

Cycle and Stride for Active Lives Leaders' project

Legal structures for social ventures



**Considering Legal
Structures, Governance
and Roles and
Responsibilities**

flourish

DINOSAUR
Creative Communications

Bringing Legal Structures to Life....

And helping organisations and social enterprises to govern themselves well



Comparing Terms – Identify as any of these?

TYPE	Charity	Community Enterprise	Social Enterprise	Creative Enterprise
Difference	Can be local, supporting a community of need or a national priority. Cap on trading activities & for primary purpose. Meeting charitable aims with a voluntary management committee or Trustees.	Place based communities, businesses which are owned by the community, seeking to regenerate assets and areas	Entrepreneurial Solutions to Social Issues (Sometimes Community Led/Sometimes thematic – don't have to be)	Using creativity and culture to build sustainable and resilient communities
Profit Principles	Doesn't make significant profits – trading capped at 25% of turnover or £80k annually	Reinvest their profits in a specific community and/or area	Reinvest their profits in social purpose or community benefit	Could be for community purpose or private gain
Allies/ Toolkits	Charity Commission, NCVO,	Power to Change, Plunkett Foundation, Locality	UnLtd, Social Investment Business, School for Social Entrepreneurs	Nesta, British Council, Arts Council

Legal Structure

What to ask yourself/your group.....

Ownership & Governance

- Who is running this now and who might in the future?
- Who do you foresee 'Owning' the venture

Income Generation/ Profits/Tax

- How will you generate income and resources at start up / scale up?
- What might happen to profits/surpluses?
- What are the tax implications for the way you will operate?

Market & Community

- Have your beneficiaries/community got the resources to buy your products and services?
- Will the community have a stake in your organisations
- will them shaping your venture be helpful?

Trust, legitimacy & public perception

- How do you want or need this ventures to be viewed by the public?

To incorporate or not?

To build a group/team/board/management committee

Is this a private profit making, profit for purpose or not for private profit making venture?

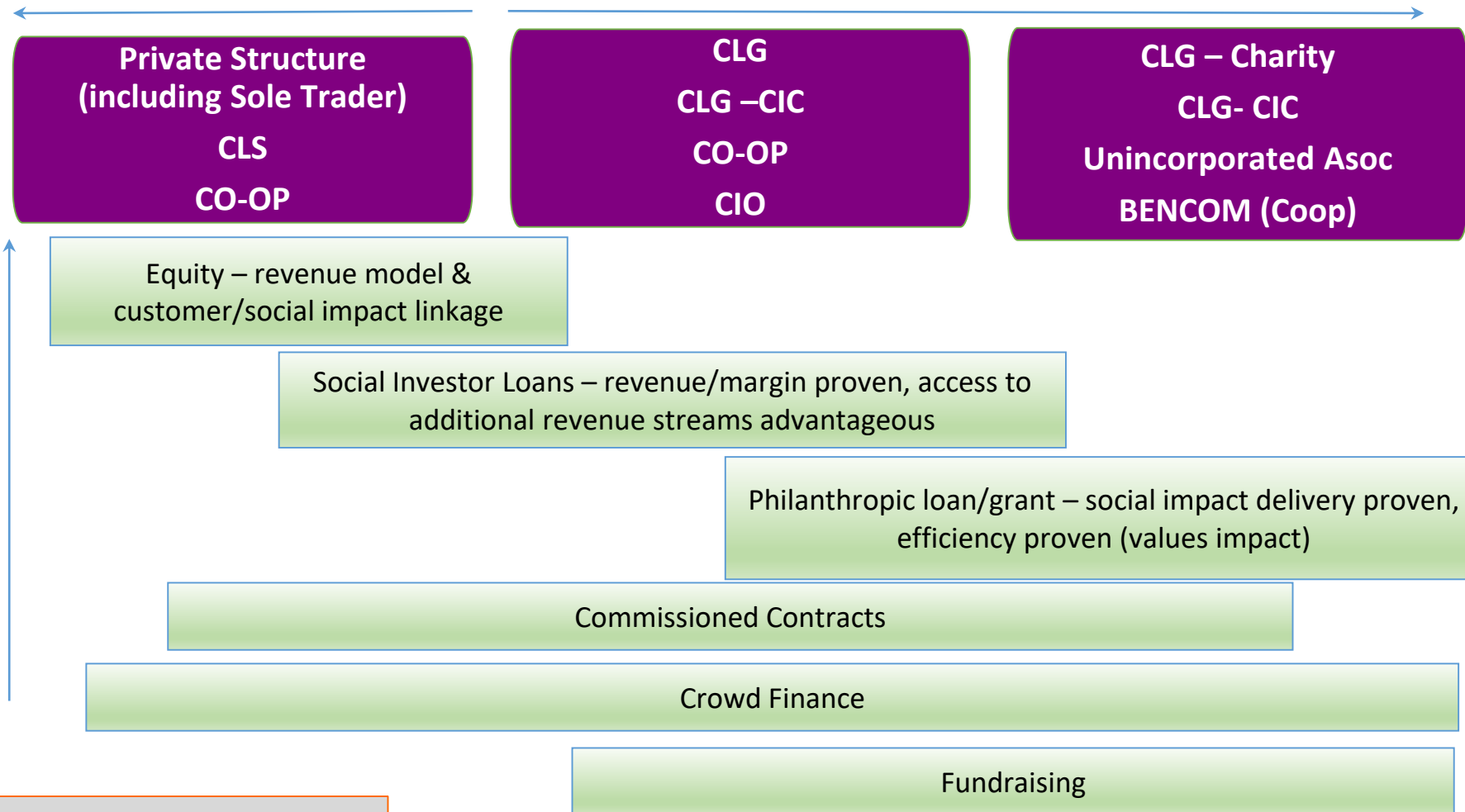
Have you the cash to start? Is there a business model? Can the community pay?

