

APPENDIX 4

Charity models: advantages and disadvantages

The table below summarises the advantages and disadvantages of the three principle charity models adopted by local authority services, including music services, which have transferred out from councils across England.

Type of organisation	Advantages	Disadvantages
Community Interest Company (CIC)	<ul style="list-style-type: none"> • Cheaper and quicker to set up than a charity • Light touch regulation 	<ul style="list-style-type: none"> • Harder to access tax reliefs and additional funds from trusts and foundations than for charities • More limited regulatory powers than a charity • Additional costs for payments to directors • The LBL managers currently running the Music Service would transfer control to a group of paid directors
Charitable Company Limited by Guarantee (CLG)	<ul style="list-style-type: none"> • Charity tax reliefs • Access to funds from trusts, foundations etc. • Members of the public may be more likely to trust a registered charity • Members have more rights than for a CIO (e.g. calling meetings, voting by proxy, removing trustees) • Trustees cannot be paid for their role and cannot normally be employees • Quicker registration process than for CIO 	<ul style="list-style-type: none"> • A company form adapted for charities with two regulators (Charity Commission and Companies House) – trustees therefore have dual roles: charity trustees <u>and</u> company directors • There are limits to areas of trading that fall outside the charitable objects (up to £50,000)
Charitable Incorporated Organisation (CIO)	<ul style="list-style-type: none"> • Charity tax reliefs • Access to funds from trusts, foundations etc. • Members of the public may be more likely to trust a registered charity • Trustees cannot be paid for their role and cannot normally be employees • The LBL managers currently running the Music Service will transfer control to a group of voluntary trustees • CIO is a bespoke vehicle for charities • One registration process with one regulator (Charity Commission) 	<ul style="list-style-type: none"> • A newer and less tested form than CLG • Some financial institutions may be less willing to lend to CIOs and CLGs • Fewer rights for members than a CLG • Legal status is linked to charitable status – if the charity lost its Charity Commission registration it would cease to exist • There are limits to areas of trading that fall outside the

	<ul style="list-style-type: none"> • Reduced amount of administration and compliance procedures than for a CLG • Flexibility for trustees in calling meetings • Greater privacy for members since the register of members is not open to the public • Members and trustees have express duty to exercise their rights in the interests of the charity and the constitution can be amended to include specific rights for members 	charitable objects (up to £50,000)
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