LANCASHIRE ASSOCIATION OF LOCAL COUNCILS

Moving to a Company Limited by Guarantee

Member consultation document

Purpose	To explain why LALC is considering incorporation, what would and would not change, and how member councils can shape the proposal.

Consultation period: Eight weeks

The consultation closes at 12 noon on Friday 6 November 2026.

Lancashire Association of Local Councils

Contents

1. Message from the Chair

Dear Clerk and Members,

Lancashire Association of Local Councils has proudly represented and supported parish and town councils across Lancashire for many years.

As the organisation has grown and the environment in which local councils operate has become increasingly complex, the Executive Committee has reviewed LALC's governance and legal structure.

The review identified that, as an unincorporated association, LALC does not exist as a separate legal entity. Legal advice indicates that this can expose the Association, its officers and Executive Committee members to risks that cannot be fully addressed through constitutional amendments alone.

The Executive Committee is therefore exploring whether LALC should transition to a Company Limited by Guarantee (CLG), a structure widely used by not-for-profit membership organisations.

This proposal is not intended to change LALC's purpose. We would continue representing and supporting parish and town councils, providing advice and training, and promoting local councils across Lancashire.

Before any final decision is taken, we want to hear from every member council. Please read this document, attend a briefing session and share your views.

Thank you for considering these important proposals.

Yours sincerely,

Pat Hastings
Chair, Lancashire Association of Local Councils

2. Executive Summary

The decision now	LALC is seeking members' views and support in principle to continue developing the proposal. No final decision has been made.

Why are we consulting?

Following legal advice and a governance review, the Executive Committee is consulting member councils on whether LALC should move from an unincorporated association to a Company Limited by Guarantee.

Why is change being considered?

- LALC currently has no separate legal identity.
- Officers and Executive Committee members may be exposed to personal liability.
- The current structure creates practical difficulties around contracts, employment and banking.
- It is less suited to modern governance expectations.

What is proposed?

LALC would become a not-for-profit Company Limited by Guarantee: a structure commonly used by charities, membership organisations and representative bodies.

What stays the same?

- LALC's purpose and identity
- Membership and democratic involvement
- Advice, training and support
- Representation across Lancashire

What happens next?

Feedback will be reviewed, proposals refined and draft Articles of Association prepared. Members would be asked to approve the final arrangements before incorporation.

3. Why is LALC considering change?

LALC now employs staff, enters into contracts, provides professional advice, manages personal data, delivers services to hundreds of councils and manages significant financial resources.

Following questions from a member council about liability and governance, the Executive Committee commissioned a review. It concluded that an unincorporated association has no separate legal personality. Responsibilities linked to contracts, employment, data protection and other obligations may therefore fall on individuals acting for LALC.

Core issue	The question is whether a modern incorporated structure would better protect the Association, its volunteers and its members.

4. What is a Company Limited by Guarantee?

A CLG is designed for organisations such as membership bodies, professional associations, charities and representative organisations.

Unlike a commercial company, a CLG:

- has no shareholders;
- is intended to retain and reinvest any surplus rather than pay it to members, as provided in its Articles;
- has no member-owned shares; and
- normally limits each member's liability to £1.

The company itself can employ staff, own assets, hold contracts and enter legal agreements.

This model is widely used across the not-for-profit sector and increasingly by county associations of local councils.

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5. What would change?

Current position	Proposed position
Unincorporated association	Company Limited by Guarantee
Constitution	Articles of Association
No separate legal entity	Separate legal entity
Officers may enter contracts personally	The company enters contracts
Individuals may face liability	The company holds legal responsibility
Traditional governance	Modern governance framework

Still to be designed	Board composition, voting arrangements and member rights have not yet been finalised. They will be developed with member councils before final approval.

6. What would not change?

Purpose and identity	LALC would remain a member-focused, not-for-profit representative body.

Member services	Advice, training, information, support and representation would continue.

Democratic involvement	Member councils would remain central to the Association.

Affiliation	LALC would continue its relationship with the National Association of Local Councils.

Why this structure may help

Better protection	The organisation itself can enter contracts, employ staff and hold legal responsibilities.

Stronger governance	A modern framework can clarify decision-making, accountability, financial management and risk.

