



Annex B. Applying and expanding on the UN Handbook to build a UK civil society satellite account

Pro Bono Economics & Economic Statistics Centre of Excellence report for the Department for Culture, Media & Sport

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Introduction

It is clear from the stakeholder feedback that a more granular civil society satellite account is needed than would be provided by the 'Do now' approach alone. An 'Intermediate' approach would build a more accurate civil society satellite account for the UK by creating a 'reference list' of civil society organisations and using this to aggregate the relevant data for a satellite account.

This paper sets out a set of practical recommendations for using existing data sources to build a reference list of all organisations that we believe should be considered in scope of a civil society satellite account.

It does this by examining various aspects of UK company, charity, and tax law as well as some areas of regulatory guidance and practise in order to determine which types of organisations meet the UN Handbook's operational definition of an in-scope unit.

Where we feel it is appropriate, our recommendations have built on this definition in order to broaden the scope of the satellite account beyond institutions (in the technical sense).

In doing so we believe it captures more closely the essence of civil society, which often consists of economic activity and human endeavour beyond that which is undertaken within the boundaries of an institution.

Operational definition of an in-scope unit - The five tests

- It must be an organisation (institutionalised to some extent, although not necessarily legally registered or constituted)
- It must be self-governing (fully responsible for the economic risks and rewards of the organisation's operations)
- It must be significantly limited in its distribution of surplus (profit), meaning prohibited by law, governing document or set social custom from distributing any (in the case of NPIs) or more than half (in the case of related institutions) of any surplus it generates to its directors, employees, investors or stakeholders;
- It must be private (not controlled by government)
- It must be non-compulsory in nature (involving a meaningful degree of free choice on the part of individuals working for it or participating in its activities)

The final test of 'non-compulsion' is excluded from our analysis, as we could not think of any examples in the UK where this would be applicable. The UN handbook identifies scenarios which would lead to an organisation being out of scope on the basis of failing the non-compulsory test. These include membership by birth of clans or castes or the use of force or threat of force to oblige people to join gangs or militias.

Methodology for building a reference list of in scope units

The first step for identifying and constructing this reference list of in scope units is to understand how elements of UK company, charity, and tax laws as well as regulatory practice and guidance interact with the conceptual definition of non-profit and related institutions set out in the UN Handbook. This is because those laws set out the defining features of organisations, how they must be constituted (if at all) and the principles by which they must operate. This therefore allows us to determine the extent to which they meet the conceptual definition.

The legislation also informs the completion of the second step in the process of building a reference list of relevant satellite account organisations, which is to identify the legal body those organisations must register with (if at all). Combining the registration lists of the various registration bodies as well as other information held by HMRC provides a highly detailed source of the individual organisations considered in scope, and a range of information about them which can be used to link to other administrative data sources.

Applying the four tests: detailed findings

Non-profit institutions (NPIs)

In the 2008 SNA, an NPI is defined as

“legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them” (2008 SNA, paras. 4.8 and 4.83)

The following section will outline the types of non-profit institutions that exist in UK law and explore how their treatment in law determines the extent to which they meet the inclusion criteria.

It will also give details on which body holds the definitive list of registered organisations. These lists can subsequently be used to compile a reference of organisations that are in scope for the satellite account.

Unincorporated Associations and the four tests

An unincorporated association is an organisation set up through an agreement between a group of people who come together for a reason other than to make a profit (for example, a voluntary group or a sports club).¹

While they fulfil a number of criteria within the conceptual definition of an in-scope unit, they do not pass the self-governance test outlined in the SNA and UN Handbook. This is because an unincorporated association does not have a separate legal identity from its members, as such it is unable to enter into contracts in its own name or own assets and incur liabilities in its own right. If a satellite account was created in line with the UN Handbook, unincorporated associations would not be considered ‘in scope’.

Yet much of the UK’s civil society activity occurs within unincorporated associations. Excluding them from the satellite account because they are not institutions would seem to run counter to the purpose of a civil society satellite account.

In practical terms, however, due to the very nature of unincorporated associations, it would be impossible to identify most of these organisations

¹ <https://www.gov.uk/unincorporated-associations>

operating in the UK. There is no list or register of incorporated associations. The UK Civil Society Almanac notes that estimates for the number of these groups vary widely, but there may be anywhere between 200,000 and 600,000 in the UK.²

It is therefore recommended that unincorporated organisations that are captured on registers should be included in the satellite account where possible. Supporting documentation for the civil society satellite account should also note that it excludes much of this set of organisations' economic activity due to lack of data.

Charities and the four tests

The Charities Act 2011 (England and Wales), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Act (Northern Ireland) 2008 each contain the legal basis by which an organisation can be defined as a charity in the UK. These pieces of legislation also outline a number of other requirements, criteria and regulations governing the establishment and operation of charities. As such we can use the legislation to determine the extent to which charities in the UK meet the UN Handbook's operational definition.

Charities are by definition institutionalised

As outlined above, the key question for this is whether an organisation is legally registered and/or whether it is socially recognised as an organisation. The relevant legislation covering England and Wales and Northern Ireland defines a charity as 'an institution',³ while in Scotland the legislation refers to a 'body'.⁴ The legislation also requires that in order for an institution or body to acquire charitable status (i.e., be a charity in the eyes of the law) it must have a defined charitable purpose and to operate in the public benefit, with trustees responsible for ensuring that it does so. These factors combined make it reasonable to claim that; when an organisation is recognised as a charity in law, by definition it is institutionalised.

Charities operating under certain legal structures are self-governing

Charity law identifies a number of legal structures under which any organisation with charitable status can operate, and every charity must

² O Chan & K Rooney, [Beyond Charities: Looking at wider civil society](#), NCVO, August 2020

³ See [Charities Act 2011, Section 1 \(1\)](#) and [Charities Act \(Northern Ireland\) 2008, Section 1 \(1\)](#)

⁴ See [Charities and Trustee Investment \(Scotland\) Act 2005, Part 1, Chapter 2, Section 7 \(1\)](#)

have a designated legal structure. Which legal structure a charity chooses will determine whether it meets the self-governing test and is therefore in scope for inclusion within a satellite account. There are five legal structures under which an organisation with charitable status can operate:

1. Unincorporated charitable association (an unincorporated association with charitable status)
2. Charitable trust
3. Charitable company (Company limited by guarantee with charitable status)
4. Charitable incorporated organisation (CIO)
5. Scottish charitable incorporated organisation (SCIO - Scotland only)

Any charity which operates as an unincorporated charitable association would not meet the self-governing test and therefore would not be considered in scope of a civil society satellite account under the UN Handbook's definition. That is because, like unincorporated associations, they do not have a separate legal identity from their members/trustees and are unable to own assets, enter into contracts and incur liabilities in their own name.

Ultimately this means that many 'grassroots' organisations, small community groups and unregistered charities may not be included within the civil society satellite account, which is perhaps contrary to many people's beliefs and expectations as to what constitutes civil society.

Any charity operating under the legal structure of an incorporated charitable trust, charitable company, charitable incorporated organisation or Scottish charitable incorporated organisation would meet that aspect of the self-governing test on the basis that: it is an incorporated body and therefore can enter into contracts, own assets, incur liabilities and engage in transactions in its own right⁵, and trustees acting as the incorporated body have overall control and management of the administration of a charity and are responsible for ensuring the charity follows applicable law.⁶

The final test of self-governance is whether the charity's governing body has the power to dissolve or wind up the charity. The governing body of a

⁵ See [Companies House guidance Incorporation and names, Section 1.1](#), [Companies Act, Part 2, Section 16](#), Charities Act 2011: [Part 10, Section 193](#), [Part 11, Section 205 \(1\)](#), Charities Act (Northern Ireland) 2008: [Part 9, Chapter 1, Section 73](#), [Part 11, Section 105](#), Charities and Trustee Investment (Scotland) Act 2005: [Part 1, Chapter 7, Section 49 \(2\)](#)

⁶ See Charities Act 2011: [Part 9, Section 177](#), Charities Act (Northern Ireland) 2008: [Part 9, Chapter 1](#); Charities and Trustee Investment (Scotland) Act 2005: [Chapter 9, Section 66](#)

charity is usually its board of trustees, however in the case of CIOs or SCIOs this definition extends to its members (who may or may not be trustees).

