

Radstock & Westfield Big Local

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- How to make the most of £1million -

Governance and Legal Structures

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Areas

Incorporation – baseline

Terminology

One form over another

The logistics of incorporation

Incorporation

- A journey from the beginning

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Individuals start up a group

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Non profit - non
"ownership"
.. club, association, "non"
profit group
Members

The members of this group create a set of rules

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Why do we exist?
What do we do?
Who are our members?
How do we behave?

Each Member is
individually ("severally")
liable for the actions of
the group

An "Unincorporated Association"

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As risk increases (perhaps with money or activity), so the **liability** increases to the individual members

Can this liability be
limited to the
members?

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Incorporation

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The members
can choose to
"incorporate"

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"Incorporate -
formed into one
body - combined"

Farlex Free Dictionary

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This "body" has to be a
"person", an
"organisation", a
"company"

In law - an "entity"
that can enter into a
contract

The entity created contains the members but its liability is limited to a nominal amount
"guaranteed" by those members who set up the company

This type of Entity would a be a
Company Limited by Guarantee

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Those members who set down the "Guarantee" (perhaps a £1) are the first members who for the benefit of the paperwork are called "subscribers"

The members will need to
choose who will run their
company
The Directors

The Members choose from the membership or "hire" Directors

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A Company with Large Membership

"....companies limited by guarantee, which have more members than they have directors"

"...whilst it assumes that the directors will take most day to day decisions about the company's business, it also gives the members a strong role in controlling the overall governance of the company"

If the Members are also the Directors

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A Company with Small Membership

“...all of whose directors are members of the company and all of whose members are directors of the company”

“...It assumes that the directors will take most important decisions as directors rather than as members, and that directors may hold office continuously for long periods of time without offering themselves for re-election”

One form over another

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Company Limited by Guarantee

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“Simplest” non profit format
Registered with Companies House

Can extend to being a **Community Interest Company**

Adds a Community Interest Statement

Asset Lock

Or a Company Limited by
Guarantee can

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Become a **Charity**

Pass the Public Benefit Test

Register with the Charity Commission (in addition to Companies House)

Directors would become **Trustees**

Tax Benefits



Or

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Combine incorporation with
Charitable status

Charitable Incorporated
Organisation

Register with Charity Commission

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Alternatively

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Register as a CIC now, then add a Charity - linked for the purpose of surpluses being fed into the Charity

Special Purpose Vehicle ("SPV") for the purposes of the handling of the Big Local Initiative

A Big Local CIC may be considered as dormant as far as Corporation tax if it is not trading or active (i.e. only receiving grant income)... this needs to be discussed with HMRC

For discussion

The Logistics of Incorporation

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Who are the Member?

Different levels

Voting members

Non-voting members

Community

Subscribers

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Directors

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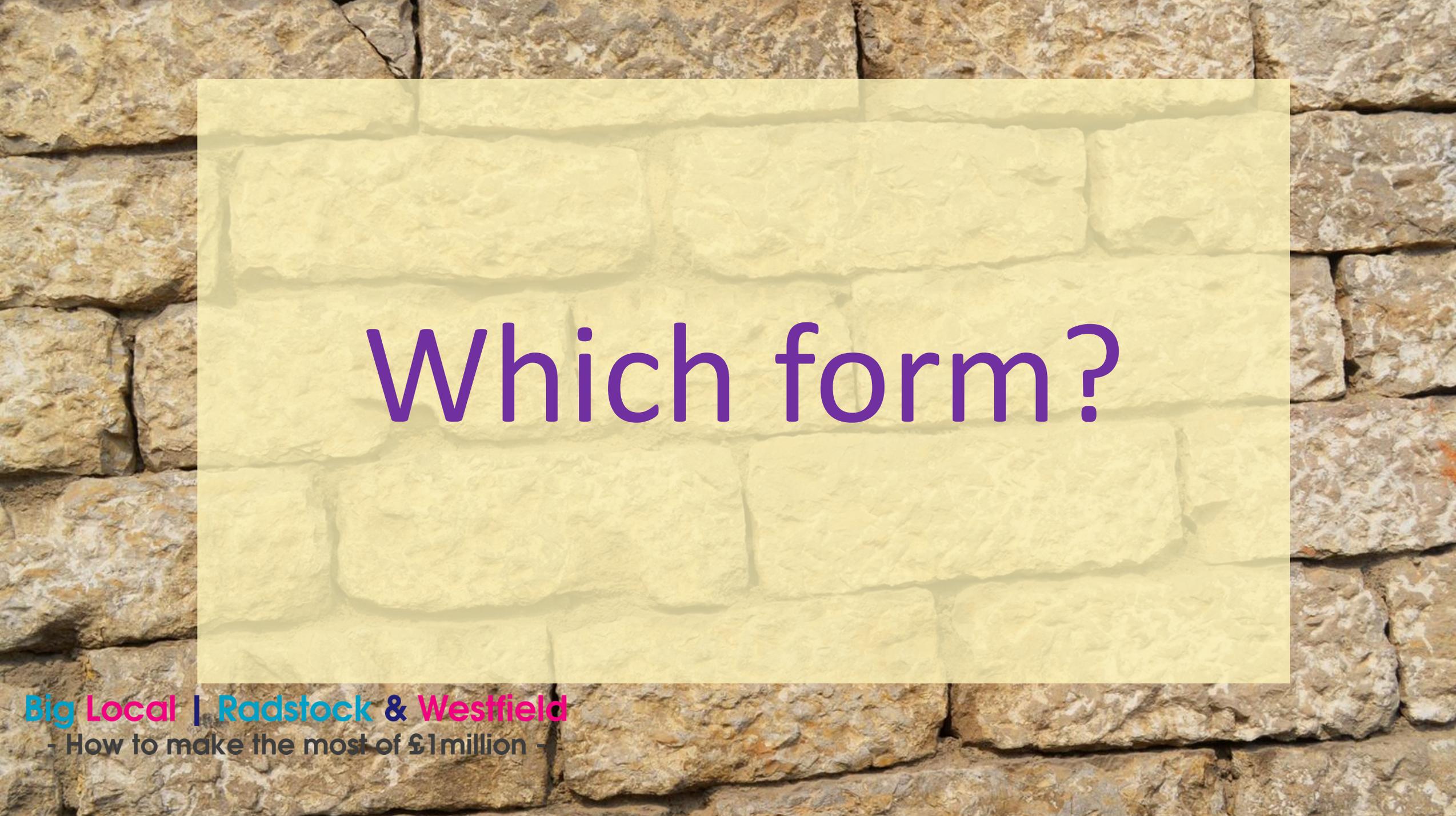
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Who?

