

Starter Pack

Setting Up a Community Group

This pack contains the following factsheets that we hope will help you to set up a community group effectively:

- Flowchart : takes you through the main steps from having an idea about a project to being ready to apply for funding for your first activity
- Choosing a legal structure: information about the most common legal structures for community groups
- Rules for your group: questions to prepare you for sorting your governing document
- Proving a need for your project: helping you to make sure the activities you provide are really needed
- Management committee basics: a beginner's guide to management committees
- A template on how to present a statement of income and expenditure
- Are You Really Ready For Funding? – a list of essentials in the way a group is organised and managed that all funders expect to see
- Checklist: a list of steps involved in setting up a community group

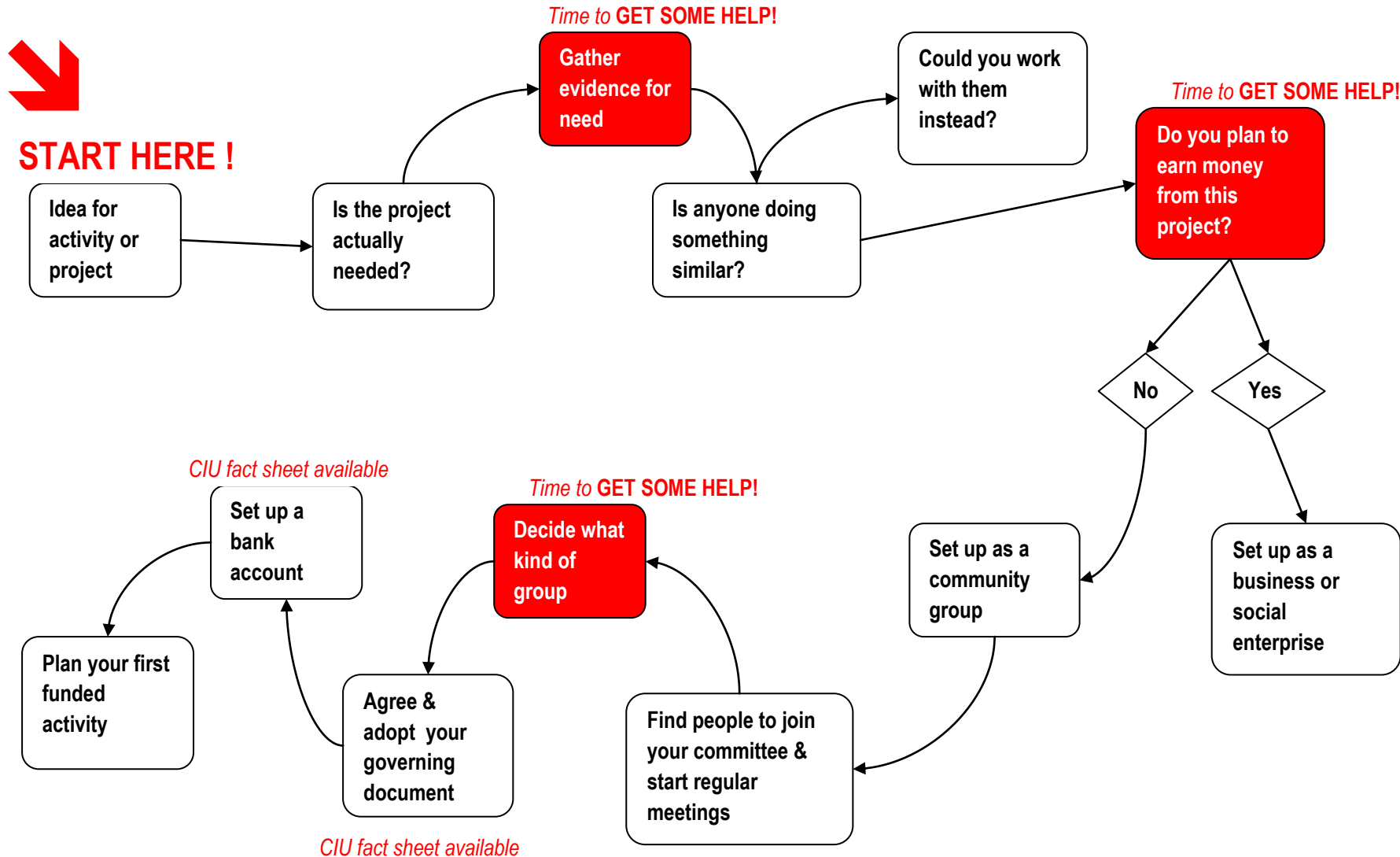
You are probably doing all this for the first time. The strong message from this pack is to get help from people who've done it before – you will find a list of where to get help at the end of the checklist.