Is there a social purpose/value?

What role to the community play in your venture?

Legal Structure

How it affects Funder/ Investor preferences



We will come back this later!

Legal Structure

Legal forms, levels of incorporation, governing docs & regulation

Unincorporated		
<i>Constitution</i>	Association	
	Charitable Trust	Exempt Charity
<i>n/a (UTR)</i>	Sole Trader	Profit for Purpose
Incorporated		
<i>Memorandum & Articles of Association</i>	Company Limited by Guarantee	Charity Status (CC) CIC Status Or Profit for Purpose
	Company Limited By Shares	CIC Status Or Profit for Purpose
	Charitable Incorporated Organisation	Already a charity (CC)

Cooperative		
<i>Rules</i>	Bencom	Charity (CC)
	Coop (Non Charitable)	FSA
	Workers Coop	Cooperatives UK

TOP TIPS... At start up, when looking to be a community organisation/enterprise and seeking funding & support you need a minimum of 3 non related directors

Often an Unincorporated Association is a good pilot test ground – simple, free, less paperwork (although no limited liability so appropriate insurance & governance needed – rather than rush into setting up a company which incurs more costs/accounting costs & reporting

Questions, thoughts, comments?.....

Legal Structure

How it affects Funder/ Investor preferences

Any examples from in the room?

Has your legal structure helped/ hindered you in terms of funding/ income generation

You are more than your legal structure!...Critical success factors

- **People** – You, Team, Stakeholders, Customers Beneficiaries
- **Proposition** – Social Mission, Offer to meet need, Sustainability
Creativity and innovation
- **Resources** – Capital, overheads, Marketing & PR, people and services
- **Performance** – reporting, impact building a track record
- **Plan** – a culmination, a working document – FIGURES that add up and make sense

For information on Legal Structure, Incorporation of VCSE organisations and other FAQs linked to this topic see:

<https://resourcecentre.org.uk/information/legal-structures-for-community-and-voluntary-groups/>

Organisational Strengths Mapping

PEOPLE	H/M/L
<ul style="list-style-type: none"> • You • Team • Stakeholders • Customers • Beneficiaries 	
Total	

PROPOSITION	H/M/L
<ul style="list-style-type: none"> • Clarity of Social Mission • Quality of product/ service to meet need • Sustainability 	
Total	

