

"The Way Forward"

A ... (voluntary sector) ... consortium approach can benefit the LSC by providing a single contracting and reporting point, assuming responsibility for day-to-day monitoring and quality assurance on its behalf.

"Working Together"

A report on behalf of the Suffolk VCS Learning Consortium
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1. Executive Summary

A series of regional consultations and briefings¹ were held during 2000 and 2001 around the theme of development of relationships between the LSC and the voluntary and community sector.

The final report² laid out a series of recommendations around the need for the LSC and the VCS to work together strategically. A key recommendation related to the support for local learning consortia:

“Resourcing for the development and co-ordination of local infrastructure and networks. This should include stable funding to support the emergence and consolidation of learning/ training based consortia”

There are approximately 23 Learning and Training Consortia in England. There is no standard template for the functions and roles of voluntary sector learning consortia, as each has evolved according to the voluntary sector local needs and preferences but such functions could include:

- Information and communication
- Advice and support
- Training
- Sharing good practice and skills
- Capacity building
- Quality
- Administration
- Funding and contracting
- Representation and advocacy

Arguably, some (if not all) of these functions are provided by existing infrastructure organisations and there will, inevitably, be concern at the introduction of yet another organisation which will compete for already scarce resources. Before a “menu” of products can be developed this potential for conflict must be rectified and may involve an impact assessment for the VCS organisations concerned.

In setting up an independent organisation key decisions need to be made as to whether to become an incorporated body or remain unincorporated, and whether to be charitable or non charitable.

The first choice gives the organisation its legal status or legal structure, while the second gives its charitable status (or lack of it). The other option to be considered is that of the “Managed Network” whereby a partnership of VCS organisations is formed, with one nominated as the lead organisation.³

If the Suffolk VCS Learning Consortium is to achieve its potential it is vital that a full commitment to the aims and objectives and consensus on the structure is secured from all partners.

¹ NIACE and WEA

² Moving On: The Learning and Skills Council and the Voluntary and Community Council

³ Accountable body

2. Introduction

Voluntary Sector Learning Consortia have been in existence since the late 1990s, but have been thrust to the forefront of skills and learning policy development as a result of the Learning and Skills Council (LSC) consultations on its strategy⁴ for working with the Voluntary and Community Sector (VCS).

Voluntary sector learning consortia have been a good example of the type of collaborative approach between voluntary sector infrastructure organisations that is now being promoted more widely as part of the Infrastructure strategy.

3. Background

The LSC, as the first body responsible for all aspects of post 16 learning and training⁵ has the need to work with a diverse range of partners and as such the voluntary and community sector potentially have a significant role in influencing, supporting and delivering learning and skills training.

Much of the policy development encouraging voluntary sector engagement in learning has been around the widening participation agenda. However, consortia have an important contribution to make in developing the voluntary sector workforce, both paid and voluntary.

By establishing consortia, the sector has been successful in raising the profile of the voluntary and community sector. It has also ensured that resources flow directly to the sector and that there is appropriate support for, and focus on the needs and priorities of the sector.

A series of regional consultations and briefings⁶ were held during 2000 and 2001 around the theme of development of relationships between the LSC and the voluntary and community sector. The final report⁷ laid out a series of recommendations around the need for the LSC and the VCS to work together strategically. A key recommendation related to the support for local learning consortia: *“Resourcing for the development and co-ordination of local infrastructure and networks. This should include stable funding to support the emergence and consolidation of learning / training based consortia ...”*

The value of consortia was also recognised in the Voluntary Sector National Training Organisation Workforce Development Plan⁸; *“Local Voluntary Sector Development Agencies (England) should explore the advantages of developing local consortia of learning and training providers for the benefit of their members, building on existing good practice”*.

In April 2001, the LSC had the unenviable task of not only integrating staff from the Further Education Funding Council and a large number of local Training and Enterprise Council into a new organisation but also taking on new responsibilities related to areas such as adult and community education and school six forms.

Not surprisingly, progress on developing new relationships was slower than expected. In 2003, the LSC published its consultation paper *“Working Together: a Strategy for the Voluntary and Community Sector and the Learning and Skills Council”* and the final strategy document and implementation plan was completed in June 2004.

⁴ Working Together

⁵ Except higher education

⁶ NIACE and WEA

⁷ Moving On: The Learning and Skills Council and the Voluntary and Community Council

⁸ Voluntary sector Workforce Development Plan 2001

3.1 "Working Together"

In the strategy⁹ there were two key aspects in relation to consortia:

1. There was a welcome acknowledgment of the broader role of the voluntary and community sector beyond the important one of contributing to widening participation. The key roles that define the sector's relationship with the LSC are seen as:
 - provider of learning opportunities;
 - employers;
 - a source of expertise and intelligence for planning; and
 - a channel for network and communication
2. The LSC acknowledged that consortia serve a number of purposes and offer a number of benefits to both the LSC and the VCS e.g.:
 - As a single point for contacting and reporting;
 - As a swift and sensitive means of communication with a range of voluntary organisations;
 - As a vehicle for supporting capacity building (for both the LSC and the VCS)
 - Through lead bodies in consortia, simplifying funding routes and facilitating the sharing of information , ideas and skills;
 - Helping with quality assurance and staff training and
 - Providing a strategic voice in developments affecting the sector locally, regionally and nationally

Consortia can make important contributions to a number of Government policy areas. This includes key learning and skills priorities and also other policy concerns e.g.:

- Skills strategy and workforce development
- Widening participation
- Skills for Life
- Information, advice and guidance
- Infrastructure strategy
- Neighbourhood and civic renewal

⁹ Working Together: a Strategy for the Voluntary and Community Sector and the Learning and Skills Council

4. Learning and Training Consortia

There are approximately 23 Learning / Training Consortia in England (see Appendix 1). There is no standard template for the functions and roles of voluntary sector learning consortia, as each has evolved according to the voluntary sector local needs and preferences.

