



The CIO (Charitable Incorporated Organisation): Q&A

What is a CIO?

The Charitable Incorporated Organisation (CIO) is a new corporate structure for charities, which will provide some of the benefits of being a company but without some of the burdens.

Why might it be useful?

Traditionally, the usual way of achieving such protection has been to incorporate as a company limited by guarantee and then to register as a charity. But the company limited by guarantee has never been a perfect fit for charities. It is subject to dual regulation: accounts and reports must be sent to Companies House as well as to the Charity Commission. Often trustees have been surprised to learn that they are company directors, with the additional legal responsibility this entails.

The CIO means a reduced regulatory burden but also provides a bespoke charity structure.

When will CIOs be available?

You will have heard it all before but five years after the charitable incorporated organisation (CIO) was announced in the Charities Act 2006, the signs are that it will finally soon be available.

Concerns have been expressed about the Commission's ability to regulate as well as to register CIOs in the context of a 30% budget reduction. But the Commission has already geared itself up to deal with this additional responsibility, which it sees as a priority area of activity as it refocuses on its role as regulator of charities, rather than as a provider of support and advice to the third sector.

The Commission will register and regulate CIOs once parliament passes necessary Regulations to enable the Commission to start registering CIOs. This is likely to be in autumn 2011. There will be a phased introduction, with new organisations being first to register as CIOs, followed by existing charities.

Can we have a wide membership?

Yes. The Commission has published two alternative model constitutions, which are broadly similar. The "foundation" model will cater for those CIOs that want the only members to be the charity trustees. The "association" model will be available for those requiring a wider membership open to other people. Both models also provide for non-voting members.



What are the duties of those involved with CIOs?

In managing the CIO's affairs, a "charity trustee" will be required to exercise such care and skill as is reasonable in the circumstances, having regard to their particular skills set and experience.

While the primary obligation of trustees has always been to act in their charity's best interests, this duty has not applied to members of companies. The Charities Act 2006 makes clear that it is the duty of each member of a CIO (as well as of each charity trustee) to exercise powers and perform their functions in the way they decide in good faith would be most likely to further the purposes of the CIO.

Will a CIO be right for us?

The Commission's "light touch" approach and wish to simplify matters as much as possible underlines its expectation that the CIO will be most suitable for small to medium-sized organisations, which employ staff and/or enter into contracts.

If you are an unincorporated charity what additional obligations will operating as a CIO entail?

All CIOs will have to register with the Commission, even if they have an income of less than £5,000. This may be an advantage for many smaller charities who seek the cachet of registered charity status in seeking to attract funding.

All CIOs will have to submit an annual return and accounts (within 10 months of their year end), CIOs will have to keep a register of members and a register of trustees and the constitution of a CIO must contain certain provisions.

Ultimately, you will need to deal with more paperwork in return for more legal protection, but with less regulation than if you operated as a company limited by guarantee.

The Commission explains that it will be easiest to use one of its model constitutions as your template because these meet the requirement of law and comply with good practice, as well as being free of charge. It would help smaller organisations if by the time of implementation the Commission made these models available as word documents as well as in "read-only" form.

It will take up to 40 working days to register your CIO with the Commission, from which time it will come into existence. If you already have significant financial or legal risks in operating your charity, then the advice remains to address these now and if appropriate to incorporate, whether as a company or as an industrial and provident society. The Regulations will provide for converting to a CIO from another structure (even from a non-charitable CIC).



Further Help

Where can I find out more?

Have a look at the initial Charity Commission guidance: [www.charity-commission.gov.uk/Start up a charity/Do I need to register/CIOs/default.aspx](http://www.charity-commission.gov.uk/Start_up_a_charity/Do_I_need_to_register/CIOs/default.aspx)

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