

# Getting Going

## Third Sector Workbook 1



Improving support  
for a stronger third sector



LOTTERY FUNDED



**ACTion**  
with communities  
in cumbria

## The Third Sector Workbook Series

This publication is one of a series of workbooks that have been developed to help organisations to manage their activities and finances effectively.

The workbooks have been developed by a group of organisations working together. These are:

- Action with Communities in Cumbria
- AWAZ (Cumbria)
- Cumbria Disability Network
- Cumbria Youth Alliance
- Young Cumbria

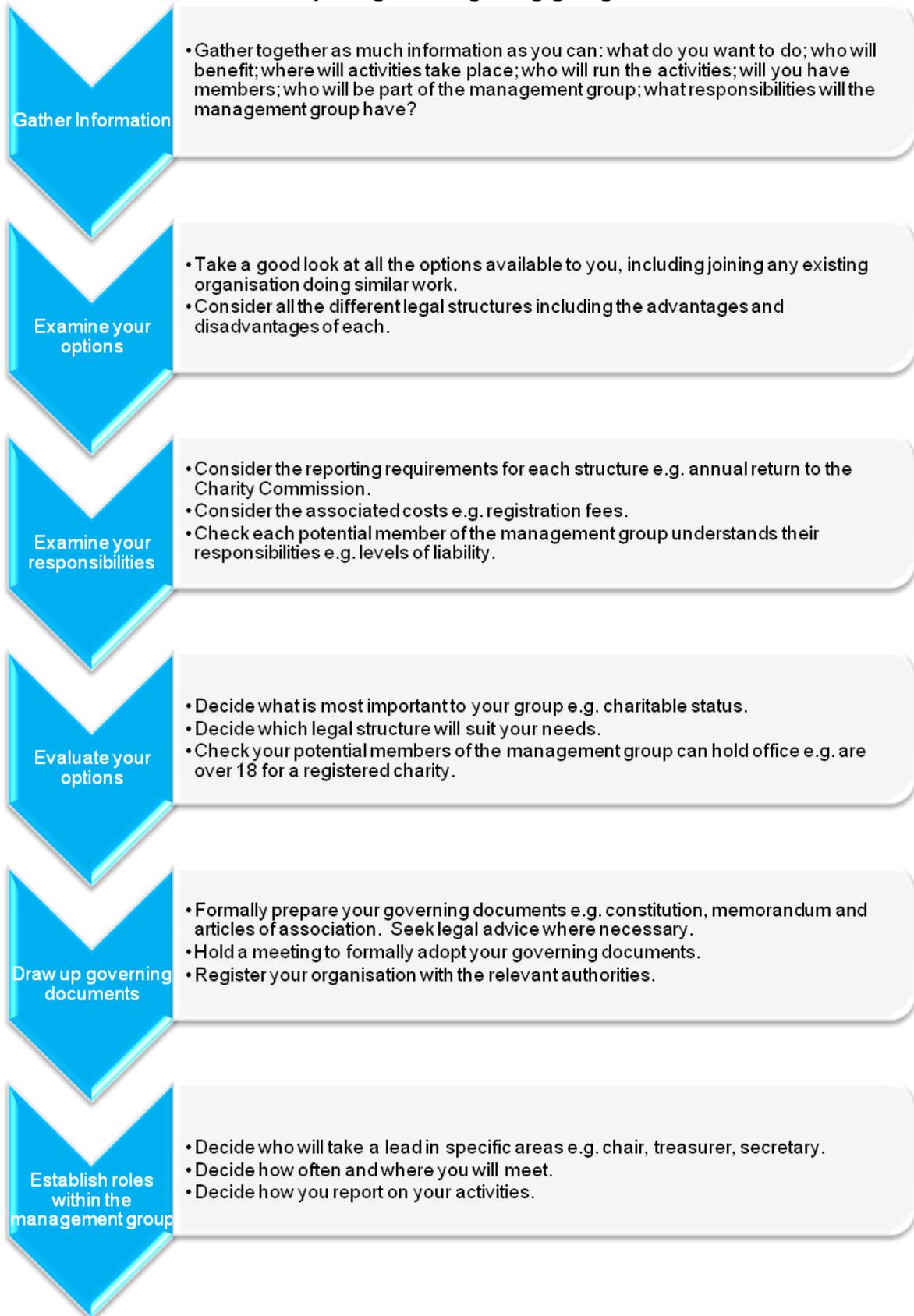
Their joint work has been funded by Capacity Builders (Improving Reach) and the Big Lottery Fund (BASIS).

Throughout the workbooks we have tried to use some terms consistently. The glossary below should help when you use them.