Details

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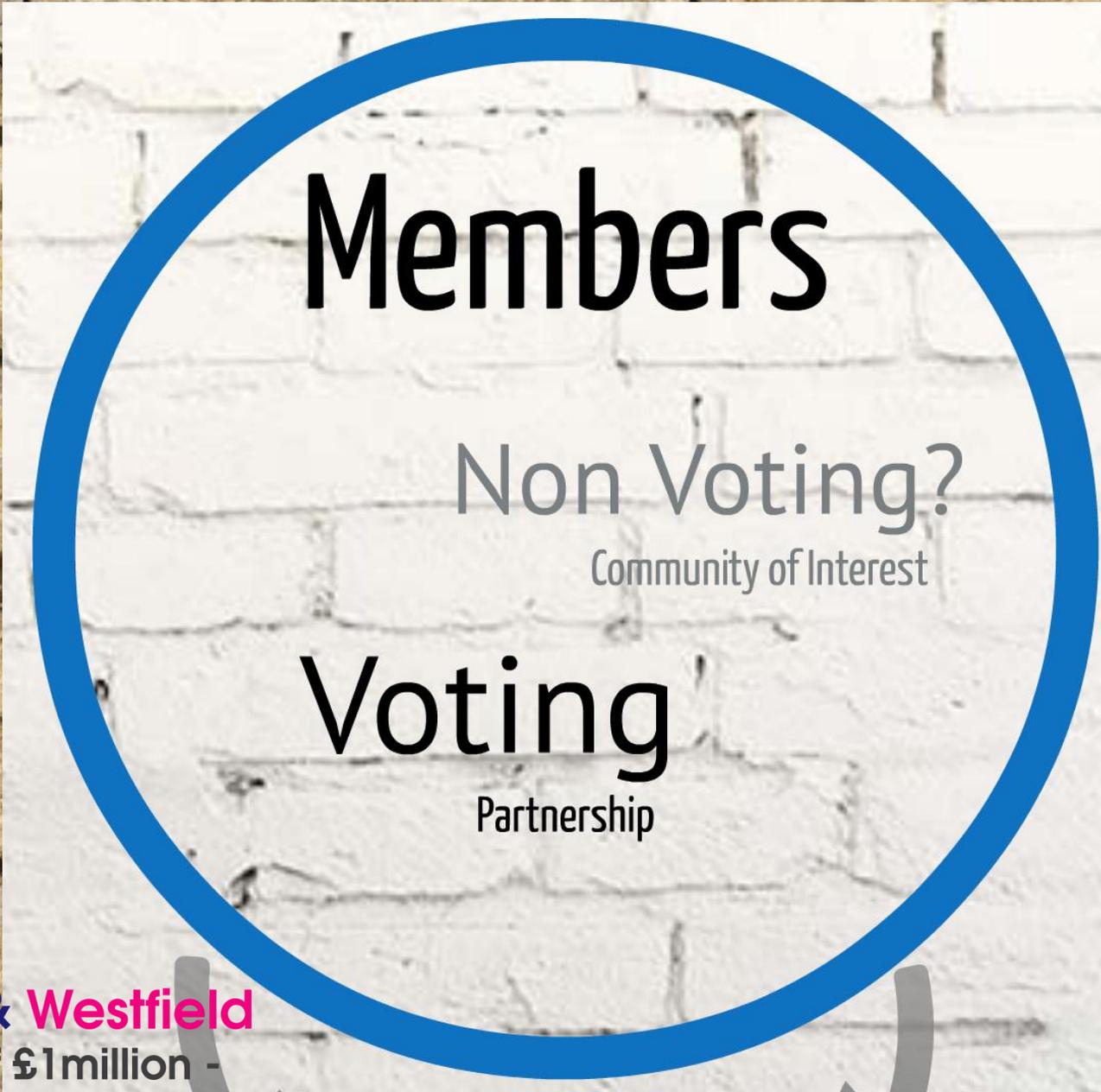
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Which form?

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Members

Non Voting?

Community of Interest

Voting

Partnership

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Strategy -
Running of company

Directors

Running of company

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