



Why is it important to have a structure for your voluntary and community sector organisation?

This bitesize resource is for voluntary and community sector organisations who wish to know more about the importance of having a structure for their organisation or group.

So why is it important to have a classified structure?

- Different classifications have different rules

The first thing to remember is that not all structures are the same, some are a legal entity in their own right, where as some have no legal identity. To find out more about various classifications of structure click here:

<https://www.varotherham.org.uk/wp-content/uploads/2018/07/VCS-Organisation-Legal-Structures-Final-2018.pdf>

There are no one size fits all approaches when choosing a structure. The structure will need to fit with the purpose of the voluntary or community group. The activities should be in support of that purpose. Purpose is one of the first indicators in helping to decide structure. If your purpose is charitable "The Charities Act 2011 defines a charitable purpose, explicitly, as one that falls within 13 descriptions of purposes and is for the public benefit."

Then you are on the right track to becoming a charity. Click here to find out more about charitable purpose:

<https://www.gov.uk/government/publications/charitable-purposes/charitablepurposes>

Your income bracket will also have an impact on classified structure. E.g. usually, a charity must register with the Charity Commission if it is based in England or Wales and has over £5,000 income per year. (NB You must however register if your charity is a Charitable Incorporated Organisation (CIO) whatever income you receive per year.)

On fulfilling the purpose, you may wish to hire staff or own assets such as a building. You may instead wish to be volunteer lead and own no assets. This type of consideration will also be a factor in choosing a specific classification. When considering if you wish to hire staff or own assets it is useful to also consider if you wish the organisation or your committee members to be legally liable. One way around this is to look into corporate structures. A corporate body is a structure of organisation which the law will consider in the same way as an individual. Corporate bodies have the legal capacity to employ staff in their own name, own property and more. An unincorporated body will not hold the same liability and it would not be able to enter agreements in its own name, this would make the trustees liable.

Other factors may be: if there is a wider membership; type of work; if members other than trustees may vote etc. There are specific classifications intended to support and govern numerous style of voluntary and community sector organisation. Be careful to choose the most appropriate classification as there will be further implications once you start up.

- Start up

To start up your voluntary or community sector organisation you will need to follow any applicable legal regulations relating to your chosen classification. Also ensure from the start to embed your desired group identity, strategic aims and objectives.

You need to consider who will be the Committee / Board of Trustees, these people would govern over processes and as such need to be competent and reliable. You will need at least three Trustees. Find out more about Committee Members / Trustees here:

<https://www.varotherham.org.uk/wp-content/uploads/2018/07/Committeeroles-and-responsibility-Final-2018.pdf>

You also need the correct type governing document for the classification. This document will act as a rulebook, which the Trustees agree to follow. For a list of model governing documents click here:

<https://www.gov.uk/government/publications/setting-up-a-charity-model-governing-documents>

Within the governing document there should be information about the charity objects, powers, who runs it, how meetings are held, how Trustees are appointed, whether Trustees may be changed and how often, amendment provisions and dissolution provisions. The governing document is important as this will be a guide to Trustees when making decisions, looking after money and assets as well as resolving disputes.

- Appropriate policy and procedure

When we talk about policy and procedure, a policy is what needs to happen and a procedure is how this will happen. Always refer to the governing document when developing the policy and procedure to enable a be clear, appropriate and coherent product. You may wish to include: controls and delegation to show what is expected of whom in the organisation; show that Trustees are expected to act transparently and accountably; ensure there is compliance in the legal framework and limit risk. There are various type of policy and procedure; you should adopt these in the scope and complexity of your organisation. You must have a health and safety policy and anti-discrimination policy. It is useful to have other written policies such as equal opportunities, confidentiality, finance and more. Well-developed policies will help steer the workforce to tackle your group strategic aims in a way that is as risk free as possible.