<b>When we say ...</b>	<b>We mean ...</b>
<b>Third sector</b>	Community groups, charities, social enterprises.
<b>Organisation</b>	Your group, club, society, village hall committee, trust, charity, etc.
<b>Stakeholders</b>	All the people with an interest in your organisation including clients, users, members, staff, volunteers, trustees, committee members and funders.
<b>Governing document</b>	The rules that set out what your organisation can do, who its members are and how it will be run e.g. constitution, articles of association, deed of trust.
<b>Infrastructure group</b>	Organisations, including those involved in developing this workbook, which provide advice and support to other third sector organisations.
<b>Management group</b>	Your managing committee, Board of trustees, directors – those people legally responsible for your organisation and its work.
<b>Activities</b>	Your projects, services, village hall facilities etc.

**Note:** The contents of this workbook are accurate only at the time of writing. Groups are advised to check with the latest good practice guidance from their local infrastructure group or by visiting the Charities Commission Website.

### A quick guide to getting going



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## Part 1 - Information

### 1. Introduction to the workbook

This workbook has been produced to help members of the community who are thinking of setting up a new group and are unsure of how to proceed.

Planning what type of **organisation** the group will be, right at the start, will help you to be clear about:

- What you are trying to achieve.
- What activities you will provide.
- Who you want to benefit.
- Where you will operate.
- Who will be responsible for the organisation.
- Who the organisation has to report to.
- How the organisation will be managed.

This is important because each type of organisation has its own:

- Legal responsibilities and liabilities.
- Advantages and disadvantages.

Appendix 1 contains contact details for further advice and guidance.

Having read this workbook and completed the Action Sheets in Part 2 you will be able to make an informed choice about your organisation's structure. You will also have an understanding of the management group's responsibilities.

## 2. What do we mean by legal structure?

Your legal structure refers to the type of organisation your group is going to be e.g. whether it will be unincorporated or incorporated (i.e. a separate legal person/entity in its own right); whether it will be for public or private benefit (charitable or non-charitable). The types of legal structure available are set out in section 4 on page 8.

### 2.1. Why do you need to choose a legal structure?

Your legal structure shapes the management of your activities. Being clear about your rules helps your **management group** and your **stakeholders** understand:

- What you can do.
- Where you can operate.
- Who can be members and have voting rights.
- Who can be shareholders and receive dividends.
- The type of trading activity you can undertake.
- Who can be paid.
- What your governing documents are called.
- What your management group is called.
- Who is legally responsible.
- Who you have to report to.

#### Remember

Once your organisation has agreed its rules you have to stay within them.

### 2.2. Who chooses the legal structure?

The legal structure is decided by the people who are prepared to develop the activities. Some structures i.e. Community Interest Companies can be formed by an individual; however it is usual for a group to take charge.

Involving interested parties in making the decision is important; people are more likely to buy into a group they have helped to form. Imposing one person's opinion can lead to a split in the organisation before it has got off the ground. Coming to an agreement can be difficult, so it is best to be as logical as possible, avoid personal preferences and work through all the options.

### 3. Gathering information

The structure you choose will depend on your circumstances; what you want to do and how you want to operate. You need to think about the following:

- Your purpose and activities (objects). Why you want to start a new organisation, what you want to do. There are many reasons to start a new group e.g. lobbying against a proposed development; meeting a need for local people; offering support and advice for people in difficult circumstances; attracting funding for an existing informal group.
- How you will fulfil your purpose (powers).
- Who you want to benefit. You may have a specific set of people in mind e.g. young people or you may want to provide activities for everyone in a given geographical area e.g. a specific Parish.
- The scale of your activities. When your income reaches a certain level you have to have audited accounts.
- Who will run the organisation– whether the management group are working voluntarily or if they expect to be paid.
- Volunteers and employees - an organisation running activities supported entirely by volunteers has different needs to one employing a number of staff.
- Membership – whether you want members with voting rights.
- Personal liability – whether the management group are happy to be personally liable.
- Income – whether your income will come from fundraising activities, grants or trading.
- What happens if you want to change your rules or if you decide to wind up the activities.

At this point you might like to complete Action Sheet 1 *Your Circumstances* on page 21.