4.1 Functions

A voluntary sector learning consortium can potentially provide all or some of the following functions:

Function	Examples
Information and communication	<ul style="list-style-type: none"> • Provision of information to VCS on learning opportunities for staff, volunteers and/ or members and service users • Information to wider community on learning opportunities provided by the VCS • A communication channel between the LSC and the local VCS, allowing the LSC to communicate effectively and efficiently with the sector • A focus for information to the sector on funding opportunities for learning and training • Research into issues affecting work-force development and training
Advice and support	<ul style="list-style-type: none"> • Help with designing and delivering training programmes • Training needs analyses for staff and volunteers • Guidance on how learning and training can be integrated into the wider services offered by the VCS to its members or service users • Help with funding bids • Signposting to learning and training opportunities suitable for staff, volunteers, members or service users
Training	<ul style="list-style-type: none"> • On topics such as quality and inspection requirements of ALL, LSC, accrediting bodies and others • Funding applications and meeting funders' administration requirements • Equality and diversity • Widening access and improving retention • Specialist skills such as Basic Skills, Advice and Guidance
Sharing good practice and skills	<ul style="list-style-type: none"> • Peer support and mentoring • Sharing of information on course design and delivery or specific expertise

Capacity building	<ul style="list-style-type: none"> • Training and sharing of good practice all contribute to developing the capacity of voluntary and community sector organisations to deliver learning and access funding • Improving the general business processes of the organisation • Ensuring the organisation has the skills to design, plan, deliver and evaluate quality and effective learning and training programmes • Supporting the organisation to meet the quality and administrative requirements of the funder either on its own or as part of the consortium
Quality	<ul style="list-style-type: none"> • Through capacity building processes and/ or through providing direct support • Where the consortia contracts on behalf of its members with funders it is normally required to retain ultimate responsibility for monitoring quality
Administration	<ul style="list-style-type: none"> • Administration of learners, particularly for smaller groups by either adapting MIS forms for easier completion or by taking responsibility for the processing of MIS and making returns to funders
Funding and contracting	<ul style="list-style-type: none"> • Many consortia contract with LSC and other funders and distribute the funds to their members
Representation and advocacy	<ul style="list-style-type: none"> • Consortia have been able to provide VCS representatives with the necessary educational or training expertise to make an effective contribution to local consultations and discussions around learning • Consortia are often also active in championing the interest of the VCS in terms of local policy and funding allocations

Action:

Functions of the Suffolk VCS Learning Consortium to be agreed

4.2 Structure

“The LSC understands that consortia are independent bodies. Their effectiveness depends on their transparency and inclusiveness, on adding value to existing structures and on providing value for money for members and funders”

“Working Together”

In setting up an independent organisation key decisions need to be made as to whether to become an incorporated body or remain unincorporated, and whether to be charitable or non charitable. The first choice gives the organisation its legal status or legal structure, while the second gives its charitable status (or lack of it).

The main options for legal status available to organisations in our sector are:

- Unincorporated association
- Trust (unincorporated)
- Industrial & provident society (“society for the benefit of the community”)

- Industrial & provident society (“bona-fide co-operative”)
- Company limited by guarantee
- Company limited by shares
- Limited liability partnership (“LLP”)
- Charitable Interest Company

For ease of reference, Appendix 4 provides further detailed information on the various types of unincorporated and incorporated organisations, outlining the advantages and disadvantages of each structure.

An unincorporated body is a group of persons bound by a common purpose and a set of rules or procedures, and not incorporated as a company or an industrial and provident society or by an Act of Parliament or royal charter.

Unincorporated organisations are not recognised for legal purposes as being legal entities. The law recognises only the individuals who make up the organisation. If the organisation cannot meet its financial obligations or gets into legal trouble, the members of the governing body have unlimited personal liability. In some situations this liability could extend to all the members of the organisation.

Incorporation has many advantages:

- It is flexible and can be adapted for any size and type of voluntary organisation
- It is widely understood by solicitors and funders
- The structure is intrinsically democratic
- It nearly always gives limited liability to the members of the organisation and its governing body. An incorporated organisation is liable for its own debts if the organisation doesn't have enough money to pay them. If it does not or cannot pay its bills creditors can take legal action against the organisation and very
- When an organisation incorporates it takes on a legal personality as a corporate body or body corporate. It can in its own right enter into contracts, rent or own property, take legal action and be sued
- Because an incorporated organisation can enter into legal agreements there is no need to appoint holding trustees, custodian trustees or a nominee company to hold its land building or investments.
- It has permanent succession, which means there is no need to transfer contracts, leases or other legal agreements to new signatories

Of the 23 Consortia in England (see Appendix 1), only six (see Appendix 2) have registered with the Charity Commission and most, if not all, of these are Companies limited by guarantee. The remaining consortia have chosen to adopt the partnership model with one agency assuming the lead role as accountable body.

Some have chosen to operate within the county of origin and others have opted to have the ability to operate without any boundary restrictions. The latter may be seen as particularly important given the LSC's change in operation/ focus from county to regional. The name chosen for the organisation tends to reflect the choice made.

There are many factors to be taken into account in determining the most appropriate structure for the Suffolk VCS Learning Consortium and Appendix 5 outlines a series of questions/ exercises that should be undertaken to enable this to happen.

Action:

Facilitated meeting to agree the most appropriate structure to take place as soon as possible

4.3 Managed Network

As part of the Change-up initiative Suffolk A.C.R.E. commissioned research for a report that would:

- Highlight the current relationship between public service delivery and the contribution that was currently undertaken by the Voluntary and Community Sector (VCS)
- Highlight a clear framework for increasing the contribution by the VCS into Public Service Delivery

Whilst written from the perspective of enabling the VCS to contribute to delivery of the LAA agenda and targets, the suggested model could provide a vehicle for delivery of the Suffolk VCS Learning Consortium function. In that report a number of ways in which a managed network could be established and a figure head formed were outlined:

- A newly formed independent organisation
- The utilization of an existing organization already working within the VCS sector
- The partnership of two organisations working jointly on assisting the VCS sector
- A cooperative organisation based on all those wishing to develop the managed network

Amongst the recommendations within the report were that:

- The desired option should be a structure that reflects the needs of the sector and is able to integrate directly with Public Service Delivery. By managing risk and maximizing skill and resource potential as well as reducing the time required for establishment would be the best option.
- An organisation, either individually or as a partnership, which is already working in the VCS sector should take the lead on the managed network.

It is not the purpose of this report to advocate the Managed Network for the VCS Learning Consortium but the research undertaken provides a valuable insight into a potential structure for the VCS Learning Consortium

Action:

The principles of the model to be discussed and its relevance (or not) to the Suffolk VCS Learning Consortium agreed

4.4 Objects, Aims and Objectives

To be charitable, an organisation's objects must be wholly and exclusively charitable. The following are examples of the objects (as agreed with the Charity Commission) for similar organisations¹⁰ :

Example 1: "The objects of the company shall be to promote the advancement of education for the public benefit, in particular but not to limit the generality of the foregoing to:

- Provide a forum for community and voluntary organisations involved in education and learning to encourage communication, networking, information sharing and representation;
- Develop a partnership approach to encourage collaboration between community and voluntary organisation on issues of learning an skills development;
- Facilitate dialogue between community and voluntary organisations and the [Suffolk] Learning and Skills Council and the local learning partnerships in [Suffolk] and other statutory agencies and organisations interested in issues of learning and skills development with the object of improving relations and communication;
- Carry out any association activities with the prior written consent of the Charity Commissioners for England “.

