

UKILN Charitable Structure Review

1. Current UKILN governance - Presently UKILN is a Charitable Trust, which is a type of unincorporated body, which binds the trustees by deed. This deed was initiated and first signed in October 2012. As a Charitable Trust, UKILN can have a bank account in its name and raise funds, but it cannot enter into contracts in its own name. Any contract is signed on behalf of all trustees.

2. Accepted Risks - As a charitable trust, the trustees are personally liable for all UKILN financial activities, as a charitable trust is not a legal entity in its own right. To date most contracted services have been relatively small scale (conference venue hire etc), with no individual service having gone over £2,200. The trend over the past few conferences has been for greater expenditure and also greater income. For example, the financial balance for the 2023 conference was an expenditure of £5,382 and an income of £7,103.

3. Current Risk Management - UKILN has an insurance policy in place to protect trustees from most routine financial liabilities (excluding things like gross negligence or illegal activity).

4. Future Risks – As annual income has now exceeded £5,000 in each of the past two financial reporting years, this places UKILN in the category where the Charity Commission would now expect a greater level of financial scrutiny to be applied to UKILN activities or for UKILN to adopt of an alternate charitable structure. As income and expenditure grow, compliance with Charity Law and best practice become more important. If the external funding being applied to Esmee Fairbairn Foundation were successful, then the jump in income and expenditure would be greater than £20,000 in 2024. The partnership with the Lough Erne Landscape Partnership/RSPB was required for the Esmee application, as the unincorporated structure of UKILN currently would not have been recognised.

5. Charitable Structure Options - The options available are: -

- Restrict activities to remain under the Charity Commission £5K income threshold
- Move to full Registered Charity status
- Move to Charitable Incorporated Organisation (CIO) status

For CIO status, there are two models

- a) Foundation model - the only members are the trustees and you don't have a wider membership
- b) Association model - has a wider membership which votes on important decisions, such as electing trustees or committee members

6. Charitable Structure Options appraisal

	Pro's	Con's
Restrict activities	<ul style="list-style-type: none">• Limited financial liabilities• Sustainable with minimal input	<ul style="list-style-type: none">• Income threshold of £5K• Restricts potential to achieve UKILN objectives• Trustees personally liable

Registered Charity	<ul style="list-style-type: none"> • Full financial transparency • Independent audit • Unrestricted income • Legal entity • Trustees personal liabilities reduced 	<ul style="list-style-type: none"> • Increased reporting burden • Increased audit costs • Application is more complex than CIO
CIO	<ul style="list-style-type: none"> • Financial transparency • Recognised status • Income threshold removed • Legal entity • Trustees personal liabilities reduced • Application is less complex than Registered Charity 	<ul style="list-style-type: none"> • Accounts and annual return to the Charity Commission each year

7. Key decisions for trustees

Decision 1 – does UKILN change its charitable structure, and if so, what to.

- a) full Registered Charity
- b) CIO – foundation model (trustees only, no voting members)
- c) CIO – association model (trustees plus voting members)

Decision 2 – timeline and issuing tasks for setting a new structure

Key actions and deliverables are

- Review the charities objects
- Write a governing document/constitution (guidance and templates here [How to write your charity's governing document \(CC22b\) - GOV.UK \(www.gov.uk\)](#))
- Submit registration

8. Background Information - These pages give some helpful background reading

[Charitable Incorporated Organisation \(CIO\): Is it a Suitable Structure for Your Charity? - IBB Law](#)

[Charity types: how to choose a structure \(CC22a\) - GOV.UK \(www.gov.uk\)](#)

[Charities - Frequently Asked Questions - Taylor Bracewell](#)

Charitable Structure Review Update January 2025

Based on the information provided in the UKILN Charitable Structure Review (May 2024), the most flexible, cost-effective, and least resource-demanding option for a new structure appears to be adopting the **Charitable Incorporated Organisation (CIO)** structure, specifically the **Foundation model**.