Regulatory guidance in England & Wales and Northern Ireland infers that the authority to dissolve a charity is held by its trustees (or members in the case of CIOs) and derived from its governing documents, usually in the form of a dissolution clause or similar.⁷ This means that the governing body of any charity in England and Wales and Northern Ireland can be considered to meet this part of the self-governance test.

However, this is not the case in Scotland. Scottish legislation states that the governing body of a charity registered with OSCR does not have the power to dissolve the charity, instead a charity registered in Scotland can only be dissolved with the consent of OSCR.⁸ The UN Handbook preempts this kind of restriction by recognising that there are often legal procedures that an organisation must follow in order to dissolve itself. In such cases, it further clarifies that having the power to initiate the dissolution process is sufficient evidence of self-governance and as such means that charities registered with OSCR should be considered in scope.

Charities are by definition limited in their distribution of profit

As outlined above, for an organisation to be recognised in law as a charity (i.e. have charitable status) it must be established for charitable purposes only and must be for the public benefit.⁹

The concept of public benefit is complex and subject to interpretation by regulators and the courts. However, legislation and its interpretation does infer that for an organisation to be considered a charity by law it must not confer private benefits to members, individuals, or other legal entities (beyond the benefits they would receive from the charity as members of the public) unless these benefits are incidental¹⁰ to the furtherance of the charitable purpose¹¹.

⁷ See [How to close a charity](#), Charity Commission England and Wales; [Mergers and closures guidance](#), Charity Commission for Northern Ireland

⁸ See Charities and Trustee Investment (Scotland) Act 2005: [Part 1, Chapter 2, Section 16 \(2\)\(c\)](#)

⁹ See Charities Act 2011: [Part 1, Chapter 1, Section 1\(1\)\(a\) and Section 4](#); Charities and Trustee Investment (Scotland) Act 2005: [Part 1, Chapter 2, Section 7](#); Charities Act (Northern Ireland) 2008: [Part 1, Section 1\(a\) and Section 3](#)

¹⁰ Incidental means that the private benefit is a necessary result or by-product of the organisation's activities and is not an end in itself.

¹¹ See Charity Commission for England and Wales: [Analysis of the law relating to public benefit, Page 18, Para 81](#); Charities and Trustee Investment (Scotland) Act 2005: [Part 1, Chapter 2, Section \(2\)\(a\)\(i\)](#), OSCR: [guidance and forms, meeting the charity test, private benefit](#); The Charity Commission for Northern Ireland: [The public benefit requirement, Section 4.1, Part 2](#)

In effect the public benefit requirement and the subsequent limitation on the derivation of private benefit from the activities of a charity means that the financial surplus generated by the operation of a charity is not permitted to be used for personal benefit and if a charity was to do so, it would cease to be a charity in law. This represents a significant or complete restriction on the distribution of surplus and therefore means that charities in the UK by definition meet this aspect of the test.

Charities allocated to the 'general government' sector of the national accounts should be considered out of scope as they are not independent of government

Independence from government is a key element of the definition of civil society and one of the five tests of whether a unit is in scope. However, not all charities are independent of government. For example, the Arts Council of England is both a registered charity and arm's length non-departmental public body of the Department for Culture, Media, and Sport (CMS). As an arm's length body, the Secretary of State for Culture, Media and Sport appoints members of the Arts Council's governing committee and consequently it is not independent of government.

In its compilation of the National Accounts, the Office for National Statistics has to classify institutional units into the relevant sector of the economy. Part of this process is to determine the extent to which a unit is subject to public or private sector control. If it is subject to public sector control, then a unit is allocated to the general government sector of the national accounts.

The process of determining whether a unit is subject to public sector control and thus allocated to the general government sector requires exploring the extent to which government exercises significant control over the general corporate policy of the unit. This is achieved by assessing various characteristics such as the government's: right to appoint personnel to the unit's governance, ownership of majority voting interest or control of finances among others.¹²

The process of identifying which units are out of scope due to their lack of independence from government is already in effect, and for the construction of a civil society satellite account, any charities allocated to the

¹² See ONS: [UK economic statistics sector and transaction classifications: the classification process. Section 3.11](#)

general government sector of the national accounts should be considered out of scope.

Charities and the UK civil society satellite account - summary recommendations

We have outlined a justification for considering all UK charities as in scope for a civil society satellite account, except those allocated to the general government sector of the national accounts. This is because it can be shown through analysis of relevant legislation that these charities pass the five tests for inclusion.

Registration bodies for UK charities

Identifying registration bodies for in scope units is a vital exercise in building a civil society satellite account. These registration bodies hold lists of individual organisations and various data about them. This information can be used to build a register of civil society organisations and the various identifiers of those organisations (VAT, PAYE, names and addresses etc.) can be matched against other sources of administrative and survey data in order to build a picture of their economic activity.

All charities operating in Scotland must be registered with OSCR, who must keep a register of all charities

In Scotland identifying the registration body and a list of all charities is a relatively simple task and we can be certain that the coverage of the list is comprehensive. This is because by law any charity operating in Scotland must be registered with OSCR who in turn must keep a register which holds information on each individual charity.¹³ There are currently 25,417 charities on OSCR's register.¹⁴

Currently all charities operating in Northern Ireland must be registered with CCNI, who must keep a register of all charities – although this looks likely to change in the near future

Currently Northern Ireland is similar to Scotland in that legislation explicitly states that charities must register with the regulator, who in turn must hold a register of all charities.¹⁵ There are currently 7,047 charities on CCNI's register. However, the legislation reserves the right for the Department for

¹³ See Charities and Trustee Investment (Scotland) Act 2005: [Part 1, Chapter 2, Section 3\(1\) and Section 13\(1\)](#)

¹⁴ Data accessed 9 Feb 2023

¹⁵ See Charities Act (Northern Ireland) 2008: [Part 4, Sections 16\(1\) and \(2\)](#)

Communities to introduce possible exemptions to this, relating to the charity's income or value of assets – called 'threshold conditions'.¹⁶

In the departmental response to the Independent Review of Charity Regulation,¹⁷ the Department for Communities has stated that it will "begin to draft legislation that would see the introduction of a £20k threshold".¹⁸ Meaning that charities with income or assets below this threshold would be exempt from registration with CCNI, although they could register voluntarily should they wish.

If this legislation should come into force, it would mean that the regulator's register would over time cease to be a comprehensive list of all charities in Northern Ireland. With no alternative way of identifying exempt charities this would be a limitation to the coverage of the satellite account.

England and Wales have a complex system of regulation and registration for charities which does not provide comprehensive coverage of all in scope units

Legislation covering England and Wales details the various registration and regulatory bodies and requirements for charities. The legislation identifies a number of what we will call 'classifications' of charity in England and Wales. The following section will define each of these classifications in turn and note the registration body (if they have one)

Registered charities

A charity in England and Wales must register with the Charity Commission of England and Wales if it meets any of the following criteria:¹⁹

- It has a gross annual income of more than £5000 and is not an exempt charity (see 'exempt charities' below);
- It has a gross annual income of more than £5000 and is not an excepted charity (see 'excepted charities' below);
- Its legal structure is a Charitable Incorporated Organisation (regardless of its income).