Example 2: "To develop the capacity and skills of the members of the socially or economically disadvantages communities of [Suffolk] and its environs ("area of benefit"), in such a way that they are better able to identify, and help meet, their needs and to participate more fully in society, in particular by:

- Assisting such charities and voluntary organisations to play a full role in the local and national learning and skills agenda and to make the most effective use of funding opportunities;
- Providing support and guidance for charitable purposes by charities and voluntary organisations operating in the area of benefit;
- Providing high quality, vocational and non-vocational, learning opportunities

Action:

Whatever structure is adopted for the Suffolk Learning Consortium it is vital that the organisation has clear aims and objectives. Intended to form the basis for discussion, Appendix 3 illustrates [draft] aims and objectives for consideration.

¹⁰ West Yorkshire Learning Consortium; Nottingham and Nottinghamshire Voluntary and Community Sector Learning and Skills consortium

4.5 Potential for Conflict / Duplication

Whilst there is a clear desire by the Suffolk LSC to simplify their contact with the voluntary sector in Suffolk this approach may present significant challenges, particularly to existing infrastructure organisations and voluntary sector training providers.

There is a view that setting up yet another infrastructure body will add further pressure on already limited resources, be seen as a competitor to those organisations already delivering the LSC agenda and have the potential to confuse potential service users.

However, it is envisaged that the role of the Consortium would be restricted to assisting in the development of other organisations to deliver training rather than be a deliverer itself and its key focus would be to deliver all of the functions referred to in para 4.1 above from a training and development perspective.

This approach would provide the clarity required to ensure that the potential for conflict/ duplication was minimised. However, it raises the question as to what “products” and services could be developed by and on behalf of the consortium as part of future income generation activities.

Action:

It is proposed that a facilitated event be held as soon as possible to:

- discuss areas of potential conflict/ duplication
- clarify/ re-affirm the intended aims and objectives (mission);
- Secure consensus on the most appropriate structure
- Determine the “area of benefit”
- Agree an operating name for the organisation

5. Products and Services

Before a “menu” of products can be developed (a key requirement before any Business Plan can be developed) the potential for conflict with existing VCS providers must be rectified. This will require clarity as to the role and functions of the consortium and the confidence that other VCS providers are/ will be sufficiently well informed about what services the consortium will be offering.

6. Action Plan

The setting up of any new organisation is never easy. There are, however, very clear benefits for partnership development and the development of a VCS Learning Consortium which is supported by the LSC has the potential for positive outcomes.

However, for this to happen it is essential that all parties who may feel affected by the change have an opportunity to help shape and direct the consortium. It is, therefore, proposed that a facilitated event be held as soon as possible (ideally end of January/ beginning of February 2008) to:

- Clarify/ re-affirm the intended aims and objectives of the Suffolk VCS Learning Consortium
- Discuss areas of potential conflict/ duplication
- Determine the “area of benefit”
- Clarify the functions of the Suffolk VCS Learning Consortium
- Secure consensus on the most appropriate structure
- Agree an operating name for the organisation
- Outline products and services to be delivered through the consortium

Appendix 1: Learning Consortia in England

CVS Community Partnership (Leicestershire)
 Coventry and Warwickshire Learning Consortium
 Cumbria Learning Links (formerly Cumbria Voluntary Sector Training Network)
 Derbyshire Learning and Development Consortium
 Dorset Voluntary Sector Training Consortium (supporting regional consortium development)
 Greater Manchester Centre for Voluntary Organisations
 Norfolk Voluntary Organisations Learning and Skills Service
 Herts Training Consortium
 Humberside Learning Consortium
 Lancashire Learning Consortium
 Learning + (Devon, Cornwall and the Isles of Scilly)
 Learning Curve Swindon and Wiltshire
 London Voluntary Sector training Consortium
 North West VCS Learning and Skills Network
 Enable (Nottingham and Nottinghamshire Voluntary and Community Sector Learning and Skills Consortium)
 Shropshire Voluntary Sector Training Providers Consortium
 South Yorkshire Voluntary and Community Sector Training Consortium
 Sussex VCS Learning Consortium
 Voluntary Sector Training (Essex)
 Voluntary Sector Training Alliance (Somerset)
 West Yorkshire Learning Consortium
 Working Together Tyne and Wear

Appendix 2: Learning Consortia Registered with the Charity Commission

As of December 2007, the following organisations were registered with the Charity Commission:

Reg. No.	Charity Name	Registration Date
1117851	Coventry and Warwickshire Learning Consortium	06 Feb 2007
1114168	Derbyshire Learning and Development consortium	11 May 2006
1090735	The Learning Curve Voluntary Sector Development	21 Feb 2002
1105746	Nottingham and Nottinghamshire Voluntary and Community Sector Learning and Skills consortium	06 Sep 2004
1119172	Voluntary Sector Training alliance	14 May 2007
1100520	West Yorkshire Learning consortium	04 Nov 2003

Appendix 3: Draft Aims and Objectives¹¹

VISION

To be a lead consortium in Suffolk for the strategic development of effective learning and development in the voluntary and community sector

MISSION

To provide a mutually beneficial consortium structure for voluntary and community sector learning providers in Suffolk, in order to support and enable all member organisations to access funding, develop their capacity and achieve high standards of quality and performance in meeting the needs of learners and in tackling disadvantage and advancing equality and social inclusion

AIM

The [insert name] exists to:

- Promote the interests of the Suffolk VCS to key strategic bodies in the field of learning and development
- To support the development of voluntary and community organisations as users and providers of learning and skills development
- To act as a co-ordinator of partnership bids to attract LSC and other relevant funding
- Empower and improve the capacity of the Voluntary & Community Sector to meet learner needs by providing high quality learning and development for its personnel, service users and communities.

Objective One:

To consult and represent the VCS on learning and development issues to the LSC and other bodies in the public, voluntary and private sector.