Long-term resilience	The structure better reflects how LALC operates today and supports future development.

Recognised sector model	Many county associations already use a CLG or are considering one.

7. Why are we asking for support now?

LALC is not yet asking member councils to approve incorporation. It is asking whether members support the Executive Committee continuing to develop the proposal.

With support in principle, the Executive Committee would:

- continue working with legal advisers;
- prepare draft Articles of Association;
- develop detailed governance proposals;
- consult further where appropriate; and
- bring final proposals back to members before incorporation.

8. Developing the future governance model

Incorporation is more than a change of legal structure. It is also an opportunity to modernise governance so it remains effective, transparent and accountable.

Detailed governance arrangements will be developed with legal advisers and member councils, then shared before a final incorporation decision.

Areas for consideration

- composition and size of the Board of Directors;
- representation of member councils;
- appointment and election of Directors;
- voting rights and member decision-making;
- the role of Area Committees;
- delegated powers and responsibilities;
- financial governance and accountability;
- codes of conduct and declarations of interests; and
- risk management and assurance.

The Executive Committee is committed to preserving LALC's democratic nature while providing a modern framework for effective decision-making and good governance.

9. Proposed timeline

The timetable is indicative. It may change to allow further consultation or reflect legal advice.

Aug-Sep 2026	Prepare consultation materials so member councils are well informed.
Sep-Nov 2026	Member consultation, Area Committee discussions, online briefings and draft governance proposals.
Nov 2026 AGM	Consider consultation outcomes and, subject to support, authorise continued development of final documentation.
Jan 2027	If required, hold an Extraordinary General Meeting to consider the Articles and final resolutions.
Apr 2027	Proposed operational transfer to the CLG, subject to member approval.

Consultation period

This consultation will remain open for eight weeks and will close at 12 noon on Friday 6 November 2026. Responses will be analysed and a summary presented to members before or at the AGM on 14 November 2026. The AGM will consider whether LALC should continue developing the proposal; it will not approve incorporation or the final Articles of Association. Final proposals will be brought back to member councils for approval at a later meeting.

10. Frequently Asked Questions

Has a decision already been made?

No formal decision has been made. This consultation seeks members' views before any final decision.

Is LALC becoming a business?

No. Only the legal structure is being considered. LALC would remain a not-for-profit membership organisation.

Will LALC still belong to its members?

Yes. Member councils would remain at the heart of LALC and play an important governance role.

Will subscriptions increase?

There is no proposal to change subscriptions as part of this consultation. They will continue to be considered through the normal annual budget process.

Will services change?

No. Advice, training, information, representation and support would continue.

Why not simply amend the Constitution?

A revised Constitution cannot create a separate legal entity or the protections associated with incorporation.

Will Area Committees continue?

Their future role will be considered through the governance discussions, with member consultation before decisions are made.

What if members do not support the proposal?

The Executive Committee will consider all responses. No change will be made without appropriate member approval.

When could changes take effect?

Subject to member approval, the current aim is 1 April 2027.

Will the relationship with NALC change?

No. LALC would remain affiliated and continue representing Lancashire councils nationally.

Do councils need to do anything now?

Please consider the information, discuss the proposal and submit the response form.

11. How to respond

LALC welcomes one authorised response from each member council.

Please:

- Circulate the consultation pack to all councillors.
- Arrange for the proposal to be considered by the council.
- Record the council's agreed response and minute reference.
- Complete the separate editable LALC Consultation Response Form.
- Email the completed form to office@lalc.org.uk.

Consultation closes:

- 12 noon on Friday 6 November 2026
- This provides an eight-week consultation period.
- The editable response form asks for:
- the council's level of support;
- perceived benefits;
- concerns;
- matters to consider when developing the future governance arrangements;
- whether further engagement is required; and
- the date and minute reference at which the response was authorised.

If your council cannot use the editable form or requires the information in another format, please contact:

Email: office@lalc.org.uk
Telephone: 01772 750900

Following the closing date, responses will be analysed and a summary will be provided to members before or at the AGM on 14 November 2026.

The AGM will consider whether LALC should continue developing the proposal. It will not approve incorporation or the final Articles of Association. Final proposals will be brought back to member councils for approval at a later meeting.