¹⁶ See Charities Act (Northern Ireland) 2008: [Part 4, Sections 16A\(1\) and \(2\)](#)

¹⁷ See [Independent Review of Charity Regulation in Northern Ireland](#)

¹⁸ See [Independent Review of Charity Regulation - Departmental Response, Page 7](#)

¹⁹ See Charities Act 2011: [Part 4, Section 30](#)

The Charity Commission must hold a register of all charities that are registered.²⁰ There are currently 183,663 charities on the CCEW's register.²¹

Unregistered charities

An unregistered charity is a charity with a gross annual income of less than £5000 that is also:

- Not an 'exempt' charity;
- Not an 'excepted' charity;
- Has not voluntarily registered with CCEW.

The number of unregistered charities is unknown. Some unregistered charities may be identifiable in other administrative datasets. For instance, some will have applied to HMRC to be recognised as charities in order to be eligible for tax benefits and/or they may be incorporated as Charitable Companies and therefore be registered with Companies House.

While these sources would undoubtedly reveal a number of unregistered charities it would be impossible to ascertain the extent of their coverage of the whole population of unregistered charities.

Exempt charities

Exempt charities are a unique set of charities which cannot register with the Charity Commission of England and Wales.²² They are not directly regulated by CCEW and instead will be registered with and primarily regulated by another body – known as the 'principal regulator'.²³ We estimate there are 8,829 exempt charities in England and Wales, see table 1 below.²⁴

Schedule 3 of the Charities Act 2011²⁵ provides detail of which charities are exempt and covers three areas: education, museums and galleries, and housing. Table 1 outlines the types of exempt charities identified in Schedule 3, provides information about the principal regulator, and provides estimations for the number of organisations.

²⁰ See Charities Act 2011: [Part 4, Section 29](#)

²¹ Data accessed 9 Feb 2023

²² See Charity Commission for England and Wales: [Guidance, Exempt Charities](#)

²³ See Charities Act 2011: [Part 3](#)

²⁴ Data accessed 10 Feb 2023

²⁵ See Charities Act 2011: [Schedule 3](#)

Table 1. Descriptions of exempt charities, their principal regulator, estimated number and data source

Schedule 3 description	Principal regulator	Estimated Number	Source/s
Education			
<p>Higher education institutions and their 'connected institutions' (England only).</p> <p>Note the following are not considered connected institutions:</p> <ul style="list-style-type: none"> any college in the university of Oxford which is administered by or on behalf of that university any college or hall in the university of Cambridge or Durham which is administered by or on behalf of that university any student's union. 	The Office for Students	267	The OfS Register of English higher education providers
Academy Trusts (England only)	Department for Education (DfE)	2,439	Open academies, free schools, studio schools and UTCs gov.uk
Further education corporations (England and Wales) and Sixth-form corporations (England only)	DfE (England)	275	Find school performance data gov.uk
	Welsh Ministers	10	List of exempt charities further education corporations gov.wales
The governing body of any foundation, voluntary or foundation special school	DfE (England)	4,823	Find school performance data gov.uk

Schedule 3 description	Principal regulator	Estimated Number	Source/s
	Welsh Ministers	237	Address list of schools in Wales gov.wales
Museums, galleries etc.			
<p>The Board of Trustees of the Victoria and Albert Museum.</p> <p>The Board of Trustees of the Science Museum.</p> <p>The Board of Trustees of the Armouries.</p> <p>The Board of Trustees of the National Museums and Galleries on Merseyside.</p> <p>The trustees of the British Museum.</p> <p>The trustees of the Natural History Museum.</p> <p>The Board of Trustees of the National Gallery.</p> <p>The Board of Trustees of the Tate Gallery.</p> <p>The Board of Trustees of the National Portrait Gallery.</p> <p>The Board of Trustees of the Wallace Collection.</p> <p>The Trustees of the Imperial War Museum.</p> <p>The Trustees of the National Maritime Museum.</p> <p>The British Library Board.</p>	Department for Culture, Media and Sport	13	Charities Act 2011: Schedule 3, Paras 12-25 (excluding 15)
The Board of Trustees of the Royal Botanic Gardens, Kew.	Department for Environment, Food and Rural Affairs	1	Charities Act 2011: Schedule 3, Para 15
Housing			
Any registered society (within the meaning of the Co-operative and Community Benefit Societies Act 2014) if the society is also a non-	Regulator of Social Housing	758	Registered providers of social housing

Schedule 3 description	Principal regulator	Estimated Number	Source/s
profit registered provider of social housing			
Any registered society within the meaning of (the Co-operative and Community Benefit Societies Act 2014) if the society is also registered in the register of social landlords under Part 1 of the Housing Act 1996.	Welsh Ministers	35	Registered social landlords

Excepted charities

Excepted charities are a classification of charity that do not have to register with CCEW or submit annual returns, nor do they have to register with any other principal regulator. Despite this some may choose to register with CCEW. Many exceptions are time-limited meaning that gradually the number of excepted charities will diminish and CCEW's register will become more comprehensive.

A charity is excepted if its annual income is £100,000 or less and it is in one of the following groups:²⁶

- churches and chapels belonging to some Christian denominations;
- charities that provide premises for some types of schools;
- Scout and Guide groups;
- charitable service funds of the armed forces;
- student unions.

As these charities do not need to register with CCEW or any other regulator there is no easy way of identifying them using publicly held data although some may choose to do so. As with unregistered charities, excepted charities may have applied and been recognised as charities by HMRC in order to be eligible for tax benefits and/or may be incorporated as Charitable Companies and therefore be registered with Companies House.

It would theoretically be possible to compile a list of excepted charities by collecting information from relevant umbrella organisations, representative bodies or bodies that control these charities. While excepted church

²⁶ See Charity Commission for England and Wales: [Guidance, Excepted Charities](#)

charities are often linked to/subsidiary organisations of other registered religious charities. In practice this exercise would be complex and time consuming, with uncertainties about the content, quality and coverage of the data.

Summary recommendations on building a register of all UK charities.

Building a register of all charities in the UK would not be possible. This is primarily due to the fact that excepted and unregistered charities in England and Wales do not need to register with the Charity Commission or any other public body, and as such there is no way of being confident that the entire population could be identified.

However, it would be possible to construct a register of a large number of UK charities by combining the registers of a variety of regulators/registration bodies. This is set out in Table 2 below:

Table 2: List of all registers/data sources for identifying in scope charities and estimated number of organisations

Register/data source	Charity Classification	Estimated number
Register of the Office of the Scottish Charity Regulator	Registered Charities	25,417
Register of the Charity Commission of Northern Ireland	Registered Charities	7,047
Register of the Charity Commission of England and Wales	Registered Charities	183,663
Office for Students Register of English higher education providers (Filtered by Exempt charity status)	Exempt Charities – Higher education institutions	267
Department for Education: List of Open academies, free schools, studio schools and UTCs	Exempt Charities – Academy Trusts	2,439
Department for Education: England school information from find-school-performance-data.service.gov (Filtered by school status 'open', minor group 'college', school type 'further education' + 'sixth form centres')	Exempt Charities – Further Education Corporations and Sixth-form Corporations	245
Welsh Government list of exempt charities further education corporations	Exempt Charities – Further Education Corporations	10

Register/data source	Charity Classification	Estimated number
Department for Education: England school information from find-school-performance-data.service.gov (Filtered by school status 'open', school type 'foundation school' + 'foundation special school' + 'voluntary aided school' + 'voluntary controlled school')	Exempt Charities - The governing body of any foundation, voluntary or foundation special school in England	4,823
Welsh Government: Address list of schools (Maintained tab, filtered by Governance 'foundation' + 'voluntary controlled' + 'voluntary aided')	Exempt Charities - The governing body of any foundation, voluntary or foundation special school in Wales	237
Department for Culture, Media and Sport	Exempt Charities – Museums, galleries etc.	14
Department for Environment, Farming and Rural Affairs	Exempt Charities – Museums, galleries etc.	1
Regulator of Social Housing: Registered Providers of Social Housing (Filtered by Designation 'non-profit', Corporate form 'Registered society')	Exempt Charities – Housing	758
Welsh Government: Registered social landlords	Exempt Charities – Housing	35
Sub-total		224,956
Plus		
HMRC data	Any organisation recognised by HMRC as having charitable tax status that is not otherwise identified in the above	Unknown
Minus		
National Accounts	Any organisation identified above that is allocated to the general government sector of the National Accounts	Unknown
Various	Duplicate entries	Unknown

Registered political parties and the four tests

Political parties are generally membership organisations, but in contrast to charities, there is no legal definition of what makes an organisation a political party in UK law. Theoretically any group or individual could identify as or call itself a political party. However, the Political Parties, Elections and Referendums Act 2000 establishes in law the requirement that only registered political parties are eligible to stand in elections in the UK.²⁷

This section will therefore only consider whether registered political parties should be considered in scope of a civil society satellite account by using relevant legislation to consider the extent to which they meet the operational definition.

