

## Charitable Incorporated Organisations

There are two different types of Charitable Incorporated Organisation (CIO):

- Foundation CIOs and
- Association CIOs.

In a Foundation CIO, the only voting members are the trustees, whereas for an Association CIO, the voting membership is wider than its trustees.

### Potential Advantages

- The main advantage of converting to a CIO is the less burdensome regulatory and administrative regime.
- CIOs do not have to register with Companies House (Companies Act 2006) and only need to be registered with the Charity Commission (CC). As a result, CIOs are not required to file information at Companies House but file information with the CC only, which, in contrast to Companies House, does not charge for the registration or the filing of information.
- CIOs which have a gross income of less than £250,000 in any financial year may use the simpler receipts and payments basis to prepare its accounts.
- Can have a constitution rather than articles. Former normally simpler which is because much of the content of a company's articles is needed to comply with requirements under company law. In principle, the constitution of a CIO does not need to be much more complex than the constitution of an unincorporated charitable association. The constitution, however, must be in a form specified by regulations made by the CC, who have published model constitutions for both types of CIO. To keep the process as simple as possible it is recommended that these be replicated as near to that form as the circumstances permit.
- Trustees of CIOs benefit from limited liability, which is either limited to the amount they have invested in the CIO or have guaranteed upon the winding up of the CIO or can be nothing. **However, as we are a company limited by guarantee we already have the advantage of limited liability.**
- Don't need a public PSC register (people with significant control).

### Potential Disadvantages

- Only existed since 2013 and so the concept remains relatively new, which may mean that some funders and others are confused and questioning of what/who we are (though more than 10,000 do exist).

As a charitable company which is already a registered charity it would be, for us, the simplest type of conversion, as from the Charity Commission's point of view it simply involves an existing registered charity making a constitutional change. There is no change to the registered charity number. The application to convert can be made at any time so long as the company does not have any accounts or returns overdue – this applies in relation to both Companies House and the Charity Commission. And there would be no need to transfer staff or property, no need to set up new contracts, etc.

This means that the existing name and charity number can be kept, as well as the existing bank accounts.

### Main features of a charitable incorporated organisation

A corporate body	<ul style="list-style-type: none"> <li>– Can hold its own property</li> <li>– Can sue and be sued in the name of the charity (rather than trustees personally)</li> </ul>
Limited liability	<ul style="list-style-type: none"> <li>– A major claim could lead to the charity being liquidated, but no claim can be made against the personal assets of members or trustees provided they act properly</li> </ul>
Governing document	<ul style="list-style-type: none"> <li>– Has a constitution</li> </ul>
Registration	<ul style="list-style-type: none"> <li>– Done entirely by the charity regulator (the registration creates the CIO and confirms its charitable status) – every CIO is a registered charity</li> </ul>
Governance	<ul style="list-style-type: none"> <li>– Has charity trustees (similar to trustees/directors of a charitable company, but no obligations under company law)</li> </ul>
Accounting	<ul style="list-style-type: none"> <li>– As for other non-company charities; special rules for charitable companies do not apply</li> </ul>
Name	<ul style="list-style-type: none"> <li>– Normally ends with ‘CIO’ (‘SCIO’ in Scotland) unless the status is otherwise disclosed on documents</li> </ul>
Members	<ul style="list-style-type: none"> <li>– Always has a membership but it can have a two- level structure of members electing trustees or a single level where the only members are the trustees</li> </ul>
Insolvency	<ul style="list-style-type: none"> <li>– Regulations create a similar framework to the insolvency arrangements for limited companies</li> </ul>