PERFORMANCE	H/M/L
<ul style="list-style-type: none"> • Reporting • Impact • Endorsement of Track Record • Policies /Procedures 	
Total	

RESOURCES	H/M/L
<ul style="list-style-type: none"> • Capital • Overheads • Marketing & PR • People & Services • Impact 	
Total	

PLAN	H/M/L
<ul style="list-style-type: none"> • Clarity • Format • Usability • Credible info • Credible figures 	
Total	

Overall Areas to improve

People:

Proposition:

Performance:

People:

Resources:

Plan:

Urgency, How, where, who,

How do you operate as a team / to govern the organisation?

- **People, processes & Logistics**
- **Roles – Directors, Trustees, Group Members
(Sounding Board, Support to founder(s), Promotion & Connections, specialist skills/knowledge
- anything else?)**
- **How will you work best & most effectively?**
- **Don't need to rush, but do need to be accountable**
- **Consider future support needs**

Roles of Directors/Trustees

- **Set and maintain vision, mission and values**
- **Develop strategy**
- **Establish and monitor policies**
- **Set up employment procedures**
- **Ensure compliance with governing document**
- **Ensure accountability**
- **Ensure compliance with the law**
- **Maintain proper fiscal oversight**
- **Select, manage and support the Chief Executive**
- **Appoint, recruit and support staff**
- **Maintain effective board performance**
- **Promote the organisation**

Roles of Directors/ Trustees

Directors must exercise a degree of **skill and care**

They must:

Demonstrate skills and competencies to govern and manage the organisation

act as a reasonable person would do looking after their own business

They must act in **good faith** in the interests of the company as a whole.
This includes:

- treating all Directors or Trustees equally
- avoiding conflicts of interest
- declaring any conflicts of interest
- not making personal profits at the company's expense
- not accepting benefits from third parties

Roles of Directors

They must obey the **law**:

- company law requires Directors to **produce proper accounts** and send various documents to Companies House
- other laws include areas such as **health and safety, employment law and tax**
- Directors may be responsible for the actions of company **employees**

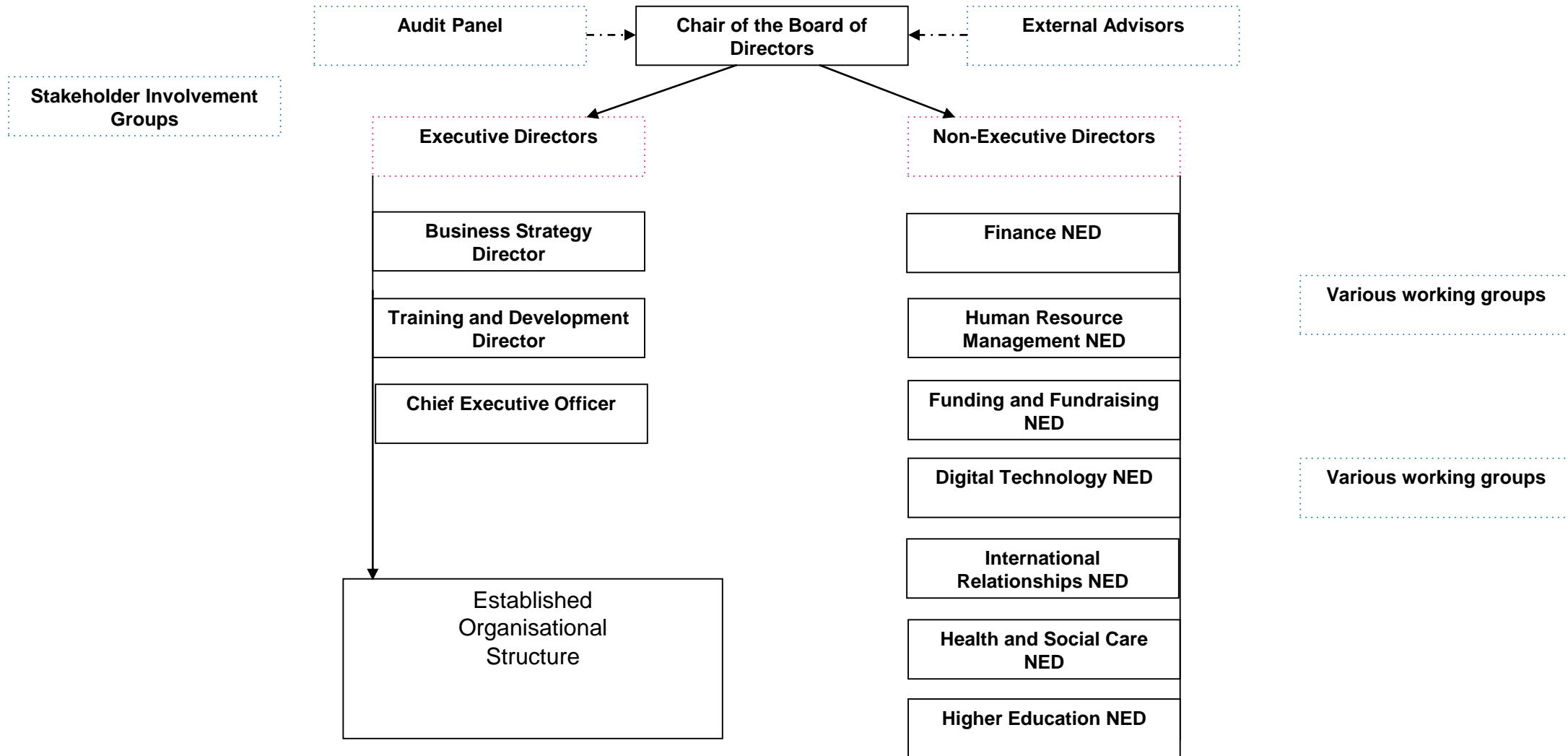
Directors have other legal duties besides those relating to Companies House. They must:

