

**THE HIGHLIFE CENTRE**  
**Governance Workshop Three**  
 25 April 2024  
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### Early Warning Guide

1	Do annoyed suppliers ring us chasing unpaid bills?	○	○	●	10	Has the chief executive ever cancelled a board meeting?	○	○	○
2	Do we use new funds or reserves to pay old debts?	○	○	●	11	Do our board members have a full range of business skills?	○	○	○
3	Leading up to payday, do we chase every scrap of cash?	○	○	●	12	Do the chair and chief executive have a constructive relationship?	○	○	○
4	How often do we use our overdraft facility?	○	○	●	13	Are board vacancies filled quickly?	○	○	○
5	When are financial reports presented to us?	○	○	●	14	Are board members able to raise issues and resolve them?	○	○	○
6	Do we all understand the financial figures presented to us?	○	○	●	15	When did we last review our organisation's strategic objectives?	○	○	○
7	What proportion of our income is at risk in the next 12 months?	○	○	●	16	If our chief executive left tomorrow would the organisation grind to a halt?	○	○	○
8	How many significant sources of income do we have?	○	○	●	17	Are visitors greeted by smiling, friendly staff?	○	○	○
9	Have we ever sought an income-generating opportunity even though it was not central to our core mission and values?	○	○	●	18	What is the staff turnover?	○	○	○

Totals: 1 Red 4 Amber 13 Green

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### Evaluating the Highlife Centre Trust

	1	2	3	4	5
Independent			●	●	●
True to our aims			●	●	●
Self-sustaining			●	●	●
Community-led			●	●	●
Working in Partnership	●	●	●	●	●

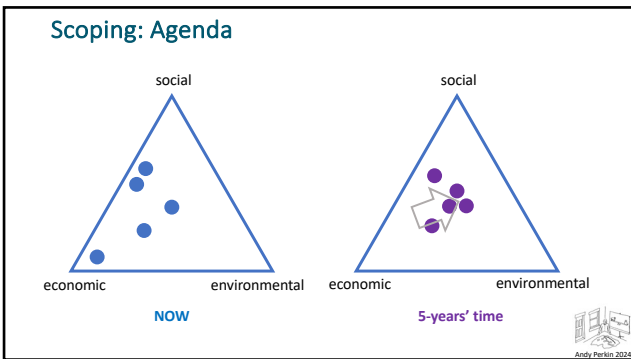
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### Evaluating Aims

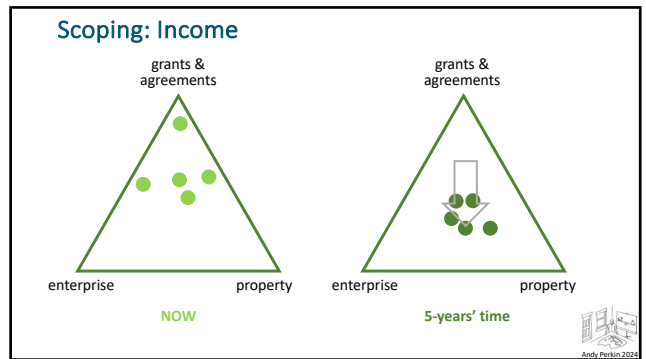
\*'Aim' summarised, some broken down into constituent parts

	1	2	3	4	5
The relief of unemployment including assistance to find employment				●	●
The advancement of education by: developing capabilities, competences, skills and understanding providing preschool and out of school education				●	●
The prevention or relief of poverty or financial hardship: in the UK				●	●
To promote social inclusion through the advancement of the arts, culture and heritage				●	●
To develop the capacity and skills of the members of the BAME community and those for whom English is not their first language				●	●
To improve the provision of training and development support the provision of meeting and office space				●	●

