

charitable companies

a Pre-school Learning Alliance **mini guide**



The most suitable charitable structures for childcare providers include the *unincorporated charitable association*; *charitable incorporated organisation (CIO)* and *charitable company*.

This mini guide focuses on the **charitable company**, which is a suitable structure for a charity that:

- Has large assets and liabilities.
- Employs many staff.
- Is contracted to provide services.
- Owns substantial property.
- Intends to borrow money or issue debentures.

Registration

A company limited by guarantee must first be registered with Companies House. Once the company is created, it can then be registered as a charity with the Charity Commission. The e-publication *The Complete Guide to Incorporation for Early Years Settings* guides Alliance members through this process.

A *memorandum of association* by the first members forming the company and *articles of association* containing the rules for running the charitable company are needed to register. The *Pre-school Learning Alliance Model Memorandum and Articles of Association 2012* complies with both company and charity requirements and is pre-registered with the Charity Commission to speed up charity registration.

Pros and cons

The main advantage of a charitable company is that it is an incorporated body. It has its own legal identity and can enter into contracts, incur debts and liabilities for which it is solely responsible rather than requiring trustees or members to do so on its behalf. The members' liability, if it is wound up, is limited to a fixed amount (typically £1).

Complying with both company and charity requirements means a range of extra duties and administration. In addition to charity reporting requirements, certain



documents must be delivered to Companies House. There are also increased costs; with charges for filing company documents, fines for non-compliance and a fee for company registration.

For those concerned that the increased workload and costs will be a burden, the *charitable incorporated organisation (CIO)* provides an alternative incorporated structure which does not involve registration with Companies House. We recommend that you consider all charitable structures before deciding which is most appropriate for your provision.

Further information

The Complete Guide to Incorporation for Early Years Settings (2010) Pre-school Learning Alliance.

For further advice, please contact Information Services:
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Disclaimer: *The information contained within this mini guide is not an exhaustive list of issues on the subject matter covered and is available as a source of guidance only. It does not, and is not intended to, cover every eventuality. Settings are responsible for all decisions they take and should seek expert guidance on matters of uncertainty. A free 24/7 legal advisory helpline and an information helpline are available for Alliance members.*