- Continue to develop an effective relationship with the LSC at local, regional and national level.
- Develop relationships, as appropriate with other potential public funders.
- Participate in forums at all levels e.g. One Voice Suffolk, Suffolk Children and Families Voluntary Sector Forum
- Continue to increase Consortium membership and increase contact with and participation of all members.
- Develop effective methods for consulting members and the wider sector e.g. surveys, learning forums, working groups.
- Act as a voice for the VCS to a range of strategic partners on learning and development issues where a county wide perspective is needed

¹¹ Extracted from Derbyshire Learning and Development Consortium web site

Objective Two:

Provide information and support to members and the wider VCS on learning and development and workforce development policy and quality assurance to enable them to engage fully with the learning & skills agenda.

- Keep abreast of policy and funding developments, contributing where possible.
- Develop and maintain a wide range of ways of disseminating information and best practice e.g. learning forums, workshops, e-newsletters, action learning sets and web site.

Objective Three:

To increase the capacity within the VCS to identify, plan for and deliver quality assured learning and workforce development.

- Provide access to accreditation and qualifications for learners for example continuing to develop Open College Network (OCN), ASDAN and City & Guilds Accreditation Centres.
- Support members to develop high quality bespoke learning and development opportunities for their staff, volunteers, services users and communities (i.e. by curriculum development, access to accreditation etc.).
- Provide a tutor development programme for tutors and other relevant staff and volunteers working in the VCS.
- Identify the training needs of the sector and ways in which these can be addressed.
- Develop leadership and management courses and qualifications
- Develop models and processes for future VCS LSC and other partnership bids; encouraging collaboration, credibility, performing and competitive bidding
- Support VCS organisations to meet a range of appropriate quality standards e.g. PQASSO, Investors in People, the Adult Learning Inspectorate's (ALI) Common Inspection Framework (CIF).
- Identify and secure funding to support and enable VCS build their capacity and deliver high quality learning and development opportunities.
- Provide VCS organisations with information about funding opportunities in relation to learning and development and how such funds may be accessed

Objective Four:

Facilitate collaboration, within the sector and with other sectors, to widen participation in learning and increase achievement.

- Promote a collaborative approach to county wide/ regional funding in relation to learning and development. Work in partnership across sectors to create new opportunities to develop delivery of new curriculum to meet identified needs.
- Explore possibility of developing partnerships to improve access to Information, Advice and Guidance for learners and personnel from the sector.
- To broker relationships to enable skills gaps in the sector to be addressed by resources within or outside the sector.
- Where appropriate act as lead body for tenders, and other funding applications, for funding to enable members to deliver learning and development. E.g. LSC funding.

- Manage contracts for delivery of learning delivered by members and other agencies to ensure outputs and outcomes delivered within agreed quality framework and timescales.
- Develop regional partnerships to further SLDC objectives e.g. with the other Learning & Development Consortia in the Eastern region.
- Link Consortium work to Block 4 (LAA) targets and feed into planning and IAG processes
- Encourage the growth of a wide membership, reflecting the full diversity of the voluntary and community sectors in the county, with particular commitment to supporting small groups and organisations

Appendix 4: Types of Organisational Structure

Unincorporated Body

An unincorporated body is a group of persons bound by a common purpose and a set of rules or procedures, and not incorporated as a company or an industrial and provident society or by an Act of Parliament or royal charter.

Unincorporated organisations are not recognised for legal purposes as being legal entities. The law recognises only the individuals who make up the organisation.

If the organisation cannot meet its financial obligations or gets into legal trouble, the members of the governing body have unlimited personal liability. In some situations this liability could extend to all the members of the organisation.

For voluntary organisations, the main forms of unincorporated organisations are the:

- Unincorporated association (typically a membership body)
- Trust (typically used when a small group will manage money or property for a specific purpose or purposes)

If the purposes of an unincorporated body are wholly and exclusively charitable, it is then a charitable association or charitable trust.

Unincorporated Association

An association is formed when a group of people come together:

- For an agreed lawful purpose of benefit to themselves or others;
- For a purpose which is not to make a profit for themselves or others;
- With the intention (even if it is not explicit) of creating a legal relationship among themselves

An association is unincorporated if it is not registered as a company or an industrial and provident society and is not incorporated under statute or royal charter.

An unincorporated association may be an appropriate structure if:

- The organisation does not expect to own significant property or to employ staff, will have a secure income, and will not undertake risky or financially burdensome activities; and
- It wants to be a membership organisation; and/ or
- It wants more privacy than it could get as a company or industrial and provident society

Trustee incorporation is a process by which the governing body (the charity trustees) if a charitable unincorporated association¹² can incorporate, without incorporating the organisation as a whole as a company limited by guarantee or industrial and provident society¹³.

This gives them legal personality and permanent succession and the right to own property, enter into legal agreements and take legal action in the name e.g. the trustee body as a whole rather than in the name of individuals.

¹² Or charitable trust

¹³ Charities Act 1993 ss 59-62

It does not, however, limit the liability of members if the governing body or the organisation. They still have the same responsibilities and liabilities as if the organisation was unincorporated.

Trustee incorporation involves making an application to the Charity Commission and might be appropriate if the organisation:

- Is a registered, exempt or excepted charity
- Owns or expects to own property or investments and / or is involved or expects to be involved in leases or long term contracts; and
- Does not consider that it needs the additional protection it would get by incorporating the charity as a company or industrial and provident society

Incorporation

It is sensible to consider incorporation if an organisation:

- Employs or expects to employ staff;
- Owns or expects to own land, buildings, investments or other substantial property; or
- Is, or expects to be, involved in activities, leases or contracts where there is financial risk

There are many different types of companies, all with slightly different legal characteristics.

Before deciding whether to incorporate, the main points to be aware of are:

- An incorporated organisation exists as a legal entity separate from its members, and can own property, enter into contracts and take other legal action in its own right rather than having to do it in the name of individuals as an unincorporated body must do;
- There are a variety of forms of incorporation, but some forms of incorporation are not appropriate for voluntary organisations;
- Most voluntary organisations which choose to incorporate become a private company limited by guarantee, with smaller numbers becoming an industrial and provident society (IPS);
- In most incorporated organisations the members have limited liability, so they are protected from unlimited personal liability if the organisation cannot meet its financial obligations;
- A company or IPS is governed by directors¹⁴, who in most situations have limited liability if the organisation cannot meet its financial obligations but who may in some situations be made personally liable;
- Company law requires a certain amount of paperwork, and the people responsible for managing a company may be fined if it does not comply with the requirements

Advantages

- It is flexible and can be adapted for any size and type of voluntary organisation
- It is widely understood by solicitors and funders

¹⁴ Often called the management committee, trustees or something similar

- The structure is intrinsically democratic
- It nearly always gives limited liability to the members of the organisation and its governing body. An incorporated organisation is liable for its own debts if the organisation doesn't have enough money to pay them. If it does not or cannot pay its bills creditors can take legal action against the organisation and very
- When an organisation incorporates it takes on a legal personality as a corporate body or body corporate. It can in its own right enter into contracts, rent or own property, take legal action and be sued
- Because an incorporated organisation can enter into legal agreements there is no need to appoint holding trustees, custodian trustees or a nominee company to hold its land building or investments.
- It has permanent succession, which means there is no need to transfer contracts, leases or other legal agreements to new signatories

Private Limited Company

A voluntary organisation incorporates as a company becomes a private limited company. Most voluntary sector companies can choose not to use "limited" as part of their name.