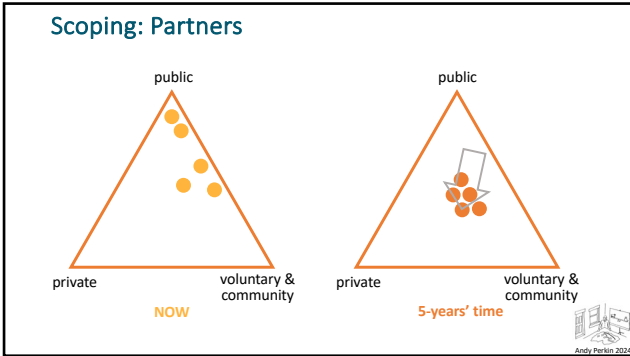
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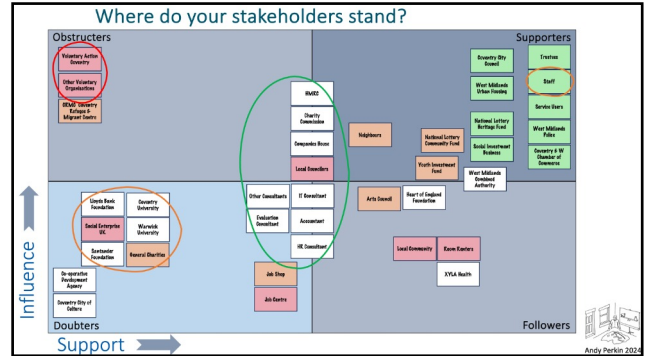
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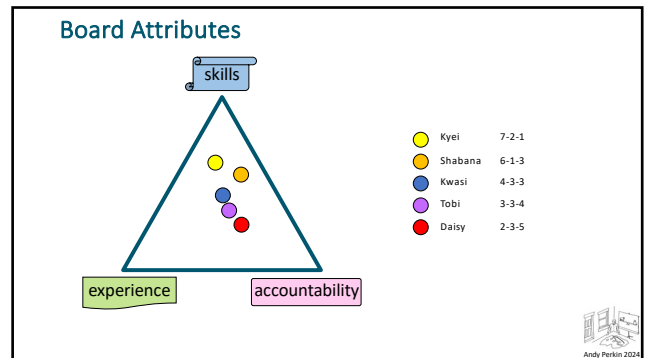
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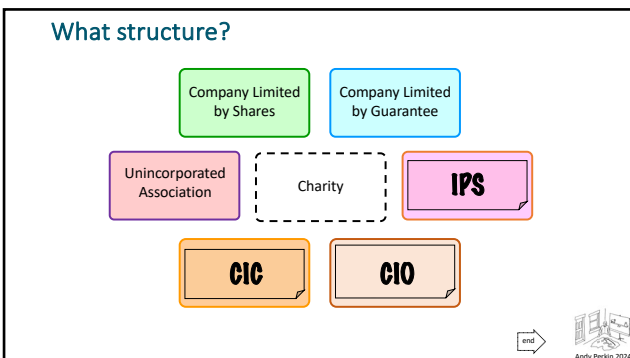
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- ### Trustees' responsibilities – True or False?
- Trustees must always act in the best interests of the local community. **X false**
  - There are no restrictions on who can be a Trustee, apart from having to be over 21. **X false**
  - It is important to ensure that the Chair and Company Secretary are issued with a copy of the governing documents and so they can advise Trustees about their responsibilities. **✓ true**
  - The Charity's governing document (Mem and Arts) is a legal document. **✓ true**
  - Trustees must act collectively (jointly) and all decisions must be unanimous. **✓ true & X false**
  - A Trustee must resign if their personal interests could, or could appear to, prevent them from making a decision only in the charity's best interests. **X false**
  - The Trustees must select a Chair and Secretary from amongst their number following the AGM. **X false**
  - At each AGM, the longest-serving third of the Trustees must retire from office. **✓ true**
  - A quorum for Trustees' meetings is two. **✓ true**
  - The charity has the power to alter, add to or repeal the rules in a general meeting. **✓ true**
  - Trustees should avoid asking questions that expose their lack of understanding. **X false**
  - Trustees of a registered charity are not personally liable for any financial loss incurred. **X false**

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### Unincorporated Association

Description	A group of people with a defined purpose - e.g. residents associations, 'friends of' groups, civic societies, sports clubs	Independent	?
Governing Document	Regulator: <b>Not regulated</b>	Not for profit	?
Ownership & Accountability	Individual officers or trustees	Self-sustaining	?
Charitable Status	Membership: As defined by governing document	Community-led	?
Notes	<b>Not a legal entity.</b> No need to be of benefit to the community.	Partnerships	?