Other resources

Aston-Mansfield Community Involvement Unit has a large collection of factsheets and resources including the following that you may find useful for the next stages of your journey:

- Setting Up a Bank Account
- DBS Checks
- Policies and Procedures
- Planning a Project or Activity
- Putting Together a Budget
- Roles and Responsibilities of Committee Members

Starting Your Group: The First Steps



Finding a Legal Structure to Suit Your Group

The most common legal structures for community groups are:

- Unincorporated association
- Charitable company
- Charitable trust

Establishing a charitable company is the most time-consuming and expensive option. Whichever structure you choose, you must draw up a set of rules stating how your group will work (known as the governing document). There is a different type of governing document for each structure with various models available and you should seek help choosing the right one for your organisation.

Some groups which think of themselves as community organisations may find that a social enterprise or business structure, such as a co-operative, or a (non-charitable) limited company such as a Community Interest Company, is more appropriate. A social enterprise structure may work for you if you expect to raise a significant proportion of your income by selling goods and services.

Unincorporated association

An unincorporated association is a membership organisation. It can be whatever its members want it to be, and carry out whatever activity you choose. It is the easiest, quickest and cheapest way for a group to set itself up. Unless there is a membership fee, you are not even obliged to keep a membership list – anyone who is entitled by your rules to be a member can simply turn up and take part. This structure is suitable for groups such as play schemes, pensioners associations, arts groups and campaigning groups. Very many groups fall into this category (sometimes without knowing it).

You do not have to seek approval of any kind before setting up. Nor do you have to register with any regulatory body, though if your group has charitable aims and an annual income above £5,000 you are required to register with the Charity Commission. Once operating, your group may of course have to register with the local council if, for example, you are providing childcare or are involved in catering.

You are free to draw up your own democratic constitution setting out the rules under which your group will be run. If your group plans to register as a charity, it may be best to adopt the Charity Commission's own model constitution for a charitable unincorporated association.

Advantages

- Simple and flexible. No need to have the constitution agreed by any outside body (unless you are registering as a charity).
- Cheap to run. No need to submit accounts to anyone outside (unless you register as a charity, or funders demand it).
- If you have charitable aims, you can register as a charity and gain advantages such as funding which is available only to charities.

Disadvantages

- Some funders may prefer a more formal structure, especially if you are looking for big sums of money.
- Your group has no separate legal existence – it is a collection of individuals. This means that:
 - it cannot own property in its own right
 - it cannot enter into contracts – if it wants to rent premises or employ people, this is done in the eyes of the law by individuals on behalf the group.
 - individual members of your management committee are personally responsible for the group 's obligations and debts, and are liable if, for example, it is sued.

Summary

The fact that this is so flexible and cheap means it is ideal for many small groups. If you are considering doing something more major – employing a worker or managing a building – you may well need a structure which gives the group a legal existence and gives members more individual protection. It is common for groups to begin as an unincorporated association and change to a limited company when they become bigger and are ready to employ staff or enter into contract agreements.

Charitable company

A charitable company is a limited company with charitable aims. It is an incorporated organisation which means that it has a legal identity separate from its members. In law, a limited company is considered to be a person and it can therefore own land or enter into contracts. The directors are agents of the company and are not personally liable for its debts.

A company is a membership organisation. However, unlike an unincorporated association, members must be named and a list of members forms part of the Company Register. A company can also demonstrate, through its Memorandum & Articles of Association (its governing document) that it is accountable to the community and charitable in its aims. The directors of a charitable company are also its trustees and perform the role of the management committee.

