT OF THEIR DISABILITY, IN ANYTOWN AND SURROUNDING AREAS BY, IN PARTICULAR BUT NOT EXCLUSIVELY:

1 PROVIDING FORUMS, WORKSHOPS, ADVOCACY AND GENERAL SUPPORT;

2 RAISING PUBLIC AWARENESS OF ISSUES AFFECTING DISABLED CHILDREN AND THEIR PARENTS AND CARERS.

Charity is about the activity you undertake, not necessarily the structure. All charitable organisations are required to register with the Charity Commission when their income exceeds £5,000 in any one year

CIC's cannot register as a charity.

Yes – This suggests that the reason for the organisation existing and its activity are charitable – consider either being an unincorporated association or a CIO/ registered Charity

No – This suggests that your activity is not charitable - consider either an unincorporated association or a CIC

Will the organisation have a wider membership? That is to say lots of people can be members as opposed to just the committee being the members.

Yes – consider
Unincorporated
Association – CIO or a
CIC with a
membership structure

No – Consider CIO –
Foundation Model or a
CIC

Do you expect to employ staff in the foreseeable future?

Yes – Consider CIO or CIC

No - Consider Unincorporated
Association, CIC or CIO

Do you intend to employ committee members as paid staff or pay them more than expenses?

Yes – Consider CIC

No - Consider
Unincorporated Association,
CIO or CIC

Before deciding to be a CIC ensure the following: -

Are you happy for the organisation to pay tax on any year-end surplus?

Are you happy to ensure annual returns are done on time? If they are not, the organisation will be fined, and those in charge may be prosecuted.

Are you happy that most charitable funders will not give you grants?