

HISC Incorporation Review – Frequently Asked Questions

Updated 07/04/2026

<p>What is HISC’s current legal structure?</p>	<p>HISC is currently an Unincorporated Association, known more commonly as a private members club. We have our Rules and Bye-laws which bind the members together, set out the structure and state how we govern and operate the Club. Other examples of unincorporated clubs are organisations like village hall groups and voluntary and faith groups.</p>
<p>What are the key considerations about being unincorporated and what has that meant for HISC?</p>	<p>Unincorporated clubs are not, in law, considered to have their own legal identity, thus an unincorporated club cannot own property, enter into contracts or employ staff in its own name. Anyone suing an unincorporated club in relation to such matters must do so in the name of representative individuals and this usually means the officers, committee members or trustees. In addition, all of the individual members of an unincorporated club can be held personally liable to meet the debts of the club. Such debts may arise out of contractual disputes and employment disputes, or even personal injury claims if for some reason the club’s insurance provision is inadequate.</p> <p>Unincorporated associations are not regulated by a specific statute (e.g. as companies are under the Companies Act 2006), so they must comply with the common law. This provides clubs with a certain amount of flexibility and less regulation compared to an incorporated company, for example, there is no legal duty on the club to file annual returns or to have the accounts audited as there are with incorporated companies.</p> <p>Unincorporated associations were thought to be most appropriate for small organisations but this is changing as discussed below.</p> <p>HISC Specifics relating to its unincorporated status</p> <p>We appoint trustees who hold all the property of the Club in their own names.</p> <p>The General Committee has delegated responsibility for the signing of contracts, including employment contracts, to the General Manager on behalf of the Club.</p> <p>We have extensive insurance which is regularly reviewed with the intention of covering all possible liabilities that may arise.</p>

	<p>As overall responsibility for the Club and its operations rests with General Committee, as laid out in the Rules, it would seem most likely that GC members would be the first to be sued if a claim arose.</p>
<p>Why would HISC want to become incorporated?</p>	<p>There are a number of factors which suggest that the Club should consider incorporation:</p> <p>The RYA and Sport England strongly recommend clubs to incorporate, i.e. become a Limited Company. Many have done so, including all the clubs in the Harbour except HISC.</p> <p>Scale - the Club is of a size that operating as an unincorporated entity is not appropriate. The clubhouse and land have significant value; we have a large membership and a turnover of approx. £2m. On key projects to develop and improve the facilities it is increasingly difficult to contract with suppliers and 3rd parties as they are unsure of the legal status of who they are contracting with.</p> <p>The complexity of the Club, its offering and operations deserves the most professional governance which is modern and transparent.</p> <p>The regulatory environment has changed and become more onerous and there is a risk that circumstances will overtake us and jeopardise the Club's ability to operate.</p> <p>Due to Money Laundering and Know Your Client regulations, banks are becoming less interested in dealing with entities outside known regulatory structures, and indeed some banks are withdrawing facilities from organisations since technically they are dealing with "the members for the time being of the Club" with no checks in relation to who those members are. Similarly, insurance companies and suppliers are increasingly only wanting to deal with legal entities.</p> <p>It is not possible to guarantee that we have the appropriate insurance in place to cover all possible scenarios that might give rise to a liability. This situation is likely to worsen as the insurance market gets tighter, and risks are more specified to reduce the insurers exposure.</p> <p>It feels right that the Club should be doing what it can to protect its members and volunteers. If members, and particularly General Committee members (which include the Trustees) appreciate their potential liability, it may become more difficult to get volunteers and fill key posts going forward.</p> <p>All title deeds could be held by the Club and not by Trustees. Currently, a legal process to change title deeds is needed when Trustees change.</p>