#### **Remember**

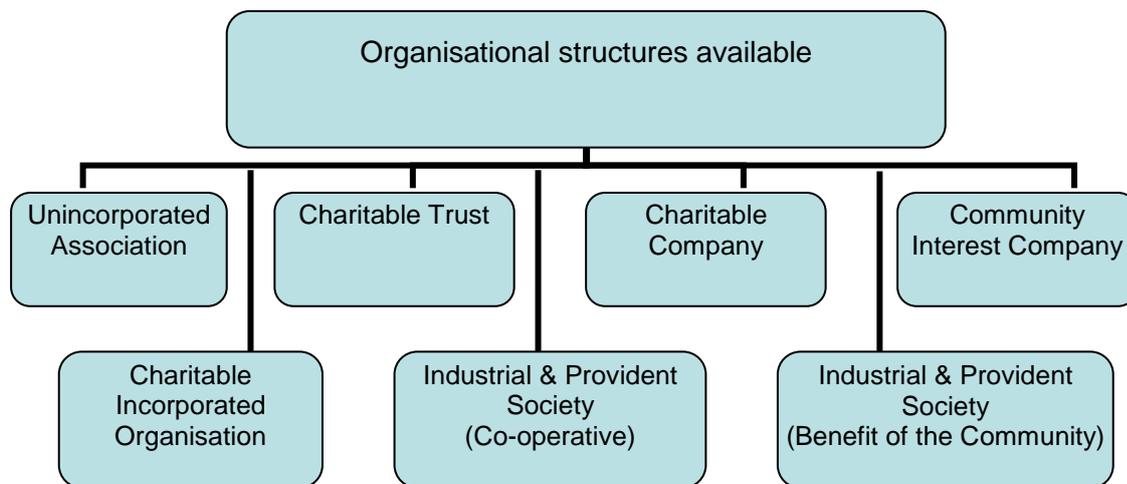
Check to see whether there are any existing organisations doing similar work. If there are it may be more effective to work with them and it will save you a lot of time as you don't have to start from scratch. Attracting funding where you are duplicating work may be difficult. National groups may be able to provide support and resources to set up a local group as part of a network.

## 4. Your Options

Once you have a clear idea of what you want to do, you need to consider all the options available to you.

No matter which legal structure you choose, you must draw up a set of rules stating how your group will work (known as the governing document). Each structure will require the preparation of a different type of governing document, and has different reporting requirements.

As the members of the management group will be responsible for the organisation, they must understand their duties and all the legal implications before the final decision is made.



### 4.1. Unincorporated Association

An unincorporated association is a membership organisation. It can be whatever its members want it to be, and carry out whatever activity the members decide that it should do. This is the easiest, quickest and cheapest way for a group to set itself up. It will be important for you to agree a set of rules (a constitution) setting out what you intend to do and how the association will operate. This is information funders are likely to request. Unless there is a membership fee, you are not obliged to keep a membership list. Anyone who is entitled by your rules to be a member can simply turn up and take part. This structure is suitable for groups such as play schemes, pensioners associations, arts groups and campaigning groups. You do not have to seek approval of any kind before setting up. Nor do you necessarily have to register with any regulatory body.

However, if your group has charitable aims and an annual income above £25,000 per annum you will be legally required to report to the Charity Commission. In addition, depending upon the type of activity that you plan to undertake you may need to register with a regulating authority e.g. the local authority if you are providing childcare or are involved in catering. Talk to your local council or infrastructure group to get more information on the potential need for registration.

You are free to draw up your own democratic constitution setting out the rules by which you will operate. However, you might want to set up as a charity at a later date when you get more established. If this is a possibility, it would be advisable to base your constitution on the guidelines published by the Charity Commission - [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

## Advantages

- Simple, flexible and easy to get up and running, as there is no need to have the constitution agreed by an outside body, unless you are registering as a charity.
- It is cheap to run, e.g. you don't have to submit accounts to an outside body.
- If you have aims that satisfy the Charity Commission guidelines, you can register as a charity and gain advantages such as accessing funding which is available only to charities.

## Disadvantages

- When your income exceeds £25,000 you must prepare your accounts in accordance with the rules laid out by the Charity Commission, but you can't call yourself a charity.
- Some funders may prefer a more formal structure, especially if you are looking for large sums of money.
- Funders often expect the groups that they support to be more accountable and registering as a charity demonstrates your accountability.
- Your group has no separate legal identity - it is a collection of individuals.

Not having a separate legal identity means that your group cannot own property in its own right nor can it enter into contracts. If the group wants to rent premises or employ people, this will have to be done by individuals acting on behalf of the group. This means that those individuals, perhaps members of your management group, will be personally responsible for the group's obligations and debts and are liable if, for example, it is sued!

The fact that this is so flexible and cheap means it is ideal for many small groups but only if you intend to remain small. If you are considering doing something on a larger scale or think you might own a building or employ staff then you need to consider all the alternatives.

## KEY FEATURES

**Governing Document:** Constitution.

**Legal status:** Has no legal identity.

**Regulatory body:** Charity Commission, if for public benefit.

### Practicalities:

- It is a membership organisation, which means that membership is open to all, and that members have voting rights, separate to the Committee of Management.
- It requires others to lend their legal identity to it, cannot sue or be sued in its own right, cannot enter into contracts.
- It can have a bank account in its own name.
- Exempt from Corporation Tax, enjoys 80% mandatory rate relief, and possibly 20% discretionary rate relief (max £5000 rateable value).

