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# Charitable Incorporated Organisation (CIO)

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Supported by:



**CabinetOffice**  
Office of the **Third Sector**

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What do you know about the CIO?

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## **What a governing document needs to do (1)**

It should contain information about:-

- What the charity is set up to do (objects)
- How the charity will do these things (powers)
- Who will run it (charity trustees)
- What happens if changes to the administrative provisions need to be made (amendment provision)
- What happens if the charity wishes to wind up

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## **What a governing document needs to do (2)**

It should include administrative provisions which cover:-

- How the charity trustees will run it
- Internal arrangements for meetings, voting, looking after money

It is the trustees' instruction manual as well as a legal document.

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## **Establishing a Charity - options for legal structures**

Charitable Trust – trust deed

Charitable Association – constitution or rules

Charitable Company – memorandum and articles of association

Choose carefully.....

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## **What is a charitable incorporated organisation?**

- First legal structure created specifically and exclusively for charities
- Company structure for a non-profit making organisation
- An option not a requirement

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## **Governing documents for CIOs**

- Model constitutions from the Charity Commission
  - Foundation model - trust
  - Association model – membership organisation

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## **Lifecycle of a CIO**

- Setting up a new charity as a CIO
- Converting from an existing charitable company
- Converting from an existing charitable association or trust
- Altering the constitution of a CIO
- Winding up

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## **CIO – Advantages over Company form**

- Single registration – with the Charity Commission
- Less onerous accounts preparation requirements
- Less onerous reporting requirements
- Only one annual return
- Single and cheaper filing
- Simpler and flexible constitutional forms
- More straightforward merger and reconstruction
- A legal framework designed specifically with charities in mind

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## **CIO - Disadvantages**

- All CIOs must submit annual accounts and reports to the Charity Commission
- More information will be publicly available about CIOs than unincorporated charities
- Unincorporated Associations and Trusts can be simpler to set up and operate
- Awareness amongst funders / lenders etc.. of CIO compared with Company Limited by Guarantee which is well known

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## **CIO – Some Consultation Issues**

- Balancing the need for CIOs to be simple and attractive to charities with the need for CIO framework to be robust for business purposes
- The balance between imposed constitutional requirements and constitutional flexibility
- Modifications to the default standard of care expected of a charity trustee of a CIO
- Minimum age of a charity trustee of a CIO
- Trustee benefits & conflicts of interest
- Business information about a CIO
- Insolvency, winding-up and dissolution procedures

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## **Implementation Timetable**

- Consultation on draft Regulations and draft Model Governing Documents: July 2008
- Autumn 2008 – analyse responses and update Regulations and Governing Documents
- Late 2008 – Regulations before Parliament
- First quarter 2009 – CIO provisions come into force, and CIO available for new charities and conversions
- 2011 – Evaluation of the Charities Act 2006 to include evaluation of the CIO

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## **CIO - Summary**

- New form only for charities – available early 2009
- Is incorporation right for your charity?
  - The benefits of limited liability and incorporation need to be measured against additional requirements it brings.
- CIO offers several advantages over Company Limited by Guarantee form – but are these sufficient to warrant conversion?
- Engage with the consultation – some important issues remain, and we're keen for sector feedback
- CIO is a new form – it will take time for awareness to spread through business community

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## Where to go to find out more?

- “Charities Act 2006: what trustees need to know”
  - Pick one up here today or
  - Tel. 0845 300 0218 for a free copy (quote URN 07/Z2)
- Websites for further info:
  - [www.trusteenet.org.uk](http://www.trusteenet.org.uk)
  - [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)
  - [www.cabinetoffice.gov.uk/thirdsector](http://www.cabinetoffice.gov.uk/thirdsector)
- Sign up to our implementation e-mail update group
- Please give us your views on consultations

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# Questions & Answers

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**Conclusion**