Registered political parties are by definition institutionalised

The Political Parties, Elections and Referendums Act 2000 outlines a number of requirements that a party must fulfil in order to become a registered political party. Undertaking these activities could reasonably be judged as a process of institutionalisation. For example, a prospective registered party must submit names of individuals holding certain offices within the party, details of the party's financial structures and a copy of its constitution, among other things.²⁸ These requirements indicate that a registered party meets a reasonable definition of an institutionalised organisation.

Registered parties are self-governing

While legislation doesn't clarify the exact legal status of political parties in terms of whether they have a legal identity (in a way that an incorporated organisation does for example) it is clear from the strict regulation regarding control of donations to registered parties and their members²⁹ that they are treated in law as organisations capable of owning assets and undertaking transactions with other units. As such they meet this aspect of the self-governance test.

With regards to the power to dissolve the organisation, again there is nothing specific in the legislation that identifies any entity other than the party itself having the power to affect this. All registered parties must have a constitution, which in theory will lay out the basis for the dissolution of

²⁷ See Political Parties, Elections and Referendums Act 2000: [Part 2, Section 22 \(1\)\(a\) & \(c\)](#)

²⁸ See Political Parties, Elections and Referendums Act 2000: [Schedule 4](#)

²⁹ See Political Parties, Elections and Referendums Act 2000: [Part 4](#)

the party. Without analysing the constitution of each individual party, it would be impossible to determine this with certainty. Parties do have the power to deregister with the Electoral Commission and therefore cease to be a registered party.³⁰ We conclude that registered parties should be treated as self-governing.

Registered political parties are currently treated as non-profit organisations for tax purposes and in the national accounts

While the Political Parties, Elections and Referendums Act 2000 has strict regulation on how political parties use their assets, there is nothing within the legislation that specifically concerns the distribution of profits. However, the Value Added Tax Act 1994³¹ and subsequent HMRC guidance³² identifies political parties as non-profit organisations due to the fact that they are bodies of a 'political nature'.

In addition to this, political parties are already treated as non-profit organisations and allocated to the NPISH sector within the National Accounts.³³

Registered political parties are independent of government control

As highlighted earlier, registered political parties are allocated to the NPISH sector of the National Accounts and therefore are currently treated as independent of government control. While members of governments will by definition have control over aspects of the political parties they represent, the authority to do so is not derived from their role in government, but rather from their position within the party in question. For example, a Conservative Prime Minister is a member of the government and will have significant control over the policy of the Conservative Party, but the power to do that is derived from their position as leader of the party, not from their role in government as Prime Minister.

Registered political parties and the UK civil society satellite account – summary recommendations

Political parties registered with the Electoral Commission should be considered in-scope of a civil society satellite account as they can be demonstrated in law and/or current national accounting practice to meet the inclusion criteria.

³⁰ See Political Parties, Elections and Referendums Act 2000: [Part 2, Section 33 \(2\)](#)

³¹ See Value Added Tax Act 1994: [Schedule 9, Part II, Group 9, item no. 1\(e\)](#)

³² See HMRC VAT Business/Non-Business Manual: [VBNB60800](#)

³³ See ONS, Blue Book: [Households and non-profit institutions serving households](#)

Registration body for registered political parties in the UK

The Political Parties, Elections and Referendums Act 2000 dictates that the Electoral Commission should hold a register of all registered political parties in Great Britain and a separate register of all registered political parties in Northern Ireland.³⁴ These registers can be considered a comprehensive list of all registered political parties in the UK. There are currently 374 parties registered with the Electoral Commission.³⁵

Trade unions and employers' associations and the four tests

Trade unions are membership organisations that hold a unique function and legal status in UK law. The Trade Unions and Labour Relations (Consolidation) Act 1992 set out a definition of trade union as an organisation which consists wholly or mainly of workers whose principal purpose is to regulate the relations between workers and employers or employers' associations.

Employers' Associations are essentially mirror-image organisations of trade unions in that they consist of employers, and their principal purpose is to regulate relations between those employers and workers.³⁶

Trade unions and employers' associations are by definition institutionalised

A trade union or employers' association is only recognised in law as such once it has been registered with the Certification Officer³⁷ (the public body responsible for statutory functions relating to trade unions and employers' associations). This process of registration requires the applicant to submit various information about the organisation's personnel, rules, location, and name³⁸. The process of compiling and agreeing this information and registering the organisation can be reasonably described as a process of institutionalisation and therefore trade unions and employers' associations meet this aspect of the inclusion criteria.

Trade unions have a 'quasi-corporate' status in law, so their status as self-governing is a potential grey area.

In law trade unions are not recognised as incorporated organisations, meaning there is some doubt as to whether they pass the self-governance

³⁴ Political Parties, Elections and Referendums Act 2000: [Part II, Section 23](#)

³⁵ Data accessed 10 Feb 2023

³⁶ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 2, Section 122](#)

³⁷ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 1, Chapter 1, Section 2\(4\)](#); [Part 2, Section 123\(4\)](#)

³⁸ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 1, Chapter 1, Section 3\(2\)](#); [Part 2, Section 124\(2\)](#)

test. They do however possess some properties of incorporated organisations which fulfil elements of the test.

They are able to make contracts in their own right and can sue, be sued and be prosecuted in their own name (as opposed to the members or those in control of the organisation bearing legal responsibility).³⁹ In a practical sense they can own assets, but technically this property is held in trust by the trade union's trustees and not by the organisation itself,⁴⁰ which could be interpreted as meaning they fail this aspect of the self-governance test.

A trade union can apply to the Certification Officer to be removed from the register and therefore cease to be recognised as a trade union in law.⁴¹ As with other examples, we would expect that the power to dissolve a trade union is likely to be detailed within its existing rules or constitution.

Employers' Associations can be either 'quasi-corporate' or incorporated bodies

Unlike trade unions, an employers' association can be an incorporated body if it wishes to be. An incorporated employers' association would meet aspects of the self-governance test in respect of its ability to enter contracts, undertake transactions with other units and own assets.

If an employers' association opts not to incorporate it is treated as quasi-corporate in the same way that a trade union is and therefore the same potential grey areas apply.

Regardless of its corporate status, an employers' association can apply to the Certification Officer to be removed from the register and therefore cease to be recognised as an employers' association in law.⁴² As with other organisations where the power to dissolve the organisation lies will be laid out in each individual organisation's articles of association.

Trade unions are currently treated as non-profit organisations for tax purposes and in the national accounts

There is nothing in law that specifies a trade union must be a non-profit organisation, although in practice it is not an effective organisational vehicle for the generation of private benefit. The Value Added Tax Act 1994

³⁹ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 1, Chapter 2, Section 10](#)

⁴⁰ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 1, Chapter 2, Section 12](#)

⁴¹ See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 1, Chapter 1, Section 4\(3\)\(a\)](#)

⁴² See Trade Union and Labour Relations (Consolidation) Act 1992: [Part 2, Section 125\(3\)\(a\)](#)

currently recognises trade unions as non-profit organisations⁴³ and they are also allocated to the NPISH sector of the national accounts.⁴⁴

Employers' associations are not by definition non-profit organisations, nor are they necessarily treated as so for tax purposes

There is nothing in law that specifies an employers' association must be a non-profit organisation, although in practice it is not an effective organisational vehicle for the generation of private benefit.

