Becoming an organisation



Do we need a formal structure?

Voluntary groups can often begin as a collection of people who work together in an informal way without a formal structure. This informal arrangement may work for very simple activities but if the group's work develops into something bigger you will need to decide whether your group should have a formal structure. This could take it on the path to becoming an organisation.

You should consider formalising your group if:

- You want to access funding
- You want to take on an asset e.g., a community building
- You are concerned about being financially liable for the group
- You want to take on volunteers and possibly staff in the future
- You want to enter into any type of contract
- You want to protect the people involved in your activities

You will need to be clear about how the group is going to be funded. This will make a difference to the type of legal structure for your group and whether it could become a charity or a social enterprise.

Formalising the structure of your group will involve:

- Writing a governing document (also called a constitution). A governing document is a set of rules for the group which make it clear what you will do and how you will operate. (You will find more information about this is the governing document section)
- Finding enough people (at least three is good practice) to act as the governing body for the group

If you decide to formalise your group by adopting a constitution it will become a constituted group. It is important to note that the people on the governing body will be personally liable for the actions of a constituted group (as it is not incorporated). Depending on the group's activities and the money involved this might not be appropriate, in which case you should think about whether your group should be

incorporated. This is explained in the Managing liability section.

Decide how you will run your group

If you want to formalise your group, you will need consider the best type of legal structure for the organisation you are aiming to create. You will need to think about how your group will make decisions and the roles and responsibilities of the people who are involved in running it. You will also need to be clear about how your organisation is going to pay for its activities.

We have set out some things to consider below:

Who will be the Trustees / Management committee / board?

The individuals that make decisions on behalf of your group are trustees, as they have taken on the responsibility of running the organisation so that it can carry out its purpose. While these individuals may be given different titles, such as trustees, or management committee members, they are collectively responsible for the control and management of the group and will have roles and responsibilities that will be set out in the group's governing document and, if relevant, charity and company law. You should have at least three Trustees in place from the start, but more than three is best practice and recommended if you want to grow the organisation

If your group becomes a company the Trustees will also be company directors.

When we talk about the Trustees collectively they may be called the board of trustees or the management committee.

Being a Trustee is a very important role and should not be taken on without an understanding of what is required. A word that is used a lot in relation to the responsibilities of the board of trustees is 'governance'. Governance is the process by which the board of trustees ensure the organisation is run effectively. This is an important topic and can find out more about it in our Governance section.

When first setting up your group you are likely to appoint Trustees from people that you know who have agreed to support the work of the group. However as soon as you can, you should think about whether the Trustees collectively have the range of knowledge, skills and experience that is needed to govern your group. This includes having people that understand your local area and the people or causes that you are trying to help. You should recruit people on that basis and this may mean that you will need to advertise for Trustees.

More information about how to recruit Trustees is available in our Governance section.

Will you have a wider Membership?

You will need to decide on the membership of your group which will have implications for the structure, and the way decisions are made. A group may have members that have legal powers to influence the way that the group is run. These are called 'constitutional members' and they have power to do things like changing the group's governing document or appointing or removing people from the management committee. (This

is different from people who receive a benefit from the organisation who might also be called members). The members may be the same people as those who are the trustees (a foundation model) or a bigger, wider group of people (an association model). Your choice of membership will be reflected in the legal structure of your group.

Other sources of information

SCVO

SCVO have a page about decision making and governance which covers members and trustees

NCVO

NCVO's page about members is here

How will the group be funded? Or where will the group get its income from?

You will need to decide how your group is going to raise income. If you are looking to obtain grants to support your group then it's likely you will need to have an incorporated structure, and could consider charitable status as some sources of grants are only available to charities. If you are looking to raise money through selling goods and services then you may be operating as a social enterprise (which is a type of business rather than a type of structure) and a variety of legal structures will be available to you.

Will you be taking on volunteers and staff?

As your group develops into an organisation it is likely that you will want to involve others in your activities so you may look to recruit volunteers. These people may not be involved in the running of the organisation (as Trustees or members) but can still take on responsibility in their capacity as a volunteer. You will find information to help you with recruiting, managing and looking after your volunteers in our Volunteer section.

It is important that you remember that, even if your group has staff working for you or volunteers carrying out tasks, it is the trustees who will have ultimate responsibility for the running of the group and everything it does.

Some groups that have sufficient income also take on staff to support and deliver the group's activities. Employing staff creates additional legal responsibilities and requirements in terms of managing people. There is an information sheet about Employing staff for the first time on the Knowledge Hub which will help you with this. If you want to employ staff, it is recommended that you consider an incorporated legal structure to reduce the liabilities for the trustees.

Advice about working with staff and volunteers is available to voluntary organisations through the network of local voluntary councils (CVCs).

It can be difficult to make decisions about how your group will be run, and make sure you're considering all the implications. Your local county voluntary council will be able to help you work through these options so we would recommend that you contact them.

Managing liability – should you be Incorporated or Unincorporated?

If you decide to constitute, your group's structure will either be incorporated or unincorporated and this will relate to the way that you manage liability or risk.

An **incorporated** group exists in its own right and has a separate legal identity from the individual people that make up the group. This means that the group can enter into contracts and own property in its own name. It also means that the group's members have limited liability for the debts of the group.

An **unincorporated** group has no separate legal identity from the people that run it. This means that any contracts the group enter into would need to be in the names of individuals and they would also be personally liable for any debts that the organisation cannot pay.

If you are planning to enter into contracts, raise significant amounts of money including from grants or employ any staff then you should consider becoming incorporated.