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## Structures for Groups

There are many different forms and legal structures that a group can take and the decision you make will depend on the type of organisation you want to set up. Once you have decided on the aims and objectives of your group, deciding how you want to achieve those aims and objectives will dictate the type of legal structure you set up.

### Unincorporated Association

This is the most basic structure, a membership organisation for people who want to work together to carry out the aims of the group, but who don't intend to own land or need any legal status ('unincorporated' means the organisation is not a legal entity). The organisation is usually small in terms of assets, has a constitution which the group can draw up themselves, a bank account, a management committee and a membership. Examples of this would be a lunch club, a singing group or an allotment society. It is the easiest and cheapest structure to set up and the group members can draw up the constitution themselves, with help from CVS if needed.

If your group has charitable aims then adopting the Charity Commission's model constitution for an unincorporated association is a good idea. This way if the association's income rises above the £5k threshold, it is a much simpler matter to register with the Charity Commission, which you may wish to do.

### Charitable Trust

This structure is for an organisation that is going to manage money or property for a charitable purpose. It is run by a group of Trustees and usually has no membership. The Charity Commission has a model Trust Deed which can be used as Trusts must register with the Commission, irrespective of income levels.

### Charitable Incorporated Organisation (CIO)

This structure came into effect at the end of 2011. It is an incorporated form of charity which is not a company, so has a legal status and limited liability but is only registered with the Charity Commission. It has a simpler constitution than a charitable company and the Charity Commission has published a model on its website. Unincorporated associations can change their structure to a CIO. The advantages are that it can enter



into contracts in its own right and Trustees have limited liabilities for any debts or obligations incurred. It is often now preferred to a Company Limited by Guarantee ( see below ) as it has only one regulator ( ie The Charity Commission ) and is therefore simpler to administer.

## Company Limited by Guarantee (CLG)

This is a limited company with charitable aims and has previously been the most common form for voluntary, community and charitable organisations who want to set up an incorporated organisation. This structure is used when an organisation is quite large, or employs people or it enters into commercial contracts, or it owns or leases land. A CLG means that members are liable only for a limited amount debt (usually £1) and the Directors of the company cannot profit from the company. It is registered with Companies House and its Memorandum and Articles of Association (which is its constitution) must show its charitable aims. The company is also registered with the Charity Commission and must meet its reporting requirements. There are no shareholders in a CLG and profits are reinvested into the company

## Community Interest Company (CIC)

A CIC is a limited company registered with Companies House and regulated by the Community Interest Regulator which aims to trade with a social purpose or to carry on other activities for the benefit of the community. It has to pass a 'community interest test' and has an asset lock included so that profits are put back into the company for the benefit of the community it serves. It can be a company limited by guarantee or limited by shares. Where it is limited by shares there is a cap placed on any dividends paid out and shares cannot be sold for less than their market value. An annual CIC report is sent to Companies House along with the company accounts and is on public record. A CIC pays full taxes and rates and cannot be 'charitable'.

## Community Benefit Society (CBS)

This is one of the structures which replaced Industrial and Provident Societies under the Cooperative and Community Benefit Societies Act 2014. Members have limited liability. The CBS is governed by a set of Rules and controlled by a Board and Membership. Unlike a Cooperative it must be run for the benefit of the community at large rather than just its membership. It has to be registered with the Mutual Division of the Financial Conduct Authority. It has the facility to issue 'community shares' to raise capital but these shares are non-transferable and carry a right to fixed interest only.

## Cooperatives

A Cooperative is a jointly owned enterprise operated by its members for their mutual benefit. Cooperatives must be registered with the Financial Conduct Authority which determines if it is a cooperative by reference to seven cooperative principles.

<https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

## Social Enterprise

This term often causes confusion. It is not a legal structure, it is a term commonly used to describe an organisation that has social objectives. A legal structure equivalent would usually be a CIC, a CBS or Cooperative.

*This information is given for general guidance only. Specific advice can be obtained from CVS*