## 4.2. Charitable Trusts

Charitable Trusts are usually set up to manage an asset, either money or property for a charitable purpose. They are run by small groups of people, known as trustees. Trustees can be appointed for life when the trust is set up, or can be changed regularly – you will need to decide this when writing your trust deed.

Trust deeds can be changed after a trust is established but the changes must be agreed and notified to the Charity Commission. Trustees must not receive any remuneration, other than expenses, from the trust or receive any personal benefit from its activities. For example, Trustees can be paid their travel to and from Board Meetings but cannot normally be paid for work they may carry out on behalf of the organisation.

### Advantages

- It is fairly cheap to establish although you might incur a modest cost in the form of stamp duty to register your trust deed.
- It is fairly simple to set up.
- Funders may find the more formal and stable structure of a charitable trust, compared with an unincorporated association, reassuring. Some funders will only give grants to registered charities.

### Disadvantages

- You will have to prepare your accounts in accordance with the rules laid out by the Charity Commission.
- A charitable trust is an unincorporated organisation, which means that its trustees are personally liable for its obligations and debts, unless it is also a company limited by guarantee (see below).
- You cannot carry out political or campaigning activities, but your group can have educational aims.

### KEY FEATURES

<b>Governing Document:</b>	Trust Deed.
<b>Legal status:</b>	Has no legal identity.
<b>Regulatory body:</b>	Charity Commission.

### Practicalities

- It has a closed membership; the members are also the Management Committee.
- It requires others to lend their legal identity to it, cannot sue or be sued in its own right, cannot enter into contracts.
- It can have a bank account in its own name.
- Exempt from Corporation Tax, enjoys 80% mandatory rate relief, and possibly 20% discretionary rate relief (max £5000 rateable value).

## Remember

If an unincorporated association or a charitable trust closes with outstanding debts, its officers or trustees will be personally liable for the debts. Some insurance companies offer a policy which will enable officers to claim for any debts which they have to cover. Being a limited company as well as a charity can eliminate that problem and there are types of insurance you can get to cover your trustees' liabilities.

### 4.3. Charitable Company

There are two types of Limited Company:

**Company limited by guarantee** - There are no shareholders and any surplus is reinvested in the company. This type is recommended by the Charity Commission.

**Company limited by share** - This type of company is more usually found in the commercial sector, where its members (shareholders) are investing money in the hope of gaining a profit. However, there are some organisations in the community which are set up as companies limited by shares.

In law, a limited company is considered to be a legal person/entity, it can therefore own land or enter into contracts. The directors are agents of the company and are not personally liable for its debts.

A **charitable company** is an incorporated organisation which has a legal identity separate from its members. It is **both** a charity registered with the Charity Commission **and** a company registered with Companies House. Charitable companies demonstrate, through their Memorandum & Articles of Association (their governing document) that they are accountable to the community and charitable in their aims. The directors of a Charitable Company are also its trustees and perform the role of the management committee.

#### Advantages

- The company can take on legal obligations and buy property in its own name. It is therefore suitable for a larger organisation which has significant assets or liabilities arising from the ownership of property and equipment, the management of substantial contracts or the employment of more than a few staff.
- The legal liability of members is limited; this limit extends to Directors if they have acted prudently (i.e. managed the activities with care).
- Many funders regard this structure as more stable, as they know the company will continue to exist even if there is a change of people involved. This increases your chances of success if you are applying for larger sums of money. Some funders will give grants only to registered charities.
- The company is exempt from Corporation Tax.

#### Disadvantages

- There are more documents involved so forming a company and a registered charity can be time consuming and relatively expensive to set up.

- The cost of complying with the legal requirements relating to financial and company reporting can be significant e.g. it will be necessary to meet the costs of independent audit.
- Trustees/Directors can't normally be paid.
- The organisation is regulated by both the Charity Commission and Companies House. You will have to notify both of changes in directors/trustees and submit annual reports and accounts in a particular form.
- There are restrictions on trading, so it may be necessary to set up a 'trading arm'.
- A Company Charity cannot have political or campaigning aims, but you can have educational ones.

Model Memorandum & Articles of Association are available from the Charity Commission at [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk). If you decide to depart from these you may need to seek legal advice.

## KEY FEATURES

**Governing Document:** Articles of association.

**Legal status:** Has a legal identity.

**Regulatory bodies:** Charity Commission; Companies House

### Practicalities

- It needs at least one natural (living and breathing) person to be on the Board.
- It needs to conform to Charity Commission and Companies House, dual registration.
- Exempt from Corporation Tax, enjoys 80% mandatory rate relief, and possibly 20% discretionary rate relief (max £5000 rateable value)

## 4.4. Charitable Incorporated Organisations (CIO)

This is a new form of charitable organisation created by the Charities Act 2006 that came into force at the beginning of 2013. It gives a charity the main advantages of a company charity – a legal personality and limited liability – but without the dual regulation of Companies House and the Charity Commission.