A private limited company may be limited by shares or limited by guarantee.

Company Limited by Shares

A company limited by shares has members who each purchase at least one share in the company. Private companies limited by shares can invite people to invest in them through buying shares¹⁵ but cannot raise money by selling their shares on the stock exchange.

Members can be individuals or corporate bodies.

Company Limited by Guarantee

A company limited by guarantee does not issue shares. Instead the members promise (guarantee) to contribute a sum (usually £1 - £10), if the company becomes insolvent and is wound up. Their personal liability to the company is limited to this amount.

The vast majority of voluntary organisations which incorporate become private companies limited by guarantee and not having a share capital.

The company limited by guarantee structure is suitable if:

- The organisation has decided to incorporate
- It wants a flexible structure suitable for any size organisation;
- The people involved are prepared to ensure that the administrative responsibilities under company law are dealt with;
- They do not mind the public having access to the registers of members and directors; and
- The industrial and provident structure is not suitable, or is suitable but has been rejected as an option

¹⁵ Subject to FSA 1986

Charitable Interest Company

A relatively new incorporated structure for charities, having the advantages of legal identity and limited liability but without the overly burdensome paperwork and the confusion of dual charity/ company accountability.

All CICs must be one or other of the two most common forms of company: companies limited by shares and companies limited by guarantee.

As limited companies all CICs:

- will be registered at Companies House with a unique company number
- and will be required to prepare and file accounts and other important documents and regular returns with Companies House;
- will be subject to general company law as set out in the Companies Act 1985 and other relevant legislation, as well as the common law of companies built up from decisions taken by the courts over many years;
- will have Memorandum and Articles setting out key information about them, and their own internal rules, which, together with other important documents must be kept up to date on the public register kept by Companies House;
- will have members and at least one director and a secretary (see below) and in most cases employees.

Like all other companies CICs will have a number of stakeholders such as members, directors, employees, customers etc, but it is an important principle that a CIC should have particular regard to its major stakeholder i.e. the community which is intended to benefit from its activities.

The CIC Annual Report has to show specifically what the CIC has done to benefit the community and how it has consulted those affected by its activities and the outcome of such consultation.

The involvement of stakeholders should therefore be integrated in the corporate governance of the CIC. The extent of this will clearly vary according to the size, purpose, geographical extent etc of the CIC and the cost needs to be proportionate to the scale of the operation.

The remuneration of directors is an important and sometimes controversial area of company policy. As far as CICs are concerned, the key points are as follows:

- Directors may be paid for their services to a CIC.
- CIC director's remuneration should never be more than is reasonable.
- CIC directors' remuneration arrangements should always be transparent.
- The Regulator – or the members of a CIC – may take action if a CIC director's remuneration appears to be too high.

Two aspects of the legal framework which applies specifically to CICs, and not to other companies, are the community interest test and the asset lock.

The community interest test requires CICs to conduct their affairs in such a way that a reasonable person might consider that their activities are being carried on for the benefit of the community. The legislation also provides that a CIC which carries on activities that a reasonable person might consider only benefit its own employees will not satisfy the community interest test.

For example, a CIC may not satisfy the community interest test if it is ostensibly established to benefit the community by devoting the profits from its trading activities to charitable or other community causes, but in fact consistently sets its directors' remuneration at a level which means that the company is left making little or no profit for distribution to these good causes.

The asset lock is the mechanism which ensures that a CIC's assets are used for the benefit of the community. It is embodied in the requirement that every CIC must include in its articles a prohibition on transferring any of its assets other than for full consideration (subject to certain limited exceptions, such as gifts to charities or the payment of dividends subject to the dividend capping rules).

In the context of directors' remuneration, "consideration" means the value which the company (and through it, the community) gets from having a particular individual as a director in return for transferring some of its assets to that individual by way of remuneration.

Put simply, if a CIC pays its directors more than they are really worth to it and the community which it serves, it may well be breaching the asset lock. Such a breach may give rise to legal action.

Industrial and Provident Societies

A less common form of incorporated organisation, in which members agree to purchase one or more shares.

The IPS structure is available only to bona fide cooperative societies, and to voluntary organisations carrying on an industry, trade or business for the benefit of the community.

Cooperatives

A bona fide cooperative:

- Carries on a business or trade for the mutual benefit of its members;
- Is democratically run by its members, with each member having one vote at general meetings; and
- Has rules (the governing document) which reflect the "Cooperative Principles"¹⁶

Some coops allow for the profits of the business to be distributed to the members. Other coops are set up on a not for profit basis, using any profits solely for the objects of the coop.

To be legally charitable an organisation must show that it operates "for public benefit" and not solely for the benefit of a small, limited group of members.

A coop is not obliged to register as an IPPS. Depending on the sort of coop it is, it may be unincorporated as a partnership or association, or may incorporate as a company limited by shares or by guarantee.

¹⁶ Agreed in 1966 by the International Cooperative Alliance Commission on Cooperative Principles

Community Benefit Societies

If an organisation is not a genuine cooperative, it can register as an IPS only if:

It is carrying on some sort of industry, trade or business which is in the interests of the community;

- It will benefit people other than, or in addition to, its own members;
- All profits made from the business will be applied solely for the benefit of the community; and
- There are convincing reasons why it should be registered as an IPS rather than a company limited by guarantee

Community Businesses

There is no agreed definition but the term is generally used to refer to businesses which are run in a commercial way e.g. café or bookshop, but which are run by an elected unpaid committee and whose profits must be reinvested in the business or in other community activities. A community business can register as a community benefit IPS, company limited by shares or company limited by guarantee

Charitable IPS's

If a community benefit IPS is set up exclusively for charitable purposes and all profits will be used for those purposes, the IPS can apply to the Inland Revenue for recognition as a charity. If recognised it will be an exempt¹⁷ charity.