Unlike trade unions, the Value Added Tax Act 1994 does not explicitly recognise employers' associations as non-profit organisations. However, some registered employers' associations undertake functions beyond the regulation of relations between their members and workers. These other functions may fall into the act's definition of a non-profit organisation and therefore mean that the organisation is recognised as a non-profit organisation. For instance, the National Farmers' Union (note this is not a trade union) is a registered employers' association that undertakes lobbying and influencing activities to represent the professional interests of its members to government. This aspect of its work means that it does meet the act's definition of a non-profit organisation.⁴⁵

Ultimately unless an employers' association was incorporated under a legal structure that prohibited the distribution of profits (such as a CIO) it could only be by reference to each individual employers' association's articles of association that its status as a non-profit organisation could be determined – through the explicit prohibition of the distribution of profits⁴⁶ and/or by examining the description of its purpose or objects to see if the functions or activities with them fall within the act's definition of a non-profit organisation.⁴⁷

Trade unions are likely to be independent from government, but any that are not would be out of scope

By their very nature it is unlikely that a trade union would be controlled by government, however if one were deemed to be controlled by government it would fall within the general government sector of the national accounts and would therefore be excluded on that basis.

⁴³ See Value Added Tax Act 1994: [Schedule 9, Part II, Group 9, item no. 1\(a\)](#)

⁴⁴ See ONS, Blue Book: [Households and non-profit institutions serving households](#)

⁴⁵ See Value Added Tax Act 1994: [Schedule 9, Part II, Group 9, item no. 1\(d\)](#)

⁴⁶ See for example Articles of Association of UK Theatre Association: [Page 5, Part 4.1](#)

⁴⁷ See Value Added Tax Act 1994: [Schedule 9, Part II, Group 9, item no. 1\(a-e\)](#)

Any government-controlled employer's associations should be considered out of scope

Some employers' associations are formed and controlled by government units, such as local councils, these should be considered out of scope as they are not independent of government. The nature of these organisations means that should they be incorporated, they will already be allocated to the general government sector of the national accounts.

Trade unions, employers' associations and the UK civil society satellite account – summary recommendations

Due to their meeting of key aspects of the criteria and their current treatment within the national accounts we would recommend that trade unions are deemed in scope of the satellite account, except any that may be within the general government sector of the national accounts.

The picture is more complicated for employers' associations as there is no clear-cut way of guaranteeing that they are non-profit organisations except by assessment of their legal form or articles of association. The small number of employers' associations (37) and the public availability of their articles of association makes this task relatively simple.

Registration body for trade unions and employers' associations

For an organisation to be recognised as a trade union or employers' association in law it must be registered with the Certification Officer, who must maintain a register of all trade unions and a register of all employers' associations. The information held by the Certification Officer would therefore represent a comprehensive list of all trade unions and employers' associations.

The Certification Officer currently publishes each listed trade union's rules and each listed employers' association's articles of association on its website as part of the official lists. There are currently 37 employers' associations and 125 trade unions listed⁴⁸ by the Certification Officer.

Community amateur sports clubs (CASCs) and the four tests

A CASC is a distinct type of organisational status that can be awarded to sports clubs meeting certain criteria. Being awarded CASC status by HMRC

⁴⁸ As of 21 Feb 2023

makes the organisation eligible for certain tax reliefs and benefits⁴⁹ but excludes the organisation from being recognised as a charity.⁵⁰

CASCs are by definition institutionalised

To become a CASC an organisation must meet the criteria set out in the relevant legislation and be registered with HMRC⁵¹. Part of that criteria is that the club has a constitution which outlines how it will operate and how it meets the criteria for registration. The process of creating a constitution that is subsequently accepted in order to infer registered CASC status can be reasonably claimed to be a process of institutionalisation and on that basis, it is reasonable to say that a CASC meets this part of the inclusion criteria.

Whether a CASC passes the self-governing test will depend on their legal structure

It is presumed that many CASCs operate as unincorporated associations⁵². As highlighted previously, organisations with this legal structure do not meet the self-governance test on the basis that they are not incorporated and therefore do not have a legal identity separate from their members in order to own assets, enter into contracts or undertake transactions with other units in their own right. CASCs that are incorporated (most likely as Companies limited by guarantee) would meet this aspect of the self-governing criteria.

The 'management condition' is one of the qualifying criteria for the registration of a CASC. This requires a CASC to have managers who have 'general control and management of the administration of the club'.⁵³ There is nothing within the relevant legislation to infer that any other body or unit would supersede the authority of the CASC's managers to dissolve or wind down the CASC. As with other organisations it is presumed that each individual club's constitution would provide the basis on which this could occur. On this evidence we believe that CASCs pass this aspect of the self-governance test.

⁴⁹ See HMRC guidance: [Community Amateur Sports Clubs: detailed guidance notes](#)

⁵⁰ See Charities Act 2011: [Part 1, Chapter 1, Section 6](#)

⁵¹ See Corporation Tax Act 2010: [Part 13, Chapter 9](#) and The Community Amateur Sports Clubs Regulations 2015: [Parts 1-5](#)

⁵² See HMRC guidance: [How to incorporate an existing CASC into a company](#)

⁵³ See Corporation Tax Act 2010: [Part 13, Chapter 9, Section 661B](#)

CASCs are by definition non-profit organisations

One of the qualifying criteria for registration as a CASC is that the club is 'organised on an amateur basis'. Part of the definition of 'organised on an amateur basis' is that the club must be non-profit making, the criteria is met where the club's constitution:

- Requires surplus income or surplus gains to be reinvested in the club, and;
- It does not allow the distribution of any of its assets to members or third parties.⁵⁴

On this basis CASCs meet the non-profit criteria.

CASCs are likely to be independent from government

We have no reason to believe that a CASC would be controlled by government, however those that are will be allocated to the general government sector of the national accounts and could be easily excluded from a satellite account on that basis.

CASCs and the UK civil society satellite account – summary recommendations

CASCs should be considered in scope of the satellite account, but only where they operate under an incorporated legal structure.

Registration body for CASCs

HMRC holds a publicly available list which currently contains 7,668 CASCs.

Other professional associations, learned societies, trade bodies and the four tests

Professional associations such as Institute of Charity Fundraising Managers, learned societies such as the Royal Astronomical Society, and trade bodies, like the Confederation of British Industry are identified as non-profit organisations within the tax system.

Their non-profit status is outlined in Group 9 of the Value Added Tax Act 1994⁵⁵ which outlines the following organisations as non-profit-making

- a trade union or other organisation of persons having as its main object the negotiation on behalf of its members of the terms and conditions of their employment;

⁵⁴ See Corporation Tax Act 2010: [Part 13, Chapter 9, Section 660 \(1\)\(a\) and \(2\)\(a\) & \(b\)](#)

⁵⁵ See Value Added Tax Act 1994: [Schedule 9, Part II, Group 9](#)

- a professional association, membership of which is wholly or mainly restricted to individuals who have or are seeking a qualification appropriate to the practice of the profession concerned;
- an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employments of its members;
- an association, the primary purpose of which is to make representations to the Government on legislation and other public matters which affect the business or professional interests of its members;
- a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.

Many of these organisations are likely to be covered in previous examinations of non-profit institutions

As this legislation refers to organisational activity rather than legal form, it is likely that many of these organisations will be already covered in previous sections of this document.

The exception to this are those that are incorporated companies registered at Companies House - most likely as companies limited by guarantee. On the basis that they are by definition non-profit organisations they would pass the four tests and be considered in scope.