- comply with and stay up to date with employment law
- Take Health & Safety responsibilities seriously
- check that the correct amount of tax, VAT and National Insurance are paid and on time

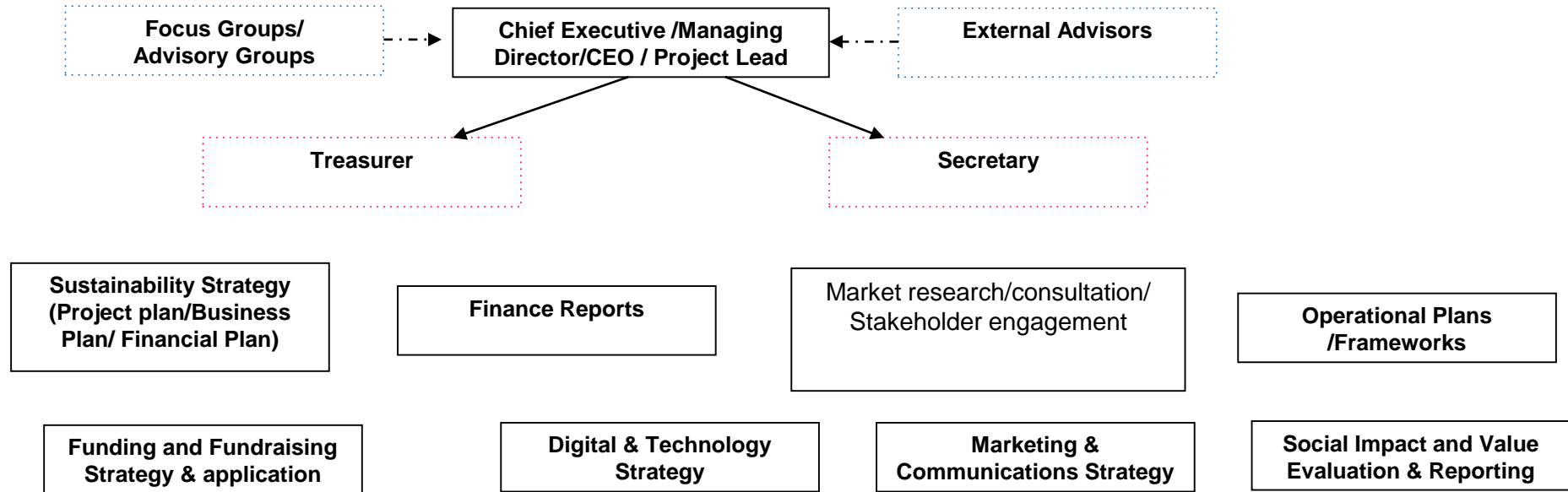
How does your board govern currently?