Charitable Incorporated Organisations are registered with and regulated by the Charity Commission. The Charity Commission have produced model constitutions for "Foundation CIOs" where the voting members are the same as the trustees and "Association CIOs" where there is a wider membership. They are simpler than the governing document of a company charity. It is relatively straight forward to convert an existing company charity into a CIO.

There is also a procedure to change the structure of an unincorporated association into a CIO. However, a staggered approach has been set by the regulator which is designed to help manage demand for this new structure. A timetable setting out which types of applications are given priority is published on the Charity Commission website.

## Advantages

- The company can take on legal obligations and buy property in its own name. It is therefore suitable for a larger organisation which has significant assets or liabilities arising from the ownership of property and equipment, the management of substantial contracts or the employment of more than a few staff.
- The legal liability of members is limited; this limit extends to Trustees if they have acted prudently.
- Establishing a CIO and the subsequent reporting of annual accounts should be simpler and cheaper, in particular for smaller organisations as there is only one accountable body to report to.

## Disadvantages

- The organisation does not exist until it has been accepted for registration by the Charity Commission.
- It is a new type of legal structure so people are not familiar with it.

## KEY FEATURES

<b>Governing Document:</b>	Constitution
<b>Legal status:</b>	Has a legal identity.
<b>Regulatory bodies:</b>	Charity Commission

## Practicalities

- It needs at least one natural person to be on the Board.
- It needs a principal office in England/Wales
- There are two types; the **Foundation** model has the same voting members and charity trustees; the **Association** model has a wider membership and includes members who are not trustees.
- It can have a bank account in its own name.
- Exempt from Corporation Tax, enjoys 80% mandatory rate relief, and possibly 20% discretionary rate relief (max £5000 rateable value).

## 4.5. Community Interest Company (CIC)

Community Interest Companies (CICs) are a type of limited liability company intended specifically for those who wish to operate for the benefit of the community rather than for the benefit of the company owners (shareholders). A CIC is an incorporated organisation which has a legal identity separate from its members. It has to conform to company and insolvency law in the same way as other UK companies, although CICs have their own specific Company Law regime.

CICs can be companies limited by shares or by guarantee and can be listed companies. They must have an 'asset lock' to prevent assets being distributed, e.g. to shareholders,

except as permitted by legislation, they are also required to satisfy a community interest test. Profits and assets are retained within the CIC for community purposes, but they can also be transferred to another similar organisation such as another CIC or a charity, for example if the CIC is dissolved. A CIC cannot itself have charitable status.

Corporation Tax will be chargeable on any trading profits (though it will be a question of fact whether or not a particular CIC is trading) and on its investment income and gains. It is eligible for any reliefs which are available to all companies but there are no CIC specific tax exemptions/reliefs available.

### **Advantages**

- The company can take on legal obligations and buy property in its own name. It is therefore suitable for a larger organisation which has significant assets or liabilities arising from the ownership of property and equipment, the management of substantial contracts or the employment of more than a few staff.
- There are fewer trading restrictions.
- Company Directors can be paid.
- The legal liability of members is limited; this limit extends to Directors if they have acted prudently.
- There is only one accountable body.

### **Disadvantages**

- A CIC cannot itself have charitable status.
- Not all funders fund CIC's.
- Corporation Tax is payable on profits.

### **KEY FEATURES**

**Governing Document:** Articles of association.

**Legal status:** Has a legal identity.

**Regulatory bodies:** Companies House.

### **Practicalities**

- It needs at least one natural person to be on the Board.
- It needs to conform only to Companies House.
- Subject to Corporation Tax on profits, and enjoys up to 67% rate relief on business rates max £5000 rateable value, up to 50% over £5000 rateable value.

#### **4.6. Industrial and Provident Societies (IPS)**

Up until April 2013 Industrial and Provident Societies were registered by the Mutual Societies Registration section of the Financial Services Authority (FSA). In April 2013 the FSA became two separate regulatory authorities, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Industrial and Provident Societies enjoy limited liability in the same way as limited companies. Industrial and provident societies have a legal identity separate from members.

A society may register as an Industrial and Provident Society if it satisfies either of the two conditions of the Industrial and Provident Societies Act 1965. i.e.

The society is a bona fide co-operative society.

Or

The business of the society is, or is intended to be, conducted for the benefit of the community, and there are special reasons why the society should be registered under the Industrial and Provident Societies Act 1965 rather than as a company under the Companies Act. These are known as 'ben coms'.

Applications for both the FCA and the PRA are submitted using the online Notifications Applications.

#### **4.7. Industrial and Provident Society (IPS) Co-operative**

Co-operative societies are businesses which operate for the mutual benefit of the members, with the benefits they receive coming from their participation in the activities. Members have equal control, the principle of 'one man, one vote' is fundamental.

