

# Creating a working body



The following bodies can help in advising on your organisational structure:

Asset Transfer Unit, <http://atu.org.uk/>  
Charity Commission, <http://www.charity-commission.gov.uk/>  
Companies House, <http://www.companieshouse.co.uk/>  
Financial Services Authority, <http://www.fsa.gov.uk/>  
Community Interest Companies Regulator, <http://www.cicregulator.gov.uk/>

Document RR11- *Charitable Status and Sport* will help to guide with potential charitable status. You can find this at

<http://www.charity-commission.gov.uk/publications/rr11.aspx?#22>

All development trusts respond to the needs of their local community and you need to ensure that if you take this route, it will be a response to a need. As an independent organisation you will need to avoid being over dependent on any one source of funds, particularly grants. The aim should be to be self sufficient and the purpose is not to create private profit. Your organisation should be accountable to the community that it serves and the type and level of this accountability shapes the type of organisation you will establish. Caution should be taken to establish the right type of organisation as in some cases the organisational structure will be in position for a number of years.

Let's take an example, the wishes of the community can often be reflected in elections to the organisational board. The board, however, need not be constructed in this way. It could reflect a completely different organisational culture. It might be represented by a mix of the community, local businesses and a local authority. The local authority, which might have originally owned the pool, may find this mix a better solution than running the pool itself. The balance of interests therefore has to be carefully thought through and decisions made as to the level of involvement of the wider community.

From the start, you should determine what core competencies will be required and whether you have the skills within the organisation to achieve this. Allied to this, you need to have an organisation that will allow these skills to flourish and one which understands the critical success factors and is able to meet these factors.

We often hear the word 'trust' but what does this mean? Some large trusts run several swimming pools but many trusts exist just to run one pool. There are in fact a number of overriding models for community enterprises:

## **Community Interest Company (CIC)**

CIC's were introduced in 2005. They were established to encourage new approaches to community enterprises. In some respects, they mirror the model which exists in a private



limited company. The idea is that private investors invest in a business which has an asset lock. This lock limits the amount investors can take out of the business. An amendment to the Companies (Audit, Investigations and Community Enterprise) Act 2004 means that the share dividend cap is 20% of the paid up value of a share in a relevant company.

Also, there is a performance related interest cap of 10% of the average amount of a community interest company's debt or sum outstanding under a debenture issued by it in the preceding 12 months when the interest on the debenture would become due.

All CIC's have the expression 'Community Interest Company' in their title. The CIC needs to state the community that will benefit from any profits made by the company and capital gains are directed towards the community. The CIC is a company limited by guarantee or share issue and a community issue test is also required. The model emphasises public benefit over private profit.

Further details from <http://www.cicregulator.gov.uk/>.

### **Company Limited by Guarantee**

The second model is that of Companies Limited by Guarantee or not for profit companies. Shares cannot be issued. The financial results are registered at both Companies House and to the Charities Commission. As a guide, it is worth looking at the financial results of swimming organisations on the Charity Commission web site. Much of this is expressed in basic information such as income and expenditure but the level of cost in a single pool trust is illuminating.

Unless there is a reckless act, the Directors are limited in liability if the business becomes insolvent.

In order to develop a better picture, visit <http://www.charity-commission.gov.uk/>

### **Industrial and Provident Society (IPS)**

The third model, Industrial and Provident Societies should be carefully considered. They have some limitations. Friendly Societies, which are typical examples in this model, have a fixed share capital and the overall capitalisation of the organisation cannot increase or contract according to the value of the enterprise. This can impact on the organisation at a later date when there is a need to generate larger sums of income and a desire to see this reflected through the balance sheet. Effectively the value of the organisation stays the same. Industrial and provident societies can issue shares on a low cost basis.

The roots of these organisations go back to the co-operative movement of the early 1800's. The purchase of a share is equivalent to membership of the organisation and buys a vote regardless of the number of shares owned. This model operates as a co-operative for the benefit of its members or the wider community. The national membership organisation for co-operative and mutual enterprises is Co-operatives UK.



Details can be found at <http://www.uk.coop/>

### **Community land trusts**

A swimming pool potentially could fall within a community land trust which was defined in the Housing and Regeneration Act 2008. A community land trust is a not for profit organisation which takes responsibility for land and buildings on a land and manages it for the benefit of the community in perpetuity. They are often used to re-generate a neighbourhood without displacing the community. One of their functions is to safeguard the affordability of the assets in perpetuity

Details of the status of these organisations can be found at [www.communitylandtrust.org.uk](http://www.communitylandtrust.org.uk)

Further information on these organisations can be found at the Department of Communities and Local Government web site:

<http://www.communities.gov.uk/corporate/?view=Gsearch+results&query=Community+Land+Trusts&x=24&y=8&contentType=all&sites=all+sites&quickSearch=true&resultsPerPage=20>

### **Community Interest Organisations**

There is a proposal that swimming clubs could eventually become Community Interest Organisations, which are currently regulated by the Charities Commission. This would mean that if a swimming club became incorporated as a CIO, the club could own land in its own name, control substantial assets such as a pool and engage in commercial activities involving commercial risks. Initially put forward as part of the Charities Act 2006, discussions are still taking place and it is anticipated that the necessary legislation will be put before Parliament in late 2010.

Further information on this is available by clicking here

[http://www.swimming.org/assets/uploads/library/FAQ\\_What\\_are\\_CIOs.pdf](http://www.swimming.org/assets/uploads/library/FAQ_What_are_CIOs.pdf)