- **Processes**
- **Roles - Directors/STAFF/VOLUNTEERS**
- **Skills**
- **Gaps - needs**
- **Potential changes - opportunities**

An example of a governance model for an established organisation



An example of a governance model for an early stage organisation



How do you find new board members?

- **Understanding Gaps - needs**
- **Targeting those people & areas**
- **Clear ask, role, commitment**
- **Will training /induction be available?**
- **CVS noticeboard, NACVO, Charity Excellence Framework, Board Diversification & Recruitment**
 - <https://www.gettingonboard.org/>
 - https://www.charityexcellence.co.uk/Home/BlogDetail?Link=Charity_Trustee_Recruitment
 - <https://governancehub.org.uk/>
 - <https://www.womenonboards.net/en-gb/home>
 - **Linked In**

Peer support in breakout groups

Discuss your organisation's governance in groups. (5 mins each)

- Is your legal structure/ governance working for you? Pros and cons?
- How are you finding managing your board/group? Is it functioning well for the outcomes you are aiming for?
- Do you have the plans & processes in place you need for the next stage of development?
- What could be improved? What might your next step(s) be?

Use open and closed question to delve deeper. Share experiences, ideas and practical suggestions.

5 min Comfort Break



An Overview of Policies and Procedures

- What is your experience of policies and procedures?
- At what point did you decide/ need to put these together?
- What do you have in place?
- Are there things you feel need improvement or that you need support with?

An Overview of Policies and Procedures

A clear, appropriate and coherent set of policies and procedures help ensure that your organisation is well run. Policies and procedures:

- Ensure **compliance** with the law and regulation.
- Provide appropriate **controls** including a framework for **delegation** by the board of trustees to staff or volunteers that set out how things should be done and what is expected of people.
- **Transparency and accountability** that the board of trustees will be conducting the work of the charity appropriately.
- Limit **risk**.

Creating Policies and Procedures

Policies are clear, simple statements of how your organisation intends to conduct its services, actions or business. They provide a set of guiding principles to help with decision making. Policies don't need to be long or complicated – a couple of sentences may be all you need for each policy area.

Procedures describe how each policy will be put into action in your organisation. Each procedure should outline:

- Who will do what
- What steps they need to take
- Which forms or documents to use.
- Procedures might just be a few bullet points or instructions. Sometimes they work well as forms, checklists, instructions or flowcharts.
- Policies and their accompanying procedures will vary between workplaces because they reflect the values, approaches and commitments of a specific organisation and its culture. But they share the same role in guiding your organisation.
- You may be able to save time by looking at other organisation's policies or templates as a starting point. Be sure to check they are appropriate for your organisation and you should adapt them for your circumstances. You should also check that the policies you adopt are compliant with the law and your organisation's governing document.

Creating Policies and Procedures

Essential: You must have a written [health and safety policy](#) if you employ five or more people. An organisation of any size must conduct a health and safety risk assessment.

- [Safeguarding policy](#) for children and young people and/or vulnerable adults (if applicable)
- Privacy Policy incl. [Data Protection and GDPR](#) (also: ICO)
- [Equality & Diversity Policy](#) with particular regard to anti-discrimination and harassment of employees and volunteers as well as service users
- [Risk management](#) incl. assessment and mitigation
- Finance – including a [financial procedures manual](#) and a [reserves policy](#)
- **Other Common Policies and Procedures**
- HR related, Environmental, others.....

USEFUL LINKS:

<https://knowhow.ncvo.org.uk/organisation/operations/policies-and-procedures>

Your local CVS, some funders, ICO

Questions, thoughts,
comments.....

Email info@flourishtogether.org.uk

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