It is no longer possible for charitable IPS's to register voluntarily with the Charity Commission.

IPS's have all the advantages of incorporation; limited liability of members, legal personality, permanent succession and the right to own property and take legal action in their own name.

The legislative requirements are less detailed, intrusive and cumbersome than for companies, and the risk of prosecution for non-compliance is low.

An IPS may be suitable structure if:

- The organisation is charging for all or some of the services it provides;
- Suitable model rules already exist;
- It wants to avoid the detailed requirements of company law; and
- If it is charitable, it will be affected by not having a charity registration number

¹⁷ Exempt charities cannot register with the Charity Commission and do not have a Charity Commission registration number, but are eligible for the tax benefits available to charities.

Appendix 5: Diagnostic Tool-kit

The response to a series of questions should yield one or more forms of legal status that are likely to be appropriate to the organisation under review.

What's that social enterprise? A diagnostic toolkit for business advisors

The following exercises require you to extract information from members of the enterprise under review. "Members" are likely to be volunteer members of a management committee or similar, but may sometimes be members of staff, or even advice/development workers speaking on behalf of the organisation.

Diagnostic Test A

Is this business a social enterprise?

Explanatory note

The term "social enterprise" has no precise legal meaning and can, within limits, mean different things to different people. However, there are some key features one would expect to see in a social enterprise.

Diagnostic test

- If the answer to the following four questions is "yes", you are certainly dealing with a social enterprise.
- If the answer to any of these questions is "no", please read the accompanying notes and make enquiries of the members – then reach your own judgement.

<p>Social aims</p> <p>Does the enterprise have clearly-defined social objectives that guide its whole approach to business?</p>	<p>If the answer is "no":</p> <p>Possibly a private sector business where social aims are subordinate to conventional, commercial objectives.</p> <p>Ask the members: on what basis do they consider it to be a social enterprise?</p>
<p>Source of income</p> <p>Does a significant proportion of its income come from selling goods or services?</p>	<p>If the answer is "no":</p> <p>If the bulk of the organisation's income is (and will remain) in the form of grants and donations, ask questions about where the "enterprise" element of the project is. Maybe it should consider itself a voluntary sector organisation.</p> <p>If the organisation has little or no income, this may be an embryonic social enterprise if it expects to be trading significantly in the future.</p>
<p>Membership</p> <p>Does the enterprise feature a membership structure open to key stakeholders or the wider community? OR is it controlled by a charity or some other organisation (or organisations) with its roots within the community?</p>	<p>If the answer is "no":</p> <p>Who owns it? If a small number of self-selecting people, this would probably not be recognised as a social enterprise in most quarters.</p> <p>If membership issues are unclear or undecided, go to diagnostic test B.</p>

<p>Application of profits Are all trading profits re-invested in the business?</p>	<p>If the answer is “no”: Where do the remaining profits go? It is unlikely that this is a social enterprise unless surplus profits are given: To charities or non-profit organisations; or Back to customers as a form of rebate Some return on invested capital is acceptable provided it is capped in some way.</p>
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Diagnostic Test B

Who are (or should be) its members?

Explanatory note

The members of an organisation are ultimately its owners and hold key constitutional powers. Some form of social ownership is generally considered essential to ensure that the social enterprise will remain true to its social objectives over the longer term. Members may be individuals or other organisations.

Diagnostic test

These questions are addressed to the members of the social enterprise under review.

- If the answer to any of the following questions is “yes”, move on to the next one.
- If the answer to any of these questions is “no”, please read the accompanying notes and make enquiries of the members – then reach your own judgement.

<p>Do they know who the members are?</p>	<p>If the answer is “no” Check the Register of Members. If this is incomplete or missing – Try to deduce who the members are from behaviour, e.g. who attended the last AGM? Who do the key members think the other members are? If no agreement here – Identify founder members (signatories to constitution etc), and start building a membership list from here.</p>
<p>Do they know who the members should be? (e.g. users of the services, people living or working in the area, employees, etc).</p>	<p>If the answer is “no”: Check the membership clauses in the governing documents (constitution, articles of association etc). If these are unhelpful or vague, recommend amending them to reflect the original intention.</p>
<p>Are they certain they have adopted the most appropriate membership structure?</p>	<p>If the answer is “no”: Consider the three most common models within the social enterprise sector, the members responding to the question “to whom should we be accountable”? Users of the services or facilities provided; Providers of the services or facilities provided, e.g. employees; Members of the community served.</p>

	<p>Notes:</p> <p>Option (a) may be appropriate where there is a regular, steady customer base, rather than occasional purchasers; and where the enterprise is primarily financed from sales to these customers. Examples: childcare, specialist retailing.</p> <p>Option (b) may be appropriate where the enterprise is primarily financed from selling its goods or services to an open and changing market, and a primary aim is to create employment or income for its workers or suppliers. Examples: art and craft marketing, co-op employing people with disabilities.</p> <p>Option (c) may be appropriate where the enterprise is reliant to a significant extent on grants, donations, or voluntary effort, or where accountability to a wider community is actively sought. Examples: environmental projects, a village shop.</p>
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Diagnostic Test C

What is its legal status?

Explanatory note

Most social enterprises will have adopted one of the forms of legal status listed in the following table. Occasionally, a larger or more complex enterprise may have a tailor-made structure that does not match any of these standard forms, and will require further analysis. However, even in such rare cases the structure is likely to be made up of a combination of these basic elements.

Note that an organisation cannot simply be “a charity”. Charitable status is an overlay on one of the other basic forms of status. If a group claims to be just a charity, and nothing else, the chances are you are dealing with a charitable association. See the diagnostic tools that follow.

Diagnostic Test

Step 1

Ask the members what they think their legal status is, and whether or not they are also a charity.