Any that are controlled by government should be considered out of scope

Any organisations allocated to the general government sector of the national accounts are out of scope.

Summary recommendations - other professional associations, learned societies, trade bodies

All Group 9 organisations recognised by HMRC as non-profit should be considered in scope unless they are already allocated to the general government sector of the national accounts.

Registration body for other professional associations, learned societies, trade bodies

Many of these organisations operate under one of the 'non-profit' legal forms identified above, such as a charity, and therefore can be identified via the registration bodies we have already identified.

However, it is also likely that some of these organisations are incorporated as companies (and therefore registered at Companies House) and consequently may not be identifiable on those lists.

HMRC maintains a public list of approved professional organisations and learned societies which could be used; there may also be a number of organisations incorporated by Royal Charter and therefore identifiable from the list held by the Privy Council.⁵⁶

It is assumed that the most comprehensive reference list of organisations treated as non-profit for tax purposes is held by HMRC and it is recommended that this data is used.

Related institutions

The 2018 UN Handbook introduced a new classification of institutions for inclusion in a satellite account. ‘Related institutions’ are similar to NPIs in that they primarily operate to serve a social purpose, but unlike NPIs they may distribute profits to their members or those that control them. However, related institutions operate under laws or governance stipulations that place limits on such distribution in order to achieve the social mission. Where those limits are “significant”, they render the units unsuitable for ordinary profit-seeking investments and clarify their status as primarily public-purpose entities similar to NPIs and therefore eligible for inclusion in the satellite account.

The handbook identifies three types of related institutions: cooperatives, mutual societies, and social enterprises. We will assess legislation relevant to each of these types of institutions to identify the extent to which they meet the inclusion criteria and identify which bodies (if at all) they must register with.

Co-operatives

Co-operatives are conceptually defined by the International Co-operative Alliance (ICA) as:

“An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”⁵⁷

⁵⁶ See, [List of Charters Granted](#), The Privy Council Office

⁵⁷ See www.ica.coop/en/cooperatives/cooperative-identity

However, there is no definition in UK law of what makes an organisation a co-operative, nor are co-operatives recognised as a specific legal structure in the UK. Co-operatives are therefore conceptual rather than legal entities, and as such any organisation could 'self-identify' as a cooperative.

As there is no single 'co-operative' legal structure recognised in UK law, an organisation identifying as a co-operative could operate under one of a number of legal structures.⁵⁸ The chosen legal structure would then affect which registration body (if at all) the co-operative would have to register with.

Co-operatives that operate under an incorporated legal structure which has a limitation on profit distribution (such as a CIC) would meet the inclusion criteria and be identifiable via the relevant registration bodies.

Co-operatives that operate as limited companies (either public, by guarantee or by shares) would have to register with Companies House. However, there is no existing mechanism by which Companies House either identifies co-operatives, nor does it have a mechanism by which it can regulate whether an organisation meets any criteria as a co-operative, unless that organisation wishes to use the word 'co-operative'⁵⁹ in its company or business name.⁶⁰

Should a company wish to register with Companies House with the word 'co-operative' in its name it would have to ensure that it meets certain criteria which are consistent with the ICA's conceptual definition. Thus, we can be confident that any entity registered with Companies House that has the word co-operative in its name is a genuine co-operative. However, it could not be guaranteed that this would be a comprehensive list of all co-operatives (by the conceptual definition) as there may be organisations that meet the conceptual definition that do not have the word co-operative in their name.

Co-operatives that operate as limited companies and the four tests

Identifying whether a co-operative that is registered with Companies House meets the four inclusion criteria tests is ultimately dependent on

⁵⁸ See www.uk.coop/sites/default/files/2020-10/simply-legal-final-september-2017.pdf

⁵⁹ Note that co-operative as exactly written here is the only restricted word. Cooperative, coop or co-op for example are not restricted in any way.

⁶⁰ See www.gov.uk/government/publications/incorporation-and-names/annex-a-sensitive-words-and-expressions-or-words-that-could-imply-a-connection-with-government#co-operative

whether that organisation uses the word 'co-operative' in its name, as it is the only way of identifying them as genuine co-operatives.

Co-operatives operating as limited companies are institutionalised

Registering with Companies House is a process of institutionalisation as it requires the organisation to be registered as well as to submit articles of association which define the rules and operations of the organisation.

Co-operatives operating as limited companies are likely to be self-governing

As incorporated organisations they are given separate legal identity from the individual members and therefore can own assets, enter into contracts, and undertake transactions in their own right. The ability to dissolve the co-operative will be outlined in the articles of association of each individual organisation, it would not be practical to assess each one individually, but it would be reasonable to assume that each organisation has this power.

We can only be sure that co-operatives operating as a limited company with the word 'co-operative' in their name have any limitations on the distribution of surplus

While Companies House is the registration body for limited companies, it has no specific regulatory responsibilities towards co-operatives (in the conceptual term) because they have no legal definition in UK law. The exception to this is where the word 'co-operative' is used in the company's name. Where that is the case then Companies House must be satisfied that the organisation's articles of association ensure that it meets a number of conditions, one of which is that:

*"Profits should be distributed equally amongst the members' or at least in proportion to the extent each member has participated in the business."*⁶¹

This aligns with the definition outlined in the SNA and UN Handbook which outline that profit generated by a co-operative may be "distributed on the basis of member activity but not to members or other stakeholders on the basis of fees paid or capital invested (2008 SNA, para. 4.41)".⁶²

⁶¹ www.gov.uk/government/publications/incorporation-and-names/annex-a-sensitive-words-and-expressions-or-words-that-could-imply-a-connection-with-government#co-operative

⁶² UN Handbook [page 27 para 3.28](#)

If a co-operative operating as a limited company is controlled by government, it should be considered out of scope

Any government-controlled co-operative is out of scope and will already be allocated to the general government sector of the national accounts.

Co-operatives operating as limited companies and the satellite account – summary recommendations

Any organisation registered with Companies House that has the word 'co-operative' in its name should be considered in scope. This will however not be a comprehensive coverage of all co-operatives operating as limited companies as there may be some limited companies that operate as co-operatives that do not have that word in their name.

Co-operative societies

Co-operative societies are another form of legal structure that a co-operative (in the conceptual sense) could operate under. These are dealt with (but not defined) in the Co-operative and Community Benefit Societies Act 2014.

Co-operative societies are institutionalised by definition

For an organisation to be recognised as a co-operative society in law it must register with the Financial Conduct Authority (FCA).⁶³ The act of registration can be recognised as an act of institutionalisation therefore co-operative societies meet this element of the criteria.

Co-operative societies are self-governing

Once a co-operative society is registered with the FCA it becomes an incorporated body and therefore is able to own assets, enter into contracts and undertake transactions with other units in its own right.⁶⁴

The legislation makes no specific allusions to any external body or organisation having any power to stop the governing body of a co-operative society from winding up or dissolving the organisations. As with other examples the specifics for each individual organisation should be detailed in the rules or constitution of each individual co-operative society.

⁶³ See Co-operative and Community Benefit Societies Act 2014: [Part 1, Section 2](#)

⁶⁴ See Co-operative and Community Benefit Societies Act 2014: [Part 1, Section 3\(3-6\)](#)

By definition co-operative societies have limitations on the distribution of profits

The legislation states that only a 'bona-fide' co-operative society can register.⁶⁵ A 'bona fide' co-operative society is further defined as an organisation that does *not*:

*"include a society that carries on, or intends to carry on, business with the object of making profits mainly for the payment of interest, dividends or bonuses on money invested or deposited with, or lent to, the society or any other person."*⁶⁶

This can be interpreted as a limitation on the distribution of profits and therefore means that co-operative societies pass this aspect of the test.

Co-operative societies controlled by government should be considered out of scope

A government-controlled co-operative would not be considered in scope. Those that are government controlled will already be allocated to the general government sector of the national accounts.