	All contracts would be made and held by the Club making things easier for management and giving us a greater choice of suppliers.
What would be the most appropriate incorporated structure for the Club?	The majority of clubs who have chosen to incorporate have become Companies Limited by Guarantee and this would be the most appropriate route for HISC.
What is a Company limited by Guarantee?	<p>A company may be limited by guarantee or by shares. For clubs that operate on a not-for-profit basis, incorporation as a company limited by guarantee is the most suitable form of incorporation. Each member guarantees to pay an amount if the club becomes insolvent e.g. £1, which has the effect of limiting members liability to this amount. A company limited by guarantee cannot distribute profits to its members. A company will adopt Articles of Association (the equivalent of an unincorporated association's constitution /rules) and will have directors and possibly committees that are responsible for the running of the club.</p> <p>The conduct and administration of a company's affairs is governed by the Companies Act 2006 and therefore clubs must operate within the boundaries of this legislation, but the new Articles of Association can follow closely the Club's existing rules.</p> <p>Considerations:</p> <p>The law recognises an incorporated company as a separate legal entity and as such an incorporated company does not need to have its property held by separate trustees instead the company itself can hold property in its own name.</p> <p>Institutions such as banks and insurance companies are more comfortable dealing with a corporate legal entity.</p> <p>As a company has its own legal identity, if it becomes insolvent or a claim is brought against it, the members will not be liable other than for the amount each member has guaranteed to pay -ie. £1. However, it must be noted that if the company has broken company or other law its directors and other authorised people may in some circumstances be held personally liable so Directors and Officers insurance will be taken to protect them and they will have an indemnity from Club assets to cover innocent mistakes.</p> <p>An incorporated company must comply with the Companies Act 2006 and file annual accounts, annual returns and the appointment or</p>

	<p>retirement of directors at Companies House. Changes to the Articles of Association must also be filed at Companies House.</p> <p>Directors have duties and responsibilities under company law e.g. a duty to promote the success of the company, to act in the best interests of the company and to comply with its Articles of Association, breach of which may render them liable to civil and/or criminal action.</p> <p>We would need to provide Companies House with a register of voting members. These would be members in the Adult Single, Adult Couple, those aged over 18 in the Family Membership, and Honorary Life Members over the age of 18.</p>
<p>What other legal structures have we discounted and why?</p>	<p><u>Company limited by Shares (CLS):</u></p> <p>A CLS is the most common type of company in the UK used for commercial, profit-making businesses. In this structure, the company is owned by shareholders to whom dividends may be payable if there are profits.</p> <p>Every time a member joins and becomes a shareholder they take and own a stake in the undertaking, the company must issue a share to them and each time a member leaves their share has to be transferred to another member or redeemed. This would be extremely difficult for HISC to administer. There may be arguments about value.</p> <p>A CLS is structured to generate profits for external or internal shareholders, not to support the non-profit, member-serving purpose of a private club.</p> <p><u>A Charitable Incorporated Organisation (CIO):</u></p> <p>A CIO is a specific legal structure designed for charities in the UK. It allows a charity to be incorporated and have its own legal identity without having to register as a company with Companies House. Instead, it is registered with and regulated by the Charity Commission.</p> <p>A CIO would be appropriate for HISC if the Club’s primary purpose was charitable—for example, promoting the advancement of amateur sport or providing sailing opportunities to disadvantaged groups. However, as the Club operates as a private members’ club with social and recreational elements, it does not meet the criteria to be a CIO.</p> <p><u>A Community Interest Company (CIC):</u></p> <p>A CIC is a special type of limited company in the UK designed for social enterprises that want to use their profits and assets for the public good. CICs are regulated by the Office of the Regulator of Community Interest</p>

	<p>Companies and must meet a community interest test and ensure profits and assets are used to benefit the community.</p> <p>A CIC is not suitable for a private members' club like HISC because it is legally structured to benefit the public, not a defined group of private members.</p> <p><u>The CASC scheme (Community Amateur Sports Club scheme):</u></p> <p>Certain clubs, whether incorporated or not, may register to join the CASC scheme. This is a UK government initiative that gives amateur sports clubs similar tax advantages to charities. To qualify for the scheme, a club must be open to the whole community without discrimination and membership fees must be affordable for most.</p> <p>HISC does not meet this criteria.</p>
<p>Could we protect our site by using a “holding” company for the assets and operating the Club in a subsidiary?</p>	<p>The option to set up a Holding Company and Operating Company has been discussed with our lawyers, members of our working group with business, charity and legal backgrounds, and with other Clubs who have been through the process.</p> <p>Our concluding rationale for deciding on the single company model rather than the 2 company structure was:</p> <ol style="list-style-type: none"> 1. It's a simple, easily understood structure for a small business. 2. The 2 company structure means additional overhead on stretched resources, both employed and volunteer, but particularly volunteer. We currently struggle to find volunteers prepared to take on the roles we have at the Club and a more complex structure would necessarily require more people, more time, and more administration. There would also be additional costs. 3. The very real risk of the arrangement being “looked through” if the 2 companies are not run as genuinely separate businesses and are seen to have been set up purely as a façade to avoid liabilities. Other examples of where the arrangement can be looked through are not having the appropriate leases or licenses in place between the 2 companies (e.g. the holding company can't allow the subsidiary to use the property rent-free), sharing staff without contracts, not having clear documentation that evidences clear separation. These sorts of issues add complexity for volunteers and the potential for accidental mistakes. 4. With the 2 company model, the members would be voting to select the directors for the Holding Co. Op Co. would have a board (voluntary) answerable to the board of the Holding Co.