Legal Status	Charitable Status?
Unincorporated association (Note 1)	None
	Registered charity
Unincorporated trust (Note 2)	None
	Registered Charity
Company limited by guarantee	None
	Registered charity
Company limited by shares (Note 3)	Not available
Industrial and Provident Society – co-operative (Note 3)	Not available

Industrial and Provident Society – society for the benefit of the community	None
	Exempt Charity
Partnership / limited liability partnership (Notes 3 and 5)	Not available
Friendly Society (Note 6)	None
	Exempt charity (note 4)
“Nothing” (Note 7)	None
	Registered Charity

Notes:

1. Note that the term “association” is used much more widely and loosely than simply as a proper legal term. If a group states, for example, that they are a “community association”, they could well be structured as a company limited by guarantee, or as an industrial and provident society – or as an association. Try to assess if they are using the term in a formal, legal context or as a more generic description of organisational type.
2. Note that the term “trust” is used much more widely and loosely than simply as a proper legal term. If a group states, for example, that they are a “development trust”, they could well be structured as a company limited by guarantee, or as an industrial and provident society, as an unincorporated association – or as a trust. Try to assess if they are using the term in a formal, legal context or as a more generic description of organisational type.
3. If the group says they are a company limited by shares, or an IPS co-operative, or a partnership – and also that they are a charity – they are almost certainly wrong. These legal forms cannot qualify for charitable status. Try step 3, below.
4. Not all charities in England and Wales are required to be registered with the Charity Commission; some are exempt from this requirement and are called “exempt charities”. In effect, they obtain charitable status from Inland Revenue. A difficulty here is that they will not appear on any search done at the charity commission (see step 3). If the organisation is a society for the benefit of the community or a friendly society and claims to be a charity, ask for their Inland Revenue charity reference number.
5. Note that the word “partnership” is used much more widely and loosely than simply as a proper legal term. If a group states, for example, that they are a “regeneration partnership”, they are extremely unlikely to be structured as a partnership in law. Such not-for-profit partnerships are sometimes no more than a loose collection of agencies operating under some agreed terms of reference, or they may be structured as associations or companies limited by guarantee. Try to assess if they are using the term in a formal, legal context or as a more generic description of organisational type.

If their basic legal form is in fact that of a partnership or a limited liability partnership, it is unlikely that most people would recognise this as a social enterprise. A change of legal status will be necessary if the organisation wishes to present itself as a social enterprise.

6. Friendly societies are very rare. It has not been possible to register a new friendly society since 1993. In the unlikely event that you do come across an established

social enterprise that is registered as a friendly society, recommend they convert to something else.

7. Should the group reply that they “aren’t anything”, it is quite likely that they will be an unincorporated association, as this is the default position for not-profit-distributing organisations that have not adopted any of the other legal forms. Try steps 3 and 4, below.

No result?

If the members of the organisation are unable to accurately identify their legal status, or if you lack confidence in their answers, you may try the following diagnostic test.

Step 2

Does the group have a GOVERNING DOCUMENT (a set of rules or constitution)?

- No. Go to step 3
- Yes. Obtain a copy. Look at the first page or two, probably near the top. Do you see any of the words shown in the left hand column?

Trust Deed or Deed of Trust	Probably an unincorporated trust. If there is evidence of an official stamp referring to a sum of money (e.g. “five pounds”) that is fairly conclusive evidence that this is a trust. To check whether this trust is a charity or not, go to step 3.
“Whereas the first trustees hold ... (sum of money)”	Almost certainly an unincorporated trust. To check whether this trust is a charity or not, go to step 3.
Constitution	Probably an unincorporated association. Look at the beginning and end of the document for the words “This constitution was adopted on... (date)”. The presence of these words will further point to it being an association. To check whether this association is a charity or not, go to step 3.
Partnership Agreement or Deed	Almost certainly a partnership. To check whether this is an unincorporated partnership or a limited liability partnership, go to step 4.
Memorandum of Association / Articles of Association	Almost certainly a limited company. To check that the company has been formally registered go to step 4. What sort of company? This should appear on the front page – either “a company limited by guarantee” or “a company limited by shares”. If not, the search at Companies house (step 4) will reveal this information. Is the company also registered as a charity? Go to step 3
Rules or Registered Rules	Not completely conclusive, but could well be an Industrial and Provident Society. If so, on the front page should be the words “registered under the Industrial and Provident Societies Acts”. To check, go to step 4. Co-operative or society for the benefit of the community? Usually this can be gleaned from the objects clause, which will be around clause 3 in the rules. A co-operative will be run for the benefit of its members. A society for the benefit of the community will be run for the benefit of the wider community or some section of it.

Registration number	If a registration number appears, this will be a useful clue. Four or five digits followed by the letter "R" will mean it is an Industrial and Provident Society. Go to step 4 to confirm. A few digits followed by "SAS" or "BEN" or some other combination means you have an archaic friendly society, which should probably become something else as soon as possible. Six or seven digits could be either a charity or a company registration number. Go to steps 3 and 4 to check.
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If the results of step 2 are inconclusive, try steps 3 and 4

Step 3

Visit the charity commission web site at <http://www.charity-commission.gov.uk>

Click the tab "registered charities" and follow the instructions for conducting a search. If you find the organisation listed, the entry will also say what its legal status is. A copy of the governing document may then be ordered from the Charity Commission.

Step 4

Visit the Companies House web site at <http://www.companieshouse.gov.uk>

Click the tab "company information" and follow the instructions for conducting a search. If you find the organisation listed, the entry will also say if it is a company limited by guarantee, a company limited by shares, a limited liability partnership or an Industrial and Provident Society. A copy of the governing document may then be ordered from Companies House (or if it is an Industrial and Provident Society, from the Financial Services Authority, Mutual Societies Registration Department).

Step 5

If none of the above yields a positive result, suggest that the group asks their bank manager or any other funding bodies if they have on file a copy of the governing document. Then proceed to step 2.

Step 6

If all of these fail, the chances are the group is an informal association. Use the status finder exercise with them to identify a suitable structure.

Diagnostic Test D

Is this the most suitable legal structure?

Explanatory note

A social enterprise may or may not have paid adequate attention to selecting the most appropriate legal structure when it was setting up. If the members are familiar with their legal structure and happy with it, all well and good. If not, this final test may be conducted to see if they would be better off as something else.

Diagnostic test

Work through the status finder exercise with the group. Although the exercise is structured as a series of multiple-choice questions, the intention is that each question should form the basis of a short discussion around the subject area, to encourage the group to consider different options and weigh up their relative merits.

STEP 2 - Status Finder

The response to a series of questions should yield one or more forms of legal status that are likely to be appropriate to the organisation under review.

The main options for legal status available to organisations in our sector are:

1. Unincorporated Association
2. Trust (Unincorporated)
3. Industrial & Provident Society (“Society for the benefit of the community”)
4. Industrial & Provident Society (“Bona-fide co-operative”)
5. Company Limited by Guarantee
6. Company Limited by Shares
7. Limited Liability Partnership (“LLP”)
8. Community Interest Company (“CIC”)

As you go through the questions, the response will lead to some of these options being deleted. Once complete, if there is only one option left, then that is the legal form that may be most appropriate for the group. If there are two or more options remaining, then the group can probably choose freely between them. If there are no options left then you have a problem!

