

## 2. Types of Voluntary Organisations

### Introduction

An organisation can be formed in a variety of ways and it is important to select the structure that will best support the activities of the organisation. The form that an organisation takes may or may not have an effect on its ability to register as a charity. The main forms of organisation are:

### Informal Group

This is represented by a number of people with a shared interest coming together to pursue that interest.

Easy to get started but lack of a formal structure will make it difficult to obtain funding or perhaps even open a bank account. Lack of a proper governing document or constitution could cause problems in the event of any dispute or argument and would not allow for registration with the Charity Commission.

### Unincorporated Association

The next step up from an informal group and the structure usually adopted by small groups with no, or few, contractual liabilities. Will normally have a written constitution setting out the objects of the association, how it will be managed and various other administrative guidelines. Can be either charitable or non-charitable depending on the objectives of the association.

An Unincorporated Association is not a legal entity and cannot hold land and some other assets, or enter into contracts, in its own name.

Liability of members is not limited.

### Trust

A body, governed by a trust deed, that holds property or rights which it exercises on behalf of others (beneficiaries) or for some other particular purpose.

A trust is not a legal entity and the liability of the trustees is not limited.

A trust will often also have charitable status.

### Company Limited by Shares

This is the structure used by most **for-profit** businesses. It is easy to set up and operate but is not suitable for charities or “not for profit” companies since its structure is designed around the ownership of shares in the business and the payment of dividends.

### Company Limited by Guarantee

This is the structure used by most **not for profit** businesses. A limited company needs to be registered at Companies House and is subject to the requirements of the Companies Acts. Instead of shareholders there are ‘members’, who each guarantee to pay a nominal amount, usually one pound, in the event that the company is wound up. A company is a legal entity and contracts etc. can be issued in its name.

Limited liability for members although directors/committee could still be liable in certain circumstances.

If charitable, the company would be registered with the Charities Commission and thus subject to regulation by both the Charity Commission and Companies House.

### **Community Interest Company (CIC)**

This is a relatively new form of company that is registered at Companies House and also with the regulator of Community Interest Companies. Can be limited by shares or by guarantee.

A legal entity with the same limited liability for members as an ordinary company.

Must have objects and activities that are in the community interest but cannot register as a charity.

Subject to restrictions concerning the level of dividends paid to shareholders and an “Asset Lock” which is designed to ensure that any assets are retained within the CIC and used for the community purposes for which it was formed or transferred to another CIC or to a charity.

### **Charitable Incorporated Organisation (CIO)**

A new form designed to allow charities to have a limited liability structure without the need to have company status and be regulated both by the Charity Commission and Companies House.

Not yet available pending implementation of the Charities Act 2006. Conversion from a company limited by guarantee should be fairly straightforward.

### **Industrial & Provident Societies (IPS)**

A structure for an organisation carrying on a business or trade either as a co-operative or for the benefit of the community. IPSs come under the control of the Financial Services Authority and registration can be more expensive than with Companies House.

An IPS has a legal identity and the liability of its members is limited.

An IPS can be charitable but cannot be registered with the Charity Commission (subject to change with the (Charities Act 2006).

### **Disclaimer**

**The above is only a brief review of the main forms that an organisation can take. If further information or clarification is required over and above that available from Voluntary Impact or its partners then it is recommended that you seek appropriate legal advice**

#### ***Further Information:***

#### **Charity Commission Publications**

CC43 Incorporation of Charity Trustees

GD1 Memorandum and Articles of Association – for a Company

GD2 Model Trust Deed – for a Trust

GD3 Constitution for an Unincorporated Association

**Community Matters Information Sheets (available from Community Matters and Community Matters Bucks)**

14. Incorporation and Community Associations

*There may be a charge for information sheets, which are available to members and non-members from the above organisations*