Key Considerations:

1. CIO Foundation Model Advantages:

- **Legal Entity:** Protects trustees from personal liability, as the CIO can enter contracts and own property in its name.
- **Simpler Governance:** The Foundation model involves only trustees as members, avoiding the need for broader membership management and voting processes, which reduces administrative complexity.
- **Streamlined Application Process:** Easier than applying for full Registered Charity status.
- **Flexible Financial Thresholds:** Removes the £5,000 income threshold and allows for financial growth without restriction.

Not-for-profit options

For a UK charitable body like the UK & Ireland Lakes Network (UKILN), the main **not-for-profit structure options** are as follows:

1. Charitable Trust

- **Key Features:**
 - An unincorporated structure governed by a trust deed.
 - Trustees are personally liable as the trust is not a separate legal entity.
 - Can open a bank account and raise funds.
 - **Pros:**
 - Simple to set up and administer.
 - Suitable for small, straightforward charities with limited financial activities.
 - **Cons:**
 - Trustees bear personal liability for financial and contractual obligations.
 - Not ideal for larger-scale operations or partnerships needing legal recognition.
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Charitable Incorporated Organisation (CIO)

- **Key Features:**

- A corporate legal form specifically designed for charities.
 - Recognized legal entity; trustees are not personally liable.
 - No requirement to register as a company with Companies House.
 - **Models:**
 - Foundation Model: Trustees are the only members (simpler governance).
 - Association Model: Includes voting members in addition to trustees (broader participation).
 - **Pros:**
 - Legal entity status removes personal liability for trustees.
 - Flexible financial thresholds with no income ceiling.
 - Simpler governance than a Registered Charity.
 - **Cons:**
 - Annual reporting to the Charity Commission is required.
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Registered Charity

- **Key Features:**
 - An unincorporated or incorporated structure formally registered with the Charity Commission.
 - Requires a governing document and compliance with charity law.
 - Can take various forms (e.g., Charitable Company, CIO, or Trust).
 - **Pros:**
 - Full transparency and accountability.
 - Can operate at any income level without financial restrictions.
 - **Cons:**
 - Higher administrative and compliance burdens (e.g., independent audits, more complex application process).
 - Personal liability issues if unincorporated.
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Community Interest Company (CIC)

- **Key Features:**
 - A social enterprise model regulated by Companies House.
 - Not strictly a charitable structure but focuses on community benefit.
 - Can distribute limited profits to stakeholders.
 - **Pros:**
 - Flexible governance and business operations.
 - Can issue shares or raise capital.
 - **Cons:**
 - Does not receive the same tax reliefs as charities.
 - Not suitable if full charitable status is required.
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Company Limited by Guarantee (CLG) with Charitable Status

- **Key Features:**
 - A legal corporate entity managed by members and directors.
 - Limited liability for members.
 - Must also register as a charity if pursuing charitable aims.
 - **Pros:**
 - Combines corporate and charitable benefits.
 - Suitable for larger operations or those involving trading.
 - **Cons:**
 - Dual registration (Companies House and Charity Commission) increases administrative requirements.
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Comparison and Suitability for UKILN:

- **Charitable Trust:** Good for small, low-risk activities but not suitable as UKILN scales its operations and financial thresholds.
 - **CIO:** The most tailored option for flexibility, cost-effectiveness, and reduced liability. Foundation or Association models can be chosen depending on membership needs.
 - **Registered Charity:** Appropriate for larger organizations with significant financial and compliance capacity but has higher administrative burdens.
 - **CIC:** Better suited for organizations blending profit with community benefit, not fully charitable-focused.
 - **CLG with Charitable Status:** A strong option for complex or larger-scale operations but heavier on compliance and administration.
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For UKILN, transitioning to a **CIO** (Foundation or Association model) would likely be the most practical and strategic choice based on its current and projected activities.