The Charity Commission provides a model Memorandum & Articles of Association for a charitable company but you would be well advised to seek help in drawing these up. At the moment establishing a charitable company currently involves registering with both Companies House and the Charity Commission.

There are two types of limited company:

Company limited by guarantee

There are no shareholders and any surplus income is reinvested in the company. This company type is recommended by the Charity Commission.

Company limited by shares

This type of company is more usually found in the commercial sector, where its members (shareholders) are investing money in the hope of gaining a profit. However, there are some organisations in the community which are set up as companies limited by shares.

Advantages

- It is very suitable for a larger organisation which has considerable assets (e.g. equipment, a building) and employs more than a few staff.
- The company can take on legal obligations and buy property in its own name. The organisation and not its members are responsible for any debts. However directors do have a legal duty to act prudently and to ensure that the company manages its finances carefully.
- Many funders regard this structure as more stable, as they know the company will continue to exist even if there is a change of people involved. This increases your chances of success if you are applying for larger sums of money. Some funders will give grants only to registered charities.

Disadvantages

- It is more expensive to set up.
- It is time consuming to run, annual accountancy fees can be high and you can be fined considerable sums if you do not send the necessary annual information on time.
- A charitable company is regulated by both Companies House and the Charity Commission. You have to notify them of every change of directors/trustees and draw up a particular form of annual accounts and reports.
- A charitable company cannot have political or certain campaigning aims, but you can have educational ones.

Charitable Incorporated Organisation (CIO) is a relatively new legal structure – an incorporated body (similar to a company) but registered only with the Charity Commission. This structure is simpler to set up and run. To find out more contact CIU.

Charitable trust

A charitable trust is a legal form which is set up by means of a trust deed. Naturally the aims of the trust must be charitable and it must register with the Charity Commission when it reaches the £5000 threshold. A trust is usually set up to manage money or property for a charitable purpose. It is not a membership organisation but is run by a small group of people, known as trustees, although the trust deed can be written in such a way as to allow for members. The trustees make all the decisions and have all the responsibility. Trustees can be appointed for life when the trust is set up, or can be changed regularly. This means, for example, a representative of the local authority could be invited to become a trustee. Trustees must not receive any remuneration from the trust or receive any personal benefit from its activities.

Advantages

- It is fairly cheap to establish. There is no registration fee, although there is a small stamp duty to pay.
- It is fairly simple to set up. The Charity Commission publishes a model declaration for a charitable trust (trust deed). However if you are at all uncertain about the trust deeds it is sensible to get advice, as the deed is a formal document.
- It is worth considering for a charity with more professional aims which wants to employ a very small number of workers or manage a building. Property can be held in the name of individual trustees for use by the charity, though the charity cannot purchase property in its own name.
- It gives continuity to the group, and regulation by the Charity Commission gives a 'seal of approval' to its activities.
- Funders may find the more formal and stable structure reassuring. Some funders will give grants only to

registered charities.

Disadvantages

- As a registered charity, your group has obligations. Among other things, you must draw up your annual accounts and report in a particular way and send a copy to the Charity Commission.
- A charitable trust is an unincorporated organisation which means that its trustees are personally liable for its obligations and debts.
- You cannot carry out political or certain campaigning activities, but your group can have educational aims.
- There is not generally any formal method for users to influence the work of the organisation. All decisions are made by a small group of people who are not necessarily easily replaceable (The Charity Commission suggests having between 3 and 9 trustees). So it is not a suitable structure for a group which wants to encourage a large and active membership.

Note on the Financial Liability of Trustees and Officers

If an unincorporated association or a charitable trust closes with outstanding debts, its officers or trustees will be personally liable for the debts. Some insurance companies offer a policy which will enable officers to claim for any debts which they have to cover.

However, insurers usually state that closure of the group must be outside of the control of the officers or trustees. So if, for example, your group folds after getting into debt because of slack financial management, your claim is likely to be turned down. There are usually other exclusion clauses too which may make it difficult to put in a successful claim. However, if your main concern is debt arising from circumstances outside your control, this type of policy will reassure your officers and trustees.