Where profits are given out amongst the members, they are distributed in relation to the extent members have either traded with the society or taken part in the society's business. Membership can't be restricted to increase the value of any rights and interests. The aim is to ensure a genuine community of interest amongst a society's members.

##### **Advantages**

- Members have equal control of the organisation.
- Profit distribution relates to the activities of the member.
- There is only one accountable body.

##### **Disadvantages**

- Not all funders fund Co-operatives.
- Only suitable where members want to actively take part in a joint venture.
- Corporation tax is payable.

##### **KEY FEATURES**

**Governing Document:** Rules.

**Legal status:** Has a legal identity.

**Regulatory bodies:** Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA)

### **Practicalities**

- It needs at least one natural person to be on the Board.
- It needs to conform to FCA or PRA (regulation changed in April 2013).
- Subject to Corporation Tax on profits, and enjoys up to 67% rate relief on business rates max £5000 rateable value, up to 50% over £5000 rateable value.

### **4.8. Industrial and Provident Society (IPS) Benefit of the Community (Ben Com)**

Industrial and Provident Societies are businesses or financial services run 'for the benefit of the community'. They must demonstrate that the organisation is run primarily for the benefit of people who are not members. Profits should be ploughed back into the business and can't be distributed to members. There must be special reasons for registering as a Ben Com rather than as a company e.g. extensive trading where profits are to go to the community.

### **Advantages**

- Trading can be a primary objective.
- Profits have to be used for the benefit of the community.
- There is only one accountable body.
- The company is exempt from Corporation Tax.

### **Disadvantages**

- Not all funders fund Ben Coms.
- There must be a good reason why a Charitable Company structure has not been established.

### **KEY FEATURES**

**Governing Document:** Rules.

**Legal status:** Has a legal identity.

**Regulatory bodies:** Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA)

### **Practicalities**

- It needs at least one natural person to be on the Board.
- It needs to conform to FCA or PRA (regulation changed in April 2013).
- Exempt from Corporation Tax, enjoys 80% mandatory rate relief, and possibly 20% discretionary rate relief (max £5000 rateable value)

Further information about the Financial Conduct Authority is available at [www.fca.org.uk](http://www.fca.org.uk) and the Prudential Regulation Authority at [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

At this point you might like to complete Action Sheet 2 *Making your choice* on page 23.

### Remember

The Charity Commission publishes model documents you can base your own on. If you really have to depart from these models consider seeking legal advice. The Charity Commission website address is [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

## 5. Your responsibilities

Once your group has agreed its legal structure and has adopted the relevant governing documents it can get on with carrying out the activities it wants to do. The management group is responsible for overseeing these activities. It is made up of people who are elected or appointed and who may have one of a number of different names including:

- Members of the management committee.
- Directors.
- Council members.
- Executive committee members.
- Governors.

No matter what they are called, the voting members of the governing or supervisory body of a charitable organisation are its trustees. If you occupy this role and your organisation has charitable status then you are a trustee.

Trustees attend meetings with their fellow trustees (the Management Group) where they make decisions on behalf of the organisation.

They often have to review information before meetings, have discussions with other trustees, learn about programmes, services and activities and serve on subcommittees. Many organisations provide training and development opportunities in which trustees are expected to participate.

A trustee may also work in another capacity in the organisation e.g. as a volunteer, but the trustee role is distinct. Trustees, acting as trustees, shouldn't get involved in the detailed, day-to-day running of the organisation. All trustees need to understand their role in order to contribute appropriately to governance.

A trustee forms part of a Management Group sometimes called a board, which collectively make decisions for the organisation. Typically, the Management Group discusses an issue during a meeting and takes its decision by a majority vote.

As members of a Management Group, trustees have many additional shared responsibilities. These include developing strategy, appointing staff including the chief executive and overseeing finances and activities. The NCVO Code of Governance provides a framework for carrying out board duties.

Some trustees have special roles e.g. the Chair, Vice-chair, Secretary and Treasurer. These are ordinary trustees appointed by the Management Group and given limited powers to act on their behalf.

Other trustees may have special expertise e.g. human resources experience. Such skilled trustees are valuable but they have no special status. All trustees are equal, although the Chair may have additional voting rights. All take their authority from their membership on the Management Group.