1. Does the organisation have a membership (with the right to vote) in addition to those individuals who are members of the governing body?

Yes	Delete TRUST (unincorporated) and LLP
No	Delete UNINCORPORATED ASSOCIATION

If the response to question 1 was “no”, ignore question 2 and move straight to question 3.

2. Are a majority of the members of the governing body elected by and from the membership on a one member, one vote basis?

Yes	Do nothing
No	Delete both INDUSTRIAL & PROVIDENT SOCIETY options

3. Who is entitled to become a member of the organisation?

Anyone who applies; no criteria	Delete TRUST (unincorporated) and IPS (co-operative) and LLP
Anyone who meets specified criteria (e.g. using the services provided; employees; living in the area of benefit)	Delete TRUST (unincorporated)
Individuals by invitation only	Delete UNINCORPORATED ASSOCIATION and IPS (co-operative)

4. To whom are the services/facilities of the organisation available?

Members only	Delete TRUST (unincorporated) and IPS (society for the benefit of the community) and LLP
People or organisations who are not members	Do nothing

5. Does the organisation now (or will it in the near future) employ staff on permanent contracts?

Yes	Delete TRUST (unincorporated) and UNINCORPORATED ASSOCIATION
No	Do nothing yet

6. Is the organisation now (or does it anticipate) trading regularly where risk is involved; borrowing money to any degree; or entering into long term contracts such as leases?

Yes	Delete TRUST (unincorporated) and UNINCORPORATED ASSOCIATION
No	Do nothing yet

*If the response was "no" to **both** questions 5 and 6, delete both COMPANY, both INDUSTRIAL & PROVIDENT SOCIETY options and Community Interest Company.*

7. Will the organisation seek to raise capital from members or others through the sale of shares?

Yes, from members only	Delete TRUST (unincorporated) and UNINCORPORATED ASSOCIATION and COMPANY LIMITED BY GUARANTEE and LLP
Yes, from non-members (maybe as well as members)	Delete TRUST (unincorporated) and UNINCORPORATED ASSOCIATION and COMPANY LIMITED BY GUARANTEE and LLP and both IPS options
No	Delete COMPANY LIMITED BY SHARES

8. If the organisation generates a financial surplus, will it be able to distribute any of this amongst its members – either while running or on winding up?

Yes	Delete TRUST (unincorporated) and UNINCORPORATED ASSOCIATION and IPS (society for the benefit of the community)
No	Delete LLP

STEP 3 - Social Enterprise MATRIX

How to use the MATRIX

Step 2 – Status Finder will have provided you with a legal structure that may suit the needs of the group. By referring to this structure on the left hand side of the MATRIX you will find all the relevant ‘type’ of social enterprise indicated by stars.

By referring to the ‘Defining questions’ under the relevant ‘type’ you should locate at least one type of social enterprise that would suit the needs, management style and requirements of the group.

Please note that if more than one type is indicated it will be necessary to help the group to choose according to the trading they wish to undertake and/or the robustness of their income generating potential.

The ‘Descriptors’ on the right hand side of the MATRIX are a way of checking the results of the Status Finder.

The following are options for social enterprise types – ways of operating within the legal framework of the organisation’s governing document.

The types listed do not provide definitive answers as to how a group should establish or develop its work – this will depend on many other criteria that you, as a business adviser, will need to take into consideration.

Remember of course that while some legal structures are incompatible with others, many operating models can incorporate one, two or more defining features – it is possible to be a Development Trust, a Community Interest Company and a Community Co-operative – all registered as a company limited by guarantee.

The following are suggested by the primary focus of the activities that the social enterprise wishes to undertake. The answers are not definitive but will enable a general business adviser to refer clients to the appropriate specialist agency.

If the **primary focus** of the social enterprise is to create jobs for people who might not get a job in the mainstream labour market, then it could be a **Social Firm** or a **Co-operative**.

If the **primary focus** of the social enterprise is to own assets, such as land or buildings on behalf of a community of place or interest, then it could be a **Development Trust**.

If the **primary focus** of the social enterprise is to own an asset that was previously owned by a public authority and where the community ownership needs to be protected in perpetuity, then it could be a **Community Interest Company**.

If the **primary focus** of the social enterprise is to create a democratically run organisation that is accountable to its members – its employees, its customers or the community, then it could be a **Co-operative**.

If the **primary focus** of the social enterprise is to hold financial assets that it will lend to individuals who share a common bond, then it is likely to be a **Credit Union**.

If the **primary focus** of the social enterprise is to enable an existing voluntary organisation with charitable status to trade, then as long as it is trading within its primary objects it can carry on as a charity. However, if it wants to trade in other activities, it can set up a **trading arm** using a number of different structures.

STEP 3 - MATRIX FOR SOCIAL ENTERPRISE LEGAL STRUCTURES

Legal Structure options	Type of Social Enterprise								Descriptors
	Co-operative	Development Trust	Social Firm	Credit Union	Trading with social benefit	Charity subsidiary	Intermediate Labour Market	Community Interest Company	
Unincorporated Association									Unlimited liability, inadequate for trading purposes
Company limited by guarantee	★	★	★	★	★	★	★	★	Unpaid Directors, members guarantee shares
Company limited by share	★				★	★		★	Directors and share dividends can be paid
Trust		★							Asset holding and/or grant making
Charity		★	★		★		★		Service delivery and/or grant making
Industrial and Provident Society	★			★	★		★		Regulated to ensure security of operation and to protect members' interests
Limited Liability Partnership	★				★				Requires the Partnership agreement to specify the social objective
Public limited company								★	Quoted on the Stock Exchange
Defining questions	Do the participants wish to act collectively?	Does the structure conform to the Development Trust Ass. requirements?	Is there an intention to employ the beneficiaries (at least 30% of the workforce)?	Does the structure conform to the Credit Union Act requirements?	Is there a social as well as a profit objective?	Does the charity intend to trade outside its primary objects?	Is there an intention to employ the beneficiaries, prior to employment in the general labour market?	Is trading the main objective?	

NOTE: Although there may be more than one legal structure option for any given social enterprise it will be necessary to choose the most appropriate for the type of trading and for the income generating potential

Appendix 6: References

- Local Voluntary Sector learning consortia - a NIACE briefing paper, 2004
- VCS contribution to Public Service Delivery - Care Equation Ltd, July 2006
- VCS contribution to Public Service Delivery in Suffolk, SACRE July 2006
- The Voluntary Sector Legal Handbook; Adirondack and Taylor
- Charity Commission web-site