

ORGANISATIONAL STRUCTURES AND GOVERNANCE



Tower Hamlets CVS
www.thcvs.org.uk
info@thcvs.org.uk
Registered Charity No.1137143



This resource is designed for individuals or groups considering forming a voluntary organisation, community group, company or charity. Finding the right structure can be challenging. The key is to choose a model that is practical, manageable, and suited to your organisation's resources and needs. This guide will help you understand the different options available and how to set them up.

Why think about organisational structures?

The structure you choose will affect how you operate and what you can do. It will have an impact on:

- The kind of activities you can run.
- The kind and range of funding you can access.
- Whether or not you are able to pay yourself a salary.
- The kinds of legal liability you may open yourself up to.

Should you start an organisation?

Consider whether starting an organisation is the most effective way of making an impact. There are many hundreds of voluntary and community groups in Tower Hamlets alone.

Could your skills and drive be put to more effective use supporting a group that already exists, through volunteering, employment or perhaps becoming a trustee?

To find out about the organisations already operating in your area contact Tower Hamlets CVS and also search on the Charity Commission website.

Here is a [link](#) to a Charity Commission guide on the steps to take when deciding whether to form a new organisation.



Key considerations



What are your goals as a group? What change do you want to make in your community? Would this fit within a charitable objective?



Legal status: Will the group remain informal, or does it need legal recognition to apply for funding, own assets or limit liability?



Decision-making and leadership: How will roles and responsibilities be assigned among members? Will there be a board of trustees?



What role do you want as a founder? Do you want an active role in day-to-day delivery or more of a leadership role? Do you want to take a salary for your involvement?



Accountability and compliance: What legal and financial obligations come with different structures? For example, charities must register with the Charity Commission, while Community Interest Companies report to Companies House.



Membership: Will your organisation have a membership and who will be eligible to become a member? Members are generally the people or organisations who are interested in and supportive of your work; in a sense they represent the community around your organisation.



Types of organisational structures

Organisations can take different legal forms depending on their goals, size and governance needs. Choosing the right structure will affect how your organisation is run, so take time to understand what best fits your goals. Below is a summary of the main types, including their benefits and challenges:

1. Unincorporated association

A simple and flexible structure where a group of people agree to work together with a shared purpose.



Pros:

- Easy and free to set up – no need to register with Companies House or the Charity Commission.
- Minimal paperwork and administration.
- Good for small, volunteer-run groups that don't need a formal legal structure.



Cons:

- No separate legal identity – committee members can be personally liable for debts or legal claims.
- Cannot enter contracts, own property, or employ staff in its own name.
- Some funders may require a more formal structure to provide grants.

2. Charitable incorporated organisation (CIO)

A charity structure that provides legal protection for trustees without needing to register as a company.



Pros:

- Access to charitable tax benefits, including Gift Aid, business rate relief, and tax exemptions.
- Provides limited liability – trustees are not personally responsible for debts.
- Only needs to report to the Charity Commission (not Companies House).
- Recognised as a charity, making it easier to apply for grants and claim tax benefits.



Cons:

- Must meet the requirements of the Charity Commission, including detailed reporting and submission of accounts.
- Limited ability to trade – income should mainly come from grants and donations.
- Can take time to register due to Charity Commission processing times.
- Trustee restrictions – trustees generally cannot be paid (unless approved) and must act in the charity's best interests.

3. Charitable company limited by guarantee

A structure that provides the legal benefits of incorporation while maintaining charitable status.



Pros:

- Access to charitable tax benefits, including Gift Aid, business rate relief, and tax exemptions.
- Easier to attract grants and funding from charitable trusts and government bodies.
- Public credibility – having a registered charity number reassures donors and funders.
- Trustees are protected from personal liability.



Cons:

- Strict regulations – must follow Charity Commission rules and submit annual reports and accounts.
- Limits on trading – most income must come from donations, grants, or charitable activities.
- Trustee restrictions – trustees generally cannot be paid (unless approved) and must act in the charity's best interests.
- Lengthy registration process – can take time to be approved, especially for smaller organisations.
- Must have charitable aims – restricted to purposes that benefit the public under charity law.

4. Community interest company

A type of limited company designed for social enterprises that reinvest profits for community benefit.



Pros:

- Can trade and generate income like a business while having a social mission.
- Limited liability – directors are not personally responsible for company debts.
- Easier to set up and run than a charity, with fewer restrictions on income generation.



Cons:

- Cannot access charitable tax benefits like Gift Aid or business rate relief.
- Must submit annual accounts and a Community Interest Report to the CIC Regulator.
- Investors can receive limited financial returns, but profits must primarily benefit the community.

5. Co-operative

A democratic, member-owned organisation where profits and decision-making are shared among members.



Pros:

- Promotes equality – each member has an equal vote.
- Can generate income through trading while serving a social purpose.
- Can be structured as a company, community benefit society, or other legal form.