Co-operative societies and the civil society satellite account – summary recommendations

All co-operative societies should be considered in scope.

Registration body for co-operative societies

All co-operative societies must register with the FCA which keeps a register of each individual co-operative society. There are currently 795 registered co-operative societies.

Mutual societies

As with a co-operative, a mutual society is not a legal structure recognised in UK law. Instead, it is an umbrella term for a variety of conceptually similar incorporated legal structures. These organisations are conceptually similar in that they are owned and democratically controlled by their members and usually aim to benefit their members or the community.⁶⁷

This umbrella term includes a wide variety of legal structures that are defined in a number of pieces of legislation, summarised below:

⁶⁵ See Co-operative and Community Benefit Societies Act 2014: [Part 1, Section 2\(2\)\(a\)\(i\)](#)

⁶⁶ See Co-operative and Community Benefit Societies Act 2014: [Part 1, Section 2\(3\)](#)

⁶⁷ See www.fca.org.uk/firms/our-responsibilities-mutual-societies

Table 3. Mutual societies and relevant legislation

Legal structure	Relevant Legislation
Co-operative societies (dealt with above)	Co-operative and Community Benefit Societies Act 2014 (previously the Industrial and Provident Societies Act 1965)
Community benefit societies ('Bencoms')	
Industrial and provident societies (IPs – Northern Ireland only)	
Credit unions	Credit Unions Act 1979 The Credit Unions (Northern Ireland) Order 1985
Building societies	Building Societies Act 1986
Friendly societies	Friendly Societies Act 1974 Friendly Societies Act 1992
Working men's clubs	
Benevolent societies	
Cattle insurance societies	
Specially authorised societies	

To save time, we will review the four tests in relation to mutual societies as a whole rather than each individual legal structure. This will still be done with reference to the relevant legislation and will draw out any variance between the different legal structures where necessary.

Mutual societies operating under these legal structures are institutionalised

All mutual societies must be registered with the Financial Conduct Authority. The process of registration is sufficient evidence of institutionalisation.

Mutual societies are self-governing

The process of registration under the various legislation infers the organisation with an incorporated legal structure. Once incorporated, a mutual society is able to own assets, enter into contracts and undertake transactions with other units.^{68 69}

⁶⁸ See Co-operative and Community Benefit Societies Act 2014: [Part 1, Section 3\(3-6\)](#), Friendly Societies Act 1992: [Part II, Section 5\(3\)](#), Building Societies Act 1986: [Part II, Section 5\(2\)](#)

⁶⁹ Note the Co-operative and Community Benefit Societies Act 2014 covers Co-operative Societies, Community Benefit Societies and 'pre-commencement societies' – these are any societies registered under the Industrial and Provident Societies Act 1965 (including Credit Unions and industrial and provident societies)

Relevant legislation stipulates that mutual societies can be dissolved by the consent of its members, which due to the democratic nature of these types of organisations should be understood as the governing body – as such they pass this element of the inclusion criteria.⁷⁰

Some mutual societies explicitly limit the distribution of profits, whereas for others it is less clear

We have established above that co-operative societies have a legal restriction on the distribution of profits which means they meet the inclusion criteria test, similarly, community benefit societies are also restricted on the distribution of surplus.⁷¹

In being defined as mutual societies, building societies, credit unions and friendly societies are not regular vehicles for the pursuit of profit. However, neither legislation nor regulatory guidance seems to explicitly place limitation on the distribution of profits, although the legislation is often highly technical and may have been misinterpreted.

Any mutual societies controlled by government should be considered out of scope

Any mutual societies that are currently allocated to the general government sector of the national accounts should be considered out of scope as they do not pass the independence test.

Mutual societies and the civil society satellite account – summary recommendations

We can be confident that all co-operative societies and community benefits societies meet the criteria for inclusion. With other forms of mutual society, it may be necessary to consult an expert in legal finance to determine the extent to which profit distribution is limited (if at all).

Registration body for mutual societies

All mutual societies must be registered with the FCA, who must keep a register of all mutual societies. There are currently 9,999 registered mutual societies.

⁷⁰ Co-operative and Community Benefit Societies Act 2014: [Part 9, Section 119](#), Friendly Societies Act 1992: [Part II, Section 19](#), Building Societies Act 1986: [Part X, Section 86](#), Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016: [Section 13](#)

⁷¹ See FCA, Guidance on the FCA's registration function under the Co-operative and Community Benefit Societies Act 2014: [Page 32, Paras 5.12-5.17](#)

Social enterprise

The term “Social Enterprise” describes the purpose of a business, not its legal structure. A social enterprise has primarily social objectives and its surpluses are principally reinvested for that purpose in the organisations or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

However, the UN handbook distinguishes them from other types of related institutions by the fact that they operate without the democratic control constraint or the restriction on the distribution of profits based on capital invested which defines co-operatives and mutual societies.⁷²

Social enterprises are therefore defined with the UN Handbook as:

“Units that may not distribute more than 50 per cent of profit; must apply a capital [asset] lock to retained earnings; may be owned and governed by individual entrepreneurs; and may include in their profit distribution some distribution on the basis of capital invested.”⁷³

However, as a social enterprise is conceptually rather than legally defined, it could take one of a number of legal structures and therefore be registered with one of a number of bodies depending on the legal structure it operated under.

Any social enterprise operating under the legal structures discussed above should be treated as per the recommendations above.

Social enterprises operating as Community Interest Companies

A community interest company (CIC) is a specific legal structure which many social enterprises will operate under. They are established and defined through various pieces of legislation including the Companies Act 2006, the Companies (Audit, Investigations and Community Enterprise) Act 2004 Part 2 and Schedules 3 to 7 and the Community Interest Company Regulations 2005.

The legislation makes provision for three types of CIC:

- A company limited by guarantee without share capital;
- A private company limited by shares;

⁷² See Satellite Account on Non-profit and Related Institutions and Volunteer Work: [Page 27, Paras 3.31 and 3.32](#)

⁷³ See Satellite Account on Non-profit and Related Institutions and Volunteer Work: [Page 28, Paras 3.33 \(c\) 3.32](#)

- A public company limited by shares.

A CIC cannot be a charity.⁷⁴

CICs are institutionalised

A CIC must register with Companies House although the decision on whether to incorporate a company as a CIC is made by the CIC Regulator.⁷⁵ The process of registration is an act of institutionalisation.

CICs are self-governing

When a CIC is registered it becomes an incorporated body and is therefore able to own assets, enter into contracts and undertake transactions with other units in its own right.

Legislation makes restrictions on the winding up or dissolution of a CIC (such as how assets are disposed of), but ultimately the governing body of a CIC will have the authority to dissolve a CIC in line with its articles of association.⁷⁶

CICs have restrictions on the distribution of profits and assets

CICs are permitted to make and distribute profits, however that distribution is limited by law. This takes the form of a cap on the value of share dividends and the total value of aggregate dividends in a financial year.⁷⁷ They also have an 'asset lock' which restricts how assets can be disposed of in various circumstances.⁷⁸

CICs controlled by government should be considered out of scope

Any CICs controlled by government fail the independence test and should be considered out of scope. Any CICs controlled by government will be allocated to the general government sector of the national accounts and could easily be excluded on that basis.

CICs and the civil society satellite account – summary recommendations

All CICs should be considered in scope and included in the satellite account.