If you think that your group really needs this sort of insurance cover, then it may be a good idea to look again at your structure and consider forming a limited company (an incorporated organisation) instead. If, after that, you decide to remain unincorporated and take out financial liability insurance, look very closely at the policy.

Conclusion

It is important to make an informed decision about which legal structure is most appropriate for your organisation. If you want more information on these or alternative legal structures please ask for it.

Rules for your Group

When you set up a group you need rules about what you will do and how you will do it. You can start with a very simple set of rules, agreed and written down by the people in your group, which covers the following areas:

- The name of your group
- Your aims or purpose
- What you want to do (your activities or projects)
- Who you want to work with, and where (including any rules on membership)
- How decisions will be made
- How money will be spent and looked after

As you develop you may need to adopt a more formal 'constitution' – a legal document that describes the rules for governing an organisation. If you decide to become a charitable trust your governing document will be called a 'Trust Deed'.

Constitutions or deeds should cover the following areas:

- The name of your organisation
- Your aims or purpose
- What you want to do (your activities or projects)
- Who you want to work with, and where (including any rules on membership)
- How the Management Committee or Board of Trustees is elected
- How many committee members or trustees there will be, the quorum needed for meetings to run, and how much notice should be given for meetings
- How often meetings will take place and how they will be run, including the Annual General Meeting
- How officers are appointed and how they leave
- How decisions will be made
- How money will be spent and looked after, including preparation of annual accounts
- How the constitution or deed can be changed
- Procedures for closing down your organisation (dissolution)

Model or template constitutions are easily available and can help to make sure you cover all the necessary areas. If you decide to use one of these it is important to make sure you discuss and agree what you want for your own group, and tailor it to what you need.

Once the governing document is agreed, committee members must sign and date it, at a meeting that is minuted. When this is done the document is officially 'adopted', which makes it a legal document. From this point on, your group *must* be run according to the rules you have agreed. The document must be filed safely as it will be needed for reference, and copies will be requested by funders and other agencies.

Proving a Need for Your Project

If you are a community group or voluntary organisation with an idea for a new project or activity, you must be sure that there is a genuine need for your project, and you must be able to convince others of this – before you make detailed plans or approach any funders.

A project that can prove that it is really needed is far more likely to secure funding and to be successful.

Step 1: What's Happening Already?

First spend time checking out if any similar projects exist. There is no point setting up a new project if one like it is already running well nearby. If you have good local links, use these to find out what's already provided. If not, contact one of the organisations that support Newham groups:

Community Involvement Unit (CIU)

www.aston-mansfield.org.uk/community_involvement_unit.php

020 8519 2244

The Forum for Health and Well Being

www.bemccf.org.uk

020 7474 3176

The CIU has a factsheet of 'Forums / Partnership Networks in Newham' that gives details of groups with a shared interest.

If you do find similar projects locally, get in touch with them. Find out what they provide and how well used they are. You may discover that there is enough good provision in this area and you can just signpost people to what's already there. You may decide to work together to expand or develop their provision rather than set up a separate project. You may discover that similar projects only exist in other areas – if so you can still gather useful evidence about the impact they have made, and can also learn from their experience. You may find that other local projects are too different, too overstretched, or not well run. Nevertheless, you will still want to set up your own project having already gathered some evidence that it is genuinely needed.

Step 2: Ask People What They Think

If you are in an established organisation and your new project will target people similar to those you already work with, ask your current users what they think about your idea and record their responses. If you are a new group or your new project will target people you don't already work with, try to find ways to access this target group through other projects or public events. There are a number of ways to record people's views:

- A simple questionnaire or form that people complete themselves
- A questionnaire that is used by others to interview people
- A flipchart or poster that describes your idea and invites people to write their views about it
- A board headed with the project idea that people can stick post-its on to say what they think
- A suggestions box for comments about a description of your project idea
- A group of people who come together to discuss the plans

If you are lucky you may meet people during this process who are so interested in your idea they would like to be involved if it goes ahead, or even support you in making it happen.

