

[illegible]

Members' Weekender 2013
Manchester 17-18 May
aat.org.uk/weekender

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CI - CIO

Charity Information and Charitable Incorporated Organisations

Ken Brew, Head of Charities, Henton & Co.

The logo for "aat" is written in a green, lowercase, sans-serif font. The letters are bold and modern, with a slight slant.

Legal forms for a charity

Existing

- A charitable trust (deed)
- A charitable association – membership body
- A charitable company – limited by guarantee

New

- A CHARITABLE INCORPORATED ORGANISATION

Problems with Existing Legal forms

- Trusts – No protection of limited liability
- Companies
 - Corporate status and limited liability BUT
 - Compliance with Company and Charity law
 - Dual status (Company director and Charity trustee)
 - Dual notification (Companies House and Charity Commission)
 - Dual submission (Accounts to CH and CC – different deadlines)
 - Dual compliance (Company Law and Charities SORP)

Government Policy

- *“Making it easier for people to set up and run a charity”*
- Charitable Incorporated Organisation (CIO)
- The perfect solution? A simple concept.
- A CIO is a corporate body with limited liability
- Registered and regulated solely by the Charity Commission
- Limited liability without Company Law
- Single Regulator
- With tax advantages of a charity

CIO – long gestation period

- Original idea
 - 2002 Cabinet Office report.....
 - “*Private Action Public Benefit*”
- Mechanism
 - Charities Act 2006.....
- Delivery
 - CIO Regulations (November 2012)
 - E&W registration from January 2013 onwards!

CIO – Loss of impact?

- Many charities waiting and postponing their decisions
- SCIO effective from 1 April 2011
- E&W Regulations much more complex drafting than those in Scotland
- Delays due to complexities, events, reduced resources etc.
- Not a panacea but may suit some charities in particular circumstances

CIO conversion from Unincorporated body

- To become a CIO, a new CIO charity must be formed
- The old charity agrees to wind up
- Transfer (all) assets from the old charity (Expenditure)
- New charity receives the assets (Incoming resource)
- Market value at the date of the transfer?
- Simplest if all of the assets are transferred at the year end date
BUT...
- This requires planning and preparation

CIO conversion from a Company

- It will be possible to convert without a winding up but the Regulations have still to be finalised...
- Conversion can take place any time (in theory) – mid year?
- No transfer of assets but "a new wrapper"
- Communication between Companies House and the Charity Commission will need to be good.

Charity Commission

Registration timetable for CIOs

- From 10 Dec 2012 New charities > £5k income

Unincorporated

- From 1 Mar 2013 Existing > £250k
 - From 1 May 2013 Existing > £100k - £250k
 - From 1 July 2013 Existing > £ 25k - £100k
 - From 1 Oct 2013 Existing > £ 5k - £ 25k
 - From 1 Jan 2014 Existing < £ 5k
- During 2014 onwards Company conversions

CIO Distinctives

- “the charity trustees of a CIO” are
 - NOT directors
 - MAY be called “a board” but no definition in Law
- CAN be a Membership organisation
- OTHERWISE Members = trustees
- TWO Model Constitutions
- Principal office in either England or Wales
- Could be a PO Box
- SCIO has principal office in Scotland
- UK wide operation needs CIO to be registered with OSCR

CIO Distinctives (cont.)

- CIO needs to keep a Register of members and a Register of trustees.
- CIO has its own legal identity apart from the trustees.
- CIO needs to submit Annual Return and
- CIO needs to submit accounts to the Charity Commission.
- But CIO has no “de minimis” limit on accounts submission (£25k) or Registration (£5k)

CIO Distinctives (cont.)

- CIO can use Receipts and Payments format for accounts
(If annual income is below £250k income)
- Company Law does not permit this for companies...
- There is a reason – what happened to it?
- Will stakeholders allow R&P in practice?

CIO Issues and Problems

- The Charity Commission does not keep a Register of Charges for CIOs regarding Debentures and Loans like Companies House – will this impair the ability to raise future loan finance?
- When does jurisdiction transfer from Companies House to the Charity Commission – submission of accounts in the gap?
- You can convert to a CIO but you can't convert from it. Will you have to dissolve it?
- What happens if CIO ceases to be charitable?
- Conversion might crystallise existing liabilities – e.g. pensions

CIOs may be advantageous when...

- Unincorporated associations want reduced trustee liability.
- Charities struggle with the administrative burden of registering and filing accounts with Companies House.
- Organisations want trustees aged 16-18 on their governance board.
- Individuals or groups want to set up a charity with limited member rights.

CIOs maybe a disadvantage for...