12. Next Steps and Thank You

Thank you for participating in this important consultation. The Executive Committee values every member council's views and is committed to developing any future changes openly, transparently and in partnership with members.

Please discuss the proposal and return the consultation response form by Friday 6th November 2026.

Consultation Period

This consultation will remain open for eight weeks and will close at 12 noon on Friday 6 November 2026. Responses will be analysed and a summary presented to members before or at the AGM on 14 November 2026.

The AGM will consider whether LALC should continue developing the proposal. It will not approve incorporation or the final Articles of Association. Final proposals will be brought back to member councils for approval at a later meeting.

After consultation closes:

- responses will be reviewed by the Executive Committee;
- a summary of findings will be shared with members;
- draft governance proposals and Articles will be developed in light of feedback;
- further legal advice will be obtained where necessary; and
- members will have another opportunity to consider final proposals before incorporation.

Return responses	Email the completed form to office@lalc.org.uk by Friday 6 November 2026.

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Addendum

Important practical considerations

Member guarantee	A CLG must have at least one guarantor and a guaranteed amount. The proposed Articles should state clearly who the members/guarantors are, how membership begins and ends, and the amount each member guarantees.

Directors' duties	Limited liability does not remove directors' legal duties. Directors must follow the Articles, keep records, manage conflicts and ensure required accounts, tax returns and company filings are completed.

Annual administration	The company will need accounting records, annual accounts, a confirmation statement and event-driven filings. LALC should publish an estimated annual compliance budget and identify who will own each task.

Transfer plan	Moving operations into a new legal entity may require contracts, bank arrangements, assets, insurance, licences, data responsibilities and supplier/customer records to be reviewed and transferred or replaced.

Employees	If the identity of the employer changes, TUPE may apply. Where it applies, employment generally transfers with continuity and existing terms, and consultation/information duties arise. Specialist employment advice should be obtained.

Tax and status	A CLG is a company form; it is not automatically a charity or exempt from tax. LALC should obtain tax advice and state whether any charitable status is proposed. The Articles should make the intended not-for-profit treatment of surpluses explicit.

What members should see before a final vote

To support an informed final decision, the Executive Committee should aim to provide member councils with:

- the draft Articles of Association, including the objects, membership rules and use of surpluses;
- a clear map of member, Board, Area Committee and officer powers;
- the proposed Board size, eligibility, appointment, election, term and removal arrangements;
- voting thresholds, reserved member decisions, quorum rules and arrangements for general meetings;
- a transition plan for staff, contracts, assets, liabilities, banking, insurance, records and personal data;
- an implementation budget and estimate of ongoing professional and compliance costs;
- a conflicts-of-interest policy, code of conduct and declarations register;
- a risk register and assurance plan, including the protections and limitations of incorporation;
- the proposed company name, registered office, accounting date and initial directors/guarantors; and
- the formal resolutions members will be asked to approve, with an explanation of what happens if they pass or fail.

Official guidance used for this section

GOV.UK: guarantors for a company limited by guarantee

GOV.UK: directors' responsibilities

GOV.UK: memorandum and Articles of Association

GOV.UK: business transfers and TUPE

ICO: updating data protection registration details

Appendix 2 – Structure Route

LALC LEGAL STRUCTURE ROUTE MAP

A guide exploring the legal options and identifying the most suitable pathway forward to a shortlist of 3

STEP 1

Starting Point What are we trying to achieve or protect?							
	Do we want democratic member control?	Do we need liability protection?	Will we employ staff or hold contracts/ assets?	Do we want external funding flexibility?	Do we want a traditional association culture?	How much governance formality are we comfortable with?	Do we want regional/ federated representation?
	The answers to these questions help guide which legal structures are most appropriate.						