	<p>(voluntary) answerable to the members (guarantors). The Holding Co would be a company limited by guarantee and would own Op Co's shares. There would be no direct connection between the members and Op Co, where the actual running of the Club would take place which is what the members are interested in.</p> <p>In summary, we concluded that the 2 company model would be unnecessarily complicated, challengeable, expensive and could confuse the members. We worked through this rationale with our lawyers who agreed that we were taking the right approach.</p>
<p>What would be different about the Club after incorporation?</p>	<p>There should be no reason for the Club to feel any different for the members and a key objective throughout any change would be to ensure it retains its culture of a members' club. The change is about legal standing and should not really impact the day-to-day operation and use of the Club.</p> <p>Members will need to actively accept that they are becoming a member of the new company. This would require a tick box for new members and a process for existing members to do a one-time tick box acceptance on renewal. This drives the cut-over to the new status to be on January 1st to coincide with membership renewal.</p> <p>The Club Rules would be replaced by Articles of Association which would reflect the spirit of the current Club Rules but would also include sections that are specific Companies Act requirements. Once in place, the Articles of Association could only be amended with agreement of 75% of the members who vote on a resolution. They must be registered with Companies House and available for public view.</p> <p>The RYA has produced model Articles of Association which are a useful reference.</p> <p>Not all of the existing Club Rules/Bye-Laws are appropriate to include in the Articles of Association, so there would still be a document of Club Rules which would include the Byelaws and be managed in the same way as the Byelaws are today.</p> <p>All Club contracts, including employment, would need to be updated to reflect the Club's new status. Staff would be TUPE'd across to the new company.</p> <p>The members of General Committee would become the directors of the new company, with the commodore as chairman. Anyone</p>

becoming a director who is employed would need to check that this was ok with their employers first.

The intention would be to keep our existing committee structure as is.

If the club incorporates, what will the structure of General Committee be as there will be no requirement for Trustees to hold the property in Trust?

The table below shows the current structure of General Committee and the proposed future structure if we incorporate.

Current	Future
Commodore	Commodore
VC House	VC House
VC Sailing	VC Sailing
Chair of Membership Committee	Chair of Membership Committee
Chair of Estates Committee	Chair of Estate Committee
Rear Comm Finance	Rear Comm Finance
Non-officer elected member 1	Non-officer elected member 1
Non-Officer elected member 2	Non-Officer elected member 2
Non-officer elected member 3	Non-officer elected member 3
Trustee 1	Non-officer elected member 4
Trustee 2	Non-Officer elected member 5
Trustee 3	Non-officer elected member 6

The role of Trustee currently exists as we need the property to be held in trust by individuals and this requirement will no longer exist if the Club is incorporated. It is important to note that the Trustee role has no independent or oversight responsibility different from any other member of GC.

Both the Trustees and the non-officer elected members are effectively the equivalent of non-executive directors as they are not involved in day-to-day operations and management which, by the very nature of their roles, the officers of the Club are.

There is absolutely no reason why non-officer elected members cannot be long-standing Club members, ex Flag Officers, people with strong relevant experience, etc, in the same way as Trustees have been. Of course, the success of a person in any role is down to the individual and over the years the Club has had both positive and less positive experiences. The title of a role does not guarantee the ability and