- Organisations that might want to want to borrow money in future.
- Individuals and groups looking to set up an organisation quickly.
- Unincorporated charities with contingent liabilities such as those arising within a defined benefit pension scheme.
- Corporate charities with able staff and advisors so that they do not struggle with the administrative burden of registering and filing accounts with Companies House.
- Unincorporated charities that are unlikely to enter into contracts.

Charity Information

- Overview of the Framework
- Layering of accounts - activities
- Exploring the Charity Commission's website
- Looking at Macro data

Proposed Accounts requirements

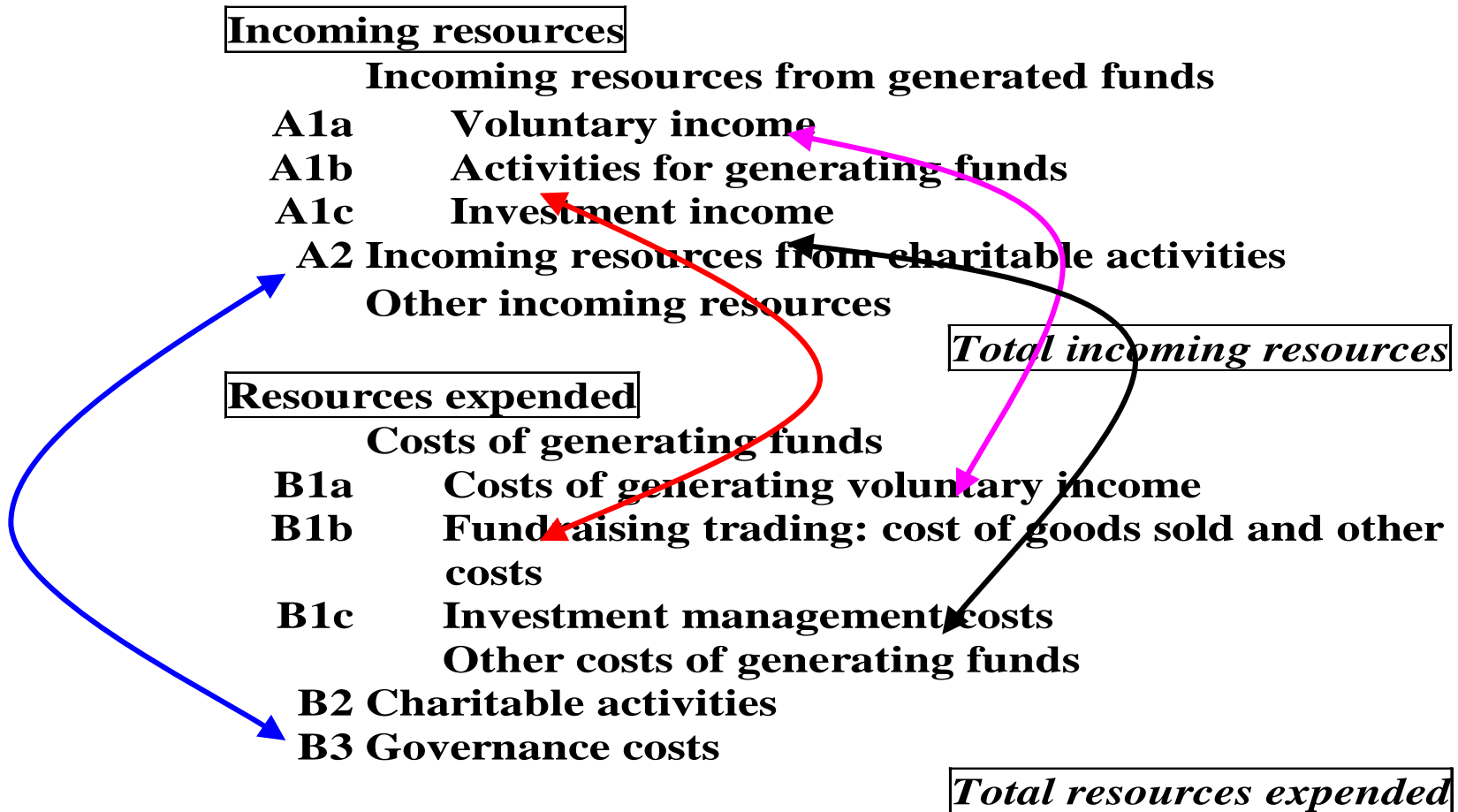
England and Wales

(From March 2009)

