

Things to consider when setting up a charity or CIC

This tip sheet identifies the vital sources of information, key considerations and outlines the steps to set up a charity or CIC. It's not intended as legal advice but as a starting point for your own consideration through highlighting relevant information.

Charity Commission guidance

The Charity Commission is responsible for overseeing the registration and governance of charities in Wales (and England). It produces guidance for trustees on how they should meet and their legal duties, and also provides an online registry for all charities in Wales and England.

- [gov.uk/topic/running-charity/setting-up](https://www.gov.uk/topic/running-charity/setting-up)
- [gov.uk/guidance/how-to-set-up-a-charity-cc21a](https://www.gov.uk/guidance/how-to-set-up-a-charity-cc21a)
- [gov.uk/guidance/charity-types-how-to-choose-a-structure](https://www.gov.uk/guidance/charity-types-how-to-choose-a-structure)

Practical considerations

1. Is a charity that best structure to provide the intended service? How about a CIC (Community Interest Company), or a co-op or for example, which could provide more flexibility of action or ownership?
 - [gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies](https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies)
 - [uk.coop/developing-co-ops/start-co-operative](https://www.uk.coop/developing-co-ops/start-co-operative)
2. Think of a prospective charity as a start-up business – what's its product, its market niche, its Unique Selling Point (USP)? Are there other charities doing the same kind of things in the same area? Why would another charity be a good thing for service users?
3. What resources do you realistically need to make the 'business' work? People, space, materials, money, etc.
4. Does anyone associated with the prospective charity know anything about the roles and responsibilities of trusteeship? Have they any experience of managing a charity or business? Do they realise that it is an ongoing legal responsibility, and not just a matter of turning up for meetings 2 or 3 times a year? Do they understand their duty of public



accountability via the Charity Commission? For information and guidance see:

[The essential trustee: what you need to know, what you need to do](#) (Charity Commission)

[Getting on Board trustee training](#)

5. Being passionate about a cause is great, but you need to be passionate about running a well-governed charity as well.
6. How viable and sustainable would the business be. Where realistically would the money come from? Is there a realistic budget and business plan?

The first two years of running a charity are considered the hardest. You have to define and develop your model, and build up and maintain your resources, policies, partners and activities.

Five years into a charity is considered by many to be a milestone and an opportunity to reconsider how you can achieve success, how you can scale up your work, and to assess if you are using your money wisely.

Set up a charity

There are 6 steps to setting up a charity: <https://www.gov.uk/setting-up-charity>

1. [Find trustees](#) for your charity - you usually need at least 3.
2. Make sure the charity has '[charitable purposes for the public benefit](#)'.
3. Choose a [name for your charity](#).
4. Choose a [structure for your charity](#).
5. Create a '[governing document](#)'.
6. [Register as a charity](#) if your annual income is over £5,000 or if you set up a charitable incorporated organisation (CIO).



Charity set up guide for small organisations

You can use this simple guide from the Small Charities Coalition, now hosted by FSI and NCVO, to take you through the steps of setting up a charity. This guide will steer you through the logistics of setting up a charity in simple steps:

<https://www.charitysetup.org.uk/>

[How to choose a structure](#): Charity Commission

Types of charity structure

To set up a new charity, you must decide what sort of legal structure it will have.

Your charity structure is defined by its 'governing document' (the legal document that creates the charity and says how it should be run).

The type of structure you choose affects how your charity will operate, such as:

- who will run it and whether it will have a wider membership
- whether it can enter into contracts or employ staff in its own name
- whether the trustees will be personally liable for what the charity does.

There are four main types of charity structure:

1. charitable incorporated organisation (CIO)
2. charitable company (limited by guarantee)
3. unincorporated association
4. trust.

You need to choose the right structure for your charity, depending on whether you need it to have a corporate structure and whether you want to have a wider membership.

How to decide what's right for you?

Further support and advice are here

[NCVO help and guidance- choosing your legal structure](#)

You can seek free legal advice:

[Trust Law](#): TrustLaw is the Thomson Reuters Foundation's global pro bono legal service.



[Lawworks](#) UK: Legal advice for not for profits

[A4Aid Advocates for International Development](#): Legal advice through partnership with law firm

How can charities trade?

There is guidance on the Charity Commission's and NCVO Knowhow websites about how a charity can trade itself (as a means to raise funds or to further their charitable ambitions) or when a trading subsidiary should be established:

[gov.uk/government/publications/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35](https://www.gov.uk/government/publications/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35)

knowhownonprofit.org/how-to/how-to-set-up-a-trading-subsiary

Do you want to talk to somebody about setting up a charity?

There are 19 local and regional support bodies across Wales – the County Voluntary Councils (CVCs).

They can provide specialist advice and support regarding charitable governance. Find your local one here: thirdsectorsupport.wales/good-governance