Step 3: Use Statistics

Statistics can provide useful evidence of need. If you are planning a project for a particular group of people, statistics can show how many people from your target group live in your area and how this compares to other areas. They can also provide evidence of need in terms of issues or problems (e.g. high unemployment / crime rates / specific health problems).

CIU has produced factsheets on local statistics downloadable from:

<http://www.aston-mansfield.org.uk/what-we-do/community-involvement-unit/ciu-publications/>

Step 4: Use the Information you have gathered

This process should enable you to build up clear evidence of need which will provide firm foundations for a successful project.

Be willing to adapt your original idea to meet the specific needs that you find during the process. Aim for a continuous process of checking plans against actual need in order to deliver a project that really makes a difference.

A Beginner's Guide to Management Committees

- Community groups need a governing body, a group of people to manage what they do. This is usually called a management committee.
- The committee's job is to ensure that the group does what it was set up to do, has enough money, does not get into debt and is well run.
- A committee needs at least three people, who should not be related to each other. The first members can be chosen by the founders of the project.
- Your governing document should describe how the committee works and how members leave and join. It should meet frequently enough to manage the work of the organisation and should keep minutes (written notes) of meetings.
- Even very small and informal groups need a committee to run the group and keep things on track. All groups need systems to manage money and some will also need to manage premises or staff.
- A good committee will brief new members so they understand their role and the responsibilities of the committee.
- If you have a constitution, it will set out things such as how often meetings should take place or who is entitled to attend.
- Most committees have people with specific job titles:
 - **Chair:** plans and leads meetings, makes sure decisions are implemented
 - **Treasurer:** oversees accounts, looks after finances, helps with fund raising
 - **Secretary:** prepares agendas and papers, minutes meetings, sorts correspondence

Statement of Income and Expenditure

As soon as you begin to handle any money through your organisation you need to record it carefully. This includes very small amounts of donated money, even if this comes from committee members. You need to keep records of all money received and all money spent, organised by financial year (usually April 1st – March 31st).

All money should be paid into the organisation's bank account, and recorded in an accounts book or on a spreadsheet. Any money spent should come out of the bank account and be recorded as well.

Every year the management committee should approve and sign the accounts and this should be minuted.

There is a model spreadsheet below that you can adapt and use if you want to. It is important to have good systems in place to manage your money - information and support on this is available through the CIU.

MODEL TEMPLATE

Statement of Income and Expenditure for (insert name of group)

For the year 1 April 2014 to 31 March 2015

Insert years and change dates if your financial year is different

Balance brought forward from the previous year: £

Headings under 'Details' are only suggestions – you can use whatever headings apply to your group

Insert any money in the account on March 31st in the previous year (A)

Income	B	Expenditure	C
Details	Amount	Details	Amount
Grants (list all grants separately)	£	Rent/room hire	£
Donations (e.g. membership fees)	£	Administration (e.g. stationery, postage, phone calls)	£
Fundraising (e.g. raffles, events)	£	Volunteer expenses	£
Other income	£	Other payments	£
Total	£	Total	£

Balance at 31 March 2015: £

The balance from the previous year (A) plus the total in Column A, minus the total in Column B

All committee members present should sign

This statement was approved by the Committee at their meeting on _____ (insert date)

Signed	Print Name	Position on Committee

Are You Really Ready For Funding?

There are certain essentials in the way a group is organised and managed that all funders expect to see – and without them, your funding applications are extremely unlikely to succeed, no matter how good your project idea may be.

Before you apply for funding go through this checklist and get help if you are not sure about anything.

What do funders expect?	Do you meet these expectations?	Yes	No	Action Required
A constitution with charitable aims and an explanation of the powers available to your management committee	Does your group have a charitable constitution and if so, does it meet these basic requirements?	<input type="checkbox"/>	<input type="checkbox"/>	
A management committee or board of trustees made up of at least three volunteers who make decisions about the organisation	Does your group have a functioning management committee?	<input type="checkbox"/>	<input type="checkbox"/>	
A group bank account where at least two members of your management committee or board must sign any cheque or financial undertaking.	Does your group have a bank account with at least 2 signatories?	<input type="checkbox"/>	<input type="checkbox"/>	
Accurate records of any income your group receives and any expenditure made, and the ability to provide evidence of any money spent	Does your group have systems to record income and expenditure?	<input type="checkbox"/>	<input type="checkbox"/>	