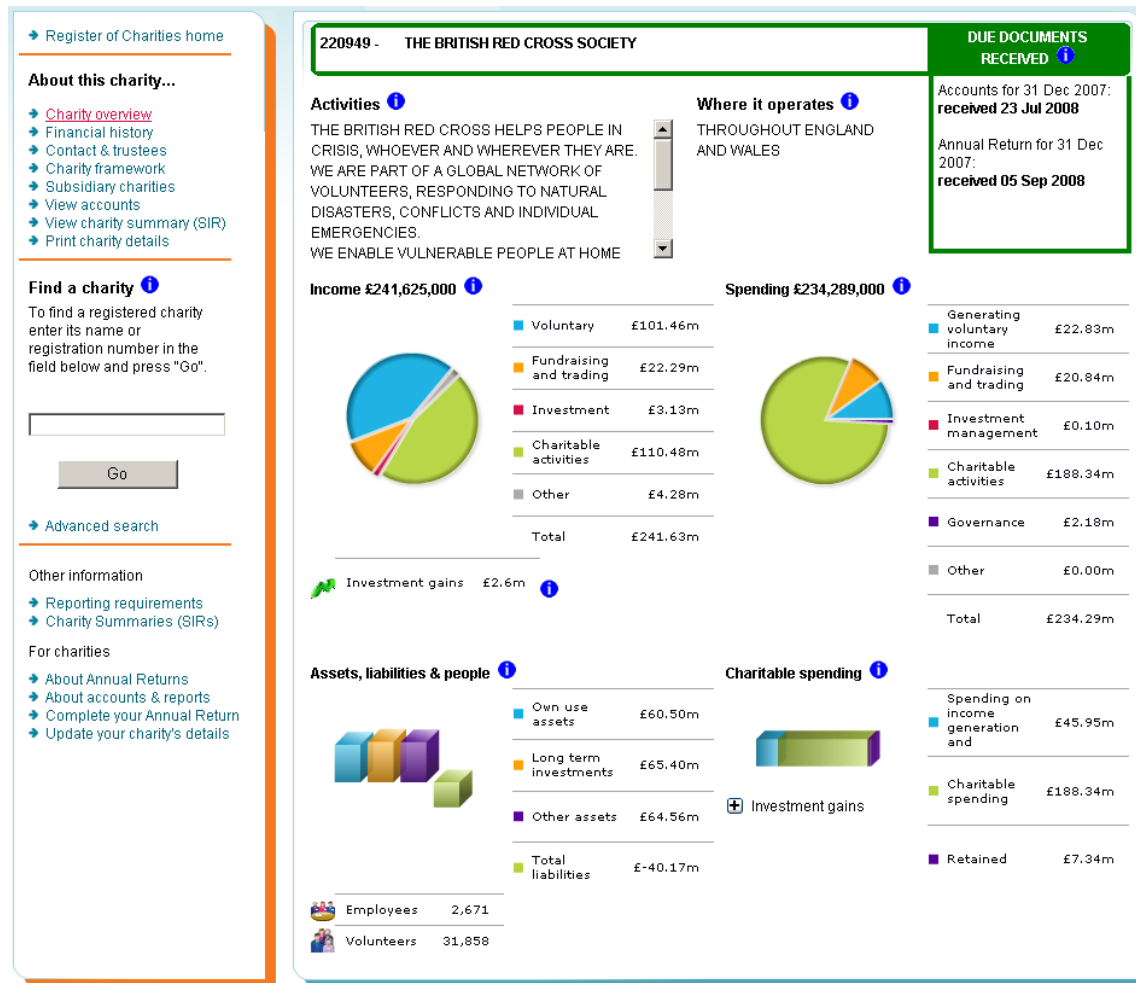
Income	≤ £10k	£10k-£25k	£25k-£250k	£250k-£500k	£500k
Accounts	Cash basis (non-company) Accruals basis (company)			Accruals basis	
				Simpler?	Full
Trustees' annual report	Simple				Full
Scrutiny	None		Independent Examination*		Independent Audit
			Independent Person	Qualified Accountant	
Report to regulator	Update form	Simple return, report and accounts			Return, report & accounts

* if Income >£250k and assets >£3.26m audit required. Company charities May have IE.

