Legal Structures for Social Enterprises(including charities and non-profits)

Voluntary Impact Northamptonshire
Executive Membership

General

There are a variety of possible structures that organisations could consider when deciding who or what they wish to be. These are for guidance ONLY. Organisations should always take the requisite Legal Advice before deciding on which structure suits best.

Legal Structure - Unincorporated Association

MOST TYPICAL FEATURES	Informal by its very nature and loosely based upon an agreed set of rules.
WHO OWNS IT?	Its governed according to its own rules and therefore bo one person has outright ownership.
WHO HAS LIABILITY?	The members of the Unincorporated Association.
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	This largely depends upon its rules.
ATTRACTION FOR FUNDERS?	Very limited attraction for funders.

Legal Structure - Trusts

MOST TYPICAL FEATURES	Trusts can hold assets and can separate a legal interest from any economic interest.
WHO OWNS IT?	The Assets are owned by Trustees for furthering the cause of its beneficiaries
WHO HAS LIABILITY?	Trustees are personally liable.
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	Trustees cannot generally benefit from the Trust as they run this for the purpose of supporting its beneficiaries.
ATTRACTION FOR FUNDERS?	Trusts may be grant givers. If they secure investment from Corporate Bodies, they need to ensure they are structured well and have a compelling Mission Position.

Legal Structure - Community Interest Company or CIC

MOST TYPICAL FEATURES	Social Enterprises tend to use this structure, which can be structured by shres or guarantee. The key feature is the Asset Lock. It also need to fulfil the requires of a Public Benefit Test.
WHO OWNS IT?	Members.
WHO HAS LIABILITY?	Members with a limited liability.
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	Yes, but the CIC must also benefit the wider public.
ATTRACTION FOR FUNDERS?	This form is becoming more attractive to funders of all types.

Legal Structure -Charitable Incorporated Organisation or CIO

MOST TYPICAL FEATURES	A corporate structure designed for charities and regulated by the Charity Commission.
WHO OWNS IT?	Members. The form is like that of a company although Directors are called Trustees.
WHO HAS LIABILITY?	Members have no liability, and the CIO will enter contracts in its own right.
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	Trustees can only benefit if the constitution, the Charity Commission or UK law allow.
ATTRACTION FOR FUNDERS?	This form is typically funded through grants and unsecured loans.

Legal Structure -Special Purpose Vehicle or SPV

MOST TYPICAL FEATURES	This form is commonly used with Social Impact Bonds and is a separate legal entity.
WHO OWNS IT?	This is flexible but is normally a partnership body.
WHO HAS LIABILITY?	The Partnership
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	Investment is made to further public benefit or beneficiaries.
ATTRACTION FOR FUNDERS?	Narrow attraction for funders but highly useful around the subject of Social Impact Bonds.

Legal Structure -Registered Charity

MOST TYPICAL FEATURES	The most common form in existence. Run by a Trustee Board and regulated by the Charity Commission.
WHO OWNS IT?	The Charity is directed by the Trustee Board, but it must comply with a Public Benefit Test and exists for its common purpose (its constitution).
WHO HAS LIABILITY?	The Trustee Board (this can be limited to £1.00 per Trustee).
CAN IT BENEFIT PERSONALLY THOSE WHO RUN IT?	No.
ATTRACTION FOR FUNDERS?	High. The most well-known form which secures grants, contracts, and social investment.

NOTES

Reference was made within this content to Social Impact Bonds, but what are?
Social impact bonds (or SIBs) are designed to overcome the challenges governments have in investing in prevention and early intervention. They mitigate the risks of failure and bring in impact investors, who want to test innovation and scale successful programmes. Investors provide flexible funding to programmes that are designed to be responsive to the needs of vulnerable groups to improve their lives.
Social impact bonds provide investment to address social problems and look to fund preventative interventions. They link financial success to the delivery of measured social outcomes. If, and only if, the social outcome improves, the outcome payer repays the investors for their initial investment plus a return for the financial risks they took.
Since Social Finance pioneered social impact bonds in 2010, the concept has captured widespread interest across the globe. There are currently more than 120 SIBs in 24 countries, mobilising more than £300m of investment into tackling complex social issues such as refugee employment support, loneliness among the elderly, rehousing and reskilling homeless youth, and diabetes prevention.

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