A suggested format might comprise:

- A chair
- A deputy or vice chair
- A treasurer
- A company secretary (if the organisation is a registered company)
- General trustees x 6 (depending upon your governing document)

The National Council for Voluntary Organisations (NCVO) Good Governance Guide lays out the following guidelines:

***The key principle:***

*Every organisation should be led and controlled by an effective Board of Trustees which collectively ensures delivery of its objects, sets its strategic direction and upholds its values.*

***Supporting principles:***

*The Trustees have and must accept ultimate responsibility for directing the affairs of their organisation, ensuring it is solvent, well-run, and delivering the outcomes for which it has been set up.*

*Trustees should focus on the strategic direction of their organisation, and avoid becoming involved in day to day operational decisions and matters (except in the case of small organisations with few or no staff). Where trustees do need to become involved in operational matters, they should separate their strategic and operational roles.*

Guidance on recruiting and retaining trustees is available from the Charity Commission. It is good practice to have job descriptions for your trustees and a formal induction procedure so that they know all about the organisation, its history, its values, its future plans and what is expected from each trustee.

Normally, organisations have between 3 and 9 people on their management group, although this can vary. In developing your governing document you have the opportunity to decide both a minimum and a maximum number of trustees and to think about how you will recruit them. You may recruit your trustees from within your membership; alternatively you may recruit openly, perhaps by advertising, in order to fill specific skills shortages.

**Remember**

Management Group members must be informed of their duties, responsibilities and their liabilities.

To effectively manage your organisation you need to identify issues that need to be addressed so you can plan what key actions you need to take. You need to make sure you have policies and procedures in place that help the organisation run smoothly. The *Policies and Procedures* workbook contains information that will help you.

At this point you might like to complete Action Sheets 3 – 8 *Effective Working* pages 24 - 29. You might want to work through these gradually, discussing each at separate Management Group Meetings. These activities will help you decide what systems you need to introduce.

## Appendix 1 – Useful Contact Details

If you need advice to set up your group or support for your trustees there are a number of infrastructure bodies in Cumbria that are there to help.

This workbook has been developed by a partnership made up by:

- Action with Communities in Cumbria ([www.cumbriaaction.org.uk](http://www.cumbriaaction.org.uk))
- AWAZ (CIC) Cumbria ([www.equalitycumbria.org](http://www.equalitycumbria.org))
- Cumbria Disability Network ([www.equalitycumbria.org](http://www.equalitycumbria.org))
- Cumbria Youth Alliance ([www.cya.org.uk](http://www.cya.org.uk))
- Young Cumbria ([www.youngcumbria.org.uk](http://www.youngcumbria.org.uk))

Each is a potential source of help to your organisation.

You may also access advice and guidance from Cumbria CVS which provides trustee training through their Trustee Network. Cumbria CVS has a network of offices in the County and can be contacted via its website [www.cumbriacvs.org.uk](http://www.cumbriacvs.org.uk) or by telephone on: 01768 800350

Other useful websites for advice and guidance include:

**Governance Works** - Governance Works provides support to the boards of voluntary and community organisations to ensure they have the necessary understanding of governance and the skills to fulfil their roles  
[www.governance-works.org](http://www.governance-works.org).

**NCVO** offers lots to download and read about every aspect of governance [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)

The **Charity Commission** provides up to date information on legal responsibilities and returns and it's a great place to keep up to date with changes in the law governing charities and their responsibilities for reporting, accounting, risk management, etc. [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

**Companies House** provides on line information concerning companies limited by share and limited by guarantee, including the documents required in reporting company activity such as the appointment of directors. [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

## Part 2 – Action Sheets

### 1. Your Circumstances

See on page 6



#### Action - Make a note of

Your reasons for starting a new organisation e.g. to attract funding for existing work, to meet a need:

The evidence that a new group is needed e.g. numbers of young people wanting a youth club:

Your proposed activities e.g. developing renewable energy sources to fund a community building, starting youth group for local children:

All the people who will benefit from your activities; be as specific as you can, who are you aiming your activities at, do they have to live within a specified area? e.g. the elderly residents of the Parish and surrounding area:

The level of income you expect e.g. £300 for sports kits, or £30,000 for running costs:

Where you expect to get your income from e.g. fundraising activities, grants, trading:

Who will work for your organisation e.g. all volunteers or paid staff, and any members of the management group who expect to be paid:

Who you want as members and what voting rights you want them to have:

The level of liability the management group are willing to accept:

## 2. Your Choice

See on page 8



### Action – answer each of the following

Do you want to operate for personal benefit or for the benefit of the community?

Private benefit =

- a business

Public benefit =

- Social Enterprise
- Development Trust
- Charity
- Third Sector Organisation

Are you comfortable with being personally liable?

Yes =

- Association
- Charitable Trust

No =

- Charitable Company
- Community Interest Company
- Charitable Incorporated Organisation
- Industrial & Provident Society  
(Co-operative; Ben Com)

Are you prepared to pay Corporation Tax?