Statement of Financial Activities Layering



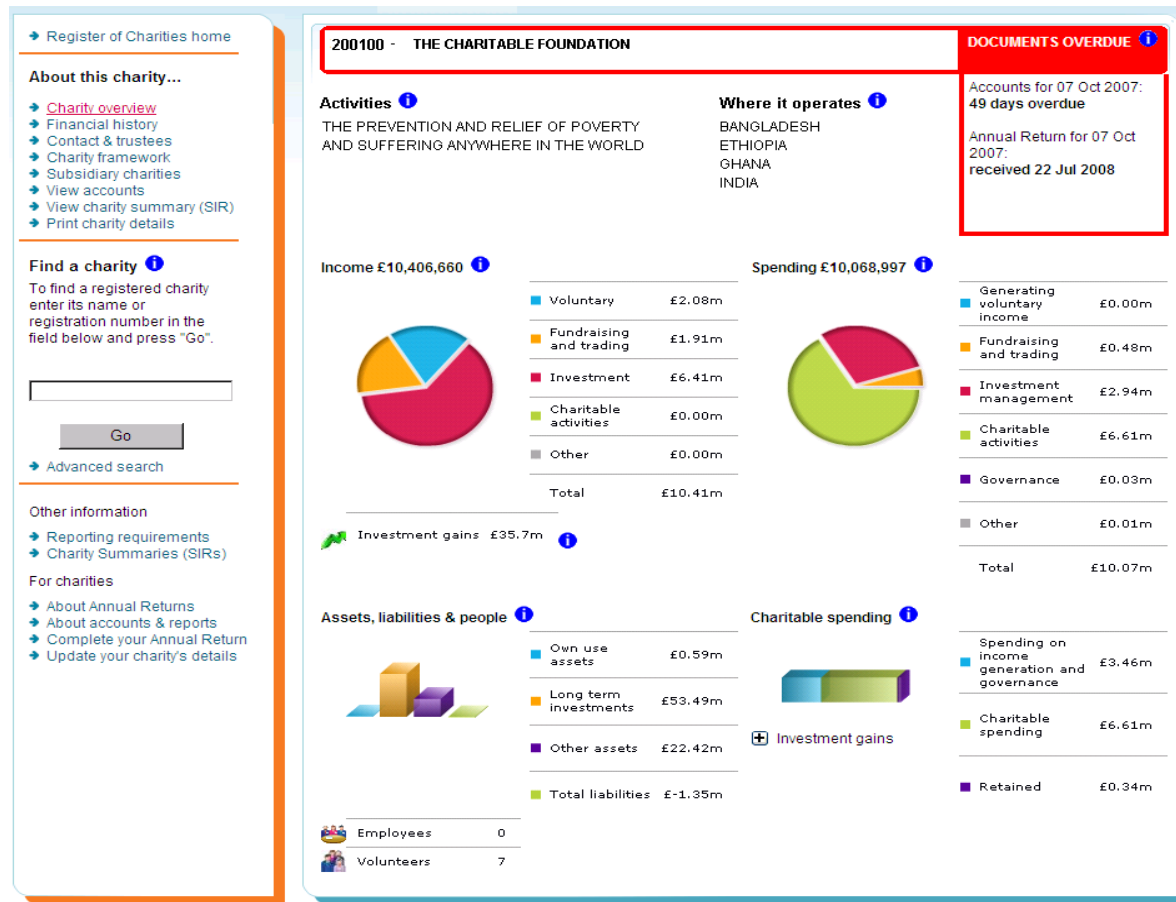
The Register of Charities



Nov 2011

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The Register – documents overdue



Nov 2011

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The Register – financial history

→ Register of Charities home

About this charity...

- Charity overview
- [Financial history](#)
- Contact & trustees
- Charity framework
- Subsidiary charities
- View accounts
- View charity summary (SIR)
- Print charity details

Find a charity ⓘ

To find a registered charity enter its name or registration number in the field below and press "Go".

Go

→ Advanced search

Other information

- Reporting requirements
- Charity Summaries (SIRs)

For charities

- About Annual Returns
- About accounts & reports
- Complete your Annual Return
- Update your charity's details

200100 - THE CHARITABLE FOUNDATION **DUE DOCUMENTS RECEIVED** ⓘ

Financial history ⓘ

Compliance history ⓘ

Financial summary ⓘ

Financial year end (FYE)	Income	Spending	Accounts received	Annual Return received	View
31 Mar 2007	£31,006,923*	£29,983,538*	05 Oct 2007	05 Oct 2007	Accounts SIR
31 Mar 2006	£26,673,781	£25,090,692	21 Nov 2006	29 Jan 2007	Accounts SIR
31 Mar 2005	£21,304,000	£19,710,000	29 Mar 2006 (57 days late)	23 Jan 2006	Accounts
31 Mar 2004	£18,063,000	£15,820,000	13 Jan 2005	13 Jan 2005	Accounts
31 Mar 2003	£16,833,749	£12,074,684	12 Jan 2004	12 Jan 2004	

* Consolidated accounts ⓘ

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Useful Websites

- <http://www.charity-commission.gov.uk/>
- www.charitytrends.org
- http://www.civilsociety.co.uk/directory/company/2765/office_for_civil_society
- www.legislation.gov.uk/ukpga/2011/25/enacted
- <http://www.kubernesis.co.uk/resources/>

Any questions?