- Compliance

There should be detailed guidance in the policies and procedures to help ensure compliance with legislation, registration with regulatory bodies, governing document and when accepting funding. To mitigate risk, you must also comply with any agreement, contract, insurance, tax or financial obligation. For an NCVO checklist on compliance click here:

<https://knowhownonprofit.org/tools-resources/board-basics/tools-and-guidance/legalchecklist>

Being compliant will support decision-making as there will be understanding of what activities are allowable for your group specifically. Any worthwhile causes that fall outside your group objectives would thus be restricted from your activities, unless you change the governing structure.

- Applications for bank accounts and funding

To apply for a suitable community bank account or apply for funding you will need to know which are appropriate to apply for; in terms of your project structure. Both building societies and funders will have eligibilities, restrictions and criteria you must follow to be successful. If your structure or management of that structure does not fit the building society or funders criteria, or they suspect fraud you will not be successful. Should your group be suspected of fraud i.e. use of funding in a way it was not intended, then your group can be reported to the relevant authorities.

More information on setting up a community group bank account is available here:

<https://www.varotherham.org.uk/wp-content/uploads/2018/07/How-to-set-up-a-Group-Bank-Account-Final2018.pdf>

- Volunteers

Volunteers give time freely to support the community, they are not employees and if any contract is formed, even accidentally, the volunteer will become entitled to receive minimum wage and statutory benefits of being an employee. Also, people cannot work for a profitmaking organisation if under 14, even if they are not paid.

Therefore, it is important to ensure your structure is developed with policy and procedure in a clear way to ensure any volunteers are treated fairly and have the correct differentiation from paid staff. You can find out more about volunteering here: <https://www.gov.uk/volunteering>



Remember, there are some roles that must be voluntary and so not eligible to receive an incentive. For example, Trustees for a charity must be volunteers, you can find out more here:

<https://www.gov.uk/government/getinvolved/take-part/help-run-a-charity>

- Positions

A governing document will identify if there are to be volunteers, paid staff or a mixture of both. To add a new role, the structure must show the role type is allowable in the groups own governance. Furthermore, the governance will call for policy and procedure for employees and volunteers, thus all team members will know who to report concerns and how to tackle all reasonable foreseeable situations such as grievance, holiday entitlement, expense claims or resignation etc.

The structure is further a road map for internal promotion, this should give clarity that the Trustee roles are not paid, this helps people to make informed decisions over if they wish to move from paid employee to a director, or if they wish to remain in a paid role. The senior most paid post in a charity is the CEO.

- Understand information flow

Information flow for organisations may be e.g. top down or bottom up approaches. A co-operative for example, is very focused on voting members, they work best by bottom up approaches. The structure of an organisation will best help to implement the way ideas are generated and taken forward. Furthermore, mapping project plans will be more strategy focussed when all involved understand the collective way the organisation is expected to work towards desired outcomes. Also a management structure should be made clear to ensure information flow results in the correct authorisation of development of ideas. E.g. in a charity, at the head of the group is the Managing Committee or Board of Trustees, the CEO will be responsible for day to day management, line managers will be responsible for specific departments and workers are responsible for managing their own work load. With a clear policy on who may authorise project ideas, the realisation of mission will be most effective as methods will be checked making them most accurate and most useful.

- Risks

Understanding how your project will work and the activities / resources that will be involved will help to do a valid risk assessment. You will be able to make an action plan based on the foreseeable risks. This will help to ensure you have appropriate types of insurance, training and safeguarding in place etc. By understanding the structure, aims and activities you will be able to look at implementing only the sufficient risk managements. This will help reduce cost in the long run as any unnecessary insurance premiums etc would not be incurred e.g. if your group does not intend to have staff or volunteers traveling abroad, then travel insurance will not be required.

- Conflict

With greater foundations and awareness of structure there will be more understanding of what would be a conflict of interest. One conflict may be having a Trustee who has investment in a project of opposing nature. This type of appointment would therefore not be in the group best interest. Ensure your governing document is adequate to address matters that are a foreseeable conflict of interest.

Support

If you wish to access support on managing a voluntary or community group in Rotherham, please contact email: triage@varotherham.org.uk or telephone: 01709 829891.

Information about charity structure is also available on the Charity Commission website ere: <https://www.gov.uk/government/organisations/charity-commission>