Yes =

- Community Interest Company
- Industrial & Provident Society

No =

- Charitable Company
- Co-operative Ben Com
- Charitable Incorporated Organisation (CIO)

### 3. Effective Working – Being an Effective Employer

 <b>Action – Check each item and make a note of any action</b>	
<b>Do you have</b>	<b>Action required</b>
An effective induction programme for staff /volunteers /trustees?	
Up to date contracts of employment /volunteering agreements / trustee agreements?	
Job descriptions and person specifications in place for all staff /volunteers and trustees?	
Effective pre-employment / volunteering checks, CRB and references?	
Safeguarding – Barring and Vetting policy and procedures that meet the new Local Safeguarding Board requirements?	
Volunteers and trustees training programme for issues relating to safeguarding young people/vulnerable adults?	
An effective way of maintaining up to date records of training undertaken?	
<p>Policies and procedures for grievance, disciplinary, equal opportunities and lone working?</p> <p>Are they issued to all staff, volunteers and trustees and checked at least once per year for relevancy and accuracy?</p>	
Relevant training provision on your policies and procedures for staff, volunteers and trustees? Are systems in place to monitor effectiveness of training?	
Regular supervision and appraisals for all staff and volunteers?	
Systems in place to keep up to date with legislative changes?	
Codes of conduct for staff, volunteers and trustees - including conflict of interest policy?	

#### 4. Effective Working – Safe Delivery of Services or Products



### Action – Check each item and make a note of any action

Do you have	Action required
Effective and current health and safety policy and procedures?	
A training programme for staff or volunteers on Health and Safety?	
An appointed First Aider who receives regular and appropriate training?	
Systems to record and examine accidents?	
A named trustee responsibility for health and safety?	
A named member of staff or volunteer with responsibility for health and safety?	
A record of the training have they received?	
A system to ensure training is undertaken regularly?	
A Health and Safety Committee in place which meets regularly?	
Current, relevant and properly recorded risk assessments?	
Systems for updating policies and procedures e.g. annual update or relevancy check?	
Insurance in place for: Public and employer liability? Buildings and contents? Professional indemnity or other specialised insurance? Insurance for outdoor activities?	

## 5. Effective Working – Developing A Business Plan



### Action – Check each item and make a note of any action

Do you have	Action required
A business plan in place which is up to date and relevant?	
Systems in place to regularly update the business plan and check for relevance?	
Systems in place to enable clients to contribute to the development of new activities?	
Systems in place to monitor progress against the goals and targets of the organisation?	
Systems in place so that staff and volunteers can report to the board on activities and achievements on a regular basis?	
Systems in place which enable effective reporting to funders on outcomes?	
Systems in place to evaluate the work carried out by the organisation?	

## 6. Effective Working – Developing Financial Planning



### Action – Check each item and make a note of any action

Do you have	Action required
An agreed annual budget?	
A cash flow forecast?	
An annual budget for each activity?	
Systems in place to monitor expenditure against the agreed budget?	
Systems in place to monitor cash flow?	
Systems in place to provide the management group with accurate and up to date financial reports?	
A fundraising plan and someone with responsibility for implementing it?	
A named person, responsible for funding applications?	
Staff, volunteers and trustees with the necessary skills to develop effective funding applications?	
Staff and trustees with the skills to implement and monitor budgets?	
A named trustee with a clearly defined financial role?	
Trustees who understand the finances of the organisation including: where the funding comes from; what it is for and the current financial position of the organisation?	
Safeguards to ensure trustees sign off payments and contracts with at least two signatures on all cheques?	
A reserves policy?	
A system to monitor actual reserves against the reserves policy?	

## 7. Effective Working – Legal Responsibilities



### Action – Check each item and make a note of any action

Do you have	Action required
Governing documents which are up to date and relevant to show public benefit?	
Systems in place to ensure Charity Commission requirements are met?	
Systems in place to ensure Companies House requirements are met?	
Systems in place to ensure Annual accounts are submitted appropriately?	
Trustees who understand the legal accountability of the organisation?	

## 8. Effective Working – Maintaining Records of Meetings and Decisions



### Action – Check each item and make a note of any action

Do you have	Action required
Systems in place to ensure the trustees receive information in sufficient time to assist decision making?	
Regular management group meetings with pre set agendas?	
Systems in place to ensure all the meetings are recorded accurately and minutes distributed to all trustees?	
Systems in place to ensure all decisions are communicated promptly and effectively to those affected?	
An effective Chair for all meetings?	
Chairs and secretariat who fully understand their role in relation to holding and recording meetings?	
Training provision for chairing and recording the findings of meetings?	

Please note that the following workbooks are also available:

Third Sector Workbook 2 – Policies and Procedures.

Third Sector Workbook 3 – Sustainable Funding.

Third Sector Workbook 4 – Robust Business Planning.

Third Sector Workbook 5 – Developing Your Budget.

Third Sector Workbook 6 – Marketing.

Third Sector Workbook 7 – Working with Volunteers.

If you require this information in another format, please contact 01768 840827 and we will do our best to meet your requirements.

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