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### Company Limited by Shares

<b>Description</b> The preferred vehicle for trading exclusively for profits and providing a return on investments		Independent ✓ Not for profit ✗
<b>Governing Document</b> Companies Act model	Regulator Companies House	Self-sustaining ✓
<b>Ownership &amp; Accountability</b> Directors manage on behalf of shareholders	Liability Limited to shareholding	Community-led ✓
<b>Charitable Status</b> Can not register as a charity	Membership Shareholders	Partnerships ✗
<b>Notes</b> Not the vehicle of choice for a not-for-profit organisation		Partnerships ?

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### Company Limited by Guarantee

<b>Description</b> Long-established vehicle for trading on a not-for-profit basis		Independent ✓ Not for profit ✓
<b>Governing Document</b> Companies Act model or bespoke	Regulator Companies House (plus Charity Commission if registered)	Self-sustaining ?
<b>Ownership &amp; Accountability</b> Directors manage on behalf of members	Liability Limited to nominal amount if wound up	Community-led ?
<b>Charitable Status</b> Can register as a charity (optional)	Membership Directors or defined membership	Partnerships ?
<b>Notes</b> Can be adapted to fit most purposes. CLGs registered as charities need to submit a return to both Companies House and Charity Commission		Partnerships ?

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### Industrial and Provident Society

<b>Description</b> Long-established co-operatives model including Community Benefit Society model (bencom). Set up for members' benefit and profit distributing.		Independent ✓ Not for profit ✗
<b>Governing Document</b> Sponsors' rules or bespoke	Regulator Financial Conduct Authority	Self-sustaining ✓?
<b>Ownership &amp; Accountability</b> Committee or officers manage on behalf of members	Liability Limited to shareholding	Community-led ?
<b>Charitable Status</b> Can register as a charity (optional)	Membership Defined by a common bond	Partnerships ?
<b>Notes</b> IPSs registered as charities need to submit a return to both Companies House and Charity Commission. Democratic: one member, one vote regardless of shareholding.		Partnerships ?

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### Charitable Status

<b>Description</b> An Unincorporated Association <b>CLG or bencom</b> can also register as a charity		Independent ✓ Not for profit ✓
<b>Governing Document</b> Memorandum including a selection from 13 charitable objects	Regulator Charity Commission	Self-sustaining ?
<b>Ownership &amp; Accountability</b> As per main structure and governance	Liability Limited to nominal amount if wound up	Community-led ?
<b>Charitable Status</b> Registered charity	Membership Trustees or wider membership	Partnerships ?
<b>Notes</b> Can hold assets and can be 'asset locked'. Very difficult to un-register.		Partnerships ?

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### Community Interest Company

<b>Description</b> Established in 2004 as a legal form for social enterprises as a 'light touch' regime.		Independent ✓ Not for profit ✓ & ✗
<b>Governing Document</b> CIC Regulator's model	Regulator CIC Regulator at FCA	Self-sustaining ?
<b>Ownership &amp; Accountability</b> Directors manage (on behalf of members if any)	Liability Limited to nominal amount if wound up	Community-led ?
<b>Charitable Status</b> Can not register as a charity	Membership Directors or defined membership	Partnerships ?
<b>Notes</b> CIC submit an annual community benefit statement and can be 'asset locked' but the Regulator seldom acts leading to increasingly widespread abuse.		Partnerships ?

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### Charitable Incorporated Organisation

<b>Description</b> Established in 2012 as a ready-made corporate structure for charities.		Independent ✓ Not for profit ✓
<b>Governing Document</b> Charity Commission 'Foundation' or 'Association' models	Regulator Charity Commission	Self-sustaining ?
<b>Ownership &amp; Accountability</b> Trustees manage (on behalf of members if any)	Liability None or limited to nominal amount if wound up	Community-led ?
<b>Charitable Status</b> Incorporated charity	Membership Trustees or defined membership	Partnerships ?
<b>Notes</b> CIOs submit an annual return to the Charity Commission but not Companies House. Foundation model has no accountability beyond its own Trustees.		Partnerships ?