What do funders expect?	Do you meet these expectations?	Yes	No	Action Required
if required to.				
A group must only seek funding for activities that seek to further its charitable aims	Does your project idea match the aims or objectives contained in your constitution?	<input type="checkbox"/>	<input type="checkbox"/>	
	Does your project proposal include a clear written description of the project you want funded and why it is needed?	<input type="checkbox"/>	<input type="checkbox"/>	
A group must be able to show that it has the skills, experience and track record to deliver any project that it is asking for funding for	Is your project idea realistic and achievable?	<input type="checkbox"/>	<input type="checkbox"/>	
	Can you show that you have successfully delivered similar activities before?	<input type="checkbox"/>	<input type="checkbox"/>	
	Do you have the necessary skills and experience to ensure that, if you receive funding, you can make sure that it addresses a need and makes an impact?	<input type="checkbox"/>	<input type="checkbox"/>	
A group must be able to show that it can monitor the impact of a project's activities and evaluate its overall success	Does your group know how it will monitor and evaluate the project if it goes ahead?	<input type="checkbox"/>	<input type="checkbox"/>	

What do funders expect?	Do you meet these expectations?	Yes	No	Action Required
A group must be able to demonstrate that the project it seeks funding for represents 'value for money'	Does your project proposal include a budget that matches the project description?	<input type="checkbox"/>	<input type="checkbox"/>	

Setting Up A Community Group – First Steps Checklist

Be clear about your purpose

You need to be very clear about what your group is going to do, where it will work and who it will benefit. This involves talking to potential users, finding out what other groups exist, making sure you don't duplicate their work and looking for opportunities to work together.

Get support

A group is more than one person. You need at least three people to form the first management committee. The committee must be willing to volunteer their time to get the group going and run activities, often using their own money and resources to begin with.

Develop an action plan

It is important to spend some time identifying tasks and goals and working out priorities. This will help to ensure that everyone knows what they're working towards and no one person gets overloaded.

Choose a legal structure

If you want to formalise your group you will need to decide what legal structure suits you best. It is important to get help with this.

Adopt a governing document

Once you have decided on your group's structure you need to agree a set of rules outlining exactly what you aim to do and how you intend to do it. This governing document will outline how you all agree to work together, covering areas like management committees, finances and general meetings. Depending on your legal structure it will be called a constitution, memorandum and articles of association or a trust deed. Get help with this too.

Set up a committee

Community groups are managed by a committee of volunteers. The first members can be chosen by (or consist of) the founders of the project. Your governing document will describe how the committee works and how members leave and join. You will need to elect a Chair, Secretary and Treasurer. The committee should meet frequently enough to manage the work of the organisation and should keep minutes of meetings. Get advice or training, especially if everyone is new to their roles.

Open a bank account

Once you have set up your group you will need to open a bank account to keep any money that the group may raise. The account should be opened in the name of the group (not in the names of any of the members or their businesses) and at least two people's signatures should be required to spend any money from the account. It's a good idea to have at least three people who can sign cheques so that there is always someone available.

Plan your first funded activity

You are now in a position to apply for funding. Think carefully about where you want to begin, and aim to choose an activity or project that is needed and that you are confident you can deliver well. Your first few funding applications will be for small grants (£5000 or less) so projects must be small and short enough to reflect this. Get help with this.

Where to get help

Community Involvement Unit
Aston-Mansfield
Durning Hall Community Centre
Earlham Grove
London E7 9AB

Contacts:

Anne Crisp on 020 3740 8122
anne.crisp@aston-mansfield.org.uk

The Forum for Health & Wellbeing
Office 2/3 St Marks Community Centre
218 Tollgate Road
Beckton
London E6 5YA

Contacts:

Mustafa Arrale on 020 7473 9519
mustafa.arrale@bemccf.org.uk

Abdul Malik on 020 7473 9519
abdul.malik@bemccf.org.uk