

Our policies, templates and other documentation are provided as guides, for your charity personnel and trustees, to review and amend in order to best serve the needs of your organisation. Trustees in particular, should always be aware of any adopted policy, its wording and implications. Trustees are responsible for the charity's governance. Trust Advice exists to support trustees and charity personnel; we cannot accept any liability for any result of the use, or reliance on, these guides. **Please contact us if you would like help understanding Trustee responsibilities.**

Briefing on What organisational structure is right for us?

Updated: May 2021

Introduction

Trying to navigate what structure best suits you is a tricky process because of the complexities on offer.

There are range of ways to exist as an organisation. We recommend you read all our briefing papers in this series before you make a decision and if you need to talk to someone to chat through your thinking and options please do call us. The list of papers can be found at the end under **Recommended Reading**.

Charities

A charity is an organisation that exists for the public benefit and has exclusively charitable purposes. It's essential that your charity meets these requirements, but any organisation that does, is by definition a charity. However, there are a range of issues you need to think about in choosing a legal structure as there are different forms of charities. Please see our Briefing on **Charity Structures Compared**.

The quickest and easiest option is to become an unincorporated association, and this works well for very small informal organisations - all you need is a constitution that outlines your purpose and how it will be run. You will be a charity, as long as you meet the requirements above, but you will have to register with the Charity Commission, if your income exceeds £5000 pa.

An alternative is to become a charitable trust, which is run by trustees. You'll need a trust deed, it isn't incorporated and must register if income exceeds £5000 pa.

Unincorporated organisations cannot enter into contracts or own property. You could sign any contracts/agreements in a personal capacity, but you would be almost certainly be personally liable, if anything goes wrong. If you do go down this route, you may wish to review your personal insurance cover. Insurance cover can only give you so much protection. If you need to sign contracts (e.g., employment contracts etc), or carry any degree of risk, best advice is to incorporate.

If you Incorporate, you can become a Charitable Incorporated Organisation (CIO) or a Charitable Company. You get greater protection.

Overall, the benefits of being a Charity are primarily the opportunity to fundraise and the many tax reliefs available, but that comes with a greater regulatory burden.

Ethical Companies

The line between charities and private business is becoming more blurred and being an ethical company can have real commercial benefits, including improved customer perception and greater staff engagement.

Social Enterprises / Community Interest Companies

An alternative is to become a Community Interest Company (CIC), which is for social enterprises, which use their profits and assets for the public good. CIC's have more of a 'business' image than charities, can pay board directors, financial reporting is less of a burden, you can issue shares etc, but don't qualify for charity tax reliefs and, whilst fundraising is possible, it's more difficult.

Working with or through an existing charity

If you wish to raise funds for a particular cause, you could always do so for an existing charity or work in partnership with them. Alternatively, you could set up a named fund with a community foundation. These are UK only and not all foundations offer this. If you have £10,000 or more to donate, you could set-up a Charities Aid Foundation charitable trust. There are some charges; you would be a signatory, rather than a trustee and the funding must be irrevocably gifted, but CAF manage everything for you.

Others

There are less common alternatives, such as Community Benefit Societies (previously Industrial & Provident) and Cooperatives that trade, for the benefit of the community, or their members respectively.

Recommended reading from Trust Advice Briefing documents:

- What organizational structure is right for us?
- Charity structures compared
- The Register of Charities and why it is Important
- The process of setting up a new Charity
- Legal structural differences between a Trust and Company

This is the end of the document:

We hope this has been helpful to you. Please get in touch if something isn't covered here you want to ask about. We will be very pleased to hear from you. If you would like more information, further details around membership or to upgrade your membership, visit: www.trustadvice.org.uk. Please also see our website for details of ways we can help you and services we offer.