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### Membership



**Why broaden membership?**

- Greater independence** – less reliant on particular funders or benefactors
- Greater peer scrutiny** – prevents mission drift
- More sustainable** – in terms of renewing interest and board membership
- More accountable to the community** – more democratic, more representative, more diversity and increases dialogue
- Builds partnerships** – encourages collaboration with like-minded individuals and organisations
- Builds local support** – allows local people and organisations to demonstrate their support for your work
- Attracts investment** – should make funders more willing to support



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### Membership Categories

(referred to as “classes” in the governing document)

These might include:

- Individuals
- Charitable and Voluntary Organisations
- Private Companies (corporate membership)
- Associates (or “informal” members non-voting, “fellow travellers”)

In all cases these must be organisations or individuals who support your aims and objectives.




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### Why change HCT’s governing documents?

- Sections of the text may be no longer relevant
- Articles may be out of step with current practices or arrangements
- To incorporate current best practice
- To address any change of purposes needed to accommodate the move towards being an infrastructure organisation




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### Changing your Governing Document

You can change your organisation’s governing document yourself if either:

- your governing document specifies that you have ‘the power’ to make the change
- the law (for example, the Charities Act or the Companies Act) allows you to make this kind of change



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### Changing your Governing Document

**Permissions**


If you are changing your company’s objects, you need to notify Companies House (online form [CCO4](#)).

If your company is a registered charity, you’ll need to get the Charity Commission to approve ‘regulated alterations’ to your articles of association. These are changes to:

- your company’s purposes
- what happens to its property on winding up
- its rules on paying a trustee or someone connected to them from its funds - essentially these are changes to the **MEMORANDUM** rather than the **ARTICLES**

(If appropriate, you must get written consent from the Charity Commission before you agree a special resolution to make any of these changes at a general meeting.)

<https://www.gov.uk/government/publications/notify-the-change-of-companys-objects-cco4>



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### Changing your Governing Document

**Procedure**

Any changes to your governing documents must be agreed as a ‘**special resolution**’ at a general meeting\*.

(\* for HCT this would need to be a **Special or Annual General Meeting**)

You must send a signed copy of the resolution along with a PDF of your amended articles to **both the Charity Commission and Companies House within 15 working days** (this can be done online).



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### Changing your Governing Document

**Limitations**

The existing governing document is legally sound – you need to be careful not to veer too far away from it.

Changes to the memorandum and objects will incur scrutiny from Companies House and the Charity Commission – best not be radical.

Your consultant is not a legal expert and can only recommend changes. It is up to the trustees to implement them.



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### Changing your Governing Document

**Scope**

**MEMORANDUM**


- Remove unnecessary or outdated text
- Revise purposes regarding support for the voluntary sector

**RULES**

- Clarify (establish?) membership criteria and application process

**ARTICLES**

- Review quorum for general meetings (see **RULES**)
- Review the number of trustees, rotation, quorum for meetings and appointment process
- Review appointment of officers



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### Changing to a Charitable Incorporated Organisation (CIO)

**Convert your charitable company to a CIO**


Registered charitable companies can apply to the Commission and use a simple legal process to convert to a CIO, which means that the charity continues to exist but in a different form.

You should be able to keep the charity’s existing name and keep its charity number. You should also be able to keep the charity’s existing bank accounts.

In most cases the new CIO should receive any gifts left to the original charitable company.

Following conversion, your charity will face different reporting and accounting requirements.

<https://www.gov.uk/guidance/change-your-charity-structure#change-your-unincorporated-charity-to-a-cio>




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### Changing to a Charitable Incorporated Organisation (CIO)

**Purposes**

Your CIO constitution must remain as near to the model as possible. As the CIO will ‘replace’ your charitable company, its purposes must be the same as your charity’s purposes.

If you use this process to review and change the purposes of your charitable company, **do this first, before applying for conversion.**



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### Changing to a Charitable Incorporated Organisation (CIO)

**Decision-making**


Members of the charitable company must pass two resolutions:

- the first on the decision to convert to a CIO and
- the second on the decision to adopt the proposed constitution of the CIO

**Apply to the Charity Commission**

You will need to include:

- Copies of the members’ resolutions.
- A copy of the proposed CIO constitution show any changes you have made to the model constitution.
- The completed **Trustee Declaration Form**.



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### The Next Steps

THE HIGHLIFE CENTRE

Outputs and slides from this workshop will be made available to participants by email and via the online portal:  
<https://visualbusinessplanning.org.uk/content/highlife-centre-trust-governance-support>

The current governance support programme closes.

Option to arrange further support for making changes to HCT’s governing documents and/or changing the governance structure to a Charitable Incorporated Organisation.



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