STEP 2

Main legal options A high-level comparison	**UIA** Unincorporated Association	**CLG** Company Limited by Guarantee	**CIC** Community Interest Company	**LTD** Private Limited Company	**LLP** Limited Liability Partnership
Separate Legal Entity?	No	Yes	Yes	Yes	Yes
Limited Liability?	No	Yes	Yes	Yes	Partial (partners)
Democratic Membership?	Strong	Strong	Medium	Weak/Variable	Weak for this use
Complexity/Burden?	Low	Medium	Medium/High	Medium	Medium
Best Suited For?	Traditional associations, membership bodies	Membership/ governance bodies, representative organisations	Community enterprises, projects with a community benefit purpose	Commercial trading businesses, profit distribution possible	Professional practices, partnerships

STEP 3

Sorting through options Which options align most naturally with	**LESS NATURAL FIT**		**MOST NATURAL PATHWAYS**		
	LTD	**LLP**	**UIA**	**CLG**	**CIC**
	• Commercial / shareholder focus • Dividend orientation • Less aligned to	• Partnership orientated • Not designed for democratic membership associations	• Familiar and simple • Democratic • Low cost • Volunteer culture fit • BUT: no liability protection;	• Limited liability • Governance clarity • Democratic membership possible • Long-term resilience	• Community purpose credibility • Suits not-for-profit retail/ • services • Access to some funding streams

REMINDER

The legal structure is only one part of the picture.

LALC's purpose?	democratic membership	weaker legal separation	• BUT: more formal requirements & Companies House obligations	• BUT: less naturally aligned to representative model • Regulator oversight	Governance design and constitutional clarity are critical whatever route we choose.

STEP 4

Governance Questions That Matter (Regardless of structure)						
Who holds authority?	How are members represented and engaged?	What voting philosophy should we use?	How are regions balanced?	How are directors/ chairs appointed?	What remains democratic? What remains local?	How is accountability measured and assured?

STEP 5

Potential Shortlist Conclusion

Where this route leads us

Option A	Option B	Option C	
Remain an Unincorporated Association (UIA)	**Transition to a CLG**	**Potential pathway (more carefully considered)**	
If priority is: • Simplicity • Traditional association culture • Minimal structural change	If priority is: • Liability protection • Governance clarity • Long-term resilience	May suit some elements of LALC's work, but less naturally aligned with representative membership role or non-trader status.	The decision is not only legal – it is about identity, culture, values and the future we want to build together.

LALC STRUCTURE OPTIONS COMPARED

Three legal forms offer different protection and fit. LALC needs to choose who it is and what it needs.

Key Areas	Unincorporated Associations (UIA)	Company Limited by Guarantee (CLG)	Community Interest Company (CIC)
1. Purpose	Traditional membership body with no legal personality. Suitable for informal or low-risk activity only.	Designed for membership bodies, associations and representative organisations. LALC represents councils and members – not a trading business.	Designed for organisations that trade goods or services. Built for social enterprises, community businesses, training providers, etc.
2. Governance & Member Control	Control rests with officers/committee in the constitution. Members' influence depends on how the	Members are central. Members have voting rights and clear influence over	Directors run the company. Members have limited influence and no day-to-day control.

	constitution is written.	direction and decision-making.	
3. Liability Protection	❌ No legal shield. Individuals (officers/committee members) can be personally liable for contracts, staff, GDPR breaches, debts, etc.	✅ Provides a strong legal shield. Members' liability is limited to a small amount (typically £1).	⚠️ Provides protection, but with added complexity. More regulatory conditions and ongoing compliance burden.
4. Perception & Reputation	⚠️ Seen as outdated and less robust. May raise concerns about professionalism and accountability.	✅ Neutral, professional and sector-aligned. Clearly understood as a not-for-profit membership body.	❌ Can create the impression of a trading business. Risks perception that LALC is becoming a business or trading off councils.
X 5. Regulation & Compliance	✅ Low regulatory burden. Relies heavily on constitution and good governance.	✅ Light touch. No regulator beyond Companies House. Straightforward compliance.	❌ Additional regulatory layer. Regulated by the CIC Regulator with community interest test, asset lock rules and reporting requirements.
6. Fit with LALC's Current Role	⚠️ Historically used, but no longer fits modern expectations. Does not properly support staffing, contracts or modern governance.	✅ A natural fit. Supports advocacy, representation, support services and coordination – what LALC already does.	❌ Not a natural fit. Better suited to organisations whose primary purpose is trading or generating income.
7. Sector Practice	⚠️ Some county associations remain unincorporated, but the model is declining.	✅ The standard emerging model. Many county associations either remain unincorporated or incorporate as CLGs.	❌ Not the sector norm. Very few county associations use CIC because it does not match their purpose or operating model.