Cons:

- Decision-making can be slow due to the democratic process.
- Can be complex to structure – requires clear rules on membership and profit distribution.
- Some funding bodies may be unfamiliar with co-operatives, making grant applications harder.

Choosing and adapting your structure

When choosing the right structure for your organisation, start by thinking about your overall aims and what you hope to achieve. Consider the size and scope of your group, how much time you and others can realistically commit, and whether the people involved will be volunteers, trustees, or paid staff.

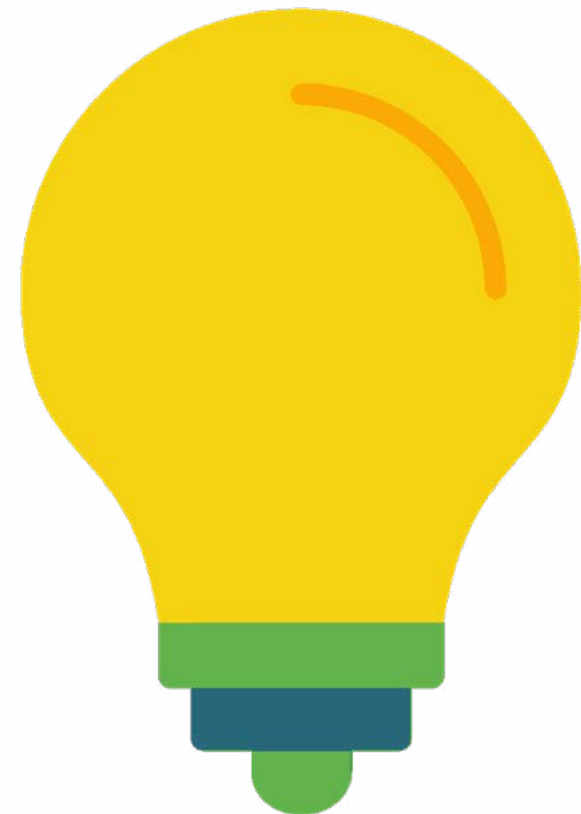
Factors to consider:

- Funding sources and sustainability plans. If you are hoping to raise grant funding then a charitable structure might be more suitable, but if you aim to earn money through trading then a CIC may be more appropriate.
- Risk management and legal liabilities.
- Guiding questions:
 - How much liability are trustees/directors willing to take?
 - What level of flexibility is needed for decision-making?
 - What type of funding does the organisation need access to?

Once you've chosen a structure, remember that your organisation's needs may change over time. In order to ensure that you are continuing to align with your goals and capacity it is helpful to periodically review and adapt your structure.

Key moments to review your structure include:

- **Major changes:** If there are shifts in funding, staffing, or strategic direction.
- **Legal or regulatory updates:** Changes that affect governance requirements.





Registering as a charity

Your organisation is charitable if it has exclusively charitable purposes, benefits the public, and has no profit-driven or political aims in its governing document. There should also be a dissolution clause declaring that all assets go to a similar organisation if the charity closes.

Why register?

- ✓ A charity number boosts credibility with funders, service users, and authorities.
- ✓ Tax exemptions and discretionary rate relief may apply.
- ✓ Eligibility for Gift Aid to increase donations.
- ✓ Some funders require registered charity status for you to be eligible for their funding.

When your income exceeds £5,000 and your purposes are charitable, you must register with the Charity Commission. This is a legal requirement to ensure transparency and public accountability for charities handling significant funds. For support to register, contact Tower Hamlets CVS at info@thcvs.org.uk.

Elements of good governance



Strong board of trustees/directors:

- Your board or committee is responsible for ensuring that your organisation is run properly and effectively. In a charitable organisation board members are called trustees, and their role is usually expected to be entirely voluntary.
- Define clearly the roles and responsibilities, including strategic oversight, financial management, and risk management ([see our resource about Trustees](#)).
- Charity trustees should review their legal duties under the Charity Commission's guidelines.



Policies and procedures:

- Essential policies for governance like safeguarding, health and safety and financial controls are important for accountability.
- Create relevant policies, ensure all stakeholders adhere to them and review them regularly.



Decision-making processes:

- Transparent, accountable decision-making ensures that your organisation's interests are met.
- Track decisions by taking meeting minutes and records to maintain accountability and continuity.



Accountability and reporting:

- Organisations must meet reporting requirements to maintain trust and comply with regulations. This includes reporting to the Charity Commission, Companies House, and funders, as well as providing financial statements.
- Understand reporting obligations and develop a system to make sure that reports are submitted on time.

Common governance challenges

Setting up and maintaining good governance can be challenging for charities and voluntary groups, especially as they grow and evolve. Here are some examples of issues that may arise and ways of reducing their impact:

1. Lack of clarity on roles and responsibilities

Without well-defined responsibilities, decision-making can become inefficient, and accountability may weaken. Trustees and committee members must understand their legal duties, including financial oversight, risk management, and strategic planning. Clear role descriptions and structured induction processes can help set a foundation for good governance.

