

## **CHARITABLE INCORPORATED ORGANISATION (CIO)**

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The Charitable Incorporated Organisation is a new form of organisational legal status for voluntary organisations. It is, in effect, similar to a company, but designed to suit the circumstances of charities rather than businesses. The idea was first mooted by a review of company law more than 10 years ago, but it required both primary legislation (an Act) and regulations (statutory instruments) to make it a reality. The regulations are now in place, and the Charity Commission are now able to create and register CIOs.

Compared with a conventional unincorporated body (ie an existing village hall that is registered as a charity), the CIO gives its trustees more-extensive 'limited liability' protection, so long as the trustees do not breach their trust or act recklessly. A CIO can therefore mitigate against some, but certainly not all, risks. Before deciding whether to form, or to convert into, a CIO trustees should consider the whole range of risks, and mitigation measures such as insurance, careful management, contracting-out various tasks, etc. It should also be noted that the operation of a CIO includes a greater administrative burden and inflexibility; although not as much as for a charitable company which has to work with two very different regulators (the Registrar of Companies, as well as the Charity Commission).

We know that a number of village halls and community association committees are interested in transferring to CIO status. This is now possible. In effect, a CIO is created to take-over the trusteeship of the 'old' charity and its premises. However, the 'old' charity remains in existence in order to hold the premises and any designated funds that are 'permanent endowment' as these cannot lawfully be transferred into the direct ownership of a CIO (nor, indeed, a company). The Charity Commission will make a uniting order which enables the new 'host' CIO to prepare a single annual report and set of accounts embracing both charities.

ACRE (the rural community councils' national body) has now agreed with the Charity Commission a model constitution for village hall CIOs. It follows the Commission's own general purpose CIO model constitution for a 'foundation' body. It is therefore very long! It also differs from the unincorporated model in that there is less scope to involve the whole community in AGMs. However, constitutions can always be amended, although the degree to which the Commission may agree to deviate from the model is, as yet, untested.

#### **Questions and Answers**

- 1 What are the advantages and disadvantages of CIO status?**
  - Trustees are protected by limited liability.
  - CIO status achieved under Charity law.
  - Annual reports must be compiled and sent to the Charity Commission.
  - There is still a need for sound management and avoiding risk.
  - The Village Hall is still a charity with Trustees.
  
- 2 Should Village Halls Consider changing to CIO Status?**
  - CIO status considered to be more appropriate to Village Halls that are more at risk – For example those that employ staff and have a number of contracts for services.
  - Those Halls that do not have this complexity then possibly better to continue with present constitution.
  
- 3 How difficult is the conversion process?**
  - Need to look at existing constitution.
  - CIO status requires openness to the community so any restrictions may have to be changed.
  - CAN is able and willing to support both existing and new groups in Northumberland which wish to establish a CIO. Contact Louise Currie or David Francis at Tower Buildings.