⁷⁴ See Companies (Audit, Investigations and Community Enterprise) Act 2004: [Part 2, Section 26\(3\(a\) & \(b\)\)](#)

⁷⁵ See Companies (Audit, Investigations and Community Enterprise) Act 2004: [Part 2, Section 36](#)

⁷⁶ See Companies (Audit, Investigations and Community Enterprise) Act 2004: [Part 2, Section 53](#)

⁷⁷ See Community Interest Company Regulations 2005: [Part 6, Sections 18 & 19](#)

⁷⁸ See Community Interest Company Regulations 2005: [Schedules 1, 2, 3](#)

Registration body for CICs

CICs must register with Companies House, having been approved by The Office of the Regulator of Community Interest Companies to be registered as such. A search of the Companies House website identifies 28971 companies that meet the search criteria of ‘active’ and ‘community interest company’.⁷⁹

Due to the variety of potential legal structures, it would be difficult to identify all social enterprises particularly those that operate as companies. As social enterprise is a concept rather than a legal structure, we cannot be confident of robustly identifying the entire population of organisations that meet the conceptual definition. While those that operate in any of the in-scope legal structures we have discussed within this paper will be identifiable, there is still likely to be an unknown sub-population of social enterprises that operate as companies limited by guarantee or companies limited by shares that are registered with Companies House.

Table 4. List of all registers/data sources for identifying organisations in-scope of a civil society satellite account

Organisation type	Registrar/data source	Estimated number	Recommended approach
Registered charity	Register of the Office of the Scottish Charity Regulator	25417	Full register
Registered charity	Register of the Charity Commission of Northern Ireland	7047	Full register
Registered charity	Register of the Charity Commission of England and Wales	183663	Full register
Exempt Charity Higher education institutions and their ‘connected institutions’	The OfS Register of English higher education providers	267	Filter by Exempt charity status
Exempt Charity Academy Trusts (England only)	Open academies, free schools, studio schools and UTCs gov.uk	2439	Full register

⁷⁹ Searched 27/2/2023

Organisation type	Registrar/data source	Estimated number	Recommended approach
Exempt Charity	Find school performance data gov.uk	245	Filtered by school status 'open', minor group 'college', school type 'further education' + 'sixth form centres'
Further education corporations (England and Wales) and Sixth-form corporations (England only)	List of exempt charities further education corporations gov.wales	10	Full register
Exempt Charity	Find school performance data gov.uk	4823	(Filtered by school status 'open', school type 'foundation school' + 'foundation special school' + 'voluntary aided school' + 'voluntary controlled school')
The governing body of any foundation, voluntary or foundation special school	Address list of schools in Wales gov.wales	237	(Maintained tab, filtered by Governance 'foundation + 'voluntary controlled' + 'voluntary aided')
Exempt Charity	Charities Act, Schedule 3, Paras 12-25	15	Full list
Exempt Charity	Regulator of Social Housing: Registered Providers of Social Housing	758	Filtered by Designation 'non-profit', Corporate form 'Registered society'
Any registered society (within the meaning of the Co-operative and Community Benefit Societies Act 2014) if the society is also a non-profit registered provider of social housing	Welsh Government: Registered social landlords	35	Full list
Unregistered charity, unincorporated charitable association, or Excepted charity	Internal HMRC data on organisations granted charitable tax reliefs	Unknown	Excluding those already identified as registered or exempt
Registered political party	Electoral Commission - List of registered parties	374	Full register

Organisation type	Registrar/data source	Estimated number	Recommended approach
Trade unions	Certification Officer - Official list of trade unions and their annual returns	125	Full register
Employers' Associations	Certification Officer - Employers' associations: current list and schedule	37	Only include those that are incorporated as a non-profit legal structure or have restriction on profit distribution within articles of association or undertake activities identified in Group 9 of the VAT act 1994
Community Amateur Sports club	List of community amateur sports clubs (CASC) registered with HMRC	7668	Full register
Professional associations, learned societies and trade bodies	HMRC - Approved professional organisations and learned societies (list 3)	2991	Full register
	HMRC internal data identifying organisations recognised as non-profits in Group 9 of the VAT act 1994	Unknown	All organisations
Companies with 'co-operative' in name	Companies House	1147	Search by company names that contain 'co-operative'
Mutual societies	FCA – Mutuals Public Register	9999	Exclude deregistered
Community interest companies	Companies House	29213	Search by company sub-type 'Community interest company'

Table 5. Assessing legal forms against the four tests

Legal form	Institutionalised?	Self-governing ?	Profit distribution prohibited or limited in law?	Independent by definition?	Recommended in scope of civil society satellite account?	Organisation types that could take this form
Unincorporated association	Yes	No	Yes	No	Yes, if not government controlled	Social enterprise Co-operative professional associations, learned societies, trade bodies
Unincorporated charitable association	Yes	No	Yes	No	Yes, if not government controlled	Charity Social enterprise professional associations, learned societies, trade bodies
Charitable trust	Yes	No	Yes	No	Yes, if not government controlled	Charity Social enterprise professional associations, learned societies, trade bodies
Charitable company (company limited by guarantee with charitable status)	Yes	Yes	Yes	No	Yes, if not government controlled	Charity Social enterprise professional associations, learned societies, trade bodies
Charitable incorporated organisation	Yes	Yes	Yes	No	Yes, if not government controlled	Charity Social enterprise professional associations, learned societies, trade bodies
Scottish charitable incorporated organisation	Yes	Yes	Yes	No	Yes, if not government controlled	Charity Social enterprise professional associations, learned societies, trade bodies
Registered political party	Yes	Yes	Yes	Yes	Yes	Registered political party
Trade union	Yes	Quasi	Yes	Yes	Yes	Trade union
Employers' association	Yes	Quasi	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Employers' association, professional associations, learned societies, trade bodies
Co-operative society	Yes	Yes	Yes	No	Yes, if not government controlled	Co-operative society Social enterprise

Legal form	Institutionalised?	Self-governing ?	Profit distribution prohibited or limited in law?	Independent by definition?	Recommended in scope of civil society satellite account?	Organisation types that could take this form
						Co-operative CASC professional associations, learned societies, trade bodies
Community benefit society	Yes	Yes	Yes	No	Yes, if not government controlled	Community benefit society Social enterprise Co-operative Charity professional associations, learned societies, trade bodies
Credit union	Yes	Yes	Uncertain	No	Yes, if not government controlled	Credit union Social enterprise Co-operative
Building society	Yes	Yes	Uncertain	No	Yes, if not government controlled	Building society Social enterprise Co-operative
Friendly society	Yes	Yes	Uncertain	No	Yes, if not government controlled	Friendly society Social enterprise Co-operative
Working men's club	Yes	Yes	Uncertain	No	Yes, if not government controlled	Working men's club Social enterprise Co-operative
Benevolent society	Yes	Yes	Uncertain	No	Yes, if not government controlled	Benevolent society Social enterprise Co-operative
Cattle insurance society	Yes	Yes	Uncertain	No	Yes, if not government controlled	Cattle insurance society Social enterprise Co-operative
Specially authorised society	Yes	Yes	Uncertain	No	Yes, if not government controlled	Specially authorised society Social enterprise Co-operative
Sole trader	No	No	No	No	No	Social enterprise
Partnership	Yes	No	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or	Social enterprise Co-operative CASC

Legal form	Institutionalised?	Self-governing ?	Profit distribution prohibited or limited in law?	Independent by definition?	Recommended in scope of civil society satellite account?	Organisation types that could take this form
					recognised by HMRC as within Group 9 of VAT act	professional associations, learned societies, trade bodies
Limited Partnership	Yes	No	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Trust	Yes	No	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Company limited by guarantee	Yes	Yes	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Company limited by shares	Yes	Yes	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Limited liability partnership	Yes	Yes	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or recognised by HMRC as within Group 9 of VAT act	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Community interest company	Yes	Yes	Yes	No	Yes, if not government controlled	Social enterprise Co-operative CASC professional associations, learned societies, trade bodies
Royal Charter Company	Yes	Yes	No	No	Yes, if not government controlled and articles of association limit profit distribution and/or	Social enterprise Co-operative professional associations, learned societies, trade bodies

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Legal form	Institutionalised?	Self-governing ?	Profit distribution prohibited or limited in law?	Independent by definition?	Recommended in scope of civil society satellite account?	Organisation types that could take this form
					recognised by HMRC as within Group 9 of VAT act	



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