2. Weak decision-making processes

Some groups operate informally without clear meeting structures, leading to inconsistent or undocumented decisions. Maintaining proper records of decisions (e.g. by taking minutes of meetings) can strengthen governance and accountability.

3. Difficulty recruiting and retaining trustees

Recruitment and retention challenges can lead to overstretched boards where a small number of people take on too much responsibility. Regularly reviewing your board, and recruiting, training and supporting trustees with diverse skills and backgrounds can help to strengthen your board.

4. Compliance with legal and regulatory requirements

Failure to comply with Charity Commission regulations, financial reporting duties or safeguarding policies can put an organisation at risk. Regular governance reviews, training, and external support from infrastructure bodies can help ensure compliance.

5. Financial oversight and sustainability

Weak budgeting, lack of financial controls or inadequate reporting can lead to financial instability or even loss of charitable status. Boards must put in place robust financial policies, conduct regular financial audits and ensure trustees understand their financial responsibilities. Having a dedicated finance trustee or treasurer can be useful.

6. Balancing democratic participation and efficiency

Overly complex decision-making processes can slow down action, while highly centralised leadership may alienate members. Having clear governance frameworks, such as terms of reference for committees and decision-making guidelines, helps maintain both inclusivity and efficiency.



7. Conflicts of interest and governance risks

Unmanaged conflicts of interest, such as trustees with personal or financial interests in the organisation's work, can damage credibility and trust. Having a strong conflicts of interest policy will require trustees to declare any potential conflicts. Maintaining transparency in decision-making can reduce the risk of such conflicts arising.

8. Succession planning and leadership transitions

As organisations evolve, their governance structures must also adapt. However, resistance to change from existing board members, founders, or long-term volunteers can stop these necessary improvements. Organisations should foster a culture of continuous learning and improvement, conducting regular governance reviews to assess whether their structure still aligns with their mission.

Establishing a clear succession plan, encouraging trustee term limits and mentoring new board members can help ensure smooth transitions and long-term sustainability.

Addressing governance challenges

Good governance is an ongoing process that requires regular reflection, training, and adaptation. Organisations should regularly review their governance structures, provide training for trustees, seek external advice when needed and use governance toolkits and resources to strengthen their foundations. With strong governance in place, charities and voluntary groups can operate more effectively, build trust with funders and stakeholders, and achieve long-term impact in their communities.



Practical tools and templates

Organisational structures

- [Model Governing documents and constitutions.](#)
- [My Community guide to Governance](#) – MyCommunity is a partnership of many infrastructure organisations. Their resources are aimed at organisations and individuals considering setting up a group. It is regularly updated and includes a good summary of [organisational structures](#).
- [Simply Legal from Cooperatives UK.](#) Readable, detailed guidance on the wider range of organisational structure available to community organisations.
- [Start Your Social Enterprise](#) – Comprehensive guidance from Social Enterprise UK (guide on page 24 has a comparison of different structures).

Starting up

- [NCVO guidance on setting up a new organisation.](#)
- Helpful [step by step guide to setting up a charity](#) from the Charity Commission.
- [Disqualification criteria for trustees and senior staff.](#)
- [Office of the Regulator of Community Interest Companies.](#)
- [Model constitutions for CICs from the CIC Regulator.](#)
- [Setting up a charity: model governing documents from the Charity Commission](#)

Find an organisation

- [Register of Charities.](#)
- [Register of Companies](#) (including Charitable Companies and CICs).
- [Mutual Register at FCA;](#) covers Co-operative Societies, Community Benefit Societies, Credit Unions, Building Societies and Friendly Societies.
- [List of community amateur sports clubs \(CASC\) registered with HMRC.](#)

Converting

- [Change your Charity Structure](#) - guidance from the Charity Commission.
- Charity Commission Guidance about [converting a Community Interest Company to a CIO](#).
- [Community Amateur Sports Clubs guidance](#).
- [Converting a CASC into a Company](#).

Trusteeship

- Please see the THCVS resource on [‘Trustee roles and responsibilities’](#).
- [CC33 – The Essential Trustee: What you need to know, what you need to do](#).
- [Conflicts of Interest: A Guide for Charity Trustees](#).
- [Model conflict of interest policy](#).
- [NCVO guidance on governance](#), including how to conduct a governance review, how to deal with conflicts.
- [Charity Governance Code](#).
- [Making Decisions at a Charity](#).
- [Getting On board](#).
- [Trustees Unlimited](#) – Support and development for trustees and boards. Good place to advertise and find trustee roles.

Charity reporting

- [Charity reporting thresholds](#).
- [Charity Commission guidance on annual reports and accounting](#).

Tax and trading

- [Charities and tax](#), including links to HMRC registration link
- [Fit and Proper Persons guidance](#), include suggested procedures and details of what to do and check.
- [Guidance on Charity money, tax and accounts](#), including details of how to register for Gift Aid.
- [Trustees trading and tax: how charities may lawfully trade](#).

If you would like to discuss any aspect of this policy or need help completing it, Tower Hamlets CVS can help. Please email us at info@thcvs.org.uk.