	<p>relevance of any candidate. We have been very lucky to have had excellent Trustees in recent years, but such candidates could equally be non-officer members. The most important issue is finding the right people who are prepared to give up their time!</p> <p>All the GC members, aside from Commodore, VCH and VCS, have no restriction on the number of years they can be in post. Many remain in post for some years, not least because we have a limited number of volunteers putting themselves forward to stand for election. This results in a level of continuity of GC members.</p> <p>The Articles include new words in Clause 21.2 which enable GC, with a two-thirds majority voted by secret ballot, to agree an extension of the 3 year limitation on the Commodore, VCH and VCS roles, subject to a The 3 years would remain the standard, but this gives flexibility in the situation where someone is doing an excellent job and is prepared to continue in the role, and it would help with continuity of GC membership.</p> <p>We also need to be mindful of the balance of continuity versus the need for fresh input. In discussion, our current Trustees have been very clear that they feel a 12 year term for any role is not sensible or sustainable.</p> <p>We are fortunate that our current Trustees have expressed a willingness to act as part of a panel to provide advice and input, either collectively or individually, for a period after the transition. If they so wished, they could stand as non-officer members, although we understand that they may not wish to hold a formal role going forward.</p> <p>The proposed structure does not constitute a significant or concerning change from where we are today but offers a little more flexibility to enable an effective GC.</p>
<p>What are the implications re VAT?</p>	<p>The VAT status shouldn't change if we ensure that the exemption criteria continue to be met under a new registration. Sailing is listed on the exemption list and the new entity will be a not-for-profit organisation whose profits are reinvested in the membership.</p>

As a Limited Company would the Club be liable to Corporation Tax?	The company will be potentially liable for tax on profits in the same way as we are at present. As it will remain a not-for-profit organisation (with any financial surplus being reinvested in the Club) we do not expect to be making taxable profits.
As a Limited Company would the Club pay any dividends?	No, a Company Limited by Guarantee does not have any shareholders. In the unlikely event that the Club be wound up then the distribution of any surplus assets would be in line with Section 2 of the HISC Rules. If there were a liability, then the members would have to cover the shortfall, with their individual liability capped at £1 (currently as an unincorporated body this liability is uncapped).
Would the Club's accounting requirements become more onerous?	<p>We would have to file accounts on an annual basis, and we would qualify as a small company, so we could choose to file limited accounts. The accounts that we currently produce for the membership are more detailed than the small company exception.</p> <p>The only change would be that we have "to send" a copy to all members -the Articles can provide that this can be done by email or on a member's section of the web site.</p> <p>The register of members can be kept by the club, and we could use the ESP membership database for that.</p> <p>So there would be very little change from an accounting perspective.</p>
How much would the move to incorporation cost?	Based on our costs to date and input from other Clubs, we have budgeted for £15k to £20k.
What Club process would we need to go through to reach a decision?	A Rule change to enable the Club to change its status (Rule 2.2) was agreed at the 2025 AGM. The intention is to take a further resolution to the 2026 SGM to get membership approval of the enactment of the change and the adoption of the Articles of Association.
When would the change to incorporated status happen?	If the membership votes to become incorporated at the SGM 2026, the implementation date would be Jan 1 st 2027. This plan would only change if external factors forced us to act more quickly.
Who in the Club is working on this project?	There is a project working group. The members are Graham Williamson, Helen Everest, Chris Rainbow, Chris Bamforth, Caroline Alster, James Yearsley and John Message.
Will the incorporation mean	The change to an incorporated status will have no impact on subs. No tax or any other cost will be added to subs as a result of the change.

<p>tax will be added to subs from 2027 onwards of 20%?</p>	
<p>As Directors of HISC Ltd the General Committee will be taking on personal liabilities associated with the running of a company under UK law (Health and Safety etc etc). Are these all clear to the new Directors, and will the club be taking insurance to cover the Director's liabilities and if so at what cost?</p>	<p>The new Directors will be the current General Committee (without the Trustees as the Trustee role will no longer exist) who have been fully involved in the project to incorporate and understand the associated responsibilities.</p> <p>The Club already has extensive liability insurance and we have already spoken to our insurers about the change and do not expect any significant change to the current cost.</p>
<p>Who will own the new Ltd Company? And if the Trustees guardianship of the Trust is now transferred to the Ltd Company, would a majority vote (membership or committee/directors) now have the power, in theory, to sell the Club?</p>	<p>The new company will be a Company Limited by Guarantee which is a structure often used for Clubs and Associations. A Company Limited by Guarantee does not have owners in the traditional sense. No shares are issued. Instead of shareholders, it has members who agree to pay a small fixed amount (often £1) if the company is wound up. This is the guarantee.</p> <p>Any profit must be reinvested, so there is no benefit to the members in selling the Club as any sale money would stay with the organisation.</p> <p>Article 16.1.2 states that any decision to sell or otherwise dispose of the Club's freehold property must be approved by Special Resolution of the Voting Members.</p>